

AGENDA

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 19 JULY 2021

4.00 PM

**COUNCIL CHAMBER, FENLAND HALL,
COUNTY ROAD, MARCH**

Committee Officer: Izzi Hurst
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e-mail: memberservices@fenland.gov.uk

- 1 To receive apologies for absence.
- 2 To report additional items for consideration which the Chairman deems urgent by virtue of special circumstances to be now specified.
- 3 Members to declare any interests under the Local Code of Conduct in respect of any item to be discussed at the meeting.
- 4 Treasury Management Annual Review 2020/21 (Pages 3 - 12)

To consider the overall financial and operational performance of the Council's treasury management activity for 2020/21.

- 5 Internal Audit Outturn and Quality Assurance Review 2020/21 (Pages 13 - 26)

To provide the Audit and Risk Management Committee with an overview of the work undertaken by Internal Audit during 2020/21;
To provide the Audit Manager's annual opinion on the system of internal control;
To consider the effectiveness of Internal Audit.

- 6 Corporate Governance Committee / Audit and Risk Management Annual Report 2020/21 (Pages 27 - 38)

To report to Full Council the commitment and effectiveness of the Corporate Governance and Audit and Risk Management Committee's work from April 2020 to March 2021.

7 Audit and Risk Management Committee Work Programme 2021/22 (Pages 39 - 42)

For information.


8 Items of Topical Interest.

9 Items which the Chairman has under item 2 deemed urgent.

Friday, 9 July 2021

Members: Councillor K French (Chairman), Councillor Mrs M Davis (Vice-Chairman), Councillor I Benney, Councillor G Booth, Councillor M Cornwell, Councillor Mrs J French, Councillor N Meekins, Councillor Mockett, Councillor M Purser, Councillor R Skoulding, Councillor S Tierney, Councillor R Wicks and Councillor F Yeulett

Agenda Item 4

Agenda Item No:	4	
Committee:	Audit and Risk Management	
Date:	19 July 2021	
Report Title:	Treasury Management Annual Review 2020/21	

Cover sheet:

1 Purpose / Summary

The purpose of this report is to consider the overall financial and operational performance of the Council's treasury management activity for 2020/21.


2 Key issues

- In accordance with the Treasury Management Strategy approved in February 2021, Audit and Risk Management Committee receives an annual review of the Council's treasury management activities after the financial year-end.
- The Treasury Management Annual Review 2020/21 as presented to Cabinet on 15 July 2021 is attached.
- The report highlights all the key activities carried out within the Treasury Management function during 2020/21. All activities have been conducted in accordance with the approved strategy and policies.

3 Recommendations

- It is recommended that members note the report.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader & Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	Treasury Management and Annual Investment Strategy 2020/21

Agenda Item No:		
Committee:	Cabinet	
Date:	15 July 2021	
Report Title:	Treasury Management Annual Review 2020/21	

Cover sheet:

4 Purpose / Summary

The purpose of this report is to consider the overall financial and operational performance of the Council's treasury management activity for 2020/21.

5 Key issues

- Outstanding loans and finance lease liabilities of £8,043,210 and temporary investments of £24,000,000 as at 31 March 2021.
- Due to the Council's long term PWLB debt portfolio (£4.5m at 31/03/21) currently attracting excessive premiums it was not financially advantageous for the Council to comply with the Gross borrowing and Capital Financing Prudential Indicator in 2020/21. This is consistent with the strategy approved by Council in February 2020.
- No new borrowing was undertaken and the authorised limit was not breached during 2020/21.
- The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.
- Amount received from external investments £52,144 (compared with an estimate of £55,000).
- Overall interest rate achieved from investments 0.25% (7 day LIBID uncompounded rate for 2020/21 -0.07%).

6 Recommendations

- It is recommended that members note the report.
- It is recommended that Council receive the Treasury Management Annual Report.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader & Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	Treasury Management and Annual Investment Strategy 2020/21

Report:

1 Introduction

- 1.1 The Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 During 2020/21 the minimum reporting requirements were that Council should receive the following reports:
- an annual Treasury Strategy in advance of the year (Council 20/02/2020);
 - a mid-year treasury update report (Council 14/12/2020);
 - an Annual Review following the end of the year, describing the activity compared to the strategy (this report).
- 1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 1.4 The Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit and Risk Management (previously Corporate Governance) Committee before they were reported to Council.

2 The Council's Capital Expenditure and Financing

- 2.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:
- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
 - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed. Expenditure associated with the Council's Commercial and Investment Strategy is excluded from this table as it is reported separately in this report.

	2019/20 Actual £000	2020/21 Revised Estimate £000	2020/21 Actual £000
Capital expenditure	4,926	4,519	2,971
Financed In Year	3,621	3,239	2,418
Unfinanced capital expenditure	1,305	1,280	553

3 The Council's Overall Borrowing Need

- 3.1 The Council's underlying need to borrow to finance capital expenditure is termed the capital financing requirement (CFR).
- 3.2 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current (2021/22) and next two financial years.
- 3.3 In February 2020 Council allocated £25m in the capital programme to enable the Council to take forward projects linked to its Commercial and Investment Strategy. At the time of presenting the 2021/22 Budget to Cabinet and Full Council in February 2021, it was not anticipated that the Council would make use of any of the £25m allocated before 31 March 2021. Instead it was forecast that the money would be utilised over a three-year period ending on 31 March 2024. However, subsequently the Investment Board was made aware of an opportunity at short notice and following a meeting in March 2021 the acquisition of an investment property in Wisbech was approved. This acquisition completed prior to 31 March 2021 and was funded from internal borrowing. This impacts on the Capital Financing Requirement as explained in the table below.
- 3.4 The table below highlights the Council's gross borrowing position against the CFR (See Appendix A).

	31 March 2020 Actual £000	31 March 2021 Revised Estimate £000	31 March 2021 Actual £000
CFR opening balance	1,212	2,274	3,205
Capital expenditure – Capital Programme	1,305	1,280	553
Capital expenditure – Commercial and Investment Strategy	0	0	3,698
Less Minimum Revenue Provision	(243)	(349)	(349)
CFR Closing balance	2,274	3,205	7,107
of which: Capital Programme	0	3,205	3,409
Commercial and Investment Strategy	0	0	3,698
Gross Debt (see table at 4.1 below)	8,206	8,043	8,043

- 3.5 The CFR includes finance leases. A finance lease is a commercial arrangement between the Council and a lessor (finance company), where in consideration for a series of payments the Council has the right to use an asset (e.g. refuse vehicle) for the lease duration (typically 7 years). The annual lease payment is made up of a capital and interest repayment.
- 3.6 Although legally the Council doesn't own the asset during the lease duration, International Accounting Standards require that the Council capitalise the asset and liability on its balance sheet, much like a loan.
- 3.7 As a result of the Council's long term Public Works Loan Board (PWLb) debt portfolio of £4.5m (31/03/21) currently attracting excessive premiums (£2.716m at the time of writing this report), if it were prematurely repaid and the fixed rate market loan of £3.3m

(31/03/2021), attracting a premium charge on application to prematurely repay, it is not financially advantageous for the Council to fully comply with this prudential indicator. This has been the case since the housing stock transfer in 2007 and has been acknowledged and approved by Council since then. In addition, the Council's external auditors have also acknowledged this situation and have not raised any issues with our strategy.

- 3.8 The authorised limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level.
- 3.9 The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.
- 3.10 Neither the authorised limit or operational boundary were breached during 2020/21.

