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CHIEF EXECUTIVE'S OFFICE
CHIEF EXECUTIVE
Fiona Marshall

29 November 2017

Dear Councillor

You are summoned to attend the meeting of the;

AUDIT COMMITTEE

on **THURSDAY 7 DECEMBER 2017** at **3.00 pm.**

in the Council Chamber. Maldon District Council Offices, Princes Road, Maldon.

A copy of the agenda is attached.

Yours faithfully

A handwritten signature in black ink, appearing to read 'F. R. Marshall', enclosed within a hand-drawn oval.

Chief Executive

COMMITTEE MEMBERSHIP

CHAIRMAN

Councillor P G L Elliott

VICE-CHAIRMAN

Councillor E L Bamford

COUNCILLORS

A S Fluker

B E Harker

M S Heard

R Pratt, CC

A K M St. Joseph

Mrs M E Thompson

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**AGENDA
AUDIT COMMITTEE**

THURSDAY 7 DECEMBER 2017

1. **Chairman's notices (please see overleaf)**

2. **Apologies for Absence**

3. **Minutes of the last meeting** (Pages 5 - 14)

To confirm the Minutes of the meeting of the Audit Committee held on 31 August 2017, (copy enclosed).

4. **Disclosure of Interest**

To disclose the existence and nature of any Disclosable Pecuniary Interests, other Pecuniary Interests or Non-Pecuniary Interests relating to items of business on the agenda having regard to paragraphs 6-8 inclusive of the Code of Conduct for Members.

(Members are reminded that they are also required to disclose any such interests as soon as they become aware should the need arise throughout the meeting).

5. **Quarterly Review of Corporate Risk** (Pages 15 - 32)

To receive and note the report of the Director of Resources (copy enclosed).

6. **External Audit - Audit Letter 2016 / 17** (Pages 33 - 60)

To receive and note the report of the Director of Resources (copy enclosed).

7. **Progress Against 2017 / 18 Internal Audit Plan** (Pages 61 - 74)

To receive and note the report of the Director of Resources (copy enclosed).

8. **Any other items of business that the Chairman of the Committee decides are urgent**

NOTICES

Sound Recording of Meeting

Please note that the Council will be recording any part of this meeting held in open session for subsequent publication on the Council's website. At the start of the meeting an announcement will be made about the sound recording. Members of the public attending the meeting with a view to speaking are deemed to be giving permission to be included in the recording.

Fire

In event of a fire, a siren will sound. Please use the fire exits marked with the green running man. The fire assembly point is outside the main entrance to the Council Offices. Please gather there and await further instruction.

Health and Safety

Please be advised of the different levels of flooring within the Council Chamber. There are steps behind the main horseshoe as well as to the side of the room.

Closed-Circuit Television (CCTV)

This meeting is being monitored and recorded by CCTV.



**MINUTES of
AUDIT COMMITTEE
31 AUGUST 2017**

PRESENT

Chairman	Cllr P G L Elliott
Vice-Chairman	Cllr E L Bamford
Councillors	A S Fluker, B E Harker, M S Heard, A K M St. Joseph, Mrs M E Thompson and R G Boyce MBE
Substitute Members	Councillors R G Boyce, MBE

357. CHAIRMAN'S NOTICES (PLEASE SEE OVERLEAF)

The Chairman drew attention to the list of notices published on the back of the agenda.

358. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor R Pratt, CC. In accordance with notice given Councillor R G Boyce, MBE was acting as substitute for Councillor Pratt.

359. MINUTES OF THE LAST MEETING

RESOLVED

- (i) that the Minutes of the meeting of the Committee held on 22 June 2017 be received.

Minute No. 187

At the end of the first sentence of the fourth paragraph, the words “...on other committees” should be added.

RESOLVED

- (ii) that subject to the above amendment the Minutes of the meeting of the Committee held on 22 June 2017 be confirmed.

360. DISCLOSURE OF INTEREST

There were none.

361. ANNUAL GOVERNANCE REPORT 2016-17

The Committee considered the report of the External Auditors, the purpose of which was to provide them with an opportunity to report the key findings of their audit to those charged with governance, prior to issuing their opinion on the 2016/17 Statement of Accounts.

Section 1 – Executive Summary

The Appointed Auditor advised that the audit was mostly completed and that it was hoped to issue both an unqualified opinion and an unqualified value for money statement.

Two objections to the Council's accounts had been received which raised issues relating to value for money. Having considered the objections, which did meet the statutory requirements for objections, EY had decided not to accept them on the grounds of proportionality. The reasoning for this was that the cost to the authority and the public purse would be significant in relation to the value of the items that had been objected to.

The points in relation to value for money had been considered and whilst there were areas for improvement, there were no significant issues and they did not impact upon the value for money conclusion.

The Appointed Auditor then drew attention to the areas where they had not completed their procedures. Most of these related to the signing and finalisation process and it was hoped that these would be completed soon.

There were some small remaining audit queries which were currently being cleared and these were not significant.

There was a query over valuation of property, plant and equipment (PPE) that was being looked at by EY's valuers. The Appointed Auditor assured Members of the Committee that this had arisen at a number of other local authorities. EY's valuers had been requested to re-look at valuations of the council offices and the leisure centre. It was hoped that a response would be received shortly with assurance that the valuations were not materially misstated. If, however, they were found to be materially misstated, then the matter would be discussed with the Council's finance team. Whilst there was no impact upon the actual net worth of the Council, PPE assets must be materially accurate and reasonable.

In relation to audit differences, there were no unadjusted differences, which was very positive.

Section 2 – Areas of Audit Focus

The Appointed Auditor highlighted the main areas of risk to the audit; being management override and estimations. EY confirmed satisfaction with all estimations regarding pensions.

EY's pensions experts had looked at work done and were in agreement with PwC's conclusions that some valuation methodology did not take account of the duration of the schemes liabilities and that this was a risk. Based on the work done this year, EY were satisfied that there was no material impact for the Council. However, EY advised that

discussions with the pensions administrator should be held, to ensure that there is no risk of a material error starting to accumulate in the Council's account relating to the assumptions made.

Section 5 – Value for Money

The Appointed Auditor apologised for a formatting error and advised that the overall conclusion should read:

“We did not identify any significant risks in your value for money conclusion and, therefore, there is nothing to report.”

The External Audit Manager then drew attention to the positive aspects and the focus on financial sustainability, amongst other things. The Council was in a reasonably strong position, although all Councils were subject to risks (highlighted in the report). The Council was addressing the gaps and looking at areas for income generation.

Section 7 – Assessment of Control Environment

At the time of review in March EY found the contracts register was not fully up-to-date. A moderate priority recommendation was raised and this would be followed up to ensure that arrangements were strengthened next year.

The Appointed Auditor thanked the Council's finance team and stated that the audit had gone well, responses had been timely, prompt and of good quality. The Council was in a good position for the earlier sign-off deadline of the end of July 2018. A meeting would be held next week to discuss how to respond to the challenge of the earlier deadline for next year.

The Appointed Auditor then invited questions from Members.

- Was EY satisfied that the Council was executing its policies properly in relation to debtors and, in particular, long term debtors and whether the list of long term debtors had been reviewed? Some of the long term debts had become of interest to Members and there was a need to be satisfied that EY believed that action being taken by the Council fitted within its policies.

The Appointed Auditor advised that if a long term debt was material then it would be reviewed as would the Council's processes. However, EY's involvement was to check the accuracy of figures rather than looking at the Council's compliance with its policies.

- Although the importance of the democratic right of the public to challenge accounts was acknowledged, what was the cost to the Council of this?

The Appointed Auditor advised that the cost to the Council would be in the region of 1-2 days of her time. This was not built in to the fees charged as it was not something that normally occurred. However, fees would be kept to a minimum wherever possible. There was not really anything that could be done to prevent such challenges.

Members were further advised that there had been a change in legislation a couple of years ago and some objections could now be rejected at an earlier stage. There was now clearer guidance on what should be taken forward and what could be discounted on the basis of proportionality and cost to the public purse.

- Clarity was requested as to whether measures regarding the contracts register had been put in place and what they were.

The Appointed Auditor advised that EY did not go back to check if the Council had taken any measures, but it would be addressed during the following year.

- Who made the objections to the accounts and what were they?

The External Audit Manager advised that there were two separate objectors on the same topic. However, objectors would not be named in the report and due process was to be followed.

RESOLVED:

- (i) that Members agreed to any uncorrected misstatements in Section 4 of the Audit Results Report remaining uncorrected;
- (i) that Members formally noted the opinion of the Auditors on the draft Statement of Accounts;
- (ii) that in all other respects the report of the External Auditors be noted.

362. STATEMENT OF ACCOUNTS 2016-17 AND LETTER OF REPRESENTATION

The Committee considered the report of the Director of Resources, reporting to Members the position of the Ernst and Young LLP (EY) audit of the statements and any amendments arising from the audit.

The report outlined that the contents of the Statement of Accounts were largely determined by statutory requirements and mandatory professional standards as set out within The Code of Practice on Local Authority Accounting (The Code). The Council's unaudited Statement of Accounts for 2016/17 was signed off by the Director of Resources at the end of June.

The Director of Resources advised the Committee that in relation to EY's comments earlier in the meeting on pensions, this would be taken up with Essex County Council as they were the pensions administrator. In relation to EY's comments earlier in the meeting on valuations, the Council commissioned valuations from a reputable valuer and had not had any issues in the past and had, as an authority, complied with due process.

Members asked various questions and responses were given:

Transfers to/from Earmarked Reserves

- Repairs and Renewals – there was a big difference from previous years – where has the money been spent?

This was in fact a contribution in to the reserve which was agreed as part of the budget process earlier in the year.

- Community Grants – how did this work?

Money was required to be there for any outstanding payments that still needed to be made. There was money to cover existing liabilities in reserves.

