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**Chief Executive**

## AGENDA

<b>Committee:</b>	<b>AUDIT</b>
<b>Date and Time:</b>	<b>Thursday 24th October 2019 at 7.p.m (<u>NB Time</u>)</b>
<b>Venue:</b>	<b>Committee Room 1</b>
<b>Membership:</b>	<b>Councillors Cole (Chairman), Blackwell, May, Sharp and Mrs Thornton</b> <b>Substitutes: Councillors Acott, Mumford, Skipp and Thomas</b> <b>Note: Subject to change at Ordinary Council on 22.10.2019</b>
<b>Officers attending:</b>	<b>Andrew Barnes, Head of Internal Audit</b> <b>Ian Stapleton, Financial Services Manager</b> <b>Ben Brook, Strategy Policy and Performance Manager</b> <b>Mike Dineen, Senior Manager, Counter Fraud &amp; Investigation Directorate</b>
<b>Also attending</b>	<b>Debbie Hanson, Associate Partner, EY</b>
<b>Enquiries:</b>	<b>Ann Horgan, Ext.2413</b>

### **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 25th July 2019 is attached.
- 4. EY Annual Audit Letter for the year ended 31 March 2019:** Report of the External Auditor is attached
- 5. Internal Audit Service, Quarterly Performance Report:** Report of the Head of Internal Audit is attached.
- 6. Quarterly Monitoring Report of the Council's Governance Arrangements:** Report of the Strategy, Policy and Performance Manager is attached.

7. **Counter Fraud & Investigation Directorate: Quarterly Performance Report:** Report of the Senior Manager, Counter Fraud & Investigation Directorate is attached.
8. **Treasury Management Activity Mid-Year Report:** Report of the Financial Services Manager is attached.
9. **Corporate Risk Register Update Report:** Report of the Financial Services Manager is attached.

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## AUDIT COMMITTEE

25TH JULY 2019

**PRESENT:** Councillors Cole (Chairman), Blackwell, May and Skipp (substitute for Councillor Sharp) and Mrs Thornton

Councillor Acott and Thomas also attended.

Head of Housing and Communities, Craig Watts, Head of Internal Audit, Andrew Barnes, Financial Services Manager, Ian Stapleton and Debbie Hanson, Associate Partner (EY) were also present.

Apologies for absence were received from Councillor Sharp

### 1. MEMBERS' INTERESTS

There were none.

### 2. MINUTES

The Minutes of the meeting held on 28th March 2019 were taken as read and signed as a correct record.

### 3. INTERNAL AUDIT SERVICE, QUARTERLY PERFORMANCE REPORT 2018/19

The Head of Internal Audit presented to the Committee a report on progress made in delivering the Internal Audit Strategy for 2018/19.

Appendix A to the report set out the current status of audit work planned for the year as at 10th July 2019. No changes had been made since the Plan was last reported to the Audit Committee in March 2019.

Appendix B summarised the results of the audit work completed this year. No minimal assurance opinions had been issued to date

Appendix C set out details of Stakeholder Surveys and Compliance with Professional Standards.

**Resolved** – That the progress made in delivering the 2018/19 Internal Audit Strategy is noted.

### 4. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2018/19

The Head of Internal Audit presented a report on the rationale for and an opinion on the adequacy and effectiveness of the Council's framework of governance,

risk management and control for 2018/2019. A statement on conformance with the UK Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme was submitted to the Committee.

The overall conclusion was that the Council was maintaining satisfactory and effective risk management, control and governance arrangements.

Appendix A to the report summarised the audit opinions issued in 2018/19.

Appendix B contained the Internal Audit Plan for 2018/19 as at 15th July 2019

Appendix C included the results of stakeholder surveys and compliance with professional standards.

Appendix D contained the summary assessment of compliance with the UK Public Sector Internal Audit Standards 2018/19.

Appendix E set out compliance with the UK Public Sector Internal Audit Standards 2018/19 Action Plan as at 30th June 2019.

Members were pleased to note that arrangements were working well.

**Resolved** – That the Head of Internal Audit's Annual Report for 2018/19 is noted.

**5. COUNTER FRAUD & INVESTIGATION DIRECTORATE: ANNUAL REPORT FOR 2018/19**

The Committee considered a report setting out the progress made by the Counter Fraud and Investigation Directorate (CFID) in delivering the Counter Fraud Strategy and work programme for 2018/19. The report provided a detailed update on the improved counter-fraud measures for the Council and how it was reducing fraud under the Council's anti-fraud strategy.

Appendix A to the report outlined the progress which had been in delivering the agreed proactive counter – fraud work plan for the year. Members were pleased to note the continuing benefit of this proactive work noting the value of the work of detected fraud amounted to over £250k.

**Resolved** – to note the performance of the Counter Fraud & Investigation Directorate over the last year.

**6. EY AUDIT RESULTS REPORTS (UK AND IRELAND) 260 FOR THE YEAR ENDED 31 MARCH 2019**

The report summarised the results of the work completed to date for the 2018/19 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 subject to satisfactory completion of outstanding items as set out in the report they would issue an unqualified opinion on the authority's financial statements. There were no matters to report on the arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Committee considered the report and sought clarification regarding the use of reserves.

**Resolved** - That the External auditors' Audit Results Report 2018/19 be noted and that the Letter of Representation contained within the report be approved.

## **7. ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2018/19**

The Committee was informed that the annual treasury report was a requirement of the Council's reporting procedures. It covered both the treasury activity and the actual Prudential Indicators for 2018/19. 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.

As required by the Code, the activity report for 2018/19 was submitted at Annexe A for scrutiny by Audit Committee, prior to submission to Cabinet. It was important to ensure that the Council's treasury management activities were subject to a robust process of scrutiny. This report provided Members with information on treasury management activity and variances in order to fulfil this process.

Members asked questions of the Financial Services Manager regarding the security of investments and the impact of Brexit.

**Resolved** – to approve the Treasury Management Activity Report for 2018/19, including the prudential indicators reported in Annexe D for onward submission to Cabinet.

## **8. ANNUAL GOVERNANCE STATEMENT 2018/19**

The Head of Housing and Communities presented the Annual Governance Statement for 2018/19 for examination by the Committee prior to consideration by Council.

The Council had delegated responsibility for monitoring and reporting on the adequacy and effectiveness of its governance, risk management and controls to the Audit Committee. Therefore the Committee was required to satisfy itself that the Annual Governance Statement was consistent with its view on the Council's systems based upon the assurance presented to the Committee throughout the year.

The Committee considered and reviewed the report.

**Resolved** – to approve the Annual Governance Statement 2018/19 and, subject to any further amendments from external audit, to recommend its adoption to Council.

**9. COUNTER FRAUD & INVESTIGATION DIRECTORATE: ANNUAL REPORT FOR 2018/19**

The Committee considered a report setting out the proposed Counter Fraud & Investigation Strategy and Proactive Work Plan for 2019/20.

A number of developments have been made to the CFI service over the last year. A specialist ring-fenced element of the Thurrock team had now been created with support of government known as NATIS – the National Investigation Service. NATIS was a policing and government collaboration operating across the UK to protect local government from serious and organised fraud and economic crime.

Following this enhancement the CFI and NATIS team had co-sponsored the Council's strategy for 2019/20. The new strategy took account of the threats CPBC faced and used specialist intelligence and recognition of the additional powers to tackle the issues. Appendix A to the report outlined the Counter Fraud & Investigation strategy for the ensuing year and the areas for focus in proactive operations and testing.

Members welcomed and noted the action to address cybercrime and the continuing action to address housing fraud.

**Resolved** – to approve the Counter Fraud & Investigation Strategy and Proactive Work Plan for 2019/20.

Chairman

**AUDIT COMMITTEE**

**24th October 2019**

**Subject: EY Annual Audit Letter for the year ended 31 March 2019**

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**1. Purpose of Report**

To present the External Auditor's Annual Audit Letter for 2018/19 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.

**3. Corporate Implications**

**(a) Financial Implications**

The cost to the Council for the Code Audit for 2018/19 was reported to March Audit Committee as £43,424, however the final proposed fee is £44,954 an increase of £1,630 compared to that planned, as a result of additional work required on the medium term financial forecast.

**(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 2019.**

#### **Background Papers**

- None

#### **Attachments**

- EY Annual Audit Letter for the year ended 31 March 2019



# **Castle Point Borough Council**

Annual Audit Letter for the year  
ended 31 March 2019

August 2019



Building a better  
working world

# Contents

01

Executive  
Summary



03

Financial Statement  
Audit



05

Other Reporting  
Issues



07

Focused on your  
future



02

Purpose and  
Responsibilities



04

Value for  
Money



06

Data  
Analytics



08

Audit Fees



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](http://www.psaa.co.uk)). It is available from the Chief Executive of each audited body and via the PSAA website **OR** As part the Auditor Engagement process, we have agreed with you the respective responsibilities of auditors and audited bodies. Copies of the Engagement Letter and Terms and Conditions of our appointment are available from the Chief Executive or via the bodies minutes on their website.

This 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 April 2018)' 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 / Terms and Conditions of Engagement. 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.



01

## 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 2019.

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

Area of Work	Conclusion
<b>Opinion on the Council's:</b>	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended
► Financial statements	
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
<b>Concluding on the Council's arrangements for securing economy, efficiency and effectiveness</b>	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
<b>Reports by exception:</b>	
► 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
<b>Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).</b>	The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.



## Executive Summary (cont'd)

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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 presented to the Audit Committee on 25 July 2019
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 30 July 2019

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

Debbie Hanson

Debbie Hanson

Associate Partner

For and on behalf of Ernst & Young LLP



02

## Purpose and Responsibilities

# Purpose and Responsibilities

## 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 2018/19 Audit Results Report to the Audit Committee meeting on 25 July 2019, 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 of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan dated March 2019 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 2018/19 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 £500 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.



03

## 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 31 July 2019.

Our detailed findings were reported to the Audit Committee meeting on 25 July 2019.

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

Significant Risk	Conclusion
<b>Misstatements due to fraud or error</b> The financial statements as a whole are not free of material misstatements whether caused by fraud or error.  As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	<p>In addition to our overall response, we considered where these risks may present themselves and identified a separate fraud risk related to the capitalisation of revenue expenditure as set out below.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified 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 Authority's normal course of business</p>
<b>Incorrect capitalisation of revenue expenditure</b> As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.  In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term projected financial position. A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Council has a significant fixed asset base and a material capital programme and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.	<p>Our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position through the inappropriate capitalisation of revenue expenditure.</p>



# Financial Statement Audit (cont'd)

Other Key Findings	Conclusion
<p><b>Property, plant and equipment valuations</b></p> <p>Property, plant and equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk PPE may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.</p>	<p>Our testing did not identify any material misstatements from inappropriate judgements being applied to the property valuation estimates.</p> <p>The expert valuers possess the relevant qualifications and experience, and undertook a review of all of the Authority's assets.</p> <p>We considered the underlying assumptions made by the expert valuer and concluded that they were reasonable.</p>
<p><b>Pension liability valuation</b></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.</p> <p>In 2017/18 the accounts were amended in advance of audit to reflect a £1.429 million change in valuation of pension fund liability due to changes in the value of pension fund assets between the actuary's estimate and year end.</p>	<p>As part of our audit procedures to gain assurance over the material accuracy of the pension liability and reserve and related disclosure, we obtained and considered reports from the Essex Pension Fund auditor and the EY actuarial specialists. Our consideration of these reports provided us with sufficient assurance that we could place reliance on the figures provided by the actuary. This work also confirmed that the fund asset figures used to determine the liability were materially accurate.</p> <p>We also considered the legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. Since the year-end there has been some movement in the understanding and assessment of the likely outcome and in the potential impact of any outcome. This has led to the re-assessment of the scheme liabilities under IAS19. The Council obtained updated IAS19 report and assessment from the actuary and concluded that the impact of the McCloud ruling are not material for the Council and therefore did not amend its accounts to reflect the updated IAS19 figures. This impact of the judgment was estimated to be a potential increase in the net pension fund liability of £0.577 million, and a corresponding increase in the Remeasurement of the net defined pension benefit liability. We have performed reasonableness checks on this judgement and confirmed the difference is not material.</p> <p>We have also considered the potential impact of the Guaranteed Minimum Pension ruling, taking into account the actuaries comments, and concluded that the potential impact of this of between £107k and £321k is not material and we are satisfied that the estimated liability is therefore materially accurate.</p>

