AGENDA

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 20 MARCH 2023

2.00 PM

COUNCIL CHAMBER, FENLAND HALL, COUNTY ROAD, MARCH

Committee Officer: Jo Goodrum
Tel: 01354 622285
e-mail: memberservices@fenland.gov.uk

Although this is a public meeting, members of the public are encouraged to view the meeting via our YouTube channel:

1   To receive apologies for absence.

2   Previous Minutes. (Pages 3 - 6)

    To confirm the minutes of 6 February 2023.

3   To report additional items for consideration which the Chairman deems urgent by virtue of special circumstances to be now specified.

4   Members to declare any interests under the Local Code of Conduct in respect of any item to be discussed at the meeting.

5   External Quality Assessment (Pages 7 - 16)

    This report is intended to advise members of the Audit and Risk Management Committee of the outcome of the external review of internal audit's conformance to the Public Sector Internal Audit Standards.

6   Risk Management Policy & Strategy Review (Pages 17 - 32)

To provide an update to the Audit and Risk Management Committee on the latest Risk Management Policy and Strategy.

7   RIPA Annual Update (Pages 33 - 36)

This report is intended to provide members of the Audit and Risk Management Committee with an update on Fenland District Council's use of the Regulation of Investigatory Power Act 2000 (RIPA).

8   Risk Based Internal Audit Plan 2023/24 (Pages 37 - 52)

In accordance with the Public Sector Internal Audit Standards the Internal Audit Team have prepared the attached Internal Audit Plan. It considers the areas for audit review and the availability of internal audit resources.

9   Audit and Risk Committee Work Programme 2023/24 (Pages 53 - 58)

For information.

10 Items of Topical Interest.

11 Items which the Chairman has under item 3 deemed urgent.

Friday, 10 March 2023

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

AUDIT AND RISK MANAGEMENT COMMITTEE

MONDAY, 6 FEBRUARY 2023 - 4.00 PM

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

APOLOGIES: Councillor R Skoulding and Councillor F Yeulett

OFFICERS IN ATTENDANCE: Sam Anthony (Head of HR and OD), Mark Saunders (Chief Accountant) and Linda Albon (Member Services & Governance Officer)

ARMC18/21 PREVIOUS MINUTES.

The minutes of the meeting of 17 October 2023 were approved and signed.

ARMC19/21 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2023/24

Members considered the Treasury Management Strategy Statement and Annual Investment Strategy 2023/24 report presented by Mark Saunders.

Members made comments, asked questions and received responses as follows:

- Councillor Booth said he is assuming that this covers the investment provided to Fenland Future Ltd. Mark Saunders confirmed it will do and more detail can be found in the Capital Strategy that accompanies the committee report. Councillor Booth said obviously it has an impact on this council because we are effectively making a loan facility available to FFL, which is a subsidiary of FDC, so it looks like the amount of capital debt gets up to about £35m. As a facility of up to £25m was agreed, does that mean the Council effectively has £10m of other debts? Mark Saunders replied that is correct but currently we are not exceeding that £25m ceiling and there are no plans to do that for the next couple of years. Councillor Booth said his concern is this is a facility we are making to FFL, but with no oversight of where the money is going because meetings of the Investment Board go into confidential session, so effectively we are being asked to approve a strategy where there is £25m of debt but we do not know where it is being invested. Mark Saunders responded that the accountant gets all the information that goes to the Investment Board and then Cabinet and Council will get the appropriate reports at the appropriate times as to what those investments are. Currently all that is happening is the planning process going through for a couple of developments without going into the nitty gritty of the costings and the advantages of those developments yet. Councillor Booth said he thinks it is fair to say that with the way governance arrangements have been established, when those decisions are taken, they are taken as confidential items. As a committee, we are not entitled to see what happens so in theory we are being asked to judge that the governance arrangements are appropriate for that loan facility to be put in place without seeing them. Mark Saunders said Cabinet and Council would have to approve it eventually, but they are approving a facility under which that borrowing can be undertaken. In respect of the actual loans, we will go into further details with the Investment Board and Cabinet in due course. Councillor Booth said, but again those meetings go into confidential session. Mark Saunders responded that this committee gets

to see the update and monitoring reports so will see any loans that go to FFL. Councillor Booth said it would be good to see a detailed breakdown of where those loan facilities are going.

- Councillor Mrs French said that she believes that as an elected member, Councillor Booth is entitled to ask for this information which members of the public are not. Unless it is commercially sensitive information, there is no reason why it should be refused. Councillor Booth said if we are to undertake our role as a critical friend to ensure we are satisfied that the governance arrangements and risks taken are appropriate we need to have oversight of the whole process.
- Mark Saunders added that accounting reporting for FFL currently has been limited because there has been little activity but as a limited company they will be filing accounts with Companies House in the future and that will contain all the details of any loans received from FDC for any other developments. However, he took Councillor Booth's comments on board.

Proposed by Councillor Mrs French, seconded by Councillor Purser and AGREED to endorse the strategy detailed in the report to be included in the final budget report for 2023/24.

Councillor Booth asked it to be added as a note to the recommendations that the committee do get oversight of how that investment strategy is taken forward and brought back to this committee.

ARMC20/21 CORPORATE RISK REGISTER QUARTERLY UPDATE

Members considered the Corporate Risk Register Quarterly Update report presented by Sam Anthony.

Members made comments, asked questions and received responses as follows:

- Councillor Booth said he had previously raised about being able to see decreases or increases in the risk ratings. There seems to have been no movement this time round and he wondered if any more thought had been given on how this information can be presented so going forward the Committee can track whether the situation is improving or not. Sam Anthony responded that the risk ratings have remained the same; they are reviewed quarterly but Stephen Beacher, Head of ICT Digital and Resilience, is now responsible for this and it would be best to direct the question to him.
- Councillor Booth suggested as an observation about the presentation of the report that the guidance at the beginning should appear as an appendix after the actual register to save wading through pages of policy first. Sam Anthony agreed and said she would pass that on.
- Councillor Booth referred to the governance arrangements around project management and asked what had been done to improve the situation. Sam Anthony responded that a review has been undertaken of the current project management arrangement and we use our own system which has been rolled out across the organisation for a consistent approach with all project management and a project management board to feedback progress. This gives greater scrutiny amongst Corporate Management Team and Management Team for progress and updates for all projects.
- Councillor Purser said he would like noted his gratitude to Sam Anthony and Mark Saunders and their respective teams for all their work in compiling these reports.

Proposed by Councillor Booth, seconded by Councillor Purser and Members AGREED to note the latest Corporate Risk Register.

ARMC21/21 INTERNAL AUDIT PLAN 2022/23

Members considered the Internal Audit Plan 2022/23 Progress Report Q2 and Q3 presented by Mark Saunders.

Members made comments, asked questions and received responses as follows:

- Councillor Mrs French said it was sad to lose Kathy Woodward as Internal Audit Manager, and she asked if two staff members was sufficient, or would there be a need to look for additional staff later? Sam Anthony responded that it probably would not be sufficient, but we are looking at a resourcing plan and options for how Audit is managed and resourced going forward.
- Councillor Booth asked if agency staff have been considered to help fill the gaps. Sam Anthony replied that consideration had been given to agency options, but as this is very expensive a shared arrangement with other local authorities is being explored and procured as an interim measure whilst looking at resourcing it ourselves.
- Councillor Wicks asked if it is an option to reschedule some of the internal audits this quarter and if so, what catch-up arrangements will be put in place. Mark Saunders replied that there will certainly be a prioritisation of the audits that need to be done by the end of the year. The arrangements for catching up will be determined by when the appropriate resources are in place and a reassessment made of what audits need to be done and how best we make use of the time available.
- Councillor Booth said there is a list of all the other activities the team have been involved in at section 2.4 of the report and he wondered whether this should be scaled back. Sam Anthony confirmed that this list is being looked at to rank what we can and cannot do; some of these, such as the National Fraud Initiative, are a mandatory requirement but some can certainly be scaled back.
- Councillor Booth mentioned the 3Cs review and said it had been marked as adequate with several recommendations. His concern is how it can be said to be adequate given the nature of some of the issues raised around governance and the MI because it goes to the core of how complaints are dealt with and managed going forward. It seems the rating might be a little low on that particular review. Mark Saunders responded that there were no high recommendations, they were mostly medium or low, but we can find out more about it. Sam Anthony agreed this can certainly be fed back.

