



Council Offices, Kiln Road,
Thundersley, Benfleet,
Essex SS7 1TF.
Tel. No: 01268 882200
Fax No: 01268 882455



David Marchant LLB (Hons) BSc (Hons) CEng FICE FCMI
Chief Executive

AGENDA

Committee:	AUDIT
Date and Time:	Wednesday 3rd January 2018 at 7.30 p.m.
Venue:	Committee Room 1
Membership:	Councillors Cole (Chairman), Blackwell, Hart, May and Sharp Substitutes: Councillors Acott, Greig, Mumford and Mrs Wass
Officers attending:	Ian Stapleton, Financial Services Manager Linda Everard, Head of Internal Audit Craig Watts, Head of Performance & Service Support Eddie Mosuro, Revenue & Benefits Transformation Manager Dan Helps, Senior Manager, Counter Fraud & Investigation Directorate
Also attending	Dean Bardrick, Manager, EY Kevin Suter, Associate Partner, EY
Enquiries:	John Riley, Ext. 2417

PART I **(Business to be taken in public)**

- 1. Apologies**
- 2. Members' Interests**
- 3. Minutes**
A copy of the Minutes of the meeting held on 18.9.2017 is attached.
- 4. EY Certification of claims and returns annual report 2016/17**
Report of the External Auditor is attached

5. **EY Annual Audit Letter for the year ended 31 March 2017**
Report of the External Auditor is attached
6. **Treasury Management and Investment Strategies 2018/19**
Report of the Financial Services Manager is attached.
7. **Quarterly Monitoring Report of the Council's Governance Arrangements**
Report of the Head of Performance and Service Support is attached.
8. **Counter Fraud & Investigation Directorate: Quarterly Performance Report**
Report of the Senior Manager, Counter Fraud & Investigation Directorate is attached.
9. **Internal Audit Service, Quarterly Performance Report**
Report of the Head of Internal Audit is attached.
10. **Risk Management Update Report**
Report of the Head of Internal Audit and Head of Performance and Service Support is attached.

Current Information Items (standing item)

CIPFA Better Governance Forum, Audit Committee Update, Helping Audit Committees to be Effective, Issue 23:

- 2017 edition of the Public Sector Internal Audit Standards
- Understanding the risks and opportunities from Brexit
- Recent developments and resources

Public Sector Audit Appointments:

- Regulatory Compliance and Quality Review Programme Annual Report 2017
- Annual Regulatory Compliance and Quality Report EY LLP July 2017

Agendas and Minutes can be viewed at www.castlepoint.gov.uk

Copies are available in larger print & audio format upon request

If you would like a copy of this agenda in another language or alternative format:

Phone: 0800 917 6564 or email translations@languageline.co.uk



AUDIT COMMITTEE

18th SEPTEMBER 2017

PRESENT: Councillors Cole (Chairman), Blackwell, Hart, May and Mrs Wass.

Councillors Howard, Riley, Stanley and N Watson also attended.

Head of Resources, Chris Mills, Head of Internal Audit, Linda Everard, Financial Services Manager, Ian Stapleton, and External Auditor Kevin Suter (EY) were also present.

Apologies for absence were received from Councillors Sharp (Councillor Mrs Wass substituting) and Mumford (substitute).

1. MEMBERS' INTERESTS

There were no disclosures of interest.

2. MINUTES

The Minutes of the meeting held on 27th June 2017 were taken as read and signed as correct.

3. EY AUDIT RESULTS REPORT (UK AND IRELAND) 260 FOR THE YEAR ENDED 31 MARCH 2017

The Audit Committee was presented with a report by the external auditors which summarised the results of the work completed to date for the 2016/17 financial year with regard to the opinion on the Statement of Accounts and the conclusion on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

The Committee noted that it had been a very positive audit and the co-operation of the Council's staff during the period of engagement was acknowledged.

The external auditors reported that at the time of preparing the report there was one uncorrected misstatement and one difference in judgement. The uncorrected misstatement related to over-accruals on HRA Revenue and had been identified by the Council's management and notified to the auditors. The difference in judgement was between the auditor's property valuation specialists and the Council's property valuation specialists.

Subject to the satisfactory conclusion of these outstanding matter, the auditors confirmed that they would issue an unqualified audit report on the financial statements.

Members debated in detail the difference in the valuation of the Council's assets and asked a number of questions which were answered by the auditors and the Council's officers. It was noted that the valuation figure was solely for the purpose of capital accounting and reporting in the Statement of Accounts, in particular the Property Plant and Equipment total recorded on the Council's Balance Sheet: it did not have any impact on any other aspect of the Council's finances and spending, including the balance on the General Fund reserve.

Following discussion and to enable the outstanding issues to be resolved by the statutory deadline of 30 September, it was -

Resolved – 1. That the Audit Results Report 2016/17 is noted.

2. That the Head of Resources, in consultation with the Chairman of the Audit Committee, is authorised to approve the Letter of Representation following further discussions with the External Auditor to reach a satisfactory conclusion on the outstanding asset valuation matter detailed in the report.

4. TREASURY MANAGEMENT ACTIVITY MID YEAR REPORT

The Committee was informed that the mid-year treasury report was a requirement of the Council's reporting procedures. It summarised the Council's treasury management activity for the first five months of the current financial year. The report met the requirements of both the CIPFA Code of Practice for Treasury Management in Local Authorities and the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Committee was requested to consider and approve the report prior to its submission to Council.

Following consideration of the report it was:-

Resolved – That the Treasury Management Activity Mid-Year Report for 2017/18 is approved and submitted to Council.

5. INTERNAL AUDIT SERVICE, QUARTERLY PERFORMANCE REPORT

A progress report on the delivery of the Internal Audit Strategy for 2017/18 was presented to the Committee.

Appendix A set out the current status of audit work planned for the year as at 25 August 2017.

A summary of the approach to the External Quality Assurance Review was attached at Appendix B. The results of the review would be reported to the Committee in due course.

Members debated the resourcing arrangements under a Collaborative Working Agreement which set out that all posts for the combined team would be part of Southend on Sea Borough Council's establishment.

In response to a statement by a Member about IT risk assessment, the Committee noted the current work being undertaken to combat cyber-crime which was a high priority for the Council.

Resolved – That the Audit Committee notes the progress made in delivering the 2017/18 Internal Audit Strategy.

6. QUARTERLY MONITORING REPORT OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS:

The findings from the quarterly monitoring of the governance arrangements in place for the Council were reported to the Committee.

The Head of Performance and Service Support highlighted the monitoring results for key governance processes set out in the report.

The assurance arrangements for community engagement were satisfactory. There were a number of customer satisfaction surveys being undertaken and consultation had also been undertaken to help develop the Council's Corporate Plan, which was due to be considered by the Policy and Scrutiny Committee in September.

With regard to risk management, a corporate risk register continued to be in place and was subject to monitoring by Executive Management Team (EMT). Following last year's audit of the Council's risk management process, work was underway to update the Policy, Strategy and Toolkit. Training sessions would be held with staff to relaunch the refreshed framework before the end of the financial year. A copy of the current risk register was appended to the report for the Committee to review.

As to partnerships, assurance processes were subject to further development work. It was planned to progress a partnership strategy and framework which would set out the key partnerships and how these linked to the objectives of the authority. Partnership work had also been subject to a report by Internal Audit and progress against the recommendations would be monitored.

The complaints procedure had been reviewed to delete any reference to dealing with informal complaints and to clarify what complaints should be dealt with at Stage 1. A briefing session had been held for OMT in July and a request made

for all Stage 1 complaints to be recorded in the database. A report would be produced in Mid-October to establish compliance with the revised process.

With regard to ethical governance it was reported that satisfactory processes were in place. Following an audit of the arrangements further work had been identified including updating the protocol on the use of IT and ensuring the Council is compliant with the Local Government Transparency Code. A review of progress was planned and the arrangements would continue to be monitored.

The Council had implemented an information governance strategy, which was underpinned by associated guidance. It was intended to undertake a critical friend review later in the year to assess progress made in preparing for the implementation of the General Data Protection Regulations taking effect in May 2018.

During the debate a member referred to the need for greater clarity in conveying to the community the Council's vision for regeneration.

With regard to staff morale, a member expressed his concern at the risk that this would decrease due to the impact of austerity, services reviews and not undertaking core corporate processes. However, it was also noted that there were positive reports of staff achievements.

A member also expressed his concern about health and safety risks in the housing service and its contractors.

It was considered that further information should be presented to the Committee on regenerating the community, staff achievements and outcomes of staff surveys and health and safety observance in the housing service.

Resolved – That the Quarterly Monitoring Report and risk register is noted.

Chairman

AUDIT COMMITTEE

3 January 2018

**Subject: EY Grant Claims and Returns Certification Report for the Year Ended
31 March 2017**

1. Purpose of Report

To present the External Auditor's Grants Claim and Return Certification Report for the Year Ended 31 March 2017 to the Audit Committee.

2. Background

The Audit Commission issued a "Review of Arrangements for Certifying Claims and Returns" in September 2009. One of the recommendations of the report was to report annually on the results of certification work to those charged with governance to raise the profile of this work. It is mandated that this report will be produced annually by February each year to highlight errors, adjustments and qualifications arising in claims.

A senior representative of EY (the appointed External Auditor to the Council) will present this report to the Audit Committee and respond to Members' questions.

3. Corporate Implications

Financial Implications

EY act as an agent of the Public Sector Audit Appointments Limited (PSAA) in the certification of grant claims and returns work. Fees billed are based on the PSAA scale fee. Variations to the scale fee are discussed with the Head of Resources and are then required to be approved by PSAA. The total scale fee for grant claims work in 2016/17 was set at £20,935.

Legal Implications

The Council is required to have an external audit of its activities that complies with the requirements of the Audit Commission's Code of Audit Practice (the Code). By considering this report, the Committee can satisfy itself that this requirement is being discharged.

Human Resources and Equality Implications

Human Resources

None

Equality Implications

None.

IT and Asset Management Implications

None

4. Links to Council's Priorities and Objectives

Audit work contributes to the delivery of all the Council's Priorities and Objectives.

5. Timescale for Implementation and Risk Factors

The report includes an Action Plan to address issues identified in the report which will be monitored by officers.

Recommendation

The Audit Committee notes the Grant Claim and Return Certification Report for the Year Ended 31 March 2017.

Background Papers

- None

Attachments

- EY Grant Claims and Returns Certification Report

Report Author: Kevin Suter, Executive Director, EY

Certification of claims and returns annual report 2016-17

Castle Point Borough Council

December 2017

Ernst & Young LLP



Building a better
working world

Audit Committee
Castle Point Borough Council
Kiln Road
Thundersley
Benfleet
SS7 1TF

18 December 2017
Ref: CPBC Grant Report

Direct line: +44 (0) 7876 397986
Email: ksuter@uk.ey.com

Dear Members

Certification of claims and returns annual report 2016-17 Castle Point Borough Council

We are pleased to report on our certification work. This report summarises the results of our work on Castle Point Borough Council's 2016-17 claim.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2016-17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2016-17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £23,152,908. We met the submission deadline. We issued a qualification letter on the 29 November 2017. Details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected, but the amendments had only a marginal effect on the grant due.

Of the two recommendations from last year the council has implemented these; the classification of overpayments has clearly improved, and no errors of this nature were identified in this year's audit. The number of errors in earned income has also significantly reduced. Details are included in section 1. We have made six recommendations this year, set out in section 4



Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2016-17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the January 2018 Audit Committee.

Yours faithfully

Kevin Suter
Associate Partner
Ernst & Young LLP
Enc

Contents

1. Housing benefits subsidy claim.....1

2. 2016-17 certification fees.....3

3. Looking forward.....4

4. Summary of recommendations.....5

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£23,159,429
Amended/Not amended	Amended – subsidy reduced by £6,521 See details below
Qualification letter	Yes
Fee – 2016-17	£20,935
Fee – 2015-16	£21,801

Recommendations from 2015-16	Findings in 2016-17
Errors identified in relation to overpayment classification across benefit types. The Council should issue reminders and practical examples of errors to staff as part of on-going training.	The Council have incorporated these findings into trainings delivered to Council staff. We did not identify any fails related to classification of overpayments in 2016/17.
Errors identified in relation to income and tax credit information across the benefit types. The Council should remind staff of the need to process information accurately and to obtain sufficient documentation to support income amounts.	The Council have incorporated these findings into trainings delivered to Council staff. No earned income fails were identified in the initial testing completed, and only one underpayment fail was identified in the '40+' testing completed

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous year's claims. We found errors and carried out extended testing in several areas.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. The main issues we identified are set out below:

Rent Allowances– Cell 99, maximum rent cases, and Cell 102, expenditure under rent officer arrangements not requiring referral to the rent officer cases - we identified one case where the incorrect rent had been used to calculate the housing benefit entitlement leading to an overpayment, '40+' testing did not identify any other similar errors, the extrapolation has been included in the Qualification Letter.

Rent Allowances Cell 94 – from our testing in 2015/16 we identified an error due to earned income being incorrectly recorded, causing an overpayment of housing benefit. We identified no fails relating to earned income in our initial testing in 2016/17, however an additional '40+' sample was completed on rent allowance cases with an earned income due to the prior year

errors. This led to one error being identified that created an overpayment and therefore has been included as an extrapolation in the Qualification Letter

Rent Allowances Cell 94 – we identified a fail in our initial testing where a claimant had been paid twice the benefit they were entitled to. The Council were able to produce a report that identified eleven other cases that had a duplicate payment. 100% testing was completed on these cases and this led to an amendment to the claim form

Rent Allowances Cell 55 – we identified a fail in our initial testing where a housing benefit entitlement had been calculated using an incorrect Assessed Income Figure (AIF). The Council provided a report of all AIF cases, which was a population of 51 cases. 100% testing was completed on these cases and led to an amendment to the claim form

Non HRA Cell 11 – we identified three issues in our initial testing of Non HRA cases. These related to:

- ▶ incorrect application of the subsidy cap due to a system error;
- ▶ incorrect application of the subsidy cap as accommodation had incorrectly been classified as self-contained when it was non self-contained; and
- ▶ incorrect classification of an overpayment as prior year when it should have been classified as current year.

We completed 100% testing on these three fails and this led to an amendment to the claim.

The net impact on the claim of all the amendments was a reduction of £6,521.

Other

This year the Council attempted to complete the initial testing of Rent Rebates in the DWP workbooks, the aim of this was to reduce the amount of testing completed by EY and reduce the fee. The DWP workbooks are complex to complete and the initial testing requires very detailed testing.

The testing completed by the Council was not at the required level of detail and therefore significant work had to be completed by the audit team. This meant that there was no impact on the fee charged in 2016/17, however, with further communication between the Council and EY this should be successful in the 2017/18 audit.

The Council had one computer terminal that supported the DWP workbooks and therefore could not complete the '40+' testing in the DWP workbooks, as is required by the DWP. The Council completed the testing within separate Excel spreadsheets and this was transferred into the DWP workbooks by EY.

In order to achieve a reduction in fee and meet the DWP requirements the Council should identify additional computer terminals that support the DWP workbooks, as neither the PSAA nor the DWP have immediate plans to change the workbooks.

2. 2016-17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016-17, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	20,935	20,935	21,801

3. Looking forward

2017/18

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2017/18 is £21,801. This was set by PSAA and is based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:
<https://www.psaa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

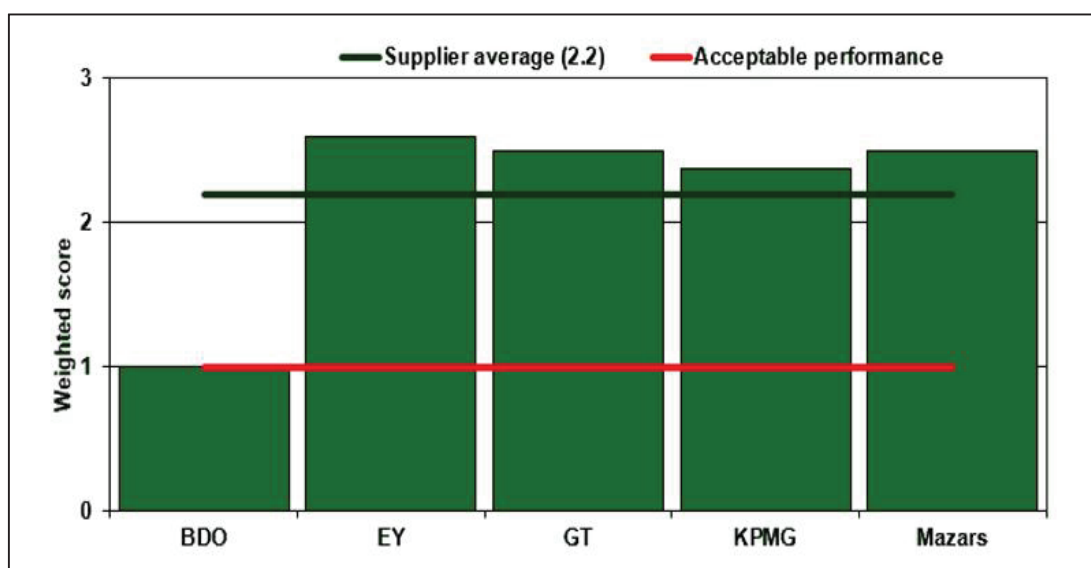
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Head of Resources before seeking any such variation.

2018/19

From 2018/19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

We would be pleased to undertake this work for you, and can provide a competitive quotation for this work.

We currently provide HB subsidy certification to 106 clients, through our specialist Government & Public Sector team. We provide a quality service, and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we score the highest of all providers, with an average score of 2.6 (out of 3).



As we also expect to be appointed by PSAA in December 2017 as your statutory auditor we can provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

4. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
The Council should identify additional workstations that support the DWP workbooks	High	CPBC to obtain quotes and assess costs v benefits.	April 2018	Dom Green
Review all Non HRA cases that are Non Self Contained that start receiving subsidy on the 31/03 to ensure the benefit subsidy cap amount has been applied correctly	Medium	Civica Bug 97592 - Check on progress (under analysis 11/12/17) and fix.	April 2018	Dom Green
Ensure all Non HRA addresses are correctly classified as self-contained or not self-contained	Medium	4 claims in 2017/18 identified (24/11/17) to be amended.	April 2018	Dom Green
Review all Non HRA prior year overpayments to ensure these are correctly classified as prior year overpayments and should not actually be current year overpayments	Medium	100% check prior to submission of Final claim to DWP.	April 2018	Dom Green
Review Rent Rebate cases with Assessed Income Figures included in the calculation of housing benefit to ensure the correct value is included	Medium	Exercise completed prior to 2017/18 Year End processing	April 2017	Dom Green
Review Rent Allowance cases for duplicate payments	Medium	Overlapping Calc Output report run 27/11/2017 for the year 2017 over both Rent Allowances and Rebates, and no duplicate periods identified. To schedule in weekly on a Sunday, to identify issues prior to the weekly payment runs.	Ongoing – Identified cases corrected by April 2018	Dom Green

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All Rights Reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

[ey.com](https://www.ey.com)

AUDIT COMMITTEE

3 January 2018

Subject: EY Annual Audit Letter for the year ended 31 March 2017

1. Purpose of Report

To present the External Auditor's Annual Audit Letter for 2016/17 to the Audit Committee.

2. Background

This Annual Audit Letter summarises the key issues arising from the work EY has carried out during the year as the Council's auditors, and highlights the key findings that should be considered by the Council.

It is intended to be a short document, aimed at the public, to inform them about the results of the audit. It should be posted onto the Council's website and will also be posted on the Public Sector Audit Appointments (PSAA) website.

A senior representative of EY (the Council's appointed external auditors) will present this report to the Audit Committee and then respond to any questions of clarification by Members.

3. Corporate Implications

(a) Financial Implications

The final audit fee for 2016/17 was £59,165.

(b) Legal Implications

The Council is required to have an external audit of its activities that complies with the requirements of the National Audit Offices (NAO) Code of Audit Practice (the Code). By considering this report, the Audit Committee can satisfy itself that this requirement is being discharged.

(c) Human Resources and Equality Implications

Human Resources

None

Equality Implications

None.

(d) IT and Asset Management Implications

None

4. Links to Council's Priorities and Objectives

This audit work contributes to the delivery of all the Council's Aims and Objectives.

5. Timescale for Implementation and Risk Factors

The Accounts & Audit Regulations 2015 require this report to be considered by a committee of the authority as soon as reasonably practicable after the conclusion of the audit, following which it must be published on the website.

There are no significant issues arising from this report therefore there are no risks to highlight.

