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HEAD OF PAID SERVICE'S OFFICE
HEAD OF PAID SERVICE
Richard Holmes

05 June 2019

Dear Councillor

You are summoned to attend the meeting of the;

AUDIT COMMITTEE

on **THURSDAY 13 JUNE 2019 at 3.00 pm.**

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

A copy of the agenda is attached.

Yours faithfully



Head of Paid Service

COMMITTEE MEMBERSHIP	CHAIRMAN	Councillor E L Bamford
	VICE-CHAIRMAN	Councillor B E Harker
	COUNCILLORS	Mrs P A Channer, CC A S Fluker J V Keyes C Morris S P Nunn N J Skeens

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AGENDA
AUDIT COMMITTEE

THURSDAY 13 JUNE 2019

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

2. **Apologies for Absence**

3. **Minutes of the last meeting** (Pages 5 - 8)

To confirm the Minutes of the meeting of the Audit Committee held on 4 April 2019, (copy enclosed).

4. **Disclosure of Interest**

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

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

5. **Updated Action Plan of Flood Mitigation Projects Across the District Report**
(Pages 9 - 18)

To consider the report of the Director of Strategy, Performance and Governance, (copy enclosed).

6. **Quarterly Review of Corporate Risk** (Pages 19 - 34)

To consider the report of the Director of Strategy, Performance and Governance, (copy enclosed).

7. **Internal Audit - Follow Up of Recommendations Report - May 2019** (Pages 35 - 42)

To consider the report of the Director of Resources, (copy enclosed).

8. **Internal Audit - Progress Report - May 2019** (Pages 43 - 54)

To consider the report of the Director of Resources, (copy enclosed).

9. **Internal Annual Report - May 2019** (Pages 55 - 72)

To consider the report of the Director of Resources, (copy enclosed).

10. **Internal Audit Fraud Risk Assessment- Advisory Report - March 2019** (Pages 73 - 102)

To consider the report of the Director of Resources, (copy enclosed).

11. **Any other items of business that the Chairman 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. 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

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Health and Safety

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**MINUTES of
AUDIT COMMITTEE
4 APRIL 2019**

PRESENT

Chairman	Councillor P G L Elliott
Vice-Chairman	Councillor E L Bamford
Councillors	A S Fluker, B E Harker, A K M St. Joseph and Mrs M E Thompson

2019. CHAIRMAN'S NOTICES

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

2020. APOLOGIES FOR ABSENCE AND SUBSTITUTION

Apologies for absence were received from Councillors M S Heard and Miss M R Lewis.

Councillor B S Beale was attending as a substitute for Councillor M S Heard.

2021. MINUTES OF THE LAST MEETING

RESOLVED that the Minutes of the meeting of the Committee held on 7 February 2019 be approved and confirmed.

2022. DISCLOSURE OF INTEREST

Councillor B E Harker declared an interest in Agenda Item 6 – External Audit – Planning Report to 31 March 2019, as he was in receipt of a Local Government pension.

2023. QUARTERLY REVIEW OF CORPORATE RISK

The Committee considered the report of the Director of Strategy, Performance and Governance providing independent assurance to the Council on the adequacy of the risk management framework. It was noted that the Risk Management Policy required the Audit Committee to undertake a quarterly review of the Corporate Risk Register as assurance that the corporate risks are being managed effectively.

The Director of Resources introduced the report which provided an update on the position as at the end of Quarter 3 (31 December 2018) on the corporate risks included

within the Corporate Risk Register 2018/19. She reported that there had been little change since the last register and that those risks requiring updates had been actioned.

It was noted that the Corporate Leadership Team will continue to work on updates as required, in anticipation of the 31 March reporting period.

RESOLVED

- (i) that Members reviewed and commented on the information as set out in appendix 1;
- (ii) that Members were assured that corporate risk was being managed effectively.

2024. EXTERNAL AUDIT - AUDIT PLANNING REPORT TO 31 MARCH 2019

The Committee considered the report of the Director of Resources informing the Committee of the External Audit work completed to 31 March 2019 attached at appendix 1, produced by Deloitte LLP and designed to help the Council meet its governance responsibilities in relation to audit.

Mr Craig Wisdom, Lead Audit Partner, took the Committee through the report. He highlighted the key points namely the work on risk assessment, taking into account pertinent documents, minutes of meetings, discussions with officers and also a review of the previous assessors' audit files. He assured the Committee that the scope was in accordance with the code of audit practice consistent with what had taken place in previous years.

He informed the Committee that the report focussed on three main areas of financial statement as follows: - Management override of controls; Pension Liability and Valuation of Property, Plant and Equipment and Investment Property together with the arrangements for value for money (VFM). This assessment was ongoing and as it stands no significant risks had been identified. In conclusion he reminded the Committee that he was independent of the Council as required by audit rules.

A question was raised regarding potential risks around Brexit. Mr Wisdom, in response, said that he had not identified anything significant in relation to the Council. The Director of Resources reported that the Council had been looking at Brexit risks in detail over the past twelve months, this work had highlighted high risk areas as provision of domiciliary care and waste management. Given that this Council does not manage domiciliary care and that the waste contractor SUEZ no longer employs predominantly EU workers, both those risks were mitigated. She said the main potential risk would be around an increase in prices which could adversely impact the budget. General risks around managing a further election, referendum and /or a general election were also serious considerations.

RESOLVED that Members both reviewed and commented on the External Audit Planning report.

2025. INTERNAL AUDIT - PROGRESS REPORT (MARCH 2019)

The Committee considered the report of the Director of Resources on the completed audits together with the assurance levels, audits that are currently a work in progress and any deviances to, or slippage, on the Internal Audit Plan 2018/19.

Mr Greg Rubins, Head of Internal Audit, took the Committee through the report. He advised that the Fraud Risk Assessment report was now complete and would be presented at the next committee meeting. This was an advisory piece of work only.

The 1918/19 plan had two reports completed, namely the Capital Project Management and IT Transformation. The Capital Project Management report had an assurance level of substantial for design and moderate for effectiveness. The IT Transformation report had an assurance level of substantial for both design and effectiveness, a positive result in both areas.

He reported that there was overall satisfaction with processes, plans, practice and management response to recommendations.

RESOLVED that Members noted and commented on the progress against the 2018/19 Internal Audit Plan and the positive outcome from the completed audits.

2026. INTERNAL AUDIT - FOLLOW-UP OF RECOMMENDATIONS REPORT AS AT 28 FEBRUARY 2019

The Committee considered the report of the Director of Resources advising on progress with regard to recommendations raised by Internal Audit for years 2015/16, 2016/17, 2017/18 and 2018/19.

Mr Greg Rubins, Head of Internal Audit, took the Committee through the report. He advised that there were 69 recommendations in total, 48 had been signed off leaving 21 outstanding. Of those outstanding 7 related to the Council's Future model and would be dealt with as part of that programme. He reported that good progress had been made, officer responses were timely and remaining recommendations were on track for completion.

It was noted that all audit reports presented were very clear and helpful.

RESOLVED that Members noted the progress to date against all recommendations.

2027. INTERNAL AUDIT - INDICATIVE INTERNAL AUDIT PLAN - DRAFT INTERNAL AUDIT STRATEGIC PLAN 2018/21 & 2020 OPERATIONAL PLAN

The Committee considered the report of the Director of Resources to seek approval for Internal Audit's Draft Internal Audit Strategic Plan 2018/21 and the 2019/20 Operational Plan attached as Appendix 1 to this report.

Mr Greg Rubins introduced the report advising members that the information had been collated through work with the Director of Resources and relevant officers. The key subject areas were highlighted as follows: -Financial Systems, Risk and Counter Fraud.

He then drew Members attention to a number of specific audits e.g. Corporate Governance, GDPR, Management Property etc. In conclusion he said he felt that the plan content incorporated all the risks facing the Council and Members concurred with his assessment.

RESOLVED that Members approved the Indicative Internal Audit Plan covering the Draft Internal Audit Strategic Plan 2018/21 and the 2019/20 Operational Plan.

2028. ANY OTHER ITEMS OF BUSINESS THAT THE CHAIRMAN OF THE COMMITTEE DECIDES ARE URGENT

There were none.

There being no further items of business the Chairman closed the meeting at 3.24 pm.

P G L ELLIOTT
CHAIRMAN



**REPORT of
DIRECTOR OF STRATEGY, PERFORMANCE AND GOVERNANCE**

to
AUDIT
13 JUNE 2019

**UPDATED ACTION PLAN OF FLOOD MITIGATION PROJECTS ACROSS THE
DISTRICT**

1. PURPOSE OF THE REPORT

- 1.1 To provide Members with a six-monthly update on the action plan of flood mitigation projects as agreed on 6 December 2018. The updates are highlighted in red on the action plan at **APPENDIX 1** and will assist this Committee when reviewing the current risk score for corporate risk “**Failure to have a clear shared plan regarding strategic ownership of coastal, fluvial and surface water flooding mitigation and long-term maintenance responsibilities**”.

2. RECOMMENDATION

- (i) That Members consider the updates to the action plan provided in **APPENDIX 1** and review the current risk score as a result of the amended plan and progress to date.

3. SUMMARY OF KEY ISSUES

- 3.1 At the Audit Committee on 6 December 2018 a report was presented that provided Members with an amended action plan. This clearly detailed the various flood management projects being undertaken across the District, in conjunction with partners, and clarified the purpose of the group and the goals it aims to achieve.
- 3.2 Members acknowledged that the amended content of the action plan addressed all their previous concerns around highlighting priorities regarding flood risk; clear outcomes; completion dates and engagement with all partners, both private and public. However, it was agreed that the risk score remain at 16.
- 3.3 It was recognised that, maintenance aside, it was imperative to focus on the key risks, projects and improvement of flood defences.
- 3.4 Members agreed that the Committee receive the updated Action Plan, on a six-month basis, as it was a very useful way of monitoring corporate risk 6. “Failure to have a

clear shared plan regarding strategic ownership of coastal, fluvial and surface water flooding mitigation and long-term maintenance responsibilities.

- 3.5 In light of the regular engagement with partners, the action plan provided at **APPENDIX 1** and the monitoring that will be undertaken, Members are asked to consider whether the current maximum risk score is appropriate given the risk refers to failing to have a shared plan (which now exists) and that the impact is major (which as outlined in the risk management policy suggests corporate objectives will not be met, major loss of life, reputational damage that will be remembered for years and government intervention in running the service).

4. CONCLUSIONS

- 4.1 The FWMA fails to provide adequate control of national funding by District Authorities and therefore reliance on allocation of funding is through criteria and targets set by external partners, in particular, the Lead Local Flood Authority (LLFA) and Environment Agency (EA). The Council has little control over how these funding allocations are distributed but rely heavily on lobbying and raising the profile of the district through various other means.
- 4.2 These include sharing information of flooding incidents with LLFA/EA, facilitating meetings, identifying hotspots and ensuring a robust planning system maximises contributions through development where appropriate. The updated plan attached as **APPENDIX 1** is a mechanism of control for the Council to a) understand how the funding is addressing flood risk in the district and b) to allow the Council to have a clear voice in the partnership arena.

5. IMPACT ON STRATEGIC THEMES

- 5.1 Without a clear shared plan for dealing with flood risk management there will be a negative impact on the delivery of sound and tested environmentally friendly initiatives and working with partnerships to develop and maintain coastal defences.
- 5.2 The updated plan will assist in identifying areas of flood risk within the district and ensure maximum opportunities are sought through partnership working to protect residents against flooding.

6. IMPLICATIONS

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

- (iv) **Impact on Resources (Financial)** – Partners will seek contributions towards flood alleviation schemes, as national funding allocations are unlocked easier with higher contributions. However, as the Council has zero budget for flood risk management work, other contributions such as the use of Council owned open space to install schemes can be an area of negotiation. An example of this is the ‘Wagtail Drive’ scheme in Drapers Farm.
- (v) **Impact on Resources (Human)** – Monitoring the detail within the plan will ensure that the impact on residents of flooding continues to be maintained at the highest priority.
- (vi) **Impact on the Environment** – The plan will provide a positive impact in protecting the environment for the future.

Background Papers: None

Enquiries to: Shirley Hall 01621 875817

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Maldon District Strategic Flood Projects and Maintenance Group Action Plan

Introduction

Maldon District Strategic Flood Projects and Maintenance group was set up in May 2018 to bring together partners to review current flood projects and maintenance work **on half** yearly basis.

Partners consist of:

- Environment Agency
- Essex County Council
- Anglian Water
- Maldon District Council (Facilitator)
- Private Sector Partners including land owners as appropriate and as schemes being considered would benefit their input.

The aim of the group is to explore opportunities for flood mitigation measures in Maldon district and to work together to seek the most appropriate funding for delivery of such schemes in a planned and coordinated way.

The action plan details the projects being taken forward on a rolling twelve month basis and is reviewed at the half yearly meetings. Determination of the projects to be included is undertaken by each partner agency based on their own risk assessment (for example Environment Agency funding is prioritised based on the number of properties at risk whereas Anglian Water prioritise their funding based on number of recorded flooding incidents)

Maldon District Council plays a key role in providing evidence to the respective partners to assist with their assessment criteria.