- Local Development Plan (LDP) – why were large costs budgeted for?

These figures were at 31 March 2017 and we did not have an approved LDP at that point. The Finance and Corporate Services Committee would review this, followed by a review by Council during the budget. The sums involved would then be transferred to where funding was needed.

- Heritage Projects – was this the grant for listed buildings?

Environmental Initiatives and Historic Listed Buildings were both included in this amount. During the year £6,000 had been spent - £4,000 on listed buildings and £2,000 on environmental initiatives.

Concern was raised regarding objections and that EY could decide not to pursue them. The Appointed Auditor advised that objections must be considered against certain criteria. The cost of the items objected to in relation to the costs of considering the objection/issuing a decision notice etc. would be considered as the costs of investigating objections ultimately fell on Maldon District council tax payers. If an objection indicated a wider issue, then EY could investigate.

The Director of Resources then advised Members that the Letter of Representation provided Auditors with assurance that officers had carried out due process and acknowledged the Council's responsibility.

RESOLVED:

- (i) that the audited Statement of Accounts for 2016/17 be approved; and
- (ii) that delegated authority be given to the Chairman of the Audit Committee and the Director of Resources for the final approval of the 2016/17 Statement of Accounts and letter of representation.

363. BRIEFING NOTE FROM EXTERNAL AUDITOR (ERNST AND YOUNG)

The Committee received the report of the Director of Resources informing Members of the Committee regarding the briefing note published by the Council's External Auditor (EY).

The Appointed Auditor drew Members' attention to the section of Appendix 1 to the report setting out information and steps to be taken in relation to cyber-security. The need to keep this high on the Council's agenda was stressed and it was suggested that this Committee may wish to have this as an agenda item from time-to-time to ensure processes were being reviewed and kept up-to-date.

A Member asked if the Annual Governance Statement had been reviewed and commented that the St. Cedds issue was a massive failing of the Council. The Chairman advised that it had been dealt with and that the comments were noted.

RESOLVED that the briefing by Ernst & Young LLP, as shown in Appendix 1 to the report, be noted.

364. PERFORMANCE AGAINST INTERNAL AUDIT PLAN

The Committee received the report of the Director of Resources, the purpose of which was to report progress to date with regard to work completed and any deviances to, or slippage, on the Internal Audit Plan 2016 / 17.

The Internal Auditor advised that one audit had been completed since the last report to this Committee. All matters were either in progress or timing had been agreed for them to be actioned later in the year.

The Internal Auditor further advised that anything that remained outstanding from previous years would be followed-up until completed and that most items from 2015/16 were now completed.

In response to a question, the Internal Auditor advised that, in relation to invoices without order numbers, the Council had now introduced a "no purchase order, no pay" policy and was taking a strong line on that.

The Internal Auditor assured the Committee that some of the recommendations were not scheduled to be implemented yet and would be dealt with later in the year. Following a request, it was agreed that both the original due date and the revised due date would be shown on future reports. It was further requested that recommendations in progress also be shown on the report. The Internal Auditor confirmed that the report would be made clearer.

RESOLVED that the progress against the 2016 / 17 Internal Audit Plan, be noted.

365. UPDATED INTERNAL AUDIT CHARTER

The Committee received the report of the Director of Resources detailing the Internal Audit Charter which was a requirement of the Public Sector Internal Audit Standards (PSIAS). It formally defined internal audit's mission, purpose, authority and responsibility. It also established internal audit's position within Maldon District Council and defined the scope of internal audit activities.

The PSIAS were revised with effect from April 2017 and the changes had been reflected in the updated charter.

RESOLVED that the Updated Internal Audit Charter for 2017/18 be noted.

366. QUARTERLY REVIEW OF CORPORATE RISK

The Committee considered the report of the Director of Resources providing an update on the position at the end of Quarter 1 (30 June 2017) on the corporate risks included within the Corporate Risk Register 2017/18.

The Director of Resources advised that the process for this was that the Audit Committee raised queries, which were then taken back to the Corporate Leadership Team (CLT) for consideration. It was CLT that owned the Risk Register.

Councillor M S Heard declared a non-pecuniary interest at this point in the meeting, as he was employed by Essex Police. He had withdrawn from the last Audit Committee meeting when the Risk Register was discussed on the advice of the Monitoring Officer. However, he did not intend to leave this meeting as his question did not have any bearing on anything operational or affecting this authority.

Members discussed the report and raised a number of issues:

Risk re: Changes to police resources/priorities impacts resident perception of crime -
The Performance and Risk Officer advised that CLT had discussed that there may be a risk around policing, but that it needed to be clearly defined as it may no longer be around the perception of crime. This would be discussed with the Responsible Authorities Group and, following this, an appropriate risk to be included on the Risk Register would be brought back to this Committee.

In response to a question, the Chairman confirmed that it was for CLT to decide what was included on the risk register, but that this Committee could make recommendations to it and note its displeasure if there was something the Committee believed should be included but was not.

Councillor E L Bamford proposed that this Committee recommend to CLT that risks regarding flooding and police be reinstated on the Risk Register. This proposal was not seconded.

The Director of Resources commented that in terms of the flooding risk a specific risk would be defined following a meeting between the Environment Agency, Essex County Council and Maldon District Council. This did not mean that CLT would not include a risk relating to tidal flooding.

In terms of the police risk, CLT had considered the concerns of this Committee and agreed that there should be a risk relating to crime, but that it must be clearly defined.

In response to a request, the Director of Resources confirmed that Minutes of the meeting of CLT where the Risk Register was discussed would be circulated to Members of this Committee. There were difficulties in accessing the idrive (where these Minutes

were kept) on ipads and the Director of Resources advised that she would take this up with the IT Department.

The Chairman raised concerns as he was of the understanding that the Risk Register was not the sole domain of CLT. He requested that a report be brought back to the next meeting of the Audit Committee setting out the policy and when the decision was made for CLT to own the Risk Register.

The Appointed Auditor advised the Committee that in her experience it was usually senior management that owned the Risk Register and that the Audit Committee would review it.

The Performance and Risk Manager would take the Committee's comments and concerns back to CLT.

A request was made for this issue to be referred to Council for a definitive decision.

Members again raised concern regarding the police as a tenant of the Council and that public perception was that the move was not a good thing. Therefore, Members considered the risk should remain on the Risk Register.

The Appointed Auditor clarified that management override referred to earlier in the meeting came from an auditing standard and related to financial statements relating to systems control only and not to the decision making process of the Council.

Risk re: Uncertainty regarding strategic ownership of flooding mitigation and long term maintenance responsibilities - Members were concerned that the comments in the report were not an adequate response from CLT and did not address the issues sufficiently in relation to tidal flooding.

It was requested that a workshop be held to review corporate risk further to gain further assurance that corporate risk was being managed effectively.

RESOLVED that the Corporate Risk Register for 2017/18 as agreed by the Corporate Leadership Team (CLT), be noted.

367. REVIEW OF RISK MANAGEMENT POLICY

The Committee received the report of the Director of Resources, the purpose of which was to seek approval of the Council's revised Risk Management Policy. This policy was currently reviewed every two years to ensure that it was up to date and fit for purpose. The policy defined the roles and responsibilities for Members and individuals within the Council in respect of Risk Management.

Members were of the opinion that decisions to remove or add risks should be joint decisions between CLT and this Committee and were, therefore, not minded to consider the revised Risk Management Policy at this time.

RESOLVED that the Risk Management Policy be deferred until Members had undertaken training on Risk Management.

There being no further items of business the Chairman closed the meeting at 4.25 pm.

CLLR P G L ELLIOTT
CHAIRMAN

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REPORT of DIRECTOR OF RESOURCES

**to
AUDIT COMMITTEE
7 DECEMBER 2017**

QUARTERLY REVIEW OF CORPORATE RISK

1. PURPOSE OF THE REPORT

- 1.1 This Committee has a key role in providing independent assurance to the Council on the adequacy of the risk management framework. The Risk Management Policy requires this Committee to undertake a quarterly review of the Corporate Risk Register as assurance that the corporate risks are being managed effectively.
- 1.2 This report provides an update on the position as at the end of Quarter 2 (30 September 2017) on the corporate risks included within the Corporate Risk Register 2017/18.

2. RECOMMENDATIONS

- (i) that Members' review and comment on the information set out in this report and **APPENDIX 1**;
- (ii) that the following corporate risks are removed from the corporate risk register given the risk scores have been reduced to within the Council's accepted tolerance:
- Risk 6 - Failure to have an adopted Local Development Plan (LDP).
 - Risk 12 - Failure of the Council to influence regional partners, to support and encourage economic prosperity and inward investment to the Maldon District.
 - Risk 19 - Lack of access to legal resource.
- (iii) that a risk is added to the corporate risk register regarding, Lack of visible policing undermines confidence in public safety;
- (iv) that the risk relating to flooding (Risk 08 - Uncertainty regarding strategic ownership of coastal, fluvial and surface water flood mitigation and long term maintenance responsibilities) is redefined to include the risk arising from coastal and fluvial flooding;
- (v) that in undertaking this review Members are assured that corporate risk is being managed effectively.

3. SUMMARY OF KEY ISSUES

- 3.1 **APPENDIX 1** to this report provides further information on the individual risks including comments by the “risk owners” outlining the rationale for the current scoring and, where applicable, any movement in the risk scores.
- 3.2 In its role of ensuring that the corporate risks are being managed effectively, it is requested that this Committee reviews and comments on the current position, any movement in the risks scores and the explanations provided by the risk owners.
- 3.3 When undertaking the quarterly review of risk at the last meeting in August, there were a number of concerns raised by the Committee regarding risks relating to resident perception of crime and tidal flooding. An update on these is as follows:

3.3.1 Risk re: Resident perception of crime

3.3.1.1 The Council’s working relationship with Essex Police is considered to be stronger now than it has in previous years due to:

- Closer operational working through fortnightly Hub Tasking meetings which look at local priorities and issues and deploying resources as required;
- Continued support to the Community Safety Partnership through the Responsible Authorities Group which is chaired by Essex Police;
- Longer term operational working relationship through relocation of the police to the Council Offices;
- Close working relationship in tackling road safety and antisocial driving, for example implementing TruCam and Automatic Numberplate Recognition (ANPR).