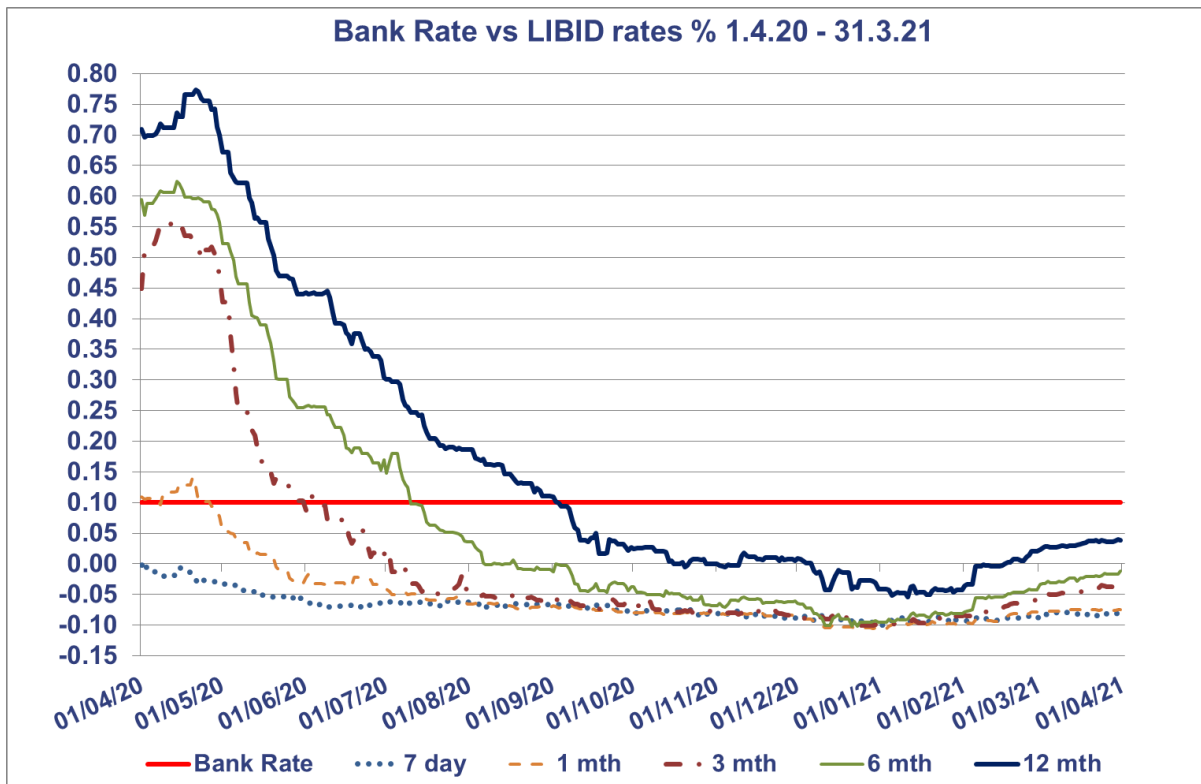
4 Overall Treasury Position as at 31 March 2021

- 4.1 At the beginning and end of 2020/21, the Council's treasury position was as follows.

	31 March 2021 Principal £000	Rate / Return	Average Life years	31 March 2020 Principal £000	Rate / Return	Average Life years
Fixed rate funding						
• PWLB	4,500	7.29%	9.40 yrs	4,500	7.29%	10.40 yrs
• Market	3,300	4.70%	32.96 yrs	3,300	4.70%	33.96 yrs
• Finance Leases	243	3.71%	1.56 yrs	406	3.64%	2.56 yrs
Total debt	8,043			8,206		
Investments	(24,000)	0.25%		(18,300)	0.85%	
Net debt /(Investments)	(15,957)			(10,094)		

- 4.2 All investments held at 31 March 2021 are fixed term or callable deposits due for repayment within the next twelve months.

5 The Strategy for 2020/21



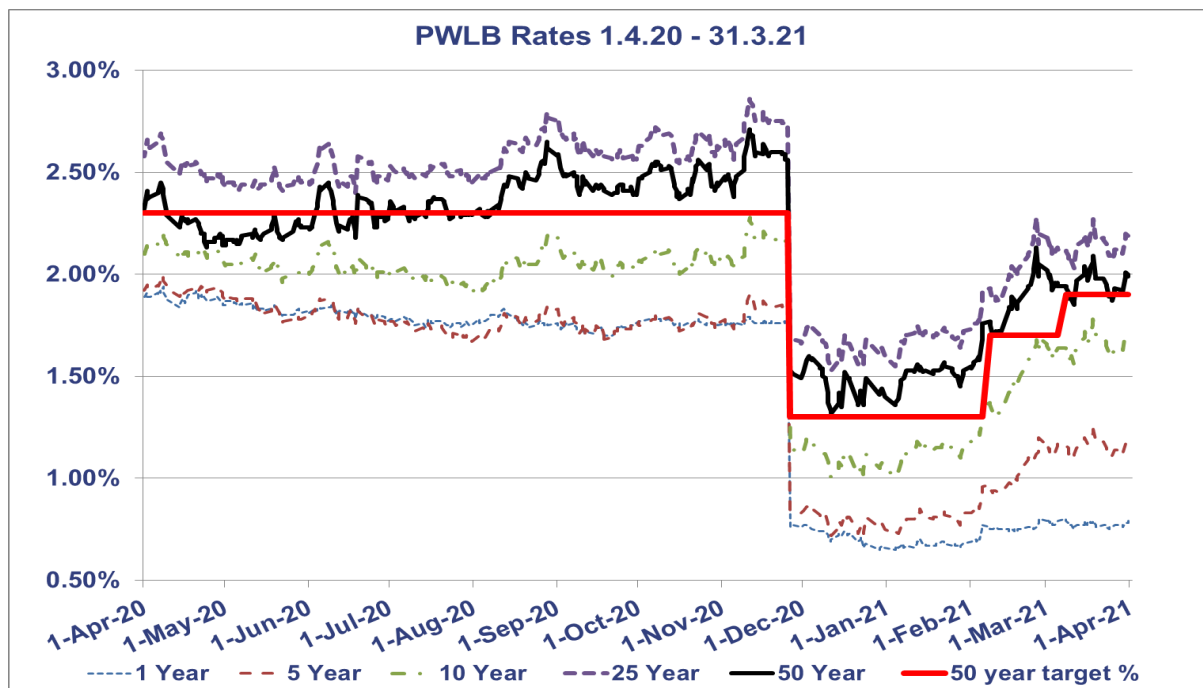
Investment Strategy

- 5.1 Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending.
- 5.2 The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic bursting onto the scene in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.
- 5.3 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.
- 5.4 Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

Borrowing Strategy

- 5.5 The Council was 'over borrowed' during 2020/21 the Council's gross debt exceeded its CFR, as has been the case since 2007 when the Council decided not to repay £7.8m of PWLB debt, following the Council's stock transfer.
- 5.6 Therefore, as opposed to taking on additional loan debt to fund capital expenditure in 2020/21, the Council followed a strategy of using cash, supporting the Council's reserves, balances and cash flow as an interim measure. The strategy was prudent as investment returns were low and to reduce counterparty risk on placing investments.
- 5.7 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- 5.8 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Director of Finance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based on managing interest rate risk, if it had been felt that there was a significant risk of a much sharper rise in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.
- 5.9 Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2020/21 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Financial estimates were based on the interest rate forecasts in the table below.