Project Owner	Project Name	Details of Scheme	Project	Comments	Outcome	Date of Completion	Status
MALDON DISTRICT STRATEGIC FLOOD PROJECTS & MAINTENANCE PLAN 2018-2019							
Environment Agency	Tollesbury Wick Re	Flood Defence Maintenance	Repairs to approx. 60m of concrete block revetment, including construction of new toe and extension of revetment where saltings have eroded away.	Contract awarded. Working through detailed design stage.	Maintain existing Standard of Protection	31/03/20	Design
Environment Agency	Rolls Farm revetment, Tollesbury	Flood Defence Maintenance	repairs to approx. 150m of concrete block revetment, with new toe to be constructed in some places.	Contract awarded. Working through detailed design stage.	Maintain existing Standard of Protection	31/03/20	Design
Environment Agency	Skinners Wick, Highams Farm, Lauristons Revetment Repairs	Flood Defence Maintenance	patchwork repairs in 3 separate locations along the north bank of the Blackwater	Patchwork repairs	Maintain existing Standard of Protection	31/10/18	Completed
Environment Agency	Bradwell waterside	Flood Defence Maintenance	Patchwork repairs				Design and feasibility stage
Environment Agency	Stokes Hall, Creekease	Flood Defence Maintenance	Revetment repairs and embankment repairs	Awaiting top soil and seeding of embankment during spring.	Maintain existing Standard of Protection	May 19	Construction
Environment Agency	Salcott Walls Slip repairs	Flood Defence Maintenance	Embankment reconstruction to repair slips in defence.	Contract awarded. Working through detailed design stage.	Maintain existing Standard of Protection	31/03/20	Design
Environment Agency	Abbotts Hall vegetation removal	Flood Defence Maintenance	removal of self set vegetation to allow inspection of asset	vegetation removal for to allow asset inspection	Maintain existing Standard of Protection	October	Completed
Environment Agency	Maylandsea Bay vegetation removal	Flood Defence Maintenance	removal of self set vegetation to allow inspection of asset	vegetation removal for to allow asset inspection	Maintain existing Standard of Protection	October	Completed
Environment Agency	Riverside Industrial Estate vegetation removal	Flood Defence Maintenance	removal of self set vegetation to allow inspection of asset	reviewing need	Maintain existing Standard of Protection	31/03/19	Design
Environment Agency	Woodrolfe Road Embankment improvements	Flood Defence Maintenance	reconditioning crest of embankment where heavy footfall leads to erosion	repairs to crest erosion	Maintain existing Standard of Protection	October	Completed
Environment Agency	Mundon Creek Revetment repairs	Flood Defence Maintenance	repairs to revetment and proection to toe	Patchwork repairs	Maintain existing Standard of Protection	31/03/20	Deffered
Environment Agency	Mill Beach Sea wall repairs	Flood Defence Maintenance	patchwork repairs to concrete block revetment				Design and feasibility stage
Environment Agency	Bounds Farm, Goldhanger revetment repairs	Flood Defence Maintenance	Revetment replacement work in two locations.	Temporary works to slow deterioration	Maintain existing Standard of Protection	September	Completed
Environment Agency	Mundon Wash Penstock replacement	Flood Defence Maintenance	replacement of penstocks		Maintain existing Standard of Protection	31/03/20	Design and feasibility stage

Project Owner	Project Name	Details of Scheme	Project	Comments	Outcome	Date of Completion	Status
Environment Agency	Maylandsea revetment repairs	Flood Defence Maintenance	replacement revetment at lower level of exposed face. Approx 20m	planning to deliver in-house	Maintain existing Standard of Protection	31/03/20	Design
Environment Agency	Bridgemarsh Creek Embankment Repairs	Flood Defence Maintenance	repairs to minor scour of embankment	Aim to deliver in house.			Design and feasibility stage
Environment Agency	Holliwell and Redward revetment repairs	Flood Defence Maintenance	replacement of approx. 50m of revetment and new toe construction.	Contract awarded. Work through detailed design stage	Maintain existing Standard of Protection	31/03/20	Design
Environment Agency	Grange Outfall overhaul	Flood Defence Maintenance	desilt of high level watercourse, flood embankment surveying and asset inspection	Part complete - fluvial desilt complete. Assessment of flap valves and potential replacement required.	Maintain existing Standard of Protection	31/03/20	Ongoing
Environment Agency	Burnham Flapped outfall replacements	Flood Defence Maintenance	Replacement of flapped drainage outfalls	Contract awarded. Work through design stage.	Maintain existing Standard of Protection	31/03/19	Design
Environment Agency	West althorne embankment repairs	Flood Defence Maintenance	repairs to minor scour of embankment	Design and planning stages	Maintain existing Standard of Protection	31/03/20	Design
Environment Agency	Heybridge Flood Alleviation Scheme	Flood Defence Capital Project looking at creating new assets	Potentially creating new assets but options also include Property Level Protection	The project is in its infancy following Countryside Properties withdrawal from their provision of FAS infrastructure linked to their delivery of the North Heybridge Garden Suburb development. Delivery of a new option (currently being evaluated by the Environment Agency) is highly likely to require financial support (Partnership Funding contributions) to add to eligible Flood Grant from Government funds in order to make the scheme affordable.	Construction of new assets (diversionary watercourse, improved flow conveyance or Property Level Resilience) that reduces the frequency and magnitude of flood damages	Aspirational target of March 2024	Options being identified to bring forward into an Outline Business Case. Strategic Outline Case has been submitted to Environment Agency Assurance Panel (NPAS)
Environment Agency	Lime Brook, Mundon Brook, Latchingdon Brook & Mayland Brook Flood Modelling Project	Detailed Flood Modelling Study .	To identify areas at risk of flooding from small watercourses that discharge to the south side of the Blackwater Estuary	To identify the frequency and magnitude of flood risks associated with these small watercourses, produce new flood maps for land use planning and to analyse the magnitude of risks associated with culvert blockages, the effectiveness of gravity sluice outfalls to the estuary taking into account estimated climate change increases to sea levels and to river flows over the next 100 years.	Improved Flood Map to support Land Use Planning and technical evidence base for supporting future work programmes (maintenance and new Flood Risk Management infrastructure)	Estimated for May 2019	Models currently being built and calibrated
Essex County Council	Maldon Central	Essex Capital scheme	Flood Storage potentially in Brickhouse Farm Maldon	We are still trying to resolve post construction asset adoption issues.			Design and feasibility stage

Project Owner	Project Name	Details of Scheme	Project	Comments	Outcome	Date of Completion	Status
Essex County Council	The Causeway	Essex Flood Management initial assessment	Detailed Flood Risk Appraisal Study are all sources of flooding. The study will examine the flood risk from all sources while taking into consideration Strategies, Plans and Assessments from past documents such as Catchment Flood Management Plans, Shoreline Management Plans, Surface Water Management Plans and River Basin Management Plans. In addition, the study will seek to outline the effects of the interaction between different flood risk sources and the impacts on <u>people and property</u> .	The initial assessment has been completed and it has been agreed that there would be no viable scheme. However funding is being sought for detailed study of flood risk in this location as part of The Causeway Masterplan			Exploring Funding Opportunities
Essex County Council	Burham	Property Level Resilience	Measures installed on Properties	4 applications received from Station Road, Burnham on Crouch. 3 PLR installations have been completed and 1 is still outstanding.			3 Completed, 1 outstanding
Essex County Council	Heybridge	Property Level Resilience	Measures installed on Properties	2 applications received and both properties have had installations completed			Completed
Essex County Council	Maldon	Property Level Resilience	Measures installed on Properties	3 applications received and the properties have had installations completed			Completed
ECC/MDC/Anglian Water	Tollesbury	Potential Flood Alleviation Scheme details to be confirmed.	Design not confirmed awaiting further discussion	Partners engaging with AW to explore how this matter can be resolved. A number of Residents and Proprietors completed DG5 forms (AW) awaiting outcome.			In discussion with Partners
Wickham Bishops PC/Private Landowners	Wickham Bishops	Flood Alleviation Scheme potentially through ECC CIF	Details to be confirmed				In discussion with Partners

Environment Agency

Under section 16 of the Floods and Water Management Act 2010, the Environment Agency administers FCRM grant-in-aid (GIA) on behalf of Defra.

We allocate capital and revenue funding to risk management authorities (RMAs) to manage and reduce flood and coastal erosion risk and Grant can be allocated to support worthwhile projects, studies and strategies.

In 2014 government announced a longer term capital funding settlement for FCERM from 2015 to 2021 and we developed a 6 year FCERM investment programme. We prioritise studies and projects nationally, using the partnership-funding system and conditions set by the board and announce the 'indicative allocation' of funding by the end of each December. The indicative allocation given to an individual RMA project will be the amount of capital grant eligible in line with the partnership-funding system, and may not be the full cost of the scheme.

Risk Management Authorities that can apply for FCRM grant-in-aid include maritime local authorities (LAs) for coastal erosion or, for flood risk, district, metropolitan district and county councils, and unitary authorities, and Internal Drainage Boards (IDBs). It also includes all London boroughs, highways authorities and water companies.

Each year we prepare a revenue maintenance programme. We use FCRM revenue grant in order to maintain flood risk assets. Our river and coastal maintenance programme aims to ensure that flood risk assets provide the required standard of service, for example to keep assets ready to operate and structurally sound to prevent failure. The revenue Grant settlement is currently agreed with Government on an annual basis and we are now developing a high level five-year forward look maintenance programme to show that there is an ongoing long term need for maintenance funding which will help provide the evidence needed for Spending Review 18 to support the case for a future five year funding settlement (as opposed to the current work planning vulnerability of the 1 year settlement).

Essex County Council

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Awaiting update

Anglian Water

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Awaiting Update

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**REPORT of
DIRECTOR OF STRATEGY, PERFORMANCE & GOVERNANCE**

to
AUDIT COMMITTEE
13 JUNE 2019

QUARTERLY REVIEW OF CORPORATE RISK

1. PURPOSE OF 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 4 (31 March 2019) on the corporate risks included within the Corporate Risk Register 2018/19.

2. RECOMMENDATIONS

- (i) Members review the information as set out in this report and **APPENDIX 1** and their views and comments are sought;
- (ii) 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, the views of this Committee are sought on the current position, any movement in the risks scores and the comments provided by the risk owners.
- 3.3 Members are reminded that the risk assessment and scoring framework, contained within the new Risk Management Policy agreed by this Committee in March 2018 and adopted by Council in May 2018, should be considered and applied when reviewing the corporate risks and scores.

- 3.4 **Re: Corporate Risk Register 2019/20** – Council approved the Corporate Plan 2019-23 at its meeting on February 14th, 2019. Three strategic themes have been identified – Place, Community and Prosperity - and following approval of the Corporate Plan, thematic strategies are being drafted for each theme which will be submitted to Council in June for adoption.
- 3.5 Once the strategies have been agreed, the corporate risk register will be reviewed and the format for reporting the corporate risks will be determined. It is anticipated that the new risk reporting arrangements will be introduced from Quarter 2 2019/20 which will coincide with the implementation of Phase 2 of the Future Model and the new Committee structure.
- 3.6 In the meantime, for Q1 2019/20 the existing corporate risks will continue to be reported in the current format.

4. IMPACT ON STRATEGIC THEMES

- 4.1 This report relates to the risks included on the 2018/19 Corporate Risk Register which were identified as those which could prevent MDC from achieving the corporate goals stated in the Corporate Plan 2015-19, rather than the strategic themes included in the newly adopted Corporate Plan 2019-23.
- 4.2 However, by identifying the risks, assessing the controls in place and determining further actions needed to mitigate the risks the Council's desired outcomes should be achieved.

5. IMPLICATIONS

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

- (iv) **Impact on Resources (financial and human)** - All risk management activity is undertaken within existing and planned budgets.

Impact on the Environment - None

Background Papers: None

Enquiries to: Paul Dodson, Director of Strategy, Performance and Governance (Tel: 01621 875756).

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Corporate Risk Register
Quarterly Review

Impact (I)

- 4 – Major
- 3 – Serious
- 2 – Moderate
- 1 – Minor

Likelihood (L)

- 4 – Almost Certain
- 3 – Likely
- 2 – Unlikely
- 1 – Almost impossible

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

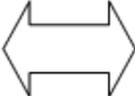
Likelihood	4				
	3				
	2				
	1				
		1	2	3	4
Impact					

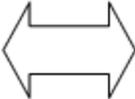
Anything in the shaded area is considered to be “below the Council’s tolerance line”

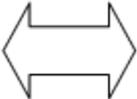
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Risk	Original Risk Score	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Quarter Four Q4 2018/19	Direction of Score (since last quarter)	Comments
<p>01 - Failure to safeguard children and vulnerable adults</p> <p><i>Date risk added to Register: 2012/13</i></p> <p><i>Owner: Director of Service Delivery</i></p>	<p>L - 2 I - 3 Risk Score = 6</p>	<p>L - 1 I - 4 Risk Score = 4</p>	<p>L - 1 I - 4 Risk Score = 4</p>	<p>L - 1 I - 4 Risk Score = 4</p>	<p>L - 1 I - 4 Risk Score = 4</p>		<p>Safeguarding continues to be managed at a corporate level, but has now embedded reporting officers within service areas. Staff continue to report and log incidents or concerns and receive training as required.</p> <p>Changes to the organisation as it goes through transformation are being tracked to ensure reporting officers remain in place as required.</p> <p>Partners including MOAT and Family Solutions (ECC) are also now attending the MDC safeguarding group meetings.</p> <p>Training for staff and Members will be rolled out during 2019.</p>

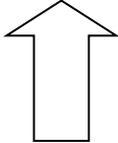
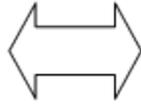
Risk	Original Risk Score	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Quarter Four Q4 2018/19	Direction of Score (since last quarter)	Comments
<p>02 - Failure to target services and influence partners with the aim of having an effective outcome on the identified (health and wellbeing) needs of the vulnerable population</p> <p><i>Date risk added to Register: Redefined 2016/17</i></p> <p><i>Owner: Director of Service Delivery</i></p>	<p>L - 3</p> <p>I - 3</p> <p>Risk Score = 9</p>	<p>L - 3</p> <p>I - 3</p> <p>Risk Score = 9</p>	<p>L - 2</p> <p>I - 3</p> <p>Risk Score = 6</p>	<p>L - 2</p> <p>I - 3</p> <p>Risk Score = 6</p>	<p>L - 2</p> <p>I - 3</p> <p>Risk Score = 6</p>		<p>Good progress has been made to both maintain existing and develop new partnerships to deliver a targeted approach to health and wellbeing.</p> <p>Progress on the key projects for 2018/19 to mitigate this risk includes the following:</p> <ul style="list-style-type: none"> • Development of Livewell Strategy • Project to tackle social isolation in North of District (4 T's) - this is led by MDC and delivered by community groups/ volunteers which continues to attract regular attendance. Work being undertaken to expand the project in the Dengie. • Project to support weight management and obesity in targeted area of District progressing, including a "Grow it Cook it Share it" project on Council owned land. • Community fund scheme (ready, steady, grow) put in place to support healthy eating, social isolation and loneliness. • Continued support to a weight management service based at the Council Offices helping an average of 20 people per week. • We continue to increase the use of social media and Livewell Website for promotion of a healthy lifestyle. Our Ttwitter feed has 6,900 followers and our Facebook page has 1000 likes so this has a huge potential to reach a large number of our residents.

