

# Unrestricted Document Pack

APOLOGIES Committee Services  
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HEAD OF PAID SERVICE'S OFFICE  
HEAD OF PAID SERVICE  
Richard Holmes

27 March 2019

Dear Councillor

You are summoned to attend the meeting of the;

## **AUDIT COMMITTEE**

on **THURSDAY 4 APRIL 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 P G L Elliott

#### VICE-CHAIRMAN

Councillor E L Bamford

#### COUNCILLORS

A S Fluker

B E Harker

M S Heard

Miss M R Lewis

A K M St. Joseph

Mrs M E Thompson

Please note: Limited hard copies of this agenda and its related papers will be available at the meeting.  
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**AGENDA  
AUDIT COMMITTEE**

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**THURSDAY 4 APRIL 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 7 February 2019, (copy enclosed).

4. **Disclosure of Interest**

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

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

5. **Quarterly Review of Corporate Risk** (Pages 9 - 22)

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

6. **External Audit - Audit Planning Report to 31 March 2019** (Pages 23 - 44)

To receive the report of the Director of Resources, (copy enclosed)

7. **Internal Audit - Progress Report (March 2019)** (Pages 45 - 56)

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

8. **Internal Audit - Follow-up of Recommendations Report as at 28 February 2019**  
(Pages 57 - 66)

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

9. **Internal Audit - Indicative Internal Audit Plan - Draft Internal Audit Strategic Plan 2018/21 & 2020 Operational Plan** (Pages 67 - 86)

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

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

## **NOTICES**

### **Sound Recording of Meeting**

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

### **Fire**

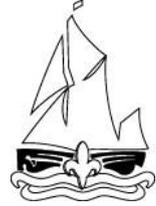
In event of a fire, a siren will sound. Please use the fire exits marked with the green running man. The fire assembly point is outside the main entrance to the Council Offices. Please gather there and await further instruction.

### **Health and Safety**

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

### **Closed-Circuit Television (CCTV)**

This meeting is being monitored and recorded by CCTV.



**MINUTES of  
AUDIT COMMITTEE  
7 FEBRUARY 2019**

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**PRESENT**

Chairman	Councillor P G L Elliott
Vice-Chairman	Councillor E L Bamford
Councillors	A S Fluker, B E Harker, M S Heard, Miss M R Lewis and Mrs M E Thompson

**690. CHAIRMAN'S NOTICES**

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

**691. APOLOGIES FOR ABSENCE**

An apology for absence was received from Councillor A K M St. Joseph.

**692. MINUTES OF THE LAST MEETING**

**RESOLVED** that the Minutes of the meeting of the Committee held on 6 December 2019 be approved and confirmed.

**693. DISCLOSURE OF INTEREST**

There were none.

**694. PERFORMANCE AGAINST 2018/19 INTERNAL AUDIT REPORT**

The Committee received the Performance Against 2018/19 Internal Audit report outlining progress to date with regard to work completed 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 three summary reports namely Budgets and Performance Management, Main Financial Systems and Safe and Clean Environment. He informed the Committee that the three reports were moderate assurance level, all generally positive, hence the necessity for summary reports only. He advised that other audits were underway resulting in four

more reports to the next meeting and that he was confident all would be completed in time for comment by the Head of Internal Audit prior to sign-off.

Addressing the three summaries he reported the following:-

**Main Financial Systems** – a very positive report with substantial assurance on design and moderate assurance on effectiveness. He reassured Members that a large range of testing had been undertaken on financial systems e.g. payroll, financial ledger etc. with no errors found.

**Budgets and Performance Management** – a positive report with moderate assurance and effectiveness. It was noted that overall the Council monitors its budget performance robustly, with good work on the part of the finance team and council departments. All recommendations would be turned around quickly.

**Safe and Clean Environment** – both the street cleaning and waste management contracts were working well. However, contract monitoring meetings were required in order to tighten up processes and provide a robust audit trail. Overall the recommendations should be completed within a short period of time.

In response to Member questions Mr Rubins clarified:-

That staffing issues had delayed completion of the outstanding piece of work on the Fraud Risk Assessment. The Fraud Risk Assessment would be considered at the next Audit Committee meeting.

That sample testing varies depending on areas requiring review, already well managed areas will not be tested annually. However, when it came to main financial systems there was always an element of annual review due to the importance of assurance in this area. It was agreed that where appropriate Members be included in all sample testing going forward.

With reference to a query regarding the definitions on page 15 it was noted that it would be more helpful to have the definitions at the start of the report as opposed to the end.

The Director of Service Delivery addressed a question on the Appleton Waste Management contract regarding value for money. He advised that the Council always seeks value for money (VFM) on all contracts. In the case of the Appleton contract and to ensure VFM, the Council was undertaking soft market testing prior to making a decision to renew the contract.

**RESOLVED** that the Committee noted the progress against the 2018/19 Internal Audit Plan.

## **695. INTERNAL AUDIT - FOLLOW UP OF RECOMMENDATIONS**

The Committee received the Internal Audit – Follow Up of Recommendations report outlining progress with regard to recommendations raised by Internal Audit for years 2015/16, 2016/17 and 2017/18.

Emma Donnelly, Assistant Manager, BDO presented the report to the Committee. She advised that the 8 recommendations in 2016/17 relating to the audits of Planning and Channel Shift had been removed. Given that these would be implemented under the Council's Future Model she suggested that these be presented in a separate report for consideration by a future meeting of the Audit Committee.

With reference to the 4 recommendations outstanding in 2017/18 relating to Disaster Recovery and Business Continuity it was noted that these were impacted by the IT Transformation Strategy, currently in train at the Council, hence the updated implementation date of June 2019.

The Director of Resources responding to Members queries regarding possible delays in implementation of high and medium recommendations 2016/17 and 2017/18 reported that: -

With reference to the 2016/17 recommendation on Key Financial Systems a meeting was held on Tuesday 5 February where it was agreed to deal with this as one of the service streams in the Future Model. Policies will be prepared to clarify the approach to acquisition, transfer and maintenance of Council properties and assets. This work will be progressed through the Asset Management Working Group, reported back to the next Audit Committee and submitted to full Council pre-Christmas 2019 for approval.

The 4 recommendations 2017/18 that relate to Disaster Recovery and Business Continuity were all being addressed within the IT Strategy. These would most likely be implemented earlier than 2019 with 1 being completed that afternoon, 7 February 2019, when the new internet line was installed. The remaining 3 recommendations were being delivered within the Future Model timeframe.

It was noted that all other historic outstanding recommendations were being brought forward and dealt with under the Future Council Model.

**RESOLVED** that Members noted the progress to date against the aforementioned recommendations.

**696. EXTERNAL AUDIT - GRANT CLAIM CERTIFICATION: YEAR ENDED 31 MARCH 2018**

The Committee received the External Audit – Grant Claim Certification report, attached as appendix 1 for the year ended 31 March 2018.

The Director of Resources presented the report advising that this was the annual audit of Housing Benefit. She drew Members' attention to the summary of the work undertaken. This was an accurate piece of work by the Customers Team that resulted in a smooth audit on the part of the Council with minimum amendments. It was noted that the fee applied by the auditors to this piece of work was not exorbitant.

Concerns were raised regarding the impact of Universal Credit. The Group Manager Customers said that although the introduction would inevitably have an impact this should be mitigated due to the staggered nature of the implementation.

The Committee congratulated the Group Manager Customers for the excellent work and asked that their compliments be passed to the team.

**RESOLVED** that Members noted the Certification of Claims and Returns Annual Report for the year ended 31 March 2018.

There being no further items of business the Chairman closed the meeting at 3.35 pm.

P G L ELLIOTT  
CHAIRMAN



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

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to  
**AUDIT COMMITTEE**  
**4 APRIL 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 3 (31 December 2018) on the corporate risks included within the Corporate Risk Register 2018/19.
- 1.3 It is acknowledged that this report is being submitted a considerable time after the end of Q3, but due to the timescales required to collate the updates and review with the Corporate Leadership Team the report could not be produced to meet the report deadlines for the Committee's previous meeting on 7<sup>th</sup> February 2019.
- 1.4 Historically this has been the case and unavoidable with the timings of the Committee meetings with the Q3 report for previous years being submitted to Committee at the end of March.
- 1.5 The 2019/20 meetings schedule has been reviewed to ensure that more timely risk reports are submitted.

**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 and adopted by Council in May, should be considered and applied when reviewing the corporate risks and scores.

#### 4. IMPACT ON CORPORATE GOALS

4.1 The risks included on the Corporate Risk Register have been identified as those which could prevent MDC from achieving the corporate goals stated in the Corporate Plan (2015-19) as updated and approved by Council in February 2018. By identifying these, assessing the current controls in place and determining what further actions need to be taken to mitigate the risks as much as possible, the Council's desired outcomes should be achieved.

#### 5. IMPLICATIONS

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

Background Papers: None

Enquiries to: Paul Dodson, Director of Strategy Performance and Governance, (Tel:01621 875756), Julia Bawden, Performance and Risk Officer, (Tel: 01621 876223).

Corporate Risk Register  
Quarterly Review

**Impact (I)**

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

**Likelihood (L)**

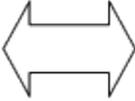
- 4 – Almost Certain
- 3 – Likely
- 2 – Unlikely
- 1 – Almost impossible

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”

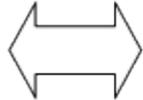
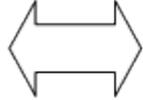
Risk	Original Risk Score	Quarter Four Q4 2017/18	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Direction of Score (since last quarter)	Comments
<b>01 - Failure to safeguard children and vulnerable adults</b>							Safeguarding continues to be managed at a corporate level but has now embedded reporting officers within service areas. Staff continue to report and log incidents or concerns and receive training as required.
<i>Date risk added to Register: 2012/13</i>	L - 2 I - 3	L - 1 I - 4	L - 1 I - 4	L - 1 I - 4	L - 1 I - 4		Changes to the organisation as it goes through transformation are being tracked to ensure reporting officers remain in place as required.
<i>Owner: Director of Service Delivery</i>	Risk Score = 6	Risk Score = 4	Risk Score = 4	Risk Score = 4	Risk Score = 4		Whole staff briefings were scheduled for January and February 2019 utilising the late opening days. However, this was deferred due to the need to concentrate on Phase1 mobilisation. New staff training dates are being established and Members will be trained as part of the induction programme later this year.