Proposed by Councillor Mrs French, seconded by Councillor Booth and Members AGREED to note the activity and performance of the internal audit function.

ARMC22/21 AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

Councillor Miss French presented the Audit and Risk Management Committee Work Programme 2022/23 for information.

Members AGREED to note the contents of the Audit and Risk Management Committee work programme.

ARMC23/21 ITEMS OF TOPICAL INTEREST.

There were no items of topical interest for discussion.

4.34 pm   Chairman

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Agenda Item No:	**5**	
Committee:	**Audit and Risk Management Committee**	
Date:	**20th March 2023**	
Report Title:	**External Quality Assessment Conformance to the Public Sector Internal Audit Standards**	

1.1 Purpose / Summary

This report is intended to advise members of the Audit and Risk Management Committee of the outcome of the external review of internal audit's conformance to the Public Sector Internal Audit Standards.

1.2 Key issues

- The Chartered Institute of Public Finance and Accountancy (CIPFA), the body responsible for setting Standards for Internal Audit in Local Government have adopted a common set of Public Sector Internal Audit Standards (PSIAS).

- The Standards provide the basis for the evaluation of internal audit performance and improvement planning as well as provided a framework for providing internal audit services which aims to add value to organisational processes and operations.

- Public sector internal audit services are required to measure the extent to which they conform to the standards and an external assessment must be carried out at least once in every five-year period. A full External Quality Assessment has therefore been completed, the results of which form the substance of this Report.

1.3 Recommendations

That the Audit and Risk Management Committee is requested to note the full External Quality Assessment Report and the finding that Fenland District Council's Internal Audit Services generally conforms with the requirements of the Public Sector Internal Audit Standards.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden – Portfolio Holder for Finance
Report Originator(s)	Peter Catchpole – Corporate Director & s.151 Officer
Contact Officer(s)	Amy Brown – Assistant Director
Background Paper(s)	There are no background documents to this Report.

Report:

1.4 Full External Quality Assessment

1.4.1 In recognition of the requirement to undertake an assessment of Fenland District Council's Internal Audit Service's compliance with the PSIAS, Peter Harrison of TIAA was instructed to conduct a full External Quality Assessment in November 2022.

1.4.2 The assessment included a review of Fenland District Council's core documentation to include for example, the Internal Audit Charter, Internal Audit Manual, AMRC Terms of Reference, Risk Based Audit Plan and sample reports. The process also involved discussions with AMRC members and officer representatives. Data was also collected via a survey which enabled the identity of participants to remain confidential to enable the highest-level of robust feedback possible (the outcomes of which are at Appendix B of the Full External Audit Report).

1.4.3 The individual standards considered included Fenland District Council's Mission Statement, Core Principles, Code of Ethics together with the following Attribute and Performance Standards:

- **Attribute Standard 1000 - Purpose Authority and Responsibility**: The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval;
- **Attribute Standard 1100 – Independence and Objectivity**: The internal audit activity must be independent, and internal auditors must be objective in performing their work.
- **Attribute Standard 1200 – Proficiency and Due Professional Care** - Engagements must be performed with proficiency and due professional care.
- **Attribute Standard 1300 – Quality Assurance and Improvement Programme** - The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.
- **Performance Standard 2000 – Managing the Internal Audit Activity** - The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation.
- **Performance Standard 2100 – Nature of Work** - The internal audit activity must evaluate and contribute to the improvement of the organisation's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.

- **Performance Standard 2200 – Engagement Planning** - Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organisation's strategies, objectives, and risks relevant to the engagement.
- **Performance Standard 2300 – Performing the Engagement** - Internal auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.
- **Performance Standard 2400 – Communicating Results** - Internal auditors must communicate the results of engagements.
- **Performance Standard 2500 – Monitoring Progress** - The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.
- **Performance Standard 2600 – Communicating the Acceptance of Risk** - when the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.

1.4.4   External reviews have one of three outcomes, finding that a service either:

Does not conform to the Standards - The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards.

Partially conforms to the Standards - the internal audit service falls short of achieving some elements of good practice but is aware of the areas for development.

Generally conforms to the Standards - The internal audit service complies with the standards with only minor deviations.

1.4.5   In respect of each of the areas identified at paragraph 4.3 above, Fenland Council was found to generally confirm to the standards which is the highest achievement obtainable in this process.

1.5   Next Steps

A small number of observations and recommendations are set out in the Management Action Plan at Appendix A of the full External Quality Assessment Report and will be reviewed and an action plan will be formulated to address these.

1.6   Appendices

Appendix 1 – Full External Quality Assessment Report.

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Internal Audit

DRAFT

Fenland District Council

External Quality Assessment
Conformance to the
Public Sector Internal Audit Standards

February 2023

Executive Summary

Introduction

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 and subject to revision in 2016 and 2017. Public sector internal audit services are required to measure the extent to which they conform to the standards.

Whilst conformance can be demonstrated through an annual self-assessment, the standards require that an external assessment is carried out at least once in a five-year period. This can be through the validation of the service's own self-assessment, a full external quality assessment (EQA) or a combination of both.

Whilst Fenland District Council's latest self-assessment was considered as part of this review, a full external quality assessment has been undertaken.

Background

Internal Audit at Fenland District Council (FDC) is provided by an in-house team of three consisting of a CIPFA-qualified Internal Audit Manager, an Internal Auditor and an Apprentice Internal Auditor. The Internal Audit Manager was in post at the commencement of the review but was imminently due to take up a Head of Internal Audit post elsewhere; this assessment is based on the arrangements in place at the commencement of the review with the council considering the options to deliver the service going forward.

Assessment Process

This assessment considered a range of documents, including:

- Internal Audit Charter;
- Internal Audit Manual;
- Audit & Risk Management Committee (ARMC) Terms of Reference;
- Risk Based Audit Plan;
- Progress reports;
- Internal Audit Outturn and Quality Assurance Review;
- Self-assessment against the standards and CIPFA's Local Government Application Note (LGAN);
- Auditor declarations.

The validation process involved discussions with ARMC members, the Corporate Director and CFO (Section 151 Officer) and the Assistant Director, Deputy Monitoring Officer and Data Protection Officer. A survey was sent to other key stakeholders generally consisting of Directors, Assistant Directors and heads of service (or equivalent).

A sample of audit reports and working papers was also reviewed.

Conclusion and Opinion

> It our opinion that the Service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and the Local Government Application Note and the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF).

The table below sets out Fenland District Council's conformance to the individual standards considered as part of this external quality assessment.

Standard/Area Assessed	Level of Conformance
Mission Statement	Generally Conforms
Core principles	Generally Conforms
Code of ethics	Generally Conforms
Attribute standard 1000	Generally Conforms
Attribute standard 1100	Generally Conforms
Attribute standard 1200	Generally Conforms
Attribute standard 1300	Generally Conforms
Performance standard 2000	Generally Conforms
Performance standard 2100	Generally Conforms
Performance standard 2200	Generally Conforms
Performance standard 2300	Generally Conforms
Performance standard 2400	Generally Conforms
Performance standard 2500	Generally Conforms
Performance standard 2600	Generally Conforms

The Internal Audit service is a small but well-respected team that is effective and follows best practice. 'Generally conforms' is the highest rating that can be achieved using the IIA's EQA assessment model.

The validation process has not revealed any areas of non-compliance or any significant areas of partial compliance with the standard. One minor area of partial compliance in relation to CAATS is addressed in the recommendations.

A small number of observations and recommendations, some of which the service had already recognised, are set out in the Management Action Plan at Appendix A.

A summary of the survey outcomes can be found in Appendix B.

Definitions

Opinion Definitions	Criteria
Generally Conforms	The internal audit service complies with the standards with only minor deviations.
Partially Conforms	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards.

Acknowledgement

The co-operation of the Internal Audit team and those who took part in interviews and completed surveys is appreciated.

Assessor

Peter Harrison CMIIA – Corporate Director Risk and Assurance

Disclaimer

The matters raised in this report are only those that came to the attention of the assessor during the course of the review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Release of report

The table below sets out the history of this report.