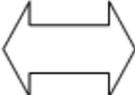
Risk	Original Risk Score	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Quarter Four Q4 2018/19	Direction of Score (since last quarter)	Comments
							<ul style="list-style-type: none"> • Gardening Project Southminster - sources of funding have been secured to continue with activities. • Development/expansion of intergenerational projects. • We are working with various partners, including MIND, Essex County Council and Maldon CVS to develop a mental health support project. • The 3 projects that are funded through the external public health funding are progressing well, including: <ul style="list-style-type: none"> - Hearing Help Essex - reducing social isolation through interaction with hearing impaired clients. - Beacon Hill Rovers Football Club - project to increase involvement of younger girls in sport, and involvement of older men to participate in sport. - Abberton Rural training - supporting unemployed to be active and gaining work based skills, including a weight management programme.
03 - Failure to target services and influence partners effectively to support the	L - 3 I - 4 Risk Score = 12	L - 3 I - 4 Risk Score = 12	L - 3 I - 4 Risk Score = 12	L - 3 I - 4 Risk Score = 12	L - 3 I - 4 Risk Score = 12		There have been a number of discussions with other services and partners that deal with a range of issues in relation to delivering housing to meet the needs for older people. Whilst work has continued to be undertaken this is not a quick process. Some things have moved forward but not sufficiently to reduce the risk at this time.

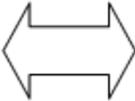
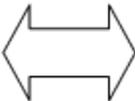
Risk	Original Risk Score	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Quarter Four Q4 2018/19	Direction of Score (since last quarter)	Comments
<p>identified housing needs of an increasing ageing population</p> <p><i>Date risk added to Register: 2016/17</i></p> <p><i>Owner: Director of Service Delivery</i></p>							
<p>04 – Failure to influence Community Safety partners to address the key areas of public concern (including rural crime) and the negative perception of crime</p> <p><i>Date risk added to Register: 2017 /18</i></p>	<p>L - 3 I - 2 Risk Score = 6</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>The Council continues to address crime working as part of the Community Safety Partnership. Activity is reviewed by the Overview and Scrutiny Committee acting as the Crime and Disorder Committee twice yearly. Members concerns are raised at Chief Inspector Level and via the Police Fire and Crime Commissioner (PFCC).</p> <p>Officers arranged a specific Member Briefing with the PFCC in February in addition to the annual public meeting in January 2019. The Community Safety Partnership undertakes a Strategic Assessment (SA) of activities on an annual basis which address local concerns. The SA also informs priority for the local Community Policing Teams.</p>

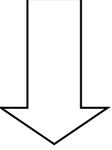
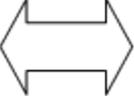
Risk	Original Risk Score	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Quarter Four Q4 2018/19	Direction of Score (since last quarter)	Comments
<i>Owner: Director of Service Delivery</i>							<p>The assessment has highlighted police visibility as a priority for 2019/20. The increase in policing precept for 2018/19 has seen additional officers deployed to Maldon District (6 PCs) and the precept increase for 2019/20 will see these numbers boosted further with officers planned to be in place by July 2019 as part of the project to set out town centre units.</p> <p>The Community Safety Partnership hub is now live in Chelmsford and officers work alongside the community policing team which includes specialist officers who deal with anti-social behaviour, young persons and vulnerability. The next phase will see the introduction of hot desking opportunities for wider partnership staff such as health, fire, probationary services and the youth service. A new Service Level Agreement with Chelmsford City Council has been agreed so that more staff is deployed to the hub to benefit from the joint working opportunities, but ensuring there is still a local presence within the district.</p>
05 – Failure to deliver the required infrastructure to support development arising from the LDP	L - 3 I - 4 Risk Score = 12	L - 3 I - 4 Risk Score = 12	L - 3 I - 4 Risk Score = 12	L - 3 I - 4 Risk Score = 12	L - 3 I - 4 Risk Score = 12		Whilst we have improved the monitoring over the past year, and established a programme management approach to the delivery of the infrastructure, we also face challenges which balance this, particularly the departure of the S106 Officer who undertook much of this work. For that reason the risk is unchanged. We are currently out to advert for a replacement Officer.

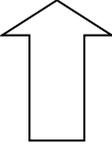
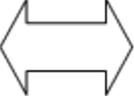
Risk	Original Risk Score	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Quarter Four Q4 2018/19	Direction of Score (since last quarter)	Comments
<i>Date risk added to Register: 2014/15</i>							
<i>Owner: Director of Strategy, Performance and Governance</i>							
06 – Failure to have a clear shared plan regarding strategic ownership of coastal, fluvial and surface flood mitigation and long term maintenance responsibilities	L - 3 I - 4 Risk Score = 12	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		A further report and the updated plan were presented to the Audit Committee in December. Members do not wish to amend the risk score at this stage, but will review in 2019/20 at June Committee. The Action Plan was discussed at the Coast & Flood Group in Q4 and it was agreed to forward to partners to update plan ahead of the operational group in Q1.
<i>Date risk added to Register: 2015/16</i>							
<i>Redefined 2017/18</i>							

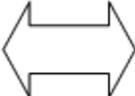
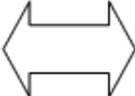
Risk	Original Risk Score	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Quarter Four Q4 2018/19	Direction of Score (since last quarter)	Comments
<i>Owner: Director of Strategy, Performance and Governance</i>							
07 – Failure to maintain a 5 year supply of Housing Land	L - 2 I - 4 Risk Score = 8	L - 2 I - 2 Risk Score = 4	L - 2 I - 2 Risk Score = 4	L - 2 I - 2 Risk Score = 4	L - 3 I - 4 Risk Score = 12		Due to the refusal of planning applications on South of Limebrook Way for 439 dwellings and North Heybridge for 1138 dwellings, there is now an increased risk to the five year housing land supply (5YHLS). Also National Planning Policy Framework 2019 changes the way delivery from large sites can be included in the 5YHLS which may reduce the number of dwellings that can be counted for the allocations. Lack of a 5YHLS will result in planning on appeal and unplanned development and may lead to an early review of the LDP.
<i>Date risk added to Register: 2017/18</i>							
<i>Owner: Director of Strategy, Performance and Governance</i>							
08 - Failure to meet the affordable housing need	L - 3 I - 4 Risk Score = 12	L - 3 I - 4 Risk Score = 12	L - 3 I - 4 Risk Score = 12	L - 3 I - 4 Risk Score = 12	L - 3 I - 4 Risk Score = 12		Mitigating actions are being taken forward to overcome the shortfall in affordable housing. An application has been received from a parish council for funding from the Community Led Housing Fund to assist with a Housing Needs Survey update. The parish council is also meeting with landowners to discuss options of land available for development.
<i>Date risk added to Register: 2016/17</i>							

Risk	Original Risk Score	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Quarter Four Q4 2018/19	Direction of Score (since last quarter)	Comments
<p><i>Owner: Director of Strategy, Performance and Governance</i></p>							<p>Pre-application received from a registered provider for an Independent Living Scheme in the District.</p> <p>A provider has been appointed by a parish council and the parish council is considering four sites for potential development within its parish.</p> <p>The Housing and Homelessness Strategy has been adopted and the Affordable Housing Supplementary Planning Document (SPD) which now has weight in the consideration of planning applications.</p> <p>Work is still on-going to try to resolve the issue created through the already granted permissions and an assumption all sites will provide some level of contribution.</p> <p>The Council has successfully defended appeals that have tried to 'underprovide' on sites.</p> <p>In the meantime, however, the risk score remains unchanged.</p>
<p>09 - Failure to have a co-ordinated approach to supporting inward investment and maximising business rate</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 2 I - 4 Risk Score = 8</p>	<p>L - 2 I - 4 Risk Score = 8</p>	<p>L - 2 I - 4 Risk Score = 8</p>		<p>An Internal Communications strategy is being developed to ensure that all services are aware of the priority of supporting inward investment and maximising business rate growth.</p> <p>The Economic Prosperity Strategy is to be reviewed following approval of the new Corporate Plan.</p> <p>The employment land register is now operational and will be used for business support such as the Central</p>

Risk	Original Risk Score	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Quarter Four Q4 2018/19	Direction of Score (since last quarter)	Comments
growth							Area Masterplan project for the Lower High Street.
<i>Date risk added to Register: 2017/18</i>							Regular external stakeholder meetings with Invest Essex are taking place bimonthly.
<i>Owner: Director of Strategy, Performance and Governance</i>							The risk score remains the same at this current time.
10 - Failure to develop jobs to support the growing population	L - 4 I - 3 Risk Score = 12	L - 4 I - 3 Risk Score = 12	L - 4 I - 3 Risk Score = 12	L - 4 I - 3 Risk Score = 12	L - 4 I - 3 Risk Score = 12		Work with economic initiatives, including the Enterprise Centre proposals, is ongoing. A key activity will be facilitating the Commercial sites within the LDP to come forward for development.
<i>Date risk added to Register: 2018/19</i>							
<i>Owner: Director of Strategy, Performance and Governance</i>							
11 - Failure to protect personal or commercially sensitive data	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		By the end of Q1 2019/20 all staff will have laptops meaning that they can use these in meetings and there will be less data being carried round in paper format. All laptops are fully encrypted.

Risk	Original Risk Score	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Quarter Four Q4 2018/19	Direction of Score (since last quarter)	Comments
<i>Date risk added to Register:2009/10</i>							In Q1 2019/20 secure print via MFDs will also be implemented.
<i>Owner: Director of Resources</i>							
12 - A Committee structure which is not cost effective							Members have agreed a revised Committee Structure to be implemented in Q3 2019/20 this provides for fewer more focussed committees.
<i>Date risk added to Register: Redefined 2018/19</i>	L - 3 I - 3 Risk Score = 9	L - 3 I - 3 Risk Score = 9	L - 3 I - 3 Risk Score = 9	L - 3 I - 3 Risk Score = 9	L - 2 I - 3 Risk Score = 6		
<i>Owner: Director of Resources</i>							
13 – Failure to manage impact of organisational change							As at the 31/3/19 we are consulting with phase 2 of our operating model which affects the majority of our staff. The change network is in place, one to one support is in place on managing change and we are also providing 121 meetings for all staff.
<i>Date risk added to Register:2018/19</i>	L - 2 I - 3 Risk Score = 6	L - 2 I - 3 Risk Score = 6	L - 3 I - 3 Risk Score = 9	L - 3 I - 3 Risk Score = 9	L - 3 I - 3 Risk Score = 9		

Risk	Original Risk Score	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Quarter Four Q4 2018/19	Direction of Score (since last quarter)	Comments
<i>Owner: Director of Resources</i>							
14 – Unable to recruit and retain staff in national skill shortage areas to meet the demands of the service <i>Date risk added to Register:2015/16</i> <i>Owner: Director of Resources</i>	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 - 3 I - 3 Risk Score = 9		There are some concerns around the retention and recruitment of planning policy staff following two resignations. We are working with agencies, recruitment specialists and other Councils to understand the national skills shortage and how this can be mitigated
15 – Failure to plan and deliver balanced budgets over the medium term <i>Date risk added to Register:2008 / 09</i> <i>Owner: Director of Resources</i>	L - 2 I - 3 Risk Score = 6	L - 3 I - 3 Risk Score = 9	L - 3 I - 3 Risk Score = 9	L - 3 I - 3 Risk Score = 9	L - 3 I - 3 Risk Score = 9		Whilst the Council is able to balance its budget over the medium term using current projections and incorporating Full Council Transformation Savings; there remains some serious future funding risks following on from the Fair Funding Review in 2021 and Business Rates reset. When more certainty is available this score will be revisited.

