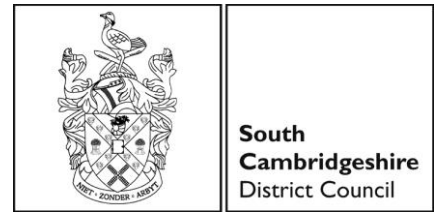


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To: Chair – Councillor Michael Atkins
Vice-Chair – Councillor Peter Sandford
Members of the Audit and Corporate Governance Committee –
Councillors Geoff Harvey, Mark Howell, Helene Leeming, Richard Stobart
and Heather Williams

Quorum: 3

Substitutes: Councillors Graham Cone, Sue Ellington, Dr. Richard Williams,
Bunty Waters, James Hobro, Dr Lisa Redrup, Pippa Heylings,
Stephen Drew and Jose Hales

Dear Councillor

You are invited to attend the next meeting of **Audit and Corporate Governance Committee**, which will be held in **Council Chamber - South Cambs Hall** at South Cambridgeshire Hall on **Thursday, 1 June 2023 at 2.00 p.m.**

Members are respectfully reminded that when substituting on committees, subcommittees, and outside or joint bodies, Democratic Services must be advised of the substitution ***in advance of*** the meeting. It is not possible to accept a substitute once the meeting has started. Council Standing Order 4.3 refers.

Yours faithfully
Liz Watts
Chief Executive

The Council is committed to improving, for all members of the community, access to its agendas and minutes. We try to take all circumstances into account but, if you have any specific needs, please let us know, and we will do what we can to help you.

Agenda

Pages

- 1. Apologies for Absence**
To receive Apologies for Absence from Committee members.
- 2. Declarations of Interest**
- 3. Minutes of Previous Meeting**
To confirm the minutes of the meeting held on 23 March 2023 as a correct record.

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Audit Reports

4. **External Audit Plan 2020-21** **9 - 54**

Recommendation to Council

5. **Audit & Corporate Governance Committee - Annual Report 2022/2023** **55 - 68**

Information Items

6. **Matters of Topical Interest**
7. **Date of Next Meeting**
Wednesday 26 July at 10 am.

GUIDANCE NOTES FOR VISITORS TO SOUTH CAMBRIDGESHIRE HALL

Notes to help those people visiting the South Cambridgeshire District Council offices

While we try to make sure that you stay safe when visiting South Cambridgeshire Hall, you also have a responsibility for your own safety, and that of others.

Security

When attending meetings in non-public areas of the Council offices you must report to Reception, sign in, and at all times wear the Visitor badge issued. Before leaving the building, please sign out and return the Visitor badge to Reception.

Public seating in meeting rooms is limited. For further details contact Democratic Services on 03450 450 500 or e-mail democratic.services@scambs.gov.uk

Emergency and Evacuation

In the event of a fire, a continuous alarm will sound. Leave the building using the nearest escape route; from the Council Chamber or Mezzanine viewing gallery this would be via the staircase just outside the door. Go to the assembly point at the far side of the staff car park opposite the staff entrance

- **Do not** use the lifts to leave the building. If you are unable to use stairs by yourself, the emergency staircase landings have fire refuge areas, which give protection for a minimum of 1.5 hours. Press the alarm button and wait for help from Council fire wardens or the fire brigade.
- **Do not** re-enter the building until the officer in charge or the fire brigade confirms that it is safe to do so.

First Aid

If you feel unwell or need first aid, please alert a member of staff.

Access for People with Disabilities

We are committed to improving, for all members of the community, access to our agendas and minutes. We try to take all circumstances into account but, if you have any specific needs, please let us know, and we will do what we can to help you. All meeting rooms are accessible to wheelchair users. There are disabled toilet facilities on each floor of the building. Infra-red hearing assistance systems are available in the Council Chamber and viewing gallery. To use these, you must sit in sight of the infra-red transmitter and wear a 'neck loop', which can be used with a hearing aid switched to the 'T' position. If your hearing aid does not have the 'T' position facility then earphones are also available and can be used independently. You can get both neck loops and earphones from Reception.

Toilets

Public toilets are available on each floor of the building next to the lifts.

Recording of Business and Use of Mobile Phones

We are open and transparent about how we make decisions. We allow recording, filming and photography at Council, Cabinet and other meetings, which members of the public can attend, so long as proceedings at the meeting are not disrupted. We also allow the use of social media during meetings to bring Council issues to the attention of a wider audience. To minimise disturbance to others attending the meeting, please switch your phone or other mobile device to silent / vibrate mode.

Banners, Placards and similar items

You are not allowed to bring into, or display at, any public meeting any banner, placard, poster or other similar item. Failure to do so, will result in the Chairman suspending the meeting until such items are removed.

Disturbance by Public

If a member of the public interrupts proceedings at a meeting, the Chairman will warn the person concerned. If they continue to interrupt, the Chairman will order their removal from the meeting room. If there is a general disturbance in any part of the meeting room open to the public, the Chairman may call for that part to be cleared. The meeting will be suspended until order has been restored.

Smoking

Since 1 July 2008, South Cambridgeshire District Council has operated a Smoke Free Policy. No one is allowed to smoke at any time within the Council offices, or in the car park or other grounds forming part of those offices.

Food and Drink

Vending machines and a water dispenser are available on the ground floor near the lifts at the front of the building. You are not allowed to bring food or drink into the meeting room.

DECLARATIONS OF INTEREST – INFORMATION FOR COUNCILLORS

As a Councillor, you are reminded of the requirements under the Council's Code of Conduct to register interests and to disclose interests in a meeting. You should refer to the requirements set out in the Code of Conduct which are summarised in the notes at the end of this agenda frontsheet.

Disclosable pecuniary interests

A "disclosable pecuniary interest" is an interest of you or your partner (which means spouse or civil partner, a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners) which falls within the categories in [Table 1 of the code of conduct, which is set out in Part 5 of the Constitution](#).

Where a matter arises at a meeting which directly relates to one of your disclosable pecuniary interests you must:

- disclose the interest;
- not participate in any discussion or vote on the matter; and
- must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.

It is a criminal offence to:

- fail to notify the monitoring officer of any disclosable pecuniary interest within 28 days of election
- fail to disclose a disclosable pecuniary interest at a meeting if it is not on the register
- fail to notify the Monitoring Officer within 28 days of a disclosable pecuniary interest that is not on the register that you have disclosed to a meeting
- participate in any discussion or vote on a matter in which you have a disclosable pecuniary interest
- knowingly or recklessly provide information that is false or misleading in notifying the Monitoring Officer of a disclosable pecuniary interest or in disclosing such interest to a meeting.

Other registerable interests

These are categories of interest which apply to the Councillor only (not to their partner) and which should be registered. Categories are listed in [Table 2 of the code of conduct, which is set out in Part 5 of the Constitution](#). Where a matter arises at a meeting which directly relates to the financial interest or wellbeing of one of your Other Registerable Interests, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter; and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of non-registerable interests

Where a matter arises at a meeting which directly relates to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Where a matter arises at a meeting which affects – a. your own financial interest or well-being; b. a financial interest or well-being of a relative or close associate; or c. a financial interest or wellbeing of a body included under Other Registrable Interests as set out in Table 2 you must disclose the interest.