6. Conclusion

None

Recommendation

The Audit Committee approves the EY Annual Audit Letter for the year ended 31 March 2017.

Background Papers

- None

Attachments

- EY Annual Audit Letter for the year ended 31 March 2017

Report Author: Kevin Suter, Executive Director, EY

Castle Point Borough Council

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP

Contents

Executive Summary	2
Purpose.....	5
Responsibilities.....	7
Financial Statement Audit	10
Value for Money	16
Other Reporting Issues.....	19
Focused on your future.....	22
Appendix A Audit Fees	24

Public Sector Audit Appointments Ltd (PSAA) have issued a "Statement of responsibilities of auditors and audited bodies". It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

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 (updated 23 February 2017)" issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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 Steve Varley, 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.

A hand with white nail polish is writing on a document with a blue pen. In the background, there is a calculator, a white cup, and a laptop. A yellow rectangular box is overlaid on the left side of the image.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Castle Point Borough Council (the Council) following completion of our audit procedures for the year ended 31 March 2017.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Financial Statements.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued and presented at the 18 September 2017 Audit 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 2015 Code of Audit Practice.	Our certificate was issued on 29 September 2017

In January 2018 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

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

Kevin Suter

Executive Director
For and on behalf of Ernst & Young LLP

Purpose



Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2016/17 Audit Results Report to the 18 September 2017 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.



Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 30 March 2017 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2016/17 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The background is a blurred office scene. In the foreground, there are several clear glass tumblers filled with water on a wooden desk. Behind them, a laptop screen displays some data. To the left, there are papers with charts and a calculator. The overall lighting is bright and natural, suggesting a window nearby.

Financial Statement Audit

Financial Statement Audit

Key Issues

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

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 29 September 2017.

Our detailed findings were reported to the 18 September 2017 Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business</p>
<p>Revenue and expenditure recognition</p> <p>Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.</p>	<p>Our testing did not reveal any material misstatements with respect to revenue and expenditure recognition.</p> <p>Overall our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Council's financial position.</p>

We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end.

For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Financial Statement Presentation - CIES and EFA

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 changing the way the financial statements are presented. The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The service analysis should be based on the organisational structure under which the Council operates. We expected this to reflect the Council's segmental analysis. This change in the code required a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements.

We did not identify any material misstatements from our work on the Expenditure and Funding Analysis. The disclosures were deemed to be compliant with the Code of Practice.

We did not identify any instances of inappropriate judgements being applied. The Expenditure and Funding Analysis reflects the Council's organisational structure.

The restated comparative figures were agreed back to the Council's segmental analysis and supporting working papers, with no material issues noted.

Other Key Findings	Conclusion
<p>Property Valuation</p> <p>The Council undertakes an annual exercise to revalue property assets. The valuation of these assets represents</p>	<p>Following full consideration of their work, we placed reliance on the Council's expert valuer.</p>

a significant accounting estimate given that the value of properties involved was over £140m at 31 March 2016. The accounting entries arising from changes in value have a significant impact on the Council's financial statements. We have undertaken specific testing to address the risk that the accounting estimate could be materially misstated

We undertook appropriate audit procedures to verify and critically challenge the basis of valuation adopted by the valuer in relation to the Council's property, we engaged our EY estates expert valuation team, focusing in particular on two leisure centres; specialist assets which were valued on a depreciated replacement cost (DRC) basis.

Initially the DRC valuations were outside of our acceptable range, indicating that in our judgement this asset had been overvalued. We therefore undertook additional audit work to assess the potential impact of this issue. Through discussion;

- ▶ Further information was provided for one asset enabling adjustments to our range; and
- ▶ the valuation of the other asset was reduced bringing this into our acceptable range.

The valuation reduction was not amended for in the audited financial statements as the impact was below our materiality of £920,000. This would have no impact on the Council's General Fund Balance or the Comprehensive Income and Expenditure Statement.

Pensions valuations and disclosures

The Council annually updates the pension liability shown on the balance sheet (£36.2 million at 31/03/16) and reflects the costs that it incurs as an employer with staff in the Essex County Council Pension Fund. The amounts for the liability and service costs are provided by actuaries engaged by the Pension Fund. These amounts are a significant accounting estimate. We have undertaken specific testing to address the risk that the accounting estimate could be materially misstated

Assumptions used by the actuary and adopted by the Council were considered to be generally acceptable. However we noted that PWC, as part of their central review, reported that the discount rate applied by the actuary fell outside the top end of their expected range. Our EY pension's team agreed with this conclusion. In our view it did not take adequate account of the specific duration of the scheme's liabilities

Overall we had sufficient assurance over the material accuracy of the Council's pension's liability and disclosures, as the impact of the discount rate was offset by assumptions regarding RPI. The sensitivities surrounding these assumptions have been correctly disclosed within the relevant notes to the financial statements.

In future years we note this could potentially lead to unacceptable assumptions.

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
Planning materiality	<p>We determined planning materiality to be £0.92 million, which is 2% of Gross Expenditure reported in the accounts of £46.29 million.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.046 million.</p>

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 including any severance payments, exit packages and termination benefits: Our audit strategy was to check the bandings reported in notes 7 and 8 of the financial statements, test the completeness of the disclosure and make sure that the disclosure was compliant with the Code. We sample checked transactions back to the payroll system and supporting documentation. No issues were noted.
- Related party transactions: Our audit strategy was to obtain and review declarations from senior officers and members of the Council for any material disclosures and make sure that the disclosure in note 6 was compliant with the Code. We carried out a sample check of Companies House searches on contracts from the Council's contract register to identify whether any key decision-makers in the Council had an interest in the company. We carried out a sample check of Companies House searches between decision-makers in the Council and companies to which they were linked, to test the completeness of the disclosure. We obtained confirmation that there were no related party transactions within the declarations made by Member's at committee meetings they attended. No issues were noted.

- Members' allowances. Our audit strategy was to test the completeness of the disclosure and make sure that the disclosure was compliant with the Code by sample checking transactions back to the payroll system and the Council's Constitution. No issues were noted.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

A close-up, shallow depth-of-field photograph of a stack of old, worn metal coins. The coins are stacked horizontally, with some showing signs of corrosion and discoloration. The edges of the coins are visible, showing some embossed text. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Value for Money".

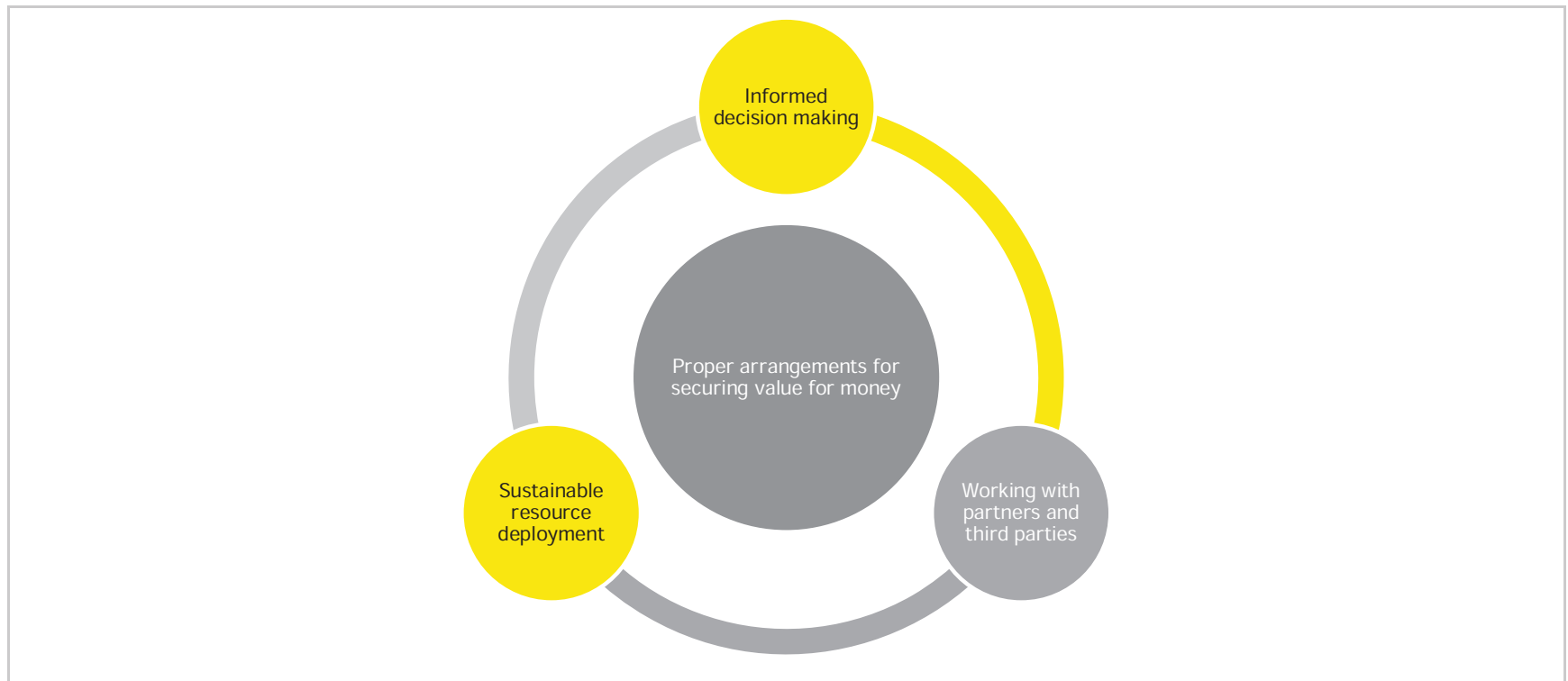
Value for Money

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We identified one significant risks in relation to these arrangements. The table below presents the findings of our work in response to this risk.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 29 September 2017.

Significant Risk	Conclusion
<p>Deploying resources in a sustainable manner</p> <p>The Council faces significant financial challenges. Efficiency savings, cost reductions and additional income are required over the forthcoming periods of:</p> <ul style="list-style-type: none"> • 2018/19, £0.5m • 2019/20, £1m <p>Given the scale of the savings needed there is a risk that savings plans to bridge the gap are not robust and/or achievable</p> <p>In response to this risk our approach focussed on the following:</p> <ul style="list-style-type: none"> • The robustness of any assumptions used in the 2016/17 annual budget and medium term planning. • The councils progress in identifying sources of savings and additional income to reduce the 2018-19 and 2019-20 budget gaps • The adequacy of future levels of reserves 	<p>The Council recognises it faces unprecedented financial pressures and that a fundamental change is required to the way it operates in order to future proof the Council's operations. The Council has put in place a robust and detailed strategy to address the budget gap. Investment has been made on the Runnymede Pool site and the projected returns are encouraging.</p> <p>The Council's budget setting process was deemed to be robust and detailed, with sensibly prudent assumptions applied to uncertain income streams and future expenditure.</p> <p>The Council is aware of the risks related to reductions in government funding including the New Homes Bonus (NHB). In response to this risk sensible assumptions are made within the budget, regarding the trajectory of government funding in general and the NHB specifically, and the reserve levels set are reflective of this risk.</p> <p>The Council has built up a level of reserves that could be used to assist the transformation if necessary and could also be used to give the Council time to put in place alternative plans to achieve these savings.</p>



Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We had no issues to report.

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

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 is misleading.

We completed this work and did not identify any areas of concern.

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.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2016/17 financial statements from member of the public.

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.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 18 September 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

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 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 Committee.

A close-up, shallow depth-of-field photograph of a person's face as they look through a pair of black binoculars. The person's eyes are visible through the eyepieces, and their hands are holding the binoculars. The background is a soft, out-of-focus white. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Focused on your future".

Focused on your
future

Focused on your future

Area	Issue	Impact
<i>Earlier deadline for production and audit of the financial statements from 2017/18</i>	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>Through working together, we have agreed areas for early work which have included testing of major income and expenditure streams at month 9. Reflecting on this year, there are a number of areas where the closedown and audit processes can be further improved going forward. We do not expect the formal earlier deadline to pose a significant issue for the Council, and believe an earlier start can be made in next year's audit.</p>
<i>Forthcoming changes to accounting standards:</i>	Revised accounting standards are expected to be applicable for local authority accounts from the 2018/19 (IFRS 9 and IFRS15) and 2019/20 financial year (IFRS 16).	Some initial thoughts on the approach to adopting IFRS 9 and IFRS 15 have been issued by CIPFA, but until the Code is issued and any statutory overrides are confirmed there remains some uncertainty.
<i>IFRS 9 Financial Instruments</i>	Transitional arrangements are included within the accounting standard, however as the 2018/19 and 2019/20 Accounting Code of Practice for Local Authorities have yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.	For IFRS 16, it is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented
<i>IFRS 15 Revenue from Contracts with Customers</i>		
<i>IFRS 16 Leases</i>		The Council is awaiting clarification of the exact requirements before investing time in the above work.

Appendix A

Audit Fees



Appendix A Audit Fees

Our fee for 2016/17 is in line with the scale fee set by the PSAA and reported in our 18 September 2017 Audit Results Report.

Description	Final Fee 2016/17 £	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £
Total Audit Fee – Code work	59,165	56,265	56,265	56,265
Total Audit Fee – Certification of claims and returns	TBC	20,935	20,935	21,801

The final fee for code work is above the planned fee and scale fee, as the scale fee does not take into account the additional audit work completed to gain assurance over the valuation of depreciated replacement cost assets by Wilkes Head and Eve. This is subject to approval by PSAA.

Our planned fee for the certification of claims and returns is based on the indicative scale fee set by the PSAA. The final fee will be reported to you in our annual certification report, upon completion of this work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All Rights Reserved.

ED None

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

[ey.com](https://www.ey.com)

AUDIT COMMITTEE**3 January 2018**

Subject: **Treasury Management and Investment Strategies 2018/19**

1. Purpose of Report

The Council must comply with the Code of Practice - Treasury Management in the Public Services, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). As part of this Code the Council is required to approve an annual Treasury Management and Investment Strategy for the forthcoming financial year.

2. Links to Council's priorities and objectives

The scrutiny and approval of the Council's Treasury Management and Investment Strategy is linked to the Council's priority of Efficient and Effective Customer Focused Services. Sound and strategic financial management is essential in order to ensure that resources are available to support the Council's priorities and maintain or improve services.

3 Recommendation

That following scrutiny, the Treasury Management and Investment Strategies for 2018/19 are approved for onward submission to Council on 14 February 2018 as sections 12 and 13 of the overall Policy Framework and Budget Setting Report.

Resolution required.

4 Treasury Management and Investment Strategies 2018/19

The strategies for 2018/19 are attached to this report.

5 Corporate Implications**a Legal implications**

The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance, including:

- The Local Government Act 2003, and associated Statutory Instruments;
- The CIPFA Prudential Code for Capital Finance in Local Authorities;
- The CIPFA Code of Practice for Treasury Management in the Public Services.

The Council continues to comply with all of the relevant statutory and regulatory requirements.

b Financial implications

Setting Treasury Management and Investment Strategies are cornerstones for effective treasury management and essential for sound management of the Council's finances. They are an integral part of the Budget Framework. All implications arising from this strategy have been incorporated into the budget due to be approved by Council in February 2018.

c Human resource and equality implications

There are no new implications.

d Timescale for implementation and risk factors

The Code of Practice for Treasury Management states that the Council must receive a report on annual strategy and plan in advance of the year. The Council complies with this by submitting the strategies to the annual Council budget-setting meeting in February. Failure to do this effectively or in a timely manner, could adversely affect the security of investments and increase reputational risk for the Council.

Report Author: Robert Greenfield, Accountant

12 Treasury management

Definition of treasury management

- 1 Treasury management is:-
“The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2 The Council includes the following Treasury Management clauses within its Constitution, as recommended by the Code of Practice:

The Council:

- Will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
 - Suitable treasury management practices (TMP's) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- Will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMP's.
- Delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Head of Resources, who will act in accordance with the Council's policy statement and TMP's and CIPFA's Standard of Professional Practice on Treasury Management.
- Nominates Cabinet to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

Treasury Management Strategy for 2018/19

- 3 The Strategy has been formulated after considering the advice of the Council's consultants, Link Treasury Solutions Ltd. trading as Link Asset Services (formerly Capita Asset Services). All activity envisaged by the Strategy will be in accordance with the Treasury Management Policy Statement.

Balanced budget requirement

- 4 It is a statutory requirement under the Local Government Finance Act 1992, for the Council to produce a balanced budget. This means that the Council is required to ensure the affordability of existing and new projects, both revenue and capital, within the projected income of the Council for the foreseeable future.

Brexit, economic uncertainty and interest rates

- 5 It will be some time until it is clear what the country's trading arrangements will be with the EU and rest of the world post Brexit, and consequently it is likely there will be prolonged economic uncertainty.
- 6 The Bank of England base rate had remained at **0.50%** since March 2009 until the Monetary Policy Committee (MPC) reduced it to **0.25%** in August 2016. It was subsequently returned to **0.50%** in November 2017. Growth in the UK economy is expected to remain low and Link Asset Services, the Council's Treasury Management Advisor, expects only one 0.25% increase in the base rate each year until 2020. It is expected that the 50-year Public Works Loan Board (PWL) long-term rate for maturity loans will be in the range of **2.6%** to **2.9%** during 2018/19.
- 7 The Council adheres to strict investment criteria. It is anticipated that investments will continue to have an overall short-term average maturity (less than 3 months). As it remains difficult to predict

longer-term rates accurately the interest rates used to forecast investment income for the Council's budget process remain prudent. The Council may also be restricted in where it can invest funds. Officers will continue to seek the best return possible whilst complying with the Council's policies and procedures and without compromising security and liquidity.

Current debt position and requirements for 2017/18

- 8 A summary of external debt that is expected to be outstanding at 31 March 2018 is as follows:-

Table 12.1 External debt outstanding	
Source	Total at 31/03/18 £000's
Public Works Loan Board – General Fund	5,250
Public Works Loan Board – Housing Revenue Account	36,451
Total	41,701

- 9 The Council's General Fund borrowing consists of fixed rate loans at interest rates ranging from **3.70%** to **4.10%** per annum. The Council's HRA borrowing consists of fixed rate loans at interest rates ranging from **2.31%** to **3.49%** per annum. If loans are repaid prematurely, they attract either a premium or discount depending on the relationship between the interest rate of the loan and market rates and also the unexpired period at the time of repayment.
- 10 External borrowing can arise as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. The proposed programme of capital expenditure due to be approved by Council in February 2018 is not anticipated to trigger a requirement for new borrowing in 2018/19. The Policy Framework and Budget Setting Report will provide confirmation of the prudential position for future years, based on current estimates.
- Borrowing Strategy**
- 11 The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its Treasury Strategy.
- 12 If a need to borrow should arise, the Head of Resources, under delegated powers, will take the most appropriate form of borrowing depending on identified risks and the prevailing interest rates at the time. It is likely that shorter-term fixed rates may provide lower cost opportunities in the short to medium term.
- 13 With the likelihood of long-term rates increasing, debt restructuring is likely to focus on switching from longer-term fixed rates to cheaper shorter term debt, although the Head of Resources and treasury consultants will monitor prevailing rates for any opportunities during the year.
- 14 The PWLB periodically allows local authorities to register for a preferential "certainty rate" for borrowing, which is below the standard rate. Registering for this preferential rate does not commit an authority to undertake any borrowing, it just allows them to access the preferential rate should the need arise. Although there are no current plans to borrow, the Council routinely registers for the preferential rate.
- 15 The weighted average maturity of the Council's General Fund debt is long at **36 years**, and none of the debt portfolio is due to mature before 2052 so there is no refinancing risk in the foreseeable future. Subject to any future changes in borrowing or planned capital projects the General Fund will not be affected by increased borrowing margins in the short or medium term.
- 16 The Housing Revenue Account debt taken out in March 2012 is set to mature at different times between 2021/22 and 2041/42.

Borrowing in advance of need

- 17 The Council has some flexibility to borrow funds in advance for use in future years. The Head of Resources may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints and where there is a clear business case for doing so.
- 18 DCLG guidance has determined that the setting of constraints for any borrowing in advance of need is considered good practice. The Head of Resources does not currently anticipate any need to borrow in advance of need, but if circumstances change then borrowing in advance will be made within the constraints that:-
- It will be limited to no more than **£2m** of the expected increase in borrowing need (CFR) over the three year planning period; and
 - The Council would not look to borrow more than 18 months in advance of need.
- 19 Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism. Any surplus funds arising from borrowing in advance of need will be invested in accordance with the Council's Investment Strategy.

Treasury management indicators

- 20 The Council is required to calculate a number of Treasury Management Indicators as part of the Treasury Management Code of Practice. Draft indicators are reported in the following paragraphs and final calculations will be included when this report is submitted to Council in February.