## Financial Statement Audit (cont'd)

### Our application of materiality

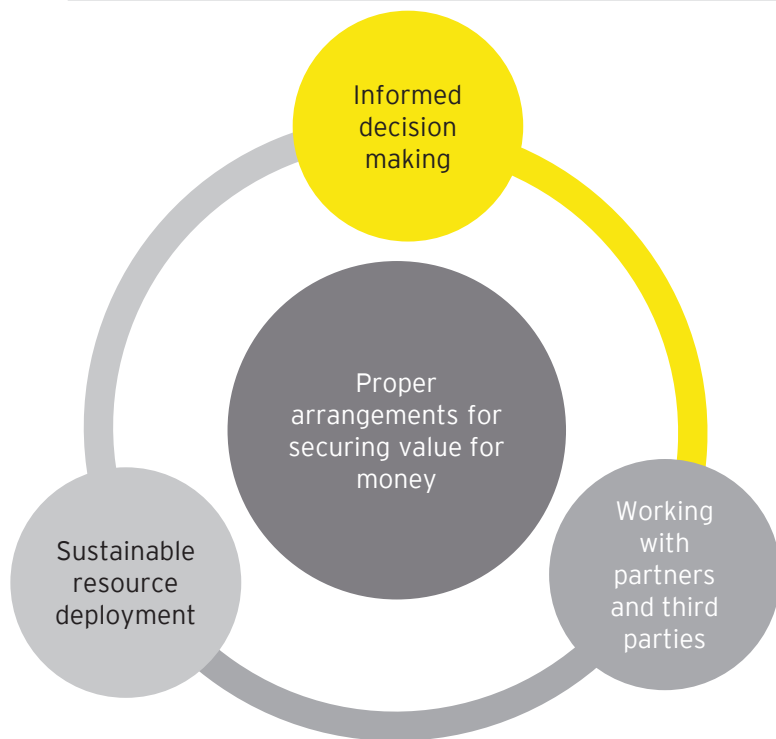
We identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

Item	Thresholds applied
<b>IFRS 9 financial instruments</b>	
<p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"><li>▶ How financial assets are classified and measured;</li><li>▶ How the impairment of financial assets are calculated; and</li><li>▶ The disclosure requirements for financial assets.</li></ul> <p>There are transitional arrangements within the standard; and the 2018/19 CIFPA Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.</p>	<p>We have concluding our work in this area and have no issues to report</p>
<b>IFRS 15 Revenue from contracts with customers</b>	
<p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.</p>	<p>Having reviewed the Council's analysis of the impact of IFRS 15 on their financial statements, we agreed with their conclusion that this standard does not have a material impact on their disclosures.</p>



## 04 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.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

In our Audit Plan reported that our value for money risk assessment had not resulted in any significant risks identified at planning stage. We did however identified two areas that we would continue to monitor to determine whether they present a risk at year end. These related to the development of the local plan and void turnaround times. We completed our procedures in relation to these areas and confirmed that the Council has taken adequate action to address both of these issues and they do not represent significant risks at year end.

We did however identify a new significant value for money risk related to arrangements for deploying resources in a sustainable manner. This is as a result of the change in the Council's Medium term financial strategy which indicates a significant reduction in reserves over the 3 year period covered by the plan. We also considered the Council's recent planned purchase of an investment property and concluded that this was not a risk to our value for money conclusion in 2018/19. However key decision making will occur in 2019/20 and therefore we will need to revisit the relevant decision making and governance arrangements relating to this in 2019/20. We have set out on the next page our findings in response to the additional significant risks identified during the audit.

As a result of the work we have completed we expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

## Value for Money (cont'd)

Significant Risk	Conclusion
<p>Since the completion of our initial planning we have obtained the updated Medium term financial forecast (MTFF) as set out in the Council's 2019/20 budget and update to MTFF.</p> <p>This indicated a significant change to the from the medium term projections we had used as part of out planning. The key changes were that general funds reduced to a deficit of £428k by the end of 2021/22, compared to a position of £1.8 million in the MTFF used at planning.</p> <p>The decline in the projected level of reserves presents a risk to the financial sustainability of the Council in the medium term.</p> <p>We have there undertaken a detailed review of the MTFF as well as the Council's plans to deliver savings to assess whether arrangements to maintain financial sustainability are adequate.</p>	<p>Our approach focussed on reviewing the arrangements at the Council to secure financial resilience. We looked at the Council's plans to support the delivery of its Medium Term Financial Plan, including:</p> <ul style="list-style-type: none"><li>• reviewing the programme of savings and efficiency plans in place at the Council;</li><li>• assessing the effectiveness of in year monitoring of progress against plans.</li></ul> <p>We reviewed a sample of savings and are satisfied that there are plans in place to deliver these and monitor the delivery.</p> <p>We confirmed that the projected reduction in reserves is largely due to the increase in provision for projected planning appeals and associated legal costs from £600k for the 3 years from 2019/20 to 2021/22 in the original MTFF to £2.8 million in the updated MTFF. Additionally, the recommended minimum level of reserves has been increased from £1.9 million to £2.9 million. We have considered the saving plans in place</p> <p>Overall, our findings have provided us with assurance that the level of legal fees within the updated MTFS are very prudent and the council holds significant earmarked reserves which also provides additional resilience. The savings planned by the Strategic Director (Resources) have been deemed reasonable and have been supported by relevant documentation. We also concluded that the increase in the minimum level of reserves is prudent and reflects the uncertain environment the Council is operating. We therefore concluded that arrangements for deploying resources in a sustainable manner are adequate.</p>



05

## Other Reporting Issues

## Other Reporting Issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements is consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

We submitted the required confirmation that the Authority is below the threshold in accordance with the deadline set.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

## Other Reporting Issues (cont'd)

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### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the [Authority]'s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have no issues to report





06

## Data Analytics





# Use of Data Analytics in the Audit

## Analytics Driven Audit

### Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the Council's audit included testing journal entries to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

### Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our Audit Planning Report.



07

Focused on your future





## Focused on your future

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The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
<b>IFRS 16 Leases</b>	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2020/21 Accounting Code of Practice for Local Authorities or a forthcoming provisions paper is issued by Cipfa there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>



## 08 Audit Fees

## Audit Fees

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Our proposed fee for 2018/19 is above the scale fee set by the PSAA and reported in our Audit Plan, due to the additional work we had to undertake to address the significant risk we identified and reported in our Audit Results Report. The proposed additional fee for this work is £1,630. This will need to be agreed with management and approved by PSAA

Description	Final Fee 2018/19 £	Planned Fee 2018/19 £	Scale Fee 2018/19 £	Final Fee 2017/18 £
Total Audit Fee - Code work	44,954	43,324	43,324	56,265
Total Audit Fee	44,954	43,324	43,324	56,265

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**AUDIT COMMITTEE**

**24th October 2019**

**Subject: Internal Audit Service, Quarterly Performance Report**

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**1. Purpose of Report**

To update the Audit Committee on progress made in delivering the Internal Audit Strategy for 2019/20.

**2. Internal Audit Plan Status**

**Appendix A** sets out the current status of the audit work planned for the year as at 10 October 2019. This also highlights where audits contained in the original plan considered by the Audit Committee in March 2019 have changed.

The only change made to the Audit Plan since it was last reported to the Audit Committee is:

- The scope of 4 pieces of work are being re-assessed from the high level scope that was included in the Audit Plan reported to the Committee in March 2019. This is to ensure that the audit work is focussed appropriately to deliver the optimum outcome from the audit resources available.

**3. Audit Opinions and Themes**

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

**4. Performance Targets**

As outlined in the Strategy presented to the March 2019 Audit Committee, the team will be reporting on a more limited set of indicators this year given the amount of work that is still being contracted out.

As at 10 October 2019:

- the team has had 4.5 of sickness absence since 1<sup>st</sup> April 2019 (which impacts on productivity) and equates to 0.76 days per FTE
- of the 19 jobs in the plan:
  - 11% are completed
  - 16% have reports being produced or discussed
  - 5% are in progress
  - 11% are being scoped and planned or have terms of reference produced
  - 41% are resourced and booked, but yet to be started

- 16% are resourced but the audit scope is being reassessed to ensure the optimum utilisation of resources.

A programme of stakeholder surveys is produced each quarter and these will be completed throughout the remainder of the year as audits are completed. Feedback has been received in respect of three audits completed since the last Audit Committee meeting. A summary of the questions and results are attached at **Appendix C**. The key item from this that we will consider further is providing evidence to support our findings where required, where the respondents thought we had only partly achieved this. Our conclusions and findings being based on evidence is very important to the way that we work and therefore we will work to find ways to make this specifically apparent to those we are auditing.

## **5. Resourcing**

Since the last report to the Audit Committee in May 2019:

- a Senior Auditor has been promoted to Audit Manager
- an Auditor joined the team in September
- a Senior Auditor has been appointed and is due to join the team in October.

That leaves the combined team with four vacancies. The salaries of the vacant posts are currently being used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.

The expected requirements of the internal audit service into the future continue to evolve and this has been assessed to determine the most appropriate team model utilising the financial resources available. Once the current team resourcing activities are complete, this will then be implemented to result in an appropriate mix of experienced staff, trainees who will be put through a relevant training programme and externally sourced skills. This will enable the team to deliver the internal audit service required by the organisations that it serves.

## **6. 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.

## **7. 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 2019/20 financial year.

This is a key piece of evidence available to the Audit Committee when reviewing the Annual Governance Statement, which will be presented to the Audit Committee at the end of the financial year.

## **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; and
- need to maintain relationships with clients / partners.

### **Recommendations:**

**The Audit Committee notes the progress made in delivering the 2019/20 Internal Audit Strategy.**

## **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 2019/20

Appendix B Opinions and Summaries – Other Audits and Grants

Appendix C Stakeholder Survey Results 2019/20

**Report Author: Andrew Barnes, Head of Internal Audit**



## Appendix A: Internal Audit Plan 2019/20

Dept	Service Activity	Fraud risk	Status as at 3/10/19
<b>Managing the Business</b>			
<b>All Aims</b>			
Res	IT – Management of Capita contract and system upgrade/s	No	<b>Audit scope being reassessed to ensure the focus is appropriate to deliver the optimum outcome. Planned for October to December 2019. Resources agreed with contractor.</b>
Res	Business continuity	No	<b>Planned for January to March 2020. Resources agreed with contractor.</b>
<i>Implementing Action Plans</i>			
SD, MO	Information Governance, General Data Protection Regulation	No	<b>Planned for October to December 2019. Resources agreed with contractor.</b>
<b>Managing Service Delivery Risks</b>			
<b>Aim: Environment</b>			
Env	Management and monitoring of Street Cleaning and Ground Maintenance contract with Pinnacle	No	<b>Terms of reference being drawn up.</b>
Env	Management and monitoring of contract with JAD Security	Yes	<b>Terms of reference being drawn up.</b>
Env	Collection of income from other paid for services, such as garden and trade waste, pitch hire, community halls and bowling clubs	Yes	<b>Audit scope being reassessed to ensure the focus is appropriate to deliver the optimum outcome. Planned for October to December 2019.</b>
<b>Aim: Housing and Regeneration</b>			
H&C	HRA new property build projects	Yes	<b>Work in progress.</b>
H&C	Housing Management Service Level Agreement with South Essex Homes	Yes	<b>Planned for January to March 2020. Resources agreed with contractor.</b>

## Appendix A: Internal Audit Plan 2019/20

Dept	Service Activity	Fraud risk	Status as at 3/10/19
<i>Implementing Action Plans</i>			
SD, MO	Building control	Yes	<b>Audit scope being reassessed to ensure the focus is appropriate to deliver the optimum outcome. Planned for October to December 2019.</b>
SD, MO	Development control	No	<b>Planned for October to December 2019.</b>
All	IDOX system governance and change management	Yes	<b>Audit scope being reassessed to ensure the focus is appropriate to deliver the optimum outcome. Planned for October to December 2019.</b>
H&C	Licensing	Yes	<b>Planned for January to March 2020.</b>
<b>Aim: A Commercial and Democratically Accountable Council</b>			
No specific audit work planned, although a number of the audits planned do contribute towards assurance over this aim.			
<b>Aim: Health and Community Safety</b>			
SD, MO	Safeguarding arrangements for adults and children	No	<b>Planned for October to December 2019. Resources agreed with contractor.</b>
<b>Key Financial Systems</b>			
<b>All Aims</b>			
All	Accounts receivable	Yes	<b>Draft report with the Head of Internal Audit for review.</b>
All	Accounts payable	Yes	<b>Draft report with the Head of Internal Audit for review.</b>
SD, MO	Payroll	Yes	<b>Fieldwork complete draft report being prepared.</b>

## Appendix A: Internal Audit Plan 2019/20

Dept	Service Activity	Fraud risk	Status as at 3/10/19
<b>Grant Claims</b>			
Env	Disabled facilities capital grant determination	Yes	<b>Complete September 2019.</b>
SD, MO	Interreg Go Trade grant	Yes	<b>Certification round 4 submitted 8 August 2019.</b> <b>Next certification round due January 2020.</b>
<b>Advice and Support Work</b>			
Res	Paddocks community hall	No	<b>Planned for October 2019 to March 2020.</b> <b>Resources agreed with contractor.</b>
<b>Managing Delivery of the Audit Plan</b>			
	Audit Planning and Resourcing		
	Managing Audit Plan Delivery		
	Reporting to Executive Management Team and Audit Committee		

## Appendix 2a: Internal Audit Plan 2019/20

<b>Audit Activities</b>	<b>Resource allocation</b>
Managing the Business	15%
Managing Service Delivery Risks	50%
Key Financial Systems	12%
Grant Claims	5%
Advice and Support	4%
Managing Delivery of the Audit Plan	14%
<b>Total</b>	<b>100%</b>
<b>Total Council Audit Plan Days</b>	<b>274</b>

The days required to revisit and retest action plans from previous reports are included under each heading.