In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied. Where a matter (referred to in the paragraph above) affects the financial interest or well-being: a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and; b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest, you may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.
[Where you have an Other Registerable Interest or Non-Registerable Interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it]

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Agenda Item 3

South Cambridgeshire District Council

Minutes of a meeting of the Audit and Corporate Governance Committee held on Thursday, 23 March 2023 at 10.00 a.m.

PRESENT: Councillor Michael Atkins – Chair
Councillor Peter Sandford – Vice-Chair

Councillors: Geoff Harvey Mark Howell
Helene Leeming Dr Lisa Redrup (substitute)
Heather Williams

Officers: Peter Maddock Head of Finance
Rory McKenna Monitoring Officer
Ian Senior Scrutiny and Governance Adviser

Auditor: Jonathan Tully Head of Shared Internal Audit

Councillor John Williams (Lead Cabinet Member for Resources) was in attendance, by invitation.

1. Apologies for Absence

Councillor Richard Stobart sent apologies and Councillor Dr. Lisa Redrup attended as his substitute.

2. Declarations of Interest

Councillor Peter Sandford declared an interest as a non-remunerated director of South Cambs Ltd trading as Ermine Street Housing.

3. Minutes of Previous Meeting

The Audit & Corporate Governance Committee authorised the Chair to sign the minutes of the meeting held on 19 January 2023 subject to an amendment being made to Minute 2 (Declarations of interest) to show Councillor Richard Stobart's interests as being a Director of both the South Cambridgeshire Investment Partnership LLP and South Cambridgeshire Projects LLP rather than a non-remunerated director of South Cambs Ltd trading as Ermine Street Housing.

The Audit & Corporate Governance Committee authorised the Chair to sign, as a correct record, the minutes of the meeting held on 21 February 2023.

4. Regulation of Investigatory Powers Act 2000 (RIPA) Policy and Update on Use of RIPA

The Audit & Corporate Governance Committee **considered** a report on the use of powers under the Regulation of Investigatory Powers Act 2000.

Members noted that the Council had not used surveillance powers between December 2022 and February 2023.

The Committee paid tribute to Rory McKenna, who would be leaving South Cambridgeshire District Council at the end of March 2023 to become Monitoring Officer at the Greater London Authority.

The Committee **noted** the report and **approved** South Cambridgeshire District Council's Regulation of Investigatory Powers Act 2000 Corporate Policy & Procedures attached thereto, subject to a few minor typographical changes relating to linguistics and consistency.

5. Governance Risk and Control Update

The Audit & Corporate Governance Committee **received and noted** a report updating Members about topical news items intended to further their understanding of Corporate Governance.

In response to questions from Committee members, the Head of Shared Internal Audit

- Agreed that, with regard to whistleblowing, it should be made clear to whom reports should be made.
- Confirmed that South Cambridgeshire District Council corporate governance was broadly comparable with that of similar local authorities.
- Explained the value of sharing legal and fair information with other local authorities in areas such as Right To Buy fraud.
- Clarified the importance of human input into the National Fraud Initiative, notwithstanding ever-improving algorithms.

6. Matters of Topical Interest

At the Chair's invitation, the Head of Finance

- Reported that South Cambridgeshire District Council had secured a reduction of £3,500 in the level of fees charged in respect of the 2018-19 Audit of Accounts.
- Expressed confidence in becoming up-to-date in terms of audited accounts given the impending change of external auditor.

The Chair

- invited Members to give some thought to what the role might be of an 'independent member' were one to be appointed to the Audit & Corporate Governance Committee.
- Said that he would consider publishing an Audit & Corporate Governance Committee Annual Report.

7. Date of Next Meeting

The next meeting of the Audit & Corporate Governance Committee meeting had been scheduled for 26 July 2023 at 10.00am.

The Meeting ended at 10.50 a.m.

South Cambridgeshire District Council Audit planning report

Year ended 31 March 2021

26 May 2023

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Agenda Item 4

South Cambridgeshire District Council

26 May 2023

Dear Audit and Corporate Governance Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Corporate Governance Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Plan summarises our assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit and Corporate Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 26 July 2023 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Janet Dawson

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Corporate Governance Committee and management of South Cambridgeshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Corporate Governance Committee, and management of South Cambridgeshire District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Corporate Governance Committee and management of South Cambridgeshire District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2020/21 audit strategy



Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Corporate Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud Risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Linking to our fraud risk identified above, we have determined that the way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements.
Valuation of Investment Properties	Significant risk	No change in risk or focus	<p>During the 2019/20 the Council purchased three investment property assets totalling £24.6 million, in 2020/21 the Council purchased a further three investment properties totalling a further £25.4 million. At the balance sheet date of the 31 March 21 the Council investment property portfolio has been revalued to £75.5 million which equates to a £24.0 million increase in their valuation.</p> <p>The valuation of these investment properties represent a significant balance in the statement of accounts and their valuation requires management to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>
Accounting for Covid-19 related government grants	Inherent Risk	New risk	The Council has received a significant level of government funding in relation to Covid-19. The emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment of the grants within the 2020/21 financial statements.

Overview of our 2020/21 audit strategy

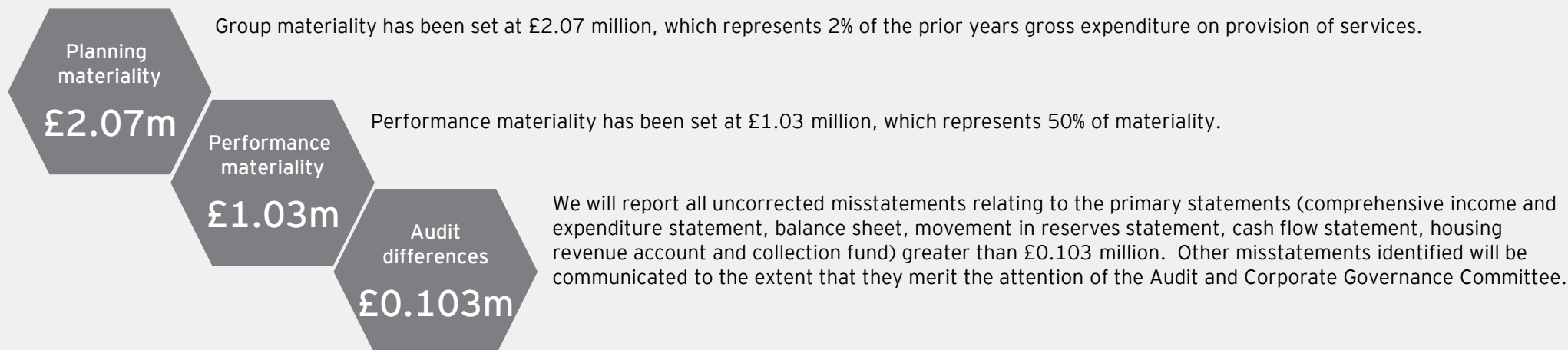
Risk / area of focus	Risk identified	Change from PY	Details
Capital accounting entries Page 14	Inherent Risk	Reduced Risk	<p>In 2018/19 the Council implemented a new fixed asset register (FAR). We found that the Council had a lack of understanding of how the new FAR operated resulting in multiple attempts to produce reports from the new FAR that reconciled with the closing balances from 2017/18, the Council's trial balance and the statement of accounts.</p> <p>In the 2019/20 audit we identified a significant risk over capital accounting entries due to the findings in 2018/19. Our work in 2019/20 showed an overall improvement in the Council's process's for managing and accounting for its fixed assets. We did however identified a number of significant audit adjustments relating to entries in the fixed asset register, therefore, given these prior year findings there remains an inherent risk that capital accounting entries and disclosures may be materially misstated in 2020/21.</p>
Presentation and disclosure of accounting items	Inherent risk	No change in risk or focus	<p>In the 2019/20 audit we included an inherent risk over the presentation and disclosure of accounting items. Our audit procedures in 2019/20 identified a number of audit adjustments required to bring the financial statements in line with the requirements of the CIPFA code of practice and the underlying accounting standards.</p> <p>Since 2019/20, and in periods before this, the Council have continued to strengthened its finance team and put in place process's to improve how the statement of accounts are populated and to improve the overall quality of working papers and evidence to support the statements.</p> <p>At the planning stage we believe that the audit risk over the presentation and disclosure of accounting items remains an inherent risk for 2020/21.</p> <p>Throughout the audit we will keep this risk assessment in review and will communicate to the Audit and Corporate Governance Committee should we need to reassess the level of this risk.</p>

