APOLOGIES   Committee Services
       Tel.   01621 875791 / 876232

Council Chamber   01621 859677

DIRECTOR OF STRATEGY, PERFORMANCE AND GOVERNANCE'S OFFICE
DIRECTOR OF STRATEGY, PERFORMANCE AND GOVERNANCE
Paul Dodson

19 February 2020

Dear Councillor

You are summoned to attend the meeting of the;

PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE

on **THURSDAY 27 FEBRUARY 2020** at 7.30 pm.

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

A copy of the agenda is attached.

Yours faithfully

Director of Strategy, Performance and Governance

COMMITTEE MEMBERSHIP	CHAIRMAN	Councillor E L Bamford
	VICE-CHAIRMAN	Councillor K W Jarvis
	COUNCILLORS	B S Beale MBE
		Mrs P A Channer, CC
		M F L Durham, CC
		A S Fluker
		B E Harker
		M S Heard
		J V Keyes
		S P Nunn
		N J Skeens
		W Stamp
		Mrs J C Stilts
		C Swain
		Mrs M E Thompson

Please note: Limited hard copies of this agenda and its related papers will be available at the meeting.
Electronic copies are available via the Council's website www.maldon.gov.uk.

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AGENDA
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
THURSDAY 27 FEBRUARY 2020

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

2. **Apologies for Absence**

3. **Minutes of the last meeting** (Pages 7 - 10)

    To confirm the minutes of the Committee held on 9 January 2020, (copy enclosed)

4. **Disclosure of Interest**

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

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

5. **Public Participation**

    To receive the views of members of the public on items of business to be considered by the Committee (please see below):

    1. A period of ten minutes will be set.

    2. An individual may speak for no more than two minutes and will not be allowed to distribute or display papers, plans, photographs or other materials.

    3. Anyone wishing to speak must notify the Committee Clerk between 7:00pm and 7:20pm prior to the start of the meeting.

6. **Actions Taken to the Findings and Comment of the External Auditor arising from the 2018/19 Audit of Accounts** (Pages 11 - 20)

    To consider the report of the Interim Section 151 Officer, (copy enclosed)

7. **Internal Audit Reports - Progress, IT Disaster Recovery and Key Financial Systems** (Pages 21 - 64)

    To consider the report of the Interim Section 151 Officer, (copy enclosed)

For further information please call 01621 876232 or 875791
or see the Council's website – www.maldon.gov.uk.

8.   **Internal Audit Follow-up of Recommendations Report - February 2020** (Pages 65 - 90)

        To consider the report of the Interim Section 151 Officer (copy enclosed)

9.   **Internal Audit - Draft Strategic Plan 2018/19 - 2020/21 and Draft Annual Audit Plan 2020/21** (Pages 91 - 114)

        To consider the report of the Interim Section 151 Officer, (copy enclosed)

10.   **Quarterly Review of Corporate Risk Report (Q3)** (Pages 115 - 124)

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

11.   **Quarterly Review of Corporate Performance (Q3)** (Pages 125 - 146)

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

12.   **Annual Review of Financial Regulation and Contract Procedure Rules**

        To receive a verbal update from the Interim Section 151 Officer.

13.   **Corporate Health and Safety (Q3)** (Pages 147 - 154)

        To consider the report of the Director of Service Delivery, (copy enclosed)

14.   **Section 106 Update**

        To receive a verbal update from the Director of Strategy, Performance and Governance.

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

For further information please call 01621 876232 or 875791
or see the Council's website – www.maldon.gov.uk.

Report for Noting:

In accordance with the Council decision (Minute No. 542 refers), the following report is for noting and a copy has been placed in the Members' Room and on the I Drive for Members' information.

- Annual Audit Letter 2018/19 External Audit

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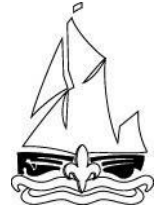
Health and Safety
Please be advised of the different levels of flooring within the Council Chamber. There are steps behind the main horseshoe as well as to the side of the room.

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Agenda Item 3

MINUTES of
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
9 JANUARY 2020

PRESENT

Chairman	Councillor E L Bamford
Vice-Chairman	Councillor K W Jarvis
Councillors	Mrs P A Channer, CC, M F L Durham, CC, A S Fluker, B E Harker, M S Heard, S P Nunn, N J Skeens, W Stamp, Mrs J C Stilts, C Swain and Mrs M E Thompson

1. CHAIRMAN'S NOTICES

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

2. APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor B S Beale, MBE.

3. MINUTES OF THE LAST MEETING

RESOLVED that the minutes of the meeting held on 28 November 2019, be confirmed.

4. DISCLOSURE OF INTEREST

Councillor Mrs P A Channer, CC declared a non-pecuniary interest as a member of Essex County Council on issues in the Audit report around flooding.

Councillor M F L Durham, CC declared a non-pecuniary interest as a member of Essex County Council on issues in the Audit report pertaining to flooding.

5. PUBLIC PARTICIPATION

No requests had been received.

6. INTERNAL AUDIT PROGRESS REPORT

Prior to the presentation of the above report the Chairman advised the Committee that the current audit situation was being considered first under Agenda Item 6. Internal

Audit Progress Report and then the historic situation under Item 7. Historic Audit Actions Report. All changes approved under Item 7 would be reflected in the next Internal Audit Follow-up of Recommendations report at the February Committee.

The Committee then considered the report of the Interim Section 151 Officer that provided, by way of appendix 1 and 2, reports issued by BDO LLP, the Council's Internal Auditors.

The Audit Manager from BDO LLP took the Committee through the reports starting with the Audit Progress Report December 2019. She advised that the IT Disaster Recovery and Main Financial Systems reports had been issued in draft and would be submitted to the February Committee meeting. The Workforce Management, Flooding Risk Management and Network Security reports were in fieldwork as of week commencing 6/1/20 and that all changes to the Internal Audit Plan agreed with management, were listed on page 19 of the Audit Progress Report.

With reference to the Follow Up of Recommendations report she said that there were no new recommendations due for follow-up in this committee cycle. It had been agreed to review old recommendations and close them off if appropriate, as reflected in Agenda Item 7 Historic Audit Actions report. These changes would be reflected in the next iteration of the Follow Up of Recommendations report.

Councillor Nunn opened the debate by asking why the Committee was sitting given the lack of items of business on the agenda. The Chairman advised that the main bulk of the work would be considered at the 27 February Committee and that tonight's agenda served as an advance outline of that. Furthermore, decisions made on Item 7 on this agenda will impact the content of reports at the next meeting.

In response to questions raised the Audit Manager reported the following:-

➢ That limited effectiveness of procurement and contract management had been considered at the meeting on 28 November 2019. The assessment that it was moderate in design demonstrated that controls in place were good, but there had been some exceptions to the effectiveness of certain controls e.g. contract management. Work was now underway to ensure that all correct documentation was in place in relation to contract management.

➢ That operational effectiveness of controls was monitored by checking staff were following the policies and procedures in place. For this meeting none of those recommendations were due for reporting as Internal Audit, together with management, were going through a period of reassessment to determine if they were still applicable following the restructure. From February2020 the Committee would receive reports on those that are still applicable together with an appropriate update on the status of each recommendation.

The Chairman put the recommendations to the Committee and they were agreed.

RESOLVED that the Committee considered and commented on:

(i)   the Internal Audit Progress Report December 2019 at appendix 1, and,

(ii)   the Internal Audit Follow Up of Recommendations Report, December 2019 at appendix 2**.**

7.   HISTORIC AUDIT ACTIONS REPORT

The Committee considered the report of the Director of Strategy, Performance and Governance that provided a proposed review of historic audit recommendations.

The Programmes, Performance and Governance Manager took the Committee through the report and appendix. She explained the rationale for the report in that the systems previously used for monitoring audit recommendations had changed therefore timely to undertake some housekeeping around historic audit recommendations. Addressing the table at appendix 1 she advised Members that some of the recommendations would be subsumed into new recommendations and historic actions were being recommended for removal as they had been superseded by other ongoing work. The historic recommendations were largely around Channel Shift and transformation and had already been completed through the Transformation work.

In response to questions on the appendix regarding historic recommendations proposed for removal and how related work would be taken forward, Officers responded as follows:-

➢ Planning 16/17 - that this would be delivered as part of the Transformation Structure under the responsibility of the process improvement team and planning officers.

➢ That as a result of the substantial changes and reengineering of systems and processes in the last year, recommendations dating back to 16/17 had been subsumed into the transformation programme as they had naturally been overtaken by the transformation work.

➢ That all transformation work was monitored and reviewed by the Transformation Board and Members had access to the information through the minutes on the I Drive; gateway reviews; update reports to Members and reports to Council.

➢ That Flood Risk Management would be reported back to the Committee in April 2020 and the Lead Specialist Place, Damian Ghela had responsibility for this going forward. The Director of Service Delivery agreed he would update Members further by email following the meeting.

➢ That there were still two recommendations outstanding regarding Safe and Clean Environment and the Director of Service Delivery agreed he would update Members further following the meeting.

A debate ensued where Members expressed concern regarding a lack of clarity around those recommendations that were being removed, what they were being replaced with, those recommendations that would form part of the new Audit Plan and who was responsible in each area. It was further noted that there was no wish to revisit what had already been done but rather than remove them, retain the threads of the existing process until a new one was in place.

The Chairman, noting these concerns, said that it may have been better for the sake of clarity, to outline how particular items would be covered going forwards. She then put the recommendation to the Committee that Members approve the proposed revisions, including removal of audit actions, which had been addressed as part of the transformation work. This was not agreed.

Councillor A S Fluker, acknowledging the issues raised in the debate proposed that the item be deferred, and a short report be submitted to a future committee outlining what was going forward in the new audit plan and what items/recommendations had been identified for closure. This would provide clarity and enable the Committee to decide what to do with the recommendations being proposed for closure. This was duly seconded.

The Chairman put the proposal to the Committee that the item be deferred to come back to Committee with a link into the future audit plan and it was agreed.

RESOLVED that the item be deferred to come back to Committee with a link into the future audit plan.

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

There were none and the meeting closed at 8.00pm.

E L BAMFORD
CHAIRMAN
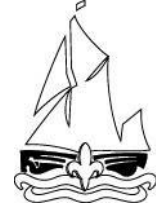
REPORT of
INTERIM SECTION 151 OFFICER

to

PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
27 FEBRUARY 2020

ACTIONS TAKEN TO THE FINDINGS AND COMMENTS OF THE EXTERNAL AUDITOR ARISING FROM THE 2018/19 AUDIT OF ACCOUNTS

1.   **PURPOSE OF THE REPORT**

1.1   The Committee asked that a report be brought back on the actions taken in response to the findings of the external auditor arising from the audit of 2018/19 accounts.

2.   **RECOMMENDATIONS**

(i)   That the Committee considers and notes the reasons for the issues identified by the external auditor in the 2018/19 audit of accounts, actions taken by the Interim Section 151 Officer as set out in section 3 of the report and **APPENDIX 1** and **APPENDIX 2** and the risks as identified in paragraph 3.5.

3.   **SUMMARY OF KEY ISSUES**

3.1   As part of the reporting requirements the external auditor presented and discussed his findings to the Committee at its meeting on 28 November 2019 in a report under the International Auditing Standard 260 (IAS260) requirements. The report is titled: *Report to the Audit Committee on the audit for the year ended 31 March 2019 Issued 12 November 2019 for the meeting on 28 November 2019* (**Agenda Item 6 APPENDIX 1 pages 27-30 refers**).

3.2   At the time, the Interim Section 151 Officer had explained to the Committee the reasons for the delay in the production of the 2018/19 Statement of Accounts and some of the causes for the external auditor's findings. These were in order of severity:

- The loss of key members of staff during the implementation of the Future Council model and during and leading up to the critical period when preparations for close down would be taking place and during the accounts closedown period. The period referred to is February 2019 to May 2019. During this period there were two permanent Finance Specialists in post but the key post of Senior Finance Specialist reduced from the post of Finance Manager was vacant and remains so at the time of writing this report.. An external consultant was recruited in late February to undertake the closedown however, with that person being new to the Council, had a very steep learning curve in how Maldon operates and its financial systems.

Agenda Item no. 6

Furthermore, it has been reported to the Interim Section 151 Officer that there was very little if any senior management direction. This would have been a factor in leading to the finding regarding the accounting policies and management papers in respect of IFRS 9 and 15.

These were drawn up by the external consultant as part of the work on the production of the financial statements with direction from the Interim Section 151 Officer.

- Furthermore, the IT network outage in early summer and the server outage in September led to downtime in Finance which contributed to the delays in completing the Statement of Accounts.

- The Council runs a significant part of its year end closedown through a combination of its Sage financial management system and Microsoft Excel workbooks. This adds a level of complication and time especially in ensuring reconciliation and feeding into the financial reporting templates. Under the circumstances, the initial draft financial statements, which were published for public inspection and presented for audit were not of the expected standard. They had to be redrafted and reformatted to ensure compliance with the Cipfa Code of Practice at the same time as the audit was taking place. The main reason for this was the loss of the experienced Finance Manager who would have managed the closedown process; produced the financial statements; and managed the operational relationship with the external audit manager.

- In terms of the quality of the working papers, it has to be said that format and the setting out of the information was the same as in previous years and had not been an issue reported on previously. However, working papers can always be improved upon, but in the view of the Interim Section 151 Officer, the understanding by the reader of what is being presented to them in the working paper is also relevant. As such, some members of the external audit team had difficulty in understanding some of the working papers and the accounting concepts as they apply to local government accounting, which added additional time in servicing the audit. It has to be recognised and accepted that 2018/19 was the first year for Deloitte LLP as the Council's external auditor and that not all of its audit team engaged on the audit was familiar with local government. Therefore, it is not entirely true to say that the working papers were poor because they were drawn up in the same way and format as the previous years. I myself, witnessed a number of examples of the gap in the auditors' knowledge which was brought to the attention of the external audit manager and the external auditor.

- The findings and the adjustment in the accounts regarding the White Horse Lane Car Park, arose due to a difference of views on the assumptions used in the valuation by the Council's appointed professional valuer and Deloitte's professional surveyor. The Council's professional valuer, following discussions directly with Deloitte's professional surveyor, agreed to the amendment to the valuation. This added a delay that had not been envisaged. Therefore, it is important to understand that there was no accounting error

per se in the accounts however in the report and in accordance with the requirements it is identified as a corrected misstatement.

It is also important to note that apart from that there were no other misstatements to report.

- The findings regarding 'Documentation of Controls and Process ';'Review and approval of working papers' and 'Approval of Journals' has been addressed through strong direction from me to the Finance Specialists and the Resources Caseworkers. As early as August 2019 within the first three weeks of my arrival I set out a schedule of internal controls and quality standards that I expected to see operating in Finance and by the Resources Caseworkers working on financial activities. These were circulated to the Finance Specialists and to the two Tier 2 Managers in Resources. These are attached at **APPENDIX 1.**

Having completed and submitted the Budget 2020/21 report; Council Tax 2020/21 report and other associated suite of financial reports to the 13 February 2020 Council meeting, I have turned my attention to the 2019/20 year end. On 13 February 2020, I sent out detailed instructions to the Finance Specialist and the two Tier 2 Managers in Resources giving clear direction to the recipients on the closedown of the 2019/20 accounts and the production of the Statement of Accounts. See **APPENDIX 2**. I shall be handing over to the incoming Interim Director of Resources and Section 151 Officer who is scheduled to start on 2 March 2020 and so it will up to them as to how they want to progress from then on.

3.3   It has to be said and recognised that the closure of the 2018/19 accounts and the production of the financial statements occurred during a period of significant change in the organisation and which was a direct contributory factor in key experienced staff leaving the organisation. As a result the change over from the old structure to the new structure did not successfully transition with the remaining staff not having the time to train the staff who were to be taking over some of the finance activities and routines. Added to that has been the fact that some of the key internal controls and checks have been either dropped by design from being done in the new structure or have/had lapsed. At the time of the closedown of the 2018/19 and the production of the financial statements the two Finance Specialists were and continue to carry the bulk of the work that had been done by four members of staff.

At the time of the closure of the 2018/19 accounts and with the organisation in a state of flux, the then Director of Resources who was also the Council's Returning Officer would have been fully involved in the preparation for and running the District Council elections on 2 May 2019.

3.4   Council has approved a supplementary estimate for a fixed term full time Finance Specialist who will be as a minimum Association of Accounting Technicians (AAT) qualified to train and embed the internal controls and checks in the financial activities undertaken by the Resources Caseworkers and set up the reviews and checks and balances between the Finance Specialists and the Resources Caseworkers. It is also important to ensure that the knowledge based articles (procedure notes and process

maps in old terminology) are brought up to date and maintained through version controls.

3.5   The actions I have taken and the directions and guidance I have given to the staff and the organisation will minimise the risks of the same happening in this year as it did last year but cannot entirely eliminate them. However, there cannot be any guarantee of it not happening again.

If experienced staff leave or are absent from work or the Finance team continues to be staffed at below establishment or IT outages occur (like they did in 2019) then there is a risk that the closedown timetable could slip irretrievably.

4.   CONCLUSION

4.1   The external auditor reported his findings on the audit of the 2018/19 accounts to the Committee on 28 November 2019. In the findings the auditor raises an number of risks and issues of internal controls and quality of the Council's documentation.

4.2   The Committee asked me to report back on how I was addressing the findings.

4.3   This report sets out what in my view contributed to the issues and findings in the external auditors' report and the actions I have taken. The report also sets out my comment on the quality of the external audit team which I had raised with the external auditor and his audit team manager.

4.4   I shall be finishing my interim tenure at the Council on 28 February 2020 and it will be up to the incoming Director of Resources/Section 151 Officer to take forward the matter as they consider necessary.

5.   IMPACT ON STRATEGIC THEMES

5.1   None arising from this report

6.   IMPLICATIONS

(i)   **Impact on Customers** – None arising from this report

(ii)   **Impact on Equalities** – None arising from this report

(iii)   **Impact on Risk** – The risks are identified in paragraph 3.5 above

(iv)   **Impact on Resources (financial)** – A supplementary estimate has been agreed to fund a one year fixed-term full time Finance Specialist post to support the service to transition to the new structure fully.

(v)   **Impact on Resources (human)** – Covered in (iv) above.

(vi)   **Impact on the Environment** – None arising directly from this report

(vii)   **Impact on Strengthening Communities** - None arising directly from this report

Enquiries to: Kamal Mehta, Interim Section 151 Officer. (tel. 01621 875762)

Maldon District Council

To: Annette Cardy, Resources Specialist Services Manager

Alastair Morrell, Resources Casework Manager

c.c.   Simon Walker, Sandra Farrow, Ann Nagy.

From: Kamal Mehta, Interim Section 151 Officer

Date : 16 August 2019

Subject: Change Management Note

Further to our meeting of 15 August 2019 on the transition from the old traditional local government operating model to the new Future Model I have identified the following as critical areas that I need assurances that the key controls and internal checks are in place and are being correctly operated in the work carried out by the Specialist Finance staff and the Resources Caseworkers who are now or in the near future will be undertaking some of these activities, processes and tasks. This list at this stage is not exhaustive however, these are the key areas involved in recording and properly accounting for the Council's financial transaction. The second part of this Note is the programme of work that I believe is required to ensure 'business as usual/ 'our new way of working' in the Future Model. Please note that many of these requirements will be already in place currently and that is fully accepted and recognised by me but I have included them here for completeness for any transfer of activities/processes/tasks from the Specialist to the Caseworker.
The Section 151 Officer is statutorily required to ensure the 'proper financial administration of the council'.

Key Controls, Checks and Working Practices

1. **Reconciliations**
    - Payroll to General Ledger (GL) Control Account including all deductions properly posted and paid over.
    - Payroll to HR system – People being paid each month are the same as those on the establishment held in HR.
    - Debtors Sales Ledger to GL
    - Creditors – Purchase Ledger to GL
    - Bank and Cash

2. **Treasury Management (TM)**
    - Training in Treasury Management for staff. This is not internal training but external normally day courses/workshops held by CIPFA and the Council's Treasury Management advisors. (It is a requirement to declare that the staff undertaking TM activities have received 'proper' training in the Council's TM Strategy.)

Therefore, whilst I appreciate that the Caseworkers who may take over the TM activities will be given training or shown the processes by the Specialists it is important that external training is factored in if this function in whole or in part is to transfer to the caseworkers. (Note of caution/warning: A number of authorities had ended up with deposits in the Icelandic Banks because the function had been devolved to third and even fourth tier officers and there had been no strong overview of the deposits being placed and the staff were not fully trained in understanding credit rating lists, limits of investments in institutions and advice from the TM advisors)

- Any impending maturity and investment discussed and agreed with the Section 151 Officer for direction.
- Authorisations of investments and recall of funds
- Documentation for audit.
- Reporting to Section 151 Officer – frequency. My requirement is on a weekly basis. The report should contain a statement of all deposits out there with activity undertaken during the week. Interest rates on the investments Interest received and expected for any matured investments against budgeted interest income.

3. Journals

- Robust internal controls and internal checks – separation of duties re: raising journals, reviewing and authorising and inputting. This becomes difficult in a small team and a pragmatic approach can be adopted but it has to be able demonstrate robustness in the circumstances.
Each stage requires signature of the officer and the date.
- Journals should be accompanied by supporting documentation and or good quality working papers where electronically attached or in hard copy form. Working papers must be cross referenced properly where appropriate to the source of the information contained in them. All working papers must have the name of the officer that has created it and date of creation.

4. Working Papers Generally

- Quality of working papers whether electronic or hard copy form must be to a level which can be followed through by the reader to the source information and follow on destination of information thereby reducing the need to refer to the creator of the working paper. This will also reduce external auditors from raising further unnecessary queries in the future especially in an environment of reduced numbers of staff.

Programme of Work required for operating in the Future Model

1. **Financial Management System (FMS)**
   - Staffing budgets need to be completed and set for the new operating model.
   - Staffing budgets allocated to the correct cost centres.
   - Allocation of cost centres to managers for budget responsibility and management
   - Decisions on the level to which budgets are devolved for budget responsibility and budget spending and for income.
   - Consideration on cost centre structure / Chart of Accounts being fit for purpose for the new operating model.
   - ***Use of Sage to its full potential and consideration of a new financial management system geared for use in local government with functionality and integration that reduces manual manipulation of data outside of the system including reporting tool. Longer term residence and efficiency gains in an environment of reduced resources.***
   - Any new cost centre structure or reconfigurations will need to address the issue of being able to make comparisons and provide comparative date between prior years to current year on a like for like basis for internal monitoring purposes but also and more importantly for external audit requirements in the first year of operation of the new model especially if it only for part year.
   - Ensure that **the integrity of the FMS (Sage) is always maintained** when transitioning from the previous structure to the new operating model.

2. **Finance for Non-Financial Manager and Budget Officers**
   - Basic understanding of Local Government Finance – High level.
   - Budgeting, Budget Monitoring and Budget management training
   - Understanding of delegations and Financial Regulations and Procurement and Contract Standing Orders.
   - Basic enquiry training on FMS and electronic authorisations where applicable.