3.3.1.2 However, it is acknowledged that even with the close working partnership between MDC and Essex police and the significant work that is being undertaken, the public confidence in the police and the perception of crime may be something that needs to be addressed.

3.3.1.3 On that basis, it is proposed that a new risk is added to the corporate risk register re:

3.3.2 Lack of visible policing undermines confidence in public safety

3.3.2.1 The mitigating actions established to reduce the risk are:

1. Public engagement events in the Maldon district (the first being scheduled 15 November) to include parish councils, faith groups and schools
2. Explore possibility of local performance indicators
3. Use of technology to collate information and data being extended e.g. Trucam and ANPR
4. Close Circuit Television (CCTV) in Maldon and Burnham Town Centres being upgraded
5. Responsible Authorities Group piloting “live” monitoring of CCTV
6. Feasibility of introducing Maldon “street pastors” being undertaken

7. Partnership working with police on property marking initiative to reduce rural crime.

3.3.2.2 Members are reminded that the Overview and Scrutiny Committee acting as the Crime and Disorder Committee has responsibility for reviewing performance of the police and discussions on the current detection rate were held at the meeting 8 November 2017. Any Member concerns relating to resources and core funding are an issue which should be raised by the Council with the Essex Police, Fire and Crime Commissioner.

3.3.3 Risk re: Tidal Flooding

3.3.3.1 Following the discussions by the Audit Committee at its meeting in August and the concerns raised by Members with regard to tidal flooding, the current risk relating to flooding, already on the corporate risk register, has been reviewed.

3.3.3.2 In 2015 / 16 the risk “Uncertainty regarding strategic ownership of flooding mitigation and long term maintenance responsibilities” was added to the corporate risk register. While the risk was not intended to be limited to surface water flooding, the focus of the updates provided on the risk and to this Committee has been mainly surface water flooding and schemes being considered to alleviate the issues in the critical drainage areas identified.

3.3.3.3 However, in light of the concerns raised by Members’, the full scope of the risk relating to flooding needs to be clear and therefore the risk has been redefined to include coastal and fluvial (i.e. overtopping of rivers) issues as follows:

“Uncertainty regarding strategic ownership of coastal, fluvial and surface flood mitigation and long term maintenance responsibilities”.

3.3.3.4 Maldon District Council (MDC) is engaging with partners, including Anglian Water, in relation to coastal defences and the capacity of the infrastructure which could lead to flooding.

3.3.3.5 An additional mitigating action has also been established for this risk - MDC to co-ordinate discussions with partners on the specific issue of risks to the sea defences and railway embankment in the North Fambridge area.

3.4 It is proposed that the following risks are removed from the risk register:

3.4.1 **Failure to have an adopted LDP** - The Plan was approved by the Secretary of State in July 2017. While there was a residual risk of legal challenge during the six week post publication period, this ended at the beginning of September and no challenge was received. The risk, therefore, no longer exists.

3.4.2 **Failure of the Council to influence regional partners, to support and encourage economic prosperity and inward investment to the Maldon District** - The new Economic Development Manager is now working closely with the Haven Gateway Partnership to seek opportunities to work in partnership to further the District's economic prosperity plans.

- 3.4.2.1 Meetings are ongoing with partners, such as the Essex County Employment and Skills Board (ESB), to develop a Skills Strategy for the District.
- 3.4.2.2 Council representatives also attend the Essex Integrated Growth Forum, so are aware of opportunities that may assist us in delivering our Economic Prosperity Strategy Goals.
- 3.4.2.3 The Economic Development Manager has also met with Invest Essex and once with the Department of International Trade (DIT) to ensure that Maldon District is adequately considered when DIT sourced inward investment enquiries are forwarded to Invest Essex for response. He has also attended South East Local Enterprise Partnership events, such as a workshop to promote funding for rural development.
- 3.4.2.4 In light of the above, the risk score has been reduced to 1 – Very Unlikely and 3- Moderately High Impact, which takes this risk within the Council’s accepted risk tolerance level and it is therefore proposed that the risk should be removed from the corporate risk register.
- 3.4.3 **Lack of access to legal resource** - The Council has employed two qualified legal resources to cover maternity leave. There will also be an independent review of legal resources taking place in Q4 2017 / 18 to ensure that the establishment is matched to the demand.
- 3.4.3.1 In light of the above, the risk score has been reduced to 2 – Unlikely and 2- Moderately Low Impact, which takes this risk within the Council’s accepted risk tolerance level and it is therefore proposed that the risk should be removed from the corporate risk register.

4. IMPACT ON CORPORATE GOALS

- 4.1 The risks included on the Corporate Risk Register have been identified as those which could prevent MDC from achieving the corporate goals stated in the Corporate Plan (2015-19) as updated and approved by the Council in April 2017. By identifying these, assessing the current controls in place and determining what further actions need to be taken to mitigate the risks as much as possible, the Council’s desired outcomes should be achieved.

5. IMPLICATIONS

- (i) **Impact on Customers** – None.
- (ii) **Impact on Equalities** – None.

Impact on Risk – Management of risk is fundamental to the sound operation of the Council. Failure to manage risk could have a significant impact on the Council’s ability to correctly define its policies and strategies or deliver against its objectives.

The implementation and operation of the risk management framework will

minimise risks and thus mitigate any potential strategic, operational, reputational or regulatory consequences.

Failure to manage risk would also mean that the Council might face censure by its external auditors or the potential for legal proceedings in the event of breaches of the Health and Safety at Work Act or similar legislation.

- (iii) **Impact on Resources (financial and human)** – All risk management activity is undertaken within existing and planned budgets.
- (iv) **Impact on the Environment** – None.

Background Papers: None.

Enquiries to: Emma Foy, Director of Resources (Tel: 01621 875762) or Julia Bawden, Performance and Risk Officer, (Tel: 01621 876223).

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Corporate Risk Register
Quarterly Review

Impact (I)

- 4 – High
- 3 – Moderately High
- 2 – Moderately Low
- 1 – Low

Likelihood (L)

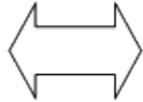
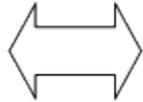
- 4 – Very Likely
- 3 – Likely
- 2 – Unlikely
- 1 – Very Unlikely

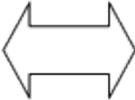
An overall risk score is reached by multiplying the likelihood score by the impact score

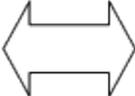
Likelihood	4				
	3				
	2				
	1				
		1	2	3	4
Impact					

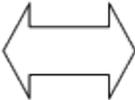
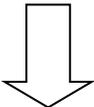
Anything in the shaded area is considered to be “below the Council’s tolerance line”

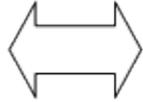
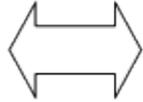
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Risk	Original Risk Score	Quarter Three Q3 2016/17	Quarter Four Q4 2016/17	Quarter One Q1 2017/18	Quarter Two Q2 2017/18	Direction of Score (since last quarter)	Comments
01 - Failure to safeguard children and vulnerable adults	L - 2 I - 3 Risk Score = 6	L - 1 I - 4 Risk Score = 4	L - 1 I - 4 Risk Score = 4	L - 1 I - 4 Risk Score = 4	L - 1 I - 4 Risk Score = 4		Safeguarding arrangements are kept under review by an internal safeguarding group led by a Director. Refresher training is monitored by HR and identified key staff are being 'up skilled' to ensure adequate cover is maintained within the organisation for referrals.
<i>Date risk added to Register: 2012/13</i>							A new round of staff meetings will be launched in the New Year and an audit of the Council’s procedures will be undertaken by ECC nearer to Christmas. The audit seeks to ensure best practice is maintained and any deficiencies are identified and acted upon appropriately.
<i>Owner: Director, Customers and Community</i>							
02 – Failure to identify older and most vulnerable people	L - 3 I - 3 Risk Score = 9	New risk 17/18	New risk 17/18	L - 3 I - 3 Risk Score = 9	L - 3 I - 3 Risk Score = 9		Data has been used to identify areas of the District most at risk to enable Health and Well Being activities and resources to be targeted to those areas. A range of activities are underway including the following: <ul style="list-style-type: none"> • Warm Maldon Campaign to reach most vulnerable residents, offering practical help, advice and

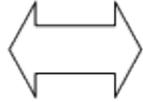
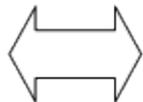
Risk	Original Risk Score	Quarter Three Q3 2016/17	Quarter Four Q4 2016/17	Quarter One Q1 2017/18	Quarter Two Q2 2017/18	Direction of Score (since last quarter)	Comments
<p><i>Date risk added to Register: 2017/18</i></p> <p><i>Owner: Director, Customers and Community</i></p>							<p>support for residents to stay warm this winter</p> <ul style="list-style-type: none"> Development of Essex wide Livewell Website to enable a range of health and wellbeing services and activities to be put in a single place for residents to access information. MDC has been one of the first councils to populate the website with data, and the website is planned for launch during December.
<p>03 - Failure to target services and influence partners effectively to meet the health and wellbeing needs of the vulnerable population</p>							<ul style="list-style-type: none"> Continued support of the Mid Essex Social Prescribing model. The public launch of the self-referral model is imminent and we will be further publicising and supporting this, including presentations to ward Members. A Strengthening Communities project is being delivered in Tolleshunts and Tollesbury, in partnership with ECC (called the 4 T's project), targeted at an area of the District which is shown to be most at risk from social isolation and loneliness. MDC is helping communities to help themselves, by the community identifying what activities/ clubs/ support they want to put in place. The Council is helping to facilitate events that will encourage volunteers to come forward to deliver the activities, rather than MDC or ECC. The project is progressing well. A second is starting to be developed in partnership with ECC to look at targeting one of the wards in Maldon which has significant indicators of poor health and wellbeing. This project will be based on the approach being tested through the 4 T's project, of engaging with the community, increasing volunteering, as well as publicising and
<p><i>Date risk added to Register: Redefined 2016/17</i></p>	<p>L - 3 I - 3 Risk Score = 9</p>	<p>L - 3 I - 3 Risk Score = 9</p>	<p>L - 3 I - 3 Risk Score = 9</p>	<p>L - 3 I - 3 Risk Score = 9</p>	<p>L - 3 I - 3 Risk Score = 9</p>		
<p><i>Owner: Director, Customers and Community</i></p>							