Overview of our 2020/21 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Valuations of other land and buildings and housing	Inherent risk	No change in risk or focus	Other Land and Buildings (OLB) and housing represent significant balances in the Council's accounts (£31 million and £520 million respectively at 31 March 2021) and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end balances held in the balance sheet. As these balances are significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk balances may be under/overstated or the associated accounting entries incorrectly posted.
Pension Liability Valuation & other pension disclosures	Inherent risk	No change in risk or focus	The Council's pension fund deficit is a material estimated balance (£82 million at 31 March 2021) disclosed on the Council's balance sheet. Accounting for this scheme involves significant estimation and judgement, management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

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Materiality



Overview of our 2020/21 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of South Cambridgeshire District Council give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We anticipate that we will not be required to report to the National Audit Office (NAO), on the Council's Whole of Government Accounts return, due to the lateness of reporting for the 2020/21 financial year.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of South Cambridgeshire District Council's audit, we will discuss these with management as to the impact on the scale fee.



02

Audit risks



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Our response to significant risks

We have set out the significant risks (including fraud risks) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p>Fraud Risk Misstatements due to fraud or error</p> <p>Page 18</p>	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>As part of our work to identify fraud risks during the planning stages, we have identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation.</p> <p>These are set out on the following page.</p>	<p>What will we do?</p> <ul style="list-style-type: none"> ▶ Identifying fraud risks during the planning stages; ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks; ▶ Understanding the oversight given by those charged with governance of management's processes over fraud; ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud; ▶ Determining an appropriate strategy to address those identified risks of fraud; and ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements. <p>To address the residual risk of management override we perform specific procedures which include:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, for example using our journal tool to focus our testing on specific journals such as those created at unusual times or by staff members not usually involved in journal processing; ▶ Assessing key accounting estimates for evidence of management bias; and ▶ Evaluating the business rationale for significant unusual transactions.

Our response to significant risks

Fraud Risk

Inappropriate capitalisation of revenue expenditure

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating property, plant and equipment additions in the financial statements.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of its annual capital programme which is many times out materiality level.

This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

What will we do?

We will:

- Test property, plant and equipment additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries more generally for evidence of management bias and evaluate for business rationale.

Our response to significant risks (continued)

Significant Risk

Valuation of investment properties.

Financial statement impact

We have assessed that the risk of material misstatement is most likely to impact:

Investment Property non-current asset balances on the Balance sheet;

- The revaluation postings to the Comprehensive income and Expenditure Statement; and
- Investment Property disclosure notes.

What is the risk?

During the 2019/20 the Council purchased three investment property assets totalling £24.6 million, in 2020/21 the Council purchased a further three investment properties totalling a further £25.4 million. At the balance sheet date of the 31 March 21 the Council investment property portfolio has been revalued to £75.5 million which equates to a £24.0 million increase in their valuation.

The valuation of these investment properties represent a significant balance in the statement of accounts and their valuation requires management to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

We will:

- Consider the work performed by the valuer over the Investment Property assets, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Engage our own internal valuers, EY Real Estates, to review a sample of investment property assets and test the assumptions and methodologies employed by the Council's external valuer;
- Perform testing of key assumptions and methodologies on a further sample of investment property assets and consider the reasonableness of the estimation techniques employed;
- Sample test key asset information used by the valuer in performing their valuation, and agreeing this to what has been recorded in the fixed asset register and general ledger;
- Test that accounting entries have been correctly processed in the financial statements; and
- Review the disclosures to ensure that adequate disclosures are made in relation to estimation uncertainty.

Other inherent risks

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?	What will we do?
<p>Accounting for Covid-19 related Government grants</p> <p>In 2020/21 the Council has received a significant level of government funding in relation to Covid-19.</p> <p>Whilst there is no change in the CIPFA Code or Accounting Standard (IFRS 15) in respect of accounting for government grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment within the 2020/21 statements.</p> <p>We consider the risk applies to the classification of Government grant income and could result in a misstatement of 'Cost of Services' reported in the 'Comprehensive Income and Expenditure' statement and Balance Sheet.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Obtaining and reviewing the Council's assessment of grant accounting and classification of grants received; ▶ Sample testing of Government grant income to ensure correct classified as specific or non-specific in nature; and ▶ Sample testing Government grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body.
<p>Capital Accounting Entries</p> <p>In 2018/19 the Council implemented a new fixed asset register (FAR). We found that the Council had a lack of understanding of how the new FAR operated resulting in multiple attempts to produce reports from the new FAR that reconciled with the closing balances from 2017/18, the Council's trial balance and the statement of accounts.</p> <p>In the 2019/20 audit we identified a significant risk over capital accounting entries due to the findings in 2018/19. Our work in 2019/20 showed an overall improvement in the Council's process's for managing and accounting for its fixed assets. We did however identified a number of significant audit adjustments relating to entries in the fixed asset register resulting in a significant level of additional work.</p> <p>Given these prior year findings there remains an inherent risk that capital accounting entries and disclosures may be materially misstated in 2020/21.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Undertake a detailed review of the reports from the CIPFA Asset Management System and ensure capital balances internally reconcile and are correctly classified; • Undertake detailed testing of the opening balances within CIPFA Asset Management system; • Perform detailed testing of the in year movements within CIPFA Asset Management system; and • Test the consistency between the CIPFA Asset Management System, draft 2020/21 Statement of and trial balance.



Audit risks

Other inherent risks (continued)

What is the risk/area of focus?

Presentation and disclosure of accounting items

In the 2019/20 audit we included an inherent risk over the presentation and disclosure of accounting items. Our audit procedures in 2019/20 identified a number of audit adjustments required to bring the financial statements in line with the requirements of the CIPFA code of practice and the underlying accounting standards.

Since 2019/20, and in periods before this, the Council have continued to strengthened its finance team and put in place process's to improve how the statement of accounts are populated and to improve the overall quality of working papers and evidence to support the statements.