Risk	Original Risk Score	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Quarter Four Q4 2018/19	Direction of Score (since last quarter)	Comments
16 – Corporate policies not managed and reviewed	L - 3 I - 3 Risk Score = 9	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		The Council now has specific corporate policy and strategy resource in place to carry out review and update of all policies. Further information on specific reviews will be provided in the 2019/20 service plans
<i>Date risk added to Register:2016/17</i>							
<i>Owner: Director of Strategy, Performance and Governance</i>							
17 – Failure to maximise effectiveness of services through promotion and engagement	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	L - 3 I - 2 Risk Score = 6		With the implementation of Phase 1 in February, the new Communications team is now in place and developing a strategy.
<i>Date risk added to Register:2018/19</i>							
<i>Owner: Director of Strategy, Performance and Governance</i>							



REPORT of DIRECTOR OF RESOURCES

to
AUDIT
13 JUNE 2019

INTERNAL AUDIT - FOLLOW UP OF RECOMMENDATIONS REPORT - MAY 2019

1. PURPOSE OF THE REPORT

- 1.1 To report progress with regard to recommendations raised by Internal Audit for years 2015/16, 2016/17, 2017/18 and 2018/19.

2. RECOMMENDATION

- (i) That the progress against these to date be considered.

3. SUMMARY OF KEY ISSUES

- 3.1 Details of the progress against these recommendations are attached at **APPENDIX 1** to this report.

4. CONCLUSION

- 4.1 This report updates Audit Committee Members on the progress against the Internal Audit Follow Up of Recommendations report as at May 2019.

5. IMPACT ON STRATEGIC THEMES

- 5.1 The work of Internal Audit directly supports the Corporate Strategic Theme of ensuring best value procurement and project management thereby exceeding customers' expectations.

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
Emma Donnelly, Assistant Manager, (BDO LLP)



MALDON DISTRICT COUNCIL

**INTERNAL AUDIT
FOLLOW UP OF RECOMMENDATIONS**

MAY 2019

Summary

Audit	Total Recs	H	M	L	To follow up	Complete		In Progress		Not Due		Overdue		% Complete
						H	M	H	M	H	M	H	M	
15/16. Risk Management - High Level Review	5	1	4	-	5	-	4	-	1	-	-	-	-	80%
16/17. Cyber Crime	7	-	7	-	7	7	-	-	-	-	-	-	-	100%
16/17. Financial Systems	3	-	3	-	3	-	2	-	1	-	-	-	-	100%
16/17. Channel Shift	7	-	7	-	7	-	1	-	-	-	-	-	6	14%
16/17. Information Governance PCI/DSS	4	1	3	-	4	-	3	1	-	-	-	-	-	75%
16/17. Planning	4	-	4	-	4	-	3	-	-	-	-	-	1	75%
16/17. Flooding	5	-	5	-	5	-	3	-	2	-	-	-	-	80%
16/17. Payment and Creditors	4	-	4	-	4	-	4	-	-	-	-	-	-	100%
17/18. Main Financial Systems	3	-	1	2	1	-	1	-	-	-	-	-	-	100%
17/18. Economic Development/ Business Rate Growth	4	-	4	-	4	-	4	-	-	-	-	-	-	100%
17/18. Partnership Working	3	-	1	2	1	-	1	-	-	-	-	-	-	100%
17/18. Disaster Recovery and Business Continuity	6	-	5	1	5	-	1	-	4	-	-	-	-	20%
17/18. Contract Procurement Management and Purchasing	6	-	3	3	3	-	3	-	-	-	-	-	-	100%
17/18. Attendance Management	2	-	1	1	1	-	1	-	-	-	-	-	-	100%
17/18. Elections Improvement Plan	6	-	3	3	3	-	3	-	-	-	-	-	-	100%
17/18. Business Resilience	5	-	3	2	3	-	3	-	-	-	-	-	-	100%
17/18. Budget Setting	1	-	1	-	1	-	1	-	-	-	-	-	-	100%
18/19. Budgets and Performance Management	4	-	1	3	1	-	1	-	-	-	-	-	-	100%
18/19. Main Financial Systems	2	-	1	1	1	-	1	-	-	-	-	-	-	100%
18/19. Safe and Clean Environment	6	-	5	1	5	-	1	-	2	-	2	-	-	33%
Total	87	2	66	19	68	7	41	1	10	-	2	-	7	

Summary

Introduction

We regularly follow up progress with the implementation of recommendations raised by Internal Audit and bi-annually we report to the Audit Committee. We request commentary by responsible officers on the progress towards implementation of our recommendations and for high and medium priority recommendations we verify the progress to source evidence and conclude either that the recommendation is complete or incomplete. This report represents the status of all internal audit recommendations as at 20 May 2019.

2015/16 Recommendations

19 high and medium priority recommendations were made in 2015/16, of which 18 were confirmed to have been implemented by March 2018 and previously reported. We identified that 1 medium priority recommendation was still in progress relating to Risk Management however this will be followed up as part of the 2019/20 internal audit of Risk Maturity which is now scheduled. The remaining recommendations have been implemented.

2016/17 Recommendations

For 2016/17 we raised a total of 34 high and medium priority recommendations. From this we note:

- 24 recommendations have been implemented
- 3 recommendations are in progress relating to Flooding (2 recommendations) and Information Governance PCI/DSS (1 recommendation) which have revised implementation dates which are not yet due for follow up
- A further 7 are overdue relating to the audit of Channel Shift (6 recommendations) and Planning (1 recommendation). These recommendations will be implemented under the Future Council Model

2017/18 Recommendations

22 high and medium recommendations were raised in 2017/18. The current position of these recommendations is as follows:

- 18 (medium priority) are considered implemented relating to Economic Development, Partnership Working, Procurement & Contract Procurement Management and Purchasing, Business Resilience and Disaster Recovery, Attendance Management, Main Financial Systems, Elections improvement Plan and Business Continuity
- 4 (medium priority) are in progress relating to Disaster Recovery and Business Continuity, which have revised implementation dates which are not yet due (June 2019)

2018/19 Recommendations

7 medium recommendations have been raised in 2018/19. The current position of these recommendations is as follows:

- 3 are considered implemented relating to Budgets and Performance Management (1 recommendation), Main financial Systems (1 recommendation) and Safe and Clean Environment (1 recommendation)
- 2 are in progress relating to Safe and Clean Environment
- 2 are not yet due relating to Safe and Clean Environment

RECOMMENDATIONS: IN PROGRESS

Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
2018/19- Safe and Clean Environment				
<p>Performance monitoring should be evidenced as undertaken on a set periodic basis, with any performance discussion minuted. If performance targets are not being met, and rectification notices are being issued, the contractor should be asked to provide a response for the reason for the missed targets. An action plan should be created to record the actions that need to be taken by both the Council and the contractor, who is responsible for implementing each action and the timeframes for this. The action plan should be presented at every contract monitoring meeting, so it can be updated with the actions addressed.</p> <p>b) A review of performance targets should be undertaken. If the current target for missed bins is not feasible, an additional target should be created above which performance would be deemed unsatisfactory. Other key performance indicators should be considered to identify if these would assist in the monitoring of performance, based upon management knowledge of the service and contract. Based upon our experience at other Councils, we have found the following indicators commonly used:</p> <ul style="list-style-type: none"> - Number of customer complaints - Turnaround time at delivery points - Vehicle breakdowns - Number of delayed collections - Timeliness of container deliveries 	Medium	Carol Love - Waste and Street Scene Manager	<p>31 January 2019</p> <p>July 2019</p>	<p>Performance monitoring meetings are now minuted and action points noted. Performance is discussed at regular contract monitoring meetings. Action plans, as recommended, are being implemented in January 2019.</p> <p>Other performance indicators as outlined above have been considered and implemented as appropriate.</p> <p>A revised target for missed bins is to be discussed and agreed with Senior Managers and taken forward.</p>
<p>The Council should work with the contractor to determine the monitoring and performance targets to be implemented which are commensurate with the risk and value of the contract. Monitoring should then be undertaken on a set periodic basis, with monitoring reports provided by the contractor to enable an assessment of performance against predetermined targets. Any performance below target should</p>	Medium	Carol Love - Waste and Street Scene Manager	<p>11 January 2019</p> <p>July 2019</p>	<p>This contract is currently considered to be a low risk by the council, this is evidenced by the lack of complaints by the public and parish councils also the Community Protection Officers visually monitor the district on a daily basis. If the levels of cleanliness of the district should begin to drop then resources will be applied to monitoring</p>

result is an action plan being put in place by the contractor to enable them to meet the Council's expectations

and maintaining standards.

The contractors for Street Cleansing have carried out the service for many years and the level of performance during that time has been consistently high. All fly tipping and complaints are dealt with quickly and within expected timescales. Although no programmed monitoring is currently undertaken due to resources it is recognised that this should be implemented, and this is included in this year's Business Plan.

Internal audit confirmed that soft market testing has been undertaken to ensure the Council is getting value for money. If confirmed the SLA with the contractors will be updated to include these indicators.

The Council is going through changes at the moment and a re-structure of how the council works. Any monitoring of both the street cleansing contract and waste contract will be undertaken by the new Community Engagement Team and the Lead Co-ordinator for this team has just been appointed. Following this appointment up a monitoring schedule will be implemented going forward. This will be put into place when the new team is finalised.



FOR MORE INFORMATION:

Greg Rubins
Partner
07710 703441

Emma Donnelly
Assistant Manager
07923 030487



REPORT of DIRECTOR OF RESOURCES

to
AUDIT COMMITTEE
13 JUNE 2019

INTERNAL AUDIT - PROGRESS REPORT - MAY 2019

1. PURPOSE OF THE REPORT

- 1.1 To report completed audits together with the assurance levels, audits that are currently a work in progress and any deviances to, or slippage, on the Internal Audit Plan 2018 / 19.
- 1.2 To report any areas of concern.

2. RECOMMENDATIONS

- (i) that the progress against the 2018/19 Internal Audit Plan is considered.
- (ii) that Members comment on the progress on the 2018/19 Internal Audit Plan including the completed audits.

3. SUMMARY OF KEY ISSUES

- 3.1 This report is for Members' information.
- 3.2 Details of the progress to date against the 2018/19 Internal Audit Plan are attached at **APPENDIX 1** to this report.
- 3.3 The following audit has been issued in final since the previous Audit Committee:
 - Transformation Programme.
- 3.4 The following audit has been issued in draft since the previous Audit Committee:
 - Building Control.

4. CONCLUSION

- 4.1 Audit work will continue to be focussed on areas of financial and corporate importance, however deviances from the Audit Plan arise. The Audit Committee will continue to be informed of all significant changes.

5. IMPACT ON STRATEGIC THEMES

- 5.1 The work of Internal Audit directly supports the Corporate Strategic Theme of ensuring best value procurement and project management thereby exceeding customers' expectations.

6. IMPLICATIONS

- (i) **Impact on Customers** – None.
- (ii) **Impact on Equalities** – None.
- (iii) **Impact on Risk** –None
- (iv) **Impact on Resources (financial)** – The cost of these third-party services is within the Council's budget.
- (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)

MALDON DISTRICT COUNCIL

INTERNAL AUDIT PROGRESS REPORT

MAY 2019

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SUMMARY OF 2018/19 WORK

Internal Audit

This report is intended to inform the Audit Committee of progress made against the 2018/19 internal audit plan. 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 Appendix 1 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.

2017/18

The Fraud Risk Assessment has now been finalised and is included separately.

2018/19 Internal Audit Plan

The following audits have been issued in Final since the last audit committee:

- Transformation Programme

The following audit has been issued in draft since the last audit committee:

- Building Control

The following audits are currently underway:

- Local Development Plan
- Strengthening Communities and Localism
- Commercialisation

2019/20 Internal Audit Plan

Fieldwork is underway for:

- Risk Maturity Assessment
- Procurement and Contract Management

Further Reports for this Audit Committee

- Follow Up of Internal Audit Recommendations
- Draft Annual Report

REVIEW OF 2018/19 WORK

Audit Area	Audit Days	Planning	Fieldwork	Reporting	Opinion	
					Design	Effectiveness
Audit 1. Main Financial Systems	30	✓	✓	February 2019 AC	Substantial	Moderate
Audit 2. Transformation Programme	15	✓	✓	May 2019 AC	Substantial	Substantial
Audit 3. Budgets and Performance Management	15	✓	✓	February 2019 AC	Moderate	Moderate
Audit 4. Capital project management	20	✓	✓	May 2019 AC	Substantial	Moderate
Audit 5. Counter Fraud	10	✓	✓	May 2019 AC	N/A	N/A
Audit 6. Building Control	15	✓	✓	July 2019		
Audit 7. Local Development Plan	15	✓	✓	July 2019		
Audit 8. Safe & Clean Environment	20	✓	✓	February 2019 AC	Moderate	Moderate
Audit 9. Strengthening Communities Strategy and Localism	15	✓	✓	July 2019		
Audit 10. IT Transformation	15	✓	✓	May 2019 AC	Substantial	Substantial
Audit 11. Commercialisation	15	✓	✓	July 2019		

APPENDIX A- DEFINITIONS

OPINION AND RECOMMENDATION SIGNIFICANCE DEFINITION

Level of Assurance	Design Opinion	Findings from review	Effectiveness Opinion	Findings from review
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.

APPENDIX B- TRANSFORMATION PROGRAMME

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Substantial	There is a sound system of internal control designed to achieve system objectives.
Effectiveness	Moderate	Evidence of non-compliance with some controls, that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I FOR DEFINITIONS)

High	0
Medium	1
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 2

BACKGROUND:

Maldon District Council is targeting recurrent revenue savings of £1.8m by 2022/23 (compared to its 2017/18 baseline). The Council has developed a Future Operating Model to help deliver this saving, along with a range of non-financial benefits. The Council will incur a mix of recurrent and non-recurrent costs to deliver its new model. Combined costs will be £1.9m in 2018/19, £800k in 2019/20 and then £170k each year thereafter. The Council plans to break-even in 2021/22.