Report issued	3rd February 2023

MANAGEMENT ACTION PLAN

Standard	Description	Finding	Recommendation
1110.A1	The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results. The chief audit executive must disclose such interference to the board and discuss the implications.	No evidence of interference was evident either through the review of documentation, interviews or survey returns. There isn't, however, an explicit statement to this effect in the annual report.	An explicit statement confirming the absence or otherwise of interference be included in the Internal Audit Outturn and Quality Assurance Review report each year.
1210.A3	Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.	Whilst the team is aware of key information technology risks, they don't have the skills and knowledge to undertake ICT audits. Whilst assurances in relation to ICT are obtained from elsewhere, there is no formal assessment as to whether the coverage or scope is adequate. The resources to undertake this work might need to be sourced externally.	A formal review of the assurances in relation to ICT and Cyber Security be incorporated into the planning cycle for the 2023/24 Risk Based Internal Audit Plan.
1210.A3	Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.	The team does not use Computer Assisted Audit Techniques (CAATs), although the need to implement this approach has been considered previously.	Options to introduce the use of CAATs be explored.
1300	The chief audit executive must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity.	A quality assurance review is undertaken annually and reported to ARMC, however, any improvements that are required are not explicitly recorded in a QAIP.	Recommendations for improvement, including those identified through self-assessment, be explicitly linked to the QAIP.
2040	The chief audit executive must establish policies and procedures to guide the internal audit activity.	The Internal Audit Manual generally contains what would be expected in such a document, however, it has not been updated since 2017.	The Internal Audit Manual be updated to ensure it remains relevant and fit-for-purpose.
2410.A3	When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.	Reports are generally not shared externally. The Audit Manager gives a summary of findings to ARMC which are reflected in the published minutes, therefore a request for a report could be made either directly or under FOIA. The current report format does not include a disclaimer.	Consideration be given to including a disclaimer on the distribution and reliance that can be placed on the report.

STAKEHOLDER SURVEY

The survey was sent to 25 stakeholders with 15 responses being received. The scores given were extremely positive, supporting the positive view of the service provided through interviews with other key stakeholders.

Question	Score					
	1	2	3	4	5	Av.
Internal Audit is seen as a critical friend that adds organisational value.	-	-	1	10	4	4.2
Internal Auditors have a good understanding of the organisation's strategic objectives in relation to your area/s of responsibility.	-	-	2	8	5	4.2
Internal Auditors give objective and unbiased advice and act independently from the system/operation being reviewed.	-	-	1	9	5	4.3
Internal Audit is independent of executive management.	-	-	3	7	5	4.1
Internal Auditors have the necessary knowledge, skills and experience to fulfil their role.	-	-	1	11	3	4.1
Internal Auditors have a good understanding of and provide advice on the way risks are reported and managed.	-	-	3	9	3	4.0
Internal Auditors demonstrate competence and due professional care in their work.	-	-	-	11	4	4.3
Internal Auditors ask challenging and probing questions that stimulate discussion and lead to changes/improvements in key risk areas.	-	-	5	7	3	3.9
Internal Auditors raise control issues at an appropriate level in the organisation based on severity/materiality.	-	-	1	9	5	4.3
Internal auditors communicate effectively throughout the course of their work during the planning and fieldwork stages and at the end of each assignment when discussing findings.	-	-	-	12	3	4.2
Internal Audit reports are clear, concise and based on evidence.	-	-	1	8	6	4.3
Internal audit recommendations are appropriate to the findings and are realistic and achievable.	-	-	1	10	4	4.2
Internal audit advice has a positive impact on governance, risk management and systems of control within the organisation.	-	-	-	9	6	4.4
Internal audit activity promotes ethics and values within the organisation.	-	-	2	8	5	4.2
	-	-	21	128	61	4.2

The statements were scored using the following key.

1	Strongly disagree
2	Disagree
3	Neither agree nor disagree
4	Agree
5	Strongly agree

Five stakeholders who completed the survey provided comments to support their views/scores. A selection of comments, both positive and challenging, are set out below.

"Internal audit is valued by the Council's service leads. They give us assurance, advice and support good governance and help effect positive change". (Score 5)

"Extremely professional team – knowledgeable, personable and very competent". (Score 5)

"Internal audits are welcomed by service leads as this give the opportunity to check that the service is being provided in a competent manner, taking into account risks and with good governance". (Score 5)

"Unsure if audits are linked to our strategic objectives or just completed as good practice audits". (Score 3)

"This needs clarity as currently perceived as not independent". (Score 3)

"The scope of audits currently is too defined and should allow for more challenging approach". (Score 3)

Agenda Item No:	**6**
Committee:	**Audit and Risk Management Committee**
Date:	**20 March 2023**
Report Title:	**Risk Management Policy and Strategy Review**

1 Purpose / Summary

1.1 To provide an update to the Audit and Risk Management Committee on the latest Risk Management Policy and Strategy.

2 Key Issues

2.1 The Council's Risk Management Strategy ensures the effective maintenance of a risk management framework by:-

- embedding risk management across core management functions;

- providing tools to identify and respond to internal and external risk;

- linking risks to objectives within services and regularly reviewing these.

2.2 The Audit and Risk Management Committee has asked that the Council's Risk Management Policy and Strategy is reviewed and presented to it annually.

2.3 The latest Risk Management Policy and Strategy (**Appendix A**) is attached to this report.

3 Recommendations

3.1 The latest Risk Management Policy and Strategy is agreed as attached at Appendix A to this report.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Cllr Chris Boden – Leader and Portfolio Holder for Corporate Governance
Report Originator(s)	Stephen Beacher – Head of ICT, Digital & Resilience
Contact Officer(s)	Paul Medd – Chief Executive Peter Catchpole –Corporate Director & Chief Finance Officer Stephen Beacher – Head of ICT, Digital & Resilience
Background Paper(s)	Previous reviews of the Risk Management Policy and Strategy: minutes of Audit and Risk Management Committee

1 Background / Introduction

1.1   This is the latest annual update in respect of the Risk Management Policy and Strategy.

2 Considerations

2.1   The Council has seven considerations when considering risk:-

- o   Performance – can we still achieve our objectives?
- o   Service delivery – will this be disrupted and how do we ensure it continues?
- o   Injury – how do we avoid injuries and harm?
- o   Reputation - how is the Council's reputation protected?
- o   Environment – how do we avoid and minimise damage to it?
- o   Financial – how do we avoid losing money?
- o   Legal – how do we reduce the risk of litigation?

2.2   Members and Officers share responsibility for managing risk:-

- o   Members - have regard for risk in making decisions
- o   Audit and Risk Management Committee – oversee management of risk
- o   Corporate Management Team – maintain strategic risk management framework
- o   Risk Management Group – Lead Officers across the Council promote risk management and a consistent approach to it
- o   Managers – identify and mitigate new risks, ensure teams manage risk
- o   All staff – manage risk in their jobs and work safely.

3 Changes to the Risk Management Policy and Strategy

3.1   The Risk Management Policy and Strategy has been reviewed by the Corporate Risk Management Group and Corporate Management Team.

3.2   Additions / amendments to this latest document are:

- Paragraph 6.5 has been reworded.
- Further risk control definitions added to paragraph 9.3.

3.3   Other minor amendments have been made to ensure the document is current and relevant.

3.4   All updates are highlighted in green.

4 Next Steps

4.1   Officers will continue to bring a reviewed and updated Risk Management Policy and Strategy to Audit and Risk Management Committee on an annual basis.

5   Conclusions

5.1   The risk management process provides assurance for the Annual Governance Statement, which is substantiated by reports from the Council's External Auditors in their issuance of an unqualified audit opinion.

5.2   Regular review (and updating as appropriate) of the Risk Management Strategy and Corporate Risk Register will further build the assurance required above.