Borrowing maturity structure

- 21 The Prudential Code for Capital Finance in Local Authorities requires the Council to set upper and lower limits for the maturity structure of fixed rate borrowing. These limits are designed to help the Council minimise its exposure to large fixed rate sums falling due for refinancing. The proposed limits, expressed as percentages of total projected fixed rate borrowing, are as follows:-

Table 12.2 Maturity structure of fixed rate borrowing				
Maturity	General Fund		Housing Revenue Account	
	Upper limit	Lower limit	Upper limit	Lower limit
	%	%	%	%
Within 1 year	50	0	50	0
Within 2 years	50	0	50	0
Within 5 years	60	0	60	0
Within 10 years	80	0	80	0
After 10 years	100	0	100	0

Borrowing – limits of fixed and variable rate exposure

- 22 The Prudential Code also requires the Council to set upper limits for fixed and variable interest rate exposure. These indicators identify the maximum limits for both fixed and variable interest rates based upon the Council's debt position net of investments. The proposed limits are as follows:-

Table 12.3 Upper limits of fixed and variable exposures						
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m	£m
Upper limit – fixed rates	47	47	47	47	47	40
Upper limit – variable rates	-15	-13	-15	-10	-6	-9

Borrowing - interest rate sensitivity

- 23 Any borrowing decisions will need to take account of any changes in interest rates. There are two possible scenarios:-
- a sharp rise in rates – if this is considered possible, any fixed interest borrowing will be taken while interest rates are relatively low;
 - a sharp fall in rates – if this is expected, any borrowing will be postponed (waiting for borrowings to become cheaper) and rescheduling from fixed to variable rate funding will be considered.

Debt management objectives

- 24 A summary of the Council's debt management objectives for 2018/19 is therefore as follows:-
- to borrow, if necessary, in order to finance cash flows arising from capital expenditure in accordance with the Prudential Code;
 - to reduce, if possible, the amount of long-term borrowing without incurring net losses for early redemption;
 - to manage the debt maturity profile in order to avoid a high level of repayments in any one year;
 - to borrow at the best interest rates achievable in relation to estimated future rates;
 - to monitor and review the level of any variable interest rate loans, in order to take advantage of interest rate movements;
 - if possible, to reschedule debt in order to take advantage of potential savings as interest rates change;
 - to avoid as far as possible, excessive overdrawn bank balances by achieving a balanced daily cash position, unless market borrowing proves favourable by comparison;
 - to ensure that overall borrowing is within the authorised limit for external debt and that this is monitored on a regular basis.

13 Investment Strategy

Investment guidance

- 1 This Council has regard to the DCLG's Guidance on Local Government Investments ("Guidance") and CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes ("CIPFA TM Code").

Investment principles

- 2 All investments will be in sterling. The general policy objective for this Council is the prudent investment of its treasury balances. The Council's investment priorities are:
 - Firstly – the **security** of capital (protecting the capital sum invested from loss) and
 - Secondly – the **liquidity** of its investments (keeping the money readily available for expenditure when needed).

Provided that proper levels of security and liquidity are achieved, it may then (but only then) be reasonable to seek the highest **yield** consistent with those priorities.

- 3 The Guidance maintains that the borrowing of monies purely to invest or lend on and make a return is unlawful and this Council will not engage in such activity.

Specified and Non-specified Investments

- 4 Specified Investments are high security, high liquidity investments in sterling with high credit quality, and with a maturity of no more than a year. Specified Investment instruments identified for use in the financial year are listed in table 13.1 on the following page. Non-specified Investments are any other type of investment, i.e. not defined as Specified above, however the Council will have no Non-specified Investments in the foreseeable future.

Liquidity

- 5 Based on its cash flow forecasts, the Council anticipates its fund balances in the financial year 2018/19 to range between **£19m** and **£33m**.

Investment risk and creditworthiness

- 6 Credit quality of counterparties (issuers and issues) and investment schemes will be determined mainly by reference to credit ratings published by Fitch, Moody's and Standard & Poors. In compliance with CIPFA recommendations and the CIPFA Treasury Management Code, the rating criteria use the lowest common denominator method of selecting counterparties and applying limits. Table 13.1 also sets out the Council's minimum credit ratings that it considers appropriate for each category of investment. All funds are invested in institutions with high long-term credit ratings (minimum A-) or in money market funds with the highest possible rating (AAA or equivalent). The Council has a policy of diversification to prevent over-reliance on a small number of counterparties and Money Market Funds are used to provide a broad spread of underlying holdings.

Monitoring of credit ratings

- 7 All credit ratings will be monitored on a regular basis, including when investments are made. The Council's treasury adviser, Link Asset Services, also alerts the Council to changes in ratings as they occur.
 - If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
 - If a counterparty/investment scheme is upgraded so that it fulfils the Council's criteria, the s151 Officer will have the discretion to include it on the lending list.

Table 13.1 Specified Investments for the Financial Year 2018/19

Investment	Counterparty limit	Security / Minimum Credit Rating	Maximum period of investment
Debt Management Agency Deposit Facility (DMADF) (this facility is at present available for investments up to 6 months)	No limit	The Debt Management Office is an agency of the UK Government	6 months (DMO imposed time limit)
Treasury Bills issued by the UK Government (currently maximum 6 month duration)	No limit	The Debt Management Office is an agency of the UK Government	364 days
Term deposits with the UK Government or with UK local authorities (i.e. local authorities as defined under section 23 of the 2003 Act)	The lesser of £5m or 33% of total investments	High quality as either directly invested or via agencies of UK Government. (Although local authorities are not specifically credit rated)	364 days
Term Deposits with institutions, part nationalised by the UK Government	The lesser of £5m or 33% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
Money Market Funds (i.e. a collective investment scheme as defined in SI 2004 No 534) These funds do not have a maturity date	The lesser of £5m or 33% of total investments	Fitch, Moody's or Standard and Poors AAA (Minimum of two ratings)	n/a (repayable on demand)
Current accounts, notice accounts or term deposits with credit-rated deposit takers (UK banks and building societies)	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days (Call deposits repayable on demand)
Forward deals with credit rated banks and building societies < 1 year (i.e. negotiated deal period plus period of deposit)	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
Certificates of Deposit issued by UK institutions	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
Covered bonds (maximum 364 day period includes borrower extension option)	The lesser of £4m or 25% of total investments	long-term AA-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
Reverse repurchase agreements "repos"	The lesser of £4m or 25% of total investments	long-term AA-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days

- All Specified Investments listed above must be sterling-denominated.
- All investments are managed in-house.
- No shares or loan capital is held by the Council
- None of the investments are classified as capital expenditure.

Country, group and sector limits

- 8 The Council selects counterparties according to credit quality as well as the additional information in paragraph 11 below. Group and sector limits do not form part of the formal Investment Strategy, but are used within the temporary, stricter investment guidance described in paragraph 13.

Money Market Funds

- 9 As has been the practice for a number of years, the Council continues to place a high proportion of its investments in Money Market Funds. In 2018/19 the valuation method for Money Market Funds will change, with the result that the principal value could slightly increase or decrease whereas before it remained constant. The Council will assess the implications, but it is not expected that there will be any significant impact on the value of investments.

Markets in Financial Instruments Directive (MiFID)

10 From 3rd January 2018 changes in regulatory legislation has required the Council to opt up to “professional” status (rather than the default status of “retail” client) with several of its counterparties in order to continue using some investments other than simple deposits. This process has been completed.

Use of additional information other than credit ratings

- 11 Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example equity prices, Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

Bail-in legislation

- 12 To avoid a Government bailout (i.e. where Governments inject monetary support into institutions to keep them solvent) that occurred during the financial crisis, bail-in legislation is now fully implemented in the UK. In future large investors or creditors may contribute to the rescue of failing banks rather than taxpayers, as some or all of their deposits are converted into equity which could be worth less than the original investment. Consequently the potential risk of depositing with banks may have increased, however this is reflected in the credit ratings.

Internal stricter guidance

- 13 The Council continues to use temporary stricter internal investment guidance than that laid out in the Investment Strategy, such as lower counterparty limits. These will remain in place for as long as they are required and are reviewed regularly, taking into account information and advice supplied by Link Asset Services, the Council’s treasury adviser. Changes to the internal guidance are approved by the Head of Resources.

Use of derivative instruments

- 14 Local authorities have the ability to use any hedging tools such as derivatives, but only for the management of risk and the prudent management of financial affairs. When an authority intends to use derivative instruments the policy for their use must be clearly detailed in the annual Treasury Management Strategy. The Council does not currently use derivatives, but should this change then the Treasury Management Strategy will be amended prior to their use. The Council will seek proper advice when entering into arrangements to use such products to ensure that it fully understands those products.

Investments defined as capital expenditure

- 15 The acquisition of share capital or loan capital in any corporate body is defined as capital expenditure under Regulation 25(1) (d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Such investments will have to be funded out of capital or revenue

resources and will be classified as Non-specified Investments. As already stated, the Council does not currently intend to invest in Non-specified Investments.

16 Investments in Money Market Funds are not treated as capital expenditure.

17 A loan, grant or financial assistance by this Council to another body for capital expenditure by that body will be treated as capital expenditure, should it occur.

Provisions for credit-related losses

18 If any of the Council's investments appeared at risk of loss due to default (i.e. a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.

Investment strategy to be followed in-house

19 The Council's in-house managed funds are mainly cash flow derived. Due to the level of these funds and uncertainty in the current climate, the Council has no proposals to invest for periods over 364 days. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

The Council's banking arrangements

20 The Council's banking operations are all with Lloyds Bank PLC. The current contract expires on 31st March 2020.

Risk benchmarking

21 The most recent version of the CIPFA Treasury Management Code recommended the use of security and liquidity benchmarks alongside existing yield benchmarks used to assess investment performance.

22 These benchmarks are simple targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported with supporting reasons in the Mid-Year or Annual Report. Use of these benchmarks will be reviewed and they may be amended or added to if necessary.

23 **Security** – The Council's maximum security risk benchmark for the current portfolio is:-

- A credit-rating score of **4.0** for the overall investment portfolio. Each investment is given a score according to long-term credit rating (e.g. 7 for AAA, 4 for AA-, 1 for A-) and then weighted according to amount.

24 **Liquidity** – In respect of this area the Council seeks to maintain:-

- Bank overdraft - **£200,000**. Higher overdraft facilities are available on request.
- Liquid short term deposits of at least **£1.0m** available with a day's notice.
- Weighted Average Life benchmark is expected to be up to 4 months, with a maximum of one year.

25 **Yield** – Local measures of yield benchmarks are:-

- Investments – returns above the 7-day LIBID rate.

Treasury management adviser

26 Link Asset Services, the largest provider of capital financing and treasury advisory services to public sector organisations, is the Council's current treasury adviser. The company provides a range of services which includes technical support on treasury matters and capital finance issues; economic and interest rate analysis; debt rescheduling advice surrounding the existing portfolio; investment advice on interest rates, timing and investment instruments; credit

ratings/market information service provided by the three main credit rating agencies; and data from international money markets.

- 27 Whilst Link Asset Services provides support to the internal treasury function, under current market rules and the CIPFA Treasury Management Code, the final decision on all treasury matters remains with the Council.

Member and officer training

- 28 Members receive training on Treasury Management matters on a periodic basis. Treasury staff attend appropriate courses and seminars held by CIPFA and Link Asset Services both to maintain and improve their knowledge and expertise.

Investment activity reporting and publication

- 29 Officers prepare a mid-year monitoring report on investment activity each autumn and an end of year report as part of its Annual Treasury Report after the close of each financial year. This does not preclude more frequent reporting should changes or circumstances dictate, including changes to the Treasury Management and Investment Strategy if required. The Investment Strategy is published annually on the Council's website.

Committee: AUDIT COMMITTEE

Date: 3rd January 2018

**Subject: Quarterly Monitoring Report of the Council's
Governance Arrangements**

1. Purpose of Report

To present the findings from the quarterly monitoring of the Council's governance arrangements.

2. Background

- 2.1 Part of the requirement of the Council's governance arrangements is a quarterly report on the operation of the assurance framework for the Council. The assurance process includes the work of external auditors and is supplemented by the work of the internal audit service, as well as other assurance processes, including internal officer and member processes.
- 2.2 The Committee will be aware that governance arrangements include individual staff leads who have taken responsibility for the governance processes set out below and are members of the Governance Group. This report was developed in consultation with officers from the governance group.

3. Monitoring Results for Key Governance Processes

3.1 Community Engagement

- 3.1.1 Assurance arrangements are satisfactory. Services undertake specific consultation as required and there are a number of customer satisfaction surveys. Consultation has also been undertaken to help develop the Council's corporate plan and this has been considered by the Policy and Scrutiny Committee in August and October.

3.2 Business Strategy and Planning

- 3.2.1 The arrangements for business strategy and planning are adequate. Service plans and team plans are in place. Highlight reporting to corporate management team remains in operation. Furthermore, a corporate plan has recently been drafted and is to be further considered by Policy and Scrutiny Committee. The plan will also be subject to consultation with staff and partners before being considered by full Council.

3.3 Financial Planning, Reporting and Budgetary Control

- 3.3.1 Robust processes are evident to be assured that the arrangements for financial planning, reporting and budgetary control are effective. For example, a budget exception report is considered by the Executive Management Team and Cabinet Members monthly. Variances at year end are reported on all service areas, with commentary on those more than +/- £10k, and analysis of changes in income and expenditure from the previous financial year. External assurance will be provided by the annual audit of the Council's Statement of Accounts and the work of external audit. The processes in place give adequate officer and member assurance.
- 3.3.2 The Council maintains a five-year rolling financial forecast which is reviewed and reported through to Cabinet on a bi-monthly basis unless there is no significant change to report. The forecast is supported by three years detailed budget workings with the final two years of the forecast being adjusted for future anticipated cost pressures. Assumptions adopted in the forecast are contained in a detailed report made to Special Council in February annually.
- 3.3.3 The Council maintains a level of reserves more than the minimum level recommended by the Council's Chief Finance Officer and has set a balanced budget for 2017/18. Full Council agreed the Policy Framework and Budget Setting report in February 2017 which includes the financial planning strategy, the medium term financial forecast and a summary of completed efficiency work.
- 3.3.4 However, significant savings are still required for the medium term from 2018/19 onwards and the Council is undertaking several actions through the efficiency programme and the Commercial Strategy.

3.4 Asset Management

- 3.4.1 There are adequate routine assurance processes for Asset Management, which include bi-monthly Asset Management meetings, which are integrated into programmed meetings of the Operational Management Team. Significant Asset Management based projects are subject to the Council's project management methodology (PROMPT) and are reported to Cabinet.
- 3.4.2 A programme of annual planned repairs and maintenance is in place for corporate buildings. Funding provision has been earmarked and completion of all works is planned within the lifetime of the current medium term financial forecast.
- 3.4.3 Contracts are also in existence for statutory inspections and cyclical maintenance to corporate buildings primary installations.

3.5 Policy Framework

- 3.5.1 The policy framework operates satisfactorily, and policies and strategies largely continue to be refreshed by services. A register of policies and strategies is in place as well as guidance on the elements of a good strategy or policy and an assessment of key policies and strategies. The policy framework is set out in the Business Planning and Budget Framework and was reported to Cabinet in September.

3.6 Risk Management including Fraud & Corruption, Whistleblowing, Money Laundering and Health & Safety

- 3.6.1 A corporate risk register continues to be in place and is subject to monitoring by Executive Management Team. Risks have been identified as part of the development of team and service planning and risks get escalated to the corporate risk register should the identified issue be considered significant. The Risk Management Update Report sets out the current status of the project to refresh the overall framework.

3.7 Business Continuity

- 3.7.1 Satisfactory progress has been made to the business continuity arrangements in place. Services reviewed their business continuity impact assessments during the autumn of this year. Subsequent updating of service level action plans and desktop checks or testing, is scheduled for completion by the spring of 2018. A corporate generic business continuity plan is also in place, which is reviewed annually and subject to full refresh every three years.

3.8 Performance Management

- 3.8.1 Core processes operate satisfactorily, including highlight reporting to Corporate Management Team and the production of a corporate scorecard which is considered quarterly by Cabinet, and was last considered in November.
- 3.8.2 Control arrangements include the production of quarterly reports of performance indicators by all services for consideration by EMT. The last detailed report considered by EMT was also in November.

3.9 Data Quality

- 3.9.1 Arrangements are satisfactory. The service planning process includes a requirement for team managers and heads of service to sign a declaration which includes consideration of data quality and the commitment to spot checking of data.

3.10 Value for Money

- 3.10.1 Arrangements are in place and the assurance processes are operating appropriately. For example, a programme of work to identify and obtain efficiencies is in place for council services and is set out in the corporate plan. The Council has also identified a set of value for money ratios and these are used to monitor progress and retain understanding of comparative value for money.

3.11 Procurement

- 3.11.1 There are satisfactory arrangements in place and the assurance processes are operating appropriately. Procurement is integrated into the meetings of the Operational Management Team and assists in the implementation of corporate requirements. The Council's commissioning and Procurement Strategy and Procurement Toolkit was updated in 2016 to consider changes in legislative requirements.

3.12 Partnerships

- 3.12.1 Assurance processes are subject to further development work. A partnership strategy and framework is required to help clarify the arrangements currently in place and how these link to the objectives of the authority. Partnership work was subject to a report by Internal Audit and progress against the recommendations will be monitored. Initial work includes refreshing the Community Strategy to 20121 as a pre-lude to further development work.

3.13 Project Management

- 3.13.1 The arrangements are satisfactory. The service plans include an indication of planned projects with a prioritisation. These have been incorporated into a corporate programme which is monitored by CMT. The most significant projects this year is the construction of a gym facility at Runnymede which is reported to be progressing well, and the construction of two new bungalows at Lawns Court which are due for completion in March 2018.

3.14 Complaints

- 3.14.1 The monitoring of complaints is not fully compliant. Following a refresh of the policy and procedure, and the requirement for all complaints at stage 1 to be monitored, a report produced for consideration by EMT in November found that few services have recorded complaints received on a routine basis. This issue was also further discussed at OMT and it was agreed that individual services would identify officers that have a role in monitoring complaints and to ensure information is recorded appropriately. This was also discussed and agreed at EMT.

3.15 Ethical Governance

- 3.15.1 Satisfactory arrangements are in place, which were subject to audit a few years ago. Over the last two years, consideration has been given as to whether appropriate processes are in place for interests to be declared, by those operating key financial systems. A common code of conduct is also in place along with appropriate mechanisms including a governance committee.
- 3.15.2 Over the coming months, some work will be undertaken by the Good Governance Group to:
- further develop the Council's understanding of what constitutes its ethical governance framework
 - understand what evidence it gets throughout the year that it is operating as designed.

3.16 Officer Conduct

- 3.16.1 There are appropriate assurance arrangements in place to ensure robust officer conduct. This includes a range of human resource policies and procedures. The processes in place continue to give adequate assurance.

3.17 Information Governance

- 3.17.1 The Council has implemented an information governance strategy, which is underpinned by associated guidance. The Council's Head of Law acts as the Senior Information Risk Owner. The 'How it Works' guidance also contains a section on information governance.
- 3.17.2 The Council is working towards meeting the requirements of the General Data Protection Regulations 2015 which are due to be implemented in May 2018. The Data Protection Bill is currently making its way through the legislative process.

4. Corporate Implications

a. Legal implications

There are no direct legal implications arising from this report.

b. Financial implications

There are no direct financial implications arising from this report.

c. Human Resource & Equality

The monitoring and development of the assurance framework is delivered within existing resources.

The Council's equality policy is applied as an inherent element of the assurance processes. Equality is also an area that is subject to audit scrutiny. All key decisions require an Equality Impact Assessment.

d. IT and Asset Management implications

There are no direct IT or Asset Management implications arising from this report.

5 Links to Council's priorities and objectives

All assurance processes and improvement work support the corporate priority of Efficient and Effective Customer Focussed Services.

6. Timescale for implementation and risk factors

The monitoring of the effectiveness of the assurance framework will be undertaken every three months and reported to the Audit Committee. The Council will not be able to fully achieve its objectives and priorities without a robust assurance framework.

Recommendation:

The Audit Committee notes the assurance provided by this report with regard to the operation of the Council's governance framework.

Background Papers: Local Code of Governance

Report Author: Craig Watts, Head of Performance & Service Support

AUDIT COMMITTEE

3rd January 2018

Subject: Counter Fraud & Investigation Directorate: Quarterly Performance Report

1. Purpose of Report

To update the Audit Committee on the progress made by the Counter Fraud & Investigation Directorate (CFID) in delivering the Counter Fraud Strategy and work programme for 2017/18.