Risk	Original Risk Score	Quarter Four Q4 2017/18	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Direction of Score (since last quarter)	Comments
<p><b>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</b></p>							<p>A significant amount of work is being undertaken as detailed below.</p> <ul style="list-style-type: none"> <li>• Development of Livewell Strategy – updated following consultation and being expanded to include wider health partners such as CCG.</li> <li>• The 4Ts project to tackle social isolation in North of District was launched formally in July. This is delivered by community groups, volunteers and the Maldon Council for Voluntary Services (CVS). Local activities arranged currently have footfall of around 195 per week and we are now working with Community Agents and CVS to expand the project in the Dengie with the help of £5k funding secured by the CVS.</li> </ul>
<p><i>Date risk added to Register: Redefined 2016/17</i></p>	<p>L - 3 I - 3 Risk Score = 9</p>	<p>L - 3 I - 3 Risk Score = 9</p>	<p>L - 3 I - 3 Risk Score = 9</p>	<p>L - 2 I - 3 Risk Score = 6</p>	<p>L - 2 I - 3 Risk Score = 6</p>		
<p><i>Owner: Director of Service Delivery</i></p>							<ul style="list-style-type: none"> <li>• A project to support weight management and obesity in a targeted area of District has various strands of the project progressing. “Grow it Cook it Share it” project has been finalised, funding in place and lead organisation who will deliver.</li> <li>• We continue to support the expansion of the ACE weight management service in the District including expanding the drop in service to include other organisations. We now have 7 sessions set up across the District with further ones in the pipeline.</li> <li>• We continue to increase the use of social media and the Livewell Website for promotion of healthy living. In Q3 we tweeted and retweeted 86 times on Public Health and Community Development.</li> <li>• Gardening Project Southminster - this MDC funded project is now complete. However, the Dengie Project Trust has asked for the project to continue</li> </ul>

**APPENDIX 1**

Risk	Original Risk Score	Quarter Four Q4 2017/18	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Direction of Score (since last quarter)	Comments
							<p>and secured funding for this.</p> <ul style="list-style-type: none"> <li>• We are working with various partners, including MIND, E CC and CVS which has led to a mental health hub project being delivered in partnership with the Salvation Army. The project will see up to 100 volunteers receiving training and support.</li> <li>• Development/expansion of inter-generational projects, close working with schools to identify and share good practice, and to start an inter-generational forum with schools. We now have two schools who are actively participating in intergenerational projects. We are seeking other groups who are in close proximity to schools to set them up with.</li> <li>• Three projects funded through the external public health funding are progressing well, including:               <ul style="list-style-type: none"> <li>- The Hearing Help for Essex, reducing social isolation through interaction with clients, and ensuring hearing aids functioning correctly to prevent isolation. The project is dealing with 60 isolated residents per month in the District;</li> <li>- Beacon Hill Rovers Football Club project to increase involvement of younger girls and older and disabled people in sport;</li> <li>- Abberton Rural training supports unemployed to be active and gaining work-based skills, including a weight management programme. The funding is currently supporting 16 Maldon residents to participate in outdoor physical activity programmes. All the participants are long term unemployed, and most have</li> </ul> </li> </ul>

Risk	Original Risk Score	Quarter Four Q4 2017/18	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Direction of Score (since last quarter)	Comments
							<p>additional physical and mental issues</p> <p>Good progress is being made with our Design Council project, funded via LGA, to support young people's Mental Health. This is working in partnership with Essex Youth Service, Essex County Council Social Care and Barnardo's.</p>
<p><b>03 - Failure to target services and influence partners effectively to support the identified housing needs of an increasing ageing population</b></p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>		<p>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 these have moved forward, at this time nothing has been formally agreed so the risk score is unchanged.</p>
<p><i>Date risk added to Register: 2016/17</i></p>							
<p><i>Owner: Director of Service Delivery</i></p>							

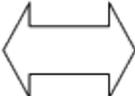
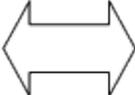
Risk	Original Risk Score	Quarter Four Q4 2017/18	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Direction of Score (since last quarter)	Comments
<p><b>04 – Failure to influence Community Safety partners to address the key areas of public concern (including rural crime) and the negative perception of crime</b></p> <p><i>Date risk added to Register: 2017 /18</i></p> <p><i>Owner: Director of Service Delivery</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). Officers arranged a specific Member Briefing with the PFCC in February in addition to a public meeting in January. 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>
<p><b>05 – Failure to deliver the required infrastructure to support development arising from the LDP</b></p> <p><i>Date risk added to Register: 2014/15</i></p> <p><i>Owner: Director of Strategy, Performance and Governance</i></p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>		<p>There is ongoing progress with the management systems for Section 106 infrastructure. However the S106 Officer is leaving the Council and whilst a replacement will be recruited, any potential reduction of this risk is on hold currently.</p>

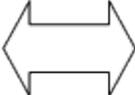
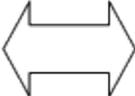
Risk	Original Risk Score	Quarter Four Q4 2017/18	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Direction of Score (since last quarter)	Comments
<p><b>06 – Failure to have a clear shared plan regarding strategic ownership of coastal, fluvial and surface flood mitigation and long term maintenance responsibilities</b></p> <p><i>Date risk added to Register: 2015/16</i></p> <p><i>Redefined 2017/18</i></p> <p><i>Owner: Director of Strategy, Performance and Governance</i></p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 4 I - 4 Risk Score = 16</p>	<p>L - 4 I - 4 Risk Score = 16</p>	<p>L - 4 I - 4 Risk Score = 16</p>	<p>L - 4 I - 4 Risk Score = 16</p>		<p>The Action Plan previously presented to the Audit Committee was updated and a further report and updated plan was 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.</p> <p>The Action Plan is to be discussed at the Coast &amp; Flood Group in Quarter 4.</p>
<p><b>07 – Failure to maintain a 5 year supply of Housing Land</b></p> <p><i>Date risk added to Register: 2017/18</i></p>	<p>L - 2 I - 4 Risk Score = 8</p>	<p>L - 2 I - 2 Risk Score = 4</p>	<p>L - 2 I - 2 Risk Score = 4</p>	<p>L - 2 I - 2 Risk Score = 4</p>	<p>L - 2 I - 2 Risk Score = 4</p>		<p>The latest statement determines that for 2017/18 5.54 years of supply were available, even though the Government has changed the basis for the calculation.</p> <p>The Council has won successive appeals, including one at Maypole Road for 35 dwellings, where the 5 Year Housing Supply has been at issue. This was covered in some depth at the Maypole Road hearing, but the</p>

Risk	Original Risk Score	Quarter Four Q4 2017/18	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Direction of Score (since last quarter)	Comments
<i>Owner: Director of Strategy, Performance and Governance</i>							<p>Inspector found in favour of the Council.</p> <p>Maintaining a five year housing land supply strengthens the Council's ability to protect the District against speculative development. Since the 31 October 2018, the LDP is not defined by the NPPF definition (para 74) as recently adopted, but is up to date and with a 5 year housing land supply, reduces the risk of speculative development in the District.</p>
<b>08 - Failure to meet the affordable housing need</b>							<p>Mitigating actions are being taken forward to overcome the shortfall in affordable housing.</p> <p>The programme of Community led housing is continuing with detailed works for some options and several groups now working with the Council.</p>
<i>Date risk added to Register: 2016/17</i>							
<i>Owner: Director of Strategy, Performance and Governance</i>	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		<p>The Affordable Housing Supplementary Planning Document (SPD) was adopted by the Council in November 2018 which now has weight in the consideration of planning applications.</p> <p>The Council continues to secure affordable housing provision in compliance with the LDP policy and with strategic sites now underway the Council will start to see new affordable homes being built that meet local need and that are in accordance with the SPD.</p> <p>In the meantime, however, the risk score remains unchanged.</p>

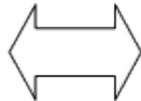
Risk	Original Risk Score	Quarter Four Q4 2017/18	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Direction of Score (since last quarter)	Comments
<p><b>09 - Failure to have a co-ordinated approach to supporting inward investment and maximising business rate growth</b></p> <p><i>Date risk added to Register: 2017/18</i></p> <p><i>Owner: Director of Strategy, Performance and Governance</i></p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 3 I - 4 Risk Score = 12</p>	<p>L - 2 I - 4 Risk Score = 8</p>	<p>L - 2 I - 4 Risk Score = 8</p>	<p>⇔</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, though it is currently behind schedule.</p> <p>Regular meetings are held with the Revenues and Benefits Team and the Tourist Information Centre. Meetings with Planning are held as and when required to discuss specific projects. External stakeholders such as ECC and Invest Essex are also engaged in bimonthly meetings.</p> <p>Reviewing the Economic Prosperity Strategy is currently on hold pending the outcome of work on the new Corporate Plan which will have impact on the focus of the Strategy.</p> <p>The employment land register is now operational and will be used for business support such as the Central Area Masterplan project for the Lower High Street.</p> <p>The risk score remains the same at this current time.</p>
<p><b>10 - Failure to develop jobs to support the growing population</b></p> <p><i>Date risk added to Register: 2018/19</i></p>	<p>L - 4 I - 3 Risk Score = 12</p>	<p>New risk 18/19</p>	<p>L - 4 I - 3 Risk Score = 12</p>	<p>L - 4 I - 3 Risk Score = 12</p>	<p>L - 4 I - 3 Risk Score = 12</p>	<p>⇔</p>	<p>Work with economic initiatives including the Enterprise Centre proposals is ongoing. The key activity will be facilitating the commercial sites within the LDP to come forward for development.</p> <p>Mitigating actions that are being taken forward to reduce this risk include:</p>

