


Agenda Item No:	5	
Committee:	Audit and Risk Management Committee	
Date:	14 February 2022	
Report Title:	Auditor's Annual Report 2020/21	

## Cover sheet:

### 1 Purpose / Summary

To receive the independent external auditors, Ernst &Young (EY), Annual Report for 2020/21.

### 2 Key issues

- The external audit findings for 2020/21 have been reported to the Audit and Risk Management Committee throughout the year. The Auditor's Annual Report brings together all the auditor's work over the year.
- The external auditors Audit Results Report for 2020/21 was presented to this committee on 29 November 2021, confirming an unqualified opinion on the Financial Statements for 2020/21.
- A core element of the Annual Report is the commentary on Value for Money (VFM) arrangements (Section 4 of the attached report). In all aspects of the VFM assessment, the Council had the arrangements in place that EY would expect to see. As a result of the VFM procedures carried out, EY have not made any recommendations.
- EY have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. The guidance for 2020/21 is yet to be issued. We are not expecting any issues relating to this work. Once EY have completed this work they will issue their audit certificate.

### 3 Recommendation

- It is recommended that Members note the content of the report.

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	N/A
<b>Portfolio Holder(s)</b>	Cllr Kim French, Chairman of Audit and Risk Management Committee Cllr Chris Boden, Leader and Portfolio Holder, Finance
<b>Report Originator(s)</b>	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
<b>Contact Officer(s)</b>	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
<b>Background Paper(s)</b>	2020/21 Audit Results Report (ISA260)



**Fenland District Council**

**Auditor's Annual Report  
Year ended 31 March 2021**

8 December 2021



**EY**

Building a better  
working world

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

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

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

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Section 1

# Executive Summary



## Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
<b>Opinion on the Council's:</b>	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our auditor's report on 29 November 2021.
Going concern	We have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the annual report and other information published with the financial statements	Financial information in the annual report and published with the financial statements was consistent with the audited accounts.

Area of work	
<b>Reports by exception:</b>	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

# Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued our Audit Results Report on the 17 November 2021 to the Audit & Risk Management Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued

## Fees

We carried out our audit of the Council's financial statements in line with the "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA. As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to accounting for Covid-19 related Government Grant income, Going Concern, and the new NAO Code for VFM. As a result, we will agree an associated additional fee with the Chief Finance Officer. We include details of the audit fees in Appendix 1.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.



Mark Hodgson

Associate Partner  
For and on behalf of Ernst & Young LLP

Section 2

## Purpose and responsibilities



# Purpose and responsibilities

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This report summarises our audit work on the 2020/21 financial statements.

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## **Purpose**

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Council or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

## **Responsibilities of the appointed auditor**

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on the 21 May 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

## **Responsibilities of the Council**

The Council is responsible for preparing and publishing its financial statements, annual report and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Section 3

# Financial Statement Audit



# Financial Statement Audit

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We have issued an unqualified audit opinion on the Council's 2020/21 financial statements.

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## Key issues

The Annual Report and Accounts is an important tool for the Council's to show how it has used public money and how it can demonstrate its financial management and financial health.

On 29 November 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Audit & Risk Management Committee meeting on the 29 November 2021. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
<b>Misstatements due to fraud or error - management override of controls</b> An ever present risk that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	<p>We did not identify any material weakness in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.</p> <p>We did not identify any inappropriate journal entries or other adjustments to the financial statements.</p>
<b>Inappropriate capitalisation of revenue expenditure</b> Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund.	<p>Our sample testing of additions to Property, Plant and Equipment and Investment Properties found that they had been correctly classified as capital and included at the correct value.</p> <p>Our sample testing did not identify any revenue items that were incorrectly classified.</p> <p>Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.</p>

Continued over.