2. Proactive Work Plan

Appendix A sets out the current status of the tasks contained within the proactive work programme to be delivered throughout the year.

If during the year changes or additions to the plan are proposed between the CFID and the Section 151 Officer, these will be brought back to the Committee and included in the work plan.

Fraud Risk Assessment

CFID has developed a detailed floor-up Fraud Risk Assessment (FRA) process (in conjunction with the Cabinet Office) which the team is in the process of delivering by:

- using **targeted questionnaires** tailored to each service area
- having **individual interviews** with staff across the organisation
- holding **workshops** with groups of staff to increase the understanding of the process and quality of output.

Targeted Questionnaires

Alongside these risk assessments, the CFID has also created an intelligence-led questionnaire which will be distributed to key staff to assess compliance with the UK Bribery Act (UKBA) and Counter Money Laundering requirements. An online portal utilising the new home page that has been created by IT, will enable more detailed analysis and ease of reporting.

Individual Interviews

The interviews ensure that CFID can capture exactly all the relevant elements of the service delivery approach, risk stance and its impact on the rest of the Council.

Workshops

The workshops will ensure that the emerging crime threats are captured and acknowledged by the business areas to create a detailed Fraud Risk Matrix containing the risks, mitigation and on-going management, i.e. with supplier support, internal audit review process etc.

This work was scheduled for earlier in the year; however it was postponed as agreed with the senior management team to progress time sensitive casework.

Proactive Targeted Operations

A proactive exercise has been undertaken recently that involved visiting all empty business properties claiming business rate relief. This programme identified 11 properties where businesses were trading from the premises in conflict with the exemption that was being claimed. These cases will be investigated further with a view to applying appropriate sanctions and where proportionate, seeking redress.

Training was delivered to all high risk operational areas in the Council in 2016/17, to improve awareness of economic crime. Additional training has been planned for the final quarter of 2017/18 to support the FRA process.

3. Investigations

The CFID:

- has received a number of referrals from both internal and external sources
- is now conducting reviews of Right to Buy applications to ensure any that are suspicious are highlighted and investigated further.

In 2017/18, the CFID received 20 reports of suspected fraud, with six of these cases still being investigated.

Fourteen investigations have been completed by the CFID with the following outcomes:

- Three cases have been resolved by disrupting the criminal behaviour of the subjects. This tactic has been used in areas such as credit card fraud and business rates fraud where the 'true' identity of the criminal is unknown. The tactics include changing business processes to stop the fraud altogether and prevent further instances.
- Two cases have been referred to Human Resources where disciplinary action could be taken.
- On two occasions, civil redress action has been taken by the Local Authority to recover £33,000.
- Two Right to Buy applications have been stopped thus allowing two social housing properties to remain within the housing stock, saving the Council £157,200¹.
- Four cases have been closed as 'no fraud' as the incidents were policy compliance issues or were unfounded.

¹ Using government figures for each RTB fraud stopped: £78,600 each
<https://www.gov.uk/right-to-buy-buying-your-council-home/discounts>

- One Social Housing property has been recovered from a tenant who abandoned the property, making a saving of £18,000.

A total of **£208,200** of fraud has been detected this year so far, with **£33,000** being recovered.

Examples of the work carried out by the CFID has been detailed in **Appendix B**.

4. Corporate Implications

Contribution to Council's Aims and Priorities

Work undertaken to reduce fraud and enhance the Council's anti-fraud and corruption culture contributes to the delivery of all its aims and priorities.

Financial Implications

Proactive fraud and corruption work acts as a deterrent against financial impropriety and might identify financial loss and loss of assets.

Any financial implications arising from identifying and managing the fraud risk will be considered through the normal financial management processes.

Proactively managing fraud risk can result in reduced costs to the Council by reducing exposure to potential loss and insurance claims.

Legal Implications

The Accounts and Audit Regulations 2015 Section 3 requires that:

The relevant authority must ensure that it has a sound system of internal control which:

- *facilitates the effective exercise of its functions and the achievement of its aims and objectives*
- *ensures that the financial and operational management of the authority is effective*
- *includes effective arrangements for the management of risk.*

The work of CFID contributes to the delivery of this.

People Implications:

Where fraud or corruption is proven the Council will:

- take the appropriate action which could include disciplinary proceedings and prosecution
- seek to recover losses using criminal and civil law
- seek compensation and costs as appropriate.

Property Implications

Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity. This action will benefit the authority by means of returning housing stock to those in need or gaining the assets of those who seek to profit from their criminal behaviour.

Consultation / Equalities Impact Assessment:

None

Risk Assessment

Failure to operate a strong anti-fraud and corruption culture puts the Council at risk of increased financial loss from fraudulent or other criminal activity.

Although risk cannot be eliminated from its activities, implementing these strategies will enable the Council to manage this more effectively.

Value for Money

An effective counter fraud and investigation service should save the Council money by reducing the opportunities to perpetrate fraud, detecting it promptly and applying relevant sanctions where it is proven.

As can be seen from the results already obtained from the CFID actions, actively seeking and identifying criminality allows the authority to gain back money that would have otherwise left the budgets of various service areas of the authority. This in itself is a positive step. However the subsequent message sent to those who seek to abuse the financial stability of the authority is such a deterrent that further 'unmeasured' savings will be made by deterring future criminality against the authority.

Community Safety Implications and Environmental Impact:

None

Recommendations

The Audit Committee notes the performance of the Counter Fraud & Investigation Directorate to date.

Background Papers

- Fighting Fraud and Corruption Locally, The Local Government Counter Fraud and Corruption Strategy 2016-2019

Appendices

- Appendix A: Counter Fraud Proactive Work Plan 2017/18
- Appendix B: Examples of Counter Fraud & Investigation Directorate Investigations

Report Author: Dan Helps, Senior Manager, Counter Fraud & Investigation Directorate

Appendix A - Counter Fraud & Investigation Directorate

Counter Fraud Proactive Work Plan for 2017/18

Risk area	Tasks	Planned for	Current status
Council-wide	Plan Fraud Risk Assessment workshops in these areas: <ul style="list-style-type: none"> • Environmental Services • Finance & IT • Human Resources • Housing • Revenues & Benefits • Planning. 	June 2017 Revised: January 2018	New meetings are planned with the Head of Services for these areas. A key contact from within CFID (i.e. Single Point of Contact) has been nominated to engage and deliver the project with each Head of Service.
Council-wide	Conduct Fraud Risk Assessment workshops in these areas: <ul style="list-style-type: none"> • Environmental Services • Finance & IT • Human Resources • Housing • Revenues & Benefits • Planning. 	July 2017 – Aug 2017 Revised: February – March 2018	Awaiting workshops upon the completion of the service specific assessments. These are being completed with the Heads of Service and other employees where necessary. The workshops have been delayed due to the assessments being disseminated late.
Council-wide	UK Bribery Act (UKBA) Compliance Review. A questionnaire will be distributed to all Managers to ensure UKBA compliance.	Dec 2017, moved back from June 2017 due to IT issues.	The questionnaire is written and is with IT to install onto an online portal for distribution to the managers.
Council-wide	Counter Money Laundering (CML) Compliance Review. A questionnaire will be distributed to all staff to ensure CML compliance.	Dec 2017, moved back from June 2017 due to IT issues.	The questionnaire is written and is with IT to install onto an online portal for distribution to the managers.
Council-wide	Process the results from the Fraud Risk Assessment workshops. Produce report and action plan.	Sept 2017 Revised: March 2018	Awaiting workshops.
Revenues (NNDR)	Visit every commercial premises that has an 'empty' exemption held on the system to confirm compliance.	October 2017	This has been completed with 11 premises identifying suspected fraud. The results are being processed through the normal investigation process.

Appendix B: Examples of Counter Fraud & Investigation Directorate Investigations

Credit Card Fraud (Revenues)

A recent operation conducted by CFID targeted the use of suspected stolen credit card numbers to pay the Council. CFID executed a search warrant at premises and interviewed a male found there. CFID shared its intelligence with the Dedicated Check and Plastic Crime Unit at the City of London Police so that the criminal network behind the 'scam' could be identified. All of the potential losses as a result of the fraud were recovered from the offender.

Supplier Contract Fraud

CFID conducted a large operation against a company who was suspected of involvement in procurement fraud. CFID executed search warrants and arrested three suspects; with a forth being interviewed under caution at a police station. Over 16 CFID officers were involved in the operation as well as over 15 Police Officers from Essex Police and Thames Valley Police services.

The enquiry is on-going and the outcome will be reported at the Committee at its conclusion.

Business Rate Exemption Fraud

CFID conducted a proactive operation in which over 60 premises were visited and the status of those premises assessed. Although many exemptions were being claimed legitimately; 11 premises were found to be in conflict on what was presented to the Council. These businesses are now being investigated to identify any criminal liability and consider sanction and redress action.

AUDIT COMMITTEE**3rd January 2018****Subject: Internal Audit Service, Quarterly Performance Report**

1. Purpose of Report

To update the Audit Committee on progress made in delivering the Internal Audit Strategy for 2017/18.

2. Internal Audit Plan Status

Appendix A sets out the current status of the audit work planned for the year as at 30 November 2017.

Since the Audit Plan was approved in March 2017, the:

- Business Continuity review has been postponed until 2018/19 as it took longer than anticipated to obtain the business impact assessments from services to enable the refresh of the corporate business continuity plan to be completed
- Emergency Planning review has been moved forward from 2018/19.

The Audit Plan is now updated to reflect the final objective for each review. It has also been resourced so that it is substantially completed by the end of March 2018.

3. Audit Opinions and Themes

Appendix B summarises the results of the audit work completed this year. No minimal assurance opinions have been issued to date, this year.

The IT Risk Identification and Assessment has been produced to support the audit planning process for the next few years. It sets out:

- the risk areas as well as the key areas of activity within each
- how well each is currently controlled and therefore, when it should be considered for an audit.

4. Performance Targets

As at 30 November 2017:

- the in-house team has had 3.5 days of sickness absence since April 2017 (which impacts on productivity) which equates to 0.72 days per FTE
- in terms of the 29 jobs in the plan:
 - seven audit reports have been issued / work completed
 - three reports are with the Head of Internal Audit for review
 - ten audits are in progress
 - terms of reference are being or have been produced for three audits

- six are to be undertaken in the January to March 2018 quarter.

The team will complete some stakeholder surveys during the remainder of the year and report the results to the Audit Committee in due course. Some staff were also surveyed as part of the external quality assessment undertaken by the Institute of Internal Auditors.

5. Resourcing

Since the last report to the Audit Committee in September 2017:

- an Audit Manager joined the team in July 2017 and will be leaving in February 2018
- a senior auditor will be joining the team in February 2018
- a graduate started in September 2017, who will undertake the four year professional development scheme. That leaves the team with five vacancies out of nine posts (not counting the Head of Internal Audit). The intention is to fill auditor level posts with graduates or staff who will be put through a relevant training programme, in due course.

6. Independent Assessment of the Internal Audit Service

As previously reported, the Public Sector Internal Audit Standards (the Standards) require external assessments to be conducted once every five years by a qualified, independent assessor or team, from outside the organisation.

The team's review was completed in October 2017. The full report is attached at **Appendix C**. It is a very fair assessment of where the in-house team is within the context of the journey it has been on over the last couple of years; and shows that the team:

- has a very good understanding of the Standards it is required to work to
- is very self aware, in that it continually challenges its operational practices and highlights appropriate opportunities to improve them.

The review was very challenging in a helpful and supportive way and has been a really good learning experience for the staff.

The key messages from the report for the in-house team are that:

- it fully meets most of the Standards, as well as the Definition, Core Principles and the Code of Ethics (described as "*Generally Conforms*", the highest rating (refer P15))
- good assessments were achieved in relation to:
 - reflection of the Standards (i.e. *they are fully integrated into the methodology*)
 - focus on performance, risk and adding value (i.e. *there are clear links between IA engagement objectives to risks and critical success factors with some acknowledgement of the value added dimension*)
 - the quality assurance and improvement programme (i.e. *quality is regarded highly, includes lessons learnt, scorecard measures and customer feedback with results shared with Audit Committee*).
- needs improvement assessments were given in relation to:
 - coordinating and maximising assurance

- the efficiency of its operations.

(Refer the Internal Audit Maturity Matrix: Internal Audit Services Effectiveness Highlighted, Page 13)

The '*coordinating and maximising assurance*' assessment reflects the level of maturity of both the Council and internal audit in being able to both identify and then place reliance on other potential assurance providers. These can be internal, which would include governance teams and review functions (e.g. covering health and safety or risk management) and external, which would include independent assessments / inspections.

Internal Audit's audit risk assessment approach does include identifying such sources and the need to evaluate their effectiveness / reliability. This will be developed further as part of the audit planning process for 2017/18.

The '*efficiency of its operations*' assessment reflects:

- the team's wish to refresh aspects of the Audit Approach, having used it for a few years now as reported to the June 2017 Audit Committee
- mainly, the issues with timeliness of reporting which have arisen due to reduced management capacity over the last few years, which have been discussed at the Audit Committee.

One, overarching action plan is being produced that includes all outstanding actions including the recommendations arising from this review. The intention is to complete this work by the end of March 2018.

Progress made in doing this, will be reported to the Audit Committee until all actions have been implemented.

7. Corporate Implications

Financial Implications

The Audit Plan will be delivered within the approved budget.

Any financial implications arising from identifying and managing fraud risk will be considered through the normal financial management processes.

Legal Implications

The UK Public Sector Internal Audit Standards require the Audit Committee to approve (but not direct) the annual Internal Audit Plan and then receive regular updates on its delivery. This report contributes to discharging this duty.

Human Resources and Equality Implications

Human Resources

People issues that are relevant to an audit within the Audit Plan will be considered as part of the review.

Regular updates will be provided to the Audit Committee on how the service is being resourced (as required by the Standards).

Equality Implications

The relevance of equality and diversity will be considered during the initial planning stage of each audit before the Terms of Reference are agreed.

IT and Asset Management Implications

People or asset management issues that are relevant to an audit will be considered as part of the review.

8. Links to Council's Aims, Targets and Objectives

Audit work contributes to the delivery of all of the Council's Aims, Targets and Objectives.

9. Timescale for Implementation

The Audit Plan relates to the 2017/18 financial year.

This is a key piece of evidence available to the Audit Committee when reviewing the Annual Governance Statement, which is also presented to the July Audit Committee.

10. Risk Factors

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact on the Council's ability to deliver its Corporate Aims, Targets and Objectives. A key mitigating factor is the work of the Good Governance Group (the Group). Assurance provided by this Group is summarised in the Quarterly Monitoring Report of the Council's Governance Arrangements.

The main risks the team continues to manage are the:

- loss of in-house staff and the ability of the service to replace this resource at all or in a timely manner
- lack of management capacity to support and process work in a timely manner and provide strategic leadership to the team
- possibility that the external supplier won't deliver contracted out work within the required deadlines to the expected quality standards
- need to maintain relationships with clients / partners until the service has been rebuilt.

Recommendations:

The Audit Committee:

- **notes the progress made in delivering the 2017/18 Internal Audit Strategy**
- **approves the amendments to the Audit Plan.**

Background Papers

- The Accounts and Audit Regulations 2015
- UK Public Service Internal Audit Standards
- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards

Appendices

Appendix A Internal Audit Plan 2017/18 as at 30 November 2017

Appendix B1 Audit Opinion and Summaries: Satisfactory

Appendix B2 Audit Opinion and Summaries: Partial

Appendix B3 Audits Revisited

Appendix B4 Grant Claims

Appendix C Chartered Institute of Internal Auditors, External Quality Assessment, Issued 29 October 2017

Report Author: Linda Everard, Head of Internal Audit

Appendix A: Internal Audit Plan 2017/18

Who*	Council activity and focus of audit work	Fraud risk	Status as at 30th November 2017 (changes in bold)
Managing the Business			
All Aims			
Res	Business Continuity To assess whether there are effective arrangements in place to enable services (particularly critical ones) to continue to be provided in the event of a disaster occurring.	No	Postponed until 2018/19 when the refreshed corporate business continuity plan will be in place.
Res	Emergency Planning To assess the robustness of the Council's preparedness to respond to a civil emergency under the Civil Contingencies Act 2004.	No	Planned for January to March 2018.
CG&L/G	Information Governance, General Data Protection Regulation To assess how well the Council is progressing with its preparations for implementing the new requirements of the General Data Protection Regulations, which come into force in May 2018.	No	Planned for January 2018.
Res	IT Risk Identification and Assessment To provide a current assessment of ICT risks within the Council, using an industry recognised ICT risk universe that: <ul style="list-style-type: none"> • highlights where current control strength is in each areas compared to that desired taking into account the potential impact rating • can be used to inform future Audit Plans. 	No	Report issued November 2017.
<i>Implementing Action Plans</i>			
	Working with Partners, Strategic Partnership Framework	No	Deleted. A new audit is planned for 2018/19.

Appendix A: Internal Audit Plan 2017/18

Who*	Council activity and focus of audit work	Fraud risk	Status as at 30th November 2017 (changes in bold)
Managing Service Delivery Risks			
Aim: Public Health and Wellbeing			
Env	Leisure Centres, Income Management To assess whether income due from leisure centre bookings, memberships and other non cash sources, is completely and accurately billed for as well as collected in a timely manner.	Yes	Report issued November 2017.
Aim: Environment			
Env	Procurement of Waste Collection Vehicles To assess whether the: <ul style="list-style-type: none"> implementation of the service changes which included the introduction of a chargeable wheeled bin garden waste service and the separate collection of garden and food waste, are consistent with the objectives of the Essex Waste Partnership Board procurement of the new refuse vehicles was administered fairly, without favouritism or bias, in accordance with the Council's Contract Procedure Rules. 	Yes	Terms of Reference Agreed. Work in progress.
<i>Implementing Action Plans</i>			
SD, CS	Safeguarding Arrangements	No	Deleted. A new audit is planned for 2018/19.
Aim: Transforming Our Community			
P	Building Control To assess the adequacy and effectiveness of the existing arrangements, to enable the Building Control service to operate commercially and in accordance with statutory building regulations.	Yes	Draft report with the Head of Internal Audit to review.
P	Development Control Support Team To assess the adequacy and effectiveness of the Support Team's redesigned operational processes to ensure they are fully embedded into day to day working practices.	Yes	Terms of reference being produced.

Appendix A: Internal Audit Plan 2017/18

Who*	Council activity and focus of audit work	Fraud risk	Status as at 30th November 2017 (changes in bold)
<i>Implementing Action Plans</i>			
LP&R A	Regeneration Partnership	No	Planned for January 2018 to March 2018.
H	Right to Buy	Yes	Report issued August 2017.
Aim: Efficient and Effective Customer Focused Services			
Res	Accounts Payable, Process System Design and Application To assess whether new process for raising and paying purchase orders as well as posting this spend to the general ledger, has been effectively designed and is operating as designed, in practice.	Yes	Draft report with the Head of Internal Audit to review.
Env	Environmental Health: Noise & Nuisance and Rubbish & Accumulations To assess whether there are robust arrangements in place to ensure that referrals made to selected services within the Environmental Health team are dealt with effectively and appropriate use is made of statutory enforcement powers.	Yes	Work in progress.
Var	EFIN Post Implementation Review To assess whether the enhanced functionality within the Accounts Payable module of the eFinancials (EFIN) system, was implemented using a recognised good practice approach.	Yes	Work in progress.
H	Health and Safety of Housing Stock To assess whether the Council is obtaining the required health and safety inspections and risk assessments of its housing stock and appropriate action is then taken to address any issues identified.	No	Interim Management Report issued November 2017.
H	Housing Management Business Case Review To assess whether the two business cases relating to Property Management and the Housing Restructure: <ul style="list-style-type: none"> align to good practice governance standards for business cases development contain sufficient information and analysis for management to make informed and effective decisions. 	No	Work in progress.

Appendix A: Internal Audit Plan 2017/18

Who*	Council activity and focus of audit work	Fraud risk	Status as at 30th November 2017 (changes in bold)
H	Housing Management: Procurement To provide advice, support and independent challenge during the initial procurement process for contracting out the management of the housing service.	No	Planned for January to March 2018.
Var	IDOX System Governance and Change Management To assess whether the Council has a suitable governance framework in place for managing, planning and implementing changes to the IDOX system.	Yes	Work in progress.
Res	Income Collection For a sample of non-statutory income streams, assess whether all income due is accurately raised and collected fully in accordance with the Council policies / fees and charges framework.	Yes	Report issued August 2017.
CG & L / G	Leases and Licences To assess whether the Council effectively manages its leases and licences, as well as receives all income due from them.	Yes	Draft report with the Head of Internal Audit to review.
R&B	Housing Benefits: Risk Assessment of New Claims To assess whether the automated risk profiling arrangements to determine the level of verification checks required to confirm entitlement, are fit for purpose.	Yes	Planned for December 2017 to February 2018.