The Council is currently delivering a transformation programme to implement its Future Operating Model. The programme has seven workstreams, each overseen by a Workstream Lead. A Programme Manager and Programme Sponsor have oversight over the programme as a whole.

This review considers governance structure, risk reporting, resourcing, documentation and benefits reporting arrangements which the Council has in place to deliver the programme and realise the anticipated financial and non-financial benefits of the Future Operating Model.

GOOD PRACTICE:

We have identified the following areas of good practice from this review:

- The Council has a clear governance framework in place to oversee delivery of the transformation programme. For example, it has two key forums where matters relating to the transformation programme are discussed (Transformation Board and Programme Delivery Board). Each of those forums are underpinned by stable membership, clear terms of reference and meet regularly. The programme is broken down into seven clear workstreams, each of which is led by a Workstream Lead who reports into Programme Delivery Board.
- The Council's key forums for overseeing the transformation programme (Transformation Board and Programme Delivery Group) receive regular updates (monthly and fortnightly respectively). These meetings are supported by agendas and formally minuted, with actions recorded and revisited at the next meeting. The key document at each meeting is a Programme Update from the Transformation Programme Manager. This slide deck sets out: a reminder of the aims of the programme and its expected benefits; progress at filling posts associated with the Council's post-transformation structure; an update on the programme plan (broken down by workstream); key risks, issues and decisions required by the Board; a summary of the biggest risks facing the programme; an update on expenditure against budget and an outline of upcoming activities, including engagement with Members.
- Risks are recorded in Highlight Reports which are submitted fortnightly by each Workstream Lead to the Transformation Programme Manager. These Highlight Reports are then reviewed at Programme Delivery Board and new/increased risks escalated to Transformation Board for decision. For example, a review of relevant papers shows resourcing risks associated with both the People and Culture workstreams followed this agreed channel and were appropriately resolved.
- The Council has acknowledged that implementing a major transformation programme comes with significant short-term resource requirements. The Council has identified and agreed what resources it will commit (£1.9m in 2018/19, £800k in 2019/20 and £170k in subsequent years), and is investing those resources accordingly, as reflected in expenditure against budget reported to Transformation Board. Issues with resourcing are raised through the Highlight Report process. A review of Highlight Reports shows that the majority of workstreams are 'green' - i.e. they have enough resources to deliver their agreed workload. Where workstreams reported 'amber' on resourcing there is clear evidence of action being taken by Transformation Board to remedy this - e.g. the appointment of external HR support to aid the Culture and Change Workstream.
- The planned gross and net financial benefits of the transformation programme are clearly expressed in the Programme Blueprint which has been adopted by Full Council.
- The Council has incorporated the anticipated financial benefits from the transformation programme into its 2019/20 Medium Term Financial Plan. This will ensure that delivery of anticipated financial benefits are monitored as part of the Council's usual budget monitoring process and will make it clear whether anticipated financial benefits are being delivered.

KEY FINDINGS:

We identified the following areas for improvement:

- Non-financial benefits of the programme are expressed in different ways in different documents. Whilst there is a common theme to these non-financial benefits (e.g. greater self-service, greater focus of senior officers on strategic issues) it would give the programme greater focus if the expected non-financial benefits were expressed in a standard way.
- As the transformation programme shifts from initial implementation to business as usual, the Council would benefit from defining the non-financial benefits anticipated from the transformation programme more clearly. This will make it easier to monitor whether those benefits have been realised in the long-term.

CONCLUSION:

The Council has agreed a Future Operating Model vision and is undertaking a transformation programme to realise that vision. The programme has clear roles and responsibilities and forums and documentation in place for tracking delivery and identifying and resolving risks and issues. The Council has also acknowledged that implementing a programme of this scale comes with resource requirements and has carefully planned appropriate resource input and is taking action to provide additional resource where required. We have therefore provided substantial assurance on both control design and operational effectiveness.

MANAGEMENT ACTION PLAN

Ref	Recommendation	Management Response	Responsible Officer	Implementation date
1	Agree a consistent list of non-financial benefits from the programme and express these using common language in all forums where the programme is discussed	<ul style="list-style-type: none">• There will be a standard way that benefits are communicated in our forthcoming communications strategy.• The programme benefits will be in all documents in the same format.• Differences in the description of benefits relate to the focus on different parts of the benefits within the programme at different times - the focus has changed over the course of the programme as we have moved from commencement to the end of Phase 1.• The measuring of benefits will occur through data collected in Service Plans and then collected by the Programmes, Performance and Governance Manager as part of our annual reporting cycle.• Milestones for baselining and data collection will occur in the service planning cycle, and the collection and granularity of the data will reflect the auditor's recommendations.	Corporate Leadership Team	30 September 2019

2	Develop benefits profiles for each measurable benefit to support reporting of delivery of non-financial benefits from the transformation programme.	<ul style="list-style-type: none"> • There will be a standard way that benefits are communicated in our forthcoming communications strategy. • The programme benefits will be in all documents in the same format. • Differences in the description of benefits relate to the focus on different parts of the benefits within the programme at different times - the focus has changed over the course of the programme as we have moved from commencement to the end of Phase 1. • The measuring of benefits will occur through data collected in Service Plans and then collected by the Programmes, Performance and Governance Manager as part of our annual reporting cycle. • Milestones for baselining and data collection will occur in the service planning cycle, and the collection and granularity of the data will reflect the auditor's recommendations. 	Corporate Leadership Team	30 September 2019
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FOR MORE INFORMATION:

EMMA DONNELLY

Audit Manager, Public Sector
Ext.552904 (Internal)
020 78552904 (Direct Line)
07923030487 (Mobile)

emma.donnelly@bdo.co.uk

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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REPORT of DIRECTOR OF RESOURCES

to
AUDIT COMMITTEE
13 JUNE 2019

INTERNAL AUDIT ANNUAL REPORT - MAY 2019

1. PURPOSE OF THE REPORT

- 1.1 To present the Annual Opinion of the Head of Internal Audit (BDO LLP) on the results of and assurance gained from the 1 April 2018 to 31 March 2019 internal audit work.

2. RECOMMENDATION

That the Head of Internal Audit Opinion on the results of and assurance gained from the 2018 / 19 internal audit work, as set out in **APPENDIX 1**, is considered.

3. SUMMARY OF KEY ISSUES

- 3.1 The role of internal audit is to provide an opinion to the Council, through the Audit Committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed.
- 3.2 The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion is set out in **APPENDIX 1** of this report, and concludes that:

'Overall, we are able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently.'

4. CONCLUSION

- 4.1 BDO LLP acting as Head of Internal Audit is able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently.

5. IMPACT ON STRATEGIC THEMES

- 5.1 The work of Internal Audit directly supports the Corporate Strategic Theme of ensuring best value procurement and project management thereby exceeding customers' expectations.

6. IMPLICATIONS

- (i) **Impact on Customers** – None.
- (ii) **Impact on Equalities** – None.
- (iii) **Impact on Risk** – Internal Audit is a central part of the Council’s risk management framework.
- (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, Audit Manager (BDO LLP).



MALDON DISTRICT COUNCIL

INTERNAL AUDIT ANNUAL REPORT

MAY 2019



IDEAS | PEOPLE | TRUST



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Internal Audit 2018/19

This report details the work undertaken by internal audit for Maldon District Council and provides an overview of the effectiveness of the controls in place for the full year. The following reports have been issued for this financial year:

- Main Financial Systems
- Capital Project Management
- Budgets and Performance Management
- Transformation Programme
- IT Transformation
- Safe and Clean Environment

We have detailed the opinions of each report and key findings on pages five to eight. Our internal audit work for the 12 month period from 1 April 2018 to 31 March 2019 was carried out in accordance with the internal audit plan approved by management and the Audit Committee. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the Council, through the Audit Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period. The basis for forming my opinion is as follows:

- An assessment of the design and operation of the underpinning Assurance Framework and supporting processes;
- An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk based plans that have been reported throughout the year.
- This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses; and
- Any reliance that is being placed upon third party assurances.

Overall, we are able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. In forming our view we have taken into account that:

-
- All of the audits provided substantial or moderate assurance in the design and operational effectiveness of controls, with substantial assurance for the design of controls provided in four instances.
 - There are currently four remaining audits with fieldwork in progress. It is unlikely that their outcomes will change the overall audit opinion:
 - Commercialisation
 - Strengthening Communities and Localism
 - Local Development Plan
 - Building Control (issued in draft with no high priority findings)
 - Some areas of weakness have been identified through our reviews, including opportunities for improvement in the contract monitoring for street cleaning and waste contracts and formalizing budget setting arrangements and assumptions used in the budget setting process however the Council is already working to address the issues identified.

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Summary of Key Findings / Recommendations
	H	M	L	Design	Operational Effectiveness	
Main Financial Systems	-	-	1	Satisfactory	Moderate	The purpose of this review was to provide assurance over the design and effectiveness of the controls in place around the Main Financial Systems, specifically, the payroll, general ledger, accounts payable and accounts receivable areas. Overall, we were able to provide substantial assurance over the design and moderate assurance on the effectiveness of the controls the Council have in place for Payroll, Debtors and Creditors. We raised one low level recommendation for the Council to note.
Budgets and Performance Management	-	1	3	Moderate	Moderate	<p>A report to the Council's Finance & Corporate Services Committee in September 2018 advised Members that a review of the Council's Medium Term Financial Strategy had identified that an estimated £466,000 of savings would be required to close the budget gap in 2018/19, with further savings of £1,242,000 and £322,000 being required in the subsequent two years respectively. The Finance & Corporate Services Committee was asked to adopt a series of principles for 2019/20. This included, but was not limited to, no additional budget growth (including one-offs growths), the principle of zero based budgeting applying for the 2019/20 budgets onwards and centralisation of all support services. From a review of the budgets over £10,000 as at the end of quarter one, the Council had a profiled spend for the first quarter of £1,384,061, compared with an actual spend of £1,245,375, meaning they are currently delivering under budget with a variance of £138,686. The purpose of this audit was to review the budget performance management processes such as the strength of business planning, use of data, governance and follow up of services not meeting budgets.</p> <p>On the whole there adequate processes in place relating to budget setting and monitoring, including the use of the most current information, however exceptions were identified relating to individual budgets. The root cause of these issues appeared to be a lack of communication between the budget holders and accountants, resulting in the accountants being unaware of more current information to be used and errors not being identified and corrected before approval. Formalising the budget setting arrangements, including clarifying the expectations of the accountant and budget holder, should assist in rectifying these issues. Additionally, there was a lack of consistency between the inflation rates used for setting the budget and the Medium Term Financial Strategy.</p>
Capital Project Management	-	-	2	Substantial	Moderate	Service managers bid annually in September to include projects in the Council's capital programme. Bids are collated by the finance team who calculate the financing cost (which can be nil if the project is fully externally financed). The Corporate Leadership Team (CLT) and the relevant service committees appraise all bids based on a comparison of service priorities against financing costs and make recommendations to Finance and Corporate Services. The final capital programme is then presented to Council in February each year.

						<p>The Director of Resources provides Members with information in relation to financial performance on a quarterly basis at the Finance and Corporate Services Committee.</p> <p>The programme to be carried out in 2018/19 totalled £804,000. Eight Capital projects totalling £253,000 have been carried forward from 2017/18 into the 2018/19 programme, as they were on-going or were committed to at year end but had yet to start, increasing the total programme to £1,057,000. Total expenditure for the period to 31st December 2018 (Q3) was £471,000; this reflected completion of 47.58% of the capital programme. Two projects (£43k and £48k) are approved but delayed meaning completion will not happen until the 2019 / 20 financial year. The budget for these will therefore be required to be carried forward into the 2019/20 plan.</p> <p>Following significant slippage in the capital programme, the Council has accepted a recommendation from overview and scrutiny committee to add contingency to large projects and we noted that this was actioned for the IT transformation programme. We did not raised this as a recommendation in our report.</p> <p>Overall, we were able to provide substantial assurance over the design and moderate assurance operating effectiveness of the controls the Council have in place for capital programme management. We raised two low level recommendations for the Council to note regarding clearly highlighting in reports to Members when projects are behind schedule and putting into place risk registers to ensure risks are continually identified, monitored and mitigated where applicable.</p>
Safe and Clean Environment	-	5	1	Moderate	Moderate	<p>The Council has in place an outsourced waste management which was awarded in 2015 following a full procurement exercise. This contract provides the Council with refuse and recycling including food waste and bulk collections. The service is paid for based on fixed and variable elements linked with a number of factors, including the number of occupied properties and the number of residents who have bought into the food waste service. The contract price is inflated on an annual basis based upon the rate of CPI at given dates and currently stands at circa £2m.</p> <p>Street cleaning is also outsourced to an external contractor, whom have responsibility for keeping the district clean e.g. litter picking, emptying bins, street sweeping, and managing fly tipping. The arrangement with this contractor has been in place for approximately 30 years, with the current version of the contract being in place since 2012 with an initial term of eight years and the option to extend to a maximum of 22 years. The Council are the only client of the contractor. This contract initially had an annual value of £391,500, and has been inflated annually in line with RPIX inflation rates.</p> <p>Overall, weaknesses were identified in all areas of the control framework, in particular relating to the street cleaning contract. These weaknesses included both a lack of review over the payments made to the contractor and monitoring of the contract not being undertaken. The controls relating to the waste contract appeared stronger, however there</p>