## Financial Statement Audit (continued)

Significant Risk	Conclusion
<p><b>Accounting for Covid-19 related grant funding</b></p> <p>In response to the Covid-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these.</p> <p>Given the volume of these grants, and the new conditions for the Council to understand the accounting impact of, there is a significant risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.</p>	<p>Our sample testing of Covid-19 related grant funding did not identify any grants that were incorrectly classified as specific or non-specific in nature, or any grants where the incorrect accounting treatment was applied.</p> <p>Our work also did not identify any grants where Fenland's assessment of their role as Agent or Principal was inconsistent with other Councils.</p>

Continued over.

## Financial Statement Audit (continued)

In addition to the significant risks identified, we also concluded on the following areas of audit focus or inherent risk.

Other area of audit focus	Conclusion
<p><b>National Non-Domestic Rates Appeals Provision</b></p> <p>The calculation of the NNDR Appeals Provision is estimate based. Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that councils were forecasting net additions to appeal provisions totalling £927 million this financial year, and £1.2 billion next year. The reason behind the forecast increase is that, due to the impact of Covid-19, businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based.</p>	<p>Our work did not identify any issues with the assumptions used by Council's specialist in the calculation of the NNDR appeals provision.</p> <p>We had no other matters to report.</p>
<p><b>Recoverability of Receivables</b></p> <p>As a result of the impact of Covid-19, there may be increased uncertainty around the recoverability of receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of Covid-19 and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Council will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy.</p>	<p>Our work did not identify any issues with the reasonableness, accuracy or sufficiency of the Bad Debt Provisions made.</p> <p>We had no other matters to report.</p>

Continued over.

## Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p><b>Pension Valuations and Disclosures</b> The Authority makes extensive disclosures within its financial statements regarding its membership of Pension Scheme administered by Cambridgeshire County Council. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. We undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>The Cambridgeshire Pension Fund auditor highlighted a material movement in the valuation of Investment Assets of the Pension Fund, in their assurance letter to us.</p> <p>As a result, the Council received an updated IAS19 report from the Actuary, which determined that the liability in the draft accounts was overstated by £1.140 million.</p> <p>The audited statements were updated for the revised figures.</p>
<p><b>Valuation of Property, Plant and Equipment and Investment Properties</b> The fair value of Property, Plant, and Equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>Our work did not identify any issues with the valuation of PPE or Investment Properties.</p>

Continued over.

## Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p><b>Accounting for Collection Fund disclosures</b></p> <p>During 2020-21, in response to the financial hardship faced by individuals and businesses, there may be lower levels of recovery of collection fund income. There are also specific sectors including retail, hospitality and leisure that have received additional business rates relief for the financial year. There is therefore an inherent risk of incorrect accounting based on the significant level of change in the year.</p>	<p>Our work did not identify any issues with the accounting for Collection Fund disclosures.</p>
<p><b>Going concern disclosures</b></p> <p>The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period</p>	<p>We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern.</p> <p>Management used the basis of their assessment to produce the disclosures included within the draft financial statements.</p> <p>We were satisfied that the revised disclosure note appropriately set out the circumstances surrounding the financial implications prevalent at the Balance Sheet date.</p>

Continued over.

# Financial Statement Audit (continued)

## Audit differences

### Adjusted Differences

Management have corrected for updated market information in respect of pension fund assets, through receipt of a revised actuarial report. This has reduced the overall liability by £1.140 million.

### Unadjusted Differences

There were 3 uncorrected misstatements within the authorised accounts:

- £0.170 million - in relation to one Property, Plant, and Equipment asset valuation, as a result of using an incorrect measurement unit for the asset area.
- £0.103 million - between the Council's Pension Liability reported by Management's Expert (Hymans) and that shown by the Council within the Balance Sheet. There is a £0.049 million recurring historical difference, which has fallen below our reporting threshold. In 2020/21, Management have reduced the liability by a further £0.054 million to reflect the impact of the Redundancy Provision on the Pension Liability. We did not believe that the Pension Liability was impacted by this provision at the 31 March 2021.
- £0.088 million - in relation to an incorrect accumulated depreciation charge on Community Assets. Community assets are not depreciated as per the Council's accounting policies.