3. **Resources Specialist/Caseworker split of functional activities/tasks/processes**
   - Part or whole tasks – where does the responsibility and accountability lie.
   - Training and understanding
   - Devolve across/down the levels but what about escalation points back upto Specialist for input/involvement/decision – understanding of ownership and parameters for seamless working.

4. **Management Accounts Reporting**
   - Frequency
   - Format and content
   - Co-ordination responsibility
   - Compiling/Authoring
   - Accuracy sign-off

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2019/20 Closedown of Accounts; Production of Financial Management and Management of External Audit. - Message (HTML)

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From: Kamal Mehta
Sent: Thu 13/02/2020 14:56
To: James Carter; Simon Walker; Sandra Farrow; Annette Cardy; Alastair Morrell; Ann Nagy
Cc: Richard Holmes; Paul Dodson
Subject: 2019/20 Closedown of Accounts; Production of Financial Management and Management of External Audit.

PLEASE READ AND DIGEST THE CONTENTS IN THE MESSAGE BELOW.

Dear All,

I preparation of the closure of the 2019/20 Accounts and the production of the Financial Statements it is important that the process of close down of the accounts runs smoothly and if there has to be then with minimum delay so that all the statutory timetable as far the Council is concerned are met. It will then be for the external auditor to have ensured that they are able to work to their timetable for the final accounts and Value for Money audit.

There cannot be any delays due to the Council not having completed the work as please believe me that the Council does not want to be told by the auditor that the same as happened last year has happened again for 2019/20.. One of the issues raised by the auditor was the quality of the working papers.

It is therefore important for me as the Section 151 Officer that:

1. All staff specialist and caseworker involved in the close down process fully understand the tasks they are/will be required to undertake and why.
2. All working papers are of a standard and at the detail which will minimises or even eliminates additional queries from the external auditors.. This includes::

- All working papers and supporting papers must be held in a central depository. **No working papers should be held locally only that can only be accessed by the individual creating it.**
- Properly headed working papers with understandable indexing/numbering system to be able to store and access them quickly.
- All working papers to have adequate information/descriptions and cross-referencing on them so that they can be followed by the reader thus reducing and minimising avoidable querie.
- All supporting papers and back up papers/information to the working papers to be attached to the working paper with proper cross referencing so that the reader can easily follow the information from the working paper to the supporting paper and vice versa.
- All Working papers and supporting papers to be signed and dated by the author/creator and where necessary to be signed and dated by a reviewer.
- Each area/task for the closure of the accounts allocated to any specialist or caseworker to be 'owned' by them.
- Working papers must be quality assured in terms of completeness to agreed standard by the Lead Finance Specialist (if in post), otherwise by Annette and Alastair. A Quality Control Sheet should be maintained to record the check for each working paper. Working Paper Reference No.. Date Checked and Checked by.

James Carter will be the person in charge of the closedown timetable and the production of the financial statement and agree Simon and Sandra all the tasks for the closedown of the accounts and the production of the financial statement. Once this is done by the end of February, the instructions and guidance or by attendance at the Extended Leadership Team (ELT) should disseminate the information requirements and tasks to be undertaken with the deadlines by which they must BE DONE BY THE Services -rest of the organisation and submitted to Resources., e.g. creditors and debtors, payroll, overtime claims, mileage and expenses claims, new starters and leavers, cash and banking.

There should be a accounts closedown/financial statement steering group comprising James (Chair) , Sandra, Simon, AN Other?, Annette and Alastair that should meet weekly from mid-March to the end of May as a minimum to ensure everything is on target and take/agree actions to rectify any slippages.
The timetable must be controlled tightly for any slippages.

As a minimum, the steering group should meet with the Interim Director of Resources/Section 151 Officer to update/apprise them on the timetable and any slippages which are of concern and any issues being raised by the external auditor. Any serious concern should be raised immediately with the Interim Director of Resources/Section 151 Officer.

In the absence of a Lead Finance Specialist or in the event that they are new to the Council and still not fully settled into the job, one Specialist should take the responsibility agreeing with the Interim Section 151 Officer the requirements for the Outturn Reports for the General Fund and Capital to the Strategy and Resources Committee. You will also need to report to the Strategy and Resources Committee and Council the Annual Treasury Management Report.

The key to a successful closedown and producing a quality financial statement is:

- to ensure all tasks/activities are captured and timetabled taking into account any dependencies between the various tasks and therefore sequencing them correctly.

- Ensuring clear instructions and guidance is given to those identified for the task/activity and for them to know that at any time to come back if there is any doubt as to how to perform a task/activity. 'I assumed' should not be allowed. It should be 'I know'

- Everyone involved should know what they are being asked to do and that they know how to do it. Standardised formatted working papers are the key

- Ensuring availability of staff – annual leave/time off policy during peak periods and for external audit - to mesh in with the external auditors timetable. You do not want the external auditor to be coming in to ask a question when the person who has the knowledge/detail is not in work. It will only add to the time the auditor takes to complete their work and they can use that to claim more fees from the Council which will be unacceptable.

- Regular feedback from those delivering the timetable and involved in the audit on the type of questions being asked by the auditors to ensure that the lines of enquiry may not give rise to something serious being raised later with the Section 151 at their review meeting with the auditor and also to keep and eye out for the quality of the auditors that the external auditor has assigned to the council's audit especially if they fail to complete their work on time and blame the council for it on some pretext. Believe me it has happened in the past here and elsewhere.

- Good and strong control of the timetable with one person in overall charge of it and driving it. The steering group should work as a team and take ownership of the whole process. This is an 'annual' project so should be rum on project management principles.

- Ensure all systems – manual and computerised are prepared for close down in good time and agree with IT on the back up procedures in case you need to go back to a previous version then it will be possible to do so. Keep fingers crossed that the outtages experienced in 2019 do not happen again!

- COMMUNICATION – good and frequent communication not only within and between Finance and Resource Caseworkers, but wider in the organisation where information/data is required from. Give adequate notice as other areas of the Council will not be constrained by the Closedown timetable in terms of leave or time away from the office. So those that need to be doing year end activities within a timetabled period need to know exactly 'what', 'when', 'how' and 'who' especially as the Council has been restructured and those who did it in 2019 may not be here anymore and it may be someone entirely new dealing with it this year who may not even be aware of the task/activity. Start to communicate as early as possible. If it is possible I would start with CLT and maybe do a few presentation sessions for staff outside of Finance and Resources Caseworkers. For Resources Caseworkers, Alastair has regular meetings and he can cover the requirements and timetable in those meeting to mobilise his staff.

- Regular reporting to the Section 151 Officer of any concerns and decision(s)/sign offs are required.

I hope the above is taken seriously and I make no apologies if it comes across as 'teaching grandma to suck eggs' but believe me anything less than meeting the statutory deadlines on the part of the Council will be wholly unacceptable to members and would be to me if I were at MDC. If there were to be slippages then they should only be because of uncontrollable external factors and the external auditor failing to complete their work not because of or due to the Council but for reasons that rest with him. In such circumstances the auditor will try and lay the blame on the Council but you must take all steps that that does not happen.

Of course, it would be entirely up to the incoming interim Director of Resources/ Section 151 Officer as to how they want to 'run the show' so to speak but this is how I would have managed the process for 2019/20. The time to prepare and set up for the show that will run to at least to the end of July to meet the statutory deadlines is from now.

Kamal Mehta
Interim Section 151 Officer
Maldon District Council
Direct Line – 01621 875789

Please note my normal working days are Wednesday to Friday.
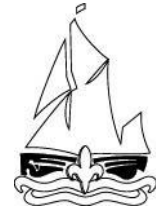
REPORT of
INTERIM SECTION 151 OFFICER

to

PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
27 FEBRUARY 2020

INTERNAL AUDIT REPORTS – PROGRESS, IT DISASTER RECOVERY, KEY FINANCIAL SYSTEMS

1. PURPOSE OF THE REPORT

1.1 To present for consideration, comment and approval by the Committee the following reports issued by BDO LLP, the Council's internal audit service provider

- Internal Audit Progress Report February 2020 at **APPENDIX 1;**
- IT Disaster Recovery – Final Report at **APPENDIX 2;**
- Key Financial Systems (Accounts Payable, Accounts Receivable, Expenses) – Final Report at **APPENDIX 3.**

2. RECOMMENDATIONS

That the Committee considers, comments and approves the:

(i) Internal Audit Progress Report February 2020 at **APPENDIX 1**;

(ii) IT Disaster Recovery – Final Report at **APPENDIX 2;** and

(iii) Key Financial Systems (Accounts Payable, Accounts Receivable, Expenses) – Final Report at **APPENDIX 3.**

3. SUMMARY OF KEY ISSUES

3.1 BDO LLP are the Council's contracted Internal Audit Service provider. The Partner, Mr. Greg Rubins, fulfils an equivalent role to that of Head of Internal Audit.

3.2 The Internal Audit Service is there to provide assurance to the Section 151 Officer, Management and Members of the adequacy of internal controls and checks in the organisation and to highlight any risks that the Council may be exposed to in its overall and day to day operations.

3.3 As such, Internal Audit is independent of Management and operates, performs to and is measured against The UK Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In addition CIPFA has also issued a Statement on the Role of the Head of Internal Audit.

3.4 The reports attached in the three appendices will be presented to the Committee and discussed by Mr. Greg Rubins or his representative on his behalf.

3.5   Normally, the Director of Resources in their appointed capacity as the Council's Section 151 Officer is the Client Officer for the Internal Audit Service, however, due to the Director's post being vacant currently; the Interim Section 151 Officer is fulfilling this role.

4.   CONCLUSION

4.1   This report together with the reports attached as Appendices allows the Committee to fulfil its remit of overseeing governance.

5.   IMPACT ON STRATEGIC THEMES

5.1   Internal Audit cuts across the delivery of all the Strategic Themes of the Council.

6.   IMPLICATIONS

(i)   **Impact on Customers** – any impact on customers will be highlighted with the reports in the appendices.

(ii)   **Impact on Equalities** – any impact on equalities will be highlighted with the reports in the appendices if it is within the scope of the audit work carried out.

(iii)   **Impact on Risk** – Any risks identified as a result of the findings of the internal audit work are highlighted with the individual reports and summarised in the Progress Update and Follow Up of recommendations reports.

(iv)   **Impact on Resources (financial)** – Same comment applies here as for Impact on Risk above.

(v)   **Impact on Resources (human)** – Same comment applies here as for Impact on Risk above.

(vi)   **Impact on the Environment** – Same comment applies here as for Impact on Risk above.

Background papers: None.

Enquiries to: Kamal Mehta, Interim Section 151 Officer (Tel: 01621 875762)
Greg Rubins (BDO LLP)
Emma Donnelly (BDO LLP)

INTERNAL AUDIT PROGRESS REPORT

MALDON DISTRICT COUNCIL

FEBRUARY 2020

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SUMMARY OF 2019/20 WORK

This report is intended to inform the Performance, Governance & Audit Committee of progress made against the 2019/20 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.

2019/20 Internal Audit Plan

The following audits have been issued in final since the last Committee:

- IT Disaster Recovery
- Main Financial Systems

The following audits have been issued in draft and will be brought to the next Committee:

- Workforce Management
- Network Security

The following audits are in fieldwork or scheduled:

- Community Safety (fieldwork scheduled 3 March 2020)
- Flooding Risk Management (fieldwork scheduled 24 February 2020)
- Corporate Governance (fieldwork scheduled 24 February 2020)

Reports for this Committee

- Follow Up of Internal Audit Recommendations
- Draft Strategic and Operational Plan 2020/21

REVIEW OF 2019/20 WORK

Audit Area	Audit Days	Planning	Fieldwork	Reporting	Opinion Design	Effectiveness
Main Financial Systems	20	✔	✔	February 2020	Moderate	Limited
Risk Maturity Assessment	15	✔	✔	August 2019	N/A	N/A
Corporate Governance	20	✔				
Workforce Management	15	✔	✔	April 2020		
Transformation Programme	25	Deferred to 2020				
GDPR Compliance	15	✔	✔	August 2019	Substantial	Moderate
IT Disaster Recovery	20	✔	✔	February 2020	Limited	Moderate
Corporate Plan and Priorities	15	Deferred to 2020				
Procurement & Contract Management	15	✔	✔	November 2019	Moderate	Limited
Management of Property	15	Deferred to 2020				
Addition to plan:						
Flood Risk Management	20	✔	✔	April 2020		
Network Security	15	✔	✔	April 2020		
Community Safety	20	✔	✔	April 2020		

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SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publication and emerging issues relevant to Local Authorities that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers, directors and members.

Increase in local authority investments in shopping centres and increased reserves

Research conducted by retail property consultants Revo and Lamber Smith Hampton has identified the increased trend in local authority investment in shopping centres. UK councils have spent £770m on shopping centres since 2016, with nearly one in five local authority transactions relating to shopping centre investment. The investments are predicted to reach £1bn by 2020. The head of planning, development and regeneration at LSH said "We are fully supportive of councils acquiring shopping centres as a catalyst for change, but only where they are underpinned by robust and fully costed business plans and investment strategies, as part of wider regeneration and income-generating objectives."

https://www.publicfinance.co.uk/news/2019/09/council-investment-shopping-centres-predicted-reach-ps1bn-mark

Local Authority Reserves

CIPFA chief executive Rob Whiteman has suggested local authorities appear to be expecting austerity to continue, as latest figures show increased reserves. Data released in August 2019 showed Local Authority reserves were up 7.4% in total, however there was a large variation between authorities, with 37% of local authorities making a net use of their reserves in 2018-19. Excluding education spending, councils spent 1% more in 2018/19 that the previous year, taking into account inflation. One of the most significant increases is in adult and children's social care (5.1% and 5.8% increases respectively), highlighting the pressures on these particular areas.

https://www.publicfinance.co.uk/news/2019/08/english-councils-expect-further-squeeze-reserve-levels-rise

The benefits of full-fibre/5G and innovative ways to introduce technology into local authorities

A report from the Broadband Stakeholder Group (BSG), based on research provided by Oxera Consulting, has stated how local governments can benefit from full-fibre and 5G. According to the report local governments are crucial to the ability of telecoms operators to provide the UK with the necessary networks and infrastructure to support connectivity requirements.

Local authorities are expected to see benefits from this in the form of being able to enhance services such as home care, as well as boosting local

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economic activity, with the report estimating employment could increase by up to 1.7% in some areas. In areas currently suffering with poor coverage the introduction of enhanced networks is estimated to result in a 3.2% rise in the number of local businesses. For a local authority with an annual business rates income of £400,000 this would equate to an extra £10,000pa. The increased connectivity could also help tackle local issues such as deprivation and antisocial behaviour.

https://www.governmentcomputing.com/local-government/industry-news/bsg-local-governments-5g-full-fibre

Councils invited to apply for digital funding to boost services

In August 2019 the government announced plans for councils to be able to bid for grants to develop 'innovative ways' to improve public services through technology, with a fund of up to £7.5m to be shared by local authorities and a maximum of £350k per project. Previous examples include using Amazon's Alexa to assist people in need of care, using AI to produce education plans, developing online payment for services and helping social housing tenants log repairs digitally. Luke Hall, the Minister for Local Government stated "Councils are on the front line of exploring how we can harness technology to improve services while saving taxpayers' money." In each project, a lead council will partner with at least two other authorities from across the country to share knowledge, skills and ideas.

https://www.gov.uk/government/news/councils-invited-to-apply-for-digital-funding-to-boost-services

Council set to save £5m a year by introducing virtual assistant technology

A recent example of successful technology implementation comes from Wiltshire Council, who introduced virtual assistant technology to speed up the authority's payroll service. The council is planning to continue increasing the number of series digitally available and claim it will save the council £5m every year by 2021.
https://www.wiltshiretimes.co.uk/news/17906928.virtual-assistants-come-online-save-cash-local-authority/

Local authorities required to have recycling collections in place by 2023 and could risk legal action if they do not include carbon targets in local plans

The Department for Environment, Food and Rural Affairs has announced new legislation that will require all local authorities in England to have recycling collections in place by 2023. The authority collections should include separate collections for glass, plastic, aluminium, paper and card. The department also announced that packing producers will be required to pay the full cost of disposing of packaging, currently packaging producers pay only around 10% of the costs. Martin Tett, environment spokesperson for the Local Government Association, said: "We support moves to a clearly defined core set of recyclable materials, provided it is fully funded, as well

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as further work on how funding from packaging producers and retailers will be allocated to councils".

https://www.publicfinance.co.uk/news/2019/07/english-councils-must-have-recycling-collections-set-2023

Local Plan 15-year vision for development in their areas

ClientEarth has warned that Local Authorities could risk legal action if they do not include carbon targets in their Local Plans. Local planning authorities now have a legal obligation to include carbon reduction targets in a 15-year vision for development in their areas. ClientEarch climate lawyer, Sam Hunter Jones, has said "So many of the daily decisions around new and existing infrastructure – such as new buildings, roads and utilities – are made at the local level. All of these decisions will 'lock in' an area's future emissions and its resilience to climate change." Local Authorities are therefore obliged to be "Climate Sensitive" when planning upcoming infrastructure and housing development.

https://www.publicfinance.co.uk/news/2019/09/councils-not-including-carbon-targets-local-plans-risk-legal-action1

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APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION:

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MALDON DISTRICT COUNCIL

INTERNAL AUDIT REPORT - FINAL

IT DISASTER RECOVERY
FEBRUARY 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Limited	Moderate

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DISTRIBUTION	
Annette Cardy	Resources Specialist Services Manager
Grant Hulley	Senior ICT Specialist

REPORT STATUS LIST	
Auditor	Antony Hadjirousos, Internal Auditor
Dates work performed	22 October 2019 – 13 November 2019
Draft report issued	20 November 2019
Final report issued	06 February 2020

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EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Limited	System of internal controls is weakened with system objectives at risk of not being achieved
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)

High	1
Medium	3
Low	0

TOTAL NUMBER OF RECOMMENDATIONS: 4

BACKGROUND:

The services provided by the Council are dependent on the availability of Information Technology (IT) hardware and systems as well as the IT infrastructure that underpins them. Any disruption to the availability of these IT systems could result in the Council being unable to provide these services to the general public, which could result in financial and reputational losses.

Effective IT disaster recovery planning is therefore essential to ensuring that the Council is able to respond to system failures in the event of a major incident or disaster, in order to maintain operations of all critical systems. The Council's Information and Communication Technology (ICT) Department is responsible for managing the Council's disaster recovery arrangements and primary responsibility has been assigned to the Senior ICT specialist.

The purpose of this audit was to provide assurance that there are adequate arrangements in place to recover the Council's IT services, hardware and infrastructure in the event of a disaster.

GOOD PRACTICE:

Good practice was evidenced in the following areas:
- A business impact assessment has been performed for the loss of the Council's IT services, which includes an assessment of the potential impact on all major Council functions
- There is an ICT Business Continuity Plan in place, which defines the procedures for ensuring the continuity of the IT services in the event of an incident
- The roles and responsibilities of members of staff in the event of a disaster have been defined and communicated to all members of staff
- The Council has documented its backup arrangements and defined the procedures for restoring the backups as and when required.

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KEY FINDINGS:

We identified the following areas of improvement:

- There are no arrangements in place for testing the Council's IT disaster recovery arrangements on a routine basis nor is there a defined schedule for testing backups for recoverability (**Finding 1 – High**)
- The Council has not performed a risk assessment of critical IT systems, applications and services being unavailable (**Finding 2 – Medium**)
- There is not a complete record of the Council's recovery time and point objectives for its critical IT infrastructure and systems (**Finding 3 – Medium**)
- The Council's IT Disaster Recovery Plan has not been finalised, approved and communicated to members of staff (**Finding 4 – Medium**).

CONCLUSION:

Based on our review we have raised one high and three medium level recommendations to improve the Council's IT disaster recovery arrangements.

Effective IT disaster recovery arrangements would enable the prioritisation of work to recover affected services in the event of a disaster and identify the key contacts, resources and processes required to return to stability of operations. Whilst the Council has taken action to ensure the continuity of elements of its critical IT systems and has informal arrangements in place to recover them in the event of a disaster, it does not have a defined recovery plan in place to support the recovery of the ICT service in line with its operational requirements. This could significantly disrupt the Council's ability to provide its critical services to the public.

Consequently, we conclude limited assurance over the design of the Council's IT disaster recovery arrangements and moderate assurance over their operational effectiveness.

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DETAILED FINDINGS

RISK: THE RECOVERY ARRANGEMENTS ARE NOT TESTED ON A ROUTINE BASIS

Ref	Significance	Finding
1	High	**Insufficient testing of the Council's backup and recovery arrangements** It was observed during our fieldwork that the Council has not conducted a formal test of its IT disaster recovery arrangements nor has it established a requirement to test the arrangements on a routine basis. We found that whilst aspects of the Council's disaster recovery arrangements have been tested in May 2018, the Council has not fully assessed its ability to recover critical IT systems in the event of a disaster. Furthermore, there is not a defined schedule in place for testing backups for recovery on a routine basis. Not performing routine tests of the Council's disaster recovery arrangements, including testing backups for recoverability, increases the risk that they will not be sufficient to recover the Council's IT services in the event of a disaster.

RECOMMENDATION:

Management should conduct a formally documented test of the Council's IT disaster recovery arrangements and should establish a requirement to test the arrangements on a routine basis.

The results of the tests should be reported to Senior Management and any issues identified should be resolved in a timely manner.

Furthermore, management should put in place a defined schedule for testing backups for recoverability on a routine basis.

MANAGEMENT RESPONSE:

The council will now be running a planned testing plan every 6 months, this testing plan has now been finalised and is ready to be run. It includes testing of the network and services for core functionality. First test will be run 29th Feb / 1st March. Findings and an action plan following this test will be provided to the Resources Manager and to ensure all issues addressed by 31 March 2020.

Responsible Officer: Grant Hulley, Senior ICT Specialist

Implementation Date: 31st March 2020

RISK: THE IMPACT OF AN IT DISASTER ON THE COUNCIL HAS NOT BEEN ADEQUATELY ASSESSED		
Ref	Significance	Finding
2	Medium	**Threats to the availability of the ICT service have not been assessed** We observed during our fieldwork that the Council has not assessed the risk of the ICT service being unavailable. We found that whilst the Council has adequately assessed the business impact of the loss of its ICT services, it has not assessed the likelihood and impact of its critical IT systems and applications being unavailable nor has it undertaken a risk assessment to identify and assess the threats to the provision of the ICT service. The absence of a risk assessment increases the risk that the Council's resiliency and recovery arrangements will not be sufficient in the event of a disaster.

RECOMMENDATION:

Management should identify, assess and record the threats to the continuity of the Council's ICT service. Where appropriate, mitigating actions should be recorded and reviewed for efficacy on a routine basis.

Furthermore, management should assess the likelihood and impact of the Council's critical IT systems and applications being unavailable.

The assessments should be reviewed on a periodic basis or following a significant change to the Council's operations.