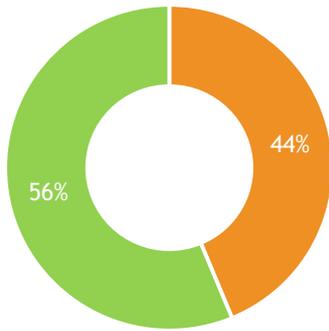
						<p>still remained insufficient confirmation over the contract price being paid and there was a lack of compliance in terms of the monitoring being undertaken and how this was documented.</p> <p>Air pollution monitoring was found to be in place, however this could be improved through increased documentation relating to reviews of the air tube locations and the actions being implemented. The Council also does not have an environment strategy in place which would underpin how the Council reacts to and monitors environmental issues, including waste management and air pollution. While we identified a number of deficiencies in the control framework the potential for significant error is small and the contracts appear to be working well in practice. We therefore concluded on moderate assurance for both control design and operational effectiveness.</p>
Transformation	-	1	1	Substantial	Substantial	<p>Maldon District Council is targeting recurrent revenue savings of £1.8m by 2022/23 (compared to its 2017/18 baseline). The Council has developed a Future Operating Model to help deliver this saving, along with a range of non-financial benefits. The Council will incur a mix of recurrent and non-recurrent costs to deliver its new model. Combined costs will be £1.9m in 2018/19, £800k in 2019/20 and then £170k each year thereafter. The Council plans to break-even in 2021/22. The Council is currently delivering a transformation programme to implement its Future Operating Model. The programme has seven workstreams, each overseen by a Workstream Lead. A Programme Manager and Programme Sponsor have oversight over the programme as a whole. The Council has agreed a Future Operating Model vision and is undertaking a transformation programme to realise that vision. The programme has clear roles and responsibilities and forums and documentation in place for tracking delivery, and identifying and resolving risks and issues. The Council has also acknowledged that implementing a programme of this scale comes with resource requirements and has carefully planned appropriate resource input and is taking action to provide additional resource where required. We therefore provided substantial assurance on both control design and operational effectiveness.</p>
IT Transformation	-	-	1	Substantial	Substantial	<p>The Future Operating Model programme is based on delivery of seven 'work packages', one of which is 'Technology'. Technology is one of the main enablers of the FOM because it gives the opportunity for new ways of working, channel shift and efficiency among staff. The Council commissioned a review of ICT services from Foresight Consulting, which was completed in October 2017. The review highlighted that the council had suffered from significant underinvestment in ICT for a number of years and as a result made 44 recommendations of changes to address the various problems and weaknesses that were identified. An ICT Strategy has been developed to cover a relatively short period, aligned with the Council's transformation programme. Once the programme has been completed, the Council's ICT environment will look significantly different. The strategy is founded upon 10 principles each of which has a set of target. Our review found that there are a number of established governance practices in operation regarding the Technology work package with</p>

						good stakeholder input and budget monitoring. However, we identified an area of improvement in terms of the reporting of projected costs remaining. This has led to a final assessment of substantial assurance over the control design and substantial assurance over the control effectiveness.
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SUMMARY OF FINDINGS

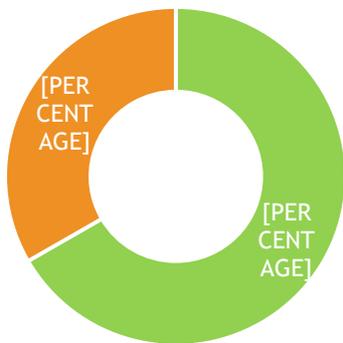
RECOMMENDATIONS AND ASSURANCE DASHBOARD

Recommendations 2018/19

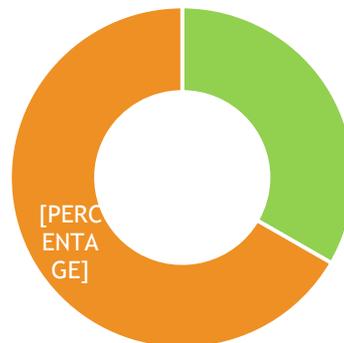


■ High ■ Medium ■ Low

Control Design 2018/19



Operational Effectiveness 2018/19



■ Substantial ■ Moderate ■ Limited ■ No

ADDED VALUE



USE OF SPECIALISTS

IT specialists were used to complete IT Architecture, Cyber Security and Data Security and Protection Toolkit reviews



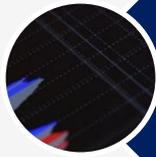
RESPONSIVENESS

We have been proactive in the management of recommendation follow ups resulting in a much improved position.



BENCHMARKING AND BEST PRACTICE

We have shared best practice examples from our clients and other local government organisations in a number of our reviews. We have also performed benchmarking exercises in a number of audits.



INNOVATION

We have used our audit days innovatively to support the Council in achieving its aims e.g. by using data analytics where possible in the main financial systems audit.

BACKGROUND TO ANNUAL OPINION

Introduction

Our role as internal auditors to Maldon District Council is to provide an opinion to the Council, through the Audit Committee (AC), on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our internal audit work for the 12 month period from 1 April 2018 to 31 March 2019 was carried out in accordance with the internal audit plan approved by management and the Audit Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

Scope and Approach

Audit Approach

We have reviewed the control policies and procedures employed by Maldon District Council to manage risks in business areas identified by management set out in the 2018-19 Internal Audit Annual Plan approved by the Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with Maldon District Council management for each review, by:

- Considering the risks that have been identified by management as being associated with the processes under review
- Reviewing the written policies and procedures and holding discussions with management to identify process controls
- Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

The opinion provided on page 3 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

Reporting Mechanisms and Practices

Our initial draft reports are sent to the key officer responsible for the area under review in order to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Audit Committee is to agree reports with management and then present and discuss the matters arising at the Audit Committee meetings.

Management actions on our recommendations

Management have generally been conscientious in reviewing and commenting on our reports. For the reports which have been finalised, management have responded positively. The responses indicate that appropriate steps to implement our recommendations are expected. Where appropriate, the key responsible officer has attended the Audit Committee to discuss management responses to audit reports which shows a collaborative approach between audit and management and improved accountability for audit recommendations.

Recommendations follow-up

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner then weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

A substantial amount of recommendations were still outstanding at the start of the year but through working with management implementation rates have improved vastly. A number of recommendations are also in progress but require the Future Operating Model to be fully implemented before these can be closed.

Relationship with external audit

All our final reports are available to the external auditors through the Audit Committee papers and are available on request. Our files are also available to external audit should they wish to review working papers to place reliance on the work of internal audit.

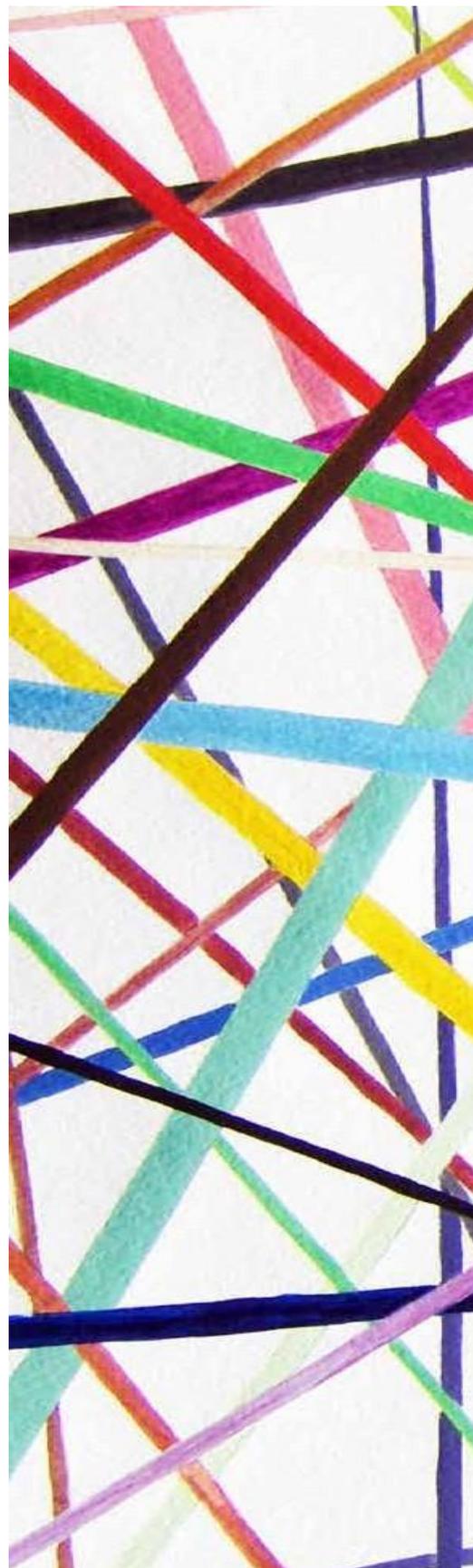
Report by BDO LLP to Maldon District Council

As the internal auditors of Maldon District Council we are required to provide the Audit Committee, and the Director with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

In giving our opinion it should be noted that assurance can never be absolute. The internal audit service provides Maldon District Council with moderate assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2018-19. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

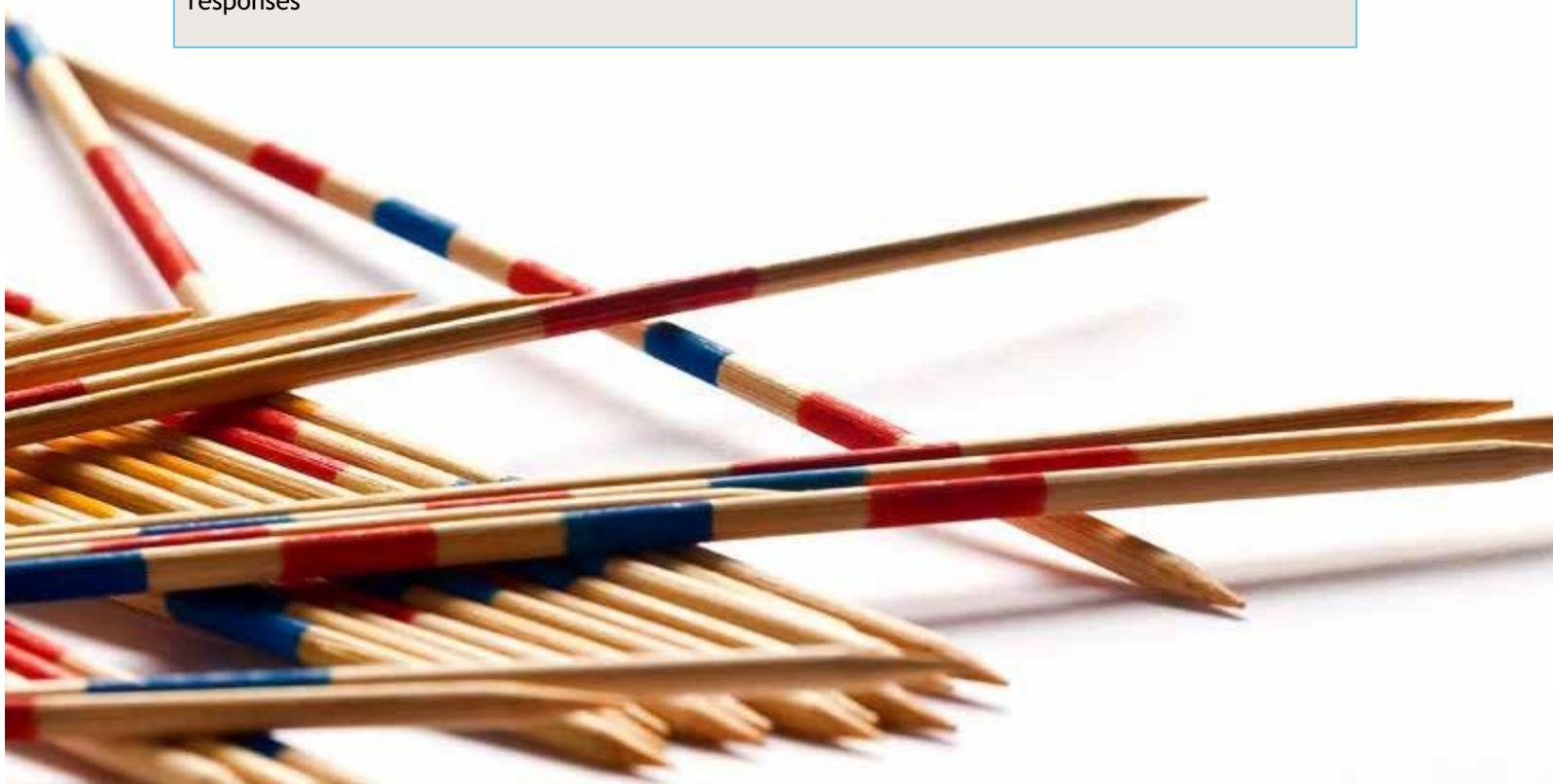
In assessing the level of assurance to be given, we have taken into account:

- All internal audits undertaken by BDO LLP during 2018-19
- Any follow-up action taken in respect of audits from previous periods for these audit areas
- Whether any significant recommendations have not been accepted by management and the consequent risks
- The effects of any significant changes in the organisation's objectives or systems
- Matters arising from previous internal audit reports to Maldon District Council
- Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work



KEY PERFORMANCE INDICATORS

Quality Assurance	KPI	RAG Rating
Quality of work	We have not been informed of any particular negative feedback and will be issuing/analysing survey results from reviews and reporting these in due course.	○
Responsiveness of the service	We have responded to deadlines and targets and requests for changes to the plan, particularly around the Council's Future Operating Model.	●
Completion of audit plan	We still have some outstanding reviews due to a mixture of moving work back to accommodate the ongoing re-structure within the Council	●
Follow-up of recommendations	We continue our follow-up process and issue/escalate issues in time.	●
Draft report to be produced 3 weeks after the end of the fieldwork	All draft reports produced within 3 weeks of fieldwork completion.	●
Management to respond to internal audit reports within 3 weeks	Management responded within 3 weeks on all reports	●
Final report to be produced 1 week after management responses	Final report issued within 1 week for all audits.	●



APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

Level of Assurance	Design Opinion	Findings from review	Effectiveness Opinion	Findings from review
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.