<b>Analysis Over Departments</b>		
Env	Environmental	17%
H&C	Housing	26%
Res	Resources	29%
SD, MO	Strategic Director, Monitoring Officer	11%
All	Cross cutting	3%
All	Managing Delivery of the Audit Plan	14%
	<b>Total</b>	<b>100%</b>

## Appendix 2a: Internal Audit Plan 2019/20

Risk Watch List	
Res	Renewal of Capita Contract
Env	Estate Management
H&C	Strategic Planning / Housing Strategy / Local Plan
H&C	Review of Northgate System
H&C	Governance arrangements for Grant and State Aid Funding
H&C	Case Management System
SD, MO	Thames Estuary 2100 Plan
SD, MO	Canvey Island Seafront
SD, MO	Hadleigh Town Centre Gateway Site
Res	Health and Safety of Employees, Agency Staff and Contractors
H&C	Restructuring of services following the introduction of Universal Credit
Res	Essex Procurement Hub
H&C	Private Sector Housing
All	Working with Community Groups and Partners

These are other potential audits that may be considered for inclusion in the Audit Plan during the year should resources permit.

## **Appendix B1: Other Audits and Grant Claims**

### **Interreg 'Go Trade' grant**

#### **Purpose of funding**

The 'Go Trade' project, led by Basildon Council, supports the development of high quality local markets in the South of England and North of France. The project will create a unique brand of high quality markets that is expected to increase the number of local and tourist visitors to the town.

The project will also offer support to traders by using modern methods of communication to help them market their products and by introducing digital technologies such as 'click and collect'.

Certified traders will also be given GoTrade passports that will enable them to travel and trade at any of the GoTrade markets in France and the UK.

**Opinion: Unqualified opinion on expenditure to the end of June 2019 submitted in August 2019**

### **Disabled Facilities Capital Grant Determination (DFG)**

#### **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 expenditure was in line with the grant conditions, specifically that:

- it was 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 opinion on expenditure to the end of March 2019 submitted in September 2019**



## Appendix C: Stakeholder Surveys, Compliance with Professional Standards

<b>Setting up and planning the audit (PSIAS 1200 / 2200)</b>		
1	Did we show a good level of knowledge and understanding of your service when discussing the potential scope and objective to be covered by the audit before fieldwork took place?	67%
<b>Performing the audit (PSIAS 2300)</b>		
2	Did we work effectively with you when doing the audit to minimise the impact on your service?	100%
3	Were we able to talk knowledgeably with you about information provided to us and queries we had during the audit?	100%
<b>Communicating results (PSIAS 2400) and Improving governance, risk management and control processes (PSIAS 2100)</b>		
4	Did we keep you informed of the progress of the audit and issues arising from the work in timely manner?	83%
5	Did we effectively explain to you where we felt action was required to improve your arrangements and why?	83%
6	Was the report fair and reflective of the work done by audit and the issues found as discussed with you?	83%
<b>Independence and Objectivity (PSIAS 1100)</b>		
7	Did we provide relevant evidence to back up our findings if required?	50%
8	At the end of the audit, did you understand the rationale for the overall opinion given?	100%
<b>Managing the Internal Audit Activity (PSIAS 2000)</b>		
9	Do you think internal audit adds value to the Council?	100%

## **AGENDA ITEM NO.6**

**Committee:** **AUDIT COMMITTEE**

**Date:** **24th October 2019**

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

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### **1. Purpose of Report**

- 1.1 To present the findings from the quarterly monitoring of the Council's governance arrangements.
- 1.2 To report on progress against the action plan to address significant governance issues as identified in the Annual Governance Statement

### **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 this 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 the results of any customer engagement or consultation activities are considered as part of the service planning process. The Council also carries out customer satisfaction surveys. For example, the Housing Service undertake a range of specific surveys on issues such as Repairs & Maintenance and Voids & Lettings. The Leisure Service receive regular feedback from service users which is used to improve the leisure offer. The 2019 refresh of the corporate plan included updated results from the "Place Survey" commissioned by Essex County Council.

#### **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. The corporate plan was refreshed earlier this year. This refresh went to Cabinet in July where it was referred to a joint Policy and Scrutiny Committee held in August. It returned to Cabinet in September, where proposed changes were agreed, and will be considered by Full Council in October for adoption.

### **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 (EMT) 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 2019/20. Full Council agreed the Policy Framework and Budget Setting report in February 2019 which included 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 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 in place, which include programmed asset management sessions at Operational Management Team. Significant asset management issues are referred to the Strategic Asset Group and major projects are subject to the Council's project management methodology and are reported to Cabinet.
- 3.4.2 The Housing Strategy and Corporate Asset Management Plan both contain progress in asset management activities and plans which contribute towards the short, medium and long term aims and objectives of the Council in relation to asset management.
- 3.4.3 A programme of 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.
- 3.4.4 At the start of this financial year, new computer equipment was rolled out across the organisation as part of the planned upgrade to Windows 10. All ITC-related assets - including infrastructure such as servers, network equipment etc - are managed as part of the Council's contract with Capita
- 3.4.5 The Council owns a small fleet of vehicles and runs a vehicle maintenance workshop to carry out ongoing checks, servicing and repairs. We look to replace these vehicles with new vehicles every seven years.

### **3.5 Policy Framework**

- 3.5.1 The policy framework operates satisfactorily; policies and strategies largely continue to be refreshed by services. A register of policies and strategies is in

place and updated annually. The policy framework is set out in the Business Planning and Budget Framework which is reported to Cabinet in October.

### **3.6 Risk Management**

- 3.6.1 The Risk Management Policy and Strategy was refreshed and approved by Audit Committee in January 2018. Two workshops have been delivered to all senior staff on the approach, but have particularly focused on:
- Designing and implementing efficient controls that have the right effect on Impact and Likelihood
  - Ensuring robust assurances are available when monitoring risk
  - Having a consistent understanding of the approved risk appetite of the Council
  - Everyone contributing to an effective risk management framework that ensures the Council's overall tolerance for risk is not breached.
- 3.6.2 A Risk Management Health Check has recently been performed by an external consultant and officers have agreed an approach to addressing the areas for improvement identified by that review.
- 3.6.3 A corporate risk register continues to be in place and is subject to monitoring by EMT. 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 corporate risk register is a separate agenda item for consideration by this committee

### **3.7 Health and Safety**

- 3.7.1 As an employer the Council continues in its aim to meet its statutory Health and Safety duties and employs a competent person to assist with this. The competent person, who as the corporate health and safety lead, maintains an overview of Council arrangements and provides analysis on current management performance. Any significant health and safety issues are escalated to EMT
- 3.7.2 The key functions of the corporate health and safety lead is to monitor and review departmental health and safety arrangements and advise the Council's Operational Management Team in embedding a positive health and safety culture, where risk is managed sensibly and balanced with specific aims to improve overall safety performance.

### **3.8 Business Continuity**

- 3.8.1 Arrangements in place are satisfactory, with business impact assessments undertaken by all service areas. A strategic business risk assessment was approved by EMT in May 2019.
- 3.8.2 A corporate generic business continuity response plan exists, which is subject to full review and revision every three years.
- 3.8.3 The subject of business continuity is incorporated into the quarterly risk management sections of Operational Management Team meetings.
- 3.8.4 The Council's emergency planning and business continuity framework document produced in 2018, describes how the Council will go about meeting its duty to be suitably prepared for dealing with emergencies and disruptions to the organisation's ability to deliver its critical services to the public.

### **3.9 Performance Management**

- 3.9.1 Core processes operate satisfactorily, including highlight reporting to Corporate Management Team (CMT) and the production of a corporate performance

scorecard, refreshed for the 2019/20 financial year, which is considered quarterly by CMT and Cabinet.

- 3.9.2 Control arrangements also include the production of quarterly reports of performance indicators by all services from the performance database.

### **3.10 Data Quality**

- 3.10.1 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. Internal audit review the arrangements to ensure data quality where this is relevant to the audit work being undertaken.

### **3.11 Value for Money**

- 3.11.1 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. These were considered by EMT in February 2019.

### **3.12 Procurement**

- 3.12.1 There are satisfactory arrangements in place and the assurance processes are operating appropriately. Procurement is integrated into the meetings of the Operational Management Team.
- 3.12.2 The Council's commissioning and Procurement Strategy was updated in 2018 and the Procurement Toolkit also refreshed in 2018 to reflect changes in legislative requirements and internal procedures.

### **3.13 Partnerships**

- 3.13.1 Assurance processes are subject to further development work. Work has started on a partnership strategy and framework to help clarify the arrangements currently in place and how these link to the objectives of the authority. The Partnerships Register was updated in September 2019. Further development work is planned and will need to incorporate the work of the South Essex 2050 partnership, a key strategic partnership for Castle Point.

### **3.14 Project Management**

- 3.14.1 Assurance processes whilst satisfactory are subject to further development work. The service plans include an indication of planned projects with a prioritisation. These have been incorporated into a corporate action plan which is monitored monthly by CMT through highlight reporting as well as two more detailed reviews over the course of the year. Significant projects identified include: the development of the local plan; the planned refurbishment of the Paddocks; development of more social housing; acquisition of the Knightswick Centre; and regeneration in Hadleigh town centre and Canvey seafront. Work has begun on a review of the project management arrangements to simplify these and clarify their application across the council.

### **3.15 Complaints**

- 3.15.1 There is a complaints policy in place and monitoring of complaints is through a database. Further work is needed to ensure that all parts of the organisation record their responses to complaints in this database. Work has been undertaken on the website which has improved signposting to the organisation best placed to respond to the complaint.

### **3.16 Ethical Governance**

- 3.16.1 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 Review Committee. New Members of the Council have received induction training on the code of conduct and have completed the necessary register of interests.
- 3.16.2 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 General Data Protection Regulation (GDPR) became a statutory requirement from the 25<sup>th</sup> May 2018, and together with the new Data Protection Act 2018 which has superseded the Data Protection Act 1998 it expands the rights of individuals to control how their personal information is collected and processed and places a range of new obligations on organisations to be more accountable and transparent when processing personal data. The Council has made good progress in working towards meeting the requirements of GDPR and this work is led by the Head of Law.
- 3.17.3 The Data Retention Policy was updated in Spring 2019 and a session was held with OMT in June 2019.
- 3.17.4 A further session on information governance was held with OMT in September 2019 following which Information Asset Registers were requested to be updated.

## **4. Progress on the action plan in the Annual Governance Statement**

- 4.1 As requested and agreed at Audit Committee on 25 July 2019, this report includes as Appendix 1 the action plan from the Annual Governance Statement with an update position.

## **5. 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, beyond those reported in 3.4.

**5. Links to Council's priorities and objectives**

Assurance processes and improvement work support the delivery of all the Council's priorities and objectives.

**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 about the operation of the Council's governance framework.**

**Background Papers:** Local Code of Governance

**Report Author:** Ben Brook, Strategy, Policy and Performance Manager ext. 2220

## Appendix 1 – Action plan to address significant governance issues identified in the Annual Governance Statement

Number	Issue	Action 2019/20	Date of implementation	Responsible officer	Update on Progress
1.	Need to ensure the Local Plan is progressed and submitted for consideration.	Programme in place and subject to intervention to ensure timescales are met.	December 2019	Head of Place and Policy	<p>The last Local Development Scheme (LDS) was approved in June 2018. That LDS set out an ambitious fast-track process for the Local Plan, agreed with MHCLG. At the time, the Council had received notification of potential intervention. The LDS required public consultation on the Regulation 19 version of the plan by the end of January 2019. The Council did not approve the plan for that consultation in November 2018.</p> <p>A programme for proceeding with the Local Plan is currently being discussed and will be presented with the next stage report on the Local Plan.</p>
2.	Need to ensure sufficient savings and revenue is identified so that there is no budget gap in 2020/21 and in future years.	Develop and implement Commercial Council Strategy.	March 2020	Strategic Director (Resources)	Work has begun on developing the strategy which is in early draft and being refined further over the autumn with a view to adoption in March 2020.
3.	Clarify strategic approach to partnership working.	Develop a Partnership Framework and associated Strategy.	March 2020	Strategy, Policy and Performance Manager	Work has begun on developing a Partnership Framework and associated Strategy. This work is being informed by an updated partnership register to capture all the current partnerships in existence across the Council.

Number	Issue	Action 2019/20	Date of implementation	Responsible officer	Update on Progress
4.	Work with the South Essex 2050 partnership to develop the vision for region and long-term ambitions and to further develop the corporate plan.	Through the development of the South Essex 2050 partnership vision and associated strategy and planning arrangements.	June 2020	Chief Executive  Head of Place and Policy	<p>There are two key elements to the South Essex 2050 project. The first is the vision/ambition and priorities; and the second the Joint Strategic Plan (JSP).</p> <p>The partnership was established in accordance with the Statement of Common Ground and Memorandum of Understanding approved in early 2018 and work is ongoing on refining the vision/ambition.</p> <p>The preparation of the Joint Strategic Plan (JSP) has run concurrent with the development of the wider strategies for South Essex. A new Local Development Scheme (LDS) for the plan needs to be approved.</p>
5.	Need to simplify and clarify project management arrangements	Implement new arrangements and ensure responsibilities for monitoring is clear.	March 2020	Strategy, Policy and Performance Manager	The existing project management methodology and framework has been reviewed and revisions held in draft form. Alongside this, conversations have taken place across the Council to better understand views on the existing project management arrangements and how these can be improved to make them simpler but still effective.