Link Asset Services Interest Rate View													
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	0.90	0.90	1.00	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.30	2.40	2.40	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.50	2.50	2.60	2.60	2.70	2.80	2.90	3.00	3.10	3.10	3.20	3.20	3.30
25yr PWLB Rate	3.00	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.80	3.80	3.90	3.90
50yr PWLB Rate	2.90	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.80



- 5.10 PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields
- 5.11 Gilt yields fell sharply from the start of 2020 and then spiked up during a financial markets melt down in March caused by the pandemic hitting western countries; this was rapidly countered by central banks flooding the markets with liquidity. While US treasury yields do exert influence on UK gilt yields so that the two often move in tandem, they have diverged during the first three quarters of 2020/21 but then converged in the final quarter. Expectations of economic recovery started earlier in the US than the UK but once the UK vaccination programme started making rapid progress in the early months of 2021, gilt yields and PWLB rates started rising sharply as confidence in economic recovery rebounded. Financial markets also expected Bank Rate to rise quicker than in the forecast tables in this report.
- 5.12 At the close of the day on 31 March 2021, all gilt yields from 1 to 5 years were between 0.19 – 0.58% while the 10-year and 25-year yields were at 1.11% and 1.59%.
- 5.13 HM Treasury imposed **two changes of margins over gilt yields for PWLB rates in 2019/20** without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11th March 2020, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and **on 25th November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates;** the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which included the purchase of assets for yield in its three year capital programme.
- 5.14 There is likely to be only a gentle rise in gilt yields and PWLB rates over the next three years as Bank Rate is not forecast to rise from 0.10% by March 2024 as the Bank of England has clearly stated that it will not raise rates until inflation is sustainably above its target of 2%; this sets a high bar for Bank Rate to start rising.

6 Borrowing Outturn

- 6.1 No long term or temporary borrowing was taken during 2020/21. The approach during the year was to use cash balances to finance new capital expenditure, so as to run down cash balances that were earning low investment returns and to minimise counterparty risk incurred on investments.
- 6.2 The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.
- 6.3 No rescheduling was completed during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates and the penalty position which can arise from early repayment of debt, made rescheduling unviable.

7 Investment Outturn


- 7.1 The Council's investment policy is governed by the Ministry of Housing, Communities and Local Government investment guidance, which has been implemented in the annual investment strategy approved by Council on 20 February 2020. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps and bank share price).
- 7.2 The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.
- 7.3 The Council maintained an average balance of £21.858m of internally managed funds. The internally managed funds earned an average rate of return of 0.25% (£52,144). The comparable performance indicator is the average 7-day LIBID rate, which was -0.07%.

8 Prudential and Treasury Indicators

- 8.1 During 2020/21 the Council complied with its legislative and regulatory requirements with the exception of gross borrowing (see paragraph 3.7 above).

Appendix A - Prudential Indicators

Prudential Indicators		2019/20 Actual £000	2020/21 Revised Estimate £000	2020/21 Actual £000
1	Capital Expenditure (including Commercial and Investment Strategy)	4,926	4,519	6,670
2	Ratio of Financing Costs to Net Revenue Stream (external interest – investment income)	4.97%	7.01%	7.03%
3	Gross Borrowing and the Capital Financing Requirement			
	Gross Debt	8,206	8,043	8,043
	CFR	2,274	3,205	7,107
<hr/>				
Treasury Management Indicators		2019/20 Actual £000	2020/21 Revised Estimate £000	2020/21 Actual £000
4	Authorised Limit for External Debt			
	Borrowing	15,000	17,000	17,000
	Other Long-Term Liabilities	1,000	1,000	1,000
	Commercial Activities	0	25,000	25,000
	Total	16,000	43,000	43,000
5	Operational Boundary for External debt			
	Borrowing	10,000	12,000	12,000
	Other Long-Term Liabilities	1,000	1,000	1,000
	Commercial Activities	0	25,000	25,000
	Total	12,000	38,000	38,000
6	Actual External debt (as at 31 March)			
	Borrowing	7,800	7,800	7,800
	Other Long-Term Liabilities	406	243	243
	Total	8,363	8,043	8,043

Agenda Item No:	5	
Committee:	Audit and Risk Management	
Date:	19 July 2021	
Report Title:	Internal Audit Outturn and Quality Assurance Review 2020/21	

1 Purpose / Summary

To provide the Audit and Risk Management Committee with an overview of the work undertaken by Internal Audit during 2020/21;

To provide the Audit Manager's annual opinion on the system of internal control;

To consider the effectiveness of Internal Audit.

2 Key issues

- Public Sector Internal Audit Standards (PSIAS) have been issued to set the standard of internal auditing in the public sector. These standards are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015. CIPFA has provided an additional Application Note for Local Government (LGAN). Both documents constitute 'proper practices' in internal control as per the Accounts & Audit Regulations 2015.
- Under the Accounts and Audit Regulations 2015, the Council
 - *'must conduct a review of the effectiveness of the system of internal control'.*
- The work of Internal Audit forms part of the assurance provided to Councillors and Management Team and supports the Annual Governance Statement.
- The PSIAS state that the Audit Manager
 - *'must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.'*
- This report fulfils that requirement.
- The LGAN states that the Internal Audit Annual Report should include both the annual audit opinion, and the results of the continuous quality assurance and improvement program (QAIP).
- Regulation 5 (1) of the Accounts and Audit Regulations 2015 requires that relevant authorities must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. A continuous quality assurance and improvement programme is undertaken so that the Council continues to provide an effective Internal Audit service.

3 Recommendations

- To note the outturn for Internal Audit for 2020/21, which highlights the Audits that were completed as per the agreed Internal Audit Plan, and their associated assurance ratings and also the additional assurances gained from other sources of work completed in house and externally to support the Annual Audit Opinion.
- To note the Internal Audit Manager's opinion on the "adequacy" of Internal Control, Risk Management and Governance processes.
- To note the positive outcome of the independent quality assurance review.

Wards Affected	All
Forward Plan Reference	Not applicable
Portfolio Holder(s)	Not applicable
Report Originator(s)	Peter Catchpole- Corporate Director & Chief Finance Officer Kathy Woodward - Internal Audit Manager
Contact Officer(s)	Peter Catchpole - Corporate Director & Chief Finance Officer Kathy Woodward- Internal Audit Manager
Background Paper(s)	Internal Audit Plan 2020/21 Internal Audit Progress Report Q3 Public Sector Internal Audit Standards CIPFA PSIAS Local Government Application Note 2019 Accounts and Audit Regulations 2015 CIPFA Statement on the role of the Head of Internal Audit CIPFA Guidance – Head of Internal Audit Annual Opinions: Addressing the Risk of a Limitation of Scope

4 Background / introduction

- 4.1 This report includes details, for the year 2020/21, of: -
- the coverage provided by Internal Audit; and
 - the Internal Audit Manager's opinion on levels of internal control across the Council.
 - the independent review of the effectiveness of the Internal Audit team.
- 4.2 The Internal Audit Manager has a professional reporting line to the Corporate Director & Chief Finance Officer, the responsible officer for duties under Section 151 of the Local Government Act 1972. The Internal Audit service provides assurance to Senior Management regarding levels of control for systems for which they are responsible.
- 4.3 Full details of the Internal Audit objectives are contained within the latest Internal Audit Charter approved by Audit and Risk Management Committee on 21 June 2021 (previously version approved by Corporate Governance Committee at minute CGC 38/17).