Risk Management Policy and Strategy

March 2023
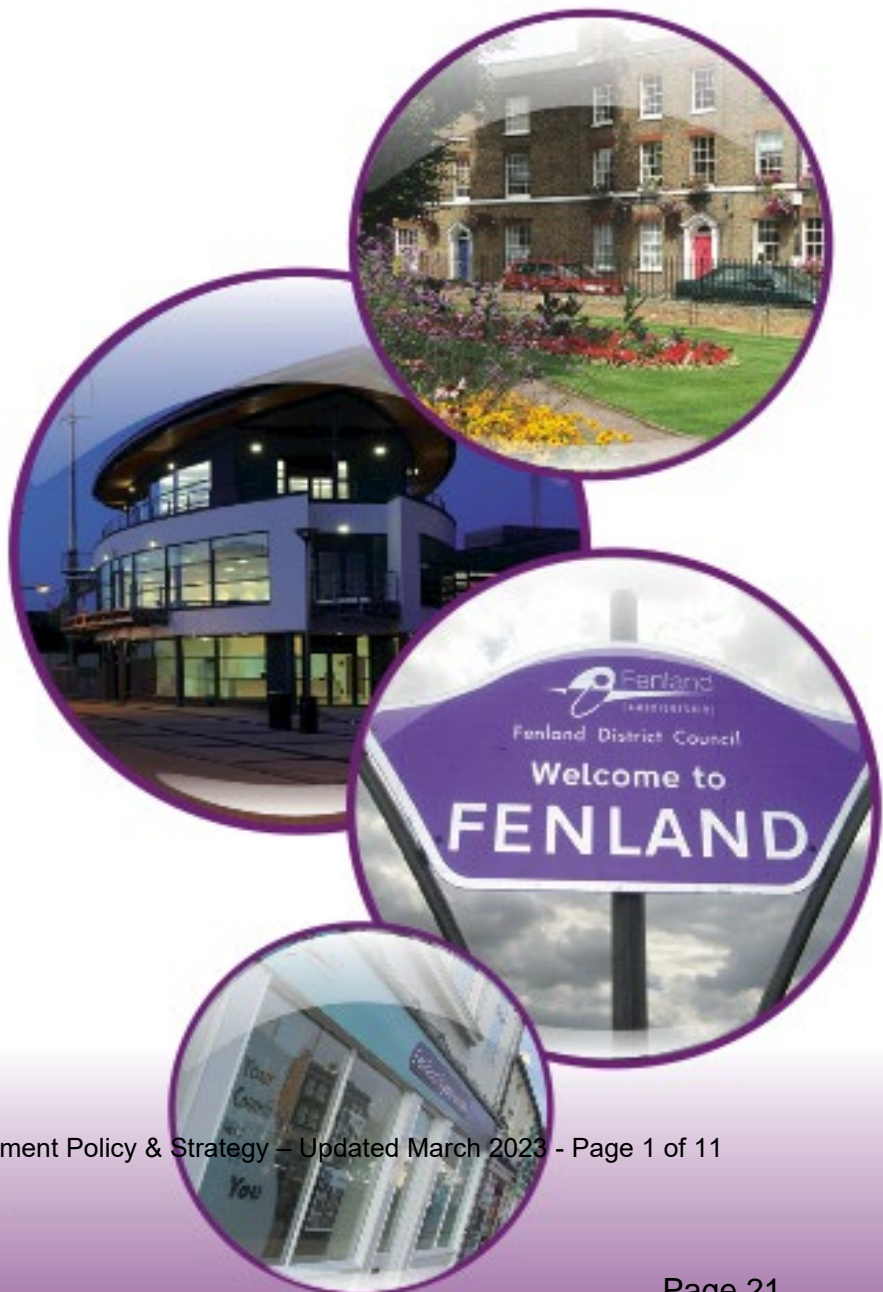
Contacts: Head of ICT, Digital & Resilience
Stephen Beacher
sbeacher@fenland.gov.uk

Corporate Director & Chief Finance Officer
Peter Catchpole
petercatchpole@fenland.gov.uk

Contents

1   **Policy Statement**

1.1   It is the Council's policy to proactively identify, understand and manage the risks involved in service delivery, and those associated with our plans and strategies, to encourage responsible and informed risk-taking.

2   **What is Risk?**

2.1   Risk is the uncertainty of an event occurring that could have an impact on the achievement of the Council's key objectives.

2.2   Risk can arise from possible threats to objectives, as well as failure to take advantage of potential opportunities.

2.3   It is the combination of the probability of an event (likelihood) and its effect (impact).

3   **What is Risk Management?**

3.1   Risk Management is the process of understanding and managing the risks that an organisation is inevitably subject to in attempting to achieve its corporate objectives.

3.2   It is the process whereby the Council methodically addresses those risks or barriers to achieving its vision and objectives.

3.3   Effective risk management optimises the balance between risk and control. In this way the authority will better achieve its corporate objectives and enhance the value of services it provides to the community.

4   **Aim of the Strategy**

4.1   The aim of the strategy is to make risk management an integral part of management and decision-making, aligned with the structure, operations, and processes of the Council.

5   **Strategy Objectives and Outcomes**

5.1   The objectives of this strategy are to:

•   ensure risk management remains an integral part of service, strategic and project planning, and decision-making.

•   manage risks to facilitate innovation, continuous improvement, and service transformation.

•   establish clear roles, responsibilities and reporting lines for risk management.

- anticipate and respond to changing social, environmental, and legislative needs as well as changes in the internal environment to minimise injury, damage and losses and maximise opportunity.

- ascertain and manage the likelihood and impact of risk, identify mitigating controls, and assign responsibility for control and monitoring of specific risks.

- provide a framework for escalating management of risk and allocating resources to identified priority risk areas.

- maintain effective partnership arrangements by ensuring that risk management is part of the Council's partnership governance arrangements.

- enable shared learning on risk management across the authority.

- review the strategy and processes for risk management at least annually.

5.2   The direct outcomes of effective risk management will be:

- effective use of resources

- informed decision making

- successful and efficient delivery of projects

- effective response to changes demands and needs

- responsive performance management and identification of priorities

- sound systems of control

- accountability and responsibility for risk and control

- sound workforce planning

- integrated responses to risk and opportunities

6   Risk Appetite and Tolerance Levels

6.1   Risk appetite and tolerance is the amount of risk an organisation is prepared to accept, or be exposed to, at any point in time. It can indicate where action is required to reduce risk to an acceptable level plus opportunities for positive outcomes which can be monitored.

6.2   The Council has adopted the approach and definitions used by CIPFA and the Institute of Risk Management:

Risk Appetite

 '*The amount of risk an organisation is willing to seek or accept in the pursuit of its long-term objectives'*.

An example may be consideration of the funds or resources that an organisation is prepared to invest in a venture where success is not guaranteed but that would yield benefits.

Risk Tolerance

'*The boundaries of risk taking outside which the organisation is not prepared to venture in the pursuit of its long-term objectives'*.

An example may be a Treasury Management Strategy that rules out certain types of investment options.

6.3   Typically an individual's perception of an acceptable risk is the same irrespective of which definition is used. Differences may occur where risks cannot be controlled or eliminated. For example, political and legislative change is an external driver which cannot be fully mitigated. In this instance the risk tolerance, and ability to manage the risk, may be greater than risk appetite.

6.4   It is recognised that the tolerance or appetite is subjective and may change according to the environment, and the internal / external drivers. Consequently, it is important, regardless of the terms used, that everyone has a consistent approach to risk taking to prioritise resources effectively.

6.5   Risks to the Council are identified and assessed by officers. Following which, and as part of the Council's governance on such matters, these are presented to the Audit and Risk Committee for members to scrutinize and approve.

6.6   Different risk appetites can be illustrated on a five-by-five matrix using three levels: high, medium and low. The Council is risk aware and the current level is determined as medium. This provides guidance that any inherent risk scored at 15 or greater is to be considered for the Corporate Risk Register.

6.7   Once controls are in operation the risks can be scored again to illustrate the residual risk.

7   **Risk Identification**

7.1   The framework of Risk Management will ensure that risks are identified during both strategic and operational activity in respect of corporate and service priorities, project management, decision-making and policy setting, financial and performance monitoring, and planning.

7.2   Risk identification will include partnership working and commissioning. To manage risks effectively the Council will:

- provide assurance that risks associated with working in partnership will be identified, prioritised, and appropriately managed.

- ensure partnerships have effective risk management procedures in place for all parties.

8   Risk Analysis and Scoring

8.1   Once the risks have been identified they will need to be assessed.

8.2   The Council has adopted a consistent scoring mechanism for all risk identification, as it enables identified risks from other systems to be escalated to the Corporate Risk Register.