Number	Issue	Action 2019/20	Date of implementation	Responsible officer	Update on Progress
6.	Strengthen the approach to business continuity	Undertake review of strategic and tactical business impact analysis and produce a mitigation and continuity options document. Business Continuity also features in this year's Internal Audit reviews.	March 2020	Facilities and Asset Manager	<p>A strategic 'Business Risk Assessment' was approved by EMT in May 2019.</p> <p>Subsequently, a hierarchy of strategic priorities has also been produced and endorsed. Work is currently underway reviewing the tactical Business Impact Analysis (BIA), which will inform the strategic BIA and assist in the identification of mitigation and continuity options.</p>

**AUDIT COMMITTEE**

**24th October 2019**

**Subject: Counter Fraud & Investigation: Quarterly Performance Report  
(Including Q1 and Q2)**

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**1. Purpose of Report**

To update the Audit Committee on the progress made in delivering the Corporate Counter Fraud & Investigation strategy for the Council in 2019/20.

The report includes the performance of the service which is now aligned to financial year reporting from its previous reporting period set at the municipal year.

**2. Counter Fraud Proactive Work Plan**

**Appendix A** outlines the progress made in delivering the agreed Counter Fraud Proactive Work Plan for this year (2019/20).

The team is making good progress in delivering the planned work. If during the year any changes or additions to the plan are proposed between CFID and the Section 151 Officer, these will be brought back to the Committee and included in an amended work plan.

**3. Investigations**

CFID continues to deliver investigations into incidents of suspected fraud or other economic crime for the council.

The figures represent activity undertaken from 1 April 2019.

Number of suspected fraud reports received within Q1: 6

Number of Closed investigations during Q1: 3

The flow of casework in to CFID for Q2 is recorded as follows

Number of suspected fraud reports received within Q2: 10

Number of Closed investigations during Q2: 11

Number of ongoing investigations: 13

Value of suspected fraud under investigation: £510,700

**4. 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 the Directorate 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.

A closer working relationship is being sort with the internal audit team to ensure that any overlapping areas of concern can be detected early and corroborative working can be utilised. To assist with this, CFID will produce



monthly reports to the Section 151 Officer and the Head of Audit detailing the investigations of CFID and the appropriate risk area.

It is also the hope of the CFID that a return in monthly reporting will be completed by the internal audit team, identifying the current audits taking place and if any concerns are being identified. This will capture early warnings of risk to the authority and allow officers from the CFID to assess if intervention is required in specific circumstances where criminality may be present.

### **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:**

- **The Audit Committee notes the performance of the Counter Fraud & Investigation Directorate to date.**
- **The Audit Committee agrees to the revised reporting periods to align the Counter Fraud & Investigation Directorate with other 'audit committee' reporting periods (financial year reporting)**

### **Background Papers**

- Fighting & Corruption Fraud locally, the Local Government Fraud Strategy
- Crowe Whitehall & Clarke Annual Fraud Indicator 2017

### **Appendices**

- Appendix A: Counter Fraud Proactive Work Plan

**Report Author: Michael Dineen, Senior Manager, Counter Fraud & Investigation.**

## Counter Fraud & Investigation



# Counter Fraud Pro-Active Work Plan

2019/20



## Proactive Work Plan

Risk Area	Activity	When	Current Status	Responsible Officer	Date Complete
<b>Council-wide</b>	Launch a new e-Learning Package for Countering Fraud, Bribery, Corruption and Money Laundering.	July – Sep 2019	A new e-learning package has been created and has been passed to ICT and HR for ratification. This will be available for all staff and members	Michael Dineen	
<b>Council-wide</b>	Develop an early intervention risk matrix for social housing tenants targeted by criminality.	July June 2020	This has been created and liaison with the housing management team is due to take place	Philip Butt	
<b>Council-wide</b>	Cyber crime risk assessment across the council.	Nov 2019 Due to change anticipated to be completed by April 2020	This is being completed, however upon initial assessments against high risk areas, the project has been pushed to a larger scope that will cover all aspects of ICT.	Dave Nash	
<b>Council-wide</b>	Enhancing counter fraud and money laundering controls for Finance & Revenue teams.	Nov 2019	Meetings have taken place and a new policy/procedure is due to be completed.	Michael Dineen	



Risk Area	Activity	When	Current Status	Responsible Officer	Date Complete
<b>Council-wide</b>	Renewed Education & Marketing Campaign for Countering Fraud, Bribery, Corruption and Money Laundering	January 2020	New posters and leaflets will be provided to the authority to highlight the different crime types that are affecting the authority.	Nicholas Coker	
<b>Revenues</b>	Use of Data Matching Solution to compare NNDR data with law enforcement data.	April 2020	This project is currently within the planning stage with law enforcement interaction agreements being signed. Upon completion the NNDR data will be fed into the data matching programme with the results identifying possible fraudulent claims.	Nicolas Coker	



**AUDIT COMMITTEE****24th October 2019**

**Subject: Treasury Management mid-year activity report and amendment to the 2019/20 Investment Strategy**

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**1. Purpose of report**

The Treasury Management mid-year activity report is a requirement of the Council's reporting procedures. It summarises the Council's Treasury Management activity for the first six months of the current financial year. Supporting information is provided within Annexes A and B.

In addition, the Strategic Director (Resources) recommends adding two new types of non-specified investments to the approved list of counterparties for 2019/20, and this change in the Investment Strategy requires approval by Cabinet and Council.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both codes through regulations issued under the Local Government Act 2003.

**2. Links to Council's priorities and objectives**

The scrutiny and approval of the Council's Treasury Management activity is linked to the Council's objective of a Commercial and Democratically Accountable Council through sound financial management.

**3. Recommendation**

That following scrutiny, the Treasury Management mid-year activity report for 2019/20 is approved and submitted to Cabinet and the amendment to the 2019/20 Investment Strategy, is approved and submitted to Cabinet and Council.

**Resolution required.**

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## **4. Treasury Management activity mid-year report 2019/20**

### **4.1 Introduction**

- 4.1.1 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.”*
- 4.1.2 The Code of Practice requires the Council to set annually a Treasury Management Strategy and Investment Strategy. The strategies for the 2019/20 financial year were approved by Council on 27<sup>th</sup> February 2019.
- 4.1.3 This report confirms that Treasury Management activity during the year to date has been undertaken in accordance with that strategy and in consultation, where appropriate, with the Council’s external adviser, Link Asset Services.

### **4.2 Borrowing**

- 4.2.1 A summary of external borrowing at 2<sup>nd</sup> October 2019 is shown at Annexe A. On this date the Council took out a **£9m** 10-year equal instalment loan from the Public Works Loan Board (PWLB) fixed at just 1.08% to fund the purchase of the Knightswick Shopping Centre on 31<sup>st</sup> October, as approved by Council on 17<sup>th</sup> July 2019. The drawdown of the loan was well timed, as a week later the Treasury increased PWLB rates by 1%, which would have added **£444k** to the total interest payable on the Knightswick loan.
- 4.2.2 Annexe A shows that interest paid on General Fund borrowings and on HRA borrowings for the year to date is as budgeted, although the General Fund interest payable for the full year 2019/20 has increased by **£48k** to **£255k** due to the loan detailed above in paragraph 4.2.1.
- 4.2.3 The Council’s policy on capital expenditure and borrowing is set out in the Capital Strategy section of the annual Policy Framework and Budget Setting Report, and as part of this, the affordability of new capital proposals has to be demonstrated. Borrowing can only be undertaken for the purposes of capital expenditure, and not for day-to-day revenue expenditure. The financial impact on the longer-term budget positions for both the General Fund on the Medium-Term Financial Forecast and the Housing Revenue Account on the HRA Business Plan, would need to be taken in to account. Any new borrowing would result in additional annual interest charges to either the General Fund or HRA, as well as the need to set aside sums from those funds for future repayment of the principal.
- 4.2.4 Although borrowing rates are currently low any potential new borrowing would have to be fully justifiable in terms of the need to borrow. Additional borrowing would be considered for individual projects where for example the business case determines repayment of debt is affordable and can prudently be made out of new revenue generated. No further additional borrowing is currently planned beyond that recently taken out for the Knightswick Shopping Centre.



- 4.2.5 Periodically officers explore the option to reschedule or repay current loans, however at the current time it is not viable for the Council to reschedule its debt in to cheaper loans as repayment of all current PWLB loans would incur significant premiums to do so.

### **4.3 Investments**

- 4.3.1 The investment activity during the year to date conforms to the approved strategy, and the Council has had no liquidity issues. Investments are managed internally using only those institutions which meet the Council's strict investment criteria, within a permissible range of periods, depending on the Council's cash flow and the interest rates on offer.
- 4.3.2 The majority of investments to date in 2019/20 continue to be in AAA-rated Money Market Funds. A Money Market Fund is a pooled source of funds invested in a wide range of short-term investments managed by an independent fund management company. Frequently these are well known banks or investment houses. AAA is the highest investment rating available and means that there is very low credit risk in an entity which is awarded that rating.
- 4.3.3 Funds may be deposited with the Debt Management Office (DMO), an executive agency of HM Treasury, but the facility has not been used this year due to the very low rate of interest.
- 4.3.4 With the exception of the DMO, total investments with any one institution do not exceed **£2.5m**. Internal guidance ensures that at least **50%** of investments at any time are placed with institutions rated AAA (or 40% for up to 5 working days a month).
- 4.3.5 The Council also continues to invest in Government treasury bills. They can achieve slightly better rates of interest and more diversification without significant loss of security and are regularly used by other local authorities. At 30<sup>th</sup> September 2019 the Council held **£4.0m** in treasury bills with a maximum maturity of 6 months. There are also funds invested in other local authorities and at 30<sup>th</sup> September these totalled **£6.5m**.
- 4.3.6 Annexe B summarises the Council's temporary investment activities for the year to date. The amount available for investment varies daily according to the Council's aggregate financial position on all activities. At the end of September 2019, the amount invested was **£33.3m** and the average amount invested for the year to date was **£33.6m**.
- 4.3.7 Annexe B also shows that the amount of interest received on investments to date is **£128k**. This exceeds the profiled budget for the same period by **£58k**. The budget for the full year is **£165k**. Investment rates earned and investment balances are currently both higher than forecast. The average rate is **0.76%**, more than the benchmark 7-day LIBID rate of **0.57%** (LIBID or the London Inter Bank Bid Rate is the rate at which major London banks borrow from each other).
- 4.3.8 Any changes required to the interest budgets will be addressed in the forthcoming budget cycle.

#### **4.4 Benchmarking**

The current position on three benchmark indicators for 2019/20, as explained in the annual Investment Strategy, is reported as follows:

- Security - Weighted Credit Rating Score for the year to date of **6.0** exceeds the target of 4 (the scale goes from 0 to 7).
- Liquidity – Weighted Average Life is at a reasonably liquid level, currently averaging **32 days**.
- Yield – interest received on investments currently exceeds target as reported above.

#### **4.5 Brexit & economic uncertainty**

4.5.1 From August 2016 the Bank of England base rate was at 0.25%. In November 2017 it was raised to 0.50% and in August 2018 to 0.75%. The rate forecast from Link Asset Services shows a predicted increase of 0.25% but not for another year until December 2020. There remains much uncertainty around Brexit, and it is possible base rates could be cut to counter deflationary pressures and prevent recession. Consequently, the Council will probably continue to earn low rates of interests on its temporary investments and may be further restricted in where it can invest funds.

4.5.2 The Council will continue to adhere to strict investment criteria. Security and liquidity remain the priority. The Council will then invest for yield. It is anticipated the overall maturity profile will lengthen from around 1 month to approximately 6 months as the Council invests in longer-term deposits with banks and other local authorities to take advantage of higher rates, as detailed in section 5. Officers will continue to monitor interest rates offered and seek to ensure the best return possible, without compromising security and liquidity, and within limits specified in the Investment Strategy and internal guidance.

#### **4.6 Conclusion**

4.6.1 The results for the six months to 30<sup>th</sup> September 2019 continue to demonstrate prudent and efficient treasury management.

## **5. Amendment to the 2019/20 Investment Strategy to add two new investments to the approved list of investment counterparties**

### **5.1 New Investments**

5.1.1 The portfolio of investments maintained by the Council is very cautious and the yield is below that earned by some other Councils. By investing for longer periods than the current 364-day limit with banks and other local authorities, this should increase the return on investments without significantly compromising security. Accordingly, the Strategic Director (Resources) recommends adding two new types of non-specified investment to the approved list of counterparties for 2019/20, as detailed below. The Council has consulted with its treasury adviser, Link Asset Services, on this amendment to the strategy.

5.1.2 These investments are classified as non-specified investments as they exceed 365 days. Non-specified investments may not have the high credit quality of specified investments.

5.1.3 The Council is continuing to review its Investment Strategy and may add further investment categories to the 2020/21 strategy due to be approved in February 2020. This is to achieve more diversification and yield with new investments, which are used regularly by other councils, whilst maintaining good levels of security. Some non-specified investments are more complex instruments, requiring greater consideration by officers and members, and therefore officers will consult with Link Asset Services and undertake detailed due diligence before seeking approval to add any new types of non-specified investments to the 2020/21 Investment Strategy to ensure all products any associated risks are fully understood.