FOR MORE INFORMATION:

EMMA DONNELLY ACCA
Audit Manager, Public Sector
Ext.552904 (Internal)
020 78552904 (Direct Line)
07923030487 (Mobile)
emma.donnelly@bdo.co.uk



REPORT of DIRECTOR OF RESOURCES

to
AUDIT
13 JUNE 2019

INTERNAL AUDIT FRAUD RISK ASSESSEMENT - ADVISORY REPORT – MARCH 2019

1. PURPOSE OF THE REPORT

- 1.1 To carry out a Fraud Risk Assessment as requested by the Director of Resources covering the period November 2018 to January 2019.

2. RECOMMENDATIONS

- (i) That Members review the information as set out in this report and **APPENDIX 1** and their views and comments are sought.
- (ii) That it be recommended that the Finance and Corporate Services Committee receive and consider the findings of the Internal Audit Fraud Risk Assessment – Advisory Report – March 2019.

3. SUMMARY OF KEY ISSUES

- 3.1 **APPENDIX 1** to this report provides further information on the Council's approach to address fraud, corruption and bribery risks, and to assess the suitability of the arrangements and documented policies in place to help mitigate these risks.
- 3.2 Interviews were conducted with key staff from Procurement; Council Tax; Human Resources; Finance; Committee Clerks and Corporate Counter Fraud.

4. CONCLUSION

- 4.1 Audit work will continue to be focussed on areas of financial and corporate importance, however deviances from the Audit Plan arise. The Audit Committee will continue to be informed of all significant changes.

5. IMPACT ON STRATEGIC THEMES

- 5.1 The work of Internal Audit directly supports the Corporate Strategic Theme of ensuring best value procurement and project management thereby exceeding customers' expectations

6. IMPLICATIONS

- (i) **Impact on Customers** - None

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

Background Papers: None

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



MALDON DISTRICT COUNCIL

INTERNAL AUDIT REPORT

FRAUD RISK ASSESSMENT - ADVISORY REPORT
MARCH 2019

FRAUD RISK ASSESSMENT

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DISTRIBUTION

Name	Job Title
Emma Foy	Director of Resources

REPORT STATUS LIST

Auditors:	Kerry Lin, Internal Audit Senior, James Shortall, Counter Fraud Specialist
Dates work performed:	November 2018-January 2019
Draft report issued:	March 2019
Final report issued:	March 2019

EXECUTIVE SUMMARY

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	1
Medium	0
Low	0

TOTAL NUMBER OF RECOMMENDATIONS: 1

BACKGROUND:

According to the Annual Fraud Indicator 2013, which provides the last set of government sanctioned estimates, fraud costs the public sector at least £20.6bn annually and of this total, £2.1bn is specifically in local government.

FRAUD RISK ASSESSMENT

Maldon District Council ('the Council') has a combined Corporate Fraud and Enforcement Team of qualified Counter Fraud Investigators who investigate all types of corporate fraud, raise awareness of fraud risks with other services, and share protocols for reporting fraud concerns. The team, which currently sits under the Director of Planning and Regulatory Services (now the Director of Strategy, Performance and Governance), also provides periodic updates to the Planning and Licensing Committee and Area Planning Committees on planning enforcement activity.

We were asked to perform a Fraud Risk Assessment by the Director of Resources to help prioritise the Council's approach to address fraud, corruption and bribery risks, and to assess the suitability of the arrangements and documented policies in place to help mitigate these risks. We have considered the Council's overall organisational resilience, as well as fraud controls across the Council's main functions and services, reporting on these by exception within the detailed findings and recommendations section.

We reviewed the Council's position against both the 'CIPFA Code of Practice on Managing the Risk of Fraud and Corruption' and the 'Fighting Fraud Locally Companion Checklist'. Please see Appendix III and IV for the full checklists.

We have also conducted interviews with key staff to identify fraud risks in each department and the current controls in place to mitigate these risks, so that areas of significant control weakness and fraud risk can be highlighted:

- Procurement
- Council Tax and Business Rates
- HR
- Finance
- Committee Clerks
- Corporate Counter Fraud

Our work was reviewed by accredited Counter fraud staff with up to date knowledge of fraud risks.

FINDINGS

ASSESSMENT AGAINST THE CIPFA CODE OF PRACTICE

The Council has a basic framework in place to deal with fraud and corruption and meets many of the requirements of the CIPFA Code and Fighting Fraud Locally Checklist. These include:

- An anti-Fraud and Corruption strategy and policy
- A Code of Conduct that all staff have signed up to
- An experienced fraud team that includes accredited staff, supplemented by external resource for investigations
- Participation in the National Fraud Initiative and pan Essex Compliance and Counter Fraud Scheme

However, we have also identified a large number of areas for improvement to consider, if the Council wishes to comply fully with the guidance and meet best practice. These are detailed in the Appendices. We suggest that priority areas to address are:

FRAUD RISK ASSESSMENT

- Developing an anti-fraud and corruption plan which addresses key fraud risks, including those in procurement and HR
- Implementing a fraud awareness training programme, focussing on areas of highest risk
- Updating the strategy and policies to bring them into line with best practice
- Producing regular reports to the Audit Committee on counter fraud activity and results

RECOMMENDATION	PRIORITY
The Council should commission external resource to develop the risk assessment further and carry out an annual programme of work to address risks around fraud and corruption	High
MANAGEMENT RESPONSE:	

The Director of Resources is currently commissioning external resource to develop this risk assessment further and carry out an annual programme of work. Initial indications are that this will cost approximately £9,000 per annum. The Director of Resources is looking to have this programme of work in place by May 2019.

Responsible Officer: Director of Resources

Implementation Date: 1 May 2019.

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Name	Job Title
Emma Foy	Director of Resources
Simon Quelch	Monitoring Officer
Rachel Arnull	Corporate Fraud and Enforcement Officer
Spyros Mouratidis	Principal Planning Officer
Sue Green	Group Manager, Customers
Michelle La Marre	Interventions Manager
Paula Jarvis	Senior Procurement Consultant
David Rust	Facilities and Asset Manager
Helena Beattie	HR Team Leader/Senior HR Business Partner

FRAUD RISK ASSESSMENT

Ann Nagy	Senior Accountant
Simon Walker	Senior Accountant
Alia Hamdam	PA to the Chief Executive/Business Analyst
Tara Bird	Committee Service Supervisor

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF 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.

FRAUD RISK ASSESSMENT

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.

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of conducting a fraud risk assessment (FRA) is to identify areas of risk in key departments and guide development of strategies to mitigate these risks. The outcome of the FRA should be used to review and inform service and corporate risk registers.

KEY RISKS:

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding, the key risks associated with the area under review are:

- Fraud risk governance arrangements are inadequate and do not provide a robust framework for fraud risk management
- Fraud risk management in the following areas is inadequate:
 - Procurement
 - Local Council Tax Support / Other Welfare Assistance
 - Council Tax and Business Rates
 - Employee fraud
 - Insurance claims
 - Grants
 - Councillors' interests and expenses
 - Abuse of position / Management override of controls, including manipulation of performance data and financial journals.

FRAUD RISK ASSESSMENT

SCOPE OF REVIEW:

The review will provide an assessment of the Council's position against both the 'CIPFA Code of Practice on Managing the Risk of Fraud and Corruption' and the 'Fighting Fraud Locally Companion Checklist'.

In addition, we will consider the following specific fraud risk areas:

- Procurement
- Local Council Tax Support / Other Welfare Assistance
- Council Tax and Business Rates
- Employee fraud (Payroll, Expenses and Recruitment)
- Insurance claims
- Grants
- Councillors' interests and expenses
- Abuse of position / Management override of controls, including manipulation of performance data and financial journals.

APPROACH:

Our work will be conducted by accredited Counter fraud staff with up to date knowledge of fraud risks. Our approach will be to conduct interviews with key staff to identify fraud risks in each department and the current controls in place to mitigate these risks, such that areas of significant control weakness and fraud risk can be highlighted.

FRAUD RISK ASSESSMENT

APPENDIX III - CIPFA CODE OF PRACTICE: SELF ASSESSED FRAUD RESILIENCE QUESTIONNAIRE

#	QUESTION	✓/✘	EVALUATION	AREAS TO CONSIDER
Principle A: The governing body should acknowledge responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation				
A1.	The organisation's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users	✓	This is a statement in the Council's Anti-Fraud and Corruption Strategy that acknowledges the threats of fraud and corruption, and the harm they can cause to the organisation.	
A2.	The organisation's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance	✓	The Council's Financial Regulations and Procedures document states the Council has an effective Anti-Fraud and Anti-Corruption Policy and maintains a culture that will not tolerate fraud or corruption and all Members and staff act with integrity and lead by example as per the relevant Code of Conduct.	
A3.	The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports	✓	The Financial Regulations makes it clear that the Directors and Heads of Service are responsible for the prevention of fraud and corruption within the services and functions under their control. The Audit Committee's terms of reference also states that it is responsible for promoting an anti-fraud culture relating to all the activities of the Council.	
A4.	The governing body sets a specific goal of	✓	This is included within the Anti-Fraud and	

FRAUD RISK ASSESSMENT

	ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention		Corruption Policy.	
Principle B: Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users				
B1.	Fraud risks are routinely considered as part of the organisation's risk management arrangements	✓	The Council's strategic risk registers and risk management framework reviewed as part of this include references to prevention of fraud, bribery or corruption	
B2.	The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework	✓	See B1.	
B3.	The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures	✗	Discussion with interviewee noted that the Council does not publish numerical figures related to fraud loss. However, the Council does publish news of successful prosecutions on the intranet.	The Council should use calculated estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposure.
B4.	The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause	✗	See B3.	
Principle C: An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action				
C1.	The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged	✗	The strategy available on the staff intranet dates back to January 2009. Our review of the Audit Committee minutes found that the strategy has turned into a policy document and it was last reviewed in	The Councils Anti-Fraud and Corruption Policy should be reviewed and updated as necessary and made available to all staff. Training on the policy should be rolled out to staff to ensure all employees are aware

FRAUD RISK ASSESSMENT

	responsibilities and goals		2015.	<p>of their responsibilities. The policy review should ensure that it is strengthened to include:</p> <ul style="list-style-type: none"> • how to report suspected fraudulent activity including the actions to be taken if fraud is discovered or suspected, including the Council’s reporting process, contact details of responsible officer(s) and external reporting as a matter of course, but especially so should staff wish to remain anonymous. • the current configuration of the Council’s counter fraud team, • the responsibilities of employees including stating that staff who are involved in or manage internal control systems should receive adequate training and support to carry out their duties. It should be explained that if an employee suspects fraud has taken place they should ensure they report their concerns in accordance with the methods described. • A clear introductory statement of intent that articulates a zero-tolerance approach to criminal wrongdoing, including fraud, bribery and corruption. • the Council’s anti-fraud and corruption stance and the actions it takes against fraudsters to act as a deterrent
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FRAUD RISK ASSESSMENT

C2.	The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate	*	None identified.	<ul style="list-style-type: none"> Consider partnerships and joint working as part of the development of the strategy
C3.	<p>The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks. Proactive and responsive components of a good practice response to fraud risks management are set out below:</p> <p>Proactive:</p> <ul style="list-style-type: none"> - Developing a counter fraud culture to increase resilience to fraud - Preventing fraud through the implementation of appropriate and robust internal controls and security measures - Using techniques such as data matching to validate data - Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters 	✓/✖	The strategy does not include "Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters" as its proactive approaches.	See C1. In addition, management should improve staff awareness in relation to anti-fraud training, the new structure and its implications for the responsibilities for counter fraud.