Implementing Action Plans

P	Approval of Planning Applications	Yes	Terms of Reference agreed.
H	Homelessness	Yes	Deleted. A new audit is planned for 2018/19.
SD, CS	Licensing	Yes	Deleted. A new audit is planned for 2018/19.

Key Financial Systems

Aim: Efficient and Effective Customer Focused Services

To assess whether the key controls in each of the key financial systems effectively prevent or detect material errors on a timely basis to ensure that the financial statements are not materially incorrect.

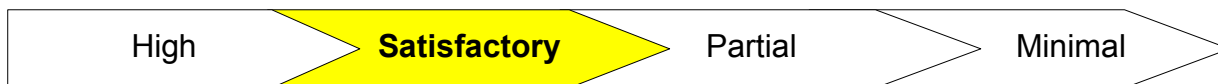
Appendix A: Internal Audit Plan 2017/18

Who*	Council activity and focus of audit work	Fraud risk	Status as at 30th November 2017 (changes in bold)
Work planned to support 2017/18 Statement of Accounts			
R&B	Business Rates	Yes	Work in progress.
R&B	Council Tax	Yes	Work in progress.
R&B	Housing Benefit	Yes	Work in progress.
R&B	Housing Rents	Yes	Work in progress.
Res	Treasury Management	Yes	Work in progress.
All	Follow up of 2016/17 actions from systems not being audited this year.	Yes	Work in progress.
Grant Claims			
Env	Disabled Facilities Capital Grant Determination To confirm the monies have been spent in accordance with the terms of the grant.	Yes	Completed September 2017.
Advice and Support Work			
Res	Risk Management To update the Council's Risk Management Framework whilst making the arrangements proportionate for the size of the authority, and roll this out across the Council.	No	Policy and Strategy completed - see separate agenda item.
Var	Working with Partners, Safeguarding Arrangements, Regeneration Partnership, Licensing, Homelessness and Allocations To provide independent advice and challenge as new processes are developed or currently working practices strengthened.	No	This work will continue throughout the remainder of 2017/18.

- * The objective of the work when **revisiting audit reports** is to confirm that action agreed have been effectively implemented and embedded into the day to day operation of the service.

Appendix B1: Audit Opinion and Summaries

Assurance



Leisure Centres, Income Management

Objective

To assess whether income due from leisure centre bookings, memberships and other non cash sources, is completely and accurately billed for as well as collected in a timely manner.

Summary

The Head of Environment has delegated authority to review and set the charges for leisure services. The prices are reviewed annually and any increases are effective from the 1st April each year. Someone needs to be made accountable for independently confirming that the:

- new charges are accurately reflected in the published price list and input into the Gladstone system (used by Leisure Services to manage memberships, bookings, centre access and ad-hoc sales)
- fees being calculated by the Gladstone system for each type of membership are correct.

Appropriate levels of access have been granted to staff who use the Gladstone system and these are reviewed frequently. The manner, in which this is managed, prevents unauthorised discounts or incorrect charges being made.

All new user accounts must be set up within the Gladstone system, which automatically asks for all the relevant membership information and creates the membership fee debt. It then generates the membership card which is imprinted with the user's photo and access rights, and is required to access the facilities. It is deactivated if direct debts fail, memberships are cancelled or the card is lost.

Members must pay in advance and can pay by any method although a significant number now use direct debits (i.e. 62.6% of total income collected in 2017/18). Contract members are committed to a minimum of six months membership initially. Reports, which detail defaulted or cancelled direct debits, are received from the Financial Services Unit (FSU) twice a month. The details are input into the Gladstone system, which then automatically suspends the users account and therefore, their access to the centre. If payment is not subsequently forthcoming, they get added to the list of debtor accounts. No proactive action is taken to recover this debt.

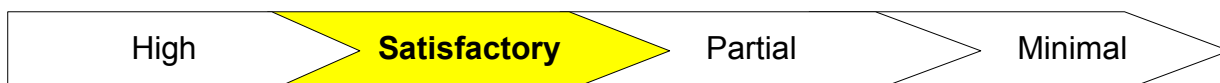
Members who don't pay by direct debit can pay monthly or annually at the centre reception. The system ensures that:

- the correct amount is collected
- the membership card is deactivated at the end of the period paid for, unless further payments are made.

The daily bank reconciliation to figures within the Gladstone system provides assurance that all income due has been received.

Appendix B1: Audit Opinion and Summaries

Assurance



There is a need to strengthen the arrangements for:

- accepting and setting up block bookings to ensure all relevant information is returned before the booking takes place
- ensuring these accounts are billed for promptly each month.

Nevertheless, the process in place to collect income due from these bookings was found to be proportionate and effective.

The Sales and Customer Services Manager was not aware of the requirement within the Council's Safeguarding Policy and Procedure for hirers to have safeguarding policies in place.

Number of actions agreed: 5 (including 1 from another report)

Appendix B2: Audit Opinion and Summaries

Assurance



Income Collection

Objective

For a sample of non-statutory income streams, assess whether all income due is accurately raised and collected fully in accordance with Castle Point Borough Council (the Council) policies / fees and charges framework.

Summary

Council officers not Members continue to set the fees for additional services, which is unusual in terms of an approach. The policy and processes adopted for sundry income collection are documented in the Sundry Debtor Credit Policy, which is subject to biennial review. However, some sections would benefit from clearer definition, additional information or a review to see if they still represent best practice. Nevertheless, with the exception of some long-term users of rooms in halls, fees and services are being charged in line with the current pricing schedules.

Once invoices are raised, the Revenues team generally monitor payment, chase non-payment and liaise with recovery agents. Normally invoices will only revert to the service areas if debts are to be written off or the invoice is disputed. Where services have on-going working relationships with debtors, this additional leverage needs to be used more effectively to recover outstanding debts, before additional services are provided (e.g. Building Control).

There is a lack of consistency in the way some instalment plans and direct debit debts are being set up on E-financials. As a result, some will show as being overdue debts whilst similar cases won't.

Community Parks & Open Spaces and Community Centres

Until two years ago, some users of hall facilities had not had their rental charges increased for many years. They are now being increased by 10% per year plus the agreed annual uplift, until they reach the current charge paid by everyone else.

Payments received from the block booking users of halls are often made by instalments but not necessarily at regular intervals. However, there was no evidence seen of non-payment or significant late payment.

Fees for football pitches should be collected in advance rather than arrears, as they currently are.

Pest Control

One off charges (i.e. the fee) for domestic premises pest control services are collected by card payments prior to the Pest Control Officer's first visit to the premises.

The fee for visiting business premises is based upon the number of visits made. The invoice is raised once the service is delivered with 28 day payment terms.

Management need to consider different payment terms, such as immediate payment (card or cheque) on the last visit.

Appendix B2: Audit Opinion and Summaries

Assurance



Licensing

The Licensing team takes all new premises licence fees up front but issues invoices when renewing them and chases its own outstanding invoices. The collection rate needs to be improved. As at 30 November 2016, 19% (37 licences) of fees due by the end of October 2016 were still outstanding and some were more than six months old. Using the Revenues team to chase non-payment of these invoices is one of the options available to improve this position.

The fee is collected from taxi drivers before a Disclosure and Barring Service (DBS) check is done. The Licensing Manager:

- independently confirms the DBS application has been completed as part of her pre licence issuing check
- does not confirm that the correct DBS fee has been taken or credited to eFinancials prior to the check being undertaken.

Trade Refuse

The arrangements for billing Trade Refuse customers annually are satisfactory and involve using the:

- Environment Support team's spreadsheet containing details of all collection terms and bin sizes
- Accountancy's matrix of potential costs for all combinations of service, using the approved annual fee scale.

As this is a recurring service, payment can be either in advance or by monthly direct debit. In-year charges are handled on the same basis.

Building Control

Fees for all full plan applications are received prior to the review of the plans. The fee for inspection work is calculated by the inspector and raised by the administration team but it is not checked before despatch.

Monitoring

With the exception of Building Control and Premises License renewals, independent sample checks of invoices and supporting documentation are in place.

However, there is no reconciliation of fees requested for services back to the original booking and services records, to confirm they are charged or invoiced for, correctly. Neither is there any reconciliation of fees requested to the Council's financial accounting records to confirm that all fees are received and accounted for, correctly. There are also no performance indicators to compare income due to income received, for additional services. Income is usually monitored via cost centre reports, which the Financial Services Unit provides.

Number of actions agreed: 9 (including 2 from other reports)

Appendix B3: Audits Revisited

Purpose of these audits

To assess whether the actions agreed in the original audit report have been implemented and are now effectively embedded into the day-to-day operation of the service.

Right to Buy



Original Objective

To assess whether Right to Buy (RTB) applications are correctly assessed and all required supporting evidence is obtained.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Closed
1	2	1	3	0

Summary

When the original minimal assurance report was issued in December 2015, it had 11 recommendations and the process was required to be developed significantly. As at June 2017, five recommendations have been implemented fully.

Overall, good progress has been made in strengthening these arrangements in that:

- there are now procedure notes that comply with current guidance from Department of Communities and Local Government and tenants are notified on their right to buy
- forms have been produced to evidence the work done to process these applications
- more comprehensive information is collected when processing applications and the updated discount calculator includes previous discounts given when calculating current entitlement
- the process for recording the Council's interest should properties be sold on has been improved.

Significantly improved management information is now being produced for the Departmental Management Team on Right to Buy activity. This needs amending to explain how issues identified with individual applications are to be dealt with.

Further work is required to ensure that:

- staff apply the new procedures and forms properly
- there is robust, independent review at key stages in the process

Appendix B3: Audits Revisited

- the team work more proactively with the Counter Fraud & Investigation Directorate when processing the applications.

The Right to Buy Additional Information Request Form:

- is now in use but was not always being completed fully and accurately, nor was there evidence of independent review
- requires a declaration for the reviewing officer to sign that confirms what checks have been completed.

Likewise, the internal Right to Buy Enquiry Form also needs a certification for the reviewing officers to complete.

The Leaseholder Details and Right to Buy Database spreadsheets are both password protected. However, the key cells in these spreadsheets still need to be locked down to limit the risk of accidental error.

Subsequent to completion of the fieldwork but prior to issuing the report:

- the Interim Head of Housing confirmed that instructions are in place for all new Right to Buy applications to be referred to the Counter Fraud & Investigation Directorate
- it was confirmed that Legal Services checklist has been updated with the actions required to ensure that Council's charges are correctly registered at the Land Registry after the completion of the sale.

Appendix B4: Grant Claims

Disabled Facilities Capital Grant Determination

Purpose of funding

To support those in non-council properties with required adaptations to their homes, based on their medical needs. Types of works undertaken include installations of:

- level access showers
- ramped access to properties
- stair lifts or through-floor lifts.

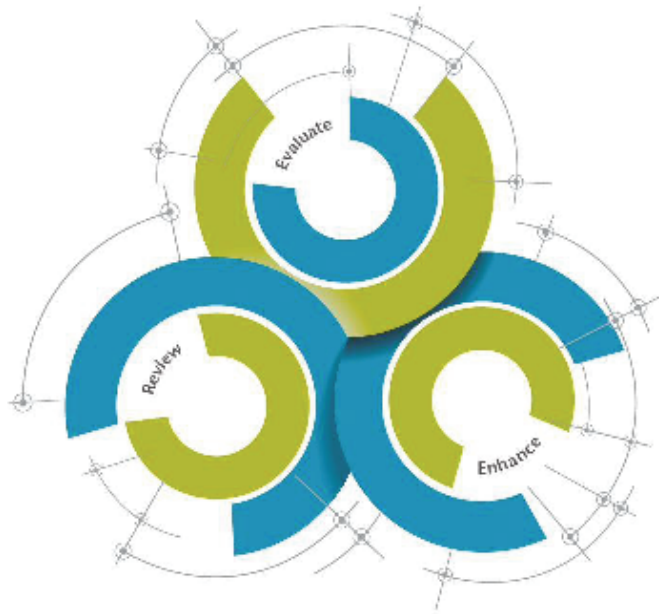
It was confirmed that spend was in line with the grant conditions, specifically that:

- it was on capital
- grant monies had been transferred into the local Better Care Fund pooled budget, under Section 75 of the NHS Act 2006.

In addition, work was undertaken to verify that all cases were supported by:

- an assessment of need and recommendation of adaptation works required, undertaken by an Occupational Therapist
- suitable means testing to ensure eligibility to the DFG scheme, where required
- a signed agreement from surveyors and clients that works had been completed as per the plans, and to a suitable standard.

Opinion: Unqualified.



EXTERNAL QUALITY ASSESSMENT (EQA) FINAL REPORT FOR



**Southend-on-Sea Borough Council, Castle Point Borough Council and
South Essex Homes**

Prepared by John Chesshire and Liz Sandwith on behalf of the CIIA

29 October 2017

	PAGES
Executive Summary	3
Conformance to the International Professional Practices Framework	4
Key Achievements	5
Recommendations to achieve conformance to the Standards	5-11
Opportunities for Further Development and Continuous Improvement	12
IIA evaluations:	
• Internal Audit Maturity Matrix	12
• Corporate Audit SWOT Analysis	14
Appendices:	
1. IIA Grading definitions	15
2. List of Interviewees	16
3. Summary of conformance tables for each client organisation	17-18

Disclaimer: The EQA Review was concluded in October 2017 and provides management and the Audit Committee with information about Internal Audit as of that date. Future changes in environmental factors and actions taken to address recommendations, may have an impact upon the operation of Internal Audit in a manner that this report cannot anticipate. Considerable professional judgment is involved in evaluating. Accordingly, it should be recognised that others could draw different conclusions. This report is provided on the basis that it is for your information only and that it will not be quoted or referred to, in whole or part, without the prior written consent of Chartered IIA

EXECUTIVE SUMMARY

External Quality Assessment for Southend-on-Sea Borough Council, Castle Point Borough Council and South Essex Homes

The Internal Audit Services **fully meet most of the Standards, as well as the Definition, Core Principles and the Code of Ethics**, which form the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. This is described as **"Generally Conforms"** (See Appendix 1). It means that the Internal Audit Services may state in their internal audit reports for all clients that the work "has been performed in accordance with the IPPF".

We have benchmarked the performance of the Internal Audit Services against a maturity model based on a wide range of UK and Irish internal audit functions and we believe that it is **Good** in its:

- Reflection of the Standards
- Focus on performance, risk and adding value
- Quality Assurance and Improvement Programme

We consider that a key factor in these achievements is the dedication, knowledge, skills and experience of the Head of Internal Audit, Linda Everard, and her Audit Manager, Elaine Allen. Both are well respected by key stakeholders and the in-house service as whole is valued and trusted. Stakeholder feedback was not as universally positive about aspects of the external, contractor resource. Experience and insight was particularly valued, whether from in-house or external parties.

We consider that the Internal Audit Services **Needs Improvement** as regards:

- Coordinating and maximising assurance
- The efficiency of its operations

The need to consider how best to rely on and coordinate with other assurance providers is an emerging area of internal audit practice. It depends as much on the other assurance providers as it does internal audit, but it is something that could be explored more fully as governance, risk management and control maturity increases across the three organisations. Given the staffing shortfalls in the Internal Audit Services over the recent past, aspects of internal audit efficiency have suffered, as recognised and reported upon by the team. As these staffing issues are now nearly addressed, this provides an opportunity to revisit engagement planning and delivery to reduce the elapsed time from initiation to finalisation and completion. This should enhance the impact of audit work and further improve stakeholder relations.

We have provided the Head of Internal Audit with our comments in a detailed Standard-by-Standard checklist as a separate 90-page document.

We also make a number of recommendations to achieve conformance with the Standards. These are included below.

Finally, as part of this External Quality Assessment we undertook an online survey of thirty two managers at Southend-on-Sea, five managers from Castle Point and five managers from South Essex Homes. We received eleven responses in total. The majority of the results were positive 'excellent' or 'good' markings, with a few 'fair' assessments and a very small number of 'poor' ratings. This mirror's the Head of Internal Audit's expectations. We have sent on a separate copy of the full survey results to the Head of Internal Audit.

Conformance to the Standards: The International Professional Practice Framework (IPPF)

The objective of this External Quality Assurance (EQA) review was to undertake an independent, objective validation of the Southend-on-Sea, Castle Point and South Essex Homes Internal Audit Services self-assessments against the IPPF and Public Sector Internal Audit Standards (PSIAS). This has included considering the Services conformance to the IPPF, benchmarking the function's activities against best practice and assessing the impact of internal audit on each organisation.

The Institute of Internal Audit's (IIA's) International Professional Practice Framework (IPPF) includes the Definition of Internal Auditing, Core Principles, Code of Ethics and *International Standards*. There are 64 fundamental principles to achieve with 118 points of recommended practice.

We include a summary of the Internal Audit Services conformance to both the IPPF and the core principles for each of its client organisations at Appendix three. Overall, we believe that the Internal Audit Service has achieved a good performance given the breadth of the IPPF and the diverse organisational contexts that the team operate in across the region.

The overall assessment resulting from the EQA is that the Internal Audit Services "does generally conform to the IIA's professional standards" and by extension, the Public Sector Internal Audit Standards (PSIAS) for all clients.

It is therefore appropriate for the Internal Audit Services to say in reports and other literature that they **"conform to the IIA's professional standards"** and that their work has been performed **"in accordance with the IPPF."**

This external quality assessment was conducted as a validation of the very thorough, comprehensive self-assessments carried out by the Internal Audit Services using the methods prescribed by the Chartered Institute of Internal Auditors. We reviewed an extensive range of documentary evidence, interviewed a small number of representative stakeholders and discussed aspects of this assessment with members of the Internal Audit Services. We have provided the Head of Internal Audit with our comments in a detailed standard-by-standard checklist as a separate 90-page document that summarises our view in respect of the internal audit service and its three clients.

Key Achievements

The Internal Audit Services deliver an effective independent and objective assurance service across the authorities and company they serve, covering the full range of activity that these organisations undertake. Some challenges remain, of course, but overall, we believe that stakeholders see the Head of Internal Audit and the core Internal Audit Services as professional, approachable, respected and competent in their work.

It was clear from our interviews and survey results that senior managers value the results of internal audit engagements.

The Service is led by a very experienced Head of Internal Audit who is a member of CIPFA and a CIPD associate. She is supported by an experienced audit manager, an interim and recently joined audit manager and a core team of two internal auditors, both of whom are still part of the service's innovative graduate training programme, and two business support colleagues. The team currently has a number of senior auditor and internal auditor vacancies. Co-sourcing arrangements exist with two external service providers, both of whom have also had EQAs in recent years.

The Internal Audit Services focus on delivering quality reports and insight against key, topical business risks. As a result, the business model they are adopting is to have fewer, more highly skilled experienced staff who understand the sector, its pressures and can deliver work in key areas of risk, such as procurement, contract management and business change. We support this, and note from our interviews that key stakeholders welcome this deeper approach with its more value adding engagement, reporting and recommendations.

Stakeholders were universally complimentary about the Head of Internal Audit's technical knowledge and experience. The Service as a whole is respected and valued. Stakeholders welcome the Internal Audit Services' engagement, visibility, objectivity and reporting.

Annual planning is comprehensive and is a very participative process involving clients and stakeholders at appropriate stages. Progress is documented and reported in quarterly sessions with respective audit committees and senior managers.

The Internal Audit Services have developed an appropriate methodology for auditing across Southend-on-Sea, Castle Point and South Essex Homes. The operational internal audit processes are fit for purpose and documented in a professional audit manual and an associated set of templates and supporting guidance. Our file reviews showed appropriate in-house compliance with their methodology and evidence of appropriate supervision and review. A lack of resourcing has impacted the Head of Internal Audit's ability to undertake 'cold' reviews of contractor working files. Following a risk-based approach, assurance has been placed on contractor internal quality assurance processes.

The internal auditors are directly supported by a dedicated and professional business support team, thus freeing up staff time to focus on core internal audit delivery.

The Internal Audit Services have been through a difficult two years, with a service review, recruitment freeze and associated uncertainty. It is to their credit that the team have emerged from this, continued to focus on the core internal audit role, and are moving towards a steady state operating model. We hope that this evolution will be substantially complete by the start of the financial year 2018-19 period.