### **5.2 Local authority longer-term deposits over 365 days**

5.2.1 Many local authorities require borrowing to help with their cashflow or to fund capital expenditure and others have surplus funds to invest so there is a market for inter-local authority lending. Interest rates are generally higher for longer duration deposits so more interest can be earned by investing for more than one year. The Council currently places deposits with other authorities up to a maximum of 6 months duration and now intends on occasion to place deposits over longer terms up to or possibly in excess of 1 year. Local authorities, although generally not credit-rated are perceived as safe as they must balance their budgets and have strict criteria for borrowing. Castle Point's treasury team will carry out thorough due diligence on any potential new local authority counterparties and only invest with those that have sound finances.

### **5.3 Bank longer-term deposits over 365 days**

5.3.1 Interest rates are normally higher for longer duration deposits so additional interest can be earned by investing for more than one year. The Council only invests with the more secure banks and in accordance with the Council's approved credit-rating criteria and limits recommended by the Council's treasury adviser, Link Asset Services. Again, as with other local authority investments, the Council currently places deposits with institutions up to a maximum of 6 months duration and now intends on occasion to place deposits for longer periods. Officers will be mindful of the risks associated with bank insolvency and bail-in legislation where deposits are not guaranteed by Government and customers risk deposits not being repaid in full nor on time. However, following the

banking crisis over 10 years ago and many years of austerity, major UK retail clearing banks are currently relatively strong, since they have been ring-fenced from more risky investment bank activities, and have strengthened their balance sheets and solvency ratios and undergo regular stress testing by banking regulators.

<b>Table 1A - Specified Investments for the financial year 2019/20</b> <b>(Note – unchanged from counterparty list previously approved in February 2019)</b>			
<b>Investment</b>	<b>Counterparty limit</b>	<b>Security / Minimum Credit Rating</b>	<b>Maximum period of investment</b>
<b>Debt Management Agency Deposit Facility (DMADF)</b> (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)
<b>Treasury Bills</b> 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
<b>Term deposits</b> 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
<b>Term Deposits</b> 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
<b>Money Market Funds</b> (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)
<b>Current accounts, notice accounts or term deposits</b> 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)
<b>Forward deals</b> 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
<b>Certificates of Deposit</b> 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
<b>Covered bonds</b> (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
<b>Reverse repurchase agreements "repos"</b> (a form of	The lesser of £4m or 25%	long-term AA-, short-term F1 (lowest common denominator	364 days

secured lending with enhanced security)	of total investments	Fitch, Moody's & S&P)	
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**Table 1B - Non-specified Investments for the financial year 2019/20**  
(Note – new additions to the counterparty list)

Investment	Counterparty limit	Security / Minimum Credit Rating	Maximum period of investment
<b>Term deposits</b> 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 £4m or 25% of total investments	High quality as either directly invested or via agencies of UK Government. (Although local authorities are not specifically credit rated)	2 years
<b>Current accounts, notice accounts or term deposits</b> 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)	2 years

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

## 6 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

Any required changes in interest estimates will be implemented as part of the forthcoming 2020/21 budget cycle.

### c Human resource and equality implications

There are no new implications.

### d Timescale for implementation and risk factors

A mid-year activity report is now presented to the Audit Committee during September or October each year and then subsequently reported to Cabinet.

**Report Author:** Robert Greenfield, Accountant

**Background Papers:**

- Chartered Institute of Public Finance and Accountancy: *Code of Practice for Treasury Management in the Public Services*.
- CPBC: *Treasury Management and Investment Strategy Statement for 2019/20*.

## Summary of Loan Transactions and Interest Payable (accrued daily) for the period to 2nd October 2019

### Loan transactions activity for the period

	Amount o/s 01/04/2019 £000's	New Loans £000's	Amount o/s 02/10/2019 £000's
<b>Public Works Loan Board</b>			
General Fund	5,250	9,000	<b>14,250</b>
HRA	36,451	0	<b>36,451</b>
<b>Totals for the Council</b>	<b>41,701</b>	<b>9,000</b>	<b>50,701</b>

### Interest payable Comparison of estimate with actual

Budget Profile to 30/09/2019 £000's	Actual Interest to 30/09/2019 £000's	Variance 30/09/2019 £000's
105	<b>105</b>	0 0.0%
547	<b>547</b>	0 0.0%
<b>652</b>	<b>652</b>	<b>0 0.0%</b>

### Interest rates for the period

	Range of loans		Average
	From	To	
General Fund	1.08%	4.10%	<b>2.63%</b>
HRA	2.31%	3.49%	<b>2.98%</b>
<b>Totals for the Council</b>	<b>1.08%</b>	<b>4.10%</b>	<b>2.91%</b>

### Base rate history

08/01/2009	1.50%
05/02/2009	1.00%
05/03/2009	0.50%
04/08/2016	0.25%
02/11/2017	0.50%
02/08/2018	0.75%
30/09/2019	0.75%



## Summary of Temporary Investments and Interest Received (accrued daily) for the period to 30th September 2019

Type of Borrower	Amount Invested 01/04/2019 £000's	Made in the Period £000's	Repaid in the Period £000's	Amount Invested 30/09/2019 £000's
<b>Investments by Value:</b>				
Treasury bills	3,986	3,989	3,986	3,989
Local Authorities	6,500	6,500	6,500	6,500
Money Market Funds	17,680	49,182	46,562	20,300
Notice accounts	2,000	0	0	2,000
<b>Investments</b>	<b>30,166</b>	<b>59,671</b>	<b>57,048</b>	<b>32,789</b>
Lloyds current account	484	6	0	490
<b>Cash equivalents</b>	<b>484</b>	<b>6</b>	<b>0</b>	<b>490</b>
<b>Total</b>	<b>30,650</b>	<b>59,677</b>	<b>57,048</b>	<b>33,279</b>
<b>Number of Investment Transactions:</b>				
	Number	Number	Number	Number
Treasury bills	4	4	4	4
Local Authorities	3	3	3	3
Money Market Funds	23	86	70	39
Notice accounts	2	0	0	2
<b>Investments</b>	<b>32</b>	<b>93</b>	<b>77</b>	<b>48</b>
Lloyds current account	1	0	0	1
<b>Cash equivalents</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Total</b>	<b>33</b>	<b>93</b>	<b>77</b>	<b>49</b>

### Interest Received on Temporary Investments for the period to 30th September 2019

	£000's
Actual Interest Received	128
Revised estimate	70
Variance	58
	83%

### Temporary Investments

	£000's
Average Balance for the Period	33,585
Average Interest Rate for the Period	0.76%
Benchmark: Average 7-Day LIBID Rate	0.57%

**AUDIT COMMITTEE**

**24th October 2019**

**Subject: Corporate Risk Register Update Report**

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**1 Purpose of Report**

To update the Audit Committee on Risk Management matters, specifically the Corporate Risk Register

**2 Links to Council's priorities and objectives**

Risk Management arrangements support the delivery of all Council priorities and objectives.

**3 Recommendations:**

That the Corporate Risk Register is noted.

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**4 Corporate Risk Register**

4.1 The Corporate Risk Register has recently been reviewed by the Financial Services Manager in consultation with Heads of Service and other key officers as part of the six monthly review cycle.

4.2 The updated register has been agreed by Executive Management Team (EMT) and is included as Appendix A to this report.

**5 Corporate Implications**

**a Legal, Financial, Human resources and equality implications**

Any implications arising from Risk Management procedures and practices will be considered through the Council's normal business management process.

**b Timescales for implementation and risk factors**

The Corporate Risk Register will continue to be regularly reviewed and updated, and periodically presented to Audit Committee, normally on a six month cycle.

Robust risk Management arrangements help to reduce the risk that the Council's objectives will not be delivered.

**Report Author:** Ian Stapleton, Financial Services Manager

**Background Papers:**

- Risk Management Policy Statement and Strategy

**Appendixes**

- Appendix A – Corporate Risk Register – September 2019



## **Corporate Risk Register – September 2019**

### **Contents**

<b>Council Priority and Risk:</b>	<b>Page:</b>
Introduction.....	1
Ranking risks.....	2
Risk mapping.....	3
 <b>Council Priority: Health and Community Safety:</b>	
Risk 1: Partnership arrangements are not fully effective and could result in a focus on work that does not always support Council priorities (Head of Licensing and Safer Communities).....	4
Risk 2: Approach to Safeguarding not fully effective and embedded in the organisation with lack of clarity on responsibilities (Head of Licensing and Safer Communities).....	5
Risk 3: Risk of large numbers of households currently residing in caravans designed for leisure purposes being required to leave caravans and become homeless households requiring support from the Council with limited resources to provide (Head of Housing and Communities).....	6
 <b>Council Priority: Environment:</b>	
There are currently no items in the Corporate Risk Register relating to this priority	
 <b>Council Priority: Housing and Regeneration:</b>	
Risk 4: The vision for Regeneration is not fully clear and the achievement of outcomes is limited (Head of Place and Policy).....	7
Risk 5: The Local Plan is not progressed satisfactorily and / or is not robust resulting in central government intervention and high legal costs (Head of Place and Policy).....	8
Risk 6: Income streams from the Knightswick do not meet expectations and/or other unforeseen operational issues/costs result in the centre not being self-funding, with a consequential impact on the General Fund (Head of Place and Policy).....	9

**Council Priority: A Commercial and Democratically Accountable Council:**

Risk 7: Unable to deliver a balanced budget and achieve financial self-sufficiency (Strategic Director (Resources)).....	11
Risk 8: Potential for too many priorities and inadequate staff capacity to pursue all priorities / insufficient corporate resources to implement change (Executive Management Team).....	13
Risk 9: A long term Housing Revenue Account business plan which is unsustainable in future years (Head of Housing and Communities).....	14
Risk 10: Adequate Business Continuity (BC) arrangements in place that mitigate severe disruption to Council services (Strategic Director (Corporate Services)). ....	15
Risk 11: Unable to fully implement the requirements of the General Data Protection Act Regulations (GDPR) 2016 (Head of Law).....	16
Risk 12: Successful cyber security attack resulting in disruption to service, theft or loss of data / information, financial and reputational damage (Strategic Director (Resources)). ....	17
Risk 13: Risk of Implementation of Universal Credit (UC) and wider digital requirements by Department of Work and Pensions (DWP) impacting service delivery and effectiveness (Revenues & Benefits Transformation Manager). ....	18
Risk 14: Risk that contract re-tenders / renewals / extensions or other procurements or a lack of robust contract management may result in higher costs placing greater strain on the Council's financial position (All Heads of Service / All Service Managers).....	19

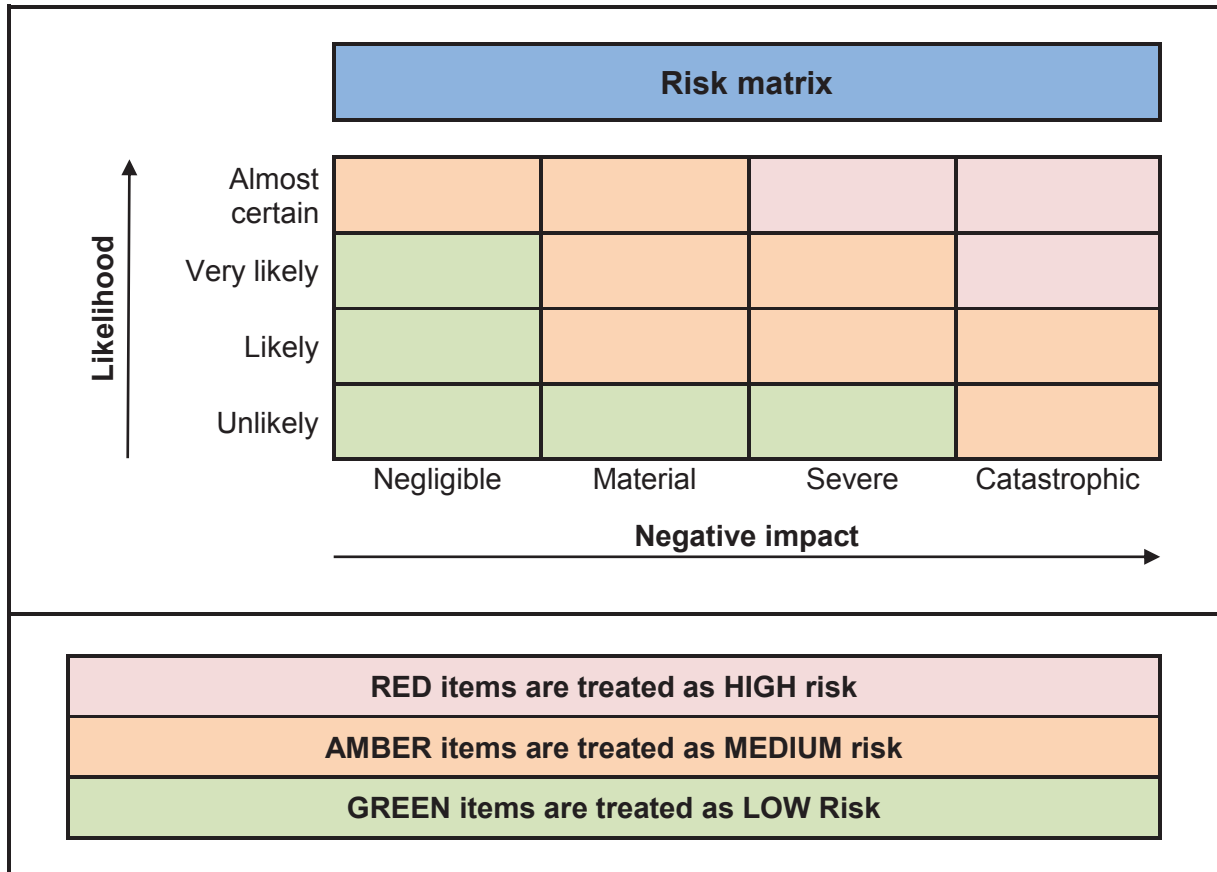
## Introduction

A **Risk** is defined by the Council as a “threat or opportunity which an event or action can have that affects the ability to achieve stated objectives.” These may be internal or external to the Council.