8.3   This process requires risk owners to assess the level of risk by considering:

- The probability of an event occurring – (Likelihood)
- The potential severity of the consequences should such an event occur – (Impact)

8.4   The risk score is calculated by multiplying the 'likelihood' score by the 'impact' score:

IMPACT	
Score	Classification
1	Insignificant
2	Minor
3	Moderate
4	Major
5	Catastrophic
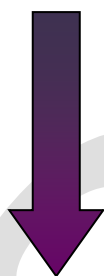
LIKELIHOOD	
Score	Classification
1	Highly unlikely
2	Unlikely
3	Possible
4	Probable
5	Very likely

8.5   The impact and likelihood of risks is scored with regards the below levels:

Score	1	2	3	4	5
Criteria	Insignificant impact	Minor impact	Moderate Impact	Major Impact	Catastrophic Impact
Performance	Objectives still achieved with minimum extra cost or inconvenience	Partial achievement of objectives with compensating action taken or reallocation of resources.	Additional costs required and or time delays to achieve objectives – adverse impact on PIs and targets.	Unable to achieve corporate objectives or statutory obligations resulting in significant visible impact on service provision such as closure of facilities.	Unable to achieve corporate objectives and/or corporate obligations.
Service Delivery	Insignificant disruption on internal business – no loss of customer service.	Some disruption on internal business only – no loss of customer service.	Noticeable disruption affecting customers. Loss of service up to 48 hours.	Major disruption affecting customers. Loss of service for more than 48 hours.	Loss of service delivery for more than seven days.
Physical	No injury/claims.	Minor injury/claims (first aid treatment).	Violence or threat or serious injury/claims (medical treatment required).	Extensive multiple injuries/claims.	Loss of life.
Reputation	No reputational damage.	Minimal coverage in local media.	Sustained coverage in local media.	Coverage in national media.	Extensive coverage in National Media.
Environmental	Insignificant environmental damage.	Minor damage to local environmental.	Moderate local environmental damage.	Major damage to local environment.	Significant environmental damage attracting national and or international concern.
Financial	Financial loss < £200,000	Financial loss >£200,000 <£600,000	Financial loss >£600,000 <£1,000,000	Financial loss >£1,000,000 <£4,000,000	Financial loss >£4,000,000
Legal	Minor civil litigation or regulatory criticism	Minor regulatory enforcement	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 151 or government intervention or criminal charges

8.6   Both inherent and residual risk scores should be identified to assist in the effective review and monitoring of the controls in place.

8.7   The residual scores are then plotted onto the heat map within the corporate risk register.

9 Risk Control

9.1 Action to address significant and material risks must be disclosed in Service Plans and agreed by the Corporate Management Team and the Audit and Risk Management Committee, where appropriate.

9.2 Risk control is the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur.

9.3 There are a number of options for controlling risk:

- **Risk avoidance** involves the Council opting not to undertake a current or proposed activity because it is considered to be too risky.

- **Risk reduction** is dependent on implementing mitigating actions which will minimise the likelihood of an event occurring or limit the severity of the consequences should it occur.

- **Risk transfer** involves transferring liability for the consequences of an event to another body.

- **Risk acceptance** is the level of exposure to risk that the Council deems acceptable.

- **Risk sharing** is a method of sharing risk with other parties by distributing losses on a predetermined basis.

9.4 Most risks can be managed either by minimising the likelihood of the risk occurring and / or reducing the severity of the consequences should the risk occur. Relatively few risks must be avoided or transferred.

9.5 Managers must judge which courses of control action are the most appropriate to address each of the risks they have identified, taking advice where appropriate.

10 Monitoring, Reporting and Escalation

10.1 A key element of effective risk management is the on-going vigilance and the communication and escalation of risk information to the appropriate management level.

10.2 The framework for the reporting and escalation of risk within the Council is based on the organisational structure and normal reporting lines.

10.3 Risk owners, along with the Corporate Risk Management Group, will monitor the current assessments of risks as frequently as dictated by changing circumstances.

10.4 The Corporate Management Team will be provided with periodic updates on the status of significant risks as part of financial and performance monitoring reports. Likely risk impacts will be quantified at the earliest opportunity.

10.5 Audit and Risk Management Committee will receive an update on the current risk position at least bi-annually.

11   Annual Review and Assurance Statement

11.1   As part of the annual reporting process, the Corporate Management Team will perform an annual review of the effectiveness of the Council's corporate governance arrangements, including its risk management and internal controls processes over the prevailing financial year.

11.2   The outcome of this review will be reported to the Audit and Risk Management Committee and will form the basis of an assurance statement to be published annually in accordance with best practice.

12   Roles and Responsibilities for Managing Risks

Group	Role
Elected Members	Ensure that risks are taken into consideration for Committee and Council decisions.
Audit & Risk Management Committee (ARMC)	Receive risk management reports and take appropriate action to ensure that corporate business risks are being actively managed including reporting to full council at least annually on its assurance work. The Chairman of Audit & Risk Management Committee will receive reports of exceptional risks throughout the year as appropriate.
Corporate Management Team (CMT)	Maintain a formal framework for the management of risks in terms of operational and strategic risks and opportunities.
Corporate Director & Chief Finance Officer	Monitor and promote effective application of strategic risk management across the authority and direct the Risk Management Group as required. Provide awareness and training on Risk Management to Members and Staff as appropriate.
Corporate Risk Management Group (CRMG)	Provide support for the delivery of the risk management strategy across the Council. Promote and advise upon risk management practices across all services of the Council and help to develop a consistent and effective approach to risk management is adopted within relevant Council management functions.

Head of ICT, Digital & Resilience	Monitor and promote effective application of operational risk management across the authority and support the CRMG as required.
	Provide awareness and training on risk management to Members and staff as appropriately identified via inductions and development programs.
	Receive intelligence of potential risks and consider the appropriate route for escalation.
	Inform CMT and the Chairman of ARMC of risks requiring attention.
	Recommend to CMT and ARMC changes to the Risk Management Framework to maintain its effectiveness.
All Managers	Ensure that risk is managed effectively in each service area in accordance with the corporate framework and to act as a conduit to ensure that the specialist advisers and the CRMG are made aware, as appropriate, of the significant risks faced and the actions proposed.
	Manage risk effectively in their service areas and to report on how major hazards and risks have been / are being managed.
All Staff	Manage risk effectively in their job and report material hazards / risks to their service managers.
	Undertake their job with the highest regard for safety, regulatory and policy guidelines, practices, and procedures.

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Agenda Item No:	**7**	
Committee:	**Audit and Risk Management Committee**	Fenland CAMBRIDGESHIRE
Date:	**20th March 2023**	
Report Title:	**Regulation of Investigatory Powers Act (RIPA) - Update**	

11 Purpose / Summary

This report is intended to provide members of the Audit and Risk Management Committee with an update on Fenland District Council's use of the Regulation of Investigatory Power Act 2000 (RIPA).

12 Key issues

- RIPA allows Councils to carry out certain types of surveillance, when covert surveillance is assessed as being necessary and proportionate. Examples of this in a Council context include usage in relation to the investigation and enforcement of fly tipping, suspected benefit fraud and antisocial behaviour. Evidence resulting from surveillance activities may be used by the Council in court proceedings. The Act details how surveillance must be controlled and undertaken.

- Good practice suggests that the Councils Audit and Risk Management Committee (ARMC) should review the operational use of RIPA as well as undertaking any updates and amendments to the Council's RIPA Policy.

- The Council has not used RIPA on any occasion since its activities were last reported to the ARMC on 21st June 2021.

13 Recommendations

That the Audit and Risk Management Committee is requested to:

- Note this report.

Wards Affected	All
Forward Plan Reference	N/a
Portfolio Holder(s)	Cllr Chris Boden – Portfolio Holder for Finance
Report Originator(s)	Peter Catchpole – Corporate Director & s.151 Officer
Contact Officer(s)	Amy Brown – Assistant Director
Background Paper(s)	RIPA Policy

Report:

11   Introduction

1.1   RIPA allows Councils to undertake covert surveillance that can lead to gaining private information about individuals. Such surveillance is only lawful if the actions are:-

- Necessary for the purpose of preventing or detecting crime or preventing disorder,
- Proportionate. They must balance the effect on an individual's human rights with the gains from conducting the surveillance;
- Non-discriminatory;
- Lawful;
- Approved by a Justice of the Peace in addition to an Authorising Officer of the Council.