FRAUD RISK ASSESSMENT

	<p>Responsive:</p> <ul style="list-style-type: none"> - Detecting fraud through data and intelligence analysis - Implementing effective whistleblowing arrangements - Investigating fraud referrals - Applying sanctions, including internal disciplinary, regulatory and criminal <p>Seeking redress, including the recovery of assets and money where possible</p>			
C4.	The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight	✓	The Audit Committee Terms of Reference include the following: 'To consider the effectiveness of the Authority's Counter Fraud and Corruption arrangements and promote an Anti-Fraud culture relating to all the activities of the Council'.	
Principle D: The organisation should make arrangements for appropriate resources to support the counter fraud strategy				
D1.	An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk	✗	<p>None identified.</p> <p>Discussion with the Corporate Counter Fraud Team noted that on average they have 550 planning enforcement cases and</p>	The Council should undertake an annual assessment of whether the level of resource invested in counter fraud and corruption activity is appropriate for the

FRAUD RISK ASSESSMENT

			50 prosecution cases from Community. It is also noted that Housing Revenue rarely referred cases to Counter Fraud and there were only 3 referrals in 2018/19 at the time of the audit.	level of risk.
D2.	The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation	✓	<p>In the Corporate Counter Fraud Team, there are three members. There are:</p> <ul style="list-style-type: none"> • An accredited Counter Fraud Specialist (ACFO) who is also attending a Proceed of Crime Act Training for financial intelligence officer course provided by the National Crime Agency. • An officer who is currently attends the same course for POCA. • An officer whose prior employment was a Senior Fraud Investigator for Barclays Bank Plc. for four years. <p>In Housing Revenue, it is noted that two staff members were trained in Professionalism in Security and Police (PINS) and Criminal Evidence. It is noted that for PINS, regular training and refreshers are required for maintenance of the accreditation. Discussion noted that they are not maintained as role has changed from counter fraud officer to in-house officers for council tax and NNDR.</p> <p>The Council utilises OneSource for all HR</p>	

FRAUD RISK ASSESSMENT

			related investigation. The Council has also previously asked RSM, an external accounting firm, to conduct investigations.	
D3.	The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes	✓	Discussion with the above-mentioned staff noted that they have been granted unhindered access to its employees, information and other resources as required for investigation purposes.	
D4.	The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity	✓	<p>Discussion with Housing Revenue staff noted that the Council participates in Pan Essex Compliance and Counter Fraud Scheme. This scheme is helped to run by a Company name Vigilant and it allows information from individual systems to be imported, compared and analysed with a view to identifying mismatches in data sets which may indicate fraud or non-compliance. The protocol of this particular scheme is part of the contract. However, they also acknowledge there is no general protocol in place.</p> <p>The Council is a partner in the Whole of Essex Information Sharing Framework and participates in the National Fraud Initiative.</p>	
Principle E: The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud				
E1.	The organisation has put in place a policy framework which supports the implementation of the counter fraud	✓/✗	There is an Information Security Policy but no separate Cyber Security Policy.	Guidance should be circulated to staff to raise awareness of the requirement to disclose conflicts of interest and gifts and

FRAUD RISK ASSESSMENT

	<p>strategy. As a minimum the framework includes:</p> <ul style="list-style-type: none"> - Counter fraud policy - Whistleblowing policy - Anti-money laundering policy - Anti-bribery policy - Anti-corruption policy - Gifts and hospitality policy and register - Pecuniary interest and conflicts of interest policies and register - Codes of conduct and ethics - Information security policy - Cyber security policy 		<p>Policies have all been reviewed within the last 3 years.</p> <p>There are no specific policies on conflict of interest and gift and hospitality as they are included in the Code of Conduct.</p> <p>However, it is noted that the Counter Fraud Policy on the Intranet date back in 2009. It should be updated with the 2015 version.</p>	<p>hospitality, as set out in the Council's Code of Conduct.</p>
E2.	Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption	✘	None identified.	See previous comments re strategy
E3.	Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing	✓	The Council participates in the data matching exercises of the National Fraud Initiatives and in the Pan Essex Compliance and Counter Fraud Scheme.	
E4.	Providing for independent assurance over fraud risk management, strategy and	✓	Days within the internal audit plan provide independent assurance over fraud risk	

FRAUD RISK ASSESSMENT

	activities		management.	
E5.	<p>There is a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report.</p> <p>The Code states one of the following statements should be approved by the governing body and signed by the person responsible for signing the annual governance report:</p> <p>Statement 1: Having considered all the principles, I am satisfied that the organisation has adopted a response that it appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud</p> <p>OR</p> <p>Statement 2: Having considered all the principles, I am satisfied that, subject to the actions identified below, the organisation has adopted a response that it appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud</p>	✓	Within the 2017/18 annual governance statement.	

FRAUD RISK ASSESSMENT

APPENDIX IV - FIGHTING FRAUD LOCALLY: SELF ASSESSED FRAUD RESILIENCE QUESTIONNAIRE

#	QUESTION	✓/✗	EVALUATION	AREAS TO CONSIDER
1.	The Council has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members	✓	This assessment is undertaken.	See Recommendation 1.
2.	The Council has undertaken an assessment against the risks in Protecting the Public Purse: Fighting Fraud Against Local Government (2014) and has also undertaken horizon scanning of future potential fraud and corruption risks	✓	This assessment is undertaken.	
3.	There is an annual report to the audit committee, or equivalent detailed assessment, to compare against Fighting Fraud and Corruption Locally (FFCL) 2016 and this checklist	✓	This assessment is undertaken.	
4.	There is a Counter fraud and corruption strategy applying to all aspects of the Council's business, this has been communicated throughout the Local Authority and acknowledged by those charged with governance	✓/✗	<p>There is a version from 2009 on the intranet. However, while reviewing the Audit Committee minutes, we noted that the document is renamed as a policy and was last reviewed in 2015.</p> <p>The Council have a Making a Referral procedure which is also available on the staff intranet. The policy has information on how to report suspected fraudulent activity.</p>	<p>The policy should be updated to reflect the current configuration of the Council's counter fraud team, which has changed since the last restructure.</p> <p>There should be a section on the responsibilities of employees. It should be stated that staff who are involved in or manage internal control systems should receive adequate training and support to carry out their duties. It should be</p>

FRAUD RISK ASSESSMENT

			We found the existence, content and location of the policy was generally not well understood by staff interviewed for this assessment.	<p>explained that if an employee suspects fraud has taken place they should ensure they report their concerns in accordance with the methods described.</p> <p>The policy should be actively cascaded and advertised to all staff groups.</p> <p>The policy needs a clearer introductory statement of intent that articulates a zero-tolerance approach to wrongdoing.</p>
5.	There are arrangements in place designed to promote and ensure probity and propriety in the conduct of business	✓/✗	Code of conduct details the expected behaviours of employee. However, during our interview, we noted that fraud awareness training is only limited to induction (with the exception of Human Resources).	See C3 Appx III
6.	The risks of fraud and corruption are specifically considered in the local authority's overall risk management process	✗	None identified. Those involved in conducting or reviewing procurement processes has also raised concerns that they are unsure how to report any concerns that may arise.	Fraud and corruption risks should be assessed. Those involved in conducting or reviewing procurement processes should be given training on how to report any concerns that may arise.
7.	Counter Fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to Committee	✗	Discussion with Corporate Counter Fraud Team noted that this is not the case.	Counter Fraud staff should be consulted in order to fraud-proof new policies, strategies and initiatives across departments.
8.	Successful cases of proven fraud / corruption are routinely publicised to raise awareness	✓/✗	Only successful prosecutions are publicised.	The Council should publicise all fraud and corruption cases internally and externally.

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9.	<p>The Council has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee</p>	✓/✗	<p>Our interview with staff noted that overall there is a relatively strong control in place.</p> <p>Internal Audit reviewed selected areas as part of its annual audit plan. The audits will provide assurance over the control design and operating effectiveness of specific areas. They are reported to the Audit Committee.</p> <p>The Council has recently carried out a one-off spending analysis in to identify whether there have been any breaches against procurement rules. This should become a regular exercise.</p>	<p>The Council should regularly carry out spending analysis exercise to identify whether there have been any breaches against procurement rules.</p>
10.	<p>The Council has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:</p> <ul style="list-style-type: none"> - Codes of conduct including behaviour for counter fraud, anti-bribery and corruption - Register of Interests - Register of Gifts and Hospitality 	✓/✗	<p>All staff were required to sign that they had read and agreed to the Code of Conduct in 2018. This Code of Conduct includes a number of areas such as gifts and hospitality, personal use, use of financial resources and fraud.</p> <p>However, our discussion with staff noted that the need to report interests and gifts and hospitality are not publicised sufficiently which could lead to under reporting.</p> <p>It is best practice for the chief officer or equivalent to make a statement in support</p>	<p>The Council make a statement in support of anti-bribery initiatives which should be published on the organisation's website</p>

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			of anti-bribery initiatives which should be published on the organisation's website; at present this does not happen.	
11.	The local authority undertakes recruitment vetting of staff prior to employment by risks assessing posts and undertaking checks recommended in FFCL 2016 to prevent potentially dishonest employees from being appointed	✓/✘	<p>A number of HR and expenses risks were identified</p> <p><u>Human Resources/Payroll</u></p> <ul style="list-style-type: none"> • Disclosure and Barring Service (DBS) checks should be reviewed every three years. There is no consistent approach to ensure that this happens, although HR is leading a project into how regular checking could be implemented. • Timecards do not include a Counter fraud declaration to be signed by the staff member and authoriser. • Expense forms do not include a Counter fraud declaration to be signed by the staff member and the authoriser. • There is no regular audit of expenses claims. • It is best practice that the Council should seek the necessary references to validate a minimum 	<p>Disclosure and Barring Service (DBS) checks should be reviewed every three years.</p> <p>Timecards and expense forms should include a Counter fraud declaration to be signed by the staff member and authoriser.</p> <p>Expense claims should be subject to regular audit to ensure these are valid and appropriate in line with policy.</p> <p>Recruitment procedures should be revised to ensure references are required to validate a minimum period of three consecutive years of continuous employment or training immediately prior to job application</p>

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		<p>period of three consecutive years of continuous employment or training immediately prior to job application. The Council seeks only two references from the applicant's previous two employers, which might not necessarily cover a three-year period.</p> <ul style="list-style-type: none"> • If an applicant has declared they have spent a continuous or cumulative period of six months or more living or working overseas in the last five years prior to them making their job application, it is best practice that the Council require them to obtain an overseas police certificate from the relevant country/or countries. This currently does not take place. <p><u>Councillors' Expenses</u></p> <p>There is no specific limit on Councillor expenses (with the exception of mileage which is set at the statutory rate) however it was recommended to the Finance and Corporate Services Committee on 29 January 2019 by the Independent Members Remuneration Panel (IMRP) (the Panel), that a Members' Mileage and Expenses Policy be introduced. The purpose of such a policy will be to give transparency to the</p>	<p>Where an applicant has declared they have spent a continuous or cumulative period of six months or more living or working overseas in the last five years prior to them making their job application, the Council should require them to obtain an overseas police certificate from the relevant country/or countries.</p>
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			type and level of expense payments funded from the public purse and could also provide an opportunity to bring clarity to the range of activities which Members are expected to undertake in pursuance of their role.	
12.	Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	✓/✘	See 10.	
13.	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	✘	None identified.	A programme of work should be established to ensure a strong and consistent counter fraud culture is established across all Council departments.
14.	There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure	✓	Yes	
15.	Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.	✓/✘	Discussion noted that contractors and third parties do not physically sign up to the whistleblowing policy. Review of the start checklist noted that only GDPR e-learning and the following policies are sent: <ul style="list-style-type: none"> • Health and Safety • Safeguarding • Constitution • Lone Working Policies It is noted the terms and conditions	

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			referred to the Code of Conduct, which refers to the Whistleblowing Policy	
16.	Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced	✘	None identified.	See Recommendation 1.
17.	There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. The plan covers all areas of the Council's business and includes activities undertaken by contractors and third parties or voluntary sector activities.	✘	None identified.	The Council should develop an Annual Fraud Plan.
18.	Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes	✓/✘	Discussion with the Corporate Fraud Team reports the total number of planning enforcement to the relevant area committee.	Statistics should be reported by the fraud team which cover all areas of activity and outcomes.
19.	Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	✓	Discussion with staff noted that they have been granted unhindered access to its employees, information and other resources as required for investigation purposes.	
20.	There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the Council's communication team	✘	None identified.	The communications team should be informed when fraud and corruption cases have come to an agreed outcome to facilitate publication of all fraud and corruption cases internally and externally.

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21.	All allegations of fraud and corruption are risk assessed	✘	None identified.	As per Recommendation 1.
22.	The fraud and corruption response plan covers all areas of counter fraud work: <ul style="list-style-type: none"> - Prevention - Detection - Investigation - Sanctions - redress 	✘	None identified.	As per Recommendation 1.
23.	The fraud response plan is linked to the audit plan and is communicated to senior management and members.	✘	See 22.	
24.	Asset recovery and civil recovery is considered in all cases	✓	This is stated in the strategy and discussion with staff in the Corporate Counter Fraud Team and Housing Revenue confirmed that is the approach taken.	
25.	There is a zero tolerance approach to fraud and corruption which is always reported to committee	✓	Planning enforcement cases are reported to the area committees.	
26.	There is a programme of proactive counter fraud work which covers risks identified in assessment.	✘	None identified. There is no specific training for the Procurement Team over the associated fraud, bribery and corruption risks and of the deterrence, prevention and detection action required. Awareness training, for example values and culture, avoiding conflicts of interest situations and helping to prevent bribery, is also not	Training should be provided to the Procurement Team over the associated fraud, bribery and corruption risks and of the deterrence, prevention and detection action required. Awareness training, for example values and culture, avoiding conflicts of interest situations and helping to prevent bribery, should also be

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			available.	provided.
27.	The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity	✓	Housing Revenue works with DWP and other local Essex councils. Involvement in WEISF and NFI.	
28.	The Council shares data across its own departments and between other enforcement agencies.	✓	The Council participates in Pan Essex Compliance and Counter Fraud Scheme and the WEISF and NFI.	
29.	Prevention measures and projects are undertaken using data analytics where possible	✗	Prevention measures were not identified at the time of audit.	
30.	The Council actively takes part in the National Fraud Initiative (NFI) and promptly takes action arising from it	✓	Yes	
31.	There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work, they too must be trained in this area	✓	Yes	
32.	The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas	✓	Yes	
33.	The counter fraud team has access (through partnership / other local authorities / or funds to buy in) specialist staff for: <ul style="list-style-type: none"> - Surveillance 	✓	Discussion with staff noted that the Council utilises OneSource for HR investigation and has access to RSM for other investigation.	

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	<ul style="list-style-type: none"> - Computer forensics - Asset recovery - Financial investigations 			
34.	Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems	✓	Discussion with staff noted that this is the expected practice but there is no follow up to confirm whether this is the case.	

FOR MORE INFORMATION:

Greg Rubins

Greg.Rubins@bdo.co.uk

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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