MANAGEMENT RESPONSE:

The risk assessment has now been updated to now include likelihood of loss of function / business impact this includes age, warranty, server cover

Responsible Officer: Grant Hulley, Senior ICT Specialist

Implementation Date: Completed.

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RISK: THE RECOVERY OBJECTIVES ARE NOT ALIGEND TO THE COUNCIL'S CONTINUITY REQUIREMENTS		
Ref	**Significance**	**Finding**
3	Medium	**The Council's recovery objectives have not been defined** It was observed during our testing that the Council does not have a complete record of the Recovery Time Objectives (RTO) and the Recovery Point Objectives (RPO) for its critical IT infrastructure and systems. We found that whilst the Council has a server recovery plan in place, which includes the recovery time and point objectives for some systems, the plan has not been completed for all of the Council's critical systems and services, including the primary systems for Finance, Planning Services and Environmental Health Services. It was also observed that the Council has not determined the RTO and RPO for its IT infrastructure. This includes the hardware, software and all network components required for the Council's IT environment, which hosts the servers, systems and services provided by ICT. Furthermore, the Council has not included the time taken to recover the supporting IT infrastructure in determining IT system RTO. The absence of defined RTO and RPO increases the risk of the Council's critical services being disrupted when the IT systems that underpin them are unavailable.

RECOMMENDATION:

Management, in conjunction with appropriate stakeholders from across the Council, should determine the RTO and RPO for the Council's IT infrastructure and remaining IT systems that underpin the Council's critical services. Management should then use the defined objectives to revise the recovery prioritisation for systems and services in the event of a disaster.

The recovery objectives should be reviewed on a routine basis or following a significant change to the Council's operations.

Furthermore, the Council should review the procedures that support the recovery of its IT systems on a routine basis, to ensure that backup processes are sufficient to achieve the Council's expectations for the recovery of data in the event of a disaster.

MANAGEMENT RESPONSE:

The Recovery times list will be updated to include the new infrastructure hardware and servers. A column has been added to include infrastructure recovery time (this includes physical and virtual servers.

Responsible Officer: Grant Hulley, Senior ICT Specialist

Implementation Date: 31st March 2020

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RISK: THERE ARE NOT DOCUMENTED PROCEDURES IN PLACE TO RECOVER CRITICAL IT INFRASTRUCTURE, HARDWARE OR SYSTEMS IN THE EVENT OF AN INCIDENT		
Ref	Significance	Finding
4	Medium	**Absence of a defined IT disaster recovery plan**

It was observed during our fieldwork that the Council's IT disaster recovery arrangements have not been adequately defined.

Whilst the Council has a draft IT Disaster Recovery Plan in place, the plan has not been finalised and approved and we found that it does not record:

- The IT resources that would be required to support the Council's operations and how they would be obtained in the event of a disaster
- The technical procedures for recovering critical IT infrastructure, systems and services in the event of a disaster
- The procedures for returning to business as usual following the invocation of the plan.

The absence of a defined IT disaster recovery plan increases the risk of the Council being unable to recover its IT systems that are required to provide its critical services.

RECOMMENDATION:

Management should review and, where necessary update the Council's IT Disaster Recovery Plan so that it includes, but is not limited to:

- The IT resources that are required in the event of a disaster and the procedures for obtaining them following the invocation of the plan
- The technical procedures for recovering critical IT infrastructure, systems and services in the event of a disaster
- The procedures for returning to business as usual.

The plan should be approved and communicated to all members of staff and should be stored so as to be easily accessible in the event of a disaster.

MANAGEMENT RESPONSE:

A list of IT resources has now been added to the DR plan with contact and priority details for staff required during the DR. The addition of an IT guide is also now been written to be included with the DR, this will contain step by steps on the recovery process.

This will be approved by the Resources Manager and communicated and shared with all staff by 31st March 2020. A link to the plan will be added to the Corporate Sharepoint page accessible for all

Responsible Officer: Grant Hulley, Senior ICT Specialist

Implementation Date: 31st March 2020

STAFF INTERVIEWED

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

Annette Cardy	Resources Specialist Services Manager
Grant Hulley	Senior ICT Specialist

APPENDIX I – DEFINITIONS

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

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

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APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of this audit is 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 RISKS:

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

- The impact of an IT disaster on the Council has not been adequately assessed
- The recovery objectives are not aligned to the Council's continuity requirements
- There are not documented procedures in place to recover critical IT infrastructure, hardware or systems in the event of an incident
- Roles and responsibilities for managing the response to a disaster have not been defined
- There are not adequate backup and recovery procedures in place
- The recovery arrangements are not tested on a routine basis.

SCOPE OF REVIEW:

The following areas will be covered as part of this review:

- Evidence that the risk and impact of a disaster has been assessed
- Determine whether recovery time and point objectives have been defined and whether the priorities of the Council are reflected in its IT disaster recovery arrangements
- Review the IT Disaster Recovery plan to identify whether it contains the information necessary to recover systems and services in the event of a disaster
- Determine whether roles and responsibilities associated with disaster recovery have been defined
- Assess the arrangements for backing up and recovering critical IT systems and services
- Determine the frequency with which the IT disaster recovery arrangements are tested and the adequacy of the testing performed.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

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FOR MORE INFORMATION:
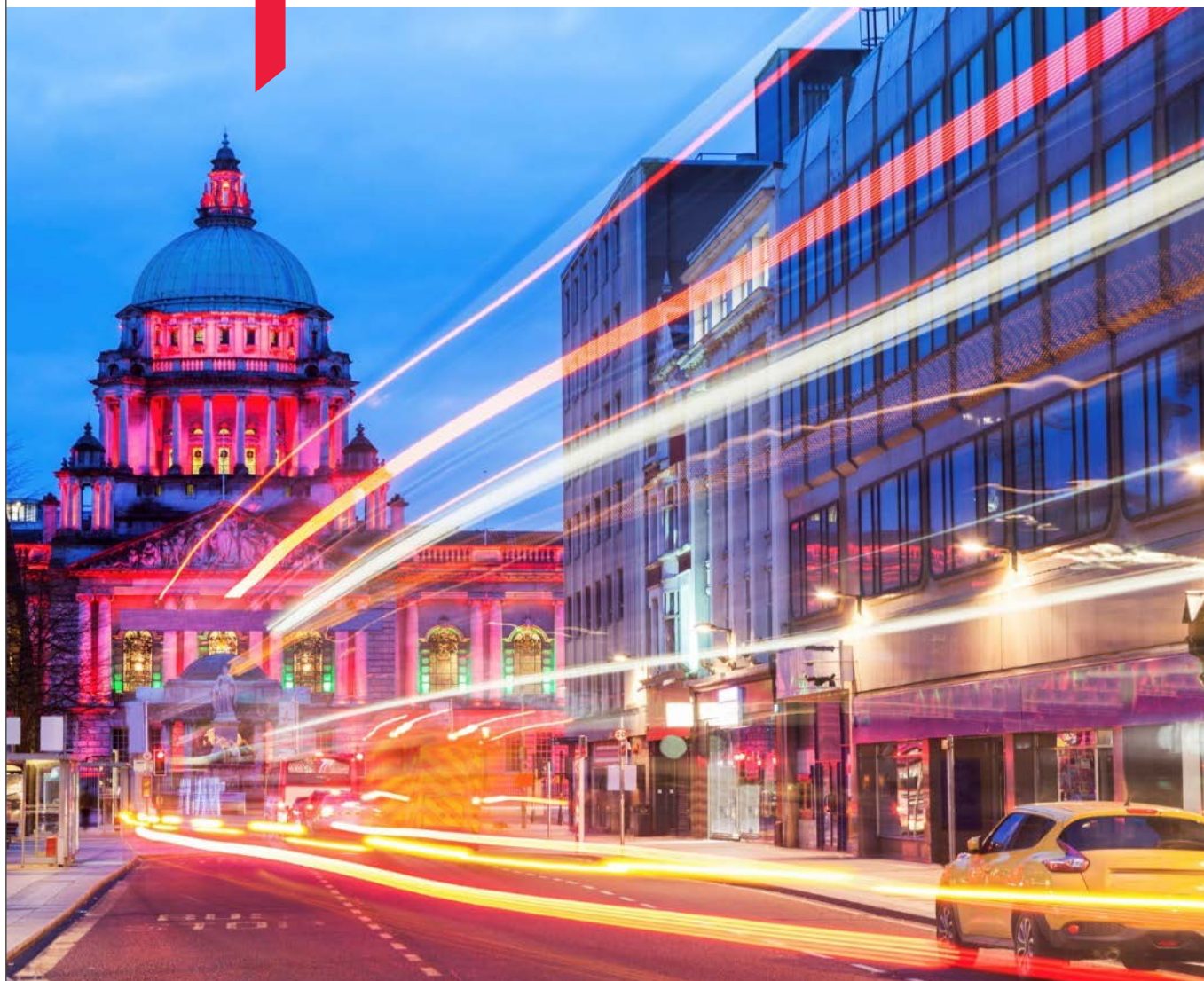
Greg Rubins
Greg.Rubins@bdo.co.uk

MALDON DISTRICT COUNCIL

INTERNAL AUDIT REPORT - FINAL

KEY FINANCIAL SYSTEMS (ACCOUNTS PAYABLE, ACCOUNTS RECEIVABLE, EXPENSES)
JANUARY 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Limited

IDEAS | PEOPLE | TRUST

BDO

DISTRIBUTION	
Annette Cardy	Resources Specialist Services Manager
Kamal Mehta	Interim Section 151 Officer

REPORT STATUS LIST	
Auditor	Steve Willett
Dates work performed	11 - 22 November 2019
Draft report issued	December 2019
Final report issued	January 2020

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Moderate	System of internal controls is weakened with system objectives at risk of not being achieved
Effectiveness	Limited	Evidence of non-compliance with some controls that may put some of the system objectives at risk

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	2
Medium	7
Low	0

TOTAL NUMBER OF RECOMMENDATIONS: 9

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BACKGROUND:

The Council is required to maintain sufficient effective controls over its key financial systems to support effective management of resources.

Following discussion with management and a review of the areas that have been covered over recent years' audits, this review focused on accounts payable, accounts receivable and expenses.

As reported to September 2019 Finance and Services Committee, the revised 2018 / 19 estimates of the Net Cost of Services is £12,035,000. This shows an indicative underspend of £1,545,000. The indicative Net General Fund Position at 31 March 2019 is £4,728,000. The prior year's balance was £3,227,000 therefore the year end outturn was a £1,495,000 contribution to General Fund Reserves.

The purpose of this review was to provide assurance over the design and effectiveness of the controls in place around the Main Financial Systems, specifically, accounts payable, accounts receivable and expenses (including Members expenses).

GOOD PRACTICE:

Good practice was evidenced in the following areas:
- Comprehensive and accessible policies, procedures or instructions are in place covering all the areas under review
- Orders and invoices were appropriately approved
- Staff expenses are operating as prescribed

2

KEY FINDINGS:

We identified the following areas of improvement:

- No debt recovery action is being undertaken (**Finding 1 – High**)
- There is no monthly management reporting of aged debt, as prescribed by policy (**Finding 2 – Medium**)
- The aged debt reports produced by the accounting system are not aligned with the recovery action stages contained in the Sundry Debtors Policy & Procedure (**Finding 3 – Medium**)
- Only cursory, reasonableness checks are undertaken when notification of a change to supplier standing data is received (**Finding 4 – High**)
- Requests to produce invoices are not always raised within the 5 days standard (**Finding 5 – Medium**)
- No monthly write-off and review reports have been produced in 2019/20 (**Finding 6 – Medium**)
- There is no policy for Members expenses and mileage claims. There is insufficient detail on members mileage expense claims and no evidence of checking or authorisation/approval (**Finding 7 – Medium**)
- New supplier registration forms could not be located for a sample of new suppliers since 1/4/19 (**Finding 8 – Medium**)
- There is no evidence that purchase card transaction logs are always sent for approval prior to processing (**Finding 9 – Medium**)

CONCLUSION:

Based on our review we have raised two high and seven medium level recommendations to improve the Council's Accounts Payable, Accounts Receivable and Expenses systems.

The controls across the key financial systems examined are generally well designed, with some exceptions, and documented within Financial Regulations and relevant policies and procedures. However, the significant change the Council has undergone, including a new organisational structure and ways of working, have had a detrimental impact on day-to-day operations and some significant financial tasks have not been undertaken in 2019/20, e.g. credit control.

Consequently, we conclude moderate assurance over the design of the controls and limited assurance over their operational effectiveness.

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DETAILED FINDINGS

RISK: LACK OF MONITORING OR ACTIONS TO ATTEMPT TO CLEAR OR AT LEAST REDUCE THE LEVEL OF DEBT OWED TO THE COUNCIL

Ref	Significance	Finding
1	High	Debtors

Debtors

The Sundry Debtors Policy & Procedure contains a six stage process for the effective recovery of outstanding debts.

At the time of the fieldwork (14/11/19) an aged debtor report was provided. The report contained 333 individual debts with a total value of over £820K. The breakdown by age was as follows:

Age of debt	Total value
21-41 days	£147,312
42-62 days	£2,101
63-83 days	£11,163
>84 days	£335,304

Fourteen debts from the aged debtors listing were selected at random. None have been dealt with in line with the policy.

For 8/14 selected there had been no recovery action attempted. The value of the highest individual debt in the sample was £189K (Leisure) and was over 84 days overdue. The remaining 6/14 were at stage 1 (first reminder letter sent) of the policy but should all have been at least at stage 4 (passed to external debt collection agency).

The absence of the application of the debt recovery process increases the likelihood of outstanding debts being recovered which will have an impact on the Council's income and may increase pressures on the budget. In addition, the bad debts provision may need to increase year on year should action not be taken.

RECOMMENDATION:

Action to recover aged debts must be prioritised with the largest outstanding items being addressed first. At a minimum all debts not already at stage 1 of the recovery process must be written to immediately.

MANAGEMENT RESPONSE:

All debts now at Stage 1 recovery process – completed end Dec 19

End Feb – all stages will be completed and kept up to date

Large outstanding items with Directors for action by end March 2020

Responsible Officer: Christine Hitchins   Accountable Officer: Al Morrell

Implementation Date: As above – All actions by end March 2020

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RISK: FAILURE TO REPORT TO SENIOR MANAGEMENT ON DEBTS THUS THEY ARE NOT AWARE OF THE LEVEL OF DEBTS OR HOW THE COUNCIL IS ADDRESSING THE CLEARANCE OF DEBTS		
Ref	Significance	Finding
2	Medium	**Management reporting of aged debt** The management reporting section in the Sundry Debtors Policy and Procedure states that *A monthly aged debt report will be sent to Service Admin, Directors, Service Mangers and the Finance Manager. These reports must be checked by the Service area and Finance informed of any action taken for debts reaching Stage 3 recovery.* In addition, the Performance Management section of the policy states that *Financial services will review the following reports to assist with the effective recovery of outstanding debts.* • *Daily reconciliation of Debtors ledger* • *Aged Debt Analysis* • *Monthly review of outstanding balances by responsible officer in Finance* • *Volume of invoices raised* • *Volume of Stage 1 and 2 letters sent* • *Number of cases sent to Court/Debt collection agency* At the time of the fieldwork no aged debt reporting has taken place in 2019/20. This increases the likelihood of management and other stakeholders being unaware of the levels of outstanding debt and the lack of recovery actions.

RECOMMENDATION:

The management and performance reporting processes as defined in the policy should be adhered to so that management are made aware of the current situation and can if necessary prioritise actions and resources to reduce the level of debt the Council faces.

MANAGEMENT RESPONSE:

Monthly debt report to be sent to Tier 2, Finance & Directors for action from Jan 2020

Responsible Officer: Christine Hitchins   Accountable Officer: Al Morrell

Implementation Date: End Jan 2020

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RISK: LACK OF MONITORING OR ACTIONS TO ATTEMPT TO CLEAR OR AT LEAST REDUCE THE LEVEL OF DEBT OWED TO THE COUNCIL		
Ref	Significance	Finding
3	Medium	**Sundry Debtors Policy & Procedure**

The aged debt reports produced by the accounting system (SAGE) are out of line with the recovery action stages contained in the Sundry Debtors Policy & Procedure.

Stage	Sundry Debtor Policy & Procedure	Aged debt report
1	21 days	>21 days
2	35 days	>42 days
3	49 days	>63 days

To report as per the policy some manual manipulation of the data extracted from the accounting system (SAGE) will be required which increases the likelihood of errors and potential misreporting.

In addition the Council's Financial Regulations state that invoices must be paid within 14 days. However, the Sundry Debtors Policy & Procedure states that recovery processes and reporting does not commence until the debt is 21 days overdue.

RECOMMENDATION:

The recovery stages in Sundry Debtors Policy & Procedure are updated in line with reports generated by the accounting system or the intervals in the aged debtor reports from the accounting system are amended to bring them in line with the policy.

The Council's payment terms, as defined in Financial Regulations, and the commencement of aged debt recovery actions, as defined in the policy, are brought in line with each other.

MANAGEMENT RESPONSE:

Policy drafted to align recovery stage 1 to 14 days. Approval of policy to be completed by S151 and approved at Committee by end March 2020. New stages to be built into Credit Hound automatic recovery tool.

Responsible Officer: Annette Cardy

Implementation Date: End March 2020

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RISK: NEW OR EXISTING SUPPLIER CHANGE CONTROLS ARE INADEQUATE TO SAFEGUARD THE INTEGRITY OF CHANGES MADE TO DATA HELD

Ref	Significance	Finding
4	High	**Changes to supplier standing data** There has been a large increase in standing data frauds in recent years, usually related to changing bank details. A fraudster may contact by email or letter, often using a familiar looking email address or the correct client letterhead stating that they have changed their bank details. In discussion with staff it was apparent that only cursory, reasonableness checks, e.g. is the request on company headed paper, are undertaken when notification of a change to supplier standing data is received. Failure to undertake checking of the validity of the changes could result in inappropriate payments being made and legitimate creditors not being paid.

RECOMMENDATION:

Any requested changes to supplier standing data, eg bank details, are verified through direct contact with a named individual in authority at the supplier. The contact details (supplier set up form) on file or other official source should be used, not the details contained within the change request notice.

MANAGEMENT RESPONSE:

Training was provided in December to all caseworkers to illustrate how to cross check changes and the impact of not doing so.

Suppliers changes will be fully checked with additional checks implemented and controls around this i.e. cross checking the company information, re-issuing the supplier form, checking bank information.

Responsible Officer: Al Morrell

Implementation Date: End Jan 2020

7

RISK: THE RAISING OF INVOICES FOR CLIENTS IS NOT BEING COMPLETED IN A TIMELY MANNER THUS DELAYING THE COUNCIL RECEIVING INCOME DUE		
Ref	Significance	Finding
5	Medium	**Raising invoices**

The Council's policy is that if an invoice cannot be raised in advance the request from the service to Finance to raise an invoice should be received within 5 days. 14/23 invoice requests (where the date of the service was defined) were received by Finance later than the 5 day standard. The longest delay was 140 days.

A failure to raise invoices in a timely manner will affect the timeliness of receiving income and may have an impact on the cashflow of the Council.

RECOMMENDATION:

The requirement to send invoice requests to Finance within 5 days should be re-iterated to all staff. Adherence to the 5 day standard should be monitored and frequent or persistent transgressors should be identified and contacted directly.

MANAGEMENT RESPONSE:

One Team communication & FreshService will be completed.

Report to Resources Manager will be provided if cases not adhering to timeline to take action and escalate as required with Tier 2 and CLT.

Responsible Officer: Al Morrell

Implementation Date: End Jan 2020

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RISK: THE WRITE OFF OF BAD DEBTS IS NOT BEING APPROVED IN ACCORDANCE WITH COUNCIL POLICY		
Ref	Significance	Finding
6	Medium	**Write-offs** The Sundry Debtors Policy & Procedure states that a monthly Write offs and review report will be sent to the Section 151 Officer for authorisation of action required and approval of write offs. Testing revealed that no monthly reports have been produced in 2019/20. In 2019/20 only 6 write-offs have occurred, all during the audit fieldwork on 13/11/19. A significant amount of time had passed (between 6 and 14 months) between the accounts being returned by the external debt recovery agency as unrecoverable and the write-offs being processed. The Council have a significant amount of aged debt over 84 days overdue (see 1. Above).

RECOMMENDATION:

The policy should be adhered to and where appropriate write-offs should be processed.

MANAGEMENT RESPONSE:

1. Write Off's are reported as occur to S151 officer for action due to the low number. To commence and continue from Jan 2020.
2. Outstanding Write off's to be sent to and progressed by S151.

Responsible Officer: Action 1 C Hitchins   Accountable Officer: Al Morrell
                            Action 2 S151

Implementation Date: 1. End Jan 2020
                            2. End Feb

RISK: INSUFFICIENT EVIDENCE TO SUPPORT EXPENSE CLAIMS

Ref	Significance	Finding
7	Medium	**Members expenses** No Members Mileage & Expenses policy could be located setting out the requirements for claiming mileage and out of pocket expenses. We also found from testing a sample of members mileage claims that there is insufficient detail on members mileage claims to verify that the mileage claimed reflects the journey made, e.g. the start & finish address/postcode is not recorded. In addition there is no checking or authorisation of member's mileage claims. Incorrect or inappropriate expenses may be claimed and paid.

RECOMMENDATION:

A Members Mileage & Expenses Policy should be drafted. The staff Mileage & Expenses Policy should be used as a template as it includes all the relevant principles, with the key difference being who should review and approve the claims.

For Member's mileage claims the claim form should clearly show the start and finish location and the purpose of the journey. In addition, all members expense claims should be forwarded to a nominated officer, e.g. Monitoring Officer, for approval before being processed for payment.

MANAGEMENT RESPONSE:

1. Policy to be produced with ne claim form to be approved through Committee by end March in line with staff ones to meet above requirements.

2. Caseworkers to use staff template for Members template & check that it is fully completed correctly. Document approval by a Director recorded

Responsible Officer: Action 1 Annette Cardy
Action 2 Al Morrell

Implementation Date: Action 1 - End March 2020
Action 2 - End March 2020

RISK: NEW SUPPLIERS MAY BE SET UP INCORRECTLY		
Ref	Significance	Finding
8	Medium	**New supplier set-up**

Orders cannot be placed until a supplier is set up on SAGE. The process is that the new supplier is asked to complete a proforma supplier registration form which when received is used to set up a new supplier on the system.

Since 1/4/19, 80 new suppliers have been set up on the system. A new supplier registration form could not be located for 8/22 suppliers randomly selected for testing.

There is a risk that the supplier may be set up incorrectly and/or key data may not be recorded, eg contact information or bank details, and the placing of orders or making payments may be delayed. In addition, if no contact details are recorded on file it may delay the verification process should a request to change standing data be received. |

RECOMMENDATION:

The new supplier set-up proforma is sent to all suppliers and when received the data is recorded on SAGE and the form retained.