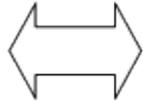
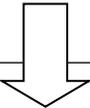
Risk	Original Risk Score	Quarter Three Q3 2016/17	Quarter Four Q4 2016/17	Quarter One Q1 2017/18	Quarter Two Q2 2017/18	Direction of Score (since last quarter)	Comments
							<p>encouraging participation in existing services and activities.</p> <ul style="list-style-type: none"> • Our Health and Wellbeing Partnership was relaunched in September and has been re-branded “Livewell Maldon” partnership group, with a widened membership to include CCG, local schools, voluntary organisations, GP surgeries. This group will fit with the new Essex-wide Health and Well-being forum at which there is Member representation. • Wider awareness of the Health and Well Being work across the organisation is being raised through planned presentations to Managers Forum to ensure closer working, and maximising opportunities. <p>Funding has been secured from ECC to enable a Health Improvement Officer to be appointed to support our Health and Well Being activities.</p>
<p>04 - Failure to target services and influence partners effectively to support the increasing ageing population (re housing needs)</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 4 I - 4 Risk Score = 16</p>	<p>L - 4 I - 4 Risk Score = 16</p>	<p>L - 4 I - 4 Risk Score = 16</p>	<p>L - 4 I - 4 Risk Score = 16</p>		<p>Housing related support for older people and the local Home Improvement Agency have both ended, an initial survey of older people using day-centre facilities in the Dengie area shows that many with lower levels of support are managing through informal arrangements with friends and neighbours, but those with higher support needs may be at risk. This suggests that the focus should be on a smaller number with higher needs so this quarter work will focus on how partners may be able to identify this group and the role of others in particular commissioners such as ECC in helping to</p>

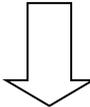
Risk	Original Risk Score	Quarter Three Q3 2016/17	Quarter Four Q4 2016/17	Quarter One Q1 2017/18	Quarter Two Q2 2017/18	Direction of Score (since last quarter)	Comments
<i>Date risk added to Register: 2016/17</i>							meet this need.
<i>Owner: Strategic Housing Manager</i>							
05 – Failure to have a clear shared vision regarding Strengthening Communities	L - 4 I - 3 Risk Score = 12	New risk 17/18	New risk 17/18	L - 4 I - 3 Risk Score = 12	L - 4 I - 3 Risk Score = 12		In November Members will be asked to approve a strategy which will give a clear vision of our community work. A number of projects are already underway working with the community and relevant partners. The strategy will provide the framework within which we can deliver. If Members do not approve the strategy work will continue, but the best outcomes may not be achieved.
<i>Date risk added to Register: 2017/18</i>							
<i>Owner: Director, Customers and Community</i>							
06 - Failure to have an adopted Local Development Plan (LDP)	L - 4 I - 4 Risk Score = 16	L - 4 I - 4 Risk Score = 16	L - 3 I - 4 Risk Score = 12	L - 2 I - 4 Risk Score = 8	L - 1 I - 4 Risk Score = 4		The Plan was approved in July 2017, but the decision was subject to a 6 week statutory review period, which ended on 1st September 2017. This risk no longer exists and will be removed from the risk register.
<i>Date risk added to Register: 2011 / 12</i>							
<i>Owner: Director, Planning & Regulatory Services</i>							

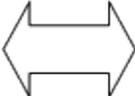
Risk	Original Risk Score	Quarter Three Q3 2016/17	Quarter Four Q4 2016/17	Quarter One Q1 2017/18	Quarter Two Q2 2017/18	Direction of Score (since last quarter)	Comments
<p>07 – Failure to deliver the required infrastructure to support development arising from the LDP</p> <p><i>Date risk added to Register: 2014/15</i></p> <p><i>Owner: Interim Strategic Planning Policy Manager</i></p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>		<p>The Council has endorsed the Strategic Masterplan Framework for both the North Heybridge and the South Maldon Garden Suburbs where the infrastructure requirements are clearly set out. The design codes for both Garden Suburbs are endorsed and provide further detail for the delivery of community and physical infrastructure which the Council is committed to delivering.</p> <p>Officers are working closely with the developers associated with each of the strategic sites to finalise Section 106 agreements and move to consideration of reserved matters. An Implementation Group has been set up which oversees delivery of each of the schemes in partnership with key stakeholders.</p> <p>Work is on-going with other agencies to secure funding and ownership of infrastructure.</p>
<p>08 - Uncertainty regarding strategic ownership of coastal, fluvial and surface water flood mitigation and long term maintenance responsibilities</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 3 Risk Score = 9</p>	<p>L - 3 I - 3 Risk Score = 9</p>		<p>MDC is engaging with partners, including Anglian Water, in relation to coastal defences and the capacity of the infrastructure which could lead to flooding.</p> <p>An additional mitigating action has also been established for this risk for MDC to co-ordinate discussions with partners on the specific issue of the condition of coastal flood defences in the North Fambridge area.</p> <p>North Heybridge Flood Alleviation Scheme We are currently working in partnership with the Environment Agency (EA), ECC, the developer and</p>

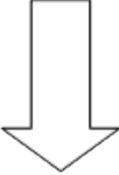
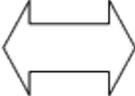
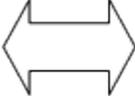
Risk	Original Risk Score	Quarter Three Q3 2016/17	Quarter Four Q4 2016/17	Quarter One Q1 2017/18	Quarter Two Q2 2017/18	Direction of Score (since last quarter)	Comments
<p><i>Date risk added to Register: 2015/16</i></p> <p><i>Owner: Strategic Planning Policy Manager</i></p>							<p>others on the business case to be submitted with the application for Flood Defence Grant in Aid for this Scheme. Early indications show the cost/benefit ratio as less than 1 which is the cap for any funding coming forward from the EA. We are currently in the process of undertaking a review of the business case.</p> <p>In the event that funding is not available, the Council will continue to work with partners on an alternative delivery approach for the FAS.</p> <p>Critical Drainage Area (CDA) 2 Scheme - This Scheme has been deferred to 18/19 Capital works. In the meantime further hydrology investigatory works are being completed to establish whether the scheme can be sited in an alternative position. This work will be reported to Members once complete.</p> <p>CDA1 – West Maldon - this work is on track.</p> <p>CDA 3 Causeway and Masterplan area - the first implementation meeting has taken place with regard to the Central Area Masterplan including the CDA 3. Partners will meet regularly going forward to discuss how we jointly proceed to ensure we maximise funding. MDC will be submitting a Scope to ECC for a detailed flood risk assessment of the CDA 3 extended to include the Masterplan Area.</p> <p>MDC is engaging with partners, including Anglian Water, in relation to coastal defences and the capacity</p>

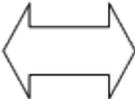
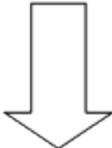
Risk	Original Risk Score	Quarter Three Q3 2016/17	Quarter Four Q4 2016/17	Quarter One Q1 2017/18	Quarter Two Q2 2017/18	Direction of Score (since last quarter)	Comments
							of the infrastructure which could lead to flooding.
09 - Being designated as an under-performing authority due to major planning applications and appeals performance <i>Date risk added to Register: 2015/16</i> <i>Owner: Director, Planning & Regulatory Services</i>	L - 2 I - 3 Risk Score = 6	L - 4 I - 4 Risk Score = 16	L - 4 I - 4 Risk Score = 16	L - 4 I - 4 Risk Score = 16	L - 4 I - 4 Risk Score = 16		The threshold for being designated an underperforming authority based on quality of decisions (appeals) is reducing to 10% for the next assessment in January 2018. While current performance is at this threshold, four of the 'major' applications allowed at appeal that are currently part of the assessment period will no longer be part of the consideration when the assessment is undertaken and will no longer affect the Council's performance statistics and therefore should bring us within the threshold.
10 – Failure to maintain a 5 year supply of Housing Land <i>Date risk added to Register: 2017/18</i>	L - 2 I - 4 Risk Score = 8	New risk 17/18	New risk 17/18	L - 2 I - 2 Risk Score = 4	L - 2 I - 2 Risk Score = 4		The 2016/17 5 Year Housing Land Supply Report demonstrates that the Council has 6.28 years' worth of housing land available and with the LDP now approved this creates greater certainty. Given the sensitivity of the 5 year housing land supply to trajectory of delivery on major schemes, the risk will remain on the corporate risk register albeit it is