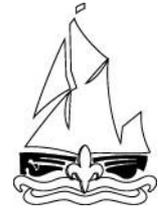
Risk	Original Risk Score	Quarter Four Q4 2017/18	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Direction of Score (since last quarter)	Comments
<i>Owner: Director of Strategy, Performance and Governance</i>							<ul style="list-style-type: none"> <li>Refreshing the Economic Prosperity is currently on hold pending the outcome of work on the new Corporate Plan.</li> <li>Maldon District Skills Strategy – The public consultation closed in December 2018. The Strategy is now being updated and will be submitted to Planning &amp; Licensing Committee for adoption, together with the Maldon District Skills Action Plan.</li> <li>Enterprise Centre - Update received from ECC: a number of discussions took place at the end of 2018 with regard to the process, due to some concerns raised by partners. SELEP have since provided an updated programme and will circulate the detailed scheme technical information, to provide feedback on a scheme by scheme basis. This will be followed by a month long engagement process after which the Accountability Board and Investment Panel will meet.</li> <li>Maximising economic opportunities relating to Bradwell - Invest Essex are coordinating a nuclear supply chain event in Suffolk for companies in Essex and Suffolk that are interested in supplying to Hinkley Point C project in Somerset. The Economic Development team will promote to local companies and support.</li> <li>Working with Haven Gateway Partnership (HGP) – In November 2018 HGP held a special Board meeting to discuss the future direction for the Partnership. The Leader of MDC attended.</li> </ul>

Risk	Original Risk Score	Quarter Four Q4 2017/18	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Direction of Score (since last quarter)	Comments
<b>11 - Failure to protect personal or commercially sensitive data</b>							The risk around failure to protect personal or commercially sensitive data remains high until we have reduced the high level of paper documentation in place in the organisation. This is being addressed as part of the Council Transformation.
<i>Date risk added to Register: 2009/10</i>	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		Destruction of paper was on-going throughout 2018 and activity will continue during the re-structure. Once the clear desk policy is fully implemented a reduction to this risk score can be considered.
<i>Owner: Director of Resources</i>							In addition to the paper destruction, the digital archive has been reduced and will also continue during the re-structure. Work is being undertaken with the Technology work stream of the future model Implementation Team to identify where we can introduce automatic deletion periods and identify old records for destruction.
<b>12 - A Committee structure which is not cost effective</b>							Alternative Governance arrangements were presented to Full Council on 14th February and were approved for implementation in the autumn of 2019.
<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 - 3 I - 3 Risk Score = 9		The risk score will be reconsidered in light of this in Q4.
<i>Owner: Director of Resources</i>							

Risk	Original Risk Score	Quarter Four Q4 2017/18	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Direction of Score (since last quarter)	Comments
<b>13 – Failure to manage impact of organisational change</b> <i>Date risk added to Register: 2018/19</i>  <b>Owner: Director of Resources</b>	L - 2 I - 3 Risk Score = 6	New Risk 18/19	L - 2 I - 3 Risk Score = 6	L - 3 I - 3 Risk Score = 9	L - 3 I - 3 Risk Score = 9		<p>The Council continues to manage the impact of organisational change. Phase 1 went live on 25<sup>th</sup> February and consultation for Phase 2 started in March 2019.</p> <p>Mitigating actions that are being taken forward to reduce this risk include:</p> <ul style="list-style-type: none"> <li>• Robust project management methodology being followed (including equality impact assessments) overseen by project sponsor (Paul Dodson).</li> <li>• Programme manager in place with all updates going to Programme Delivery Board and Programme Management Board.</li> <li>• Existing staff involved in the project with change network and business analysts all appointed.</li> <li>• External expertise and resource employed to assist with implementation - contractors engaged in IT, Programme Management, Process re-engineering and HR.</li> <li>• Communication plan in place.</li> <li>• Robust budget scrutiny.</li> </ul>
<b>14 – Unable to recruit and retain staff in national skill shortage areas to meet the demands of the service</b>  <i>Date risk added to Register: 2015/16</i> <b>Owner: Director of Resources</b>	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 - 2 I - 3 Risk Score = 6		<p>We are advertising a number of posts externally currently and we will revisit this risk score when we have reviewed the shortlisting and if we are unable to recruit staff in key areas such as planning.</p>

APPENDIX 1

Risk	Original Risk Score	Quarter Four Q4 2017/18	Quarter One Q1 2018/19	Quarter Two Q2 2018/19	Quarter Three Q3 2018/19	Direction of Score (since last quarter)	Comments
<b>15 – Failure to plan and deliver balanced budgets over the medium term</b> <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 remain 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.
<b>16 – Corporate policies not managed and reviewed</b> <i>Date risk added to Register: 2016/17</i> <i>Owner: Director of Resources</i>	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		As part of the transformation programme there is a full review of the Corporate Policies in Finance, HR, Legal and IT - these will be updated by 31/10/2019.
<b>17 – Failure to maximise effectiveness of services through promotion and engagement</b> <i>Date risk added to Register: 2018/19</i> <i>Owner: Director of Resources</i>	L - 3 I - 2 Risk Score = 6	New Risk 18/19	L - 3 I - 2 Risk Score = 6	L - 3 I - 2 Risk Score = 6	L - 3 I - 2 Risk Score = 6		As part of the implementation of Phase 1 in February a new communications strategy and team are now in place.



## **REPORT of DIRECTOR OF RESOURCES**

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**to  
AUDIT COMMITTEE  
4 APRIL 2019**

### **EXTERNAL AUDIT - AUDIT PLANNING REPORT TO 31 MARCH 2019**

#### **1. PURPOSE OF THE REPORT**

- 1.1 To inform the Committee of the External Audit work completed to 31 March 2019 (**APPENDIX 1**) produced by Deloitte LLP and is designed to help the Council meet its governance responsibilities in relation to audit.

#### **2. RECOMMENDATIONS**

- (i) that the External Audit Planning report as shown in **APPENDIX 1** be reviewed and commented on;

#### **3. SUMMARY OF KEY ISSUES**

- 3.1 This report is for Members' information only.

##### **3.2 Audit Planning Report**

- 3.2.1 The External Audit Planning Report to 31 March 2019 as attached at **APPENDIX 1** sets out the work that Deloitte LLP has undertaken on behalf the Council.
- 3.2.2 The report provides details on risk assessment processes, pension liability, valuation of property, value for money and the timeline of reporting to those charged with governance.

#### **4. CONCLUSION**

- 4.1 This report is designed to establish Deloitte LLP's respective responsibilities in relation to the audit, including key audit judgements and the planned scope.

#### **5. IMPACT ON CORPORATE GOALS**

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

#### **6. IMPLICATIONS**

- (i) **Impact on Customers** – None.

- (ii) **Impact on Equalities** – None.
- (iii) **Impact on Risk** – None.
- (iv) **Impact on Resources (financial)** – 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).

**Deloitte.**

MALDON DISTRICT COUNCIL

**Maldon District Council**

Audit planning report to the Audit Committee for the year ending 31  
March 2019

Issued on 12<sup>th</sup> March 2019 for the meeting on 4 April 2019

**Deloitte Confidential: Government and Public Services**

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# Introduction

## The key messages in this report:

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the statement of accounts.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our planning report to the Audit Committee for our first year audit for the 2019 year end. I would like to draw your attention to the key messages of this paper:

<b>Scope of our work</b>	<p>Our audit work will be carried out in accordance with the requirements of the Code of Audit Practice ('the Code') and supporting guidance published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General.</p> <p>The Code sets the overall scope of the audit which includes an audit of the accounts of the Council and work to satisfy ourselves that the Council has made proper arrangements to secure value for money (VFM) in its use of resources. There have not been any changes to the Code, itself, and therefore the scope of our work is broadly similar to the scope of work set for your auditor in the prior year.</p> <p>Our responsibilities as auditor, and the responsibilities of the Council, are set out in "<i>PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies</i>", published by Public Sector Audit Appointments Limited.</p>
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<b>Areas of focus in our work on the accounts</b>	<p>We summarise below the area of significant audit risk we have so far identified:</p> <ul style="list-style-type: none"><li>• Management override of controls – auditing standards presume there is a risk that the accounts may be fraudulently misstated by management overriding controls. Key areas of focus are: bias in the preparation of accounting estimates; inappropriate journal entries; and transactions which have no economic substance.</li></ul> <p>We have also identified the following as other areas of audit focus:</p> <ul style="list-style-type: none"><li>• Pension Liability</li><li>• Valuation of Property, Plant and Equipment</li></ul> <p>Auditing standards also presume there is a risk of fraud in revenue recognition. Following an analysis of the Council's income streams, we have rebutted this presumption. The key factors considered include: the amount of annual income from each source; the transaction size; the extent of any estimates; and the complexity of the recognition principles. Our conclusion is consistent with that reached by our predecessor last year.</p> <p>Our risk assessment is an ongoing process and any changes will be reported to the Audit Committee in due course.</p>
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# Introduction

## The key messages in this report:

**Areas of focus  
in our work on  
VFM**

The Code and supporting auditor guidance note require us to perform a risk assessment and to carry out further work where we identify a significant risk.

Our risk assessment to determine whether there are any further significant risks is ongoing, in particular to update for the findings of internal audit work completed in the latter part of the year, outturn performance against financial and operational metrics and the outcome of any findings from the work of regulators.