MANAGEMENT RESPONSE:

Caseworker to ensure the pro-forma is completed before supplier is set up on Sage and forms stored centrally

Responsible Officer: Al Morrell

Implementation Date: End Jan 2020

RISK: PROCUREMENT CARD TRANSACTIONS MAY NOT BE APPROPRIATE

Ref	Significance	Finding
9	Medium	**Purchase cards** At the time of the audit fieldwork there were 11 purchase cards in use at the Council. There is a detailed Purchase Card Holder Instruction Manual that is provided to card holders and is available on the intranet. Since 1/4/19 there have been 47 credit card purchases with a combined value of £47,500. Card holders must complete a monthly transaction log which includes cost codes, and reconcile this to their monthly statement. They must then sign the statement and forward it, the transaction log and all receipts to their Approving Manager. Three card holders were selected at random and all their statements and transaction logs from April 2019 to October 2019 were examined, 17 in total. 10/17 transaction logs had not been signed by an Approving Manager meaning there is no evidence that the transactions have been scrutinised and verified as legitimate business purchases. This increases the risk of inappropriate use of purchase cards. Additionally, 3/17 statements had not been signed by the cardholder and 1 instance of a non-VAT receipt was identified where VAT had been coded.

RECOMMENDATION:

All purchase card holders and Approving Managers are reminded of the prescribed process for logging transactions and getting them approved. Finance do not post, and return all unapproved transaction logs to the relevant Approving Manager or the card holder's line manager.

MANAGEMENT RESPONSE:

Guidance to be re-issued to all P Card holders and Tier 2 Approving Managers

Monthly reconciliation of P cards to be completed by caseworkers to ensure statements completed and approved and all transactions approved and checked that coded correctly

Responsible Officer: Al Morrell

Implementation Date: End Feb 2020

STAFF INTERVIEWED

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

Annette Cardy	Resources Specialist Services Manager
Chrissie Hitchins	Resources Caseworker
Holly Sanders	Resources Caseworker

APPENDIX I – DEFINITIONS

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

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

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APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW

The purpose of this review is to provide assurance over the design and effectiveness of the controls in place around the Main Financial Systems, specifically, the accounts payable, accounts receivable and expenses (including Members expenses).

KEY RISKS

Accounts receivable/debtors

- Client accounts are not set up correctly or approved.
- The raising of invoices for clients is not being completed in a timely manner thus delaying the council receiving income due.
- Lack of monitoring or actions to attempt to clear or at least reduce the level of debt owed to the Council.
- Failure to report to senior management on debts thus they are not aware of the level of debts or how the Council is addressing the clearance of debts.
- The write off of bad debts is not being approved in accordance with Council policy.

Accounts payables/creditors

- Insufficient controls over the authorisation of invoices places the Council at risk of incurring unnecessary and inappropriate expenditure

Expenses

- Expenses procedures are unclear and not followed
- Insufficient evidence to support expense claims

SCOPE OF REVIEW

The following areas will be covered as part of this review:

Accounts receivable/debtors

- Invoices are raised promptly for income due, and cash income is properly recorded and promptly banked

- Amendments made to invoices are authorised

- The receipt of Payments is independent of persons raising, amending or writing off invoices, or payments are properly and promptly allocated to invoices

- Debt recovery processes are continuous and subjected to constant review.

- Write offs are made after appropriate debt recovery processes are followed and are made by authorised personnel

- Management information provided in respect of income and debtors is accurate, adequate, on a timely basis, and is subject to effective management review

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requesting a write off and these write offs have been authorised at the appropriate level.

Accounts payable/creditors

- Invoices received are subject to adequate checks and authorisation prior to payment
- Invoices received are matched to orders prior to payment
- Disputed invoices are paid only after the dispute is resolved
- VAT element of payments is properly coded
- Credit notes are matched to invoices and suppliers, and therefore payments made are reduced to reflect credit notes
- Procurement card expenditure is subject to appropriate limits and management review
- Management information provided in respect of payments and creditors is accurate, adequate, on a timely basis, and is subject to effective management review
- Orders are placed using the Council's ordering system and legitimate reasons are identified when the ordering system not being used.
- New or existing supplier change controls are inadequate to safeguard the integrity of changes made to data held
- New suppliers are not subject to sufficient due diligence to provide reasonable comfort over their nature and background Confirm the finance system has built in authorisation procedures and workflow hierarchy

Expenses
- Confirm the expenses policy is appropriate, up to date and accessible to all staff and members
- Confirm for a sample of staff and members expenses, these have been authorised for payment appropriately and with sufficient evidence to support expenses claimed.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

KEY RISKS

Accounts receivable/debtors
- Client accounts are not set up correctly or approved.
- The raising of invoices for clients is not being completed in a timely manner thus delaying the council receiving income due.

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- Lack of monitoring or actions to attempt to clear or at least reduce the level of debt owed to the Council.
- Failure to report to senior management on debts thus they are not aware of the level of debts or how the Council is addressing the clearance of debts.
- The write off of bad debts is not being approved in accordance with Council policy.

Accounts payables/creditors

- Insufficient controls over the authorisation of invoices places the Council at risk of incurring unnecessary and inappropriate expenditure

Expenses

- Expenses procedures are unclear and not followed
- Insufficient evidence to support expense claims

SCOPE OF REVIEW

The following areas will be covered as part of this review:

Accounts receivable/debtors

- Invoices are raised promptly for income due, and cash income is properly recorded and promptly banked

- Amendments made to invoices are authorised

- The receipt of Payments is independent of persons raising, amending or writing off invoices, or payments are properly and promptly allocated to invoices

- Debt recovery processes are continuous and subjected to constant review.

- Write offs are made after appropriate debt recovery processes are followed and are made by authorised personnel

- Management information provided in respect of income and debtors is accurate, adequate, on a timely basis, and is subject to effective management review requesting a write off and these write offs have been authorised at the appropriate level.

Accounts payable/creditors

- Invoices received are subject to adequate checks and authorisation prior to payment

- Invoices received are matched to orders prior to payment

- Disputed invoices are paid only after the dispute is resolved

- VAT element of payments is properly coded

- Credit notes are matched to invoices and suppliers, and therefore payments made are reduced to reflect credit notes

- Procurement card expenditure is subject to appropriate limits and management review

- Management information provided in respect of payments and creditors is accurate, adequate, on a timely basis, and is subject to effective management review

- Orders are placed using the Council's ordering system and legitimate reasons are identified when the ordering system not being used.

- New or existing supplier change controls are inadequate to safeguard the integrity of changes made to data held

- New suppliers are not subject to sufficient due diligence to provide reasonable comfort over their nature and background Confirm the finance system has built in authorisation procedures and workflow hierarchy

Expenses

- Confirm the expenses policy is appropriate, up to date and accessible to all staff and members

- Confirm for a sample of staff and members expenses, these have been authorised for payment appropriately and with sufficient evidence to support expenses claimed.

FOR MORE INFORMATION:

Greg Rubins
Greg.Rubins@bdo.co.uk

REPORT of
INTERIM SECTION 151 OFFICER

to
PERFORMANCE GOVERNANCE AND AUDIT COMMITTEE
27 FEBRAURY 2020

INTERNAL AUDIT FOLLOW-UP OF RECOMMENDATIONS REPORT –
FEBRUARY 2020

1.   **PURPOSE OF THE REPORT**

1.1   To provide an overall update of Audit actions, including both open and closed actions, and those recommended and approved by BDO and Maldon District Council (MDC) staff for removal, attached at **APPENDIX l**.

2.   **RECOMMENDATION**

(i)   That the Members review the audit actions update, including removal of audit actions, which have been addressed and delivered in other ways operationally, or are no longer relevant and approve the current list.

(ii)   That Members review this report bearing in mind the future internal audit plan and are reassured that actions will continue to be reviewed as part of our internal audit process.

(iii)   That this report is provided quarterly in order to monitor internal audit actions going forwards.

(iv)   The progress report on the implementation of the Committee's resolution as set out in section 3.6 of this report be noted including **APPENDIX 2.**

3.   **SUMMARY OF KEY ISSUES**

3.1   The Internal Audit Service is there to provide assurance to the Section 151 Officer, Management and Members of the adequacy of internal controls and checks in the organisation and to highlight any risks that the Council may be exposed to in its overall and day to day operations.

3.2   As such, Internal Audit is independent of Management and operates, performs to and is measured against The UK Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).   In addition CIPFA has also issued a Statement on the Role of the Head of Internal Audit.

3.3 Historic reporting software which recorded internal audit actions has been upgraded, and as part of this work the Council has reviewed the open historic internal audit actions and ensured reporting between BDO and MDC colleagues is consistent.

3.4 Several of the open audits took place before the Transformation programme was identified and have since been picked up as part of the wider Transformation work, for example Channel Shift.

3.5 This report format includes a new superseded/closed actions section. For the first occurrence this has multiple actions, but we do not expect it to be so populated in future versions. The superseded/closed actions section follows on from a report 'historic audit actions' that was previously deferred by the committee. It is part of a housekeeping exercise and BDO and internal officers have confirmed that the original recommendation is either out of date or being picked up in other ways. More detail is provided in the table titled 'superseded/closed actions'.

3.6 Any outstanding actions will also be included in future audit scoping. Some of the items identified in the superseded section are also likely to be re-assessed in future audits that are already identified in the proposed workplan, namely:

- *Flood Management*
- *Information Management*

3.7 **Fraud Risk Assessment – Advisory Report –** *addressing the Recommendations*

3.7.1 The above report was originally commissioned by the then Director of Resources in 2018/19. The report was originally considered by the Audit Committee in June 2019. The Committee at that time referred the report to the Finance and Corporate Services Committee. The Finance and corporate Services Committee considered it on 24 September 2019 and referred it to the Performance, Governance and Audit Committee.

3.7.2 The Performance, Governance and Audit Committee considered a report on 24 October 2019 and:

Minute 490
RESOLVED
(i) *that the contents of the report, in particular reference to Section 3 and Appendix1 be noted;*
(ii) *that Committee notes the Interim Section 151 Officer's approach and his views and advice on ensuring that the corporate anti-fraud activities and awareness together with the appropriate processes and polices are all linked together and embedded into the normal operational working of the Council and that the ownership and accountability for the exercise of the function is identified in an individual role;*
(iii) *that in view of the current ongoing structure change in the Council, the findings and recommendations of the Advisory Report be implemented in full by December 2019 with a combination of in-house resources and tailored external support from BDO the balance of activities between the two to be determined by the Corporate Leadership Team; and*

Agenda Item no. 8

(v)   *that the responsibility and accountability and hence the ownership for corporate fraud prevention function overall within the Council is clearly defined to an individual resource to lead on.*

3.7.3   Position on implementation of Minute 490.

- Since, the decision of the Committee and as a starter to the implementation of minute 490 (ii), the Interim Section 151 Officer has sent a message to all the Tier 2 Managers and Team Leaders in the Council with extracts from the Council's Constitution , the Whistle Blowing Policy, the Anti Fraud and Corruption Policy together with links bringing to their attention the importance of being aware of the potential areas for fraud and corruption to take place and therefore the importance of being aware of the risk and ensuring that all the staff reporting to them are similarly informed and the materials distributed to them and the sign posts and links given to them. See **APPENDIX 2.** this will be added to the Council's intranet.

- In respect of minute 490 (ii) the issue of ensuring that the corporate anti-fraud activities and awareness, together with the appropriate processes and polices are all linked together and embedded into the normal operational working of the Council is a substantive piece of work which will have an ongoing requirement to be overseen by an individual. Due to the focus required on the completion of the 2018/19 Statement of Accounts for which an unqualified external audit opinion and Value for Money judgement was received on 20th December 2019 while at the same time directing, managing and undertaking many of the tasks/activities to get the 2020/21Budget and Council Tax setting concluded in time for the Council meeting on 13 February 2020 and therefore timely billing of the council tax bills, the Interim Section 151 Officer simply has had no time to spend on the substantive piece of work.

- Furthermore, with regard to minute 490 (ii) and (iv) above, in considering where the individual responsibility for anti-fraud and corruption should lie, the Interim Section 151 Officer has identified a confusing situation in that according to the Council's Constitution responsibility for the Anti-Fraud and Corruption Policy lies with the Director of Strategy, Performance and Governance whereas in the Section 151 Officer's Statement of Responsibilities and in the external auditor's audit opinion in the Council's Statement of Accounts the responsibility lies with the Chief Financial Officer – Section 151 Officer. It is therefore considered by the Interim Section 151 Officer that the responsibility for Anti-Fraud and Corruption Policy and Strategy should rest with the Section 151 Officer of the Council and that the Constitution of the Council be amended accordingly.

- In respect of Minute 490 (iv), it should be up to the Section 151 Officer to delegate the day to day operational responsibility for the anti-fraud and corruption policy but retain overall direction and accountability.

- Minute 490 (iii) - As there is a substantive amount of outstanding work to be completed, the outgoing Interim Section 151 Officer will include this in the handover to the incoming Interim Director of Resources who is due to commence on 2 March 2020.

4.   CONCLUSION

4.1   The report seeks to address a query at a previous committee meeting and provide the detail of audit action follow-up since 2016.

4.2   The audit action table is provided to give members a clearer picture of what has happened to operationally deliver the recommendations from internal audits.

4.3   The report provides a position statement in Section 3.6 on the implementation of the Committee's Minute 490.

5.   IMPACT ON STRATEGIC THEMES

5.1   A robust approach to monitoring the audit outcomes will help the council to deliver on the performance and efficiency stream of the corporate plan.

6.   IMPLICATIONS

(i)   **Impact on Customers** – None

(ii)   **Impact on Equalities** – None.

(iii)   **Impact on Risk** – None.

(iv)   **Impact on Financial (Resources and Human)** – None

(v)   **Impact on the Environment** – None.

Background Papers: None.

Enquiries to: Kamal Mehta, Interim Section 151 Officer (Tel. 01621 875762)
                Greg Rubins (BDO LLP)
                Emma Donnelly (BDO LLP)

INTERNAL AUDIT FOLLOW UP OF RECOMMENDATIONS REPORT

MALDON DISTRICT COUNCIL

FEBRUARY 2020

IDEAS | PEOPLE | TRUST

BDO

Summary

2016/17

	Total Recs	H	M	L	To follow up	Complete/ Closed H	M	In progress H	H	Overdue M	M	No Response H	M	Not Due H	M	% Recommendations Implemented
16/17. Channel Shift	7	-	7	-	7	-	7*	-	-	-	-	-	-	-	-	100%
16/17. Information Governance PCI/DSS	4	1	3	-	4	-	4*	-	-	-	-	-	-	-	-	100%
16/17. Planning	5	-	5	-	5	-	5*	-	-	-	-	-	-	-	-	100%
16/17. Flooding	5	-	5	-	5	-	5*	-	-	-	-	-	-	-	-	100%
	21	1	20	-	21	-	21	-	-	-	-	-	-	-	-	

2017/18

	Total Recs	H	M	L	To follow up	Complete H	M	In Progress H	M	Overdue H	M	No Response H	M	Not Due H	M	% Recommendations Implemented
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	-	5*	-	-	-	-	-	-	-	-	100%
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%
	33	-	21	12	21	-	21	-	-	-	-	-	-	-	-	

2018/19

2018/19	Total Recs	H	M	L	To follow up	Complete H	Complete M	In progress H	In progress M	Overdue M	Overdue M	No Response H	No Response M	Not Due H	Not Due M	% Recommendations Implemented
18/19. Fraud Risk Assessment	1	1	-	-	1	-	-	1	-	-	-	-	-	-	-	0%
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	-	4	-	-	-	1	-	-	-	-	80%
18/19. Transformation Programme	1	-	1	-	1	-	1	-	-	-	-	-	-	-	-	100%
18/19. Local Development Plan	3	-	2	1	2	-	2	-	-	-	-	-	-	-	-	100%
18/19. Building Control	5	2	3	-	5	1	3	1	-	-	-	-	-	-	-	80%
	20	2	13	6	16	1	12	2	-	-	1	-	-	-		

2019/20

2019/20	Total Recs	H	M	L	To follow up	Complete H	Complete M	In progress H	In progress H	Overdue M	Overdue M	No Response H	No Response M	Not Due H	Not Due M	% Recommendations Implemented
19/20. GDPR Compliance	3	-	3	-	3	-	1	-	-	-	-	-	-	-	2	33%
19/20. Risk Maturity Assessment	5	-	5	-	5	-	3	-	1	-	-	-	-	-	1	60%
19/20. Procurement & Contract Management	6	1	3	2	4	-	-	-	-	-	-	-	-	1	3	0%
	14	1	11	2	12	-	4	-	1	-	-	-	-	1	6	

Summary

We regularly follow up progress with the implementation of recommendations raised by Internal Audit and we report to the Performance, Governance & 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 13 December 2019.

2016/17 Recommendations

Of the remaining 21 recommendations, we note:

- 17 recommendations have been previously reported as implemented or no longer applicable*
- 4 recommendations have been agreed as closed. These recommendation relate to Channel Shift (1 recommendation), Flooding (2 recommendations) and Planning (1 recommendation).

2017/18 Recommendations

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

- 15 are considered implemented relating to Economic Development, Partnership Working, Procurement & Contract Procurement Management and Purchasing, Business Resilience and Disaster Recovery, Attendance Management, Elections improvement Plan.
- 5* (medium priority) relating to Disaster Recovery and Business Continuity which have been superseded by the IT Disaster Recovery audit which was undertaken in October 2019, with the resulting report presented to this Committee meeting.
- 1 medium recommendation relating to Economic Development has been agreed as closed.

2018/19 Recommendations

3 high and 13 medium recommendations have been raised in 2018/19. The current position of these recommendations is as follows:

- 4 are considered implemented as previously reported relating to Budgets and Performance Management (1 recommendation), Main financial Systems (1 recommendation) and Safe and Clean Environment (3 recommendations)
- Safe & Clean Environment- 1 recommendation is now completed and one recommendation is overdue
- Transformation Programme - 1 recommendation is now completed
- Local Development Plan- 2 recommendations are now implemented
- 1 is in progress relating to Fraud Risk Assessment- an update is required for this recommendation.
- The below recommendations are not yet due for follow up:
  - Building Control- (5 recommendations). One high rec complete, one high rec not yet due. 3 medium recommendations complete.

2019/20 Recommendations

12 recommendations have been raised in 2019/20:

- GDPR Compliance- 1 recommendation is complete, 2 are not yet due for follow up.

- Risk Maturity Assessment—3 recommendations are complete, 1 is in progress and one is not yet due for follow up
- Procurement & Contract Management- 1 high, 3 medium recommendations- not of which are due for follow up yet.

Recommendations: Completed

RECOMMENDATION MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2019/20 – GDPR Compliance				
Information Governance Group (IGG) should provide oversight and ensure contractual addendums are agreed as soon as possible where necessary by responsible management (i.e. contract owners).	Medium	Annette Cardy	December 2019	The IGG abolished as part of new Council transformation. Corporate oversight and ownership to ensure contracts are effectively managed with review dates etc is now achieved via Quarterly Business Scorecard Reporting. Contractual requirements are managed by Procurement and are an action under the current Procurement Audit and will be monitored via Procurement part of Scorecard. Therefore this action under GDPR will now be closed and transferred to Procurement audit actions.
2019/20- Risk Management				
2a) Risk identification processes should be expanded within the Risk Management Policy to ensure staff at all levels are able to identify and escalate risks and these should be discussed in Service Level meetings on a monthly basis. Complaints should also be reviewed to identify any trends. 2b) An updated scoring matrix (5x5) should be considered to provide a more differentiated score for the risks at all levels of the Council 2c) All risks identified should be added to the Council's risk management software to allow for service level risk registers to be produced and maintained as well as having a centralised repository of risks to allow for greater visibility of risks across the Council 2d) Risks should be assigned a category in order to undertake more informed trend analysis. This will become a more valuable tool when all risks are added to the Council's new risk management system. 2e) The approach to writing a risk should be updated in the Risk Management Policy with	Medium	Cheryl Hughes	December 2019	2a) Reporting responsibility and levels has been addressed in the revised risk management policy, and we have also created a form mechanism in the Sharepoint to identify a risk, available to all staff 2b) The Risk Management Strategy has been revised to account for this. 2c) Functionality for this is established as part of the move to Sharepoint, also allowing staff to report in corporate risks. This allows for future additions of service level risks. 2d) Reporting is now available as part of the SharePoint list format, and feed into corporate reporting at service levels. 2e) Consideration was given as part of the review of the risk management policy. Review of the risk will take place as part of the continual monitoring going forwards

current risks reviewed to ensure they are appropriate. See Appendix III for an example of how to write risks as seen at another client				
3a) All risks, including those on the Service Plans, should have associated actions with target dates and responsible officers. 3b) Actions that have completion dates that have passed should be reviewed to ensure they are still valid with dates updated where necessary. Actions due to be completed in 2029 are to be reassessed and identified if they are in fact controls and, therefore, do not require updates each quarter for the next ten years.	Medium	Cheryl Hughes	December 2019	3a) This has been defined in the risk management policy, and future risks will be reviewed with this in mind. 3b) This has been done as part of our quarterly review of risk which goes through corporate leadership team and performance, governance and audit committee
4. The Risk Management Policy should be updated to ensure that discussion of risks form a consistent part of service level meetings, perhaps through the use of a standardised agenda	Medium	Cheryl Hughes	December 2019	Policy has been revised and approved. It draws out service level versus corporate level risks, reporting mechanisms, and the responsibility of all officers to monitor risk, thus allowing for this.
2018/19- Building Control				
1a) Review the jobs roles on offer and consider promoting the roles externally in order to generate more uptake and interest. 1b) The team should hold monthly meetings or as required in line with good practice. In addition, formal meetings with managers should be recorded with personal development plans being produced to monitor performance in addition to identifying staff training requirements.	Medium	Hannah Wheatley	October 2019	1a-1b) A new Building Control Specialist has been appointed (Ian Fielding) from 4-Nov, and admin activity is being undertaken within the Casework team. This activity has been documented as part of the transition work.
3a) Monthly spot checks of planning applications to ensure correct fees have been charged 3b) Where statutory deadlines are not met, the Council should gain consent from the applicants to agree and extension of the decision making process. 3c) If overpayments or underpayments are made, the process for dealing with these should be documented on the	Medium	Hannah Wheatley	January 2020	3a) Validations done within BC team. Recommended that Audit do annual spot checks. 3b) Not an option with building regs. 3c) The customer only pays the fee once told what the amount is by Building Control. Fees are checked by Building Control, so over or under payments.

`Building Control Charges 18/19` document.				
4a) The date inspections are requested should be recorded in Uniform in order for the team to monitor that all inspections have been completed. 4b) Once inspections are completed ensure they have been adequately recorded on file or Uniform. Spot checks should be undertaken on a monthly basis.	Medium	Hannah Wheatley	January 2020	4a) Activity completed 4b) These are recorded in Uniform and booking in Outlook.
5. The team should outline key performance indicators or internal targets. For Example - On submission of applications decisions are completed within the 5 week statutory timeframe - The number of inspections requested and completed on time - Dangerous structures are responded to and inspected within 24 hours - Timeframe for acknowledgement of applications and notices receive - Performance should be reviewed and monitored during monthly team meetings and reported to the Council	High	Hannah Wheatley	January 2020	This forms part of the EPSA reporting and will be included in service plans. All targets are being achieved.