Risk	Original Risk Score	Quarter Three Q3 2016/17	Quarter Four Q4 2016/17	Quarter One Q1 2017/18	Quarter Two Q2 2017/18	Direction of Score (since last quarter)	Comments
<i>Owner: Director, Planning & Regulatory Services</i>							currently within tolerance.
11 - Failure to meet the affordable housing need	L - 3 I - 4 Risk Score = 12	L - 2 I - 4 Risk Score = 8	L - 3 I - 4 Risk Score = 12	L - 3 I - 4 Risk Score = 12	L - 3 I - 4 Risk Score = 12		The risk score remains unchanged due to a delay in new developments beginning and lack of other schemes under construction. There is a recognised shortfall in the number of affordable homes delivered through the LDP and plans to address this are progressing in accordance with proposals put forward when this was considered during the LDP Examination in Public. This includes the development of independent living to meet the need of older people and opportunities for strategic development. In the case of the latter, Officers and Members are progressing with options to combine this with investment opportunities.
<i>Date risk added to Register: 2016/17</i>							
<i>Owner: Strategic Housing Manager</i>							
12 - Failure of the Council to influence regional partners, to support and encourage economic prosperity and inward investment to the Maldon District	L - 3 I - 3 Risk Score = 9	L - 2 I - 3 Risk Score = 6	L - 2 I - 3 Risk Score = 6	L - 2 I - 3 Risk Score = 6	L - 1 I - 3 Risk Score = 3		The new Economic Development Manager is now working closely with the Haven Gateway Partnership to seek opportunities to work in partnership to further the District's economic prosperity plans. Meetings are ongoing with partners, such as the Essex County Employment and Skills Board (ESB), to develop a Skills Strategy for the District. Council representatives also attend the Essex Integrated Growth Forum, so are aware of opportunities that may assist us in delivering our Economic Prosperity

Risk	Original Risk Score	Quarter Three Q3 2016/17	Quarter Four Q4 2016/17	Quarter One Q1 2017/18	Quarter Two Q2 2017/18	Direction of Score (since last quarter)	Comments
							Strategy Goals. The Economic Development Manager has also met with Invest Essex and once with the Department of International Trade (DIT) to ensure that Maldon District is adequately considered when DIT sourced inward investment enquiries are forwarded to Invest Essex for response.
<i>Date risk added to Register: 2015/16</i>							
<i>Owner: Chief Executive</i>							The Economic Development Manager has also attended South East Local Enterprise Partnership events, such as a workshop to promote funding for rural development. In light of the above, the risk score has been reduced which takes this risk within the Council's accepted risk tolerance level and it is therefore proposed that the risk should be removed from the corporate risk register.
13 - Failure to have a co-ordinated approach to supporting new and existing businesses	L - 3 I - 4 Risk Score = 12	New risk 17/18	New risk 17/18	L - 3 I - 4 Risk Score = 12	L - 2 I - 4 Risk Score = 8		The Open for Business Work plan includes:- <ul style="list-style-type: none"> • Business rate relief package to attract and retain business. • Fast Track Planning Application Process for Commercial Applications - businesses should be encouraged to make use of the existing pre-application process. Applications that have passed through this process may then be fast tracked where appropriate. • Review and promote Planning Policies supportive to Economic Growth - Now that the LDP has been adopted, we will be guided by Policy E1. The list of existing employment sites is not comprehensive, so need to develop suitable property registers. • Develop and maintain a register of available
<i>Date risk added to Register: 2017/18</i>							
<i>Owner: Chief Executive</i>							

Risk	Original Risk Score	Quarter Three Q3 2016/17	Quarter Four Q4 2016/17	Quarter One Q1 2017/18	Quarter Two Q2 2017/18	Direction of Score (since last quarter)	Comments
							employment land <ul style="list-style-type: none"> • Continuous Review of employment land capacity to ensure that it meets market need • Procurement processes that enable SMEs and/or businesses in the District an opportunity to bid for public works/service contracts • Accessible website pages dedicated to business support and advice. In light of all the work that is being undertaken, the risk has been reduced to unlikely.
14 - Failure to protect personal or commercially sensitive data <i>Date risk added to Register:2009/10</i> <i>Owner: Director, Resources</i>	L - 2 I - 3 Risk Score = 6	L - 3 I - 2 Risk Score = 6	L - 3 I - 2 Risk Score = 6	L - 3 I - 2 Risk Score = 6	L - 3 I - 2 Risk Score = 6		As part of the requirements for the implementation of the General Data Protection Regulations by May 2018, a program of action has been developed by BDO (internal auditors). Once implemented these will provide further assurance over the protection of personal or commercially sensitive data.
15- Inefficient Committee structure	L - 3 I - 3 Risk Score = 9	L - 3 I - 4 Risk Score = 12	L - 3 I - 3 Risk Score = 9	L - 4 I - 3 Risk Score = 12	L - 2 I - 3 Risk Score = 6		A Committee structure update report was provided to Council in November with a number of recommendations all of which were approved including: <ul style="list-style-type: none"> - Members calling in planning applications to SE and NW Area Planning Committees; - Council will fully implement Mod.Gov and achieve

Risk	Original Risk Score	Quarter Three Q3 2016/17	Quarter Four Q4 2016/17	Quarter One Q1 2017/18	Quarter Two Q2 2017/18	Direction of Score (since last quarter)	Comments
<i>Date risk added to Register:2015/16</i>							<p>paperless meetings by May 2019;</p> <ul style="list-style-type: none"> - A review of the scope of Directorships and Terms of Reference for programme Committees to align Corporate Leadership Team roles better with those of the programme Committees. <p>On this basis the risk score has been reduced accordingly.</p>
<i>Owner: Chief Executive</i>							
16 – Unable to recruit and retain staff in national skill shortage service areas to meet the demands of the service	L - 3 I - 3 Risk Score = 9	L - 3 I - 4 Risk Score = 12	L - 3 I - 4 Risk Score = 12	L - 3 I - 3 Risk Score = 9	L - 3 I - 3 Risk Score = 9		<p>The risk score remains unchanged. Whilst we are demonstrating a more stable team in Planning and Building Control, the underlying concern remains.</p> <p>Retention is now the key to ensuring stability. Planning ESSEX is formulating its membership and being overseen by the East of England Local Government Association. 15 Councils across Essex have signed up to working collaboratively to address the issue.</p>
<i>Date risk added to Register:2015/16</i>							
<i>Owner: Director of Resources</i>							
17 – Failure to plan and deliver balanced budgets over the medium term	L - 2 I - 3 Risk Score = 6	L - 2 I - 3 Risk Score = 6	L - 2 I - 3 Risk Score = 6	L - 2 I - 3 Risk Score = 6	L - 2 I - 3 Risk Score = 6		<p>Officers have identified a budget gap of approximately £950K over the medium term. It is anticipated that there will be a balanced budget in 2018/19, but that further savings will need to be found in the medium term.</p>
<i>Date risk added to Register:2008 / 09</i>							
<i>Owner: Director</i>							

Risk	Original Risk Score	Quarter Three Q3 2016/17	Quarter Four Q4 2016/17	Quarter One Q1 2017/18	Quarter Two Q2 2017/18	Direction of Score (since last quarter)	Comments
<i>of Resources</i>							
18 – Corporate policies not managed and reviewed	L - 3 I - 3 Risk Score = 9	L - 3 I - 4 Risk Score = 12	L - 3 I - 3 Risk Score = 9	L - 2 I - 3 Risk Score = 6	L - 3 I - 2 Risk Score = 6		There is a requirement under General Data Protection Regulations to ensure that all corporate policies are managed and reviewed. This will be implemented as part of the GDPR program by May 2018.
<i>Date risk added to Register:2016/17</i>							
<i>Owner: Director of Resources</i>							
19 – Lack of access to legal resource	L - 4 I - 4 Risk Score = 16	New risk 17/18	New risk 17/18	L - 2 I - 4 Risk Score = 8	L - 2 I - 2 Risk Score = 4		The Council has employed two qualified legal resources to cover maternity leave. There will also be an independent review of legal resources taking place in Q4 17/18 to ensure that the establishment is matched to the demand. In light of the above, the risk score has been reduced which takes this risk within the Council’s accepted risk tolerance level and it is therefore proposed that it is removed from the corporate risk register.
<i>Date risk added to Register:2017/18</i>							
<i>Owner: Director of Resources</i>							



REPORT of DIRECTOR OF RESOURCES

**to
AUDIT COMMITTEE
7 DECEMBER 2017**

EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2016 / 17

1. PURPOSE OF THE REPORT

- 1.1 To present the External Auditor's Annual Audit Letter 2016 / 17 (attached at **APPENDIX 1** to this report).

2. RECOMMENDATION

That the External Audit Annual Audit Letter 2016 / 17 (**APPENDIX 1**), be received.

3. SUMMARY OF KEY ISSUES

- 3.1 This report is for Members' information only.
- 3.2 The External Auditor's Annual Audit Letter for 2016 / 17 is attached at **APPENDIX 1**.
- 3.3 The Annual Audit Letter (AAL) summarises the key issues arising from the work carried out by the external auditor for the Council for 2016 / 17 and communicates the significant issues to Members, key stakeholders and members of the public. The work was carried out in accordance with the National Audit Office's (NAO) 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the NAO.
- 3.4 The AAL identifies the key findings of the External Auditor (Ernst & Young LLP) in respect of:
- Financial Statements;
 - Consistency of Governance Statement;
 - Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA); and
- 3.5 **Financial Statements**
- An unqualified true and fair opinion was issued on the Financial Statements for the year ended 31 March 2017.
 - No material misstatements were identified during the audit.

3.6 Consistency of Governance Statement

- The Governance Statement was consistent with our understanding of the Council.

3.7 Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA Other Matters)

- No audit procedures on the consolidation pack were performed as the Council is below the specified audit threshold of £350 million.

4. CONCLUSION

4.1 The work of the external auditor provides independent audit and assurance to Members of the Council, public and stakeholders on the Council's financial position and its arrangements to secure value for money in its operations on an annual basis.