At the planning stage we believe that the audit risk over the presentation and disclosure of accounting items remains an inherent risk for 2020/21.

Throughout the audit we will keep this risk assessment in review and will communicate to the Audit and Corporate Governance Committee should we need to reassess the level of this risk.

What will we do?

We will:

- Undertake a detailed review of the statement of accounts to assess the overall quality of accounts presented for audit;
- Review the statement of accounts against the CIPFA disclosure checklist to assess whether they meet the requirements of the CIPFA CODE of practice;
- Review the adequacy of the working papers provided on each are of the accounts before we commence detailed audit work and provide feedback as to their quality to management; and
- lower our testing threshold across the financial statements to 50% of materiality.

Page 22

Other inherent risks (continued)

What is the risk/area of focus?

Valuation of Other Land and Buildings (OLB) and housing

OLB at £31 million and housing at £520 million represent significant balances in the Council's accounts. They are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end balances held in the balance sheet.

As the balances are significant, and the outputs from its valuer are subject to estimation, there is a higher inherent risk balances may be under/overstated or the associated accounting entries incorrectly posted.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What will we do?

We will:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Consider whether valuations are carried out with sufficient frequency to ensure that carrying values are not materially different from market value.
- Consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- For housing test a sample of beacon valuations to comparable sales to ensure that the approach is reasonable; and
- Consider specifically the use of indices to derive the 31 March valuation;
- Consider appropriateness of changes to useful economic lives as a result of the most recent valuation; and
- Test accounting entries have been correctly processed in the financial statements.

Other inherent risks (continued)

What is the risk/area of focus?

Pension Liability Valuation & other pension disclosures

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £82 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

We will:

- Liaise with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to South Cambridgeshire District Council;
- Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team;
- Employ our internal EY pensions team to calculate an estimate of the Council's pension liability by running their own 'actuarial model' and comparing this to that produced by the Council's actuary;
- Consider the impact of the recent 2022 triannual valuation on the Council pension liability; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.



03

Value for Money Risks





Value for money

The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

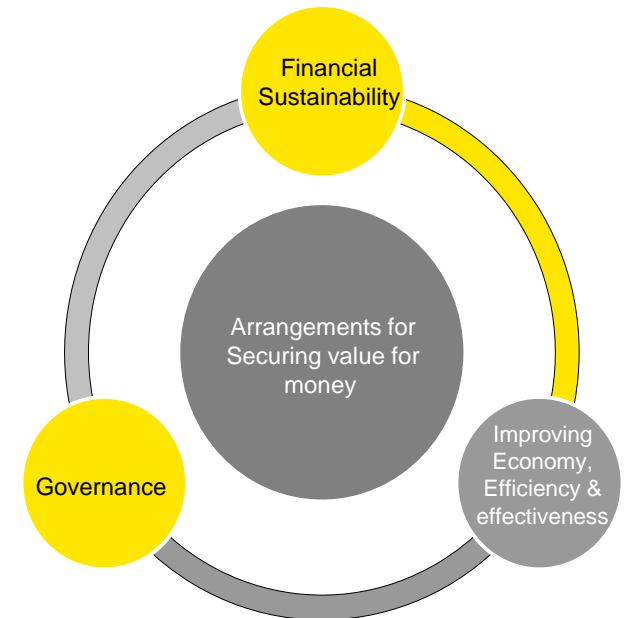
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailor's the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code, we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead, the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability**
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance**
How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness**
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.





Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates (such as OfSTED) and other bodies; and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves, or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit and Governance Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the Audit Report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This could include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Initial risk assessment

For the 2019/20 audit we qualified the VFM conclusion in relation to Council's weaknesses in meeting financial reporting duties for publishing draft and audited accounts and the VFM criteria 'Informed decision making', specifically the Council's arrangements for producing reliable and timely financial reporting that supports the delivery of strategic priorities.

In our March 2023 Audit Results Report we included recommendations for improving financial reporting, which management accepted.

For 2020/21, our initial VFM risk assessment is that we have a significant risk in respect of the VFM criteria 'Informed decision making' and the Council's arrangements for producing reliable and timely financial reporting that supports the delivery of strategic priorities. Our initial response will be to follow up the recommendations we reported in our Audit results report - Final, dated 2 March 2023.

We will continue to revisit this assessment as our audit progresses and update the Audit and Corporate Governance Committee of any changes.



04

Audit materiality

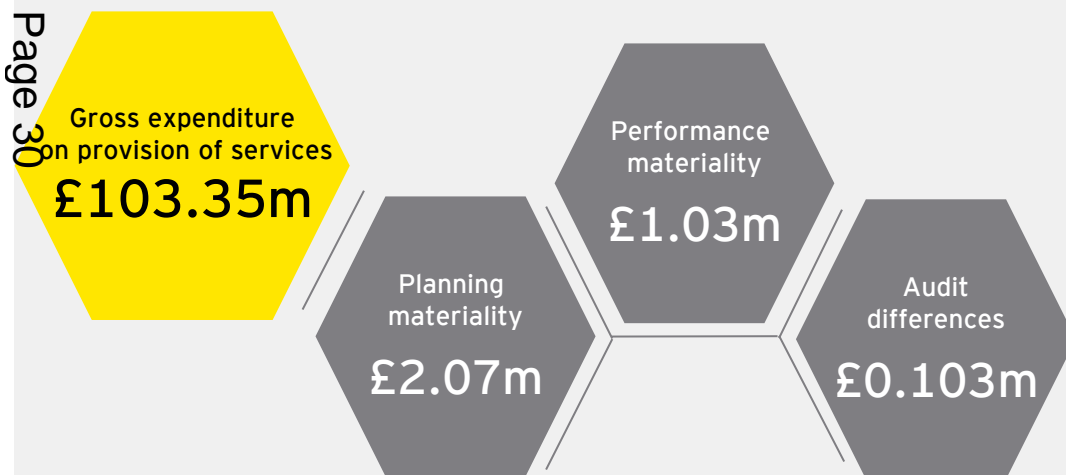


Group Materiality

Materiality

For planning purposes, materiality for 2020/21 has been set at £2.07 million. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have chosen this as the main function of the Council is to provide services to the local community and as such the expenditure on this is the most appropriate basis for determining materiality.

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We request that the Audit and Corporate Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.03 million which represents 50% of planning materiality. We have used 50% because of the number of errors in the prior year accounts. This is a decrease on the percentage used last year.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Corporate Governance Committee, or are important from a qualitative perspective.

Specific materiality - We have set a materiality of £5,000 for related party transactions and members' allowances. For officers remuneration including exit packages we will apply materiality of £5,000 in line with bandings. This reflects our understanding that an amount less than our materiality would not influence the economic decisions of users of the financial statements in relation to these disclosures.

South Cambridgeshire District Council Materiality

Materiality

For planning purposes, materiality for 2020/21 has been set at £2.02 million. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have chosen this as the main function of the Council is to provide services to the local community and as such the expenditure on this is the most appropriate basis for determining materiality.

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We request that the Audit and Corporate Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.01 million which represents 50% of planning materiality. We have used 50% because of the number of errors in the prior year accounts. This is a decrease on the percentage used last year.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Corporate Governance Committee, or are important from a qualitative perspective.