Recommendations: Completed

RECOMMENDATION MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2018/19- Local Development Plan				
1. Mitigating action completion dates should be reviewed as part of the quarterly update process to ensure they are appropriate, and the actions are still relevant.	Medium	Georgina Button	January 2020	Management comments: Review of mitigation actions and completion dates undertaken as part of the review of the corporate Risk Register. IA Comments: We reviewed latest risk register and confirmed this process is now underway as part of the quarterly risk review.
2. Produce a RAG report/schedule which details plans and policies to be produced as well as their milestones in order to provide better oversight of progress.	Medium	Georgina Button	January 2020	IA Comments: We confirmed a RAG Report of Local Development Scheme actions has been prepared.
2018/19- Transformation				
Develop benefits profiles for each measurable benefit to support reporting of delivery of non-financial benefits from the transformation programme.	Medium	Paul Dodson	September 2019	Management comments: These benefit profiles initially have been developed through ongoing programme work and subsequently through development of service plans and ongoing monitoring. Customer Satisfaction levels for example base lined through customer survey. Number of processes reviewed and live measured. Website analysis for channel shift and customer behaviour is monitored.

Recommendations: In Progress

RECOMMENDATION MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2018/19- Building Control				
2a) Implement adequate policies and procedures providing guidance on the Building Control service function, requirements and deadlines. This should cover the process once notification of planning applications, building notices, demolitions and dangerous structures are received. The timeframes that need to be met including the fees/charges requirement, the process for dealing with under/overpayments and refunds. Once completed and approved this should be made available to all staff. 2b) Remind staff of the importance of recording the date notifications received, inspections completed, supporting notes and implement the requirement of inspectors to take photographic evidence of dangerous structures and uploaded onto Uniform	High	Hannah Wheatley	~~October 2019~~	Management comments: a) This information is available to Building Control through Uniform, but it's not available to all staff. Firmstep went live in October, with Building Control requests being triaged via Customer Solutions. The SLAs for Building Control have been built into Firmstep, and reporting is available via Uniform. Guidance notes will be produced from the activity analysis and hothouse materials. Policies will be reviewed by Steve Murray by the end of March. b) Complete. This is all captured on Uniform with a resolution noted for all cases. IA comments: Management have requested an extension to end of March to complete action 2a above.
2019/20- Risk Management				
1a) Risks should be linked to the corporate objectives of the Council 1b) Those with risk management responsibilities should have this area of their job role reviewed during annual appraisals 1c) Service Level Managers should be provided with refresher training to ensure a consistent approach to risk management across the Council. 1d) Consideration should be given to establishing a formal risk appetite statement for the Council, which is reviewed on an annual basis with the Audit Committee. This will help to embed a risk aware culture and ensure a consistent reflection on	Medium	Cheryl Hughes	December 2019 Requested extension: April 2020	1a) Complete. A run-though of the risk register and review of how this linked to the corporate plan and whether all the risks were still relevant was done as part of the quarterly updates following the audit. 1b) Closing this action as, this will be picked up by the action in recommendation 1c. 1c) Action not yet due for follow up until February 2020, however as per management update, the Corporate training slides will address this which are due to launch by April 2020. 1d) Complete. We did consider this and have addressed risk

the direction of risk management within the Council.				appetite as part of the corporate risk policy update. However, the feedback was that the organisation did not want to create an additional risk appetite statement. IA comments: We confirmed action 1a is now complete following review of new risk management processes and quarterly risk report.
2018/19- Fraud Risk Assessment				
The Council should commission external resource to develop the risk assessment further and carry out an annual programme of work to address risks around fraud and corruption.	High	Interim s151 Officer	December 2019	In view of the current ongoing structure change in the Council, the findings and recommendations of the Advisory Report be implemented in full by December 2019 with a combination of in-house resources and tailored external support from BDO the balance of activities between the two to be determined by the Corporate Leadership Team; and that the responsibility and accountability and hence the ownership for corporate fraud prevention function overall within the Council is clearly defined to an individual resource to lead on. IA comments: An update is required.

Recommendations: Overdue

RECOMMENDATION MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2018/19- Safe and Clean Environment				
Create and environmental and waste management strategy.	Medium	Damien Ghela	Request to push target completion date back	Waste Strategy has been replaced by a Climate change strategy has been taken over by the new lead community officer to finalise draft version. Performance measures of the

| | until 31st March. | strategy are being discussed. Once Draft strategy finalised this will be presented to S&R to approve/adopt. This is also being tracked as part of corporate performance reporting.

 IA comments:

We will request a copy of the Climate Change Strategy once approved to ensure this closes off the recommendation appropriately. |

Recommendations: Superseded/Closed

RECOMMENDATION MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2016/17 – Planning				
Determine priorities for Uniform system development and utilisation **NB- Will be reassessed as part of 'Information Management' in the internal audit annual plan 20/21**	Medium	Matt Leigh	Action closed	<u>Management comments:</u> Uniform improvements have been scoped and mapped with stakeholders. These have been incrementally delivered as new processes and structures have gone live in Transformation. For example, creating templates to send automatic invoices to customers when planning processes hit a particular trigger.
2016/17- Strategic Ownership of Flooding Responsibilities				
Introduce a CIL scheme to support flood risk mitigation in the District. **NB- Will be reassessed as part of 'Flood Management' in the internal audit annual plan 20/21**	Medium	Jackie Longman	Action closed	<u>Management comments:</u> Based on the premise the Audit action is around three years old and the overarching CIL work that is being undertaken will encompass discussion and decisioning around flood mitigation schemes. <u>IA comments:</u> Due to length of time passed since recommendation these are no longer relevant. An audit of Flooding Risk Responsibilities and Management is currently underway and will review this risk area to confirm if a new, more relevant recommendation is required. This will be brought back to the PGA as a new recommendation under 2019/20 audit.
Ensure appropriate CIL/S106 obligations/planning conditions include all applicable Developments. Consider Land Trusts. **NB- Will be reassessed as part of 'Flood Management' in the internal audit annual plan 20/21**	Medium	Jackie Longman	Action closed	As per recommendation above.

2016/17 – Channel Shift & Customer Strategy				
Develop new ICT strategy to strategy 16/17 NB Closed as per management comments	Medium	IT Manager	Action closed	Management comments: A new ICT strategy is in place, and actions for this theme have been completed as part of the Transformation programme, for example; New website which promotes two clicks to get to transactions is in place. New forms and end to end digital processes have been put in place as part of Transformation. New model focuses on channel shift methodology.
2016/17- Information Governance/PCI DSS				
Senior Management should establish a plan to implement the requirements of PCI-DSS across the Council's four card payment channels. The Plan should be delivered in a timely manner and residents and customers should be provided with assurance that payments made to the Council by card are secure. NB Closed and dealt with externally.	Medium	IT Manager	Action closed	Management comments: This is linked to one of our current projects: Pay360. We currently have a single payment channel in use and this does currently require the PSI audit however Capita have implemented pay360 for us which takes this requirement offsite. Due to this the audit action is no longer required and as our system is now secured externally through capita.
2018/19- Safe and Clean Environment				
Monitor air pollution more effectively and put actions in place to address areas of concern. NB This action is closed and addressed through a DEFRA process. Additional audit actions are still being reported.	Medium	Damien Ghela		Management comments: There is an established `BAU` process in place owned by environmental services that tracks the air pollution across the district. This process encompasses regular tube/location maintenance & reviews, tubes being sent for testing and monthly data collection. Process also supports an annual reporting cycle governed legally (DEFRA).
2017/18 – Economic Development & Business Rate Growth				
Conduct Brexit impact scenario planning to assess impact on districts economic growth	Medium		Post Brexit.	All Brexit planning has now been descoped..

Recommendations: Not due

RECOMMENDATION MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2019/20 – Risk Management				
5. Identify KPIs in order to measure the effectiveness of risk management activity at the Council. This can include the proportion of risks operating at the target level and/or the overall effectiveness of risk management (current risk versus target risk etc	Medium	Cheryl Hughes	~~February 2020~~ May 2020	This is not yet due for follow up, however per the latest management response, the target implementation date has moved to May 2020. Extension to recommendation requested as per below. Management comment: This will be addressed as part of the balance scorecard reporting - due May 2020
2019/20 – Procurement & Contract Management				
1a) The procurement team should be involved in the process for all contracts with a total value of £25k or above and should have an overview of the process for all other contracts. Ensure all operational staff involve the procurement team in the tendering of contracts, or inform them of their actions to increase assurance of the approved process being followed. •Reminder for all staff to involve Procurement in all processes for over £25k by Team Talk inclusion, also to include in Fresh serve as an article/reminder •Online Quotations register, to be set up & reviewed by Procurement regularly to ensure rules are adhered to •Monitor Contract Register to ensure all contracts due for renewal have Procurement involvement 1b) Review the reasons for the Verge Mowing contract not having a re-tender/ procurement exercise carried out in 2017 and determine whether the appropriate process was followed. •Investigate and report on reasons for non-adherence to the Procurement rules and provide action plan to ensure compliance in future.	High	Paula Jarvis	March 2020	1a) Not due 1b) Not due but reported as complete. 1c) Not due 1d) Not due 1e) Not due. Awaiting delivery of the SharePoint file structure.

1c) Ensure an internal list of all exemptions is maintained and updated. It should detail all the relevant information for exemptions applied, to provide an accurate and summary overview of all exemptions. •Create formal spreadsheet to log exemptions and link to contracts register. Copy of exemption to be saved in contract folder 1d) Clarify in the policy and procedure who has the responsibility for financial and quality checks at the procurement stage and during the contract. Evidence of the checks should be saved in the contract file. Ensure that contract managers are aware of their due diligence responsibilities (please refer to recommendation 2 on training for contract managers). •Make clear in Policy & Procedure at time of update for Brexit •Evidence to be saved in contract folder at time of tender by Procurement and by Contract Manager during life of Contract •Contract Manager training in 3 sessions (ALL Contract Managers) 1e) Ensure all contract documents are saved in a central location, including procurement documents, contract agreements and contract management records. Contract managers and the procurement team should be aware of the location and the need to keep the file up to date. •New contracts all saved in central location. •Contract documentation to be held on Procurement drive				
2a) Update the policy to include the need for operational staff to involve the procurement team in all procurement processes for contracts with a total value >£25,000 and for the procurement team to have an overview of all other tenders (please refer to recommendation 1a)	Medium	Paula Jarvis	August 2020	2a-2c) Not yet due.

•Make clear in Policy & Procedure at time of update for Brexit 2b) Ensure all contract managers receive training on the procurement and contract management procedures at regular intervals. •Contract Manager training (ALL Contract Managers) 2c) Develop contract management guidance or identify external sources and make available to contract managers •Create Procurement / Contract Management "How To" guide				
3a) The procurement team should be responsible for completing and updating the contract register to ensure it is accurate and up to date. Contract managers should ensure the procurement team is aware and have overview of changes (please refer to recommendation 1.1). •Create new Contract Register, including links to Contract documents 3b) Where a contract was renewed or extended, the original procurement date should be recorded on the register and a further column should be added to record extensions or renewals. If further services are provided by the same supplier, these should be recorded separately. •Create new Contract Register, including links to Contract documents 3c) Clarify whether annual and total amounts should be recorded net of VAT and remove inappropriate columns from the register. •Create new Contract Register, including links to Contract documents. 3d) Ensure all fields are completed consistently. • Create new Contract Register, including links to Contract documents	Medium	Paula Jarvis	August 2020	3a-b) Not yet due. 3c-d) Not yet due but reported as complete.

4a) Clarify criteria for classification of contracts as high value, high risk or high profile. • Work with MDC internal risk team (Strategy, Performance & Governance) to classify contracts 4b) Clarify the method for monitoring and evidencing contract monitoring in terms of performance, value for money, compliance with specification and contract cost and user satisfaction and risk management. The Council policy should clearly clarify the need for annual reporting, report requirements and specify where annual reporting is not applicable. This could be part of the procedure or a separate guidance document (please refer to recommendation 2c) •Methods and evidence requirements collate with Governance team and add to Policy & Procedure and "How To" Guide •Include in Contract Management training 4c) Ensure there is clear monitoring and reporting requirements for every contract, to provide adequate overview of all contracts. The procurement team should create a separate document/plan for all contracts that will contain the classification (in terms of value/risk/profile), the level and kind of monitoring and meetings required for each (and, if different, what currently happens and why), which Director/committee performance is reported to and a RAG rating for performance/overall relationship status (please refer to recommendation 5b). •Produce a monitoring and reporting schedule with Governance team.	Medium	Paula Jarvis	May 2020	4a-4c) Not yet due.

FOR MORE INFORMATION:

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Fraud Risk Awareness - Message (HTML)

File   Message

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From: Kamal Mehta   Sent: Tue 31/12/2019 17:58

To: Sue Green; Hannah Wheatley; Steven Butcher; Annette Cardy; Alastair Morrell; Georgina Button; Cheryl Hughes

Cc: Adrian Rayner; Damien Ghela; Matt Wilson; Frank Britt; Matt Leigh; John Swords; Joanne Bratt; Grant Hulley; Simon Quelch; Sam Mott; Russell Dawes; Paul Dodson; Richard Holmes

Subject: Fraud Risk Awareness

Message | Aprrocved Whistleblowing Policy 30-01-2018 F&CS Committee and 08-02-2018 Council.pdf (106 KB) | Fraud and Corruption - Extracts from Maldon District Council Constitution 6-12-2019.docx (26 KB) | Anti-Fraud and Corruption Policy.pdf (199 KB)

IMPORTANT COMMUNICATION

Dear All,

The Council's internal auditor at the request of the previous Director of Resources undertook a piece of work on fraud risk awareness in the Council. The basis for the commissioning the work was a belief that although there is/was a 'corporate fraud and enforcement team' in the Council there was an imbalance in the work between enforcement and corporate anti-fraud work.

The internal auditor made his report titled Fraud Risk Awareness – Advisory Report in May 2019 and it has since been reported to members. The last meetings of members it was reported to was the Finance and Corprate Services Committee on 24th September 2019 and the Performance, Governance and Audit Committee on 24th October 2019. These are available on the Committee Agendas and Minutes on the Council's website :

https://democracy.maldon.gov.uk/mgListCommittees.aspx?bcr=1

The findings in the Advisory Report identified that there is a lack of fraud risk awareness in the Council by Officers and that this could lead to financial loss and reputational damage to the Council. The findings also identified that officers are either not aware of the rules and procedures in place or are simply not adhering to them in the sense that due regard is not given to the risk of potential fraud or for that matter potential corruption when operational and or key significant decisions are being made. It also means that in the 'way of working' here at Maldon District Council there should be an underlying ethos of giving due regard at all times to assessing the potential risk of fraud and corruption in its activities particularly in the areas of contract procurement, purchasing of goods and services, payment of creditors/suppliers, debt collection, payroll, recruitment etc. Also, important is to be aware of money laundering regulations as they apply to the public sector. The Council also has an approved Whistleblowing Policy which again all officers of the Council should be aware of.

Tier 2 Managers are now responsible and accountable for the operational budgets within their areas It is, therefore, vital and important for all Tier 2 Managers and Lead and Senior Specialists to be fully aware of and understand the Council's current Constitution particularly in respect of key internal controls and internal checks as set out in the Scheme of Delegation to Officers and the Financial Procedure Rules and Contract Standing Orders. These are all set out in the in the Council's Constitution found here:

https://democracy.maldon.gov.uk/ieListMeetings.aspx?CId=204&info=1

It is important that you all make yourselves fully familiar with the attached documents together with the documents you can access via the links above.

Furthermore, please put Fraud Risk Awareness on the agendas for your team meetings to bring this subject into the awareness of all staff at whatever level. The duty to protect the Council from fraud and corruption applies to all the staff who work for the Council and including agency and contract workers.

Finally, the key documents mentioned here and the links provided should be part of the information that should be included for all new entrants to the Council as part of onboarding and their induction into the Council. Also, to assist you to raise the profile of this important matter in the Council, CLT will be considering further support and internal programme of work in this area to address all the findings of the internal auditor's Advisory Report.

Kind regards.

Kamal

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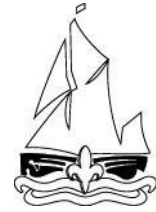
REPORT of
INTERIM SECTION 151 OFFICER

to
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
27 FEBRUARY 2020

INTERNAL AUDIT - DRAFT STRATEGIC PLAN 2018/19 -2020/21 AND DRAFT ANNUAL AUDIT PLAN 2020/21

1.   PURPOSE OF THE REPORT

1.1   The purpose of this report is to seek approval of the Draft Internal Audit Strategic Plan 2018/19 -2020/21 and the 2020/21 Operational Plan attached as APPENDIX 1 to this report.

2.   RECOMMENDATIONS

(i)   That the Indicative Internal Audit Plan covering the Draft Internal Audit Strategic Plan 2018/19 -2020/21 and 2020/21 Draft Annual Audit Plan be approved attached at **APPENDIX 1**.

3.   SUMMARY OF KEY ISSUES

3.1   BDO LLP are the Council's contracted Internal Audit Service provider. The Partner, Mr. Greg Rubins fulfils an equivalent role to that of Head of Internal Audit.

3.2   The Internal Audit Service is there to provide assurance to the Section 151 Officer, Management and Members of the adequacy of internal controls and checks in the organisation and to highlight any risks that the Council may be exposed to in its overall and day to day operations.

3.3   As such, Internal Audit is independent of Management and operates, performs to and is measured against The UK Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).   In addition, CIPFA has also issued a Statement on the Role of the Head of Internal Audit.

3.4   The financial year commencing 1 April 2020 is the last year of the current three year strategic plan. Therefore, the 2020/21 annual audit plan is the same with changes agreed with the Corporate Leadership Team of audits to be included from the 2019/20 plan that were moved to 2020/21 due to the structure and service changes that were happening in 2019/20.

3.5   The new three year strategic plan to cover the period 2021/22 to 2023/24 will be submitted to the Committee for consideration early in the new financial year.

3.6   The three-year strategic plan will be reviewed each year to ensure that the ongoing risks and opportunities are considered and are captured. In **APPENDIX 1** the key

risks that are known at the time of writing this report have been mapped along with the audit work that is and will be undertaken, demonstrating that the plans are focussing not only on the most important issues but also on providing the assurance to management on the operation of the internal controls and checks

3.7　Significant variations to the plan arising from the reviews, changes to the Council's risk profile or due to management requests will be discussed in the first instance with the S.151 officer and approved by the Performance, Governance and Audit Committee.

4.　CONCLUSION

4.1　Internal audit is an important function that provides assurance on the operation of the internal controls and checks and the risks that the Council may be exposed to.

4.2　The Strategic Internal Audit Plan for 2018/19 to 2020/21 and the Draft Annual Audit Plan for 2020/21 are set out at **APPENDIX 1.**

5.　IMPACT ON STRATEGIC THEMES

5.1　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.

6.　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

Impact on Risk – Management of risk is fundamental to the sound operation of the Council. Failure to manage risk could have a significant impact on the Council's ability to correctly define its policies and strategies or deliver against its objectives. The implementation and operation of the risk management framework will minimise risks and thus mitigate any potential strategic, operational, reputational or regulatory consequences.
Failure to manage risk would also mean that the Council might face censure by its external auditors or the potential for legal proceedings in the event of breaches of the Health and Safety at Work Act or similar legislation.

(iii)　**Impact on Resources (financial)** – No direct impact, although risk management practices not only help control financial risks but also keep the cost of insurance down.

(iv)　**Impact on Resources (human)** – Once approved risk management will be included within the Council's induction process and e-learning portfolio of courses.

(v)　**Impact on the Environment** – None directly from this report.

(vi)　**Impact on Strengthening Communities** – None directly from this report.

Background Papers:

Enquiries to: Kamal Mehta, Interim Section 151 Officer. (Tel. 01621 875762)

Agenda Item no. 9

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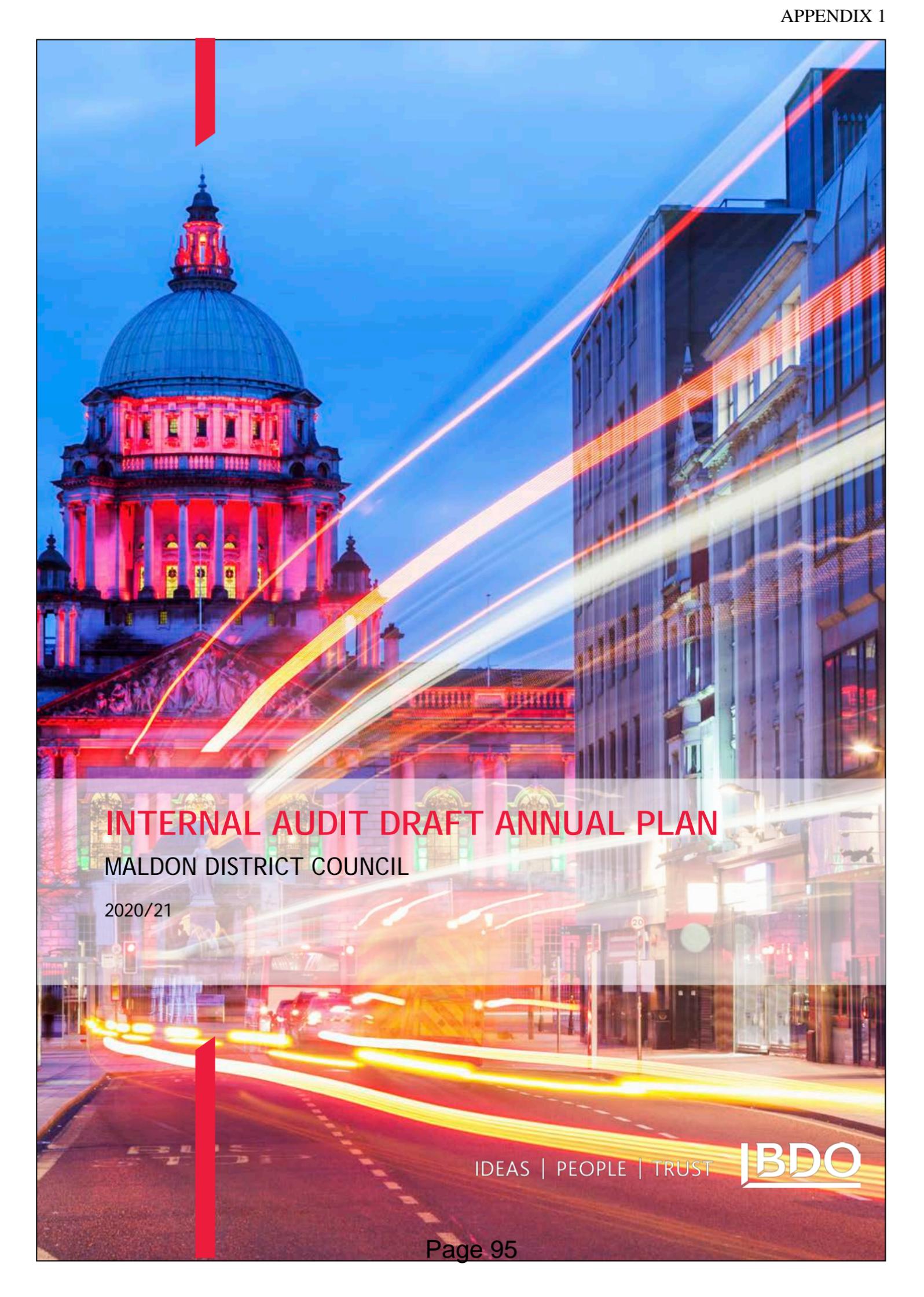
INTERNAL AUDIT DRAFT ANNUAL PLAN

MALDON DISTRICT COUNCIL

2020/21

IDEAS | PEOPLE | TRUST

BDO

CONTENTS

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AUDIT RISK ASSESSMENT

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 Council's current risk profile.