4.2 The external audit of the Council is a statutory requirement under the Local Audit and Accountability Act 2014.

5. IMPACT ON CORPORATE GOALS

5.1 The work undertaken by Ernst & Young LLP in accordance with the NAO's Code of Audit Practice 2015, International Standards on Auditing (UK and Ireland) and other guidance issued by the NAO, is targeted to areas where the work will have greatest effect based on an assessment of risk and performance to focus on the specific financial and operational risks the Council faces as well as meeting the Code, and is therefore designed to ensure that resources are directed towards the achievement of Council objectives. The report links to the Maldon District Council goal of 'Delivering good quality, cost effective and valued services'.

6. IMPLICATIONS

- (i) **Impact on Customers** – None identified.
- (ii) **Impact on Equalities** – None identified.
- (iii) **Impact on risk** – None identified.
- (iv) **Impact on Resources (financial)** – None identified.
- (v) **Impact on Resources (human)** – None identified.
- (vi) **Impact on the Environment** – None identified.

Background Papers: None.

Enquiries to: Emma Foy, Director of Resources, (Tel: 01621 875762).

Maldon District Council

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP

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

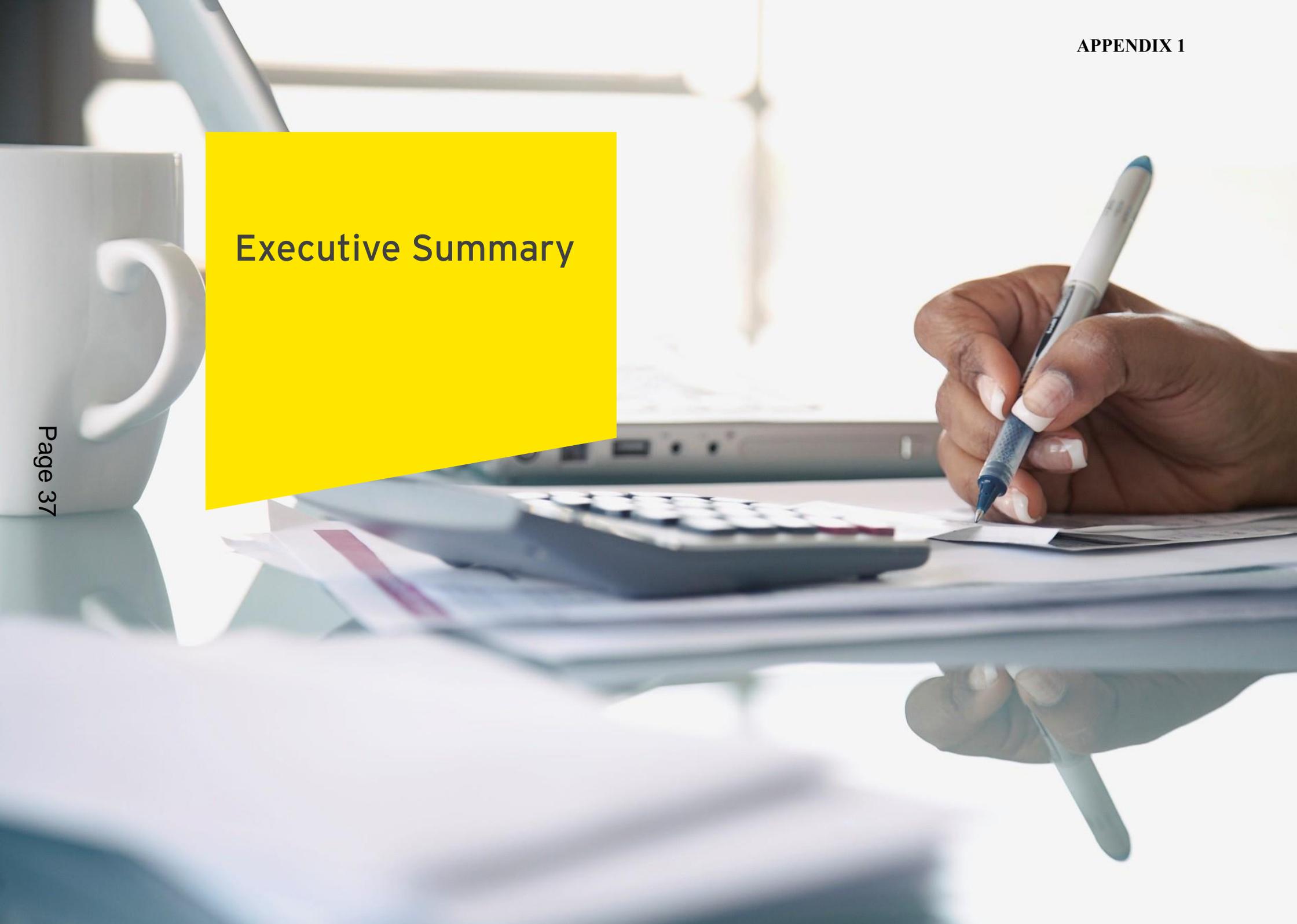
The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated 23 February 2017)" issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1More 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.

Executive Summary



Executive Summary

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

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

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

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

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

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 31 August 2017
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 28 September 2017

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

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

Debbie Hanson
Associate Partner
For and on behalf of Ernst & Young LLP

Purpose



Purpose

The Purpose of this Letter

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

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

Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

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

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2016/17 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the Annual Governance Statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by thy 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 you Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

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

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

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 28 September 2017.

Our detailed findings were reported to the 31 August 2017 Audit Committee.

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

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p> <p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested journals that met our criteria and agreed these to supporting documentation.</p> <p>The most significant accounting estimates in the financial statements relate to the net pension liability and property valuations. We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate. Our work on the property valuations focused on verifying and critically challenging the basis of valuation adopted by the valuer in relation to the Council's property, in particular for specialist assets which are valued on a depreciated replacement costs basis. We engaged our Internal specialists to review a sample of assets and gained sufficient assurance that the values reported in the financial statements were not materially misstated.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p>

<p>requirements to be capitalised.</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 Council's normal course of business</p> <p>Our testing did not identify any expenditure which had been inappropriately capitalised.</p>
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Other Key Findings	Conclusion
<p>Valuations - reliance on experts</p> <p>We identified two areas in our Audit Plan where we place reliance on experts; pensions and property valuations. These areas are both highly material balances in the Council's accounts which are based on estimates and professional judgement.</p> <p>In accordance with Auditing Standards, we have evaluated each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.</p> <p>We have also considered the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area.</p>	<p>Pensions: We have assessed and are satisfied with the competency and objectivity of the Council actuaries: Barnet Waddingham. Our own pensions team and PwC (Consulting Actuary to the NAO) have reviewed the work of the actuaries and conclude we can place reliance on them. We challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate. We noted however that the methodologies used to derive the discount rate and RPI inflation assumptions do not take adequate account of the specific duration of the scheme's liabilities. Although we concluded that these issue did not lead to a material misstatement of the pensions liabilities in the 2016/17 accounts, in future years, this could lead to unacceptable assumptions.</p> <p>Property valuations: We are satisfied that the Council's valuers, Wilks Head & Eve, have the necessary qualifications and experience. We engaged our internal valuation specialist to review and critically challenge the basis and method of valuation adopted for a sample of assets, including particularly specialised assets which are valued on a depreciated replacement costs basis which is a more judgemental valuation basis. We have concluded that there are elements of the Specialist's approach to valuation which are formulaic and are not consistent with UK valuation practice, given the characteristics of the properties being valued and considering the facts and circumstances at the valuation date. For the sample of properties we reviewed, we have however concluded that, despite these issues, the values appear to be in a reasonable range albeit at the upper end. We have considered the potential impact of these issues on the remainder of the Council's property, plant and equipment balance and have concluded that the overall valuation estimate is not unreasonable.</p>

Our application of materiality

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

Item	Thresholds applied
Planning materiality	<p>We determined materiality to be £657,960 (2016: £642,340), which is 2% of gross expenditure reported in the accounts.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to the Committee all uncorrected audit differences in excess of £32,900 (2016: £32,117)</p>

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

- Remuneration disclosures including any severance payments, exit packages and termination benefits;
- Related party transactions;
- Member's allowances.