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05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

Our intention is to carry out a fully substantive audit in 2020/21 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2020/21, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Corporate Governance Committee.

Internal audit:

We will discuss with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below.

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2	A	Full scope audits
Nil	B	Specific scope audits
1	C	Review scope audits
Nil	D	Specified procedures
Nil	E	Other procedures

Scope definitions

Full scope: where a full audit is performed to the materiality levels assigned by the group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: where the component team performs procedures specified by the group audit team to respond to an identified risk.

Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Scoping the group audit (continued)

Scoping coverage

Based on our discussions with management to date and knowledge from the 2020/21 audit we anticipate:

- Relying on the audit work of the component auditor in respect of Ermine Street Housing. The impact of this subsidiary on group income and expenditure will be immaterial, however, it does hold significant property assets that require valuation and alignment of accounting policies. Our focus is on those balances that could contain a risk of material misstatement.
- Undertaking other procedures in relation to Shire Homes Lettings Ltd. To date this entity is not impacting materially on the group. Our focus will be on ensuring that this remains materially correct in 2020/21.

We will update the Committee if there are any changes to our scoping coverage throughout the audit.

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Key changes in scope from last year

- The Council's accounts remain subject to full scope audit by the primary audit team.
- Ermine Street Housing was a full scope audit in previous years, and as such there have been no changes to that entity.
- Shire Homes Lettings Ltd was a review scope audit in previous years and as such there have been no changes to that entity.

Details of specified procedures

In order to respond to the risk identified in relation to the valuation of land and buildings we will seek to rely on the work of the component auditor.

We will consider whether the scoping decisions remain appropriate based on the 2020/21 accounts of the two entities.

Group audit team involvement in component audits

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below where we should need to rely on the work of a component auditor.

- We provide specific instruction to component team and our expectations regarding the detailed procedures;
- We set up initial meeting with component team to discuss the content of the group instructions;
- We will consider the need to perform a file review of component team's work where appropriate; and
- We will attend a closing meeting with component team to discuss their audit procedures and findings.



06

Audit team



Audit team

The engagement team continues to be led by Janet Dawson and managed by Mark Russell, with support from Nichola Vella. The team have established good working relationships with the Committee and the finance team and have significant public sector audit experience.

Use of specialists

Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings & Housing	Council's valuers - Wilkes Head and Eve (housing) & Valuation Office Agency (VOA) (non-housing) EY Real Estates Team (investment properties)
Pensions Disclosure	Council's Actuary (Hymans Robertson) EY Pensions Advisory Team
Financial Instruments	Linked Asset Services (management specialist)
NNDR appeals provision	Wilkes Head and Eve (management specialist)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 Audit timeline





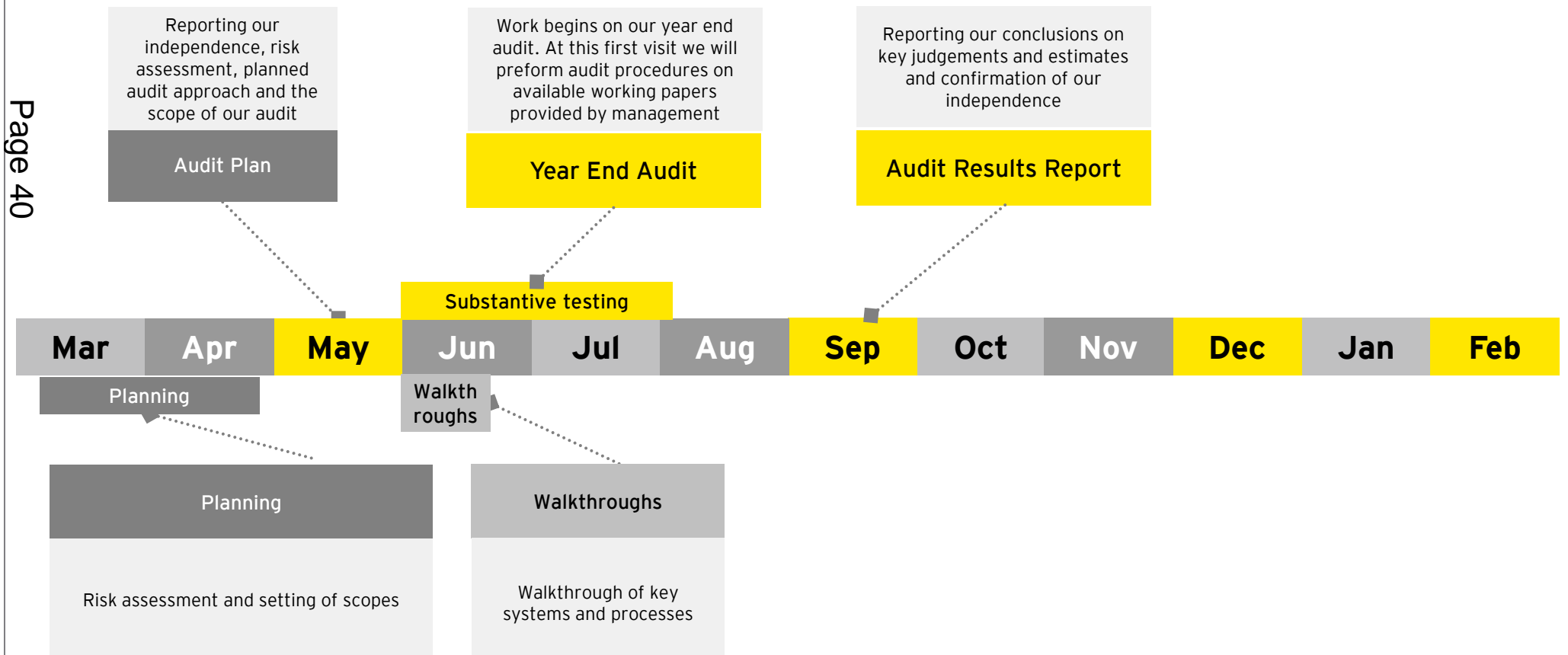
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable for the calendar year 2023 showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2020/21.

From time to time matters may arise that require immediate communication with the Audit and Corporate Governance Committee and we will discuss them with the Audit and Corporate Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.



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08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<p>▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</p> <p>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>▶ The overall assessment of threats and safeguards;</p> <p>▶ Information about the general policies and process within EY to maintain objectivity and independence.</p> <p>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]</p>	<p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Janet Dawson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's Ethical Standards or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, there are no non-audit services and therefore we do not need any additional safeguards.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no self interest threats at the date of this report.

Relationships, services and related threats and safeguards (cont'd)

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.

Description of service	Related independence threat	Period provided/duration	Safeguards adopted and reasons considered to be effective
Page 44 We have been engaged to undertake the audit of the Housing Benefits Subsidy Claim 2020/21. We are finalising our procedures on the certification and reported to the DWP. The fee for 2020/21 is expected to be £11,000.	Self review threat - figures included in the return are also included in the 2020/21 financial statements.	Relates to 2020/21 return for the period to 31 March 2021.	We have assessed the related threats to independence and note that although certain figures in the return are included in the financial statements the agreed upon procedures are being performed after the signing of the financial statements for 2020/21. The agreed upon procedures focus on the specific requirements of the certification arrangements and we place limited reliance on this work for the purposes of the financial statements audit. No other threats to independence have been identified.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022:

https://www.ey.com/en_uk/about-us/transparency-report



09

Appendices



Appendix A - Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

Note: For 2020/21 the PSAA increased auditor fee rates by 25%.