5 Internal Audit Outturn

- 5.1 The annual internal audit plan is formulated in advance, following an assessment of risks inherent to services and systems of the Council based on internal audit and management knowledge at that time. During the period that follows, changes in the control environment may occur, for example: -
- introduction of new legislation/regulations,
 - changes of staff,
 - changes in software,
 - changes in procedures and processes,
 - changes in service demand,
- 5.2 Corporate Governance Committee approved the Internal Audit Plan 2020-21 on 17th August 2020. This audit plan covered the last 6 months of the year as a result of reduced capacity and redeployments required by the council to enable emergency response to the Covid-19 pandemic.
- 5.3 Since the approval of the audit plan, there have been further periods of national lockdown and further redeployments have taken place to assist the council in dealing with its emergency response to the pandemic, which have affected the delivery of the Audit Plan.
- 5.4 The team has remained within budget, due to a vacant post and has achieved a satisfactory level of planned and proactive unplanned work. The impact that resource changes and demand have upon achievement of the annual audit plan varies each year and this year significant challenges were faced by the team as a result of the Coronavirus pandemic. This is the fourth full year of the shared internal audit management arrangements and also the fourth year of the shared auditing arrangements for Anglia Revenues Partnership (ARP) functions.
- 5.5 A restructure proposal of the Internal Audit team was approved by Staff Committee in September 2020 to address the resource issues of the team. The proposals were:
- Reinstatement of the Internal Audit Manager to a full-time post.
 - Appoint a full-time apprentice internal auditor.
 - Retain the existing part time internal auditor.

- 5.6 The recruitment of the apprentice internal auditor was successful, and the appointment commenced in February 2021. The S113 and Memorandum of Understanding between Fenland District Council and King's Lynn and West Norfolk borough Council has been terminated and the Internal Audit Manager reverted to full time from 31 May 2021.
- 5.7 As the 'normal' work of the internal audit function on delivering the audit plan only commenced in September 2020 and subsequent periods of lockdown followed, the number of standard Audits completed was lower than in previous years, as most of our work depends on the cooperation of other departments, who have had a significant change in their normal roles.
- 5.8 In order to compensate for the reduction in planned audit work further assurances have been obtained by the team as follows:
- Overview and Scrutiny ARP review group
 - Care and Repair Disabled Facilities Grants declaration
 - National Fraud Initiative work – National Exercise, Council Tax and Elections Exercise and Covid-19 Business Grants Exercise
 - Grant Funded Projects Group
 - Risk Management Group
 - My Fenland project group overview
 - Covid-19 Emergency Project Group overview
 - Decarbonisation Funding Bid review and grant award declaration
 - Business Grants – Post Payment Assurance planning and fraud risk assessments
 - Follow up reviews on outstanding audit recommendations
- 5.9 In addition to the additional assurance work completed by the team, external organisations have been able to support the Internal Audit Opinion, by providing assurance of the following areas:
- DVLA audit of FDC for abandoned car searches on the Web Enabled System (WEE) - **Green** assurance received.
 - Independent Designated Person Port Marine Safety Code audit – **96.12%** conformity with achievable measures.
 - ICT – Public Service Network (PSN) compliance certificate – **fully compliant**.
 - Homeless Persons – Rough Sleeper monitoring. MHCLG and LGA Delivery and impact evaluation.
 - Business Grants – Post Payment Assurance reporting – **No issues identified in sample testing conducted by BEIS.**
 - Covid -19 / Business Grants – Weekly, Monthly and Quarterly reporting to Government on the impacts of the pandemic on the financial position of the Council.
- 5.10 In addition to the department undertaking additional and non-standard audit work, there have also been other redeployments within the team throughout the year. The Internal Audit Team has been an integral part of the Business Grant Team, ensuring compliance with legislation, transparency, fairness and accessibility of grants awarded, reviewing and monitoring the eligibility of applicants to safeguard against fraud and error, and providing data to the National Fraud Initiative for the national response to safeguarding public funds.
- 5.11 Appendix A lists the systems audited in the financial year and the number of recommendations made for each audit. Appendix B highlights the status of recommendations agreed from previous years audits.

- 5.12 Audit work includes testing of system controls, and this has not highlighted any significant fraud. Any errors or irregularities that have been identified have been resolved during the course of the audit and/or management action plans have been agreed with the system owners including timescales for improvement appropriate to the level of risk. These action plans will be followed up by Internal Audit with management.
- 5.13 A key performance objective of the team was to complete 'fundamental' audits, which are considered key financial systems. Historically these systems had continued to operate to a satisfactory standard, and were evaluated as having substantial assurance. 4 'fundamental' audits required review in the 2020/21 plan, one has been postponed until 2021/22 due to the pressures facing the finance team as a result of the pandemic, with the remainder being reviewed over a three year cycle.

6 Annual Internal Audit opinion on the internal control environment

- 6.1 The Council is required to report in its annual statutory financial statements an assessment as to the adequacy of the internal control environment, risk management, and governance arrangements. This is referred to as the Annual Governance Statement.
- 6.2 Information for this purpose is drawn from many sources one of which is the work of Internal Audit in that financial year, and up to the date of the approval of the annual accounts. All audits have been carried out in conformance with the Public Sector Internal Audit Standards.
- 6.3 As identified in the CIPFA additional Guidance issued to Internal Audit Managers in December 2020, additional sources of assurance have been used to form the annual audit opinion, without needing to issue a limitation of scope in any areas. Appendix C highlights the additional work undertaken to support the Internal Audit Managers Annual Audit Opinion.
- 6.4 As part of the Annual Governance Statement evaluation, an assurance mapping exercise takes place which documents and establishes additional sources of assurance.
- 6.5 The annual audit opinion concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control
- 6.6 Based on the work that Internal Audit has performed, the Internal Audit Manager's opinion for 2020/21 is that, **there is "adequate" assurance as to the adequacy and effectiveness of internal controls, the risk management and governance arrangements**. Management has adopted plans for improvement in control, and within appropriate timescales that will be followed-up to ensure further improvement is delivered. Potential risks and opportunities for further improvement have been incorporated into Management action plans.
- 6.7 This has been further supported by the external auditor (Ernst & Young) "Annual Audit and Inspection Letter 2019/20", as reported to Corporate Governance Committee at minute CGC13/20, which states an unqualified opinion that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 6.8 On the basis of the work undertaken during the year, it is considered that the key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy. However the Audit Manager's opinion can only provide a reasonable, not absolute, level of assurance as to the adequacy and effectiveness of these systems.

7 Review of the effectiveness of Internal Audit

- 7.1 Regulation 5 (1) of the Accounts and Audit Regulations 2015 requires that relevant authorities must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 7.2 MHCLG guidance on the Accounts and Audit Regulations cites proper practice in relation to internal audit in local authorities:
- All Public Sector Internal Audit Teams are required to comply with the Public Sector Internal Audit Standards (PSIAS) issued by the Institute of Internal Auditors (IIA). CIPFA issued a mandatory 'Local Government Application Note' (LGAN) intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
 - CIPFA has also issued guidance on the 'role of the Head of Internal Audit in Local Government' which supplemented the Code.
- 7.3 The Internal Audit Charter, Risk Based Internal Audit Plan and delivery, is based on these professional standards. Performance monitoring is also supplemented through frequent interaction between the Internal Audit Manager and the Corporate Director & Chief Finance Officer. Audit and Risk Management Committee have also increased their oversight of the delivery of the Audit Plan through quarterly monitoring of performance including number of audits completed and number of and rating of recommendations.
- 7.4 An independent review of effectiveness has been completed by an external assessment process completed in November 2017 by a CIPFA assessor. This is based on the latest guidance and professional standards and took the form of a self – assessment checklist covering all areas of the Public Sector Internal Audit Standards, Local Government Application Note and CIPFA's Role on the Head of Internal Audit. Corporate Governance Committee considered this report on 4th December 2017.
- 7.5 The external assessment concluded that 'the self-assessment is a good reflection of the Internal Audit Service's practices and its contribution to the organisation. It is also our opinion that the service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and to the Local Government Application Note.' This is the highest accolade that can be given from the assessor.
- 7.6 The next external assessment will take place in 2023 and in the intervening years the Corporate Director will continue to complete an independent review of effectiveness on an annual basis. The results for 2020/21 can be seen at Appendix C.