Planned approach to internal audit 2020/21

The indicative Internal Audit programme for 2020/21 is shown from page 8, with an indicative strategic plan for 2020/21 shown from page 11. We will meet with s151 Officer, Directors and the Audit Chair in order to bring together a full plan which will be presented at the April Performance, Governance and Audit (PGA) Committee. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management 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's 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 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.

As such our strategic audit programme follows the risks identified during our planning processes and confirmed via discussions with the Executive Directors.

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MAPPING YOUR STRATEGIC RISKS
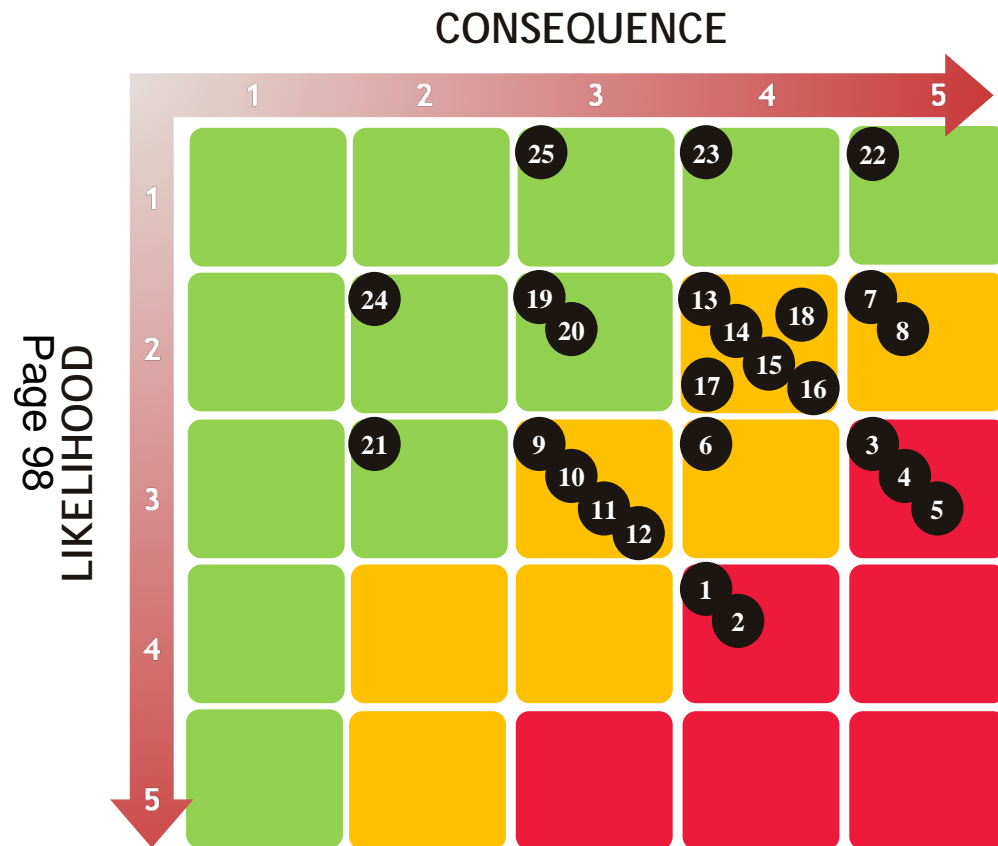
Ref	Strategic Risks from your CRR	Score
1	R5:Failure to deliver the required infrastructure to support development arising from the LDP	16
2	R23: Poor Financial Accounting	16
3	R1: Failure to safeguard children and vulnerable adults	15
4	R7: Failure to maintain a 5 year supply of housing land	15
5	R8: Failure to meet the affordable housing need	15
6	R3: Failure to target services/influence partners effectively to support identified housing needs of increasing aging population	12
7	R6: Failure to have a clear shared plan regarding strategic ownership of costal, fluvial and surface flood mitigation and long term responsibilities	10
8	R9: Failure to have a co-ordinated approach to supporting inward investment and maximising business rates growth	10
9	R14:Unable to recruit and retain staff with specific skills in specialist areas to meet the demands of the Service	9
10	R22: Contracts not managed or owned and not providing value for money, out of contract on many across council. Procurement process not adhered to resulting in fines, loss of reputation	9
11	R 24: Loss of key skills and knowledge across the organisation, and failure to embrace new working cultures}	9
12	R27: Failure of stakeholder & member engagement with the transformation programme}	9

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13	R2: Failure to target services and influence partners with the aim of having an effective outcome of identified needs of a vulnerable population	8
14	R4: Failure to influence Community Safety Partners to address the key areas of public concern	8
15	R11: Failure to protect personal or commercially sensitive information	8
16	R20: Failure to have a Disaster Recovery & Business Continuity Plan	8
17	R25: Failure to deliver finances associated to transformation programme	8
18	R26: Failure to deliver channel shift	8
19	R10: Failure to develop jobs to support the growing population	6
20	R13: Failure to manage the impact of organisational change	6
21	R16: Corporate policies not managed and reviewed	6
22	R21: Annual financial statements qualified	5
23	R15: Failure to plan and deliver balanced budgets over the medium term	4
24	R17: Failure to maximise effectiveness of services through promotion and engagement	4
25	R12: A committee structure which may not be cost effective	3

MAPPING YOUR CRR TO THE STRATEGIC PLAN

Ref	Strategic Risks from your CRR	2020/21
1	R5:Failure to deliver the required infrastructure to support development arising from the LDP	
2	R23: Poor Financial Accounting	Main Financial Systems
3	R1: Failure to safeguard children and vulnerable adults	Safeguarding
4	R7: Failure to maintain a 5 year supply of housing land	
5	R8: Failure to meet the affordable housing need	Housing Needs and Affordable Housing Management of Property
6	R3: Failure to target services/influence partners effectively to support identified housing needs of increasing aging population	
7	R6: Failure to have a clear shared plan regarding strategic ownership of costal, fluvial and surface flood mitigation and long term responsibilities	
8	R9: Failure to have a co-ordinated approach to supporting inward investment and maximising business rates growth	
9	R14:Unable to recruit and retain staff with specific skills in specialist areas to meet the demands of the Service	Workforce Management
10	R22: Contracts not managed or owned and not providing value for money, out of contract on many across council. Procurement process not adhered to resulting in fines, loss of reputation	
11	R 24: Loss of key skills and knowledge across the organisation, and failure to embrace new working cultures}	Knowledge Management & Transfer
12	R27: Failure of stakeholder & member engagement with the transformation programme}	Communications and Stakeholder Engagement
13	R2: Failure to target services and influence partners with the aim of having an effective outcome of identified needs of a vulnerable population	
14	R4: Failure to influence Community Safety Partners to address the key areas of public concern	
15	R11: Failure to protect personal or commercially sensitive information	Information Management
16	R20: Failure to have a Disaster Recovery & Business Continuity Plan	

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17	R25: Failure to deliver finances associated to transformation programme	
18	R26: Failure to deliver channel shift	Customer service: CRM Post-Implementation
19	R10: Failure to develop jobs to support the growing population	
20	R13: Failure to manage the impact of organisational change	
21	R16: Corporate policies not managed and reviewed	Policy Review
22	R21: Annual financial statements qualified	Main Financial Systems
23	R15: Failure to plan and deliver balanced budgets over the medium term	
24	R17: Failure to maximise effectiveness of services through promotion and engagement	
25	R12: A committee structure which may not be cost effective	

INTERNAL AUDIT OPERATIONAL PLAN 2020/21

Area	Days	Timing	Description of the Review	Reason for Inclusion
Corporate Goal: Delivering good quality, cost effective and valued services				
Main Financial Systems	20	Q3	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.	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 Council's key financial systems. {CRR 21 - Annual financial statements qualified}
Customer service: CRM Post-Implementation	20	Q2	Review of areas such as effectiveness of customer service centre, customer feedback and complaints and telephony.	This is a key element of the Council's transformation programme {CRR 26 - Failure to deliver channel shift, through lack of customer engagement or undelivered processes}
Communications and Stakeholder Engagement	20	Q1	Review how the Council engages with stakeholders internally and externally, ensuring communications are in line with agreed corporate priorities.	As above {CRR 27 - Failure of stakeholder & member engagement with the transformation programme}
Information Management	15	Q1	Review the design and effectiveness of the Council's information management controls and the processes for the storage, retention and destruction of paper documents to support compliance with the Councils' retention schedule and current legislation.	A common area of risk for local authorities and links to compliance with GDPR {CRR 11 - Failure to protect personal or commercially sensitive information}
Workforce Management	15	Q3	Review of the internal processes for HR, including workforce planning, recruitment, appraisals and training.	Known to be a key risk as a result of transformation {CRR 14 - Unable to recruit and retain staff with specific skills in specialist areas to meet the demands of the Service}

Total	90			

Area	Days	Timing	Description of the Review	Reason for Inclusion
Corporate Goal: Strengthening communities to be safe, active and healthy				
Safeguarding	20	Q1	Review of the Council's policies and arrangements to ensure the safeguarding of children and vulnerable adults.	Not reviewed recently by internal audit {CRR 1 - Failure to safeguard children and vulnerable adults}
Policy Review	15	Q2	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.	Policies require a fresh review following transformation {CRR 16 - Corporate policies not managed and reviewed}
Knowledge Management & Transfer	15	Q4	Review of the Council's approach to knowledge management and how it is stored and shared	Known to be a key risk as a result of transformation {CRR 24 - Loss of key skills and knowledge across the organisation, and failure to embrace new working cultures}
Total	50			

Area	Days	Timing	Description of the Review	Reason for Inclusion
Corporate Goal: Protecting and Shaping the District				
Corporate Plan & Priorities	15	Q2	Review of the Council's Corporate Plan, including governance and ownership of delivery against corporate priorities and service priorities which underpin these.	New corporate plan and service plans created.
Total	15			

Area	Days	Timing	Description of the Review	Reason for Inclusion
Corporate Goal: Protecting and Shaping the District				
Housing Needs and Affordable Housing	15	Q4	Review of how effectively the Council is managing its strategy around provision of social housing and developing the private rented sector.	Not reviewed recently by internal audit {CRR 8 – Failure to meet the affordable housing need}
Management of Property	15	Q1	Review of the arrangements in place for ensuring property is managed effectively and efficiently.	Potential efficiency opportunities {CRR 8 – Failure to meet the affordable housing need}
Total	30			

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

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INTERNAL AUDIT STRATEGIC PLAN 2018/19-2020/21

Area	2018/19	2019/20	2020/21	Description of the Review
Corporate Goal: Delivering good quality, cost effective and valued services				
Main Financial Systems	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.
Risk Maturity Assessment		15		Review the process in place for risk management, including risk appetite, identification, controls, scoring and mitigation.
Budgets and Performance Management	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.
Corporate Governance		20		Review of the Committee Structure to ensure that it is fit for purpose and delivering the outcomes required by the District.
Workforce Management		15	15	Review of the internal processes for HR, including workforce planning, recruitment, appraisals and training.
Customer Service: CRM Post-Implementation			20	Review of the effectiveness of the new CRM system to ensure it is fit for purpose and delivering the outcomes required by the Council and District.
Transformation programme	15			The purpose of the audit is to provide assurance over the Council's governance of implementation of the Future Operating Model.
Network Security		15		Review of the Council's network security arrangements.
GDPR Compliance		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.

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Information Management			15	Review the design and effectiveness of the Council's information management controls and the processes for the storage, retention and destruction of paper documents to support compliance with the Councils' retention schedule and current legislation. This includes back office systems like Uniform.
IT Disaster Recovery		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
Communications and Stakeholder Engagement			20	Review how the Council engages with stakeholders internally and externally, ensuring communications are in line with agreed corporate priorities.
Procurement and Contract Management		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.
Counter fraud/Training	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				
Safeguarding			20	Review of the Council's policies and arrangements to ensure the safeguarding of children and vulnerable adults.
Safe and Clean Environment	20			Reviews of the Council's waste management contract, collection and recycling arrangements, carbon footprint and activities to providing a safe and clean environment.
Strengthening Communities and Localism	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.
Community Safety		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.
Policy Review			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.
Knowledge Management			15	Review of the Council's approach to knowledge management and how it is stored and shared

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Capital project management	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				
Management of Property			15	Review of the arrangements in place for ensuring property is managed effectively and efficiently.
Building Control	15			Review of the effectiveness of the Council's approach to and delivery of change to the Building Control service.
Local Development Plan	15			Review of the implementation of the Local Development Plan and consistency with other Council strategic needs assessments.
Housing Needs and Affordable Housing			15	Review of how effectively the Council is managing its strategy around provision of social housing and developing the private rented sector.
Flood Management		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) This will also re-asses previous actions from the strategic ownership of flooding responsibilities.
Corporate Goal: Creating opportunities to influence partners and to support/encourage economic prosperity				
Corporate Plan and Priorities			15	Review of the Council's Corporate Plan, including governance and ownership of delivery against corporate priorities and service priorities which underpin these.
IT Transformation	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. This includes back office systems like Uniform.
Commercialisation	15			Review Council's commercialisation projects and perform benchmarking.
Planning, Reporting and Follow Up				
Follow up	10	10	10	Assessment and reporting of recommendations raised.
Management Time	20	20	20	Creation of audit plan, attendance at Audit Committee.
Contingency	5	5	5	
Total	220	220	220	

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 it's 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.

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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.

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 Maldon District 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.

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 Maldon District Council 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

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- 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
Audit Coverage   Annual Audit Plan delivered in line with timetable   Actual days are in accordance with Annual Audit Plan
Relationships and customer satisfaction   Customer satisfaction reports – overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.   Annual survey to Audit Committee to achieve score of at least 70%   External audit can rely on the work undertaken by internal audit (where planned)

Staffing and Training
At least 60% input from qualified staff
Audit Reporting
Issuance of draft report within 3 weeks of fieldwork `closing' meeting Finalise internal audit report 1 week after management responses to report are received. 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

Measure / Indicator
Response to Reports

Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt

Implementation of recommendations

Audit sponsor to implement all audit recommendations within the agreed timeframe

Co-operation with internal audit

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

BDO contacts

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FOR MORE INFORMATION:

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REPORT of
DIRECTOR OF STRATEGY, PERFORMANCE & GOVERNANCE

to
PERFORMANCE, GOVERNANCE & AUDIT COMMITTEE
27 FEBRUARY 2019

QUARTERLY REVIEW OF CORPORATE RISK (Q3)

1. PURPOSE OF THE REPORT

1.1 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. Appendix 1 is attached to the report for this purpose.

2. RECOMMENDATIONS

(i) Members note the change in scoring in this report, to reflect recent policy updates.

(ii) Members review the Corporate Risk Register in Appendix 1 and provide comment and feedback for consideration.

(iii) Members are assured through this review that corporate risk and is being managed effectively.

(iv) Members challenge risk where the Committee feels that the Council's corporate goals may not be achieved.

3. SUMMARY OF KEY ISSUES

At PGA on 28th November, the committee approved an updated Risk Management Policy to address internal audit recommendations, including moving to a five-point scoring scale. A copy of the current guidance can be found on Freshservice. https://maldon.freshservice.com/support/solutions/articles/50000007160-risk-management For clarity, Appendix 1 also includes risk scoring criteria for the new five point scale.

Appendix 1 shows a table of the Corporate Risk Register, the latest ratings and officer commentary.

The risk 'Poor Financial Accounting' has previously been escalated onto the Corporate Risk register from a service level and is the only risk which has increased in scoring this quarter. This will be titled as Financial Resource and Process issues in future reports, to reflect better the content of the risk.

There are three risks that have seen a decrease in score which are R4, R22 and R6 on the Appendix table.

Agenda Item no. 10

4.   CONCLUSION

4.1   Overall no major Corporate Risk Register concerns have been raised, and no increased risk exposure seen. Work continues to ensure risks are mitigated, and where possible, working towards their closure.

5.   IMPACT ON STRATEGIC THEMES

5.1   It is important that risk is monitored and managed effectively, to ensure that Maldon District Council progresses towards &/ achieves its stated outcomes.

6.   IMPLICATIONS

(i)   **Impact on Customers** – Those risks in the Corporate Risk Register are defined as having a wider impact on our customers and delivery. The monitoring and mitigation of these will reduce the impact on customers.

(ii)   **Impact on Equalities** – None

(iii)   **Impact on Risk** – If risk is not managed effectively by the Council, it puts the Councils strategic delivery at risk and increases unnecessary exposure to potential, operational, reputational or regulatory consequences.

(iv)   **Impact on Resources (financial)** – All risk management is undertaken within existing planned budget. Exceptions being for a potential enactment of a recommendation outside of pre-defined resource.

(v)   **Impact on Resources (human)** – All risk & performance management is undertaken within existing planned budget. Exceptions being for a potential enactment of a recommendation outside of pre-defined resource.

(vi)   **Impact on the Environment** – None

(vii)   **Impact on Strengthening Communities** - None

Background Papers: None

Enquiries to:
Paul Dodson, Director of Strategy, Performance and Governance

Agenda Item no. 10

Corporate Risk Report Q3 – Appendix 1

23rd January 2020

Please note risks are sorted in 'Overall Risk Rating' descending order

Risk Assessment Scale

Likelihood	Impact	Overall Risk Rating

Likelihood		Impact		Overall Risk Rating
1 - Unlikely		1 - Negligible		
2 – Less Likely		2 - Minor		
3 - Likely	×	3 - Moderate	=	Overall Risk Rating
4 – Very Likely		4 – Significant		
5- Definite		5- Major		

WE ARE MALDON DISTRICT

Title	Risk Description	Likelihood	Impact	Overall Risk Rating ▼	Rating direction	Commentary
R5	Failure to deliver the required infrastructure to support development arising from the LDP	4	4	16	Risk rating unchanged	Q3 - The interim S106 officer continues to make progress monitoring S106 payments and contributions and has made additional progress with strategic partners on strategic sites delivering key infrastructure.
R23	Poor Financial Accounting	4	4	16	Risk rating increased	The Finance function is not fully resourced. It is a matter of significant concern to the Interim Section 151 Officer. However, the 2 Specialist Finance staff are very knowledgeable and capable but spread thin in terms of covering the breadth of work. Interim resources have been brought in but does not provide continuity and resilience. The operation of the structure of Specialists and Caseworkers in Finance is under review and consideration to ensure that it operates efficiently and with appropriate capabilities. Corporate Leadership Team is taking actions
R	Failure to safeguard children and vulnerable adults	3	5	15	Risk rating unchanged	Q3 - Safeguarding arrangements continue post launch of the Future Model in October 2019 as detailed in earlier updates. Arrangements are to be put in hand during Q4 to develop the Member and Officer training plan to supplement the eLearning module used by all staff including those joining the Council. Following the resignation of the Lead Specialist (community) a new member of staff will join the Council in January 2020 and take over the Lead Officer role.
R7	Failure to maintain a 5 year supply of Housing Land	3	5	15	Risk rating unchanged	Q3 - A 5YHLS has been maintained for 18/19 at 5.27 years (published December 2019). Changes to calculating 5YHLS and delays in granting permission for Site S2d and agreeing S106 for Site S2b has reduced the contribution these sites make to the 5YHLS.
R8	Failure to meet the affordable housing need	3	5	15	Risk rating unchanged	Q3 - Working to overcome shortfall, whilst some discussions have been undertaken no real advancement has been made at this time.

Title	Risk Description	Likelihood	Impact	Overall Risk Rating ▾	Rating direction	Commentary
R3	Failure to target services/influence partners effectively to support identified housing needs of increasing aging population	3	4	12	Risk rating unchanged	Q3 -A Significant development site providing housing for older people has been approved and is progressing through reserve matters
R6	Failure to have a clear shared plan regarding strategic ownership of coastal, fluvial and surface flood mitigation and long term maintenance responsibilities	2	5	10	Risk rating decreased	Q3 - Action Plan on track and up to date. Partnership, operational group met in November 2019 and updated plan which was presented to Flood & Coastal Group in December 2019. Actions completed to be highlighted on Plan going forward so Members can easily identify those projects completed. It was also agreed that smaller maintenance projects are not brought to the Member group going forward as these are operational matters although they will continue to be identified on the Plan. Recommend removal, due to established stakeholders, owners and direction.
R9	Failure to have a co-ordinated approach to supporting inward investment and maximising business rate growth	2	5	10	Risk rating unchanged	Q3 - Following the approval of the Prosperity Strategy, the Council is engaging with strategic partners to develop initiatives and actions to ensure we support in-ward investment and business growth.
R14	Unable to recruit and retain staff with specific skills sets in specialist areas to meet the demands of the service(i.e.) Planners	3	3	9	Risk rating unchanged	Q3 - The Council continues to manage vacancies proactively and in the meantime retains the use of fixed term and agency staff. Staffing Levels are monitored on a weekly basis and will continue to do so until positions associated with the transformation are filled.
R22	Contracts not managed or owned and not providing Value For Money, out of contract on many across Council. Procurement Process not adhered to resulting in fines, loss of reputation	3	3	9	Risk rating decreased	Q3 - Actions from audit to mitigate risks have commenced but current vacancy means progress is slow and upskilling managers will take time

Title	Risk Description	Likelihood	Impact	Overall Risk Rating ▼	Rating direction	Commentary
R24	Loss of key skills and knowledge across the organisation, and failure to embrace new working cultures.	3	3	9	Risk rating unchanged	Q3 - New caseworker and specialist services model embraces culture of knowledge transfer and sharing.
R27	Failure of stakeholder & member engagement with the transformation programme.	3	3	9	Risk rating unchanged	Q3 - All staff were involved in a 'go live' launch of our Transformation project which was held on 30 October to mark the progress we have made. This included an opportunity for staff to learn more about the news teams. In addition, a new internal brand of 'One Team' was launched together with a refreshed weekly 'One team' bulletin which goes to all staff and Members. Drop-in sessions were also held for all Members to learn more about the new teams. Recommended closure of risk.
R2	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	2	4	8	Risk rating unchanged	Q3 - The livewell action plan is waiting committee submission and the release of the 2019 JSNA will provides new insight into the health and wellbeing of Maldon District residents. Through MDC's transformation it's recognised that the boards we are responsible for must also be brought on that same journey. A report submitted to February Council will support the risk mitigation, providing effective opportunity for partners to influence community, safety, health, prosperity and place. MDC community and health continue to work closely due to achieve their shared priorities.
R4	Failure to influence Community Safety partners to address the key areas of public concern (including rural crime) and the negative perception of crime	2	4	8	Risk rating decreased	Q3 - Arrangements continue as detailed within earlier updates. Members will have the opportunity to scrutinise the activities of the Community Safety Partnership and key partners including Essex Police during Q4.