	Planned fee 2020/21 (£)	Fee 2019/20 (£)
Scale Fee - Code work	40,021	40,021
Changes in work required to address professional and regulatory requirements and scope associated with risk	33,034	26,427
Revised Proposed Scale Fee (Note 1)	73,055	66,448
Additional risks and areas of focus (Note 2)		
Additional audit overruns & delays (Note 3)	0	76,379
Group accounts	4,500 - 6,250	4,971
Risk - Presentation and disclosure of accounting items and Impact of 50% performance materiality & higher risk factors	15,000 - 24,850	19,869
Risk - Going concern	3,000 - 5,500	4,086
Risk - Capital Accounting Entries	5,000 - 30,000	23,479
Risk - Valuation of Investment Properties	6,000 - 30,000	12,348
Risk - Non-domestic rate (NDR) appeals provision - change in management expert	0	2,656
Impact of COVID-19 on material uncertainty of non current asset valuations	0	2,789
VFM - qualification in relation to Council's weaknesses in meeting financial reporting duties for publishing draft and audited accounts	1,500 - 4,500	3,569
Total Additional risks and areas of focus	35,000 - 101,100	150,146
Total audit fee	108,055 - 174,155	216,594
Non-audit services:		
Housing Benefits (Note 4)	11,000	14,995
Total other non-audit services	11,000	14,995
Total fees	119,055 - 185,155	231,589

All fees exclude VAT

Appendix A

Fees (Continued)

Note 1: For 2019/20 and 2020/21 the scale fee will be impacted by a range of factors, for example the valuations of investment properties, land and buildings and pension obligations which will result in additional work.

In addition, we are in an unprecedented period of change. A combination of pressures are impacting Local Audit and has meant that the sustainability of delivery is now a real challenge. This in combination, is requiring us to revisit with the PSAA the basis on which the scale fee was set. These factors are set out on the following page with a summary of the estimate of the impact of the scale fee below. This results in an proposed increase in the scale fee of £26,427. This will be subject to approval by the PSAA.

The issues we have identified at the planning stage which will impact on the scale fee include:

- Additional risks - financial statements: £17,288
- Technology & preparedness cost: £3,584
- Costs of regulation and compliance changes: £5,555

We are also driving greater innovation in the audit through the use of technology. The investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

Note 2: Where possible for 2020/21 we have included a range for the additional fees associated to known new risks and areas of audit focus which are not included in the base PSAA scale fee. We will revisit these ranges on completion of the work and seek agreement with the Section 151 officer.

Note 3: The fees presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion being unqualified;
- Appropriate quality of documentation is provided by the Council;
- The Council has an effective control environment; and
- Consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee as part of 'additional audit overruns & delays'. In 2020/21 (and financial year prior to this) we have encounter delays and deficiencies in the Council's ability to prepare financial statements and supporting working papers.

Note 4: You engage us separately as the reporting accountant to the DWP on your claim for housing benefit subsidies. This is outside the PSAA contact, the fee for 2020/21 is expected to be £11,000.



Fees

We do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity.

Summary of key factors

1. **Status of sector.** Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.
 - To address this risk our procedures now entail higher samples sizes of transactions, the need to increase our use of analytics data to test more transactions at a greater level of depth. This requires a continual investment in our data analytics tools and audit technology to enhance audit quality. This also has an impact on local government with the need to also keep pace with technological advancement in data management and processing for audit.
- Audit of estimates.** There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.
 - To address these findings, our required procedures now entail higher samples sizes, increased requirements for corroborative evidence to support the assumptions and use of our internal specialists.
3. **Regulatory environment.** Other pressures come from the changing regulatory landscape and audit market dynamics:
 - Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.
 - This means continual investment in our audit quality infrastructure in response to these regulatory reviews, the increasing fines for not meeting the requirements plus changes in auditing and accounting standards. As a firm our compliance costs have now doubled as a proportion of revenue in the last five years. The regulatory lens on Local Audit specifically, is greater. We are three times more likely to be reviewed by a quality regulator than other audits, again increasing our compliance costs of being within this market.



Fees




Summary of key factors (cont'd)

4. As a result Public sector auditing has become less attractive as a profession, especially due to the compressed timetable, regulatory pressure and greater compliance requirements. This has contributed to higher attrition rates in our profession over the past year and the shortage of specialist public sector audit staff and multidisciplinary teams (for example valuation, pensions, tax and accounting) during the compressed timetables.
 - We need to invest over a five to ten-year cycle to recruit, train and develop a sustainable specialist team of public sector audit staff. We and other firms in the sector face intense competition for the best people, with appropriate public sector skills, as a result of a shrinking resource pool. We need to remunerate our people appropriately to maintain the attractiveness of the profession, provide the highest performing audit teams and protect audit quality.
 - We acknowledge that local authorities are also facing challenges to recruit and retain staff with the necessary financial reporting skills and capabilities. This though also exacerbates the challenge for external audits, as where there are shortages it impacts on the ability to deliver on a timely basis.

Appendix B

Required communications with the Audit and Corporate Governance Committee


We have detailed the communications that we must provide to the Audit and Corporate Governance Committee.

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Corporate Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - May 2023
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - September 2023

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Appendix B

Required communications with the Audit and Corporate Governance Committee (continued)

		Our reporting to you
Required communications	 What is reported?	When and where
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report - September 2023
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Corporate Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report - September 2023
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - September 2023
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence. 	Audit Plan - May 2023; and Audit Results Report - September 2023




Appendix B

Required communications with the Audit and Corporate Governance Committee (continued)

		Our Reporting to you
Required communications	 What is reported?	  When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - September 2023
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit and Corporate Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Corporate Governance Committee may be aware of 	Audit Results Report - September 2023
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - September 2023
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - September 2023
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - September 2023
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - September 2023

Appendix B

Required communications with the Audit and Corporate Governance Committee (continued)

		Our Reporting to you
Required communications	 What is reported?	  When and where
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit plan - May 2023 Audit Results Report - September 2023
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - September 2023
Group audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit plan - May 2023 Audit Results Report - September 2023
VFM arrangements	<ul style="list-style-type: none"> ▶ Commentary on the arrangements in place to achieve VFM, under the 2020 NAO Code. ▶ At present, we expect to report 2020/21, 2021/22 and 2022/23 findings together in one commentary. 	Auditors Annual Report - 3 months after financial statements opinion

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the **Audit and Corporate Governance Committee** reporting appropriately addresses matters communicated by us to the **Audit Corporate Governance Committee** and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

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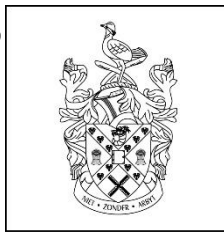
Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.



REPORT TO: Audit and Corporate Governance
Committee

01 June 2023

LEAD OFFICER: Head of Shared Internal Audit / Head of Finance and Section
151 officer

Audit & Corporate Governance Committee – Annual Report 2022/2023

Executive summary

1. The attached report summarises the work of the Committee from the 2022/2023 Financial Year.

Key Decision

2. This is not a key decision because this is being presented to the Audit and Corporate Governance Committee in accordance with its terms of reference.