1.2   RIPA has been utilised on 8 occasions during the past ten years as follows:

1. During 2013 and 14, the Council did not use RIPA.
2. RIPA was used four times in 2015.
3. RIPA was used twice in 2016.
4. RIPA was used twice in 2017.
5. From 2018 to date, RIPA has not been used.

1.3   The current RIPA policy is attached for information. The current RIPA Policy was approved by Council in September 2019 and is currently in the process of being reviewed and updated. The revised draft RIPA Policy will be presented to the ARMC for consideration and approval early in the forthcoming municipal year.

1.4   The Council is also in the process of providing updated training to all relevant officers. In that regard, training was provided to enforcement officers and heads of service during Autumn 2022 and SIRO/Authorising Officer training is taking place on 15th March 2023.

1.5   Once the training and revised Policy have been finalised, there will be a re-launch with important reminders issued to all staff about the circumstances in which RIPA will be engaged as well as the process for seeking authority. This will be via the Council's What's Breaking publication and the intranet webpage will be updated to include the same overview together with links to the relevant documentation and personnel. More information about this will be provided when the draft Policy is presented for approval.

12   Next steps

2.1   Members are asked to note the contents of this report.

▪   It should be noted that the Council's RIPA policy is inspected by the Office of the Surveillance Commissioner every three years, the next inspection is due in 2024 and all of the necessary preparation for this is already underway and as set out in this Report.

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Agenda Item No:	**8**
Committee:	**Audit and Risk Management**
Date:	**06/03/2023**
Report Title:	**Risk based Internal Audit Plan 2023/24**

1 Purpose / Summary

In accordance with the Public Sector Internal Audit Standards the Internal Audit Team have prepared the attached Internal Audit Plan. It considers the areas for audit review and the availability of internal audit resources.

2 Key issues

- The Council's Internal Audit work plan is produced on an annual basis. It is an estimate of the work that can be performed over the financial year. Potential areas of the Council for audit are prioritised based on a risk assessment, enabling the use of Internal Audit resources to be targeted at areas of emerging corporate importance and risk.

- The format of the plan reflects the Public Sector Internal Audit Standards (PSIAS) which were introduced in April 2013. The PSIAS were revised and came into effect in April 2017. It also incorporates the governance and strategic management arrangements of Internal Audit resources.

- Following on from the External Assessment completed in December 2022, recommendations will be considered, implemented and reviewed.

- There are a total of 267 budgeted productive days for 2023/24.
  - 205 days are allocated to operational audit work. This resource is used to calculate the risk-based audit plan. This work contributes to the annual opinion on the effectiveness of the system of internal control, which is reported to the Committee.
  - 62 days are allocated for other productive assurance work. This includes proactive anti-fraud and error work such as the National Fraud Initiative, project-based assurance, a contingency for responsive work and following up previous recommendations.

- The risk-based plan assumes that the team comprises 1.6 FTE. This level of capacity is considered sufficient to deliver the 2023/24 plan but could be insufficient to provide continued internal audit coverage of all key control systems over a 3–5 year cycle.

- It should be noted that the plan for 2022/23 budgeted for 362 productive days which was felt to be on the high side by the External reviewer. However, with the reduction in resource it is anticipated that 205 productive days will be delivered in 2022/23 and will still deliver a compliant program of works for reporting purposes. We are working through some options for future years.

- It is proposed that FDC advertise for an Interim Internal Audit Manager to cover the current vacant post. Some low-risk systems may be audited less frequently in favour of systems with new or changing risks, subject to an ongoing risk evaluation.

- This plan will continue to be flexible to support ongoing and emerging risks that may arise throughout the year.
    - The audit plan for 2023/24 is attached at Appendix A.
    - The Assurance rating classification is included at Appendix B.
    - The 'fundamental systems' audit reviews over the next 5 years are included at Appendix C.

- The Council has 10 key financial systems, known as 'Fundamental' systems, due to their significance and materiality. Detailed testing provides assurance to the Council's External Auditors in preparation for final accounts compliance. Following repeated years of positive assurance, the Committee and the External Auditors agreed an approach that would maximise assurance with the most effective use of resources. This approach will continue to be discussed with the External Auditors, reflecting any changes to the level of risk for these systems.

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- This is illustrated in Appendix C which shows that the Payroll system is reviewed annually, and with the auditing arrangements with ARP, the Council Tax, Business Rates and Housing Benefits are also reviewed annually. The remaining systems will be audited over a three-year cycle.

3 Recommendations

The Committee is asked to acknowledge the Internal Audit resources and to consider and note the attached draft Internal Audit Plan for 2023/24.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Cllr Chris Boden Leader and Finance Portfolio holder
Report Originator(s)	Laura Newton & Tammy Smith – Internal Auditors
Contact Officer(s)	Peter Catchpole – Corporate Director & Chief Finance Officer Amy Brown - Assistant Director
Background Paper(s)	Accounts and Audit Regulations 2015 Public Sector Internal Audit Standards 2016 CIPFA Local Government Application Note 2019 Fenland District Council Corporate Plan Internal Audit Charter

Risk based Internal Audit plan 2023/2024

1   Introduction

1.1   This document sets out the Internal Audit risk-based plan. It is intended to demonstrate how Internal Audit will support the overall aims and objectives of the Council by:

- providing the Chief Executive, Section 151 Officer and Audit and Risk Management Committee with an overall opinion each year on the Council's control environment to support the Annual Governance Statement requirements.

- preparing audit plans that give suitable priority to the Council's priorities and key risks and concentrate resources on areas that have been identified as being the most vulnerable.

- providing suggested actions to line management at the conclusion of each piece of audit work that will assist in continuous service improvement and reduce the risks identified.

- identifying the audit resources required to deliver an audit service that meets required professional standards; and

- complying with professional standards.

1.2   The plan is risk based and covers the organisations existing operations, while adding value by responding to emerging risks and promoting good governance.

1.3   The plan will be reviewed at least annually to ensure its continued relevance, both in terms of supporting the council's aims and corporate objectives, and in achieving a professional, modern audit service.

1.4   The strategic aims for Internal Audit in 2023/24 are to:

- prepare, maintain and deliver the risk based internal audit plan.

- proactively promote understanding of risk and control.

- recommend actions that help systems meet at least adequate levels of control.

- facilitate provision of assurance for the Annual Governance Statement.

1.5   The plan is supported by the teams Service Plan, which is aligned to the Council's Corporate Priorities, and is agreed with the Internal Audit team through the Council's Springboard process.

2   Role of Internal Audit

2.1   All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that 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.

2.2   Fenland District Council has responsibility for ensuring that statutory internal audit arrangements are in place to the Corporate Director & Chief Finance Officer. These arrangements form a key element of the District Council's framework for corporate governance.

2.3   The Interim Internal Audit Manager will oversee internal audit provision to the District Council on behalf of the Corporate Director & Chief Finance Officer.

2.4   The objectives, scope and definitions of Internal Audit are detailed in the Internal Audit Charter.

3 Risk assessment

3.1 The Council's audit plan is based on a risk assessment of all the Council's major systems and other auditable areas. This allows us to prioritise those areas and systems to be included within the plan. Key risk assessment factors include:

Factor	Description
Materiality – Value	The value of annual direct income / expenditure associated with the system / activities
Materiality – Volume	An estimate of the number of transactions processed by the systems / activities per annum
Significance / Profile	The significance of the system to the activities of the Council.
Complexity	The complexity of the systems / activities in terms of their operation and auditability
Change	Recent changes to the system or the likelihood of change to the systems in the audit period planned
Regulatory / Contractual	Extent to which the system / activity is subject to regulation or contractual obligation
External Monitoring	The extent to which a service / activity is monitored or audited by an external body
Prior Audits	Overall rating of last audit and result of follow up.
Susceptibility to fraud and corruption	Opportunity within the system / activity for fraud and corruption to occur.
Staff Turnover	The turnover of staff, especially with key skills.

3.2 The risk assessment, and update of the annual plan, is informed by consultation with key stakeholders, including:

- the Corporate Director & Chief Finance Officer.
- the Corporate Director & Monitoring Officer.
- the Corporate Management Team.
- the Council's team managers.
- the Council's external auditors.
- the Audit and Risk Management Committee.