Title	Risk Description	Likelihood	Impact	Overall Risk Rating ▼	Rating direction	Commentary
R11	Failure to protect personal or commercially sensitive data	2	4	8	Risk rating unchanged	Q3 - Further incidents of emails not being blind copied to all parties risk reputational damage. While no sensitive information or high risk information is being shared and the incidents are not reportable staff need to be kept up to date. Identified that Member training is needed to reduce risk of breaches by Members. Need to address data management as loss of a file has resulted in Council being unable to defend a claim. Records and file management should be improved with electronic storage of all files going forward. Need to ensure all staff are advised on how/where documents are stored. Tier 2 need to carry out a data audit to ensure that we are aware of data held and appropriate security is in place, email with instructions due to go out shortly. All staff are also undertaking mandatory GDPR training.
R9	Failure to have a Disaster Recovery & Business Continuity Plan(BCP)	2	4	8	Risk rating decreased	Q3 - Updated DR in place
R	Failure to deliver finances associated to transformation programme.	2	4	8	Risk rating unchanged	Q3 - Budget reviews and updates continue to be presented by the S151 officer
R26	Failure to deliver channel shift, through lack of customer engagement or undelivered processes	2	4	8	Risk rating unchanged	Q3 - A new Customer Relationship Management (CRM) system went live in October 2019, and we continue to design and build end to end digital processes that promote channel shift.
R10	Failure to develop jobs to support the growing population	2	3	6	Risk rating decreased	Q3 - Following the approval of the Prosperity strategy, the Council is working with strategic partners, business groups and stakeholder to promote strategic employment sites and retail centre's and high streets.
R13	Failure to manage impact of organisational change	2	3	6	Risk rating unchanged	Q3 -A Gateway review for the Transformation Programme has taken place and the impact of Transformation continues to be monitored by Transformation board

Title	Risk Description	Likelihood	Impact	Overall Risk Rating ▾	Rating direction	Commentary
R16	Corporate policies not managed and reviewed	3	2	6	Risk rating unchanged	Q3 - Strategic Theme Lead Place has access to the database to review content with wider team at end of January 20. Post review, decision to be made on where maintenance of the database resides.
R21	Annual financial statements qualified.	1	5	5	Risk rating unchanged	Q3 - 2018/2019 Financial statements received un-qualified audit opinion in December 2019. Recommended closure.
R15	Failure to plan and deliver balanced budgets over the medium term	1	4	4	Risk rating decreased	The Council's has a rolling Medium Term Financial Strategy Which is update annually and reviewed on regularly during the year by the section 151 Officer. There are future uncertainties from 20201/21 in respect of the funding that will be available to the Council as a result of any changes to the local government funding system by the government. The Council has taken action to transform itself to achieve savings of £1.89m by 2022/23. The controls and focus on in year expenditure and income against budge s exercised and maintained to ensure a sound financial position on an ongoing basis.
R17	Failure to maximise effectiveness of services through promotion and engagement	2	2	4	Risk rating decreased	Q3 - The Marketing and Communicaitons Strategy was approved by S & R on 17 October and this details our marketing and communications approach. We are actively using all of our communications channels to promote our services and associated campaigns which are being developed.
R12	A Committee structure which is not cost effective	1	3	3	Risk rating decreased	Q3 - New committee structure has been appointed and is operational. We will continue to review the impact of the new structure on cost/ efficiency throughout the year.

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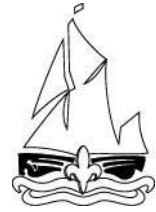
REPORT of
DIRECTOR OF STRATEGY, PERFORMANCE AND GOVERNANCE
to
PERFORMANCE, GOVERNANCE & AUDIT COMMITTEE
27 FEBRUARY 2019

QUARTERLY REVIEW OF CORPORATE PERFORMANCE (Q3)

1. PURPOSE OF THE REPORT

1.1 The Corporate Performance framework requires this committee to undertake a quarterly review of the Thematic Strategy's performance, as assurance that performance is being managed effectively to achieve the Corporate outcomes, and where necessary make consensus suggestion of improvement. **APPENDIX 1** of this report provides the first view of performance as of the end of Quarter 3 (31 December 2019).

1.2 Online versions are available to view on the Members SharePoint site using the following link: Corporate Performance Report

2. RECOMMENDATIONS

(i) Members review the information as set out in this report and **APPENDIX 1** with priority focus given to the Strategic Outcome level performance.

(ii) Members are assured through this review that corporate performance is being managed effectively.

(iii) Members challenge the performance where the Committee feels that the Council's corporate goals may not be achieved.

(iv) Members question Members and Officers on decisions and performance, relating to comparisons with the Corporate Plan outcomes or in respect of decisions, initiatives or projects.

3. SUMMARY OF KEY ISSUES

3.1 Following the agreement of the strategies; key activities and priority measures to be monitored at a corporate level have been determined. A small number of measures are still under development and are shown as placeholders in Q3 report for illustration purposes only. All data will be incorporated into subsequent reporting cycles.

3.2 Where concerns have been raised to affect a Corporate Outcome, these will be highlighted below to focus member review by exception. These are shown in the

Community, Place and Prosperity Strategic Performance titled pages in **APPENDIX 1**

3.2.1 Community: No concerns raised, work continues towards achieving progress for all outcomes.

3.2.2 Place: Concerns raised for Outcome `Our open spaces maintained for the enjoyment of all' (C), due to both indicators not being on track this has triggered officer review and escalation to CLT. Corrective actions are in progress.

3.2.3 Prosperity: No initial concerns raised as work is progressing, however acknowledgement has been made to the data gaps, and potential for certain indicators to be reviewed in readiness for the new finical year.

3.3 Where supporting measures have been rated as 'at risk' or 'under review', but do not affect the direction or delivery of the Strategic outcome, officers have been triggered to ensure corrective action taken.

3.4 Within **APPENDIX 1**, the additional data and measures sitting behind the outcome to show how it is being measured is also available should members require further background.

4. CONCLUSION

4.1 Some measures for the corporate outcomes are in development for reporting performance but will be available in Q4 report.

4.2 Based on the indicators available, officers will be focusing resource on delivery against the targets

4.3 The majority of the reported performance measures are illustrating a positive direction of travel. Where hindrances and data gaps are being experienced, solutions are being sought with officers to enable work to progress.

5. IMPACT ON STRATEGIC THEMES

5.1 It is important that performance is monitored and managed effectively, to ensure that Maldon District Council progresses towards &/ achieves its stated outcomes.

6. IMPLICATIONS

(i) **Impact on Customers** – Performance management covers the monitoring of strategic objectives. The strategic plan focuses on delivery for our customers.

(ii) **Impact on Equalities** – None

(iii) **Impact on Risk** – If performance is not managed effectively by the Council, it puts the Councils strategic delivery at risk and increases unnecessary exposure to potential, operational, reputational or regulatory consequences.

(iv)   **Impact on Resources (financial)** – All performance management is undertaken within existing planned budget. Exceptions being for a potential enactment of a recommendation outside of pre-defined resource.

(v)   **Impact on Resources (human)** – All performance management is undertaken within existing planned budget. Exceptions being for a potential enactment of a recommendation outside of pre-defined resource.

(vi)   **Impact on the Environment** – None

(vii)   **Impact on Strengthening Communities** - None

Background Papers: None

Enquiries to: Paul Dodson, Director of Strategy, Performance and Governance

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Corporate Performance Report Q3 – Appendix 1

23rd January 2020

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Appendix Context

- The following slides detail the performance of each corporate outcome, supported by the individual measures agreed in the Thematic Strategies

- An overhaul of the performance measures reported has taken place, to ensure that we are only reporting performance related to the corporate plan

- Focus should begin at the outcome level summary, which leads to individual indicator level detail if required.

- The narrative against each outcome indicates if the measures are illustrating the correct direction of travel.

- Where challenges or concerns have impacted the outcomes performance, this will be highlighted in the outcome summary, along with any supporting action if required.

Visual Key

On Track or On Track – All Elements

On Track – Conditional Elements
Note: Conditional elements of `On Track` meaning: not all data received due to frequency, or progress happening but awaiting data conformation

Under Review
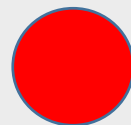
At Risk

Not Started

Community Strategic Performance

Community Outcomes

Reference	Title	Status	Commentary
A	Working with communities and partners to support our health and wellbeing priorities: Obesity	On Track - Conditional Elements	Q3 -We have met our annual physical activity promotions target ahead of schedule. The promotions will also act as support to achieve delivery of increased participation at our Maldon District Leisure Centres. This support will be important due to the increase in competition and the impact from the opening of Pure Gym in Maldon.
B	Working with communities and partners to support our health and wellbeing priorities: Mental Health	On Track - Conditional Elements	Q3 - We now have increased resource which has enabled MDC to deliver 2 Multi Agency Centres in Q3. At the end of Q4 we will review the effectiveness of the MAC to understand the impact that it is having on our residents and the next steps which we can take.
C	Working with communities and partners to support our health and wellbeing priorities: Social Isolation & loneliness	On Track - All Areas	Q3 - We have met our annual target ahead of schedule. We will continually look to work with and support groups, initiatives and campaigns which reduce social isolation/ loneliness.
D	Working with communities and partners to support our health and wellbeing priorities: Older peoples health	On Track - Conditional Elements	Q3 - We are on track to meet our target of a yearly increase. With the reformation of the Maldon District Dementia Action Alliance we will also naturally become more aware of the number of groups and services within the Maldon District.
E	Partnership working to safeguard vulnerable adults, children & families	On Track - Conditional Elements	Q3 -MECC training is due to be delivered to our customer facing staff on 21/1/2020. Therefore, providing all staff are able to attend we will reach the target for the number of staff who have received MECC. Safeguarding cases continue to all be dealt with in accordance of SET guidelines. Staff completion of e-learning modules on safeguarding and GDPR has been issued and we are on track to meet our target of 100%.
F	Effective engagement to support strong and resilient communities	On Track - All Areas	Q3 - All measures are on track. We are still establishing a baseline for MDC assistance to use digital services/ payment at the Council Offices.

WE ARE MALDON DISTRICT

Community Performance Measures

A) Obesity

No. of physical activity promotions

Quarter ● Q2 ● Q3

Target: 24 Promotions Annually

21

17

Participation at Maldon leisure centres

Year ● 17/18 ● 18/19

Target: 574774   **563208**   **569084**

17/18   18/19
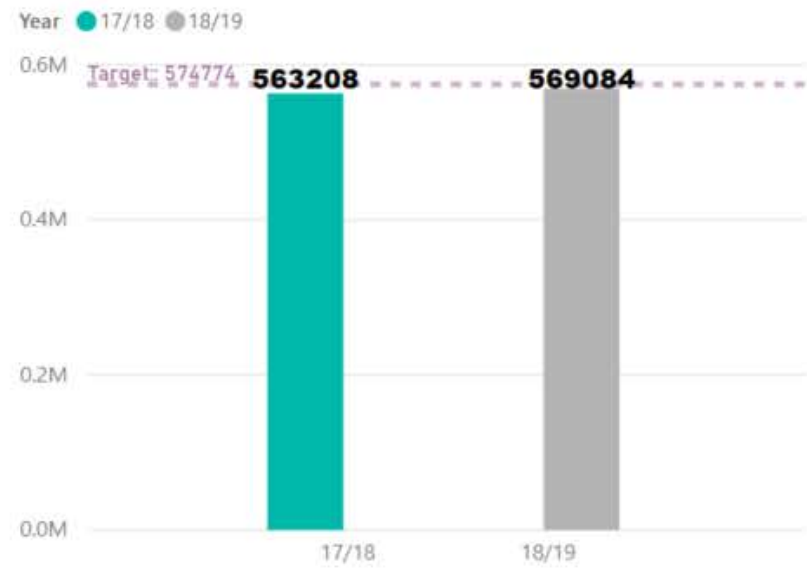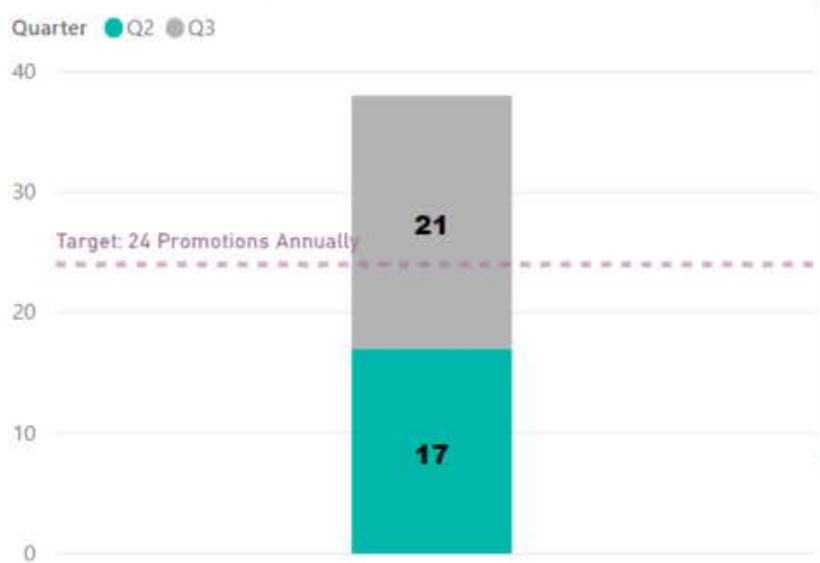
B) Mental Health

Targeted MAC* (Multi Agency Centres) supporting vulnerable residents

Quarter ● Q2 ● Q3

Target: 1 per Quarter

0   2

Q2   Q3
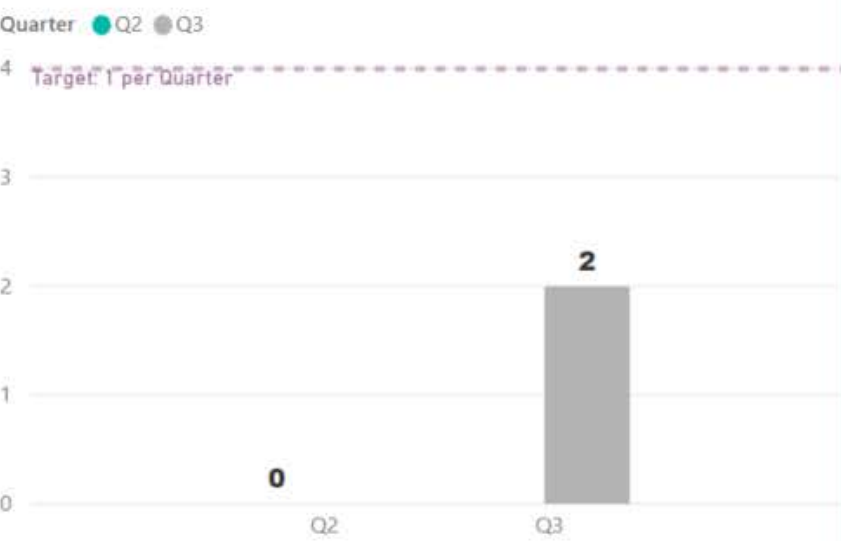
C) Social Isolation/Loneliness

Promotion of social isolation initiatives

Quarter ● Q2 ● Q3

25

Target: 24 Promotions Annually

22

D) Older Health

% of known Maldon District dementia friendly groups/ services promoted

Target: Yearly increase

25.00%

8.30%

Q2   Q3

E) Partnership working to safeguard

% of customer facing staff who have received MECC* training

Target 100%

46.00% 46.00%

Q2   Q3

Staff completion of e-learning modules on Safeguarding and GDPR

Target 100%

73.00%

0.00%

Q2   Q3
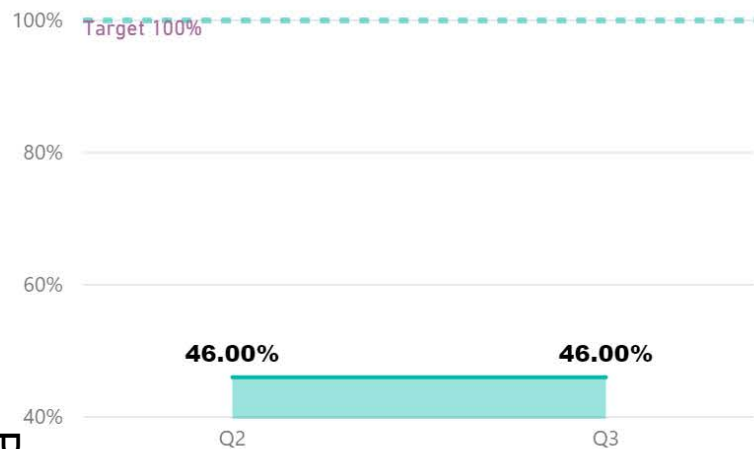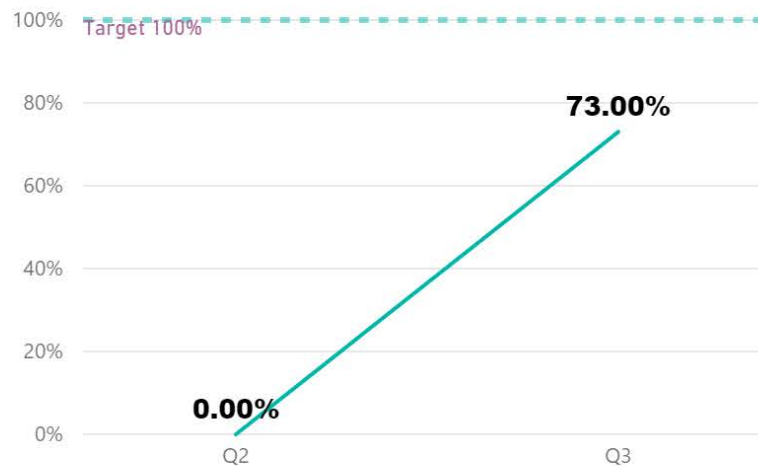
% of safeguarding cases are dealt with in accordance of Southend, Essex and Thurrock (SET) guidelines for adults and children

Target: 100%

100%   100%   100%

Q1   Q2   Q3
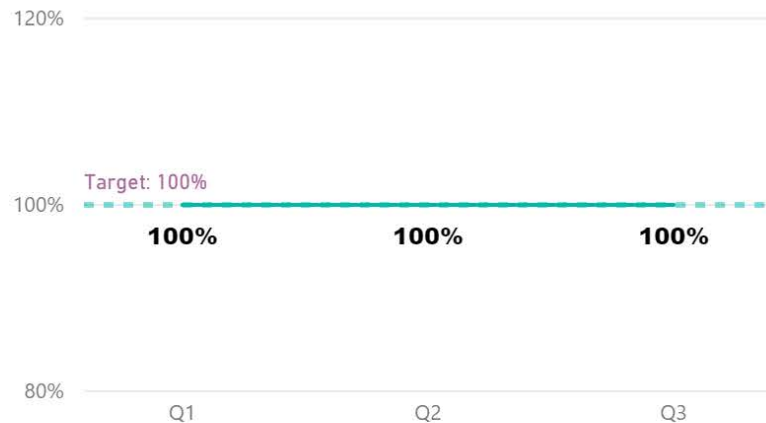
F) Community Engagement

Annual Better Care Fund spend

Target 100%

100.00%

79.00%

17/18   18/19
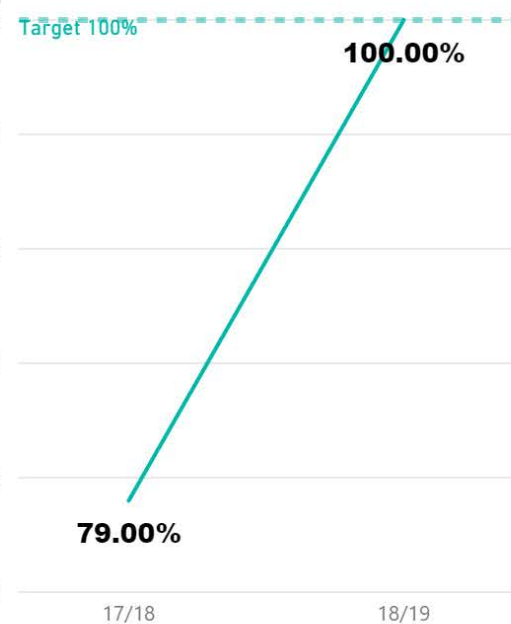
Customer evaluation survey (MDC) – private sector housing grants/ loans

Quarter ● Q2 ● Q3

Target: Yearly increase

100.00%

98.98%

Q2   Q3
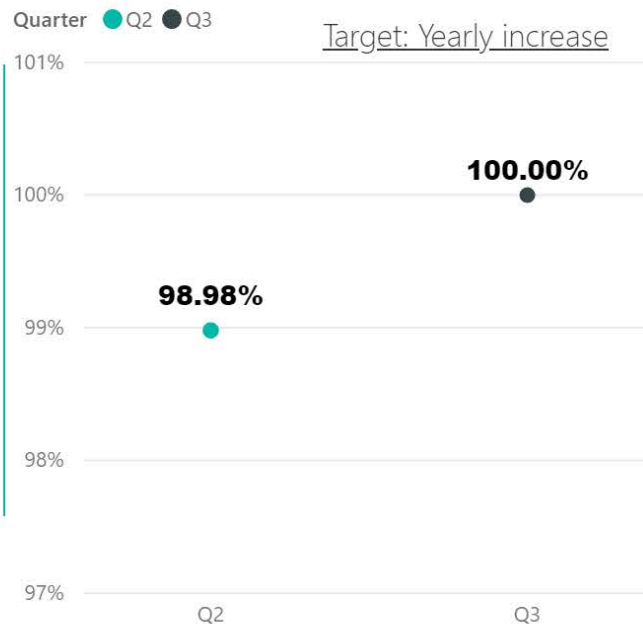
No. of Parish and Town Council engagements by Community team