8 Effect on Corporate Objectives

- 8.1 The delivery of an effective Internal Audit Service is a key factor in maintaining an adequate level of internal control in the Council, and contributes to a Quality Organisation.

9 Conclusions

- 9.1 The Council has maintained an effective Internal Audit team which demonstrates a commitment to comply with the Public Sector Internal Audit Standards, and the CIPFA Local Government Application Note, as standards of good quality.
- 9.2 The Internal Audit team has provided audit and assurance work throughout the year to form an opinion on the effectiveness of internal control. There are no serious concerns highlighted and this assurance will form evidence for the production of the Annual Governance Statement, which accompanies the Statement of Accounts.

Appendix A: Audits completed

Audit	Overall opinion	Recommendations			Recommendation Theme
		High	Medium	Low	
Payroll (19/20)	Substantial	-	-	-	
Anglia Revenues Partnership – Enforcement (19/20)	Substantial	-	2-	1	Communication Channels, Reconciliations
<i>Business Rates (19/20)</i>	Adequate	-	7	6	
<i>Council Tax (19/20)</i>	Adequate	-	8	3	
<i>Overpayments (19/20)</i>	Adequate	-	3	3	
<i>Housing Benefits (19/20)</i>	Adequate	-	10	6	
Trading Operations Estates (19/20)	Adequate	-	3	-	Transparency, Policy and Process
Trading Operations – Markets (19/20)	Substantial	-	-	-	
Licences – Environmental 19/20)	Adequate	-	5	2	Procedural, Financial, Guidance
Street Scene Enforcement	Adequate	-	-	-	Service Delivery

CCTV	Adequate	1	2	-	SLA and reporting requirements
Waste and Recycling Credits	Adequate	-	1	1	Reporting and Contract monitoring
Income and Debt Management	Ongoing				
Safeguarding	Ongoing				
Anglia Revenues Partnership – Enforcement	Substantial	-	-	-	
<i>Business Rates</i>	<i>Adequate</i>	-			<i>Results confirmed as Adequate – Final report still to be issued</i>
<i>Council Tax</i>	<i>Adequate</i>	-			<i>Results confirmed as Adequate – Final report still to be issued</i>
<i>Overpayments</i>	<i>Adequate</i>	-			<i>Results confirmed as Adequate – Final report still to be issued</i>
<i>Housing Benefits</i>	<i>Adequate</i>	-			<i>Results confirmed as Adequate – Final report still to be issued</i>

Audits in *italics* have been undertaken by other Councils and reviewed by Fenland District Council Audit Manager as part of the Quality Assurance process. The recommendations relate to the partnership as a whole and will not be reported upon in quarterly progress reports.

An assurance rating is applied, when a system or process is reviewed, which reflects the effectiveness of the control environment. The text below is an indication of the different assurance ratings used:

Assurance	Description
Full	There is a sound system of control designed to proactively manage risks to objectives.
Substantial	There is a sound system of control, with further opportunity to improve controls which mitigate minor risks.
Adequate	There is a sound system of control, with further opportunity to improve controls which mitigate moderate risks.
Limited	There are risks without effective controls, which put the objectives at risk.
None	There are significant risks without effective controls, which put the objectives at risk. Fraud and/or error are likely to exist.

Appendix B – Recommendation progress 2019/20

2019-20 Recommendations	HIGH	MEDIUM	LOW
Total number of recommendations made	3	33	26
Number of recommendations completed	3	26	21
Number of recommendations outstanding (not due)	0	7	5
Number of recommendations overdue	0	0	0

- This table does not include the recommendations made in relation to the ARP audits, conducted by partner authorities as they are reported to their respective authorities.
- As a result of the coronavirus pandemic and shifting organisation priorities from March 2020, the timeframe for completion of recommendations has been extended and any recommendations that would have been categorised as overdue in that period will be followed up later in the year.

CIPFA have issued guidance to Local Authorities: Head of Internal Audit Annual Opinion: Addressing the Risk of a Limitation of Scope, to directly address the impact of Covid-19 and whether audit teams will be able to undertake sufficient work to gain assurance during 2020/21.

The key requirements that heads of internal audit (HIA), leadership teams and audit committees should follow are set out below.

1. The HIA should plan to obtain sufficient assurance to support the annual opinion, taking into account both internal audit work and other sources of assurance. The reliance the HIA is placing on other sources of assurance should be disclosed in the overall opinion.
2. The HIA, leadership team and audit committee should review and discuss internal audit capacity where there are concerns and develop an action plan to mitigate the risk.
3. The HIA should make best use of their audit resources to maximise assurance.
4. Where the HIA considers that a limitation of scope is likely, the leadership team and audit committee should be advised promptly. The HIA should set out the likely consequences assessed and advise on remedial action to avoid a limitation of scope.
5. The HIA annual report should contain a clear explanation of any limitation of scope along with its causes and plans to address the situation going forward.
6. Where the HIA annual report and opinion contains a limitation of scope the authority should state this in the annual governance statement.

The factors impacting on the availability of assurance from internal audit and other sources of assurance include:

- the changing risks and impacts on the organisation itself
- whether key governance, risk management and internal control arrangements have deteriorated or been maintained
- changes to the resource base of internal audit, whether staff or budget related demands on internal audit for any advisory or non-audit support that will not directly support the HIA opinion
- operational disruptions that impact on the access of internal auditors to key staff, information or systems resulting in greater inefficiency and reduced outputs

Where an organisation has adopted a comprehensive assurance framework then this may be used by the HIA to support the opinion.

In addition to the information detailed above, the annual audit opinion must also demonstrate compliance with the PSIAS. Performance Standard 2100 - Nature of Work details how the work of Internal Audit can contribute to the Annual Audit Opinion:

- 2110 Governance – Assess and make recommendations to improve organisations governance processes
- 2120 Risk Management – Evaluate the effectiveness and contribute to the improvement of Risk Management processes
- 2130 Control – Assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement

Considering all the factors detailed above, the following measures have been incorporated to provide additional assurance to support the Internal Audit Manager's Annual Audit Opinion in 2020/21:

- Governance
 - Internal Audit presence/oversight at all major project groups, including Corporate Investment Board, My Fenland, Covid-19 Emergency response, Management Team etc.
 - Review of lessons learnt from these projects.
 - Assurance Framework Mapping – seeking further assurances by using themes outlined in the assurance map (Appendix B).
- Risk Management
 - Internal Audit Manger continued membership of the Risk Management group, providing oversight and assurance.
 - Follow up review of Risk Management Audit ensuring actions to improve process have been implemented.
 - Raising awareness of risk management issues at project groups and operational / strategic level support.
 - Other sources of assurance to be incorporated include, update of Health and Safety risk assessments for ensuring Covid-19 secure workplace and practices, updated home working risk assessments, continued update of Business Continuity plans.
- Control
 - Streamlining audit processes to increase capacity.
 - Narrowing the focus of audit scopes to examine only key risks.
 - Prioritising assurance and advisory work that supports the annual audit opinion.
 - Increase focus on follow up reviews form 2018/19 and 2019/20 to ensure controls and actions have been implemented and are effective.
 - Providing support to the Council's response to Covid-19 through participating in Business Grant Group scheme development and providing oversight to the implementation of these schemes.
 - Post payment assurance work on Business Grants.
 - Other assurances provided form external providers.