Management chose not to adjust for these differences as they did not deem them to have a material impact.

We identified a small number of misstatements in disclosures which management corrected.

### Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
<b>Planning materiality</b>	We determined planning materiality to be £1.116 million as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council
<b>Reporting threshold</b>	We agreed with the Audit & Risk Management Committee that we would report to the Committee all audit differences in excess of £0.055 million.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures: We audited all disclosures and undertook procedures to confirm material completeness
- ▶ Related party transactions. We audited all disclosures and undertook procedures to confirm material completeness

Section 4

## Value for Money





# Value for Money (VFM)

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We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

## Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the Audit & Risk Management Committee meeting on the 29 November 2021, which was based on a combination of our cumulative audit knowledge and experience, our review of Council and Committee reports, meetings with the Chief Finance Officer, Chief Accountant, and Deputy Chief Accountant and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

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We had no matters to report by exception in the audit report.

## Reporting

We completed our planned VFM arrangements work in November 2021 and did not identify any significant weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

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Our VFM commentary highlights relevant issues for the Council and the wider public.

## VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

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

## Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

## Financial sustainability

### ***1. How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them***

The development of the Council's Medium Term Financial Strategy is integrated with the production of the Council's Business Plan. The budget is part of these documents. These are developed through a close working between officers and members, which ensures the Council's financial plan takes into account member priorities and service developments which officers are aware of. The Business Plan is discussed with the Corporate Management Team. Regular portfolio-holder briefings with the Leader and Finance Portfolio Holder ensure members are fully appraised of relevant developments at an early stage. The MTFs and the Business Plan goes out to officers in December each year and are finalised in February as part of the budget setting process.

## **Financial sustainability (continued)**

### ***2. How the body plans to bridge its funding gaps and identifies achievable savings***

The Council has put in place the 'My Fenland' transformation programme. Two phases have been completed and a third one is under development. In the first two phases, 'My Fenland' has significantly reduced the size of the establishment by streamlining existing processes through improved use of technology. Phase 2 has culminated in a reduction of 9 FTE that was implemented in April 2021. The next phase of 'My Fenland' has started to examine which tasks undertaken in the planning team could be moved into the My Fenland area. The 'My Fenland' programme is constantly evolving in terms of what savings can be achieved. There is a steering group made up of senior officers in place. Additionally, the Council is making good progress as part of the implementation of its Commercial and Investment Strategy, which involves the generation of additional sources of income to reduce the need for savings to be found.

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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### ***3. How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities***

The Council has been successful in identifying grant funding to deliver investment in the District. By harnessing external funding, the Council is able to deliver member's priorities without depleting reserves or drawing on external borrowing. The Council has also set aside a reserve balance of £500k for potential future changes to the business rates system which could be financially detrimental to the Council. The Council has a Business Plan in place, which is reviewed and updated every year. When the annual report is produced every year, it links back to the Council's performance indicators and provides a traffic light rating.

### ***4. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system***

This is built into the business planning process. The 'Capital Strategy' is developed alongside the MTFs. There is some cross-working with the County Council on policy areas where there might be some cross-over, such as like transport, or social care. The Council is also part of the Anglia Revenues Partnership, which helps foster a joined-up approach to issues linked to welfare benefits.

## Financial sustainability (continued)

### **5. How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.**

The Council prepares an amended budget in December, which goes to Cabinet for review. This will include the revised projections for the current financial year, and updates members on financial developments since the February budget. The Finance Team will reflect on discussions with the Heads of Service and provide a revised projection for each Service. There are no formal Performance Reports presented to Cabinet or any other Committee, but the officers produces Portfolio Holder Briefing reports and these are discussed at the Council. Financial risks would be identified at management team discussions with the Head of HR and Organisational Development, and they would be included in the Council's Risk Register.