3.3 Consultation helps ensure that stakeholder's views and risks are reasonably identified and reflected within the plan. Where possible External Audit will place reliance on the work of internal audit, and other external providers of assurance will be referred to help formulate the annual audit opinion. This helps ensure that resources are used to the best effect, and duplication is avoided.

3.4 The plan is also informed by key corporate documents such as:

- Business Plan.
- Medium Term Financial Strategy; and
- the Council's risk registers.

4   Key themes

The key themes, which have driven our assessment of risk and strategic aims are:

Area	Comment
Financial excellence	There is a continued need to ensure value for money is achieved, including financial resilience and the ability to prioritise resources within increasing financial constraints and a changing control environment.
Corporate Governance arrangements	The Internal Audit Manager will independently review and give an opinion on the Council's arrangements for both corporate governance and risk management, to support the production of an annual governance statement to accompany the statement of accounts. The team will maintain an awareness of emerging risks to help provide advice on effective internal controls.
Assurance mapping	Where other well-developed assurance processes exist (e.g., documented Control Risk Self-Assessment reviews, quality management audits, the work of other review or inspection teams) the internal audit team will quality assure these processes and consider how they can deliver a significant contribution to the overall audit opinion of internal control.
Improving information governance	As part of the planned audits the team will help to promote good information and data management practice throughout the organisation.
Risk management	Internal Audit will continue to assist teams identify business risks as part of audits. This will engage our customers in the management and maintenance of their risks and controls at an operational level and help identify and escalate concerns to the corporate risk register.
Minimising fraud and error	The Internal Audit team will ensure that the Anti-fraud & corruption policy & strategy reflects best practice and will appraise fraud risks during audits. Internal controls will continue to be tested for effectiveness and the team will participate in data matching exercises, as provided by the National Fraud Initiative, to proactively identify fraud and error.
Corporate priorities	The Corporate plan, and the Council priorities, informs the audit strategy. The annual plan is based on the risk profile of activities supporting the Corporate Plan and will continuously be revised to reflect any emerging changes to corporate risk.

5 Audit needs and resources

5.1   The risk assessment process identifies auditable systems and helps to prioritise the audit plan in consultation with key stakeholders.

5.2   Systems assessed as below adequate assurance, during the previous financial year, which are not subject to a planned audit will be considered for a follow up review to assess the effective implementation by management of agreed audit recommendations.

5.3   Where common areas of risk are identified across several teams then the use of corporate themed reviews is considered to ensure an approach which is both consistent and makes effective use of resources.

5.4   Both the resources and capacity of the Internal Audit Team is considered annually whilst setting the annual plan. The Internal Audit Team currently has 1.6 full time equivalent and a vacant post due to be advertised for an Internal Audit Manager.

5.5   Unproductive days, such as training and annual leave, are deducted from the total resource to calculate the total number of planned productive days.

5.6   Internal Audit team resources will enable all services of the Council to receive audit coverage over a three-year period, although realistically some may be considered of such low priority in relation to other areas that they may only be covered in five years.

5.7   This Internal Audit plan is produced and provides details for a 12-month period. The Interim Internal Audit Manager, once appointed, will review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls. Where work in progress occurs, it will be carried forward for completion within resources available in the next year.

6   Audit delivery

6.1   The approach of internal audit is to use risk-based reviews, supplemented in some areas using system-based audits and themed reviews. All audits have regard to management's arrangements for: -

- securing the proper, economic, efficient and effective use of resources.
- achieving key performance indicators, where appropriate.
- preventing fraud and irregularity.

6.2   The internal control system contains 10 key systems known as 'Fundamental' audits. A compliance approach is applied, as there is pre-existing confidence that controls are well designed, but the effective operation of the controls is a material concern. Testing for the effective operation of these controls is completed over a planned three-year cycle, although can be audited more frequently if assurance is required. The ARP auditing arrangements have allowed us to gain assurances on an annual basis for Council Tax, Business rates and Housing Benefits. The 'Payroll' system will be reviewed annually to reflect the potential risk of the system. A continuous auditing approach is adopted that spreads the testing throughout the year. This helps to ensure that the work is delivered and reduces the burden on the customer.

6.3   The remainder of the systems are prioritised by their risk-based assessment. The approach to each audit is agreed, with the customer, during the planning stage of the audit.

6.4   In addition to these planned audits the team will complete other assurance work which adds value to the organisation. Examples include proactive anti-fraud and error work such as fraud risk education and data matching, project-based assurance, contingency for responsive work, and following up previous audit recommendations

6.5   The PSIAS states that the Internal Audit Manager should consider accepting consulting engagements based on the potential to improve management of risks, add value and improve the organisation's operations. The team will participate in corporate projects that add value by improving governance and controls throughout the Council.

6.6   Requests for unplanned work will be considered against capacity to ensure internal audit's independence, and the resource required to provide the annual audit opinion, is not compromised. Any significant additional consulting activities, which impact delivery of the plan, will be communicated to the Committee.

6.7   The output of audits completed during the year will inform the annual audit opinion. The annual internal audit opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This will be reported through the annual Internal Audit Outturn report which is a key source of assurance for the Annual Governance Statement.

7 Quality and performance

7.1 The Internal Audit Service maintains a manual, which sets out the standards to which all audit assignments are completed. It is reviewed and updated to reflect the best practice and professional standards.

7.2 The performance of Internal Audit is measured against targets and objectives set out in the Team Service Plan.

7.3 At a detailed level each audit assignment is monitored, and customer feedback sought.

7.4 There is ongoing performance appraisal and supervision for all Internal Audit staff during the year to support them in achieving their personal targets.

7.5 The Corporate Director & Chief Finance Officer shall in accordance with the Accounts and Audit regulations 2015 arrange for an assessment of quality independently of the Internal Audit service. Additionally, an external review of the Internal Audit Service is completed by external assessors every 5 years.

7.6 This was assessed in December 2022, where the team received the highest rating of Generally Conforms in all areas.

7.7 The Internal Audit Service will continue to liaise closely with other internal audit services through the Cambridgeshire Audit Group, the Chartered Institute of Public Finance Accountants, the Institute of Internal Auditors and the ARP shared audit partnership to share knowledge of best practice.

Appendix A: Internal Audit plan 2023/24

Audit Title	Risk Rating	Last Audit	Last Audit results	2023/24 days
2022/23 brought forward				
Cash & Treasury Management	Medium	2016/17	Substantial	6
Housing Options	Medium	2016/17	Substantial	4
Budgetary Control	Medium	2019/20	Substantial	4
Subtotal brought forward from 2022/23				**14**
Communities				
Subtotal Communities				**0**
Economy				
Development - Fee Income	Medium	2018/19	Substantial	8
Trading Operations - Estates	Medium	2019/20	Adequate	8
Contract Monitoring - Highways	Medium	2017/18	Substantial	8
Subtotal Economy				**24**
Environment				
Trading Operations - Cemetery Income	Medium	2019/20	Limited	8
Public Health Funerals	Medium	NEW		8
Licenses - Animal Welfare	Medium	2018/19	Adequate	6
Licenses - Other	Medium	2018/19	Limited	6
Subtotal Environment				**28**
Quality Organisation				
ARP Enforcement	Medium	2020/21	Substantial	12
Council Tax (Fundamental)	Medium	2020/21	Adequate	1*
Housing Benefits (Fundamental)	Medium	2020/21	Adequate	*
Housing Benefits – Overpayments	Medium	2020/21	Adequate	*
Business Rates (Fundamental)	Medium	2020/21	Adequate	*
Corporate Projects	*Medium*			*10*
Corporate Assurance – Anti-Fraud and Corruption	Medium	2020/21	Ongoing	5
Corporate Assurance - Information & Data Management	High	2019/20	Substantial	12
Capital Finance Planning & Assets Register	High	2018/19	Substantial	15
Payroll	High	2019/20	Substantial	10
Payroll - Expenses & Allowances	High	2018/19	Substantial	6
Corporate Assurance - Transparency	Medium	2018/19	Adequate	6
HR - Administration Policy	Medium	2017/18	Substantial	10
Payroll - Benefits & Deductions	High	2018/19	Substantial	5
Debtors & Collection Agency	Medium	2018/19	Substantial	15
Freedom of Information	Medium	NEW		8

Subtotal Quality Organisation				**115**
Total Risk Based Audits				**181**
External Audits and Other Work				
Local Authority Trading Company	High	2021/22	Ongoing	10
Fraud Work – Investigations and NFI				15
Follow ups				12
Contingency				25
Subtotal External and Other Work				**62**
Grand Total				**243**

*   These audits are conducted by our ARP partner authorities, which will be reviewed by the Interim Internal Audit Manager of FDC before final reports are issued.