Appendix D: Summary of Internal Audit Effectiveness

					Compliance		
		Cat	Category of checklist	Comments	C	P	N
	Mission of Internal Audit	1	To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.	Audit Charter	C		
	Definition of Internal Auditing	2	Definition of Internal Auditing	Audit Charter	C		
Core Principals	The Core Principals are based on conformance with the Code of Ethics (Integrity, Seven Principles of Public Life)	3.1	Demonstrates integrity	Declaration of Interests	C		
		3.2	Demonstrates Competence and due professional care	Qualification	C		
		3.3	Is objective and free from undue influence	Reporting Lines	C		
		3.4	Aligns with the strategies, objectives, and risks of the organisation	Audit Plan	C		
		3.5	Is appropriately positioned and adequately resourced	Audit Plan	C		
		3.6	Demonstrates quality and continuous improvement	Progress Reports	C		
		3.7	Communicates effectively	Progress Reports	C		
		3.8	Provides risk-based assurance	Audit Plan	C		
		3.9	Is insightful, proactive, and future-focused	Audit Plan	C		
		3.10	Promotes organisational improvement	Audit Plan	C		
Code of Ethics		4.1	Integrity	QA review	C		
		4.2	Objectivity	QA Review	C		
		4.3	Confidentiality	QA Review	C		
		4.4	Competency	QA Review	C		
		4.5	Seven Principals of Public Life	QA Review	C		
Attribute	These address the characteristics of organisations and parties performing internal audit activities	5.1	1000 Purpose, Authority and Responsibility	External validation	C		
		5.2	1100 Independence and Objectivity	External validation	C		
		5.3	1200 Proficiency and Due Professional Care	External validation	C		
		5.4	1300 Quality Assurance and Improvement Programme	External validation	C		
Performance	These describe the nature of internal audit activities and provide quality criteria against which the performance of these services can be evaluated.	6.1	2000 Managing the Internal Audit Activity	Audit Manual	C		
		6.2	2100 Nature of Work	Audit Manual	C		
		6.3	2200 Engagement Planning	Audit Manual	C		
		6.4	2300 Performing the Engagement	Audit Manual	C		
		6.5	2400 Communicating Results	Audit Manual	C		
		6.6	2500 Monitoring Progress	Audit Manual	C		
		6.7	2600 Communicating the Acceptance of Risks	Audit Manual	C		
C = Conforms; P = Partial : N = Not conforming					28		

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Agenda Item No:	6	
Committee:	Audit and Risk Management	
Date:	19 July 2021	
Report Title:	Corporate Governance Committee / Audit and Risk Management Annual Report 2020/21	

1 Purpose / Summary

To report to Full Council the commitment and effectiveness of the Corporate Governance and Audit and Risk Management Committee's work from April 2020 to March 2021.

2 Key issues

- 2.1 The Corporate Governance Committee was decommissioned during the year 2020/21 and a new Audit and Risk Management Committee was formed in December 2020.
- 2.2 The new committee also has a Sub-Committee – the Audit and Risk Management Determination Sub-Committee, which has decision-making powers in relation to specific delegated functions that were previously undertaken by the Staff Committee.
- 2.3 This annual report does not provide a review of the effectiveness of the Sub-Committee's work as this falls outside of the remit of the self-assessment review.
- 2.4 A good Corporate Governance framework helps the Council to deliver its Corporate Priorities.

The role of the Corporate Governance Committee and newly formed Audit and Risk Management Committee includes:

- providing independent assurance of the adequacy of the risk management framework and the control environment, plus
 - independently scrutinising the Authority's financial and non-financial performance, and overseeing the financial reporting process.
- 2.5 The Committee has taken action to ensure that its members are adequately informed on key themes of the Governance Framework via regular reports including:
- Governance;
 - Internal control;
 - Risk management;
 - Anti-fraud & corruption;
 - Accounts and policies;
 - Treasury management;

- 2.6 Reports from the External Auditors affirmed continued maintenance of high financial management and control standards. The Annual Audit letter explained that in all significant respects the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and an unqualified value for money conclusion was given. The Committee supported a press release to reflect this achievement.
- 2.7 The Committee has been fundamental in the review and maintenance of the Council's Governance Framework.
- 2.8 In addition to the report attached the Internal Audit Manager has completed a review of the committee's effectiveness using a checklist compiled by CIPFA. This was a recommendation made by the external assessment and endorsed by Corporate Governance Committee in February 2018. The completed checklist is attached as Appendix A.

3 Recommendations

It is recommended that Committee agree the Corporate Governance Committee / Audit and Risk Management Committee Annual Report for 2020/21 to be forwarded to Full Council.

Wards Affected	All
Forward Plan Ref	Not applicable
Portfolio Holder(s)	
Report Originator(s)	Peter Catchpole – Corporate Director & Chief Finance Officer Kathy Woodward – Internal Audit Manager
Contact Officer(s)	Peter Catchpole – Corporate Director & Chief Finance Officer Kathy Woodward – Internal Audit Manager Mark Saunders - Chief Accountant Anna Goodall – Head of Governance & Legal Services
Background Paper(s)	Corporate Governance Committee minutes Audit Committees – Practical Guidance for Local Authorities and Police (CIPFA 2018)

Appendix: Annual report

Report of the Corporate Governance / Audit and Risk Management Committee

April 2020 - March 2021



1 What is corporate governance?

- 1.1 Corporate Governance in Fenland District Council is an essential part of the Council's standards for transparent and informed management and decision-making. It provides assurance of the adequacy of the risk management framework and the control environment, independent scrutiny of the Authority's financial and non-financial performance and to oversee the financial reporting process.

2 Responsibilities of the Committee

- 2.1 Following the creation of the Audit and Risk Management Committee a review of the committee's rules, as listed in Part 2 (rule 10) of the constitution were updated in line with best practice guidance. The new terms of reference encompass all previous aspects of the role of the Corporate Governance Committee, whilst incorporating a new format and layout consistent with best practice guidance and also includes a statement of purpose.
- 2.2 The Committee's purpose identified in the terms of reference states:
The purpose of our Audit and Risk Management Committee is to provide independent assurance to the members and other parties of the adequacy of the risk management framework and the internal control environment. It provides independent review of Fenland District Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. It also ensures the Council is managing the risk of ensuring services have the resources to deliver on the Council's statutory responsibilities and corporate priorities whilst recognising the Council's financial position.