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The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

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## Governance

### **1. How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.**

The Council has a Risk Register in place. The Head of HR and Organisational Development has overall responsibility for the Risk Register. The register is considered at management level and taken to the Audit and Risk Management Committee. The risk register is presented 4 times a year to the Audit and Risk Management Committee. Individual officers would have the responsibility for monitoring the risks to their services. The Council has an Internal Audit function in place, which is led by a CIPFA qualified Internal Audit Manager. The Internal Audit Plan for the year was presented and discussed at the Corporate Governance Committee (now the Audit and Risk Management Committee). Internal Audit also present regularly to the Committee throughout the year about their progress against the plan and the outcome of their audits, culminating in the Head of Internal Audit Opinion for the financial year.

### **2. How the body approaches and carries out its annual budget setting process.**

Meetings are held between the Finance team and all Heads of Service to discuss individual Service budgets in detail. The draft budget is considered by Cabinet in December prior to be being considered by the Overview and Scrutiny Committee in January. The meeting in January includes a detailed examination of proposals relating to fees and charges. Consultation for the budget also takes place via the Council's website at the start of each year. The final Budget is approved by Cabinet and Council in February each year.

## Governance (continued)

### **3. How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed**

Budget monitoring information is circulated every other month to the Corporate Management Team and the Heads of Service. This includes projections for the year-end position as well as information concerning the year-to-date. Prior to being distributed, the monitoring information is subject to detailed review by the Deputy Chief Accountant and/or the Chief Accountant. Portfolio holder briefing reports include performance against Performance Indicators, and updates about events going on in the Council. These reports are prepared quarterly and are discussed at meetings of the Full Council.

### **4. How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee**

The Council employs a qualified solicitor who advises CMT on the legal implications of all proposed decisions. All Cabinet reports get circulated to the Corporate Management Team (CMT). CMT includes the Monitoring Officer, Chief Executive, and the S151 officer so they would input whether additional consideration needs to be included. The Full Council is the key decision-making body. Every elected member of the Council is able to attend these meetings and has a vote on all decision items. A decision also requires a majority of voting members approval in order to be passed. At the Cabinet level, there is a call-in process for decisions, whereby after the decision is taken there is an opportunity to call-in. No decision can be implemented until this period has elapsed. This process is detailed in the Council's Constitution. The Council merged its Staff Committee and Corporate Governance Committee in December 2020, and renamed it the Audit and Risk Management Committee. Clear Terms of Reference have been set for this Committee - so that the governance responsibilities are appropriately demarcated from the decision making role it has for Staff related matters - through a split agenda for relevant meetings where staff matters need to be addressed. The Terms of Reference also include the responsibility to consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements. The Audit and Risk Management Committee meets five times a year. The Committee is comprised of appropriately skilled members. Training is provided to members, and the Finance team works with the Chair of the Committee to identify training needs. Members can ask via the Chair for their training needs to be considered.

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The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

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## **Governance (continued)**

### ***5. How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)***

The Council has outlined Codes and Protocols, which include a Code of Conduct For Members and a Code of Conduct for Employees. There is a Gifts and Hospitality Register. Committee meetings all have a standing agenda item for the formal declarations of interests. Declarations for related party transactions are done annually, and this is overseen by Member Services and updated into the Council's website. The Monitoring Officer is legally responsible for monitoring the compliance of the Council's policies. The Monitoring Officer deals with any complaints that are raised. The Council has a formal whistleblowing policy in place, with appropriate prominence on the Council's website and for staff. The Council's policies are reviewed and updated on a regular basis.

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The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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## **Improving economy, efficiency and effectiveness**

### ***1. How financial and performance information has been used to assess performance to identify areas for improvement***

Financial and Performance information has been central to the 'My Fenland' process. Call data was analysed to identify the number of calls being handled per hour which indicated the opportunity to reduce the headcount without negatively impacting on the service staff receive. Regular exercises are in place to ensure that the services the Council provides to residents recover the associated costs. Financial performance is reported in the context of budget-setting and approval of the outturn, although additional information would be provided if necessary to take forward projects where additional resources need to be allocated. More performance information is contained in the quarterly Portfolio Holder Briefing reports produced, and these link back to the Business Plan.