**Brexit**

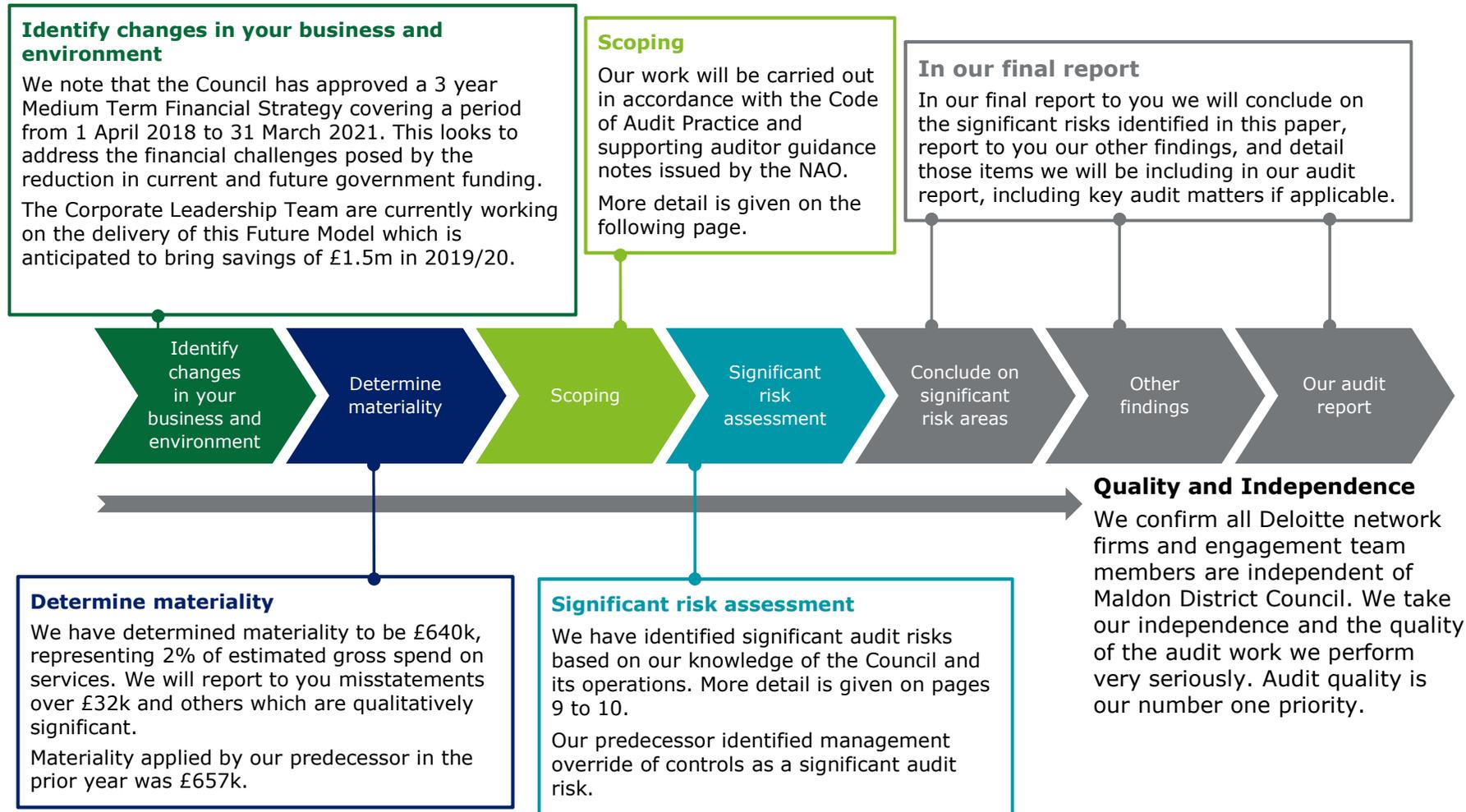
The arrangements following the UK's exit from the EU are not yet clear. Our audit plan does not include any risks or procedures in respect of the impact upon the Authority, whether on Value-for-Money (VfM) arrangements, or more widely. We will update the Audit Committee if any risks are identified as the eventual circumstances of the UK's exit become clear.

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**Craig Wisdom**  
Lead audit partner

# Our audit of the statement of accounts explained

## We tailor our audit to your Authority



# Scope of work and approach

## We have the following areas of responsibility under the Code of Audit Practice

### Opinion on the Council's financial statements

We will conduct our audit in accordance with the Code of Audit Practice and supporting guidance issued by the National Audit Office ("NAO") and International Standards on Auditing (UK) ("ISA (UK)") as adopted by the UK Auditing Practices Board ("APB").

We report on whether the financial statements:

- Give a true and fair view of the financial position and income and expenditure
- Are prepared properly in accordance with the Code of Practice on Local Authority Accounting ("the Code").

### Opinion on other matters

We are required to report on whether other information published with the audited financial statements is consistent with the financial statements.

Other information includes information included in the statement of accounts, in particular the Narrative Report. It also includes the Annual Governance Statement which the Council is required to publish alongside the Statement of Accounts.

In reading the information given with the financial statements, we take into account our knowledge of the Council, including that gained through work in relation to the body's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources.

### Value for Money conclusion

We are required to provide a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We carry out a risk assessment to identify any risks that, in our judgement, have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. The risk assessment enables us to determine the nature and extent of further work that may be required. This means that if we do not identify any significant risks, there is no requirement to carry out further work.

We also consider the impact of findings of other inspectorates, review agencies and other relevant bodies on their risk assessment, where they are relevant and available.

**Our responsibilities as auditor, and the responsibilities of the Council, are set out in "PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies", published by PSAA**

# Scope of work and approach (Continued)

## Our approach

### **Liaison with internal audit**

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements. We are not planning to take reliance on the work of internal audit, it will however be considered as part of our risk assessment.

We have attended audit committees since our appointment and we have been sighted on the progress of Internal Audit. We will review their reports issued as part of the 2018/19 internal audit programme. We consider the findings from their work and where significant control weaknesses are identified, we consider the impact on the scope of our own work.

### **Approach to controls testing**

For controls considered to be 'relevant to the audit', our work involves evaluating the design of these controls and determining whether they have been implemented ("D & I").

We do not expect to place reliance on the operating effectiveness of controls in the current year.

### **Materiality**

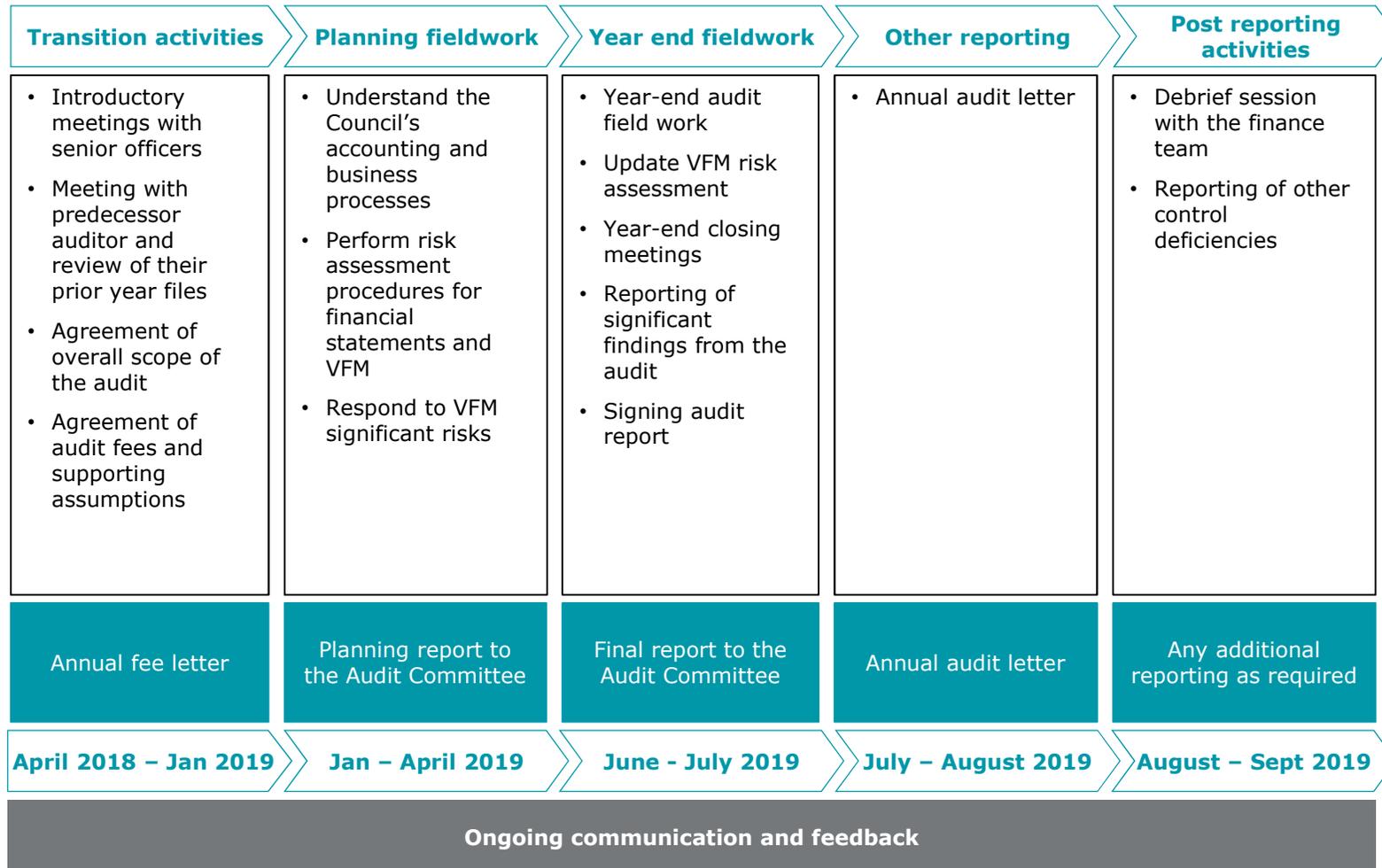
The audit partner has determined materiality as £640k, based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements. We will report to you misstatements over £32k and others which are qualitatively significant.

We have used 2% of gross spend on services as the benchmark for determining materiality as this is an area of focus for users of the accounts.

# Continuous communication and reporting

## Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



# Significant risks – statement of accounts

## Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the narrative report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- our assessment of materiality; and
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements.

### Deloitte view

IAS 1 requires entities to make disclosures about the assumptions it has made about the future and other major sources of estimation uncertainty at the year end that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

If a matter does not meet this criterion, it should not be included in the disclosure on sources of estimation uncertainty.

We recommend the Council re-look at whether the estimates it disclosed in the prior year meet this criterion.