Recommendations to achieve conformance to the Standards

The Head of Internal Audit has identified a number of proposed actions in their self-assessment. We agree with the majority of these and recognise that the remainder go beyond what we would expect in demonstrating strict conformance with the IPPF and PSIAS. We do not repeat these actions in our report.

We also make a relatively small number of additional recommendations and have detailed these below, together with the Head of Internal Audit's response(s):

Ref	IPPF section	Recommendations for the Head of Internal Audit	Head of Internal Audit (HoIA) Response
1.	1000 - Purpose, Authority, and Responsibility	More completely reference the Code of Ethics and unrestricted access elements' in the Audit Charter for all three clients, at the next update.	Agreed. <i>HoIA, South Essex Homes, February 2018 Audit Committee.</i> <i>HoIA, Councils, March 2018 Audit Committees.</i>
2.	1110 - Organisational Independence	Re-establish the one-to-one meetings between the HoIA and the Audit Committee.	At Southend, discuss with the new Chief Executive whether this practice can be re-instated. <i>HoIA, 31 December 2017</i>
			At Castle Point, discuss formally building this into the Audit Committee's annual work programme with the Head of Resources. <i>HoIA, 31 December 2017</i>
			At South Essex Homes, no action is required as this standard has always been complied with.
		Re-consider the Audit Committee's role in the appointment, remuneration and removal of the HoIA.	Confirm with the Chief Executives' at both Southend and Castle Point that they continue to choose not to implement this standard, as part of renewing the Collaborative Working Agreement for both Head of Internal Audit and Internal Audit Services. <i>HoIA, 31 December 2017</i>
			At South Essex Homes, no action is required as this is a bought in service and the Audit Committee is responsible for letting and managing of the Internal Audit contract.

Ref	IPPF section	Recommendations for the Head of Internal Audit	Head of Internal Audit (HoIA) Response
3.	1111 - Direct Interaction with the Board	Re-establish annual Audit Committee performance assessments in line with good practice.	At Southend, a draft assessment has been produced. There is a meeting on 27th November 2017 with the new Chief Executive and relevant officers to discuss it and how to take this forward.
			At Castle Point, produce an assessment with the Head of Performance and Service Support to discuss at the Good Governance Group on 20 November 2017. <i>HoIA, 3 November 2017</i>
			At South Essex Homes, no action is required as this standard has always been complied with.
4.	2010 - Planning	Refresh the formal risk-based audit universe to ensure that it remains topical, up to date and is communicated to key stakeholders.	Update the guidance that sets out how risk in each category within the audit risk assessment, is assessed. Simplify the overall scoring criteria for the audit risk assessment, so that it highlights whether it is a potential audit risk or not (rather than scoring 1 to 4). Summarise the activities considered significant enough to warrant periodic, independent challenge by internal audit. <i>AMs / HoIA, March 2018</i> Present the list periodically to senior management and the Audit Committee as part of the audit planning process.
5.	2050 - Coordination and Reliance	Consider developing a fit for purpose assurance map, following the refresh of the audit universe.	At all clients, Internal Audit will further develop the "other assurance" element of the audit risk assessments particularly with regard to corporate business management processes, as part of the 2018/19 audit planning round. <i>AMs / HoIA, March 2018</i>
			At Southend, no other action is proposed by Internal Audit.

Ref	IPPF section	Recommendations for the Head of Internal Audit	Head of Internal Audit (HoIA) Response
			<p>At Castle Point, the Good Governance Group (GGG) will:</p> <ul style="list-style-type: none"> • make this a work stream using all the intelligence it currently has • re-consider the practicalities of building "assurance" into the risk management process as part of the update of the framework currently being undertaken. <p><i>GGG complete by March 2018</i></p>
			<p>At South Essex Homes, refresh and update the assurance map produced a few years ago with the Group Manager, Resources & Business Development, when producing the Audit Plan for 2018/19.</p> <p><i>HoIA / GM, R&BD, February 2018</i></p>
6.	2070 - External Service Provider and Organisational Responsibility for Internal Audit	As the in-house team becomes more established, the HoIA should consider how best to ensure the effective direction, management and supervision of external contractor resources to ensure effective delivery to quality, cost, time and relationship standards.	<p>My second Audit Manager (AM) post was not filled until July 2017.</p> <p>The team is in the process of reallocating all remaining contractor jobs to one or other of the AMs (taking me out of the equation).</p> <p>All new contractor work will have AM time allocated to it to:</p> <ul style="list-style-type: none"> • help with the set up of jobs • enable audit delivery to be supported • enable the reports to be reviewed before going to the Head of Internal Audit for clearance. <p>This now needs to bed down and become fully effective rather than taking any further action.</p>
			<p>Clear the remaining few older reports so that the focus is on the current work.</p> <p><i>AM / HoIA December 2017</i></p>
			<p>The budget needed to effectively manage jobs being completed by contractors will be fundamentally reviewed as part of the 2018/19 Audit Planning process for all clients.</p> <p><i>AMs / HoIA, March 2018</i></p>

Ref	IPPF section	Recommendations for the Head of Internal Audit	Head of Internal Audit (HoIA) Response
7.	2420 - Quality of Communications	Reflect on what can be done to reduce the elapsed time from start to finish of internal audit engagements, leading to more efficient and timely delivery.	<p>Currently this elapsed time is not consistent with all jobs. Internal staff reports generally get cleared much more quickly than contractor work as they are better drafted, with control related management actions.</p> <p>Actions required to address this are:</p> <ul style="list-style-type: none"> • allocate sufficient time for AMs to manage all contractor work (see above) • complete the project on upgrading / refreshing how we use APACE, our time recording / performance management data base <p><i>Business Support Team, March 2018</i></p> <ul style="list-style-type: none"> • use APACE effectively to timetable the delivery of audits and monitor progress against both budgets and timelines <p><i>Business Support Team to manage process</i></p> <ul style="list-style-type: none"> • re-introduce the target of issuing draft reports within 15 days of the final feedback meeting. <p><i>All staff, for 2018/19 Audit Plans</i></p>
8.	2420 - Quality of Communications	Consider further engagement with key stakeholders on the overall opinions, explaining how they are determined and whether they could be presented in a clearer and more intuitive way to aid understanding.	<p>Finalise the draft audit opinion guide for new audits.</p> <p><i>HoIA, October 2017</i></p> <p>Produce new guidance on opinions for follow up audits.</p> <p><i>HoIA, December 2017</i></p> <p>Include a requirement in the Audit Manual about:</p> <ul style="list-style-type: none"> • issuing the guidance to and discussing it with clients within the draft terms of reference • attaching it as an appendix to the report. <p><i>AMs, March 2018</i></p>

Ref	IPPF section	Recommendations for the Head of Internal Audit	Head of Internal Audit (HoIA) Response
9.	2431 - Engagement Disclosure of Non-conformance	Consider updating the Audit Manual with a small section covering this particular situation and referencing PS2431.	Agreed. <i>AMs, March 2018</i>
10.	2440 - Disseminating Results	Consider what aspects of approving the final engagement communication before issuance could be delegated to the audit managers.	<p>The operating model the team is designed for is that:</p> <ul style="list-style-type: none"> • AMs are responsible for all aspects of day to day service delivery, which includes getting terms of reference and reports to an acceptable standard to be issued • the HoIA role is far more strategic meaning she only gets involved in operational issues when needed. So with regards to terms of reference and reports, the HoIA's role is just clear them for issue (like a partner in a firm) and spend minimal time reviewing / amending. <p>For this to operate as designed, other recommendations need to have been dealt with i.e.:</p> <ul style="list-style-type: none"> • AM and senior auditor posts need to be filled with staff operating fully at these levels • the time allocated to managing contractors and processes to do this need to be fully effective • the refreshed time and performance management system (APACE) needs to be in place • the Business Support Team restructure needs to be completed and the service fully operational. <p>No other actions are required.</p>
11.	2500 – Monitoring Progress	Consider how best to report outstanding, overdue recommendations to key stakeholders at regular intervals.	A process was agreed in principle with each client, whereby service areas would provide assurance to the Audit Committee that actions arising from Internal Audit reports with High or Satisfactory assurance, had been properly implemented. Internal Audit would not then revisit these reports. This still needs to be implemented in practice.

Ref	IPPF section	Recommendations for the Head of Internal Audit	Head of Internal Audit (HoIA) Response
			<p>Service management teams at each client have their own arrangements for monitoring the delivery of agreed actions from the relevant data base there are maintained on.</p> <p>This information is not being reported to Audit Committees.</p> <p><i>Actions required</i></p> <p>Finalise the arrangements for reporting to Audit Committee on management sign off of action plans for audit reports with high or satisfactory opinions.</p> <p><i>Business Support Manager, March 2018</i></p> <p>Design the content and format of a report to go to Audit Committee, for each client that shows the progress made by services in addressing agreed actions, for each live audit report.</p> <p><i>Business Support Manager / HoIA, March 2018</i></p>

Opportunities for Further Development and Continuous Improvement

The Chartered Institute regards conformance to the IPPF – and by extension the PSIAS - as the foundation for effective internal audit practice.

However, in our EQA reviews we also seek feedback from key stakeholders and we benchmark each function against the diversity of professional practice seen on our EQA reviews and other interviews with chief audit executives, summarised in an Internal Audit effectiveness matrix (page thirteen).

We then interpret our findings into a summary of strengths and weaknesses (page fifteen) to set the scope for further development based upon the wide range of guidance published by the Chartered Institute. It is our aim to offer advice and a degree of challenge to help internal audit functions continue their journey towards best practice and excellence.

Internal Audit Maturity Matrix: Internal Audit Services Effectiveness highlighted

Assessment	IIA standards	Focus on performance, risk and adding value.	Coordination and maximising assurance	Operating with efficiency	Quality Assurance and Improvement Programme
Excellent	Outstanding reflection of the IIA standards, in terms of logic, flow and spirit. Generally conforms in all areas.	IA alignment to the organisation's objectives, risks and change. IA has a high profile, is listened to and is respected for its assessment, advice and insight.	IA is fully independent and is recognised by all as a 3 rd line of defence. The work of assurance providers is coordinated with IA reviewing reliability thereof.	Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise and produced promptly.	On-going efforts by IA team to enhance quality through continuous improvement. QA&IP plan is shared with and approved by AC.
Good	The IIA Standards are fully integrated into the methodology – mainly generally conforms.	Clear links between IA engagement objectives to risks and critical success factors with some acknowledgement of the value added dimension.	Coordination is planned at a high level around key risks. IA has established formal relationships with regular review of reliability.	Audit engagements are controlled and reviewed while in progress. Reporting is refined regularly linking opinions to key risks.	Quality is regarded highly, includes lessons learnt, scorecard measures and customer feedback with results shared with AC.
Satisfactory	Most of the IIA Standards are found in the methodology with scope to increase conformance from partially to generally conform in some areas.	Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change but criteria and role require clarity.	The 3 lines of defence is model is regarded as important. Planning of coordination is active and IA has developed better working relationships with some review of reliability.	Methodology recognises the need to manage engagement efficiency and timeliness but further consistency is needed. Reports are informative and valued.	Clear evidence of timely QA in assignments with learning points and coaching. Customer feedback is evident. Wider QA&IP may need formalising.
Needs improvement	Gaps in the methodology with a combination of non-conformances and partial conformances to the IIA Standards.	Some connections to the organisation's objectives and risks but IA engagements are mainly cyclical and prone to change at management request.	The need to coordinate assurance is recognised but progress is slow. Some informal coordination occurs but reviewing reliability may be resisted.	Multiple guides that are slightly out of date and form a consistent and coherent whole. Engagements go beyond deadline and a number are deferred.	QC not consistently embedded across the function. QA is limited / late or does not address root causes.
Poor	No reference to the IIA Standards with significant levels of non-conformance.	No relationship between IA engagements and the organisation's objectives, risks and performance. Many audits are ad hoc.	IA performs its role in an isolated way. There is a feeling of audit overload with confusion about what various auditors do.	Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.	No evidence of ownership of quality by the IA team.

SWOT analysis: Internal Audit Services opportunities for development

What works well (Strengths)	What could be done better (Weaknesses)
<ul style="list-style-type: none"> • The Head of Internal Audit and the team are highly respected by key stakeholders. • Stakeholders felt very engaged in the annual engagement planning processes. • Stakeholders felt that the annual plans covered relevant, useful subjects. • Stakeholders were supportive of the engagement report format and structure. • The core Internal Audit Services were generally viewed as competent, knowledgeable, visible and approachable. Particular mention should go to Elaine Allen, Audit Manager as stakeholders were hugely positive about her enthusiasm and dedication. • Key stakeholders believe that the Internal Audit Services deliver added value. • The Head of Internal Audit is flexible about amending the agreed annual plans to reflect changing priorities and emerging issues. • Critical friend role and Review reports are particularly valued. 	<ul style="list-style-type: none"> • Lack of timeliness in internal audit engagements from initiation, through fieldwork to reporting and finalising means that impact can be reduced and stakeholders not fully informed each time, every time. • More formal coordination and knowledge sharing with other internal and external assurance providers may help improve governance, risk and control across the authorities. • More formal assurance mapping may help evidence where the Internal Audit Services could usefully focus their future efforts and correspondingly highlight where less work could be undertaken if alternate assurances are robust and reliable.
What could deliver further value (Opportunities)	What could stand in your way (Threats)
<ul style="list-style-type: none"> • Reinstitute a range of effective performance metrics for 2018-19 onwards now that the Internal Audit Services' staff resources are stabilising. • Learning from recent experiences on the duration of internal audit engagements – are the planned durations realistic and achievable given governance maturities? • Improve communications and messaging around the engagement level opinions and which agreed actions are more urgent/higher priority through RAG coding. • Build in time for effective knowledge transfer from the co-sourced partners, especially in the area of IT related audit practices. • Refresh the formal risk-based audit universe to ensure that it remains topical, up to date and is communicated to key stakeholders. • Ensure proportionate and risk-based management and quality assurance of external contractor resources to ensure the Internal Audit Services' reputation is not impacted through less effective work or poor relationship management. • Revisit and actively monitor risks to the achievement of the Internal Audit Services' objectives to ensure negative impacts are reduced. • Enhanced use of data analytics may offer greater assurance over transactions. 	<ul style="list-style-type: none"> • Loss of the Head of Internal Audit and Audit Managers would impact service delivery, as well as potentially unit reputation and standing. • Small but growing core Internal Audit Services with risk of loss of continuity, local knowledge and expertise if staff move elsewhere. • Enhancing team competence and proficiency in emerging areas of risk (e.g. cyber, GDPR, culture) will require further investment. These areas may seem specialist today, but they should be core to our future role.

The following rating scale has been used in this report.

Overall Audit Grading	
Generally Conforms (GC)	The assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.
Partially Conforms (PC)	The assessor has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.
Does Not Conform (DNC)	The assessor has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. They may also represent significant opportunities for improvement, including actions by senior management or the board.

Often, the most difficult evaluation is the distinction between general and partial. It is a judgement call keeping in mind the definition of general conformance above. The assessor must determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices does not reduce a "generally conforms" rating.

We greatly appreciate the time and assistance given by stakeholders and members of Southend-on-Sea, Castle Point and South Essex Homes during the review.

Name	Position / role
Joe Chesterton	Director of Finance and Resources, S151, Southend Borough Council
Cllr Meg Davidson	Audit Committee Chair, Southend Borough Council
Mike Gattrel	Chief Executive, South Essex Homes
Tim Hooper	PWC, co-sourced auditor
Simon Leftley	Deputy Chief Executive (People), Southend Borough Council
Andrew Lewis	Deputy Chief Executive (Place), Southend Borough Council
Chris Mills	Head of Resources, Castle Point Borough Council
Craig Watts	Head of Performance and Service Support, Interim Head of Housing, Castle Point Borough Council

Online Survey

Finally, as part of this External Quality Assessment we undertook an online survey of thirty two managers at Southend-on-Sea, five managers from Castle Point and five managers from South Essex Homes.

We received 11 responses. The majority of the results were positive 'excellent' or 'good' markings, with a few 'fair' assessments and a very small number of 'poor' ratings. This mirrors the Head of Internal Audit's expectations. We have sent on a separate copy of the full survey results to the Head of Internal Audit.

Summary of conformance tables for each client organisation

Appendix 3

Southend Borough Council:

Summary of IIA Conformance	Standards	N/A	Does not Conform	Partially Conforms	Generally Conforms	Total
Definition of IA and Code of Ethics	Rules of conduct	0	0	0	12	12
Purpose	1000 - 1130	0	0	4	4	8
People	1200 - 1230	0	0	0	4	4
Performance	1300 - 1322	0	0	0	7	7
Planning	2000 - 2130	0	0	2	10	12
Process	2200 - 2600	1	0	4	16	21
Total		1	0	10	53	64

Castle Point Borough Council:

Summary of IIA Conformance	Standards	N/A	Does not Conform	Partially Conforms	Generally Conforms	Total
Definition of IA and Code of Ethics	Rules of conduct	0	0	0	12	12
Purpose	1000 - 1130	0	0	4	4	8
People	1200 - 1230	0	0	0	4	4
Performance	1300 - 1322	0	0	0	7	7
Planning	2000 - 2130	0	0	2	10	12
Process	2200 - 2600	1	0	4	16	21
Total		1	0	10	53	64

South Essex Homes:

Summary of IIA Conformance	Standards	N/A	Does not Conform	Partially Conforms	Generally Conforms	Total
Definition of IA and Code of Ethics	Rules of conduct	0	0	0	12	12
Purpose	1000 - 1130	0	0	4	4	8
People	1200 - 1230	0	0	0	4	4
Performance	1300 - 1322	0	0	0	7	7
Planning	2000 - 2130	0	0	2	10	12
Process	2200 - 2600	1	0	2	18	21
Total		1	0	8	55	64

AUDIT COMMITTEE

3rd January 2018

Subject: Risk Management Update Report

1. Purpose of Report

To update the Audit Committee on the delivery of the Council's Risk Management Strategy.

2. Risk Management Policy Statement and Strategy

The risk management framework was in need of refresh, as highlighted in the Council's Annual Governance Statement over the last few years. Therefore, a project has been underway in the last few months to:

- revise the Risk Management Policy Statement and Strategy to reflect current recognised good practice whilst making sure it is proportionate to the size of the Council
- produce a Risk Management Procedure Note that supports the implementation of the Policy Statement and Strategy, providing practical guidance / examples of how to apply it
- build into the above, the concepts of tolerance, appetite and assurance, providing clear guidance and examples of how to apply this in practice
- ensure that the amended corporate risk management approach is properly reflected in other relevant business management processes e.g. health and safety, project management, partnership governance etc.

The final step in the process being to providing training sessions for staff on the refreshed framework and how to apply it. This is planned for February 2018.

Attached at **Appendix A**, is the updated Risk Management Policy Statement and Strategy. The Procedure Note is in the process of being finalised and will be shared with officers in due course.

3. Corporate Risk Register

A key role for the Audit Committee is to satisfy itself that the Council has appropriate arrangements in place to identify and manage its key risks. Therefore, the Corporate Risk Register attached at **Appendix B**, is reported to the Audit Committee as part of the assurance provided that this is the case.

This has been brought back to the Audit Committee, as requested at its September 2017 meeting. It has also been considered and updated by Executive Management Team in December 2017.

4. Corporate Implications

Legal implications

The Accounts and Audit Regulations 2015 require that *'a relevant authority must ensure that it has a sound system of internal control which:*

- *facilitated the effective exercise of its functions and the achievement of its aims and objectives*
- *ensure that the financial and operational management of the authority is effective*
- *includes effective arrangements for the management of risk'.*

This report contributes to the assurance provided to the Audit Committee that this statutory requirement is being met.

Financial implications

Any financial implications arising from identifying and managing risk will be considered through the normal financial management processes.

Proactively managing risk can result in reduced costs to the Council by reducing exposure to potential loss and insurance claims.

Proactive fraud and corruption work acts as a deterrent against financial impropriety and it might identify financial loss.

Human Resource, Equality, IT and Asset Management implications

Any human resource, equality, IT or asset management implications arising from identifying and managing risk will be considered through the Council's normal business management processes.

Proactive fraud and corruption work acts as a deterrent against general impropriety and it might identify loss of assets.

5 Links to Council's Priorities and Objectives

Risk management arrangements support the delivery of all the Council's Aims, Priorities and Objectives.

6. Risk factors

Failure to implement a robust assurance framework which includes fit for purpose risk management arrangements increases the risk that Council objectives will not be delivered.