**Risk Management** is “the process by which risks and opportunities are identified, assessed and managed.”

All risks are assessed using the following matrix, which considers:

- The **Likelihood** of the risk occurring, and
- The **Negative impact**, should it occur.



The matrix is used to assess both the **Current Risk** and the **Target Risk** for each risk in the Corporate Risk Register:

- **Current Risk** considers any mitigating actions or controls already in place and their effectiveness.
- **Target Risk** is the level at which management will accept the risk, determined by risk appetite. (i.e. the amount of risk that the Council is willing to seek or accept in the pursuit of its objectives)

Accordingly, for each item in the Corporate Risk Register:

- A summary of the existing controls is set out for the **Current Risk**, and
- A summary of actions to further mitigate risks is set out for the **Target Risk**.

## Ranking risks

**Current Risks** and **Target Risks** are both ranked using the following table to assess likelihood and negative impact:

Likelihood			Negative impact			
Ranking	% chance of occurring	Time frequency of occurring	Ranking	One or more of:		
				Disruption to services	% impact on relevant GF or HRA budget(s)	Impact on Council reputation
<b>Almost certain</b>	>85%	Occurs annually or bi-annually	<b>Catastrophic</b>	Over three months	>20%	Significant reputational impact – national press coverage etc.
<b>Very likely</b>	50-85%	Occurs more than once in every three years	<b>Severe</b>	One to three months	10-20%	Impacts across the borough – local press coverage, etc.
<b>Likely</b>	10-50%	Occurs once in every three years	<b>Material</b>	Up to one month	5-10%	Impacts on a community group or particular area of the borough
<b>Unlikely</b>	<10%	Occurs rarely	<b>Negligible</b>	Minor disruption to services	>5%	Impacts on an individual or small number of individuals, but no wider dissemination

(This table is extracted from the “Risk Management Procedures April 2018” document, available here:

<..\\..\\Risk Management Procedure Note 2018\\Risk Management Procedures April 2018.docx>)

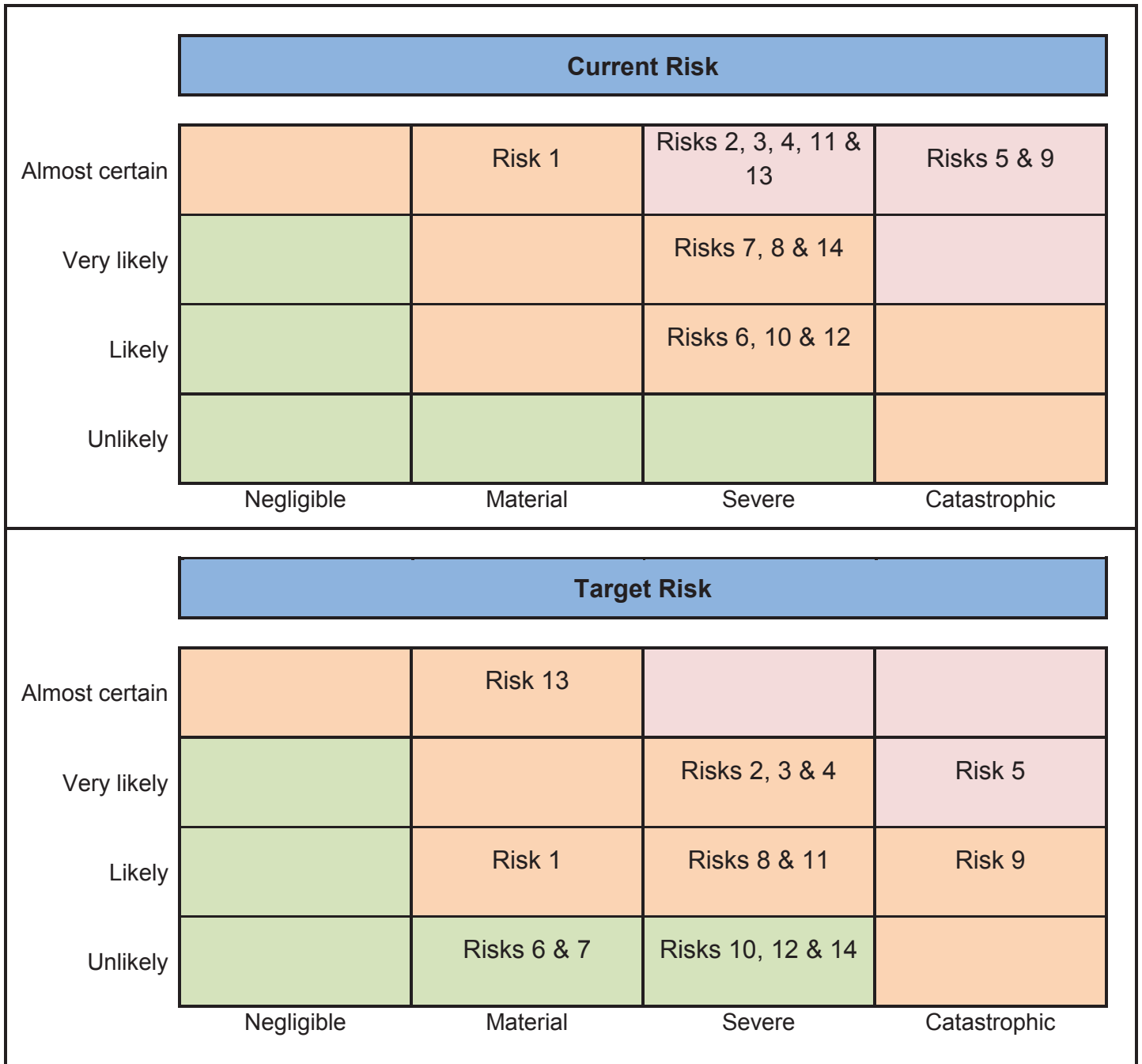
The Procedures document contains further information on various aspects of Risk Management, including:

- Identifying risks;
- Assessment of risk;
- Risk appetite and tolerance;
- Mitigating risk;
- Types of risk;
- Reviewing, and
- Communication and documentation.



### Risk mapping

The below charts show where all the risks in the Corporate Risk Register presently sit in relation to each other:



**Council Priority: Health and Community Safety**

**Risk 1: Partnership arrangements are not fully effective and could result in a focus on work that does not always support Council priorities (Head of Licensing and Safer Communities).**

**Risk snapshot – a risk affecting partnership working**

Current Risk					Target Risk				
Almost certain Very likely Likely Unlikely		X			Almost certain Very likely Likely Unlikely				
							X		
	Negligible	Material	Severe	Catastrophic		Negligible	Material	Severe	Catastrophic

**Summary of current controls:**

1	Experienced Head of Licensing and Safer Communities responsible for Local Strategic Partnership (LSP) 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.

**Assurances that controls are in place:**

1	Minutes of partnership meetings.
2	Copies of partnership documentation including strategies and action plan.

**Summary of actions to further mitigate risks:**

	Action	Responsibility	Date for completion
1	Internal Audit of Partnership arrangements	Head of Internal Audit	Completed March 2017
2	Implement Audit Plan	Head of Licensing and Safer Communities	Completed June 2018
3	Undertake review of arrangements	Strategy, Policy & Performance Manager / Head of Licensing and Safer Communities	September 2019
4	Partnership Strategy developed and agreed by Cabinet	Strategy, Policy & Performance Manager	December 2019

<b>Officer(s) with overall responsibility for risk:</b>	<b>Head of Licensing and Safer Communities</b>
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<b>Target Risk to be achieved by:</b>	<b>December 2019</b>
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**Council Priority: Health and Community Safety**

**Risk 2: Approach to safeguarding not fully effective and embedded in the organisation with lack of clarity on responsibilities (Head of Licensing and Safer Communities).**

<b>Risk snapshot – a risk with high reputational impact</b>
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Current Risk					Target Risk				
Almost certain			X		Almost certain				
Very likely					Very likely		X		
Likely					Likely				
Unlikely					Unlikely				
	Negligible	Material	Severe	Catastrophic		Negligible	Material	Severe	Catastrophic

**Summary of current controls:**

1	Head of Licensing and Safer Communities is the Designated Officer for Safeguarding Children and Vulnerable Adults.
2	Policy and approach set out in Safeguarding Strategy.
3	Monthly monitoring of safeguarding issues at Corporate Management Team (CMT).
4	Established processes and training for relevant staff.

**Assurances that controls are in place:**

1	Safeguarding Policy and Strategy.
2	Monthly CMT reports.

**Summary of actions to further mitigate risks:**

	Action	Responsibility	Date for completion
1	Review of arrangements to ensure good practice undertaken in preparation for Section 11 Audit	Head of Licensing and Safer Communities	Completed June 2018
2	Section 11 Audit undertaken by Essex County Council	Head of Licensing and Safer Communities	Completed September 2018
3	Implementation of recommendations arising from the Section 11 Audit to improve arrangements	Head of Licensing and Safer Communities	Completed September 2018
	Await next Section 11 Audit to be undertaken by Essex County Council (re-occurs every two years)	Head of Licensing and Safer Communities	Due September 2020

<b>Officer(s) with overall responsibility for risk:</b>	<b>Head of Licensing and Safer Communities</b>
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<b>Target Risk to be achieved by:</b>	<b>September 2020</b>
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**Council Priority: Health and Community Safety**

**Risk 3: Risk of large numbers of households currently residing in caravans designed for leisure purposes being required to leave caravans and become homeless households requiring support from the Council with limited resources to provide (Head of Housing and Communities).**

**Risk snapshot – an ongoing risk with potentially high impact on borough residents, Council expenditure and housing stock utilisation**

Current Risk					Target Risk				
Almost certain			X		Almost certain				
Very likely					Very likely		X		
Likely					Likely				
Unlikely					Unlikely				
	Negligible	Material	Severe	Catastrophic		Negligible	Material	Severe	Catastrophic

**Summary of current controls:**

1	Liaison meetings with owners of Thorney Bay caravan site.
2	Monitoring of homeless application received.

**Assurances that controls are in place:**

1	Minutes of meetings.
2	Performance reports.

**Summary of actions to further mitigate risks:**

	Action	Responsibility	Date for completion
1	Meeting to clarify approach by site owners.	Head of Housing and Communities / Housing Options Manager	Completed February 2018
2	Further discussions	Head of Housing and Communities / Housing Options Manager	Ongoing
3	Continue to explore options for Private Sector Leasing / Direct provision of housing for homeless households	Housing Services Manager / Housing Options Manager	Ongoing

<b>Officer(s) with overall responsibility for risk:</b>	<b>Head of Housing and Communities</b>
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<b>Target Risk to be achieved by:</b>	<b>Ongoing</b>
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**Council Priority: Housing and Regeneration**

**Risk 4: The vision for Regeneration is not fully clear and the achievement of outcomes is limited (Head of Place and Policy).**

<b>Risk snapshot – a high profile risk</b>
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	Current Risk					Target Risk			
Almost certain			X		Almost certain				
Very likely					Very likely		X		
Likely					Likely				
Unlikely					Unlikely				
	Negligible	Material	Severe	Catas-trophic		Negligible	Material	Severe	Catas-trophic

**Summary of current controls:**

1	Regeneration partnership in place
2	Review of partnerships to fit future ambition, growth and projects
3	Links to Local Strategic Partnership (LSP) and regular one to one meetings with partners
4	Focus on coordination of Council and partner activity rather than leading and matching resources.

**Assurances that controls are in place:**

1	Minutes of Regeneration partnership meetings.
2	Experienced staff managing work programmes.
3	Minutes of LSP meetings
4	Minutes of monthly briefings.