### ***2. How the body evaluates the services it provides to assess performance and identify areas for improvement***

The Chief Executive presents the progress against the Council's Performance Indicators annually to the Overview and Scrutiny Committee. This is informed by management meetings that the Chief Executive chairs with the Heads of Services throughout the year. The Overview and Scrutiny Committee also has ad hoc reviews during the year to go over some of the performance areas that are being monitored. The Council has consistently secured Customer Service Excellence accreditation. This demonstrates how the Council uses external and internal feedback to drive improvement in the quality of the services its customers receive.

## Improving economy, efficiency and effectiveness (continued)

### ***3. How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve***

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The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

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The Council's most significant partnership is the Anglia Revenues Partnership (ARP). There is a joint committee for ARP with representatives from each of the five Councils that constitute the Partnership. The Joint Committee meets quarterly and they consider performance against key areas, they monitor the ARP risk register, and consider any other items of relevance to their service delivery. The Council is also a member of CDC which provides building control services to the Council and other members. A member of the Council's CMT attends all CDC board meetings.

### ***4. Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.***

The Council has a full-time Procurement Manager who reports to the Head of Legal and Governance. Officers are regularly reminded of the Council's procurement policies at management team meetings and via briefings on the website. The Procurement Manager actively review purchase orders to confirm procurement has been undertaken in line with Council policy and statutory requirements.

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## Recommendations

### **Recommendations**

As a result of the VFM procedures we have carried out we have not made any recommendations.

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The Council faces further challenge and change beyond 2021 which will form part of our 2021/22 VFM arrangements work.

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### **Forward look**

Looking forward to 2021 and beyond, the Council continues to face significant financial pressures over the medium term, which we would expect to see continually updated and reflected within the Medium Term Financial Plan.



A photograph of a business meeting in progress. Several people are gathered around a large wooden conference table. In the foreground, a woman with blonde hair is leaning over the table, resting her chin on her hand and looking intently at a document. Other participants are visible in the background, some standing and some seated, all appearing to be engaged in the discussion. The lighting is bright and professional, suggesting a modern office environment.

Section 5

## Other Reporting Issues

## Other Reporting Issues

### **Annual Governance Statement**

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any issues with the Annual Governance Statement.

### **Whole of Government Accounts**

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 20/21 is yet to be issued. We will liaise with the Council to complete this work as required.

### **Report in the Public Interest**

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### **Other powers and duties**

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

### **Control Themes and Observations**

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Audit & Risk Management Committee.

Appendix A

## Audit Fees



## Audit Fees – Council

Our fee for 2020/21 is in line with the audit fee reported in our Audit Results Report presented to the Audit & Risk Management Committee on 29 November 2021.

Description	Final Fee 2020/21 £	Scale Fee 2020/21 £	Final Fee 2019/20 £
Total Audit Fee – Code work	37,873	37,873	37,873
Additional Fee determined by PSAA Ltd (Note 1)	-	-	8,976
Fee Variation (Note 2)	TBC	-	-
<b>Revised Scale Fee</b>	<b>TBC</b>	<b>37,873</b>	<b>46,849</b>
Other – Port Authority Work (Note 3)	2,900	-	2,750

**Note 1** – PSAA Ltd determined the Fee Variation on 22 October 2021.

**Note 2** – For 2020/21, we have re-assessed the scale fee again to take into account the same recurring risk factors as in 2019/20, which includes procedures performed to address the risk profile of the Council and additional work to address increase in Regulatory standards and the financial reporting impact of Covid-19, as we set out in our Audit Results Report. In addition there are additional procedures required for the risks identified and addressed through the audit as reported in both the Audit Plan and the Audit Results Report. The additional fee for 2020/21 is yet to be fully discussed with management and thus remains subject to determination by PSAA Ltd.

**Note 3** – This fee is for additional work on the Harbour Accounts prepared annually by the Council in line with the regulations. We cannot confirm until we have completed all of the necessary procedures.

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