Appendix B: Assurance Ratings:

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 Opinion	Definition
Full Assurance	In our opinion, there is a **sound** system of internal control that is likely to achieve the system objectives, and which is operating effectively in practice.
Substantial Assurance	In our opinion, there is a sound system of internal control operating, but there are a **few minor weaknesses** which could put the achievement of system objectives at risk.
Adequate Assurance	In our opinion, there is a sound system of internal control operating, but there are **some weaknesses** which could put the achievement of system objectives at risk.
Limited Assurance	In our opinion, there is a system of internal control with a number of weaknesses likely to **undermine** achievement of system objectives, and which is vulnerable to abuse or error.
No Assurance	In our opinion, there is a **fundamentally flawed** system of internal control that is unlikely to achieve system objectives and is vulnerable to serious abuse or error.

Appendix C: Fundamental audit plan

This is the proposed plan for internal audit reviews of controls considered fundamental to the Council

System Name	2023/24	2024/25	2025/26	2026/27	2027/28	Current Overall assurance rating
Housing Benefits *	✓	✓	✓	✓	✓	Adequate
Council Tax *	✓	✓	✓	✓	✓	Adequate
Business Rates *	✓	✓	✓	✓	✓	Adequate
Capital Finance Planning & Asset Register	✓			✓		Substantial
Debtors and Collection Agency	✓			✓		Substantial
Creditors			✓			Substantial
Corporate Finance - Budgetary Control			✓			Substantial
Cash & Treasury Management	✓			✓		Substantial
Corporate Finance - Management Accounting System		✓			✓	Substantial
Payroll	✓	✓	✓	✓	✓	Substantial

'* ARP Auditing arrangements in place allow for an audit to be undertaken every year on these services by our ARP Partner authorities.

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DRAFT AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
24 July 2023	Audit Results Report 2021/22 (ISA260)	Annual	External Audit	To consider and note the external audit results report.
	Statement of Accounts 2021/22	Annual	Mark Saunders	To review and approve the Statement of Accounts 2021/22
	Letter of Representation 2021/22	Annual	Mark Saunders	To agree the format and content of the Letter of Representation provided to the External Auditors at the conclusion of the 21-22 Statement of Accounts audit. To be signed by the Chair of AMRC and s.151 Officer.
	Treasury Management Annual Review 2022/23	Annual	Mark Saunders	To consider the overall financial and operational performance of the Council's treasury management activity for 2022/23
	Internal Audit Outturn and Quality Assurance Review	Annual	Audit	To provide the Audit and Risk Management Committee with an overview of the work undertaken by Internal Audit during 2022/23 To provide the Audit Managers annual opinion on the system of internal control To consider the effectiveness of Internal Audit
	Audit and Risk Management Committee Annual Report 2022-2023	Annual	Audit	To report to Full Council the commitment and effectiveness of the Audit and Risk Management Committee's work from April 2022 to March 2023
	Anti-Fraud and Corruption Policy and Strategy	4-yearly	Audit	To agree proposed changes/updates to the Anti-Fraud Policy.
	Audit and Risk Management Committee work program	Quarterly	Audit	Information purposes

Agenda Item 9

DRAFT AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
25 September 2023	Annual Governance Statement 2022 - 23	Annual	Audit	Regulation 6(1) of the Accounts and Audit Regulations 2015, require the Council to conduct an annual review of the effectiveness of its system of internal control and publish an Annual Governance Statement (AGS). The CIPFA Finance Advisory Network has issued detailed practical guidance for meeting the requirements of the Accounts and Audit Regulations
	Statement of Accounts 2022-23	Annual	Mark Saunders	Review and approve the Statement of Accounts 2022-23
	Corporate Risk Register Review	Quarterly	Stephen Beacher	To provide an update to the Audit and Risk Management Committee on the Council's Corporate Risk Register
	External Audit Plan	Annual	External Audit	
	Internal Audit Plan 2023/24 – Quarterly Update	Progress report	Audit	To consider and note the activity and performance of the Internal Audit function.
	Audit and Risk Management Committee Work Programme	Quarterly	Audit	Information purposes

DRAFT AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
20 November 2023	Audit Results Report 2022/23 (ISA 260)	Annual	Audit	To consider and note the external audit results report.
	Letter of Representation 2022/23	Annual	Mark Saunders	To agree the format and content of the Letter of Representation provided to the External Auditors at the conclusion of the 22-23 Statement of Accounts audit.
	Treasury Management Strategy Statement and Annual Investment Strategy Mid-year review	6 monthly	Mark Saunders	To review the activity for first 6 months of the year and to provide members a update on matters pertinent to the Councils Treasury Management Strategy
	Internal Audit Plan 2023/24 Progress report Q2	Quarterly	Audit	To consider and note the activity and performance of the Internal Audit function.
	Anti-Money Laundering Policy	4-Yearly	Auidt	To agree proposed changes/updates to the Anti-Money Laundering Policy
	Corporate Risk Register - Quarterly update	Quarterly	Stephen Beacher	To review and approve the quarterly risk register
	Audit and Risk Management Committee Work Programme	Quarterly	Audit	Information Purposes
12 February 2024	Annual Audit Letter 2023/24	Annual	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 2023/24	Annual	Mark Saunders	To endorse the strategy to be included in the final budget report
	Internal Audit Plan 2023/24 Progress report Q3	Quarterly	Audit	To consider and note the activity and performance of the Internal Audit function

DRAFT AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

	Corporate Debt Policy	4 Yearly	Audit	To agree proposed changes/updates to the Corporate Debt Policy
	Risk Register – Quarterly update	Quarterly	Stephen Beacher	To review and approve the quarterly risk register.
	Audit and Risk Management Committee Work Programme	Quarterly	Audit	Information Purposes
25 March 2024	Risk Based Internal Audit Plan 2024/25	Quarterly	Audit	To approve the internal audit plan and resources for the forthcoming year
	Annual Governance Statement Update 2022/23		Audit	To review and note the progress on the Annual Governance Statement action plan arising from 2022/23.
	Risk Management Strategy and Corporate Risk Register	Annual	Stephen Beacher	To consider and note the annual review of risk management and corporate risk register.
	Audit and Risk Management Committee Work Programme	Quarterly	Audit	Information Purposes

DRAFT AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME

Future items *(when to be brought to the committee in 2022/23 to be determined)*
- Anti-Fraud and Corruption Policy and Strategy (4 Years) – July 2023
- Anti-Money Laundering Policy (4 Years) – November 2023
- Corporate Debt Policy (4 Years) – February 2024

Cyclical Items not due this year *(unless policy or legislation changes require amendments prior to review date)*
- Internal Audit Charter   June 2024
- Whistleblowing Policy   June 2024
- ARMC Terms of Reference   December 2024
- External Auditor Appointment Process   Dec – Feb 2027

Audit and Risk Management Committee Training sessions 2023/24

- Introduction to ARMC – External Training   24th July 2024
- Statement of Accounts – Mark Saunders   25th September 2024
- Risk Register – Stephen Beecher   25th September 2024

Audit and Risk Management Committee Action Plan

Title	Comments	Due by	RAG
Independent Member appointment	A report was presented to the committee in July 2022, with the committee agreeing in principle to progress with an independent member appointment to ARMC. Further report outlining skills analysis and job description to be brought back to ARMC for recommendation to Council.	December 2022	Not due yet
Committee Training	Committee Members to discuss training requirements and provide officers with suggested training topics for future meetings.	Ongoing	

AUDIT AND RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2022-23

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
PPA	Post Payment Assurance
PSAA	Public Sector Auditor Appointments
PSIAS	Public Sector Internal Audit Standards
PWLB	Public Works Loan Board
RIPA	Regulation of Investigative Powers