**Summary of actions to further mitigate risks:**

	Action	Responsibility	Date for completion
1	Consider recommendations from the Peer Challenge report, including a clear statement in the Regeneration Framework around objectives, and greater embedding of regeneration objectives and asset management objectives within the wider Council. This has been largely completed through various strands including internal regeneration strategy meetings, Asset Management Group and regular reports to Cabinet.	Head of Place and Policy	Complete
2	Implement action plan arising from Internal Audit in light of the changes to the Partnership.	Head of Place and Policy	October 2019
3	Ensure that detailed project briefs and timetables are in place for key projects and initiatives, particularly those which may seek to access external funding. Completion of this task heavily dependent on Partners leading the projects and initiatives.	Head of Place and Policy	November 2019

<b>Officer(s) with overall responsibility for risk:</b>	<b>Head of Place and Policy</b>
<b>Target Risk to be achieved by:</b>	<b>November 2019</b>

**Council Priority: Housing and Regeneration**

**Risk 5: The Local Plan is not progressed satisfactorily and / or is not robust resulting in central government intervention and high legal costs (Head of Place and Policy)**

**Risk snapshot – a significantly high profile risk with potentially severe implications**

Current Risk					Target Risk				
Almost certain				X	Almost certain				
Very likely					Very likely				X
Likely					Likely				
Unlikely					Unlikely				
	Negligible	Material	Severe	Catas-trophic		Negligible	Material	Severe	Catas-trophic

**Summary of current controls:**

1	Member involvement in preparation of the Local Plan.
2	Agreement by full Council June 2018 to proceed to formal consultation on the commencement of the preparation of the New Local Plan 2018 (as required by Regulation 18 of the Town & Country Planning (Local Planning) (England) Regulations 2012). Consultation completed.
3	Service Level Agreement with Essex Place Services to increase resources to deliver.
4	Recruitment of staff to start in late Summer 2019.
5	Revised Local Development Scheme (LDS) approved by Council June 2018. To be revised in October 2019.

**Assurances that controls are in place:**

1	Minutes of June 18 Council meeting.
2	Copies of reports and policies prepared by staff and consultants – e.g. Strategic Housing Market Assessment.
3	SLA with Essex Place Services.
4	Authorisation to recruit forms.
5	Draft report on revised LDS.

**Summary of actions to further mitigate risks:**

	Action	Responsibility	Date for completion
1	Local Plan considered by Full Council for pre-submission consultation.	Head of Place and Policy	To be confirmed
2	Publication and Regulation 19 consultation on Local Plan.	Head of Place and Policy	To be confirmed
3	Submission of plan to Secretary of State.	Head of Place and Policy	To be confirmed
4	Completion of Infrastructure Delivery Plan, Sustainability Assessment, whole plan viability and the evidence to support the soundness of the Plan.	Head of Place and Policy	To be confirmed

<b>Officer(s) with overall responsibility for risk:</b>	<b>Head of Place and Policy</b>
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<b>Target Risk to be achieved by:</b>	<b>April 2020</b>
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**Council Priority: Housing and Regeneration**

(Note this risk also crosses over with Council Priority: A Commercial and Democratically Accountable Council)

**Risk 6: Income streams from the Knightswick do not meet expectations and/or other unforeseen operational issues/costs result in the centre not being self-funding, with a consequential impact on the General Fund (Head of Place and Policy).**

**Risk snapshot – A significant value asset purchased in 2019/20 and of a type not previously owned by the Council.**

Current Risk					Target Risk				
Almost certain Very likely Likely Unlikely					Almost certain Very likely Likely Unlikely				
					Negligible Material Severe Catas-trophic				
			X				X		

**Summary of current controls:**

Controls during the purchase process:	
1	The use of expert external advisors on all aspects of the purchase, therefore ensuring full due diligence undertaken. These included surveys of the property's condition, tenancy covenants, conveyancing searches and all other necessary legal matters.
2	Prudent income estimates used for modelling affordability (and likely to be used for ongoing budgeting purposes) which incorporated a 15% allowance for vacant units or other income reductions.
3	Full consideration of the impact on the Council's long-term financial planning, including the Capital Strategy and Treasury Management Strategy.
4	Full consideration of best borrowing options to minimise interest charges whilst still ensuring sufficient balance is being built up in the earmarked reserve (see item 9 below).
5	"Opting to Tax" the site for VAT purposes, in order to protect the Council's VAT position.
Ongoing controls once purchase has been completed:	
6	The continued use of an external Management Agent with the relevant skills and experience to operate an asset of this nature.
7	The use of a sinking fund, maintained from tenant receipts, to deal with any unexpected costs such as unforeseen repairs.
8	The creation of an exit strategy, based on the estimated residual value if asset were sold in the future, including the use of an earmarked reserve to preserve any annual surplus of rental income over costs such as interest charges and Minimum Revenue Provision (MRP) charges. This is intended to protect the Council's position in the unlikely event that the asset would need to be disposed of in the future.
9	A clear long-term investment strategy for the centre that is deliverable and viable.

**Assurances that controls are in place:**

1	Minutes of July 2019 Cabinet and Council meetings (both private business items) setting out the processes undertaken during the acquisition.
2	****Additional assurances to follow post completion of purchase on 31 October 2019****



## Corporate Risk Register – September 2019

### Summary of actions to further mitigate risks:

	<b>Action</b>	<b>Responsibility</b>	<b>Date for completion</b>
1	Operational Risk Register to be maintained by the Management Agent and reported quarterly to the Council.	External Management Agent / Head of Place and Policy	Ongoing (after October 2019)
2	Regular monitoring of income streams and costs, and inclusion in Financial Update reports as required.	Head of Place and Policy / Strategic Director (Resources)	Ongoing (after October 2019)
3	Ongoing review of the earmarked reserve balance and MRP charges, primarily during the annual budget setting process and at the end of each financial year.	Strategic Director (Resources) / Financial Services Manager	Ongoing (after October 2019)
4	Setting of and monitoring key financial indicators in consultation with external treasury advisor.	Strategic Director (Resources) / Financial Services Manager	February 2020 (as part of the Investment Strategy included in the Policy Framework and Budget Setting report) and ongoing.
5	Preparation of a revised Master Plan for Canvey town centre that will articulate the deliverable and viable investment opportunities for the Knightswick estate and environs, and provide a framework for leveraging external funding.	Head of Place and Policy	April 2020

<b>Officer(s) with overall responsibility for risk:</b>	<b>Head of Place and Policy / Strategic Director (Resources)</b>
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<b>Target Risk to be achieved by:</b>	<b>Ongoing</b>
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**Council Priority: A Commercial and Democratically Accountable Council****Risk 7: Unable to deliver a balanced budget and achieve financial self-sufficiency (Strategic Director (Resources)).****Risk snapshot - an ongoing risk with Council-wide implications for all services**

Current Risk					Target Risk				
Almost certain					Almost certain				
Very likely			X		Very likely				
Likely					Likely				
Unlikely					Unlikely	X			
	Negligible	Material	Severe	Catastrophic		Negligible	Material	Severe	Catastrophic

**Summary of current controls:**

1	Medium Term Financial Forecast (MTFF) identifies value of efficiencies required to be implemented in order to set a balanced budget for each respective financial year. These may be achieved through reductions in expenditure or achieving additional income.
2	Budget process for 2019/20 completed and balanced budget set (not dependent on achievement of in-year savings). Budget report made clear reference to future year's funding gap to ensure Member awareness.
3	Financial management procedures remain unaltered. Regular financial monitoring and reporting is undertaken to EMT and Cabinet. Formal reports to Cabinet approximately bi-monthly with regular updates on issues of a financial nature.
4	Commercial Principles adopted by the Council.
5	All Council reports include reference to financial implications and decisions of a financial nature are taken in the context of the medium term financial forecast.
6	Specific earmarked reserves are maintained in order to manage the impact of changes in funding from business rates or planned fluctuations in expenditure (e.g. IT investment and maintenance of buildings),
7	Consistent financial advice provided to EMT & Cabinet.

**Assurances that controls are in place:**

1	Budget / MTFF agreed by Cabinet and Council in February annually and record of meetings.
2	Financial update reports to Cabinet and record of meetings.
3	Commercial Council Principles adopted by Cabinet in February 2018 and reaffirmed June 2018.
4	Records of meetings, reports and business cases considered by Cabinet & EMT.
5	Annual Statement of Accounts and accompanying reports to Cabinet and Council.
6	Financial Management reports to EMT & Cabinet and Assurance statements "signed off" by individual service managers.
7	External Audit Annual Audit Letter.

## Corporate Risk Register – September 2019

### Summary of actions to further mitigate risks:

	Action	Responsibility	Date for completion
1	Detailed review of General Fund Budget by Financial Services	Strategic Director (Resources) / Financial Services Manager	September 2019
2	Establishment of departmental efficiency targets for identification by service departments – effective from.	Strategic Director (Resources) / Financial Services Manager	Completed May 2019
3	Successful achievement of departmental efficiency targets in time for 2020/21 budget approval.	All budget holders	December 2019
4	Monitoring of financial developments and forecasting impact on MTFF.	Strategic Director (Resources)	Ongoing
5	Post implementation review of Leisure and other major projects	Strategic Director (Resources)	Ongoing
6	Commercialisation project	Strategic Director (Resources)	Ongoing
7	Establishment of a commercial strategy	Strategic Director (Resources)	In-progress
8	Implementation of technology roadmap	Strategic Director (Resources)	Ongoing
9	To achieve financial self-sufficiency, i.e. no longer reliant on any Central Government funding sources.	Council	Ongoing – target date to be determined and largely dependent on external factors.
10	Lobby precepting organisations for the continuation of the Council Tax share back agreement	Strategic Director (Resources)	December 2019
11	Engagement with Members in Budget decision making process	Strategic Director (Resources)	December 2019

<b>Officer(s) with overall responsibility for risk:</b>	<b>Strategic Director (Resources)</b>
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<b>Target Risk to be achieved by:</b>	<b>March 2022</b>
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**Council Priority: A Commercial and Democratically Accountable Council**

**Risk 8: Potential for too many priorities and inadequate staff capacity to pursue all priorities / insufficient corporate resources to implement change (Executive Management Team).**

**Risk snapshot – an ongoing risk across all Council services**

	Current Risk					Target Risk			
Almost certain					Almost certain				
Very likely			X		Very likely				
Likely					Likely		X		
Unlikely					Unlikely				
	Negligible	Material	Severe	Catas-trophic		Negligible	Material	Severe	Catas-trophic

**Summary of current controls:**

1	Corporate Plan including refreshed corporate objectives
2	Directorate and Service Planning in place.
3	Establishment of Corporate Action Plan and regular review at Corporate Management Team (CMT) and/or Executive Management Team (EMT).
4	Regular Personal Performance and Development Plans (PPDPs) undertaken supported by team meetings and 1 to 1s. Managers empowered to identify and deliver training to staff. Corporate training also delivered.

**Assurances 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	Process to ensure compliance with PPDP process.
4	Project plans and monitoring for key department projects.
5	Minutes of CMT/EMT meetings evidencing regular review of Corporate Action Plan.

**Summary of actions to further mitigate risks:**

	Action	Responsibility	Date for completion
1	Regular review of Corporate Action Plan to ensure it reflects key objectives and actions	CMT/EMT	Ongoing
2	Progress corporate development approach to help spread skills and capacity (e.g. Investigation & Appraisal training delivered)	Strategic Director (Resources) / HR Manager	Ongoing
3	Progress programme to implement ICT improvements to reduce staff intensive working procedures, increase productivity and enhance service provision (e.g. Skype and Office 365)	Strategic Director (Resources) / IT Service Manager	Ongoing – specific projects have specific timeframes
4	Organisational Development to build capacity and skills within the organisation – identified through Peer Challenge – at investigation stage	Strategic Director (Resources) / HR Manager	TBA – currently at investigation stage
5	Progress ICT programme to expand potential for mobile and flexible working. Benefits to recruitment and retention of staff	Strategic Director (Resources) / IT Service Manager	Ongoing – specific projects have specific timeframes
6	Managing Member expectations to ensure that priorities are agreed and maintained and to minimise unplanned / additional projects.	EMT	On-going

<b>Officer(s) with overall responsibility for risk:</b>	<b>Executive Management Team</b>
<b>Target Risk to be achieved by:</b>	<b>Ongoing</b>

**Council Priority: A Commercial and Democratically Accountable Council**

**Risk 9: A long term Housing Revenue Account business plan which is unsustainable in future years (Head of Housing and Communities).**

**Risk snapshot – an ongoing risk with implications for the whole HRA**

Current Risk					Target Risk				
Almost certain				X	Almost certain				
Very likely					Very likely				
Likely					Likely				X
Unlikely					Unlikely				
	Negligible	Material	Severe	Catastrophic		Negligible	Material	Severe	Catastrophic

**Summary of current controls:**

1	30 year HRA business plan which identifies cost pressures in future years.
2	Capital programme linked to condition survey and re-profiling / cost reduction to help with dealing with income reductions.
3	Ongoing budget monitoring.