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

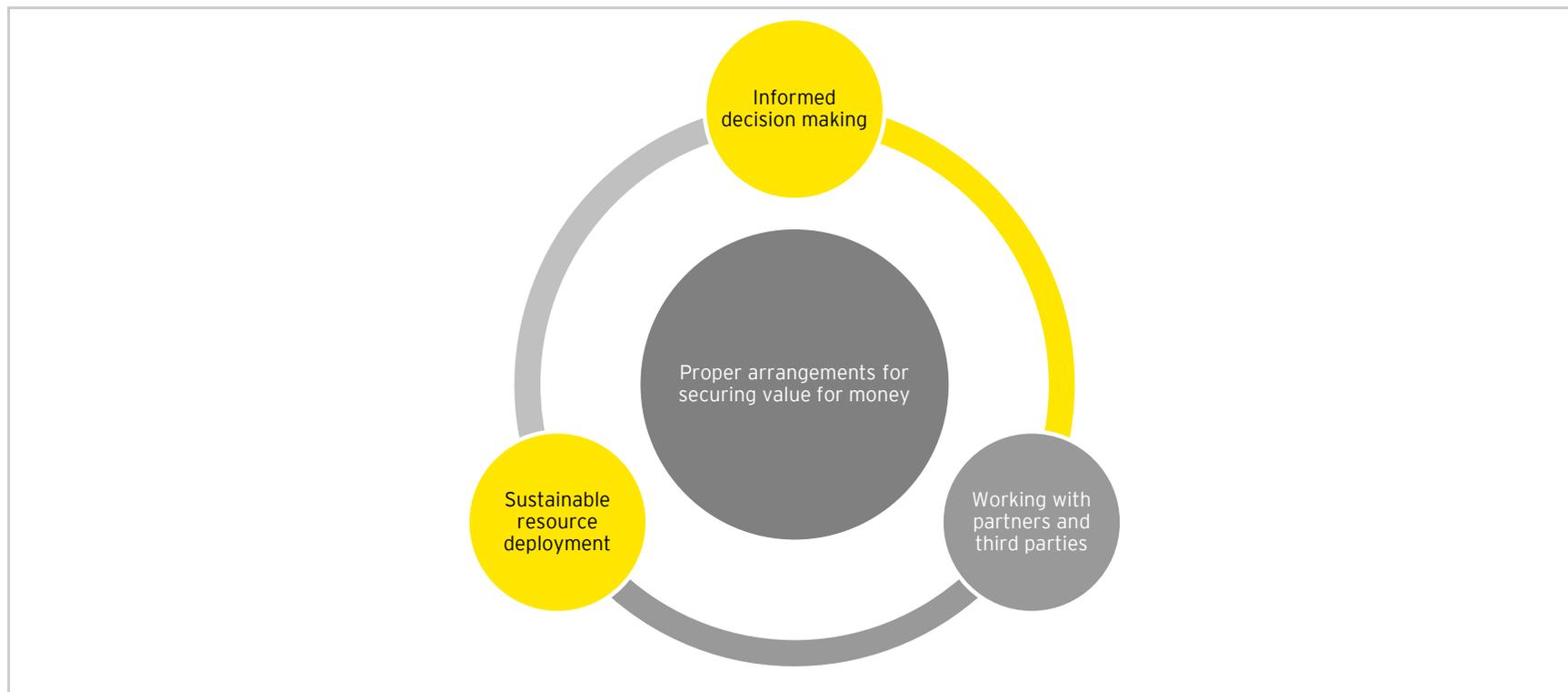
Value for Money

Value for Money

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

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

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



We have performed the procedures outlined in our Audit Plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We therefore issued an unqualified value for money conclusion on 28 September 2017.

As part of our work we noted that to date the Council has responded well to the financial pressure facing public sector bodies, but continues to face significant financial challenges over the next three years, with uncertainty in the levels of future funding it will receive. The Council's Medium Term Financial Strategy (MTFS) identifies budget gaps of just under £1million at the end of 2019/20. The Council is developing plans to address these gaps, and as part of this has undertaken a review of income generation opportunities. The MTFS includes planned use of reserves of £0.7 million in 2017/18. In 2016/17, the Authority reported an under spend against budget. We also considered the issues raised by local electors related to the Council's procurement arrangements. We concluded that although there have been some weaknesses in specific procurements these issues were not of sufficient significance to impact on our overall value for money conclusion. We also noted that a number of the issues were identified through the Council's own internal review and that the Council is taking action to address these issues. We will monitor progress in this area as part of our 2017/18 value for money conclusion assessment.

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

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

Annual Governance Statement

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

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

Report in the Public Interest

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

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

Written Recommendations

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

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

Objections Received

We received two objections to the 2016/17 financial statements from members of the public related to the Council's procurement processes. We considered these objections and decided not to accept them for consideration on the basis that the costs of dealing with the objections would be disproportionate to the sums to which the objections relate. We also considered whether the issues raised indicated that there were serious concerns about the way the Council is managed or led. We concluded that they did not and the objections therefore had no impact on the financial statements or value for money conclusion. We did however note that the Council has recognised that there have been some weaknesses in

procurement arrangements in a number of areas which have been identified through an internal review. The Council is taking action to address these issues and we will monitor progress in this area as part of our 2017/18 value for money conclusion assessment.

Other Powers and Duties

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

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 31 August 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

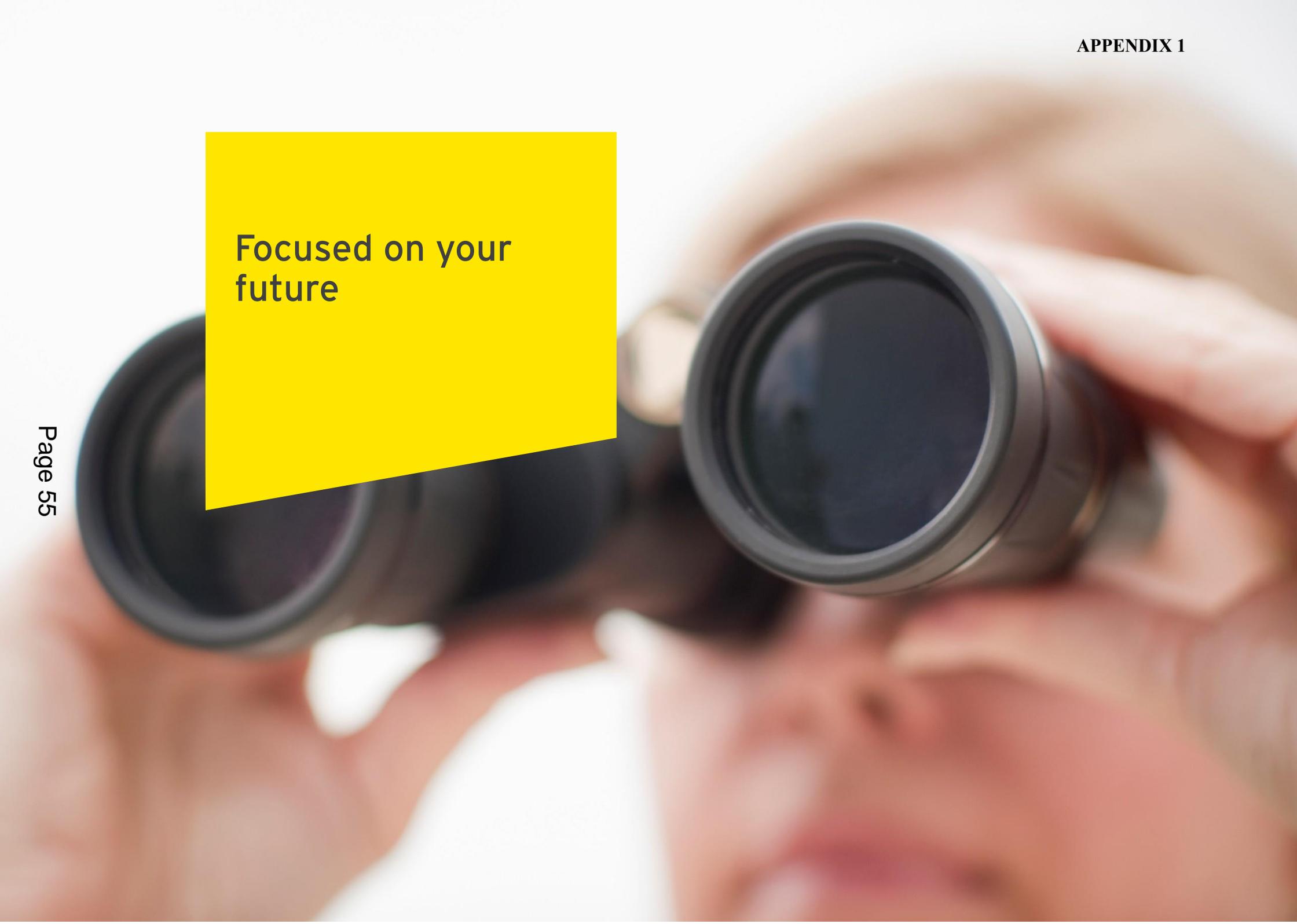
Control Themes and Observations

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

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

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

Focused on your
future



Focused on your future

Area	Issue	Impact
<p><i>Earlier deadline for production and audit of the financial statements from 2017/18</i></p>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From next year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council has taken some steps in 2016/17. For example it has started to critically review and amend the closedown process to achieve earlier draft accounts production.</p> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> ▶ Issued a thought piece on early closedown ▶ As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales ▶ Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017. ▶ Arranged an early closedown workshop in October 2017. <p>We have agreed with the Council to engage early, following the completion of the 2016/17 audit, to facilitate early substantive testing for 2017/18 and also to consider steps the Council can take, for example:</p> <ul style="list-style-type: none"> ▶ Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations ▶ Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure
<p><i>IFRS 9 Financial Instruments</i></p>	<p>This standard is applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured 	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Authority will have to:</p> <ul style="list-style-type: none"> ▶ Reclassify existing financial instrument assets

Area	Issue	Impact
	<ul style="list-style-type: none"> ▶ How the impairment of financial assets are calculated ▶ Financial hedge accounting ▶ The disclosure requirements for financial assets. <p>Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<ul style="list-style-type: none"> ▶ Re-measure and recalculate potential impairments of those assets; and ▶ Prepare additional disclosure notes for material items <p>The Authority is awaiting clarification of the exact requirements before investing time in the above work.</p>
<i>IFRS 16 Leases</i>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard, the new standard will have a significant impact for local authorities who lease in a large number of assets, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Authority will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p> <p>The Authority is has yet to commence work in this area due to the timing of implementation.</p>

Appendix A

Audit Fees



Appendix A Audit Fees

Our fee for 2016/17 is in line with the scale fee set by the PSAA and reported in our 30 March 2017 Audit Plan.

Description	Final Fee 2016/17 £	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £
Total Audit Fee - Code work	54,965	49,275	49,275	49,275
Total Audit Fee - Certification of claims and returns	To be confirmed*	13,283	13,283	13,200

In 2016/17 we have proposed an additional fee of £5,690. This comprises:

- £3,500 in respect of additional procedures relating to Property, Plant and Equipment and Investment Property Valuations.
- £2,190 in respect of additional costs incurred relating to responding to the objections to the financial statements and subsequent elector correspondence.

*we have not yet completed our audit of the 2016/17 housing subsidy claim and therefore are not able to confirm the final fee for 2016/17.

The scale fee variations have been agreed with management and are subject to PSAA approval.