3 Members commitment to corporate governance in 2020/21

- 3.1 As a result of the Coronavirus pandemic a number of meetings of the committee were postponed or cancelled due to pressures facing the organisations. All meetings were held virtually in line with national guidance.
- 3.2 However the committee was still committed to delivering governance oversight for the Council and meetings included development briefings, and items of topical interest, to maintain knowledge and awareness of the Council's Governance Framework. Examples were:
- the role of Corporate Governance, Officers and the annual work plan;
 - interpretation of Annual Financial Statements;
 - the role of internal audit in Local Government. Update report on audits completed is provided which includes the number of and theme of recommendations;
 - risk management;
 - updates on the impact of Covid-19 on delivery of the Internal Audit Plan and Annual Audit Opinion
 - Data Protection updates
- 3.3 The Chairman and Vice Chairman of Audit and Risk Management Committee also attended external training sessions on the role of the Audit Committee in Local Government.

- 3.4 Members of the Corporate Governance Committee also received a briefing document during the period that meetings were postponed or cancelled, detailing the Council's response to the pandemic and how areas of risk, governance and control were being managed and maintained throughout the period.

4 Work programme and outcomes

4.1 The Committee considered the matters in the table below as part of its work programme for 2019/20

Programme	Outcome
Annual Governance Statement 2019/20	<p>The Authority has a statutory duty to publish a statement as to the level of effectiveness its governance and internal control framework.</p> <p>The Corporate Governance Committee was able to consider the sources of assurance and approve the content of the Statement prior to its publication with the Financial Accounts.</p> <p>The statement included an action plan which was reviewed during the year to ensure that governance and control framework weaknesses were addressed.</p> <p>This has helped the Council to proactively identify and manage governance and control risks that could affect Corporate Priorities. Examples include changes in legislation, finance and Government policy.</p>
Accounting Policies	<p>The Committee considered the accounting policies for use in producing the 2019/20 accounts. This helped ensure that the Council demonstrated compliance with the International Financial Reporting Standards (IFRS).</p> <p>The Committee endorsed the approach proposed to meet the revised Accounts and Audit regulations 2015. This included managing a condensed timetable for preparation, approval and publication of financial performance information in preparation for the imposed earlier statutory deadline.</p>
Statement of Accounts	<p>The Committee were able to approve the Council's Statement of Accounts for 2019/20, assisting the Council in achieving its publication deadline.</p>

Programme	Outcome
Internal Audit work programme	<p>The Committee received reports, from the Internal Audit Manager, for review of the:</p> <ul style="list-style-type: none"> • Risk based annual plan and strategy, • Performance Outturn 2019/20, • Internal Audit Manager's opinion on the overall adequacy and effectiveness of the Council's control environment, and • Progress updates on delivery of the annual plan • The impact of Covid-19 on delivery of the Internal Audit Plan and Annual Audit Opinion <p>These reports demonstrate that the Council has arrangements in place to comply with the Accounts and Audit Regulations, to maintain an adequate and effective internal audit and system of Internal Control.</p>
Review of effectiveness of Internal Audit	<p>The Committee received assurances from the Corporate Director & Chief Finance Officer, following a review of Internal Audit effectiveness for 2019/20</p> <p>.</p> <p>This confirmed that the Internal Audit Team is effective and follows professional quality standards such as the CIPFA "Local Government Application Note" for "Public Sector Internal Audit Standards" and the CIPFA "Statement on the role of the Head of Internal Audit".</p>
Risk Management Framework	<p>The Committee received regular updates on the Corporate Risk Register, discussed emerging risks, and completed an annual review of the Risk Management Strategy.</p> <p>This provided assurance that significant risks are identified and managed for the Council.</p> <p>In addition, Members requested additional items to be considered which led to some changes to the risk register which have been implemented.</p>
Treasury Management	<p>The Committee received reports throughout the year on the Treasury Management Strategy, Capital Strategy, Minimum Revenue Provision Policy, Annual Investment Strategy and financial performance.</p> <p>This provided assurance that the Council's assets are managed in accordance with the CIPFA Code of Practice on Treasury Management.</p>

Programme	Outcome
External Audit Assurance	<p>The Committee received reports from the appointed external auditor, Ernst and Young. These included:</p> <ul style="list-style-type: none"> • Annual work plan; • Annual report to those charged with governance (ISA 260) summarising the work of the external audits completed; • Annual Audit and Inspection letter <p>The reports affirmed continued maintenance of high financial management and control standards.</p> <p>The Annual Audit letter explained that in all significant respects the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources and an unqualified value for money conclusion was given.</p> <p>The Committee also received updates on the future arrangements for appointing the Council's External Auditors</p>

Fenland District Council
Audit and Risk Management Committee Self-Assessment Exercise

For the year 2020-21

No	Issue	Y	P	N	Evidence/ Comment	Action Required
AUDIT COMMITTEE PURPOSE AND GOVERNANCE						
1	Does the authority have a dedicated audit committee?	Y			Referred to as the Audit and Risk Management Committee	
2	Does the audit committee report directly to full council? (applicable to local government only)	Y				
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Y			The Audit and Risk Management Committee was newly formed in December 2020 and has a Terms of reference that follow CIPFA's guidance on Audit Committees	
4	Is the role and purpose of the audit committee understood and accepted across the authority?	Y			The committee's Terms of Reference are documented on the council's website where officers and members can access relevant documentation.	
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Y			The committee supports the authority by following the Nolan Principles adopted by the authority and ensuring to the best of their ability that the corporate plan and strategic goals of the authority are adhered to.	
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Y			The Audit and Risk Management Committee report to Council and provide an annual report to Council. Throughout the year other members of the Council may request to attend meetings.	
FUNCTIONS OF THE COMMITTEE						
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?	Y			The Committee's Terms of Reference were updated in 2019/20 and now cover all area's identified in CIPFA's Position Statement	
	good governance	Y				
	assurance framework, including partnerships and collaboration arrangements	Y				

	internal audit	Y				
	external audit	Y				
	financial reporting	Y				
	risk management	Y				
	value for money or best value	Y				
	counter fraud and corruption	Y				
	supporting the ethical framework	Y				
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Y			The Audit and Risk Management Committee completes an annual report, which encompasses this review. The committee also considers as part of its annual work the Annual Governance Statement and Risk Register. The committee regularly receives reports from Internal Audit, External Audit and reviews the financial statements.	
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Y			The committee reviews treasury management reports and has oversight of the annual report.	
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Y			A review of the Terms of Reference has been completed.	
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?		P		The Audit and Risk Management Committee has a sub-committee with delegated decision making powers for staffing arrangements and policies.	
MEMBERSHIP AND SUPPORT						
12	Has an effective audit committee structure and composition of the committee been selected? This should include:	Y			The current committee is separate from the executive, the current membership has an appropriate mix of knowledge and skills, and the size is not unwieldy. The mix of members from each political party is in line with	Consider whether an independent member should be included on the committee.

	<ul style="list-style-type: none"> • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement) 				<p>current policies.</p> <p>The Committee gave due consideration to appointing and independent member and requested that the item be included on the Committee's action plan to review the need and requirement on an annual basis.</p>	
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?				Not applicable	See 12 above
14	Does the chair of the committee have appropriate knowledge and skills?	Y			<p>The current chair of the committee has the appropriate subject knowledge for the position. Members of the committee are given opportunity to freely discuss matters with fellow members of the committee. Officers attending the meetings are always available for advice to the chair if required.</p> <p>Training is given to all members of the Audit and Risk Management Committee to ensure appropriate skills are up to date and relevant.</p>	
15	Are arrangements in place to support the committee with briefings and training?	Y			Training for members of the committee is given to members on specific subjects (mainly technical areas – AGS, Statement of Accounts etc) prior to the official meetings taking place when requested.	
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	Y			<p>The committee membership is formed from members with financial backgrounds, historical knowledge of the authority, knowledge from other authorities resulting in a varied mix of experience and knowledge.</p> <p>A formal assessment has not taken place, but could be considered.</p>	Consider undertaking as assessment of current members against the core knowledge and skills framework.
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	Y			All meetings are attended by a mixture of officers, including the Corporate Director / S151 officer, external audit, Chief Accountant, Head of Governance and Internal Audit Manager	
18	Is adequate secretariat and administrative support to the committee provided?	Y			Relevant officers attend meeting to facilitate secretarial and administrative support to the committee.	