The Code of Practice on Local Government Accounting requires the statement of accounts to include a narrative report which provides information on the authority, its main objectives and strategies and the principal risks that it faces.

### Prior year significant audit risks (financial statements)

- Management override of controls

### Changes in your business and environment

We note that the Council has approved a 3 year Medium Term Financial Strategy covering a period from 1 April 2018 to 31 March 2021. This looks to address the financial challenges posed by the reduction in current and future government funding. This includes looking for strategic and commercial opportunities to generate additional income.

2018/19 will also be the first financial period that the Authority will adopt both International Financial Reporting Standard 15 – Revenue and International Financial Reporting Standard 9 – Financial Instruments. No significant impact is expected.

### IAS 1 Critical accounting estimates

- Useful economic lives of property, plant and equipment
- NNDR appeals provision
- Pension liability valuation
- Bad debt provision

### Principal risk and uncertainties

- The biggest risk to the Authority is the future uncertainty around funding.
- Further reduction in funding is also expected due to the fact that Maldon does not support social and adult care services.
- A new Business Rates retention system will be implemented leading to a lower percentage of income being retained.

# Significant risk

## Management override of controls

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**Risk identified**

In accordance with ISA 240 (UK) management override of controls is a presumed significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Authority's controls for specific transactions.

The key judgments in the financial statements are those which we have selected as areas of audit focus; valuation of the Authority's properties and pension liability. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.

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**Our response**

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

- We will risk assess journals and select items for detailed follow up testing. We do this by using computer-assisted profiling to identify journals which have characteristics of increased interest. We will then test the appropriateness of journal entries selected through this profiling activity, and other adjustments made in the preparation of financial reporting.
  - We will review accounting estimates for evidence of bias that could, in aggregate, result in material misstatements due to fraud. Other areas of estimation in addition to the above include provisions (of which the most significant is the provision for NNDR appeals), bad debt provisions and estimation of depreciation based on a selection of useful economic lives.
  - We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.
-

# Other areas of audit focus

## Pension liability (LGPS)

	Pension Assets	Pension liabilities	Net pension deficit
2017/18	£48.1m	£73.1m	£26.5m
2016/17	£43.8m	£74.0m	£31.8m

### Risk description

The Council participates in the Local Government Pension Scheme, administered by Essex County Council.

As at 31 March 2018, the Council had a £26.5m pension deficit on its balance sheet. Pension assumptions are a complex and judgemental area and the calculation is reliant on accurate membership data provided to the actuary.

We have thus identified this as an other area of audit focus to report to the Audit Committee as a key area of management judgement.

### LGPS

For the LGPS (Local Government Pension Scheme), it is possible to identify Maldon District Council portion of the assets and liabilities, and the Local Authority Accounting Code of Practice requires full disclosure of the Council's share of the LGPS within its financial statements. There are a large number of judgments inherent in the calculation of the scheme liability, including future inflation rates and appropriate discount rates. Small movements in these rates can have a material impact. Additionally there are judgements implicit in allocating Maldon District Council's share of the assets of the scheme.

### Further risk assessment procedures and planned response

We carry out a separate, detailed risk assessment of each of the individual components of the calculation (for example market assumptions, membership data provided by the Council) using a developed methodology which takes into account factors such as an assessment of the actuary carried out centrally by our actuarial experts and whether there have been any significant changes expected in the membership. We scope our work, including the nature and extent of our actuarial specialists involvement, in a way which responds to this detailed risk assessment. In relation to pension assets, we utilise our Pension Asset Centre of Excellence to ensure that assets are tested in a standardised way which meets the expectations of our regulators.

We will review the disclosure based on the IAS 19 report issued to the Council's by the actuary and we will assess the competence and objectivity of the work of the actuary.

## Other areas of audit focus (continued)

### Valuation of Property, Plant and Equipment and Investment Property

	<b>Cost</b>	<b>NBV</b>	<b>Investment Property</b>
<b>2017/18</b>	<b>£41.7m</b>	<b>£34.6m</b>	<b>£1.8m</b>
<b>2016/17</b>	<b>£40.9m</b>	<b>£33.6m</b>	<b>£2.0m</b>

<b>Risk description</b>	<b>Further risk assessment procedures and planned response</b>
<p>The Council held property, plant and equipment of £35m and Investment Property of £2m at 31 March 2018 which are required to be recorded at current or fair value at the balance sheet date.</p> <p>All freehold and leasehold properties including plant and machinery, which comprise the Council's property portfolio, have been fully revalued as at 31 December 2017 and a statement of reassurance was issued by the Valuation Office confirming there was no material changes between 31 December 2017 and 31 March 2018. Property, plant and equipment also forms a material balance in the Council's financial statements.</p> <p>The properties are valued on the basis of open market value for the existing use or the depreciated replacement cost. The valuations are by nature significant estimates which are based on specialist and management assumptions.</p> <p>In the current year, the Council has changed its revaluation policy in line with the accounting procedure that all Local Authorities must conduct and the Council will be performing valuations on a rolling basis for 1/5<sup>th</sup> of their assets on an annual basis and the remaining assets are reviewed at year end for any material changes.</p>	<ul style="list-style-type: none"> <li>We will use our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions used in the year-end valuation of the Council's property portfolio, including considering movements compared to those of other councils performing valuations for 2018/19.</li> <li>We will review the instructions given to the valuer responsible for the review of material changes for the remaining assets not revalued at year end and assess their experience and qualifications. We will consider factors for potential impairment.</li> <li>We will check whether any adjustments to the value of previously capitalised works are required and how these have been calculated.</li> <li>We will challenge management's assessment as to whether any impairment arises in respect of newly capitalised expenditure.</li> </ul>

# Value for money conclusion

## Our risk assessment process and significant risks

We are required to provide a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code and supporting auditor guidance note require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work.

Our risk assessment procedures include:

- Reading the annual governance statement
- Considering local and sector developments and how they impact on the Council
- Reviewing the audit report issued by our predecessor in respect of 2017/18
- Meeting with senior officers
- Reviewing reports issued by internal audit
- Reviewing other documentation of the Council including budget setting reports, financial and operational performance monitoring reports
- Reviewing reports issued by regulators.

Our risk assessment to determine whether there are any further significant risks is ongoing, in particular to update for the findings of internal audit work completed in the latter part of the year, outturn performance against financial and operational metrics and the outcome of any findings from the work of regulators. We have not identified any value for money significant risks at this stage of our risk assessment.

Our predecessor did not identify any significant risks in relation to the value for money arrangements.

An unqualified value for money conclusion was issued on this basis.

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to establish our respective responsibilities in relation to the audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes our audit plan, including key audit judgements and the planned scope.

### Use of this report

This report has been prepared for the Audit Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

### What we don't report

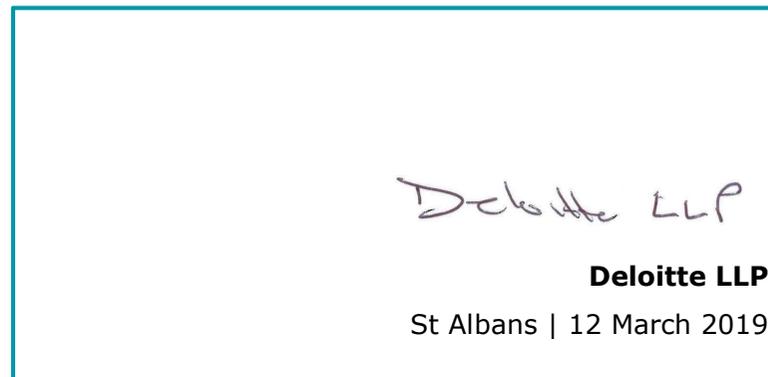
As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by officers or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the statement of accounts and the other procedures performed in fulfilling our audit plan.

### Other relevant communications

We will update you if there are any significant changes to the audit plan.



*Deloitte LLP*  
**Deloitte LLP**  
St Albans | 12 March 2019

# Appendix 1 - Fraud responsibilities and representations

## Responsibilities explained



### Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with officers and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



### Our responsibilities:

- We are required to obtain representations from your officers regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the statement of accounts as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the risk of management override of controls as key audit risk for your organization. Our risk assessment is however an ongoing process and any changes will be reported to the Audit Committee in due course.



### Fraud Characteristics:

- Misstatements in the statement of accounts can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the statement of accounts is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

### We will request the following to be stated in the representation letter:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the statement of accounts may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - (i) officers;
  - (ii) officers who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the statement of accounts.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's statement of accounts communicated by officers, former officers, analysts, regulators or others.

# Appendix 1 - Fraud responsibilities and representations

## Inquiries

We will make the following inquiries regarding fraud:



### **Officers:**

- Officers assessment of the risk that the statement of accounts may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Officers process for identifying and responding to the risks of fraud in the entity.
- Officers communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Officers communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether officers have knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve officers from outside the finance function in our inquiries.



### **Internal audit**

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

### **Those charged with governance**



- How those charged with governance exercise oversight of officers processes for identifying and responding to the risks of fraud in the entity and the internal control that officers have established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.

# Appendix 2 - Independence and fees

## Independence

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

<b>Independence confirmation</b>	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2019 in our final report to the Audit Committee.
<b>Non-audit fees</b>	There are no non-audit fees.
<b>Independence monitoring</b>	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
<b>Relationships</b>	We have no other relationships with the Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.

## Appendix 2 - Fees

The professional fees expected to be charged by Deloitte in the period from 1 April 2018 to 31 March 2019 are as follows:

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	£
Audit under the NAO's Code of Audit Practice: Council	37,942
<b>Total audit fees</b>	<b>37,942</b>

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## **REPORT of DIRECTOR OF RESOURCES**

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**to  
AUDIT COMMITTEE  
4 APRIL 2019**

### **INTERNAL AUDIT - PROGRESS REPORT (MARCH 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 noted.
- (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 audits have been issued in final since the previous Audit Committee:
  - Capital Project Management;
  - IT Transformation.
- 3.4 The following audits have been issued in draft since the previous Audit Committee:
  - Transformation Programme (this audit report will be brought to the Transformation Board on 5 April 2019 for formal sign-off and approval)  
Rates.