Recommendations

3. The Audit and Corporate Governance Committee is requested to agree the contents of the attached report for presentation to full Council.

Reasons for Recommendations

4. It is good practice to summarise the work of the Committee, and report this to full Council. This is set out in the terms of reference.

Details

Background

5. Audit & Corporate Governance committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements.
6. The committee's role, in ensuring that there is sufficient assurance over governance risk and control, gives greater confidence to all those charged with governance that those arrangements are effective.
7. Our committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.
8. As a non-executive body, the influence of the committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

Evaluation and improvement

9. The committee should consider how it can improve understanding of its work and raise its profile among other elected members. By improving understanding and engagement, the committee can potentially become more influential and effective.
10. The Chartered Institute of Public Finance and Accountancy (CIPFA) sets out a Position Statement for Audit Committees, and Practical Guidance for Local Authority Audit Committees.
11. We have considered the latest guidance when completing our annual report to evaluate impact and identify areas for improvement.

Reporting

12. In a local authority the full council is the body charged with governance. The audit committee is delegated governance responsibilities but will be accountable to full council.
13. CIPFA guidance states the committee should prepare an annual report that provides assurance to all those charged with governance that it fulfils its purpose and can demonstrate its impact.
14. This report is a key output of the committee, and by publicly reporting to Council it supports the authority's accountability to wider stakeholders.

Considerations

15. None.

Options

16. None.

Implications

17. In the writing of this report, there are no significant implications or risks to the Council.

Background Papers

18. Background papers used in the preparation of this report:
 - Committee Terms of Reference

Appendices

19. Appendices to this report include the update report.

Report Author:

Officers and Members of the Audit & Corporate Governance Committee



Audit and Corporate Governance Committee Annual Report 2022/2023








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Committee overview

Who we are

The Audit and Corporate Governance Committee was established in September 2012 to oversee the Governance, Risk Management and Assurance framework, the financial reporting and annual governance framework. Our membership from May 2023 is:

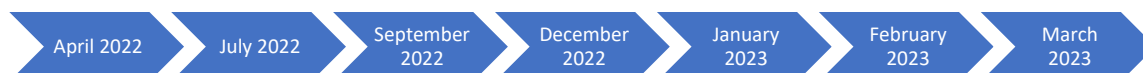
	Cllr Michael Atkins (Chair)
	Cllr Peter Sandford (Vice-Chair)
	Cllr Geoff Harvey
	Cllr Mark Howell
	Cllr Helene Leeming
	Cllr Richard Stobart
	Cllr Heather Williams

Officers which support the Committee:

- Head of Finance
- Head of Shared Internal Audit
- Corporate Fraud Manager
- Monitoring Officer
- Senior Democratic Services officer

When we meet

We meet at least quarterly. Seven meetings were held during 2022/2023:



What we do



We review and consider areas which support the Council's corporate governance arrangements:

Governance Risk and Control	Internal Audit	External Audit	Financial Reporting
<p>Local Code of Governance and the Annual Governance Statement</p> <p>Instruments of financial control and arrangements to secure value for money</p> <p>Risk management, and effectiveness of internal controls.</p> <p>Counter-fraud strategy, and fraud and corruption risks.</p> <p>Partnerships and collaborations.</p> <p>Regulation of Investigatory Powers Act 2000 (RIPA) powers</p>	<p>Internal Audit Charter and Code of Ethics</p> <p>Risk-Based Internal Audit Plan</p> <p>Reports from the Head of Internal Audit during the year, including updates on the work of Internal Audit, key findings, issues of concern and actions.</p> <p>Consider the Head of Internal Audit's opinion on the control environment and the results of the Quality Assurance and Improvement Programme.</p>	<p>Comment on the scope and depth of external audit work to ensure their independence and it gives value for money.</p> <p>Review any issues raised by Public Sector Audit Appointments</p> <p>Consider the external auditor's annual letter, relevant reports and the report to those charged with governance.</p> <p>Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.</p>	<p>Review the annual Statement of Accounts,</p> <p>Consider whether appropriate accounting policies have been followed.</p> <p>Notify Council with regard to conclusion and submission of the Statement of Accounts.</p>

This helps us to report our findings to those charge with governance and we do this by publishing this annual report.

See [our website](#) for more information about the Committee.

Update on External Audit Progress

The external audit process continues to be challenging most audit firms including our current auditors have struggled to recruit and retain suitably qualified staff and this in turn has made resourcing and carrying out audits to an agreed timetable more difficult.

We have made good progress during the last 12 months, the 2019/20 accounts were signed off at the February 2023 meeting and the audit was a smoother, quicker process than the previous two audits.

Additional resources have been deployed to improve the process and this has had a significant impact and their knowledge and experience is being proactively shared with the wider team.

Below is a timetable summarising our current position. The aim is to complete two audits per year for the next two years and whilst this is challenging it is achievable.

Year	Draft statements	Audit Plan	Audit Fieldwork	Audit Sign-off	Date signed off (forecast)
18/19	Complete	Complete	Complete	Complete	April 2022
19/20	Complete	Complete	Complete	Complete	February 2023
20/21	Complete	In progress	Not started	Not started	(September 2023)
21/22	In progress	Not started	Not started	Not started	(January 2024)
22/23	Not started	Not started	Not started	Not started	(September 2024)

What we did during the year

The Chartered Institute of Public Finance has recently provided guidance on effective Audit Committees and how they can support the Council.

They produced a diagram to illustrate this:



We have started the process of reviewing the Committee functions to CIPFA guidance, to help ensure we operate effectively.

Using their guidance, we can evaluate our work and demonstrate how we contributed to development of effective governance arrangements in the year:

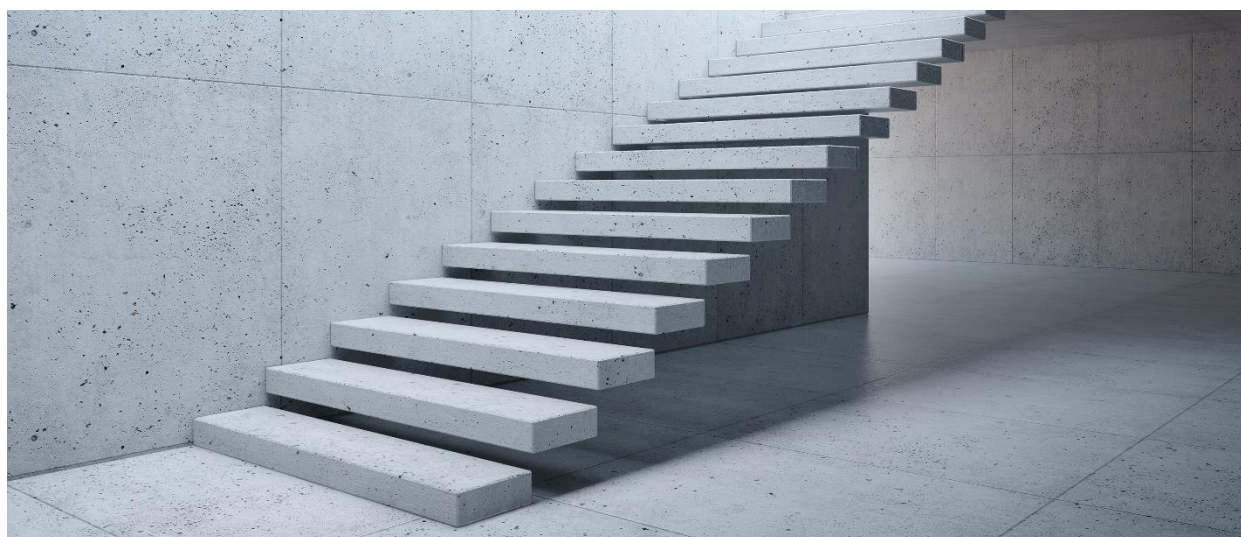
Areas where the audit committee can have impact by supporting improvement	Examples from the year
Promoting the principles of good governance and their application to decision making.	<p>We supported development of the Local Code of Governance which was updated twice in the year.</p> <p>The Committee reviewed and approved the Annual Governance Statement in advance of approving the Statement of Accounts.</p>
Contributing to the development of an effective control environment.	<p>We reviewed regular reports from Internal Audit which provided updates on assurance work completed. This included follow-up reports on previous reviews where there was limited assurance and / or significant recommendations.</p> <p>The Finance team completed an assessment to the CIPFA Financial Management Code. Internal Audit have already completed an independent assessment which provided positive assurance to the Committee.</p>
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<p>We received a report on the Council's risk management arrangements which included the November update to the strategic risk register. We reviewed the register and noted that the next update to this would be given at the July 2023 meeting.</p>
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<p>We considered the assurance framework whilst reviewing the Annual Governance Statement. This included variety of assurance sources including internal controls, policy development, risk management, the Head of Internal Audit annual opinion, external inspections and the reports of the external auditors.</p>

Areas where the audit committee can have impact by supporting improvement	Examples from the year
<p>Supporting effective external audit, with a focus on high quality and timely audit work.</p>	<p>We reviewed a report on the additional audit fees proposed for 2018/19 and it was reported that Public Sector Audit Appointments (PSAA) would be reviewing the level of fee and that the outcome of their review was binding on both the Council and the external auditors.</p> <p>We considered the draft statement of accounts for 2019/2020 and 2020/2021, noting the regular updates with the external audit of these accounts, the public inspection periods, and the completion of future years audits.</p> <p>We subsequently approved the final audited accounts for 2018/2019 and 2019/2020, as the external auditors provided an unqualified opinion which is a positive assurance.</p> <p>The external auditors also presented their planning document for 2019/2020, and this highlighted the changes in audit risk and focus since the previous audit, the proposed fees and value for money aspects.</p>
<p>Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.</p>	<p>We reviewed internal audit reports which gives details on the planned audits and the audit strategy, compliance with professional codes, their charter and their code of ethics.</p> <p>We received regular updates on the progress of current internal audits and outcomes of the reviews.</p>

Areas where the audit committee can have impact by supporting improvement	Examples from the year
<p>Aiding the achievement of the authority’s goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.</p>	<p>As part of our ongoing training and awareness we received regular reports on Governance Risk and Control. These included topical updates to help us consider emerging risks Examples included:</p> <ul style="list-style-type: none"> • “fighting fraud breaking the chain” report which highlighted the importance of tackling fraud and the steps that can be taken to ‘break the chain’. • the Public Sector Fraud Authority (PSFA) had been lunched by Central Government; • the Fraud Advisory Panel had issued a report that summarised the national fraud risk impact from the pandemic across the public sector. <p>We approved a revised Whistleblowing policy, noting it was an opportunity to update the language in line with best practice amend for changes in working practices and improve communication to and engagement with stakeholders.</p>
<p>Supporting the development of robust arrangements for ensuring value for money.</p>	<p>We considered the annual treasury management report for the 2021/2022 financial year. This compared actual performance for the year against the strategy agreed as part of the budget for that year. The report showed the net borrowing position at the year-end to be £137.6m which was broadly unchanged on the previous year, an analysis of Council lending (£117.6m) and details of the loans that the council has outstanding (£255.1m) as at 31st March 2022. The report also confirmed that the council operated within the strategy during the financial year with no breaches to report. We also received an interim Treasury management report later in the year, and an update on the economic situation was provided by the council’s treasury advisors for the Committee’s information.</p>

Areas where the audit committee can have impact by supporting improvement	Examples from the year
<p>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</p>	<p>We were briefed and discussed topical matters which helped us to support and promote counter fraud arrangements. This included the Key Amnesty project, a social housing fraud initiative designed to raise fraud awareness and encourage those occupying social housing when they should not be to surrender their keys.</p> <p>We noted that a potentially fraudulent right to buy application was withdrawn following an investigation and meant an asset of the Council was not lost to fraud.</p> <p>We noted in the quarterly Corporate Fraud update that there were 131 live cases, the highest for some time, and reflects the increasing trend in referrals which is not entirely surprising.</p>
<p>Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.</p>	<p>The Committee have produced this annual report summarising the work completed in the year.</p> <p>We received a report on the regulation of investigatory powers act 2000 (RIPA), and we approved the revised policy. No use of RIPA was made during the year.</p>

Continuous improvement



Learning and development

We undertook formal training during the year:

<p>November 2022 Treasury Management</p>	<p>This session was an introduction to Treasury Management and was facilitated by Link the Council's treasury advisors.</p> <p>The session explored factors to be taken into account when deciding whether to invest with or borrow from a particular counterparty. It looked at credit ratings and other factors. There was also some commentary on the general economic outlook including likely trends for interest rates based on information available.</p> <p>The session included Members of the Committee and the Lead Cabinet member for Resources and a number of officers. The session was well attended and felt to be very helpful.</p> <p>The purpose of the training was to assist members when it came to the scrutiny of the various treasury management papers as these are fairly technical in nature.</p>
<p>March 2023 Effective Audit Committees</p>	<p>The Committee had previously asked for training to be given on the EY audit toolkit however it was felt that the CIPFA toolkit would be more relevant, and this became available in the early part of this calendar year.</p> <p>This was a two-hour interactive session on 16 March 2023 facilitated by the Head of Internal Audit. The purpose of this was to measure the effectiveness of the Committee against a number of set criteria.</p> <p>There were one or two areas identified that probably require improvement. The session was well attended and extremely useful.</p>

Our focus for the following year

As part of our review of the CIPFA toolkit we identified the opportunities to develop the effectiveness of the Committee which we capture in an action plan.

Our top tips for the next year:

- ✓ Make sure decisions are made in line with our corporate governance principles, be aware of our Code of Governance and the Constitution;
- ✓ Be alert to the possibility of fraud or mistake in handling public money; if you have any concerns please report these to the fraud team, internal audit, external audit, or use our whistleblowing policy;
- ✓ Familiarise yourself with how to access to help and guidance, and policies can be found.

Summary and conclusion

Our review of the past 12 months highlights that we have undertaken a lot of positive work to maintain and develop our governance arrangements.

We would like to thank the Officers who have supported the Committee, members who have substituted at meetings as needed, and our external auditors.

It is important for all of us to maintain awareness of our responsibilities and how we can help the Council.

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