Recommendations:

The Audit Committee:

- **approves the Risk Management Policy Statement and Strategy**
- **notes the Corporate Risk Register.**

Background Papers

- The Accounts and Audit Regulations 2015

Appendices

- Appendix A: Risk Management Policy Statement and Strategy
- Appendix B: Corporate Risk Register

Report Authors:

- **Linda Everard, Head of Internal Audit**
- **Craig Watts, Head of Performance and Service Support**



Risk Management

Policy Statement and Strategy

Produced by: Head of Internal Audit
Subject to Bi Annual review

Approved by:

- Executive Management Team: December 2017
- Audit Committee: January 2018

Risk Management Policy Statement and Strategy

Risk Management Policy Statement

The strategic priorities of the Castle Point Borough Council (the Council) are set out within the Corporate Plan and in delivering against these priorities decisions are taken regarding allocation of increasingly finite resources. The Council has needed to become more innovative and commercially minded in order to exploit opportunities whilst still operating in an environment where there are high expectations around transparency, integrity and accountability.

Maintaining robust risk management arrangements makes a positive contribution towards the achievement of the Council's corporate priorities and objectives and maximises the opportunities to achieve its vision.

In striving to achieve this, the Council acknowledges that:

- risk management is a key element of the Council's governance framework
- statutory responsibilities exist within the Accounts and Audit Regulations 2015 for maintaining effective arrangements for managing risk
- the Council has statutory responsibilities to ensure health and safety risks are effectively managed
- all members and officers have responsibility and a role to play in managing risk
- effective management of risk will ensure that the organisations objectives, and resulting outcomes, are achieved.

It is further promoted that:

- risk management is not about being '*risk averse*', it is about being '*risk aware*'
- risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its objectives
- risk management is about making the most of opportunities and about achieving objectives once those decisions are made
- by being '*risk aware*', the Council is in a better position to avoid threats and take advantage of opportunities.

The Council will achieve effective risk management through:

- approving and periodically reviewing a strategy and process that is fit for purpose and compliments the other governance processes within the framework
- ensuring a consistent understanding and application of the organisations risk appetite and tolerance is in place and reviewing this annually as part of the planning cycle
- equipping managers with the skills required to identify and assess risk and communicate this appropriately and effectively
- acknowledging that increasingly risks are shared across partners organisations and often assurances are required from third parties
- annually reviewing its effectiveness and reporting the results as part of the Annual Governance Statement

Risk Management Policy Statement and Strategy

Risk Management Strategy

Introduction

The purpose of the Strategy is to set out how the Council will deliver against the commitments outlined in the Risk Management Policy Statement.

The Strategy is in three sections:

- Aims and Objectives
- High Level Overview of the Risk Management Process
- Delivering the Strategy.

Roles and Responsibilities are outlined in Appendix 1.

The Risk Management Procedure Note sets out in more detail, the approved methodology, and guidance to support management in fulfilling their roles and responsibilities in implementing this Strategy.

Aims and Objectives

The Council's risk management aims and objectives for the period of this Strategy are as follows:

- To further embed robust risk management into the culture of the Council in line with the approved Policy, supporting procedures and good practice.
- To ensure that actions taken to maximise opportunities and minimise the likelihood of risks occurring are in accordance with the Council's defined appetite and tolerance.
- To ensure that the risk management process remains fit for purpose.
- To ensure that there is consistent classification and rating of risks so that they are escalated appropriately.
- To ensure that the risk management process is consistently applied across the organisation.

The Risk Management Process

The definition of risk used within the Council is the threat or opportunity which an event or action can have that affects an organisation's ability to achieve stated objectives.

Threats and opportunities can arise from both external and internal sources.

Risk management is therefore, the process by which risks and opportunities are identified, assessed and managed.

Risk Management Policy Statement and Strategy

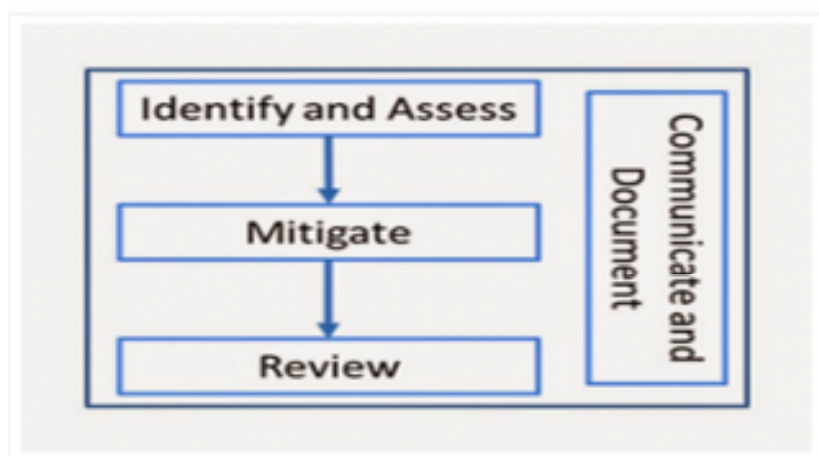
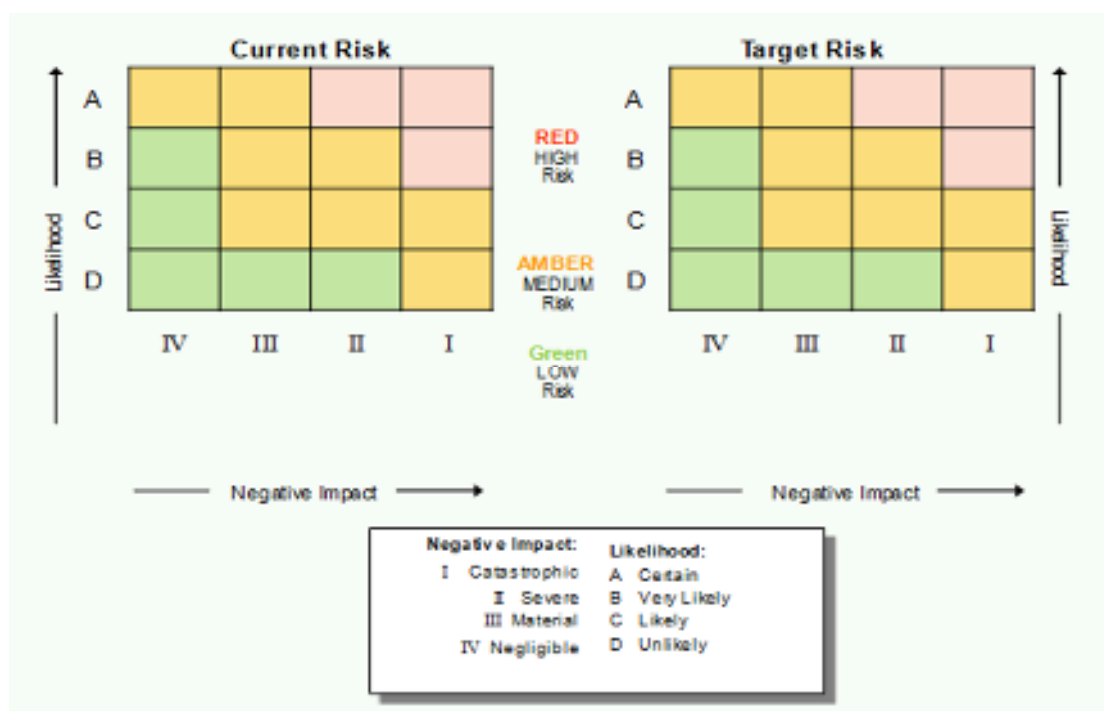


Figure 1. Basic risk management steps.

The activity to **identify** risk is most effective when aligned to planning processes focused on the achievement of objectives. The approach can be applied at any level - strategic, operational, project or partnership.

The Council's methodology uses defined criteria, scored on a four by four grid, which assessed:

- **likelihood**, of the risk materialising
- **impact**, should it materialise.



In evaluating a risk, there are three stages to be assessed:

- **Inherent Risk** which is the risk level before any mitigating actions have been applied.
- **Current Risk** which takes into account any mitigating actions currently in place and their effectiveness.

Risk Management Policy Statement and Strategy

- **Target Risk** which is the level at which management will accept the risk, determined by Risk Appetite.

Decisions regarding target risk will be driven by the approved **Risk Appetite**. This is the amount of risk that the Council is willing to seek or accept in the pursuit of its objectives. Risk Appetite will vary from person to person and is influenced by the type of risk.

The **Risk Tolerance** of the organisation is the limit of risk taking outside which the Council is not prepared to venture in the pursuit of its long-term objectives.

Effective communication regarding risk is essential to ensuring that:

- the risk appetite being applied
- risks are managed within the approved tolerance level.

Effective communication is achieved by robust and timely challenge and review at all stages of the process and reporting cycles.

Risks can be managed in one of the following four ways:

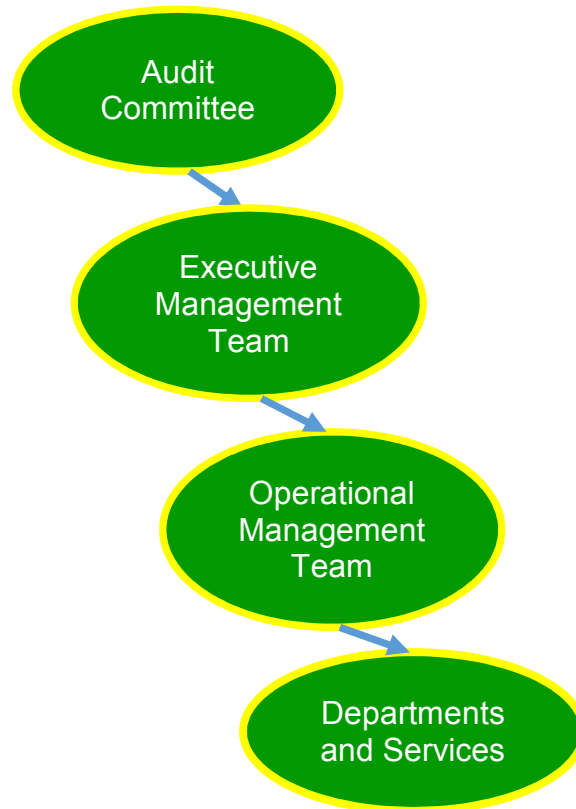
Tolerate	Accept the current level of risk, because: <ul style="list-style-type: none">• it is within the Council's defined appetite to do so, and/or• the cost of mitigating it further outweighs the benefits to be gained in terms of affecting the likelihood or impact.
Treat	Take further action to mitigate the potential severity of the risk, by: <ul style="list-style-type: none">• reducing the:<ul style="list-style-type: none">• probability of the risk occurring• impact if it does arise.• ensuring that the opportunities available are being optimised.
Transfer	Share the risk exposure, either totally or in part, with a partner or contractor, or through insurance.
Terminate	Cease the activity, by doing things differently and thereby removing the risk, because: <ul style="list-style-type: none">• it exceeds the Council's appetite or tolerance levels• it outweighs the potential benefits• the cost of mitigating it far exceeds the resources available.

Regardless of the course of action planned, there is a need to continue to review the risk. Where mitigations have been identified, management must ensure that robust assurances are in place to confirm that the mitigation is working as required. Where further mitigations are planned to bring the risk within appetite, the implementation of these should be tracked and the assurances monitored.

Risk Management Policy Statement and Strategy

Delivering the Strategy

The approach to be adopted to delivering the Strategy is summarised in the following diagram:



Appendix 1 outlines roles and responsibilities for members and staff in order to deliver good risk management throughout the Council. This is key to effectively implementing the Strategy.

The Risk Management Procedure Note has been created to support officers in applying the Strategy's requirements into their day to day operational processes.

Appendix 1: Roles and Responsibilities

Group or Individuals	Role	Responsibilities
Elected Members (Individually or collectively)	To oversee the effective management of risk within the Council	<ul style="list-style-type: none"> • Gain an understanding of risk management and its benefits which includes attending relevant training • Require officers to maintain and embed an effective framework for risk management • Contribute to the identification of strategic risks • Give robust consideration to the risk management implications paragraph contained within Committee reports as part of the decision making process
Audit Committee	To obtain assurance that the Council operates a robust risk management process that is applied properly	<ul style="list-style-type: none"> • Challenge and approve risk management related policies and strategies (e.g. corporate, health & safety fraud and corruption etc.) • Receive regular reports on the: <ul style="list-style-type: none"> • adequacy and effectiveness of the Council's risk management arrangements • management of key risks. • Confirm that it has received sufficient assurances regarding risk management, when recommending approval of the Annual Governance Statement to Council
Executive Management Team (Individually or Collectively)	To ensure that the Council understands its risks and manages them effectively	<ul style="list-style-type: none"> • Maintain an understanding of risk management and its benefits which includes attending relevant training • Approve risk management related policies, strategies, procedure notes / toolkits and action plans prior to submission to the Audit Committee • Promote risk management and oversee the implementation of the Strategy across the Council • Identify and manage strategic and cross cutting risks and opportunities facing the Council and review regularly • Receive regular reports on risk management activity including health and safety, high risk projects and partnerships
Heads of Service / Service Managers (Individually or Collectively)	To ensure that risk is managed effectively in each service area	<ul style="list-style-type: none"> • Maintain an understanding of risk management and its benefits which includes attending relevant training • Identify training requirements of staff in relation to all aspects of risk management and feed those back to the Head of Internal Audit • Promote risk management and ensure the Strategy is implemented effectively across their service areas

Appendix 1: Roles and Responsibilities

Group or Individuals	Role	Responsibilities
Heads of Service / Service Managers (Individually or Collectively)	To ensure that risk is managed effectively in each service area	<ul style="list-style-type: none"> • Liaise as appropriate with external agencies in identifying and managing risk • Ensure that risk management is incorporated into the development of service plans and resource allocation in particular with regards to health and safety, high risk projects and partnerships • Maintain up to date service risk registers and consider as a standing item on team meeting agendas • Periodically review and sign off service risk registers ensuring that appropriate risks have been identified for all corporate objectives (where appropriate) • Provide annual assurance on the effectiveness of controls in place to mitigate / reduce risks within their service
All Employees	To manage risk effectively in their job	<ul style="list-style-type: none"> • Maintain an understanding of risk management and its benefits which includes attending relevant training • Liaise with their line manager to assess areas of risk in their job • Identify new or changing risks in their job and feed these back to their line manager
Head of Internal Audit (in risk management role)	To maintain and implement robust risk management arrangements	<ul style="list-style-type: none"> • Develop and keep under review the corporate Risk Management Policy, Strategy and Procedure Note • Promote, support and oversee its implementation across the Council • Monitor and report upon the implementation of the Risk Management Policy and Strategy • Identify and communicate risk management issues to services including developments in good practice • Assist services to operate effective risk management arrangements by providing training and or other support • Oversee the agenda for the risk management group element of OMT's work programme
Head of Performance and Service Support	To ensure effective co-ordination between the operational and strategic risk registers	<ul style="list-style-type: none"> • Maintain risk register templates at corporate and service level in line with the Strategy • Facilitate the production of the Corporate Risk Register • Review and update the Corporate Risk Register quarterly and report on it to EMT

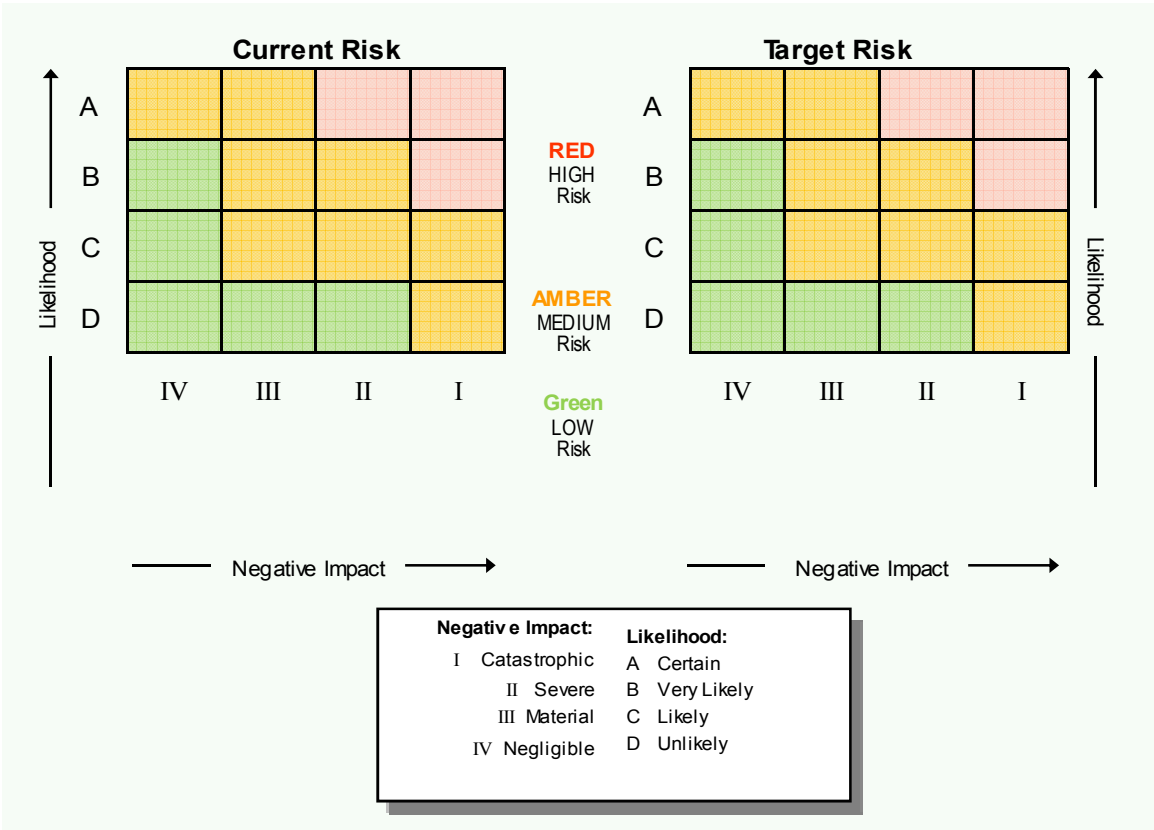
Appendix 1: Roles and Responsibilities

Group or Individuals	Role	Responsibilities
Head of Performance and Service Support	To ensure effective co-ordination between the operational and strategic risk registers	<ul style="list-style-type: none"> • Provide summaries of risk management activity in the quarterly Governance Report produced for Audit Committee • Take the Corporate Risk Register to Audit Committee every six months
Operational Management Team	To share experiences on risk management and support the implementation of the Strategy across the Council	<ul style="list-style-type: none"> • Comment on updates to the corporate Risk Management Policy, Strategy and Procedure Note • Identify areas of overlapping risk and help co-ordinate various risk management initiatives within the Council • Identify annually, how to spend risk management funds allocated by the Council's insurance company • Review and challenge the Corporate Risk Register and make recommendations for EMT to consider as part of its challenge and review process
Project Managers	To manage risk effectively within their project	<ul style="list-style-type: none"> • Apply the Council's project management methodology (PROMPT) to: <ul style="list-style-type: none"> • identify and assess risks within the project initiation document for any new or proposed projects • put controls in place to eliminate or mitigate risks relating to project delivery
Partnership Leads	To ensure risk is effectively managed within each significant partnership	<ul style="list-style-type: none"> • Identify and manage risks to the Council of being in each partnership • Ensure that all partnerships have effective processes in place to identify and manage their own risks
Internal Audit	To provide assurance as to whether the risk management arrangements are fit for purpose	<ul style="list-style-type: none"> • Periodically provide an independent view of the robustness of the corporate approach to risk management and compliance therewith • Review and comment on the content and relevance of service risk registers in supporting the delivery of the service plan objectives when undertaking risk based audits • Seek to support management in identifying and filling gaps in assurance through the audit plan

Corporate Risk Register

Risk Assessment

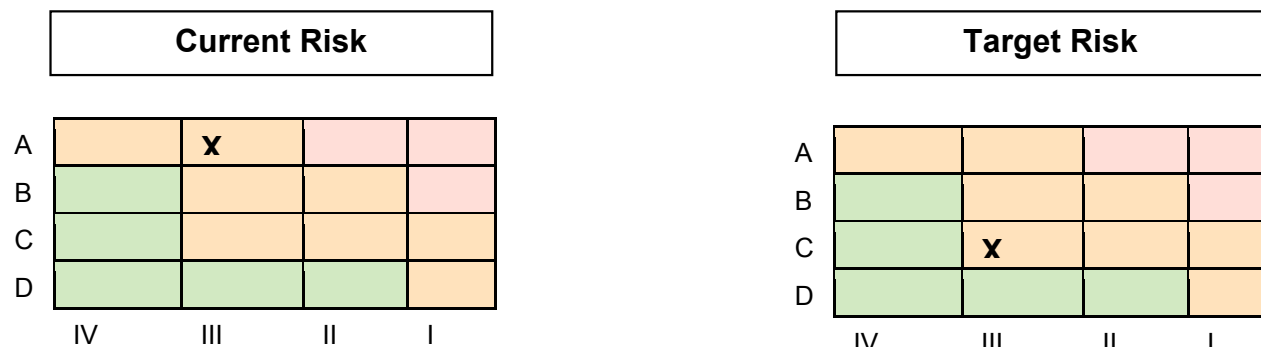
All risks are assessed as follows:



A summary of the current controls is set out for the current risk and a summary of the further actions planned is set out for the target risk.