#### 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 CORPORATE GOALS

The work of Internal Audit directly supports the Corporate Goal to deliver good quality, cost effective and valued services in a transparent way.

#### 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

MARCH 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 will be reported to the next audit committee.

## 2018/19 Internal Audit Plan

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

- Capital Project Management
- IT Transformation

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

- Transformation Programme (this audit report will be brought to the Transformation Board on 5 April 2019 for formal sign off and approval)

## Reports for this Audit Committee

- Follow Up of Internal Audit Recommendations
- Internal Audit Strategic and Operational Plan 2019-20

# REVIEW OF 2018/19 WORK

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

# APPENDIX A- DEFINITIONS

## OPINION AND RECOMMENDATION SIGNIFICANCE DEFINITION

Level of Assurance	Design Opinion	Findings from review	Effectiveness Opinion	Findings from review
<b>Substantial</b> 	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.
<b>Moderate</b> 	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.
<b>Limited</b> 	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.
<b>No</b> 	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- CAPITAL PROJECT MANAGEMENT

## 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	0
Low	2

## TOTAL NUMBER OF RECOMMENDATIONS: 2

## BACKGROUND:

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. The Director of Resources provides Members with information in relation to financial performance on a quarterly basis at the Finance and Corporate Services Committee.

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.

Following the St Cedd’s demolition, 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 have therefore not raised this as a recommendation in our report.

## GOOD PRACTICE:

- The capital programme was approved by Members at the full council meeting on 8 February 2018, ahead of the 2018/19 financial year
- The bids for 3 of the sampled projects (All weather Car Parking improvements, Riverside park information boards and signage) were obtained. These explain the outcome of the proposed projects for the council and the end service users. These are authorised by Finance and the Committee. The remaining two projects (PC and printer replacement and Replacement of Polling booths) were treated as regular purchases of essential equipment and not a project so no bid was necessary
- The Capital Tracker is used to monitor progress of each capital project in the annual programme. This tracker is updated for each project by a member of each team, on a monthly basis
- The tracker contains the total budget for each project and the expenditure incurred to date. The status of the project is included (Not started/procurement process/in progress) and details of the due completion date. A narrative update of the project is also included for each project
- A monitoring report of the expenditure is sent to the project manager each month with the total of the to date expenditure- this allows monitoring and highlights any projects which risk running over budget
- Projects which are running over time and into the next financial year are discussed at the council meeting and noted in the report
- For 5 projects selected for testing, invoices for the project were all appropriately approved with a supporting purchase order
- The capital tracker was updated to include up to date expenditure and updated dates for expected completion

## KEY FINDINGS:

- Whilst the expected dates of project completion were updated in the tracker when these were expected to overrun, this was not highlighted by using a RAG rating, so these could be easily identified as behind planned schedule (Finding 1-Low)
- Risks in relation to smaller projects are not recorded in risk registers (Finding 2- Low)

## CONCLUSION:

Overall, we are 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 have 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.

## MANAGEMENT ACTION PLAN

Ref	Recommendation	Management Response	Responsible Officer	Implementation date
1	The format of capital tracker should be updated to easily show where projects are running behind anticipated timeframes to ensure Members and other stakeholders are clear on how the capital programme is progressing compared with plan. A RAG rating	Agreed we will add a colour box RAG rating for each project item.	Simon Walker, Financial Specialist	30 June 2019 (Quarter one reports to F&CS Committee)

	for each project should be used where: <ul style="list-style-type: none"> <li>• Green- on schedule per project plan</li> <li>• Amber- risk to completion on schedule per project plan</li> </ul> Red- revised completion date			
2	Risk registers should be maintained for all projects, which captures any risks to the completion of projects in terms of budget, project deliverables or timeliness.  This risk register should be included in the quarterly monitoring and reporting to Committee	We will ask for a risk register as part of the capital bid each September and ask for that to be updated as part of project updates on a monthly basis.	Frank Britt, Senior Facilities Specialist	June 2019 for existing projects  September 2019 for new projects

## APPENDIX C- IT TRANSFORMATION

### LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Substantial	There is a sound system of internal control designed to achieve system objectives.
Effectiveness	Substantial	The controls that are in place are being consistently applied.

### SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High

0

Medium

0

Low

1

**TOTAL NUMBER OF RECOMMENDATIONS: 1**

**BACKGROUND:**

The Council has developed a Future Operating Model (FOM), which targets recurrent savings of £1.8 million by 2022/23 (compared to its 2017/18 baseline), and a range of non-financial benefits.

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 actions.

**GOOD PRACTICE:**

- Whilst there is a substantial level of budget monitoring, there is scope to improve the reporting of projected costs remaining for the project (Low - Finding 1)

Our review found that there are a number of established governance practices in operation regarding the Technology work package with 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.

**MANAGEMENT ACTION PLAN**

Ref	Recommendation	Management Response	Responsible Officer	Implementation date
1	The forecasted figure reported to the Transformation Board should be updated and based on a more in-depth review of likely costs remaining to ensure budgets are appropriately monitored.	Agreed this will be implemented from the next Transformation Board meeting on the 5th April 2019	Director of Resources	5 April 2019

FOR MRE INFORMATION:

**EMMA DONNELLY**

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[emma.donnelly@bdo.co.uk](mailto: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**

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**to  
AUDIT  
4 APRIL 2019**

### **INTERNAL AUDIT - FOLLOW UP OF RECOMMENDATIONS AS AT 28 FEBRUARY 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. RECOMMENDATIONS**

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

#### **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 28 February 2019.

#### **5. IMPACT ON CORPORATE GOALS**

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

#### **6. IMPLICATIONS**

- (i) **Impact on Customers** – None
- (ii) **Impact on Equalities** – None
- (iii) **Impact on Risk** – None
- (iv) **Impact on Resources (financial)** – None
- (v) **Impact on Resources (human)** – None

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**

MARCH 2019

# Summary

Audit	Total Recs	Status			To follow up	Complete		In Progress		Not Due		Overdue		% Complete
		H	M	L		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%
<b>Total</b>	<b>87</b>	<b>2</b>	<b>66</b>	<b>19</b>	<b>68</b>	<b>7</b>	<b>41</b>	<b>1</b>	<b>10</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>7</b>	

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# 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 28<sup>th</sup> February 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: COMPLETED

Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
<b>2018/19- Budgets and Performance Management</b>				
<p>a) The CPI rates used in the budget setting process should correlate with the Medium-Term Financial Strategy. If at the time of budget setting it is felt that this rate does not reflect the current market and a revised rate is needed, the assumptions and rationale should be documented and independently agreed. The Council should also consider including the RPIX rate in the Medium-Term Financial Strategy, or as a minimum, document any judgemental assumptions used in calculating the RPIX rate used in budget setting, the rationale for the assumption used, evidence of an independent review and authorisation that the rate is appropriate.</p> <p>b) Budget holders and Lead Accountants should work closely to determine the information which is available to both teams to allow the Finance Team to incorporate this information into the budget setting timetable. This will confirm that the most up to date information is being used when the budget is being set, and therefore increases the accuracy of the budget setting process. If information becomes known after the budget setting process, but prior to the commencement of the financial year, it should be quantified and communicated to Members at the earliest opportunity.</p>	Medium	Finance Manager	February 2019	<p>a) Complete</p> <p>b) Accountants have worked with departments to ensure data is current. Timetable and notes are to be developed for 20/21 budget process</p>
<b>16/17. Main Financial Systems</b>				
Policies are prepared to clarify the Council approach to acquisition, transfer and maintenance of Council properties and assets	Medium	David Rust Facilities and Asset Manager	March 2018 31 December 2018	Internal audit verified that this was discussed at the AMWG on 1 March and an action plan is now in place which will be taken forward internally.

# Recommendations: COMPLETED

Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
<b>2018/19 - Main Financial Systems</b>				
Ensure all staff processing journals to include all the backing information relevant to the journal being posted. Remind staff to seek signed approval before a journal is posted.	Medium	Finance Manager	November 2018	Complete
<b>2018/19 - Safe and Clean Environment</b>				
<p>A review of all variations charged should be undertaken to verify whether these are correct in terms of the service being received and in line with the contract prices, after adjusting for inflation. Once this has been confirmed, a record should be maintained of all variations, when they were initiated from and the cost of the variation. This should be an ongoing record with evidence of the annual inflation uplifts. When the annual inflation rate to be used is determined, this should be added to the record to recalculate the new cost of the variances. This record should be reconciled against the invoice prior to being paid. For any additional variations, the Senior Community Protection Officer should ensure the Waste Administrator is copied in to the issuing of the contract variation notice to ensure effective oversight and a segregation of duties in the variation process.</p> <p>The thresholds for agreeing contract variations should be agreed and documented.</p> <p>The Council should retain their calculations of the invoice value adjusted for inflation to enable a comparison of this against the contract price being invoiced to evidence the correct payments are being made</p>	Medium	Waste and Street Scene Manager	Complete	<p>Internal audit verified that the error on the contract price has been identified and the council officers are looking to resolve the issue.</p> <p>All variations have been reviewed and a record is now available. Variations are reconciled against invoice prior to payment by Waste Manager.</p>

# Recommendations: IN PROGRESS

Recommendation made	Priority Level	Manager Responsible	Due Date	Current Progress
<b>2018/19- Safe and Clean Environment</b>				
<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"> <li>- Number of customer complaints</li> <li>- Turnaround time at delivery points</li> <li>- Vehicle breakdowns</li> <li>- Number of delayed collections</li> <li>- Timeliness of container deliveries</li> </ul>	Medium	Carol Love - Waste and Street Scene Manager	<p><del>31 January 2019</del></p> <p>TBC</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</p>	Medium	Carol Love - Waste and Street Scene Manager	<p><del>11 January 2019</del></p> <p>TBC</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</p>

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# Recommendations: IN PROGRESS

performance below target should result in an action plan being put in place by the contractor to enable them to meet the Council's expectations

be applied to monitoring 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.