**Assurances 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:**

	Action	Responsibility	Date for completion
1	Development of Housing Asset Management Plan	Head of Housing and Communities	Agreed by Cabinet September 2018
2	Completion of full stock condition survey and analysis to provide updated requirements to aid short-term budget setting and incorporate into long-term business planning	Head of Housing and Communities	Completed November 2018
3	Review existing information and set capital programme to meet decent homes and identified prioritised repairs requirements	Head of Housing and Communities	Completed March 2019
4	Ongoing 30-year business planning with smoothing to ensure long term affordability of capital programme	Head of Housing and Communities	Ongoing
5.	Integrate 30-year business planning with Asset Management Strategy and obtain Cabinet approval.	Head of Housing and Communities	September 2019
6	Ongoing analysis of government legislation and timescales as well as developments from conferences, etc. to inform planned preparations for Housing Service development	Housing Services Manager	Ongoing

<b>Officer(s) with overall responsibility for risk:</b>	<b>Head of Housing and Communities</b>
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<b>Target Risk to be achieved by:</b>	<b>September 2019 (and ongoing)</b>
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**Council Priority: A Commercial and Democratically Accountable Council****Risk 10: Adequate Business Continuity (BC) arrangements in place that mitigate severe disruption to Council services (Strategic Director (Corporate Services)).****Risk snapshot - an ongoing risk across all Council services**

	Current Risk					Target Risk			
Almost certain					Almost certain				
Very likely					Very likely				
Likely			X		Likely				
Unlikely					Unlikely		X		
	Negligible	Material	Severe	Catas-trophic		Negligible	Material	Severe	Catas-trophic

**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 (DR) plan in place / Critical software list prepared / IT Disaster Recovery and software access testing.
5	Guidance provided to Managers on Impact Analysis, BC plans completion and sharing plans.
6	BC plans desktop checks or tests undertaken annually.
7	Intruder and Fire alarm systems installed in key corporate buildings (some systems monitored out of hours).
8	EP/BC policy and framework documents outlining corporate response arrangements.

**Assurances that controls are in place:**

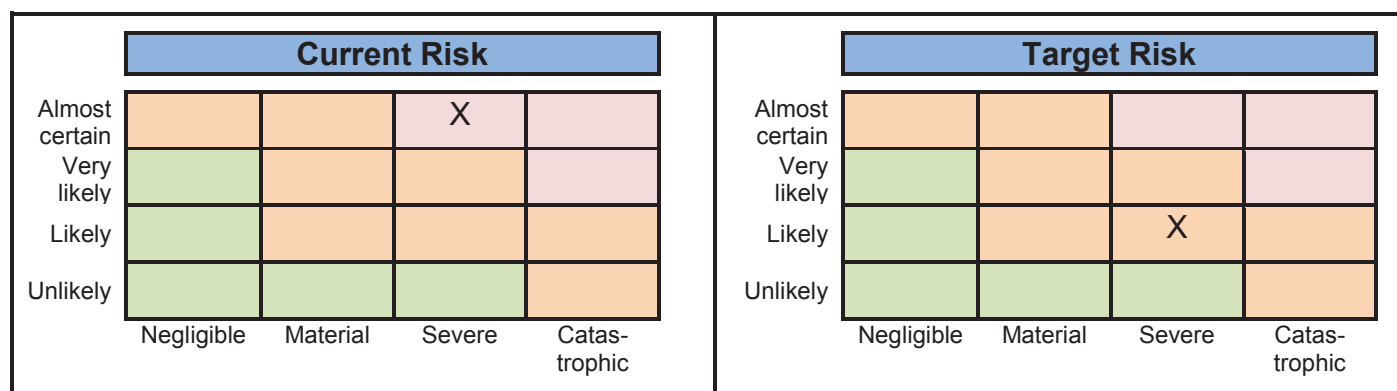
1	Copies of plans held in S drive Corporate folder (classified versions password protected)
2	Corporate BC plan and other documents stored on 'Resilience Direct' secure website for responders
3	Record of presentations/workshops held
4	Annual IT DR test undertaken, and post exercise report saved
5	Record 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	Services to refresh their Service level BIAs on a revised template to capture additional information and more user friendly	Strategic Director (Corporate Services) FM Manager	Completed March 2018
2	Annual DR Test – Capita and Services using critical IT applications (Next Test Jan 2019)	IT Service Manager / Capita	Completed March 2018
3	Refresh of Corporate Generic Business Continuity Plan	FM Manager	Completed May 2018
4	ICT programme to expand mobile / remote working capability across all service areas	Strategic Director (Resources) / ICT Manager	Ongoing.

<b>Officer(s) with overall responsibility for risk:</b>	<b>Strategic Director (Corporate Services) / Facilities &amp; Asset Manager / IT Service Manager</b>
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<b>Target Risk to be achieved by:</b>	<b>March 2019</b>
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**Council Priority: A Commercial and Democratically Accountable Council****Risk 11: Unable to fully implement the requirements of the General Data Protection Act Regulations (GDPR) 2016 (Head of Law).****Risk snapshot – an ongoing risk with extreme financial implications for data breaches****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 Zurich Municipal (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.

**Assurances 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 / Strategic Director (Resources) / OMT	Ongoing (GDPR deadline May 2018)
5	Follow up on Information Governance Audit to be undertaken by Internal Audit	Head of Internal Audit	Completed January 2019
6	Follow up GDPR Health Check to be undertaken by ZM	Head of Law	Currently on hold
7	Review processes for dealing with FOIAs and SARs following significant increase in the number of FOIAs being received	Head of Law / Strategy, Policy & Performance Manager	March 2020

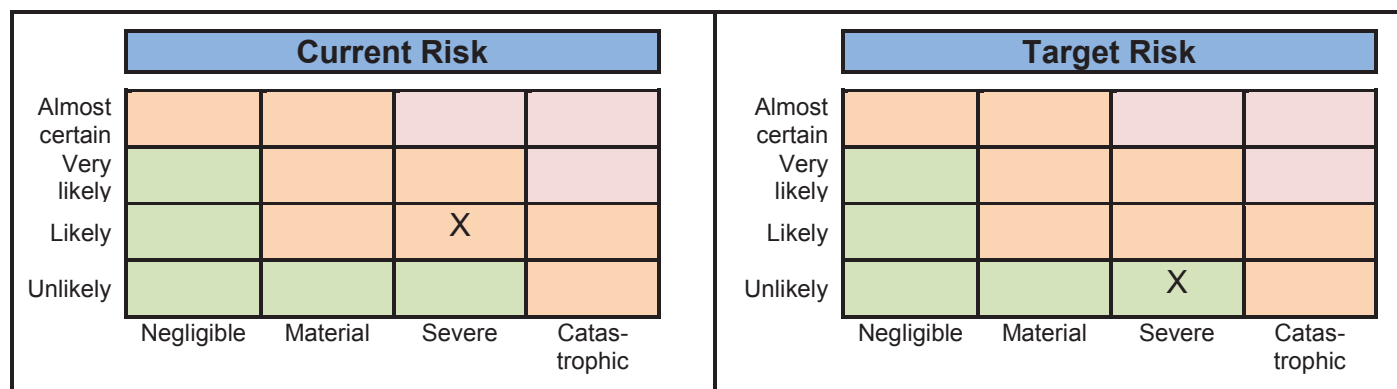
<b>Officer(s) with overall responsibility for risk:</b>	<b>Head of Law</b>
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<b>Target Risk to be achieved by:</b>	<b>Ongoing</b>
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**Council Priority: A Commercial and Democratically Accountable Council**

**Risk 12: Successful cyber security attack resulting in disruption to service, theft or loss of data / information, financial and reputational damage (Strategic Director (Resources)).**

**Risk snapshot – an ongoing risk with potentially severe impact on Council operations**

**Summary of current controls:**

1	Cyber security strategy in place supported by appropriate policies and procedures. Regularly reviewed and maintained.
2	Awareness of cyber threats raised 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 Public Sector Network (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.

**Assurances that controls are in place:**

1	PSN compliance certification – annual assessment.
2	Reports and action plans arising from quarterly Nessus scans provided by Capita and minutes of monthly Service Level Review (SLR) meetings.
3	Outcomes from periodic Metaphish exercise regularly reported to EMT.
4	LGA local authority survey of Cyber Security arrangements resulting “Amber/Amber” assessment for CPBC.
5	Working with Essex Online Partnership to bid for government funds on a collaborative approach to further strengthening approach to Cyber Security.

**Summary of actions to further mitigate risks:**

	Action	Responsibility	Date for completion
1	Quarterly Metaphish exercise	IT Service Manager / Capita	Quarterly / ongoing
2	Progress Cyber Security Actions	Strategic Director (Resources) / IT Service Manager	Ongoing
3	Annual PSN certification	IT Service Manager	August (Annually)
4	Cyber security preparedness survey undertaken by the LGA. Essex Online Partnership (EOLP) currently establishing a collaborative approach to addressing actions identified.	IT Service Manager	To be agreed

<b>Officer(s) with overall responsibility for risk:</b>	<b>Strategic Director (Resources)</b>
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<b>Target Risk to be achieved by:</b>	<b>Ongoing</b>
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**Council Priority: A Commercial and Democratically Accountable Council****Risk 13: Risk of Implementation of Universal Credit (UC) and wider digital requirements by Department of Work and Pensions (DWP) impacting service delivery and effectiveness (Revenues & Benefits Transformation Manager).****Risk snapshot – an ongoing risk with high impact on the service and benefit recipients**

Current Risk					Target Risk				
Almost certain Very likely Likely Unlikely			X		Almost certain Very likely Likely Unlikely		X		
	Negligible	Material	Severe	Catastrophic		Negligible	Material	Severe	Catastrophic

**Summary of current controls:**

1	Regular liaison with Department of Work and Pensions (DWP), Job Centre Plus (JCP), and Advice & Support providers.
2	Service planning via Universal Credit Working Group (UCWG).
3	Stakeholder engagement and support.

**Assurances that controls are in place:**

1	Minutes of meetings with DWP/JCP, Pan Essex meetings and emails.
2	UCWG Action plan, meeting notes and emails.
3	Training events, emails, Action Plan, Members Briefings, publications, website info, Community Engagement Support Officer outcomes.
4	Notes of joint liaison meetings between CPBC, JCP, Peabody & CAB in relation to UC support and general advice and support services for residents

**Summary of actions to further mitigate risks:**

	Action	Responsibility	Date for completion
1	Liaise with JCP, Peabody and CAB to ensure DWP's national approach to using CAB for UC advice from April 2019 is not disruptive to customers or service provision.	Transformation Manager	Quarterly & ongoing
2	Ongoing work by Benefits, Revenues and Housing Teams to monitor impact of Universal Credit and undertake any changes as necessary and possible to reduce negative impact on performance.	Transformation Manager / Head of Housing and Communities	Ongoing

<b>Officer(s) with overall responsibility for risk:</b>	<b>Revenues &amp; Benefits Transformation Manager</b>
<b>Target Risk to be achieved by:</b>	<b>Ongoing</b>

**Corporate Risk Register – September 2019**  
**Council Priority: A Commercial and Democratically Accountable Council**

**Risk 14: Risk that contract re-tenders / renewals / extensions or other procurements or a lack of robust contract management may result in higher costs placing greater strain on the Council's financial position (All Heads of Service / All Service Managers).**

**Risk snapshot – an ongoing risk across all services**

	Current Risk					Target Risk			
Almost certain					Almost certain				
Very likely			X		Very likely				
Likely					Likely				
Unlikely					Unlikely		X		
	Negligible	Material	Severe	Catas-trophic		Negligible	Material	Severe	Catas-trophic

**Summary of current controls:**

1	Detailed procedures in place and documented. Procurement financial thresholds are set out to confirm relevant process to follow depending on cost.
2	Contracts register maintained with details on contracts over £5,000, including contract end dates.
3	Council is a member of Braintree Procurement Hub (managed by Braintree Council) and can access their expert support and available frameworks.
4	Annual spend review / challenge exercise undertaken by Facilities Management.

**Assurances that controls are in place:**

1	Procurement Toolkit updated by Legal Services June 2018. Toolkit has all relevant documents and templates embedded within it so that everything required can be accessed from within one document.
2	Contract Register on Council intranet and website: <a href="http://v5intranet/cpapps/index.cfm?fa=contracts">http://v5intranet/cpapps/index.cfm?fa=contracts</a> and <a href="https://apps.castlepoint.gov.uk/cpapps/index.cfm?fa=contracts">https://apps.castlepoint.gov.uk/cpapps/index.cfm?fa=contracts</a>
3	Braintree Procurement Hub: <a href="http://www.braintree.gov.uk/info/200316/selling_to_the_council/679/essex_procurement">www.braintree.gov.uk/info/200316/selling_to_the_council/679/essex_procurement</a>
4	Contract data recorded on Improvement East Website: <a href="http://contracts.eelga.gov.uk/">http://contracts.eelga.gov.uk/</a>

**Summary of actions to further mitigate risks:**

	Action	Responsibility	Date for completion
1	Ensure that all contract re-tender processes allow enough time to be completed before the expiry of the current contract	All Heads of Service / All Service Managers	Ongoing
2	Ensure that if any contract extension options are taken up that they are agreed with the contract provider in accordance with the timeframes, terms and processes stated within the contract	All Heads of Service / All Service Managers	Ongoing
3	Ensure that Legal Services and Financial Services are consulted in relation to any contracts, early in the process	All Heads of Service / All Service Managers	Ongoing
4	Ensure that Legal Services and Financial Services are consulted in relation to applications for funding, including potential State Aid implications	All Heads of Service / All Service Managers	Ongoing
5	Ensure that where applicable the Braintree Procurement hub and frameworks are used	All Heads of Service / All Service Managers	Ongoing
6	Consult with Financial Services on a periodic basis to request financial re-appraisals on companies providing works/services on long term contracts	All Heads of Service / All Service Managers	Ongoing
7	Risk management training in relation to procurement / contract extension-renewals and contract management	All Heads of Services / All Service Managers	Completed March 2019

<b>Officer(s) with overall responsibility for risk:</b>	<b>All Heads of Service / All Service Managers</b>
<b>Target Risk to be achieved by:</b>	<b>ongoing</b>