Public Health & Wellbeing:

Risk Description: 1. Partnership Arrangements are not fully effective and risks focus on work that does not always meet Council priorities

**Summary of Current Controls:**

1. Experienced Head of Licensing and Safer Communities responsible for LSP partnership work
2. Core partnerships in place
3. Some explicit priorities for some key partnerships
4. Reporting arrangements for key partnerships including LSP, and Opportunity South Essex.

Assurance that Controls are in Place:

1. Staff
2. Minutes of partnership meetings
3. Copies of partnership documentation including strategies and action plan
4. Minutes of appropriate partnership meetings

Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
1. Internal Audit of Partnership arrangements	Head of Internal Audit	March 2017
2. Implement Action Plan	Head of Housing and Communities	June 2018
3. Partnership Strategy developed and agreed by Cabinet.	Head of Housing and Communities	June 2018

Target Risk to be achieved by: June 2018

Responsibility: Head of Housing and Communities

Transforming Our Community

Risk Description: 2. The Vision for Regeneration is not fully clear and the achievement of outcomes is limited.

	Current Risk			
	IV	III	II	I
A			X	
B				
C				
D				

	Target Risk			
	IV	III	II	I
A				
B			X	
C				
D				

Summary of Current Controls:

1. Regeneration partnership in place, and work on 2018 Regeneration Framework underway
2. Regeneration Manager and staff in place
3. Employment Skills and Business (ESB) Partnership operating as part of LSP
4. Detailed developer proposals for development of Hadleigh Island Site

Assurance that Controls are in Place:

1. Minutes of Regeneration partnership meetings
2. Experienced Staff managing work programmes
3. Minutes of ESB meetings
4. Copies of developer proposals for Hadleigh Island Site

Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
1. Sign developer agreement for Hadleigh Island Site in liaison with Essex County Council Departments and Private developer.	Regeneration Manager	March 2018
2. Submit planning application for Hadleigh Island Site.	Regeneration Manager	July 2018
3. Create Canvey Island 'Town Team' with public, private and voluntary sector representatives to take forward a programme of initiatives and projects to access Government Coastal Communities funds	Regeneration Manager	April 2017 (Completed)
4. Implement action plan arising from Internal Audit	Local Plan & Regeneration Adviser; Regeneration Manager	March 2018

Target Risk to be achieved by: July 2018

Responsibility: Regeneration Manager / Local Plan & Regeneration Adviser

Risk Description: 3. Planning policy is not progressed satisfactorily and / or is not robust resulting in central government intervention and high legal costs

	Current Risk			
A				X
B				
C				
D				
	IV	III	II	I

	Target Risk			
A				
B				
C				X
D				
	IV	III	II	I

Summary of Current Controls:

1. Local Development Scheme agreed by Cabinet
2. Professional staff and use of consultants to provide detailed research and data to help develop planning policy
3. Cabinet Member to assist in further developing planning policy to include political considerations

Assurance that Controls are in Place:

1. Local Development Scheme milestones to be met
2. Extensive library of reports and evidence prepared by staff and consultants published on Council website
3. Minutes of meetings with Members

Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
1. Ensure Member meetings are provided with appropriate timely reports and information.	Head of Governance	Ongoing
2. Consider Government advice regarding local planning.	Local Plan & Regeneration Adviser	January 2018
3. Submit letter to Secretary of State outlining exceptional circumstances for delay in submitting a Local Plan.	Local Plan & Regeneration Adviser	January 2018
4. Produce action plan for progressing strategic approach and Local Plan development.	Local Plan & Regeneration Adviser	March 2018
4. Review Local Development Scheme annually	Local Plan & Regeneration Adviser	June 2018

Target Risk to be achieved by: June 2018

Responsibility: Local Plan & Regeneration Adviser

Efficient & Effective Customer Focussed Services

Risk Description: 4. Unable to provide full range of existing services for years 2019/20 and beyond due to reductions in government grant funding.

Current Risk				
A			X	
B				
C				
D				
	IV	III	II	I

Target Risk				
A				
B				
C			X	
	IV	III	II	I

Summary of Current Controls:

1. Medium Term Financial Forecast identifies value of efficiencies required for each respective financial year and sets out approach in the medium term.
2. Budget process for 2018/19 in progress and balanced budget indicated.
3. Corporate programme details planned work to obtain efficiencies – e.g. service reviews & transformation projects.
4. Procurement policy & ICT Strategy / Roadmap set out approach required to secure best value for money and maximise business efficiency.
5. Directorate plan sets out action planning to increase revenue and reduce costs where possible
6. Budget monitoring and reporting process in place.

Assurance that Controls are in Place:

1. Budget / MTFF agreed by Cabinet and Council in February 2017 and record of meetings.
2. Corporate Programme / Corporate Plan agreed July each year & EMT minutes.
3. Procurement Policy and notes of revisions.
4. ICT Strategy & Roadmap.
5. Directorate plan and DMT minutes demonstrating monitoring.
6. Copies of budget monitoring reports / significant variance to Cabinet included in bi-monthly Financial Update reports.
7. Commercial Council Principles in draft and circulated with EMT / OMT & Senior Members. Project Team, terms of reference and action plan currently in draft.

Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
1. Monitoring of financial developments and forecasting any significant impact.	Head of Resources	Ongoing
2. Runnymede Pool Extension Project.	Strategic Director (Transformation and Resources)	January 2018
3. Progress Service Review Programme.	Strategic Director (Transformation and Resources)	March 2018
4. Commercialisation Project	Head of Resources	Ongoing

Responsibility: Strategic Director, Transformation and Resources / Head of Resources

Target Risk to be achieved by: March 2018

Risk Description: 5. Potential for too many priorities and inadequate staff capacity to pursue all priorities / insufficient corporate resources to implement change

Current Risk				
	IV	III	II	I
A				
B			X	
C				
D				

Target Risk				
	IV	III	II	I
A				
B				
C			X	
D				

Summary of Current Controls:

1. Directorate and Service Planning in place
2. Corporate objectives drafted
3. Corporate aims in corporate plan
4. Corporate training programme in place

Assurance that Controls are in Place:

1. Process to ensure completion and quality assessment of service and Directorate plans.
2. Process for drafting of corporate objectives in place and integrated into directorate and corporate planning.
3. Copies of training programme / appraisals to develop capacity
4. Project plans and monitoring for key department projects

Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
1. Progress actions in workforce development plan.	Head of Resources / HR Manager	March 2017
2. Progress corporate development approach to help spread skills and capacity (e.g. Investigation & Appraisal training delivered)	Head of Resources / HR Manager	Ongoing
3. Progress ICT programme to implement ICT improvements to reduce staff intensive working procedures and enhance service provision (eg. Skype and Office 365)	Head of Resources / ICT Manager	Ongoing
4. Progress service reviews of identified service areas including completion of reviews for Revenues & Benefits and Development Control.	Strategic Director Transformation & Resources/Heads of Service	March 2018

Target Risk to be achieved by: Ongoing

Responsibility: Executive Management Team

Risk Description: 6. Rent Income Reduction Proposals by Central Government will result in a Housing Revenue Account which is unsustainable in future years.

	Current Risk			
A				X
B				
C				
D				
	IV	III	II	I

	Target Risk			
A				
B				
C				X
D				
	IV	III	II	I

Summary of Current Controls:

1. Re-development of 30 year HRA business plan to identify cost pressures in future years
2. Capital Programme linked to condition survey and re-profiling / cost reduction to help with dealing with cost reductions.
3. Ongoing Budget monitoring

Assurance that Controls are in Place:

1. Copy of revised HRA Business Plan and minutes of appropriate meetings
2. Copy of revised capital programme
3. Budget monitoring documentation and minutes of appropriate meetings.

Summary of Actions to further mitigate risks:

- Analysis of government legislation and timescales.
- Review of capital programming and responsive repairs budgets March 2017
- Development of Housing Asset Management Plan – October 2017

Action	Responsibility	Date for completion
1. Analysis of white paper and gathering of developments from conferences etc to inform planned preparations for Housing Service development.	Housing Services Manager	October 2017
2. Review and reduction of capital programme.	Head of Housing and Communities	Completed November 2017
3. Development of Housing Asset Management Plan	Head of Housing and Communities	January 2018

Target Risk to be achieved by: January 2018

Responsibility: Interim Head of Housing / Housing Services Manager

Risk Description: 7. Staff morale decreases due to impact of austerity, service reviews and not undertaking core corporate process such as appraisal process.

Current Risk				
	IV	III	II	I
A		X		
R				
C				
D				

Target Risk				
	IV	III	II	I
A				
R				
C		X		
D				

Summary of Current Controls:

1. Established appraisal process in place and process of compliance established with outcomes reported to EMT.
2. Service reviews include planned approach to staff communication.
3. Staff forum – regular meetings between management and staff.

Assurance that Controls are in Place:

1. Records of appraisals held by individual managers and overview reports made to EMT.
2. Service review action plans.
3. Minutes of staff forum.
4. Outcomes from staff surveys.

Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
1. Clarify and strengthen appraisal control requirements including corporate monitoring.	Head of Resources / Human Resource Manager / EMT	Complete and process of compliance monitoring embedded
2. Review approach to staff engagement and feedback including corporate mechanisms such as Staff Forum and assess whether fit for purpose / any other improvement actions.	Head of Resources / Human Resource Manager / EMT	Ongoing

Responsibility: Head of Resources

Target Risk to be achieved by: Ongoing

Risk Description: 8. Adequate business continuity (BC) arrangements in place that mitigate severe disruption to Council services

	Current Risk					Target Risk			
	IV	III	II	I		IV	III	II	I
A					A				
R					R				
C			X		C				
D					D			X	

Summary of Current Controls:

1. Overarching corporate generic BC plan in place
2. Service level BC plans in place outlining key activities and arrangements
3. BC issues/presentations/workshops provided at OMT meetings
4. Capita IT Disaster Recovery Plan in place
5. IT Disaster Recovery and software access testing
6. Critical software list
7. Guidance provided to Managers on Impact Analysis, BC plans completion and sharing plans
8. BC desk checks or tests undertaken annually.
9. Intruder and Fire alarm systems installed in key corporate buildings (some systems monitored out of hours).
10. EP/BC policy outlining corporate arrangements

Assurance that Controls are in Place:

1. Copies of plans held in S drive Corporate folder (classified versions password protected).
2. Corporate BC plan available on 'Resilience Direct' secure website for responders
3. Record of presentations/workshops held.
4. Annual IT DR test undertaken and post exercise report saved
5. Record of Service level and Corporate level BC testing/exercising & desk checks.
6. Records of statutory inspections and cyclical maintenance checks in corporate buildings.

Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
1. Refresh of revised Service level BC plans template to capture additional information and more user friendly	Head of Resources / FM Manager	October 2017
2. Annual DR Test – Capita and Services using critical IT applications	IT Service Manager / Capita	March 2018
3. Refresh of Corporate Generic Business Continuity Plan	FM Manager	March 2018

Responsibility: Facilities & Asset Manager/IT Service Manager/Head of Resources

Target Risk to be achieved by: March 2018

Risk Description: 9. Failure to deliver key ICT improvement and enhancement projects resulting from contract operating difficulties with Capita

Current Risk				
	IV	III	II	I
A			X	
R				
C				
D				

Target Risk				
	IV	III	II	I
A				
R				
C			X	
D				

Summary of Current Controls:

1. Contract documentation sets out responsibilities and requirements from all parties.
2. Established and agreed joint project management approach for projects with Capita.
3. Established contract management approach.

Assurance that Controls are in Place:

1. Contract documentation.
2. Project management methodology and board minutes setting out agreed approaches etc.
3. Contract monitoring documentation including performance reports.

Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
1. Progress programme to improve working practices and enhance service with implementation of office 365 and mobile working solutions.	Head of Resources / IT Service Manager	Ongoing
2. Use of third party contractors to implement project solutions should this prove to be a cost effective approach.	Head of Resources / IT Service Manager	Ongoing
3. Focus on contract monitoring with Capita to clarify any issues and agree any improvements to the approach.	Head of Resources / IT Service Manager	March 2019
4. Further contract extension for two years	Head of Resources / IT Service Manager	March 2018

Target Risk to be achieved by: March 2019

Responsibility: Head of Resources/IT Service Manager

Risk Description 10: Inadequate Health and Safety arrangements within Housing Services and a potential for a serious incident as a result

Current Risk			
A			X
B			
C			
D			
	IV	III	II

Target Risk			
A			
B			
C			X
D			
	IV	III	II

Summary of Current Controls:

1. Various arrangements in place to manage health and safety issues – fire risk assessments, gas boiler checks etc
2. KPI's and reports to monitor performance

Assurance that Controls are in Place:

1. Copies of Fire Risk Assessments and Excel table to monitor progress
2. Minutes if meetings where KPI's discussed

Summary of Actions to further mitigate risks:

1. Development of Health and Safety Policy Statement outlining arrangements
2. Development of Access database and guidance to record key information
3. Consultation with staff before implementing arrangements

Action	Responsibility	Date for completion
1. Develop Health and Safety Policy Statement	Housing Support Manager	September 2017
2. Initial development of Access database	Interim Head of Housing	August 2017
3. Trial database with staff and get feedback	Interim Head of Housing	August / December 2017
4. Further revision of Health and Safety Policy Statement and Database and implement new arrangements.	Housing Management Team	December 2017 – Completed March 2018

Responsibility: Interim Head of Housing

Target risk to be achieved by: March 2018

Risk Description 11: Housing Services working practices and management systems are not fully effective and do not provide value for money.

Current Risk				
A		X		
B				
C				
D				
	IV	III	II	I

Target Risk				
A				
B				
C		X		
D				
	IV	III	II	I

Summary of Current Controls:

1. Housing service plan in place setting out a number of actions
2. Options appraisal of ICT systems issues
3. Regular performance monitoring of core service areas

Assurance that Controls are in Place:

1. Copy of Service plan and minutes of appropriate meetings
2. Copies of performance reports and minutes of meetings where discussed
3. Any project PIDS to deal with identified issues

Summary of Actions to further mitigate risks:

1. Investigation / liaison with possible ICT suppliers – March 2017
2. Identification of particular process issues and rectifying action – March 2017
3. Use of performance information to deal with issues as they arise – March 2017

Action	Responsibility	Date for completion
1. Development of interface with Aaron	Housing Support Manager	Completed June 17
2. Identification of particular process issues and rectifying action.	Tenancy Services Manager / Housing Support Manager	Ongoing
3. Ongoing use of performance information to manage any performance issues.	Tenancy Services Manager / Housing Support Manager	Ongoing
4. Business Case for review of Housing Services and any preferred procurement approach.	Head of Housing and Communities / Housing Services Manager	January 2018
5. Implementation of project action planning.	Head of Housing and Communities / Housing Services Manager	January 2018 / Ongoing to March 2019
6. Implement series of policy updates.	Housing Services Manager	March 2018

Responsibility: Head of Housing and Communities

Target risk to be achieved by: March 2019

Risk Description 12: Unable to fully implement the requirements of the General Data Protection Act Regulations 2015 (GDPR)

Current Risk

A			X	
R				
C				
D				
	IV	III	II	I

Target Risk

A				
R				
C			X	
	IV	III	II	I

Summary of Current Controls:

1. Current compliance with Data Protection Act 1998
2. Review of current guidance issued by the Information Commissioners Office (ICO) and EU Working Party 29.
3. Internal Audit of Information Governance undertaken.
4. External report on cyber security risks by ZM
5. Work plan developed taking reports items 3 & 4 above into account reporting to OMT
6. Information Governance regular monthly report item on agenda for OMT.
7. Implementation requirements identified and reported to EMT.
8. Information Governance Sub-Group of OMT set up
9. Information Governance Managers Assurance Statements

Assurance that Controls are in Place:

1. Reports to CMT
2. Sub Group of OMT notes dealing with information governance
3. Minutes of meetings CMT/OMT
4. Managers Information Management/Governance Assurance statement & updated as implementation takes place

Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
1. Identification of Information Asset Owners	OMT	Completed
2. Appointment of Sub-Group of OMT	OMT	Completed
3. Development of Work Plan	Head of Law	Completed
4. Undertaking actions from Work Plan	Head of Law/Head of Resources/OMT	Ongoing deadline May 2018

Responsibility: Head of Law

Target Risk to be achieved by: May 2018

Risk Description 13: Successful cyber security attack resulting in disruption to service, theft or loss of data / information, financial and reputational damage.

Current Risk				
A				
B				
C			X	
D				
	IV	III	II	I

Target Risk				
A				
B				
C				
D			X	
	IV	III	II	I

Summary of Current Controls:

1. Policies and procedures up to date and published on the Council's intranet.
2. Awareness of cyber threats undertaken periodically.
3. Quarterly checks (Nessus scans) undertaken by Capita to identify infrastructure vulnerabilities.
4. Vulnerabilities identified and addressed promptly.
5. Annual IT Health check undertaken which also checks for vulnerabilities and informs the Council's PSN compliance certification with the Cabinet Office.
6. Compliance with principles of Cyber Securities Accreditation.
7. Use of Metaphish tool periodically (3 monthly) to check staff awareness, compliance and follow up.

Assurance that Controls are in Place:

1. Report to EMT highlighting controls in place – Approved December 2017
2. PSN Compliance certification – annual assessment – complete for 2017.
3. Report to EMT on results of Metaphish exercise.

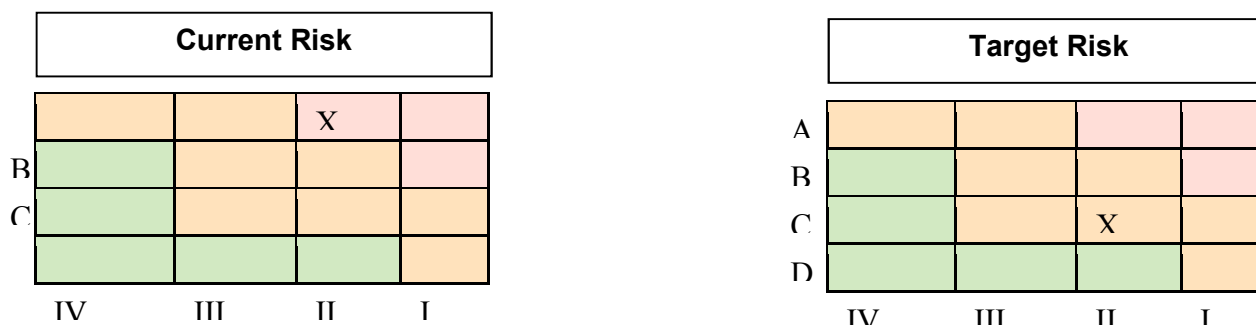
Summary of Actions to further mitigate risks:

Action	Responsibility	Date for completion
Cyber Security Strategy / Policy development	Chris Mills	Complete
Report to EMT specifically in relation to Cyber security issues	Chris Mills	Complete
3 monthly metaphish exercise	Barrie Delf / Capita	Quarterly / ongoing
Action Plan to be established to support Cyber Security Strategy	Chris Mills / Barrie Delf	March 2018
All Staff briefing to be arranged for new financial year.	Chris Mills / Barrie Delf	May 2018

Responsibility: Head of Resources

Target Risk to be achieved by: May 2018

Risk Description 14: Risk of Implementation of Universal Credit and wider digital requirements by DWP impacting service delivery and effectiveness



Summary of Current Controls:

1. Ongoing liaison with DWP
2. Planned actions within service planning

Assurance that Controls are in Place:

1. Minutes of meetings with DWP
2. Information Asset Registers

Summary of Actions to further mitigate risks:

1. Report to EMT / OMT setting out impact and any necessary preparations
2. Establishment of inter service project group to examine issues and develop approach and processes
3. Ongoing liaison with DWP

Action	Responsibility	Date for completion
1. Report to EMT	Transformation Manager	January 2018
2. Project group actions / action planning	Transformation Manager	December 2018
3. Ongoing liaison with DWP	Transformation Manager	Ongoing

Responsibility: Transformation Manager

Target Risk to be achieved by: Ongoing