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

EY | Assurance | Tax | Transactions | Advisory

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ED None

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REPORT of DIRECTOR OF RESOURCES

to
AUDIT COMMITTEE
7 DECEMBER 2017

PROGRESS AGAINST 2017 / 18 INTERNAL AUDIT PLAN

1. PURPOSE OF THE REPORT

- 1.1 To report progress to date with regard to work completed and any deviances to, or slippage, on the Internal Audit Plan 2017 / 18.

2. RECOMMENDATION

That Members review and comment on the progress against the 2017 / 18 Internal Audit Plan.

3. SUMMARY OF KEY ISSUES

This report is for Members' information only.

- 3.1 Details of the progress to date against the 2016 / 17 Internal Audit Plan are attached at **APPENDIX 1** to this report.

4. CONCLUSIONS

- 4.1 This report updates Audit Committee Members on the progress against the 2017 / 18 Internal Audit Plan.

5. IMPACT ON CORPORATE GOALS

- 5.1 The report links to the Maldon District Council goal of 'Delivering good quality, cost effective and valued services'.

6. IMPLICATIONS

- (i) **Impact on Customers** – None.
- (ii) **Impact on Equalities** – None.
- (iii) **Impact on Risk** – None.

- (iv) **Impact on Resources (financial)** – None.
- (v) **Impact on Resources (human)** –None.
- (vi) **Impact on the Environment** – None.

Background papers: None.

Enquiries to: Emma Foy, Director of Resources, (Tel: 01621 875762) or Andrew Barnes, Senior Audit Manager (BDO LLP)

Maldon District Council

INTERNAL AUDIT PROGRESS REPORT

November 2017

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A: Executive Summary - Information Management (2017/18)	8
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INTRODUCTION

Internal Audit

This report is intended to inform the Audit Committee of progress made against the 2017/18 internal audit plan which was approved by this Committee in March 2017. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

Internal Audit Methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in section 2 of this report, and are based on us giving either "substantial", "moderate", "limited" or "no". The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment. Our definitions are set out on page 4.

Work outside of the Internal Audit Plan

We are assisting with the provision of a Risk Management briefing to the Audit Committee in December 2017.

We will also be performing the Council's Annual Fraud Risk Assessment.

Audits Completed Since Last Report

See page 5 for details of the audits completed since the previous Audit Committee.

Overview of 2017/18 work to date

See pages 6 and 7 for a summary of the progress of 2017/18 planned work.

DEFINITIONS OF ASSURANCE

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance

High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

PROGRESS SINCE AUGUST 2017 AUDIT COMMITTEE

Area	No. of days	Manager Responsible	Assurance - System Design	Assurance - Operating Effectiveness	No. of High priority recommendations	No. of Medium priority recommendations	No. of Low priority recommendations	Ref to Executive Summary
Information Management (Advisory review)	30	Simon Mitchell and Wendy Morse	N/A	N/A	0	7	0	Appendix II
Contracts Procurement Management and Purchasing	25	Carrie Cox	Moderate	Moderate	0	3	3	Appendix III

PROGRESS AGAINST 2017/18 PLAN

Area	2017/18 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
Core Audits					
Main Financial Systems	40	Q3	Draft Terms of Reference have been issued to the Council, pending management approval		
Budget Setting (High Level Review)	9	Q4	Draft Terms of Reference have been issued to the Council, pending management approval		
Policy Review	13	Q4	Timing agreed		
Counter Fraud	10	Q4	Fraud risk assessment		
	72				
Other Key Areas					
Economic Development / Business Rates growth	15	In progress	In Progress		
Attendance Management	10	Q4	Timing agreed		
Business Resilience	15	Q3	Draft Terms of Reference have been issued to the Council, pending management approval		
Contract Procurement Management and Purchasing	25	Draft report	Draft report issued 15 November	Moderate	Moderate
Partnership Working	15	Q3	Draft Terms of Reference have been issued to the Council, pending management approval		
Elections Improvement Plan (High level Review)	8	Q4	Scoping meeting scheduled for January 2018		
Information Management (Advisory review)	30	Draft report	Draft report issued 29 September	N/A	N/A
	118				

PROGRESS AGAINST 2017/18 PLAN

Area	2015/16 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
IT Audit					
Disaster Recovery and Business Continuity	15	Q3/Q4	Timing agreed		
	15				

Planning, Reporting, Follow-up and Contingency					
Planning / liaison / management	20	Ongoing			
Recommendation follow up	10	For reporting in September 2017 and March 2018	Reported in September 2017, further work is in progress and will be reported in March 2018		
Contingency	5	Q3	Risk Management briefing to the Audit Committee December 2017		
Total	35				

APPENDIX A - INFORMATION MANAGEMENT

CLIENT STRATEGIC RISKS		SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)	
Risk	The Council is not compliant with its statutory and regulatory obligations.	High	
ADVISORY REVIEW		Medium	7
The purpose of this work was to review the Council’s systems and procedures for information management in light of the impending implementation of the General Data Protection Regulations (the GDPR) in May 2018 and to make recommendations as to how this can be improved to help the Council to make step changes in the way it uses information to assist in the transformation of the way the Council operates.		Low	
		Total number of recommendations: 7	
OVERVIEW			
<p>The use and management of information has a significant part to play in how the Council adapts and changes its services to meet the demands of its customers in the changing environment in which the Council operates. Furthermore, the transition from operating under the Data Protection Act 1998 (DPA) to the GDPR increases the risk of significant financial and reputational damage where the security of the Council’s information is found to have been breached. The Council’s Director of Resources, who is the Council’s Senior Information Risk Owner (SIRO), is leading the GDPR compliance work.</p> <p>The purpose of this work was to review the Council’s systems and procedures for information management in light of the impending implementation of the General Data Protection Regulations (the GDPR) in May 2018 and to make recommendations as to how this can be improved to help the Council to make step changes in the way it uses information to assist in the transformation of the way the Council operates.</p> <p>We found the following examples of good practice:</p> <ul style="list-style-type: none"> • The Council has defined the role for an Information Governance Officer and is actively recruiting for the role. • The Director of Resources will become the Council’s Data Protection Officer as required by the GDPR. <p>However, we identified the following areas of improvement:</p> <ul style="list-style-type: none"> • There is not a defined programme in place to provide members of staff with appropriate information management training (Finding 1 - Medium) • The Council does not have a defined Information Asset Register in place (Finding 2 - Medium) • Existing ways of working that involve the use of personal identifiable information have not been reviewed for privacy issues (Finding 3 - Medium) • There are not standards in place for responding to requests from individuals under the GDPR (Finding 4 - Medium) • The Council does not have a defined, corporate Records Retention Schedule in place (Finding 5 - Medium) • Consideration has not been given to how the Council will obtain explicit consent from individuals for the processing of information (Finding 6 - Medium) • Information systems, which includes IT applications, have not been assessed in order to determine whether their operation is compliant with the requirements of the GDPR (Finding 7 - Medium). 			

APPENDIX A - INFORMATION MANAGEMENT

OVERVIEW (cont.)

In order to demonstrate compliance with the requirements of the GDPR with respects to the processing of information, the Council has to be able to demonstrate that its way of working incorporate both the consent of the individual and the privacy of their information. Whilst work has been undertaken to establish an information governance framework, there are a number of outstanding actions that will require co-operation from stakeholders from across the Council in order to implement. This review was requested by management, as GDPR is a new area and the Council required support to develop its approach. We have therefore treated it as an advisory audit and not provided an audit opinion on the current controls.

We have worked with the Council to prepare a GDPR programme of works that sets out the actions that will be completed in order to address the recommendations that have been raised within this report (see Appendix I). Working with the Legal and Democratic Services Manager and the IT Team Leader, we have prepared an indicative GDPR Programme Plan that is included within this report (see Appendix II). Furthermore, to support the Council in the identification and recording of its information assets, we have provided an example of an Information Asset Register (see Appendix III).

We propose a further audit is performed before May 2018 to ensure all recommendations have been implemented and at this point an opinion will be provided.

APPENDIX B - CONTRACTS PROCUREMENT MANAGEMENT AND PURCHASING

MALDON DISTRICT COUNCIL GOAL			SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)	
Delivering good quality, cost effective and valued services			High	0
LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)			Medium	3
Design	Moderate	Generally sound system of internal controls, but with some exceptions	Low	3
Effectiveness	Moderate	Evidence of non compliance in some controls, that may put some system objectives at risk	Total number of recommendations: 6	

OVERVIEW

Background

The Council spends approximately £7 million on the procurement of goods, works and services, and has reviewed its Commissioning and Procurement Strategy and Contract Procedure Rules to ensure compliance with external requirements and to compliment corporate priorities. The Council's Facilities and Assets Manager, Procurement Officer and Finance Team provide guidance to staff and oversight of procurement related processes. The Council is also supported with delivery of procurement activity by the Essex Procurement Hub.

From our review, we noted the following areas of good practice, where the Council:

- has adopted a No PO No Pay protocol to ensure purchase orders are raised for expenditure
- works with the Essex Procurement Hub gaining access to dedicated expertise to support procurement activity
- has recently reviewed Financial Regulations and Contract Procedure Rules
- has provided training to Contract Managers in project management, to guide staff in procurement and contract related activity.

However, we also noted the following areas of improvement:

- Purchasing through one supplier exceeded thresholds for, but did not follow, required advertising or tendering requirements (Finding 1 - Medium)
- The Contracts Register was not up to date and did not reflect all Council Contracts (Finding 2 - Medium)
- Officers are using Purchase Cards for transactions that are of greater value that that expected by the Cardholder Instruction Manual (Finding 4 - Medium)

Conclusion

We have issued 3 Medium and 3 Low priority findings and have issued an opinion of moderate for both the design and effectiveness of the Contracts Procurement and Purchasing systems, reflecting that there are areas of good practice, but that there are also areas of improvement to be developed relating to compliance with procedures and regulations, and the provision of information and guidance to support compliance.

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