EFFECTIVENESS OF THE COMMITTEE						
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Y			The Chairman of the Audit Committee presents an annual report to the Council and receives feedback from the executive.	
20	Are meetings effective with a good level of discussion and engagement from all the members?	Y			All members are encouraged to be involved fully at all meetings. Relevant officers are invited to attend meetings to provide greater detail to help discussions and engagement.	
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Y			The committee engages with the relevant responsible officers when discussing risks and action plans. Examples of this are the AGS, Corporate Risk Register, Treasury Reports and RIPA policies.	
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Y			All reports presented to the committee for approval are discussed and actions minuted on suggested improvements. These actions are reviewed by the officers to ensure they are followed up on and discussed at the following meeting.	
23	Has the committee evaluated whether and how it is adding value to the organisation?		P		No formal evaluation has taken place, but the annual audit committee effectiveness report considers this to some degree.	Consider whether the committee is adding value using the information provided in CIPFA 2018 guidance.
24	Does the committee have an action plan to improve any areas of weakness?	Y			An action plan for the Committee was introduced this year to monitor actions and is included as part of the workplan	Continue to monitor the action plan and how it adds value to the organisation
25	Does the committee publish an annual report to account for its performance and explain its work?	Y			Audit and Risk Management Committee Annual Report.	

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2021/22

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
19 July 2021	Treasury Management Annual Review 2020-21	Annual	Mark Saunders	To consider the overall financial and operational performance of the Council's treasury management activity. This report will be considered by Cabinet and Council.
	Internal Audit Outturn and Quality Assurance Review 2020-21	Annual	Kathy Woodward	To note the work undertaken by Internal Audit during the year, not the Annual Audit Opinion and consider the effectiveness of Internal Audit
	Corporate Governance Committee / Audit and Risk management Committee Annual Report 2020-21	Annual	Kathy Woodward	To approve the report to Full Council the commitment and effectiveness of the Corporate Governance Committee's work.
20 September 2021	Risk Register - Quarterly update	Progress Report	Sam Anthony	To review and approve the quarterly risk register.
	Internal Audit Plan 2021/22 Progress report Q1	Progress report	Kathy Woodward	To consider and note the activity and performance of the Internal Audit function.
	Draft Statement of Accounts 2020-21	Annual	Mark Saunders	To review and note the draft Statement of Accounts
	Annual Governance Statement 2020-21	Annual	Kathy Woodward	To approve the content of the Annual Governance Statement for inclusion in the published Statement of Accounts 20-21.
29 November 2021	Treasury Management Strategy Statement and Annual Investment Strategy Mid-year review	Progress report	Mark Saunders	To review the activity for first 6months of the year and to provide members a update on matters pertinent to the Councils TM Strategy
	Audit Results Report (ISA 260)	Annual	External Audit	Consider and note the Audit results report
	Statement of Accounts 2020-21	Annual	Mark Saunders	Review and approve the Statement of Accounts 2020-21
	Letter of Representation	Annual	Mark Saunders	Agree format and content of the Letter of Representation provided to the External Auditors at the conclusion of the 20-21 Statement of Accounts audit. To be signed by Chairman of CGC and S151 officer

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2021/22

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
	Internal Audit Plan 2021/22 Progress report Q2	Progress report	Kathy Woodward	To consider and note the activity and performance of the Internal Audit function.
	Risk Register - Quarterly update	Quarterly	Sam Anthony	To review and approve the quarterly risk register.
<i>14 February 2022</i>	Annual Audit Letter 2020-21	Annual	External Audit	To note the independent external auditors, Ernst & Young (EY), Annual Audit Letter
	Treasury Management Strategy Statement, Capital Strategy, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2022/23	Annual Cabinet / Council	Mark Saunders	To endorse the strategy to be included in the final budget report.
	Internal Audit Plan 2021/22 Progress report Q3	Progress report	Kathy Woodward	To consider and note the activity and performance of the Internal Audit function.
	Risk Register – Quarterly update	Progress report	Sam Anthony	To review and approve the quarterly risk register.
	Annual Governance Statement 6-month update	Progress report	Kathy Woodward	To review progress on the AGS action plan
<i>14 March 2022</i>	External Audit Plan 2021/22	Annual	External Auditor	To note the external audit plan for the new financial year.
	Risk Based Internal Audit Plan 2022/23	Annual	Kathy Woodward	To approve the internal audit plan and resources for the forthcoming year
	RIPA Annual Update	Annual	Amy Brown	To review and note the use of RIPA in the previous year.
	Risk Management Strategy and Corporate Risk Register	Annual	Sam Anthony	To consider and note the annual review of risk management and corporate risk register.

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2021/22

Future items (when to be brought to the committee to be determined)

- Anti-Fraud and Corruption Policy and Strategy
- Anti-Money Laundering Policy
- Corporate Debt Policy

Audit and Risk Management Committee Training sessions 2021/22

- Introduction to ARMC 15 July 2021
- Statement of Accounts 20 Sept 2021

Audit and Risk Management Committee Action Plan

Title	Comments	Due by	RAG
Independent Member appointment	The Committee decided in August 2020 to review the need for an independent member as part of the committee.	November 2021	Not due
Audit Results Report – land valuation recommendations	Allocate target date and responsible officer for completion of the Land Valuations recommendation highlighted in Audit Results report. Responsible officer – Peter Catchpole	31 July 2021	Not due
Committee Training	Committee Members to discuss training requirements and provide officers with suggested training topics for future meetings.	21 June 2021	Ongoing

Abbreviations Used in Audit & Risk Management Committee

AGS	Annual Governance Statement
ARG	Additional Restrictions Grant
ARP	Anglia Revenue Partnerships
BCP	Business Continuity Planning
BEIS	The Department for Business, Energy and Industrial Strategy
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CIS	Commercial Investment Strategy
CMT	Corporate Management Team
CNC	CNC Building Control
CPCA	Cambridgeshire & Peterborough Combined Authority
CPE	Civil Parking Enforcement/
CPLRF	Cambridgeshire & Peterborough Local Resilience Forum
CTS	Council Tax Support
DFG	Disabled Facilities Grants
DPA	Data Protection Act
CSR	Comprehensive Spending Review
FFL	Fenland Future Ltd
GDPR	General Data Protection Regulations
IAS	International Accounting Standards
IFRS	International Financial Reporting Standard
LGA	Local Government Association
LGSS	Local Government Shared Services
LRSG	Local Restrictions Support Grants
MHCLG	Ministry of Housing Communities and Local Government
MoU	Memorandum of Understanding
MRP	Minimum Revenue Provision
MTFP	Medium Term Financial Plan
MTSP	Management, Trade Union & Staff Partnership
NFI	National Fraud Initiative
NNDR	National Non-Domestic Rates
OIB	Operational Improvement Board (ARP)
OLTL	Other Long-Term Liabilities
PSIAS	Public Sector Internal Audit Standards
PWLB	Public Works Loan Board
RIPA	Regulation of Investigative Powers