FOR MORE INFORMATION:

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Assistant Manager  
07923 030487



## **REPORT of DIRECTOR OF RESOURCES**

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to  
**AUDIT COMMITTEE**  
**4 APRIL 2019**

### **INTERNAL AUDIT - INDICATIVE INTERNAL AUDIT PLAN - DRAFT INTERNAL AUDIT STRATEGIC PLAN 2018/21 & 2020 OPERATIONAL PLAN**

#### **1. PURPOSE OF THE REPORT**

- 1.1 The purpose of this report is to seek the 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.

#### **2. RECOMMENDATION**

- (i) That the Indicative Internal Audit Plan covering the Draft Internal Audit Strategic Plan 2018/21 and 2019/20 Operational Plan be approved.

#### **3. SUMMARY OF KEY ISSUES**

- 3.1 We review the three-year strategic plan each year to ensure we remain aware of your ongoing risks and opportunities. Over the coming pages we have mapped your key risks along with the audit work we are undertaking, demonstrating we are focussing on your most important issues.
- 3.2 Significant variations to the plan arising from our reviews, changes to the Council's risk profile or due to management requests will be discussed in the first instance with the s151 officer and approved by the Audit Committee before any variation is confirmed.

#### **4. IMPACT ON CORPORATE GOALS**

- 4.1 Effective risk management arrangements ensure that the Council is able to meet its stated goals by effective control of the risks identified to the delivery of those goals.

#### **5. IMPLICATIONS**

- (i) **Impact on Customers** – There is an indirect positive impact, in that effective risk management helps ensure that service delivery to customers is maintained.

- (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)** – No direct impact, although risk management practices not only help control financial risks but also keep the cost of insurance down.
- (v) **Impact on Resources (human)** – Once approved risk management will be included within the Council's induction process and e-learning portfolio of courses.
- (vi) **Impact on the Environment** – None.

Background Papers: None.

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

# MALDON DISTRICT COUNCIL

INDICATIVE INTERNAL AUDIT PLAN

DRAFT INTERNAL AUDIT STRATEGIC PLAN 2018-21 & 2019- 2020 OPERATIONAL PLAN

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# AUDIT RISK ASSESSMENT

## Background

Our risk-based approach to Internal Audit uses the Council's own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the Council's current risk profile.

## Planned approach to internal audit 2019/20

The indicative Internal Audit programme for 2019/20 is shown from page 6, with an indicative strategic plan for 2018-21 shown from page 9. Once we have fully completed our consultations and risk assessment we will bring a finalised plan to the Audit Committee on 26 March for approval. We will then keep the plan under continuous review during the year and will introduce to the plan any significant areas of risk identified by management or the Audit Committee during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three-year audit cycle. In setting the number of days in the plan we have assumed that the control environment within the council will improve as we work with you to address the issues you have.

## Individual audits

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the council. Where revisions are required we will obtain approval from the appropriate Executive Director prior to commencing fieldwork.

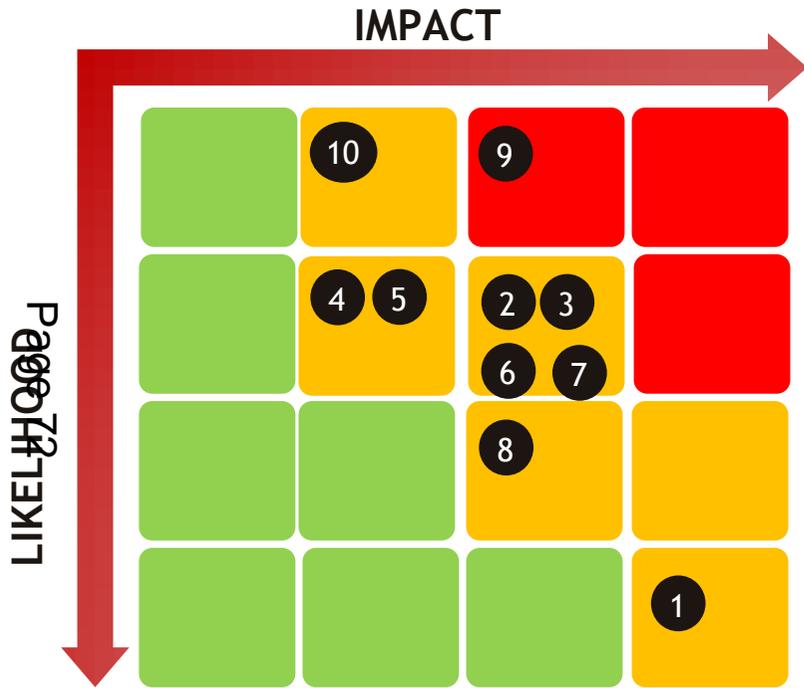
In determining the timing of our individual audits, we will seek to agree a date which is convenient to the council and which ensures availability of key management and staff.

## Variations to the Plan

We review the three-year strategic plan each year to ensure we remain aware of your ongoing risks and opportunities. Over the coming pages we have mapped your key risks along with the audit work we are undertaking, demonstrating we are focussing on your most important issues.

Significant variations to the plan arising from our reviews, changes to the Council's risk profile or due to management requests will be discussed in the first instance with the s151 officer and approved by the Audit Committee before any variation is confirmed.

# MAPPING YOUR STRATEGIC RISKS



	Ref	Strategic Risks from your CRR	Score
1	1	Failure to safeguard children and vulnerable adults	4
2	15	Failure to plan and deliver balanced budgets over the medium term	9
3	12	A Committee structure which is not cost effective	9
4	14	Unable to recruit and retain in national skill shortage service areas to meet the demands of the service	6
5	11	Failure to protect personal or commercially sensitive data	6
6	13	Failure to manage impact of organisational change	9
7	4	Failure to influence Community Safety partners to address the key areas of public concern (including rural crime) and the negative perception of crime	9
8	16	Corporate policies not managed and reviewed	6
9	8	Failure to meet the affordable housing need	12
10	7	Failure to maintain a 5-year supply of Housing Land	4

# MAPPING YOUR CRR TO THE STRATEGIC PLAN

Ref	Strategic Risks from your CRR	2018/19	2019/20	2020/21
1	Failure to safeguard children and vulnerable adults			Safeguarding
8	Failure to meet the affordable housing need			Housing Needs and Affordable Housing
16	Corporate policies not managed and reviewed			Policy Review
4	Failure to influence Community Safety partners to address the key areas of public concern (including rural crime) and the negative perception of crime		Strengthening Communities and Localism	Community Safety
13	Failure to manage impact of organisational change			Customer Service
11	Failure to protect personal or commercially sensitive data		GDPR Compliance IT Disaster Recovery	Network Security
14	Unable to recruit and retain in national skill shortage service areas to meet the demands of the service		Workforce Management (Recruitment)	
12	A Committee structure which is not cost effective		Corporate Governance	
15	Failure to plan and deliver balanced budgets over the medium term	Main Financial Systems Transformation Programme Budgets and Performance Management	Main Financial Systems Transformation Programme Procurement & Contract Management	Main Financial Systems
7	Failure to maintain a 5-year supply of Housing Land	Local Development Plan		

# INTERNAL AUDIT OPERATIONAL PLAN 2019/20

Area	Days	Timing	Description of the Review	Reason for Inclusion
<b>Corporate Goal: Delivering good quality, cost effective and valued services</b>				
<b>Main Financial Systems (including Members expenses)</b>	20	Q2	Cyclical review of key systems and controls to provide assurance on the core financial controls in place.	This is a mandatory element of the internal audit programme and forms a key component of the Head of Internal Audit opinion. We undertake a rotational set of reviews covering the Trust's key financial systems. New Members expenses policy introduced in 2018/19. This review will include testing on this area for compliance.
<b>Risk Maturity Assessment</b>	15	Q2	Includes risk appetite and risk maturity, Board Assurance Framework, Information Governance and embedding risk at directorate level.	This is to ensure that the Council will have an organisational philosophy that ensures risk management is an integral part of corporate objectives, business plans and management systems.
<b>Corporate Governance</b>	20	Q1/Q4	Review of the Committee Structure to ensure that it is fit for purpose and delivering the outcomes required by the District. This review will start in Q1 ahead of the implementation of the new committee structure. And will be completed to review the effectiveness of the committee structure in Q3.	{CRR 12-A Committee structure which is not cost effective}
<b>Workforce Management</b>	15	Q1	Review of the internal processes for HR, including workforce planning, recruitment, appraisals and training.	Key area of risk due to the changes within the Council in implementation of the Future Model. {CRR 14- Unable to recruit and retain in national skill shortage service areas to meet the demands of the service}
<b>Transformation Programme</b>	25	Q4	The purpose of the audit is to provide assurance over the Council's governance of implementation of the Future Operating Model.	Review to determine how effectively the transformation programme objectives are being met and new ways of working are embedded.

				Scope to be further defined in year as programme is completed. {CRR 15- Failure to plan and deliver balanced budgets over the medium term}
<b>GDPR Compliance</b>	15	Q1	The purpose of the audit is to provide assurance over the design and operation of the controls in place to comply with the requirements of the General Data Protection Regulations. The risk of non-compliance with the GDPR, may lead to financial penalties and reputational damage.	New risk to all Council's following new requirements. {CRR 11- Failure to personal or commercially sensitive data}
<b>IT Disaster Recovery</b>	20	Q4	To provide assurance that the Council has adequate arrangements in place to recover its IT services, hardware and infrastructure in the event of a disaster	Key risk identified by Audit Committee.
<b>Procurement and Contract Management</b>	15	Q1	To consider the adequacy and effectiveness of arrangements for contract management and procurement, ensuring arrangements are robust and transparent and that effective relationships are maintained with key partners.	Key risk. {CRR 15- Failure to plan and deliver balanced budgets over the medium term}
<b>Counter Fraud</b>	10	Q4	Fraud risk management assessment and preventative measures, including training, presentations and advice on fraud.	
<b>Total</b>	<b>155</b>			

Area	Days	Timing	Description of the Review	Reason for Inclusion
<b>Corporate Goal: Protecting and Shaping the District</b>				

<b>Management of Property</b>	15	Q2	Review of the arrangements in place for ensuring property is managed effectively and efficiently.	
<b>Total</b>	<b>15</b>			

Area	Days	Timing	Description of the Review	Reason for Inclusion
<b>Corporate Goal: Creating opportunities to influence partners and to support/encourage economic prosperity</b>				
<b>Corporate Plan and Priorities</b>	15	Q2	Review of the Council's Corporate Plan, including consultation input, development and ownership.	
<b>Total</b>	<b>15</b>			

Area	Days	Description of the Review
<b>Planning, Reporting, and Follow-up</b>		
<b>Follow Up Work</b>	10	Creation of audit plan, meeting with Executive Directors.
<b>Audit Management</b>	20	Assessment and reporting of recommendations raised.
<b>Contingency</b>	5	
<b>Total</b>	<b>35</b>	
<b>Overall Total</b>	<b>220</b>	

# INTERNAL AUDIT STRATEGIC PLAN 2018-21

Area	2018/19	2019/20	2020/21	Description of the Review
<b>Corporate Goal: Delivering good quality, cost effective and valued services</b>				
<b>Main Financial Systems</b>	30	20	20	Detailed review to include GL controls, system interfaces, journals, as well as cyclical audits of debtors, creditors, payroll, budgetary control, treasury management, council tax and NNDR.
<b>Risk Maturity Assessment</b>		15		Review the process in place for risk management, including risk appetite, identification, controls, scoring and mitigation.
<b>Budgets and Performance Management</b>	15			Review of the performance management processes such as the strength of business planning, use of data, governance and follow up of services not meeting targets.
<b>Corporate Governance</b>		20		Review of the Committee Structure to ensure that it is fit for purpose and delivering the outcomes required by the District.
<b>Workforce Management</b>		15		Review of the internal processes for HR, including workforce planning, recruitment, appraisals and training.
<b>Customer service</b>			20	Review of areas such as effectiveness of customer service centre, customer feedback and complaints and telephony.
<b>Transformation programme</b>	15	25		The purpose of the audit is to provide assurance over the Council's governance of implementation of the Future Operating Model.
<b>Network Security</b>			15	Review of the Council's network security arrangements.
<b>GDPR Compliance</b>		15		The purpose of the audit is to provide assurance over the design and operation of the controls in place to comply with the requirements of the General Data Protection Regulations. The risk of non-compliance with the GDPR, may lead to financial penalties and reputational damage.

<b>IT Disaster Recovery</b>		20		To provide assurance that the Council has adequate arrangements in place to recover its IT services, hardware and infrastructure in the event of a disaster
<b>Communications and Stakeholder Engagement</b>			15	Review how the Council engages with stakeholders internally and externally, ensuring communications are in line with agreed corporate priorities.
<b>Procurement and Contract Management</b>		15		To consider the adequacy and effectiveness of arrangements for contract management and procurement, ensuring arrangements are robust and transparent and that effective relationships are maintained with key partners.
<b>Counter fraud</b>	10	10	10	Fraud risk management assessment and preventative measures, including training, presentations and advice on fraud.

**Corporate Goal: Strengthening communities to be safe, active and healthy**

<b>Safeguarding</b>			20	Review of the Council's policies and arrangements to ensure the safeguarding of children and vulnerable adults.
<b>Safe and Clean Environment</b>	20			Reviews of the Council's waste management contract, collection and recycling arrangements, carbon footprint and activities to providing a safe and clean environment.
<b>Strengthening Communities and Localism</b>	15			Review of the approach to the creation of the strategy and the progress with internal communication, understanding, implementation and achievement of outcomes, including the effectiveness of the Council's approach to localism issues such as CT benefits, local budgets, planning and social enterprise.
<b>Community Safety</b>			20	Review of the Councils policies and arrangements to ensure residents' safety, progression of the Community Safety Plan and engagement with public to reduce crime given reduced policing capacity.
<b>Policy Review</b>			15	Review of the Council's policies to ensure they are transparent, robust, consistent, up to date and that there is a plan in place for reviewing and refreshing them.
<b>Knowledge Management</b>			15	Review of the Council's approach to knowledge management and how it is stored and shared
<b>Capital project management</b>	20			Review of significant capital projects, to include the planning, funding, delivery and the approach to project management to ensure there is sufficient due diligence and that projects are delivered in line with expectations.

**Corporate Goal: Protecting and Shaping the District**

<b>Management of Property</b>		15		Review of the arrangements in place for ensuring property is managed effectively and efficiently.
<b>Building Control</b>	15			Review of the effectiveness of the Council's approach to and delivery of change to the Building Control service.
<b>Local Development Plan</b>	15			Review of the implementation of the Local Development Plan and consistency with other Council strategic needs assessments.
<b>Housing Needs and Affordable Housing</b>			15	Review of how effectively the Council is managing its strategy around provision of social housing and developing the private rented sector.
<b>Flood Management</b>			20	Review of the Council's relationships with the Lead Local Flood Authority and other organisations to manage respective responsibilities over the risk of surface water flooding. (Follow up review)
<b>Corporate Goal: Creating opportunities to influence partners and to support/encourage economic prosperity</b>				
<b>Corporate Plan and Priorities</b>		15		Review of the Council's Corporate Plan, including consultation input, development and ownership.
<b>IT Transformation</b>	15			Review of arrangements in place for the delivery of the Council's IT Strategy Projects and the links to the overall transformation programme for the Council.
<b>Commercialisation</b>	15			Review Council's commercialisation projects and perform benchmarking.
<b>Planning, Reporting and Follow Up</b>				
<b>Follow up</b>	10	10	10	Assessment and reporting of recommendations raised.
<b>Management Time</b>	20	20	20	Creation of audit plan, attendance at Audit Committee.
<b>Contingency</b>	5	5	5	
<b>Total</b>	<b>220</b>	<b>220</b>	<b>220</b>	

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# APPENDIX I

## Internal Audit Charter - Role and Scope of Internal Audit

### Purpose of this charter

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Maldon District Council and defines the scope of internal audit activities.

Final approval resides with the Board, in practice the charter shall be reviewed and approved annually by management and by the Audit Committee on behalf of the board of Maldon District Council

### Internal audit's mission

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

### Standards of internal audit practice

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

### Internal audit definition and role

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit acts primarily to provide the Audit Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

### Internal audit's scope

The scope of internal audit activities includes all activities conducted by Maldon District Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

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Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

### **Effective internal audit**

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to the Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

We will agree with you an audit plan for a total number of days activity. Once agreed, we will turn this into a cash budget which we will work to, in order to ensure that you have certainty around the fees you will pay us.

### **Independence and internal audit's position within Maldon District Council**

To provide for internal audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Audit Committee. The Head of Internal Audit has free and full access to the Chair of the Audit Committee. The Head of Internal Audit reports administratively to the Director of Finance who provides day-to-day oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for Maldon District Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Approval of the arrangements for such engagements will be sought from the Audit Committee prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Audit Committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Audit Committee to discuss the implications.

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### **Internal audit's role in fraud, bribery and corruption**

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspect a fraud, this will be referred to appropriate management in the first instance and then the audit committee.

### **Access to records and confidentiality**

There are no limitations to internal audit's right of access to the Council's officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 1998.

### **Coordination and reliance with other assurance providers**

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

### **Internal audit's commitments to Maldon District Council**

Internal audit commits to the following:

- working with management to improve risk management, controls and governance within the organisation
- performing work in accordance with PSIAS
- complying with the ethical requirements of PSIAS
- dealing in a professional manner with Council staff, recognising their other commitments and pressures
- raising issues as they are identified, so there are no surprises and providing practical recommendations

- liaising with external audit and other regulators to maximise the assurance provided to Maldon District Council
- Reporting honestly on performance against targets to the Audit Committee.

### Internal audit performance measures and indicators

The tables on the right contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Audit Committee should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

### Quality assurance and improvement programme

As required by PSIAS an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Audit Committee as part of the internal audit annual report, along with corrective action plans.

**Table One: Performance measures for internal audit**

Measure / Indicator
<p><b><i>Audit Coverage</i></b></p> <p>Annual Audit Plan delivered in line with timetable</p> <p>Actual days are in accordance with Annual Audit Plan</p>
<p><b><i>Relationships and customer satisfaction</i></b></p> <p>Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.</p> <p>Annual survey to Audit Committee to achieve score of at least 70%</p> <p>External audit can rely on the work undertaken by internal audit (where planned)</p>
<p><b><i>Staffing and Training</i></b></p> <p>At least 60% input from qualified staff</p>
<p><b><i>Audit Reporting</i></b></p> <p>Issuance of draft report within 3 weeks of fieldwork `closing` meeting</p> <p>Finalise internal audit report 1 week after management responses to report are received.</p>

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90% recommendations to be accepted by management

Information is presented in the format requested by the customer.

#### **Audit Quality**

High quality documents produced by the auditor that are clear and concise and contain all the information requested.

Positive result from any external review

### **Management and staff commitments to Internal Audit**

The management and staff of Maldon District Council commit to the following:

- providing unrestricted access to all of Maldon District Council's records, property, and personnel relevant to the performance of engagements
- responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- implementing agreed recommendations within the agreed timeframe
- being open to internal audit about risks and issues within the organisation
- not requesting any service from internal audit that would impair its independence or objectivity
- providing honest and constructive feedback on the performance of internal audit

### **Management and staff performance measures and indicators**

The following three indicators are considered good practice performance measures, but we go beyond this and report on a suite of measures as included in each Audit Committee progress report.

#### **Table Two: Performance measures for management and staff**

<b>Measure / Indicator</b>
<b><i>Response to Reports</i></b> Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt
<b><i>Implementation of recommendations</i></b> Audit sponsor to implement all audit recommendations within the agreed timeframe
<b><i>Co-operation with internal audit</i></b>

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Internal audit to confirm to each meeting of the Audit Committee whether appropriate co-operation has been provided by management and staff

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