Quarter ● Q2 ● Q3

Yearly engagement with parishes

16

19

19/20

MDC assistance to use digital service/ payment at Council Offices

Target: Establish baseline

1.20%

1.00%

Q2   Q3

Community Supporting Plans
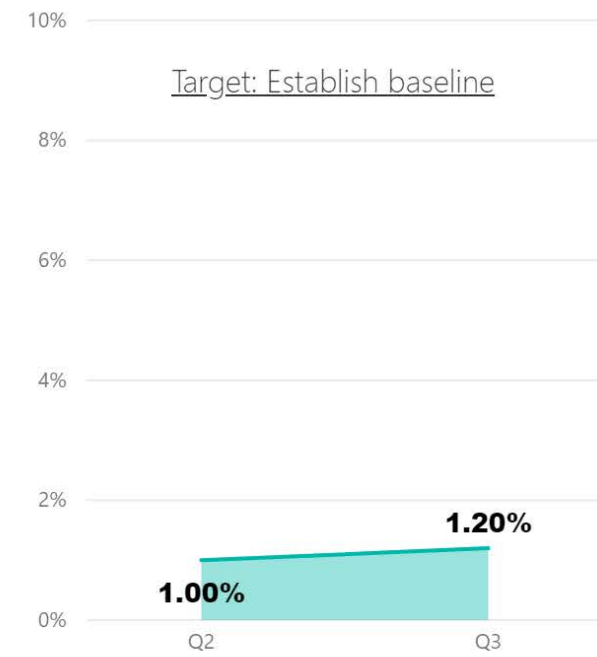
Supportive Outcome	Community Actions Plans	Status	Highlights/Low Lights	Target
A) Support health and wellbeing priority: Obesity	Parishes covered by community weight management sessions	OnTrack 🟢	Q3 - discussed with Essex County Council commissioner of ACE weight management sessions and come to the agreement that more weight management sessions can be established if led by community groups, with minimal support from ACE due to budget cuts. Primary action encouraged is to increase attendance at weight management existing sessions before launching more, so this is being done currently.	To increase Parishes by 2 per year
A) Support health and wellbeing priority: Obesity	Campaign delivery for physical activity	OnTrack 🟢	Q3 - Currently planning both Physical Activity campaigns as opportunity to deliver on elements of draft health and wellbeing strategy.	2 Campaigns per year
B) Support health and wellbeing priority: Mental Health	Primary Schools supported by MDC Y6 transition template	OnTrack 🟢	Q3- At this current moment we have agreement from both Secondary schools to have the template rolled out to all Primary Schools in Maldon District as of March 2020. Therefore, we hope to far exceed our target of onboarding 2 schools per year.	To onboard 2 new schools per year
C) Support health and wellbeing priority: Social isolation/loneliness	The number of intergenerational projects in the District	OnTrack 🟢	Q3 - All primary schools in the District emailed with the offer to receive financial support to establish an Intergenerational project and/or to adopt the Maldon Up! template that has been a success at All Saints. Working in collaboration with Mid Essex CCG and ARU on this with the intention to launch Up in at least 10 schools throughout the district.	1 new school participating in intergenerational projects per year
C) Support health and wellbeing priority: Social isolation/loneliness	Campaign delivery for social isolation	Not Started ⚫	Q3 - Action required to identify specificity and demand for this campaign, will address in Q4. This will most likely be done in partnership with MOAT foundation and United in Kind.	1 Campaign per year
D) Support health and wellbeing priority: Older people's health	Health drop-ins for older people's groups provided	Under Review 🟠	Q3 - Discussed with Essex County Council commissioner and there is no demand for additional health drop-ins. Alternatively, the promotion of existing health drop in services and social prescribing will be promoted, particularly for older people's groups.	To increase older health drop in sessions, 1 per quarter

Place Strategic Performance

Place Outcomes

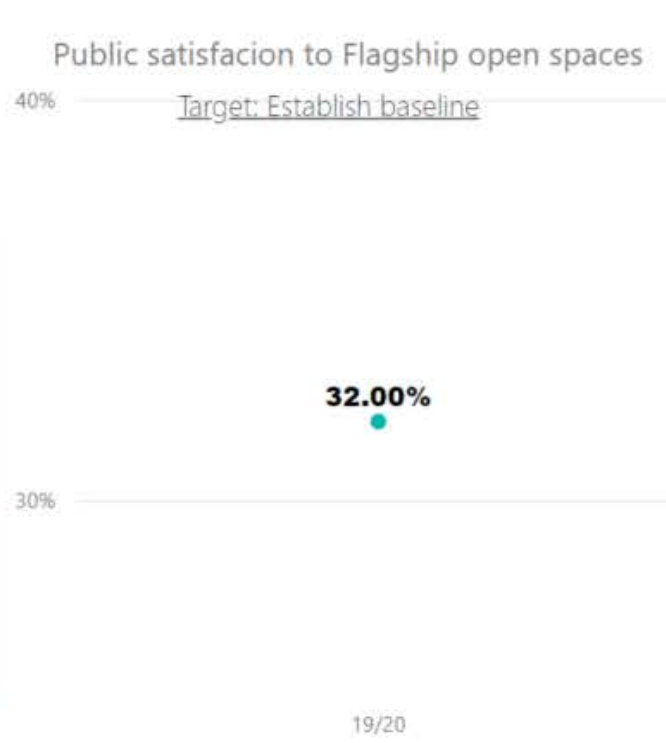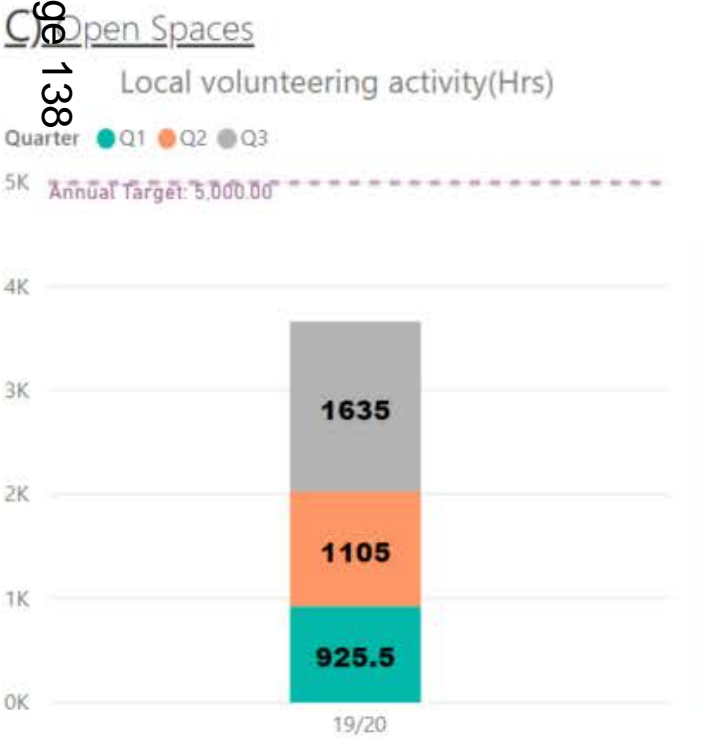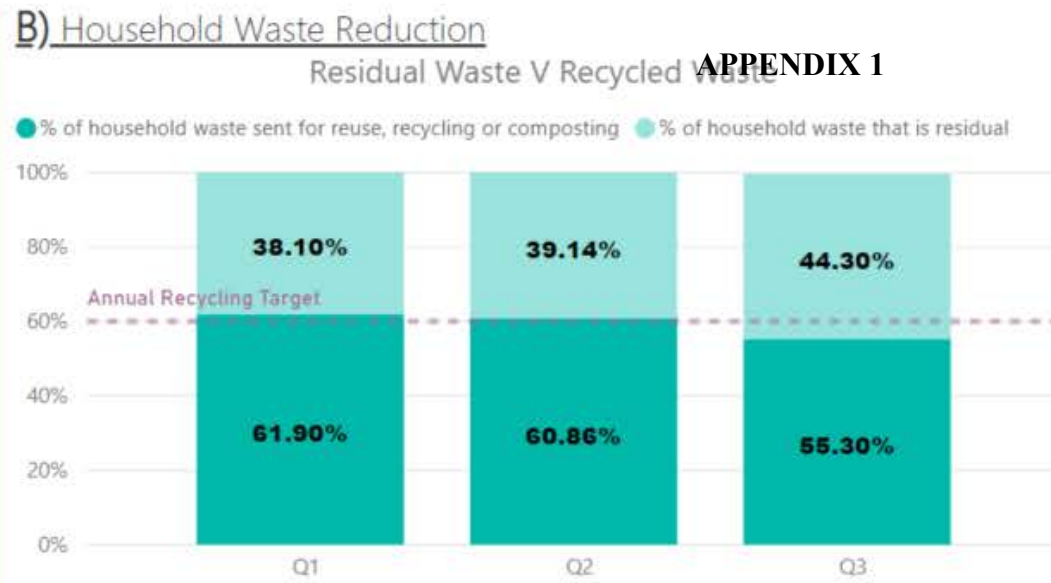| Reference	Title	Status	Commentary
A	A clean and tidy District	On Track - All Areas	Q3 - A decrease seen in flytipping incidents. Baseline satisfaction rate established through resident survey. Survey report will give a wider analytical view and how to improve on baseline. No concerns for Q3.
B	Reduced Household waste	On Track - All Areas	Q3 - Slight dip in recycling rate from Q3 but not enough to raise concern for year end target being missed.
C	Our open spaces maintained for the enjoyment of all	Under Review	Q3- Good progress seen in some areas, however concerns have arisen around some measures through the corporate performance analysis. This has triggered review and corrective actions to be taken
D	Improved air quality	On Track - Conditional Elements	Q3 - Draft Air Quality Action Plan prepared for public consultation during March. Whilst target completion date superseded, it is ontrack to be delivered in statutory timescales.
E	Partnership working to protect our countryside and coastline	On Track - All Areas	Q3 - On track and progressing.
F	Sound and tested environmentally friendly initiatives delivered	On Track - All Areas	Q3 - Seasonal campaigns have met end of year target.
G	A five -year housing land supply maintained	On Track - Conditional Elements	Q3 - On Track. Awaiting data for certain measures but indications are positive.
H	Strategic sites delivered in accordance with the Local Development Plan bought forward	On Track - Conditional Elements	Q3 - On track and progressing.
I	Affordable housing targets in the Local Development Plan achieved	On Track - Conditional Elements	Q3 - Awaiting data but indications are positive.

WE ARE MALDON DISTRICT

Place Strategic Performance

Place Outcomes

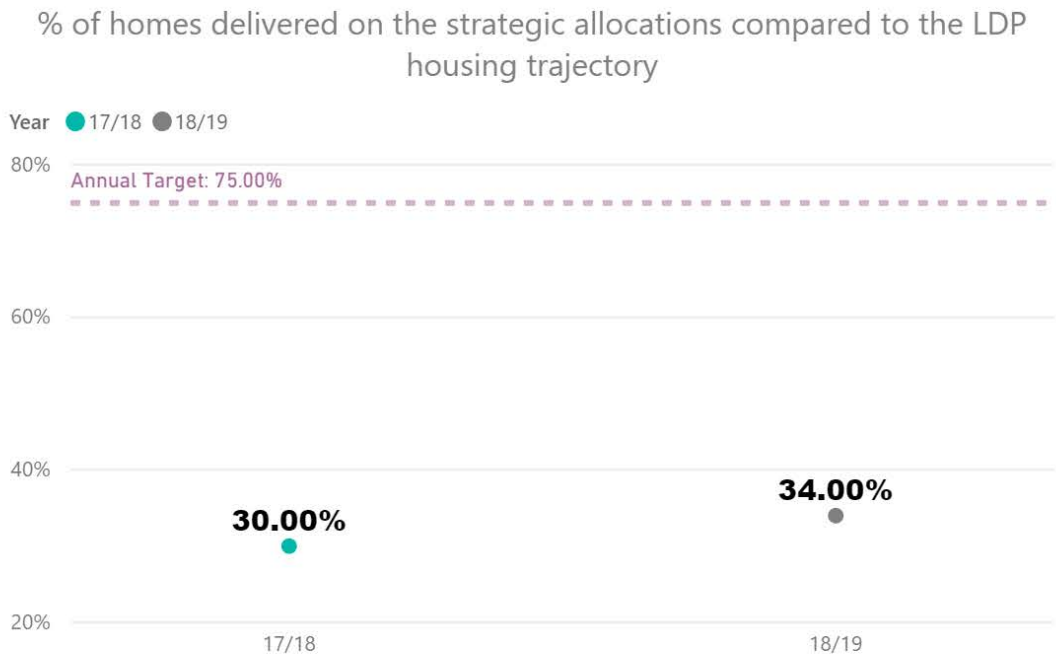| Reference	Title	Status	Commentary
J	Section 106 planning agreements are effectively discharged	On Track - Conditional Elements	Q3 - On track and progressing. S106 officer resource secured.
K	Partnerships are developed to maintain coastal defences	On Track - All Areas	Q3 - On track and progressing.
L	Improved access to Superfast Broadband across the District	On Track - All Areas	Q3 - On track and progressing.

WE ARE MALDON DISTRICT
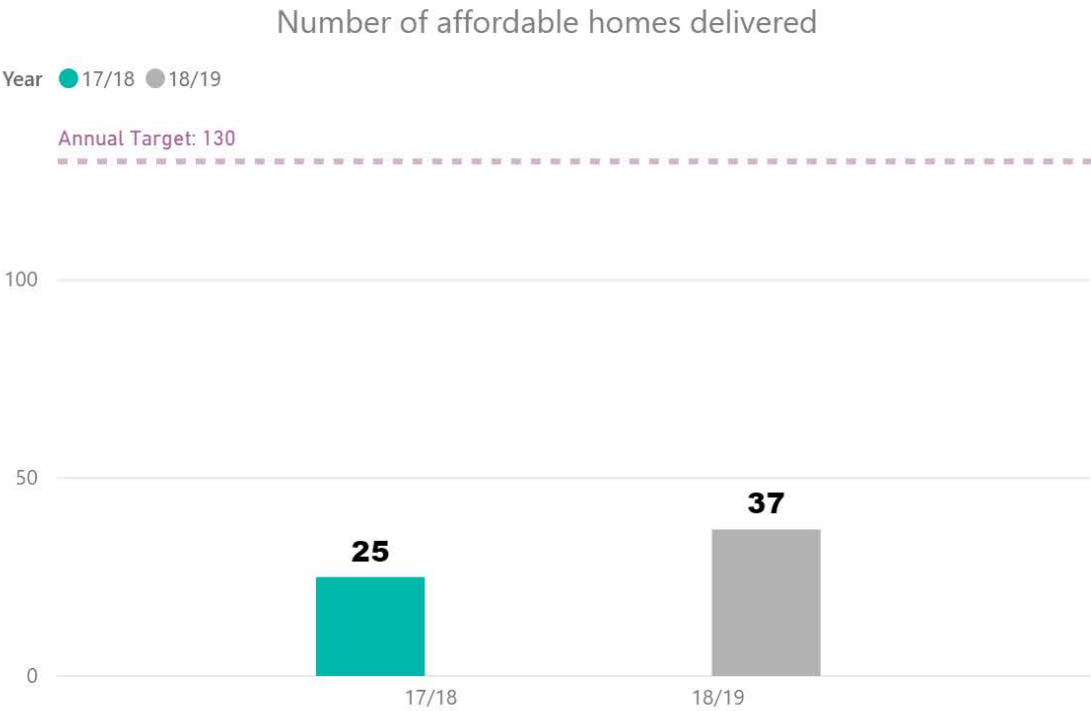
Place Performance Measures

APPENDIX 1

A) Clean and Tidy District

Public satisfaction to cleanliness & tidiness of the District

Target: Establish baseline

50.20%

19/20

Fly tipping incidents and & Removed in 24rs

% Removed ... ● 95.00% ● 100.00%

Target: 95%

- Q1: 105
- Q2: 123
- Q3: 80

B) Household Waste Reduction

Residual Waste V Recycled Waste

● % of household waste sent for reuse, recycling or composting ● % of household waste that is residual

Quarter	Residual	Recycled
Q1	38.10%	61.90%
Q2	39.14%	60.86%
Q3	44.30%	55.30%

Annual Recycling Target

C) Open Spaces

Local volunteering activity(Hrs)

Quarter ● Q1 ● Q2 ● Q3

Annual Target: 5,000.00

- Q3: 1635
- Q2: 1105
- Q1: 925.5

19/20

Public satisfacion to Flagship open spaces

Target: Establish baseline

32.00%

19/20

G) Housing Land Supply

Housing Delivery Test (HDT*) result

Year ● 17/18

101.00%

Annual Target: 95.00%

17/18

5Yr housing land supply

- 17/18: 6.34
- 18/19: 5.27

Annual Target

H) Strategic Site Developement

% of homes delivered on the strategic allocations compared to the LDP housing trajectory

Year ● 17/18 ● 18/19

Annual Target: 75.00%

30.00%

34.00%

I) Affordable Homes

Number of affordable homes delivered

Year ● 17/18 ● 18/19

Annual Target: 130

25

37

Place supporting plans

Supportive Outcome	Place Actions Plans	Status	Highlights/Low Lights	Target
C) Maintaining open spaces	Keep Britain Tidy 'Green Flag' award (well managed parks and open spaces)	At Risk 🔴	Q3 -Management Plans not in place. No submissions will be made to Green Flag Award for 2020/21 round of awards	Two applications submitted for 2020/21 awards
C) Maintaining open spaces	Progress implementation of the Green Infrastructure Strategy [GINS] findings / projects - adopted by Council May 2019	Under Review 🟠	Q3 - Strategic priority has been on draft Essex RAMS/"Bird Aware" and consultation which links to Green Infrastructure objectives & projects. Expression of Interest for Landscape Partnership funding unsuccessful. Meetings with officers from ECC/Highways/Essex Country Parks regarding Rail Trail links - agreed aspirations all round, but issues with structural defects in places to be resolved and long term maintenance considerations.	Establish internal working group to explore taking a programme management approach to GIS [similar to CAMP] to secure strategic delivery
D) Improved air quality	Development of AQMA Action Plan	Under Review 🟠	Q3 - Additional modelling being completed to establish whether by reducing the height of the boundary fence outside the Limes Guest House will provide a significant reduction in Nitrogen Dioxide levels. This will be presented at the next Steering Group meeting in January 2020. A draft action plan will be presented to the group in January.	Plan completion by Dec. 2019
D) Improved air quality	Implementation of AQMA Action Plan measures	Not Started ⚪	Q3 - Action plan measures not yet agreed a further update will be provided after the January Steering Group meeting.	Jan 2020 + implemented in accordance with agreed timetable
E) Protect our countryside and coastline	Development of a Blackwater Nature Conservation Strategy	On Track 🟢	Q3 - Next partnership meetings for Terrestrial and Marine streams scheduled for 29/1/2020. An expression of Interest for Lottery "Heritage Horizons" scheme submitted but unsuccessful (£50m scheme 'oversubscribed' by £1.34bn of projects overall...)	Initiation March 2019; 10 draft work-streams identified; workstream focus meetings planned July; whole Group meeting & review in October 2019 for further tasking.
F) Environmental Initiatives	Successfully deliver promotional campaigns to support a sustainable Place	On Track 🟢	Q3 - We have delivered and supported a number of promotional campaigns which have included the Cleaner Essex campaign, Christmas waste collections, Christmas Tree collection, #Warm Maldon. We have supported two New Homes events as well as supporting partner agencies with their Health and Flooding campaigns.	Deliver three campaigns during 2019/20
F) Environmental Initiatives	Develop and adopt an Environment and Climate Change Strategy	At Risk 🔴	Q3 - Meeting scheduled for January to discuss Climate Change Strategy and any possible amendments. Results of residents survey under analysis.	Submit draft Strategy to Committee by November 2019

Place supporting plans

Supportive Outcome	Place Actions Plans	Status	Highlights/Low Lights	Target
H) Strategic sites development	Infrastructure delivered in relation to the strategic allocations in accordance with Policy S3 and S4 and the negotiated and signed S.106 agreements	Under Review 🟠	Q3 - A review of the infrastructure completed and income received was reported to Overview and Scrutiny Committee in October 2019. Since then a S106 Officer has been appointed and a comprehensive review of all outstanding agreements is under way. There are no new risks identified at this time.	Delivery in accordance with the Infrastructure Delivery Plan
J) Section 106 planning agreements effectively discharged	All s106's are monitored in accordance with the signed legal agreement	On Track 🟢	Q3 - A review of the infrastructure completed and income received was reported to Overview and Scrutiny Committee in October 2019. Since then a S106 Officer has been appointed to the establishment and a comprehensive review of all outstanding agreements is under way. The monitoring process, including site checks will commence in February following a desktop review of outstanding agreements.	100% implementation
K) Maintaining coastal defences	To monitor delivery of the agreed 2019 Maldon District Strategic Flood Projects and Maintenance Plan and maximise grant opportunities towards local coastal defences.	On Track 🟢	Q3 - The Action Plan was last updated by partners in December 2019 with projects and maintenance works to be completed during 2020. There is a caveat that some works are dependent on a number of variables so may be delayed or deferred but the group will be kept updated. Next update due in May 2020.	80% of works/maintenance projects put forward annually are completed in accordance with the project timescales
L) Improved access to Superfast Broadband	To work with Partners to accelerate and maximise the rollout of Superfast Broadband across premises in the District.	On Track 🟢	Q3 - As Phase 2 of the Programme is completed and as reported in Q2, Phase 3 is underway and due to complete by June 2020. It has been reported that Phase 3 may take 6 months longer than planned due to the nature of the network build becoming more complex in rural areas . This impacts on 3,000 addresses across 5 Districts including Maldon (also Tendring, Castle Point, Colchester, Rochford). The Parish Councils and Broadband Champions in these areas have been updated in these areas.	94.7% Superfast broadband available by March 2020

Prosperity Strategic Performance

Prosperity Outcomes

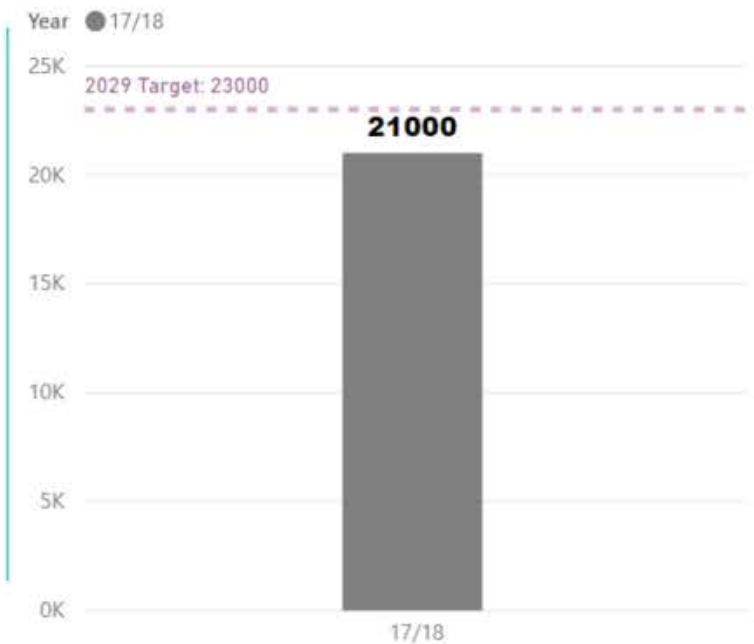| Reference	Title	Status	Commentary
A	Delivery of strategic employment sites in accordance with the Local Development Plan	On Track - Conditional Elements	Q3 - Following approval of the Council's Prosperity Strategy measures are being developed as part of the Prosperity action plan for the promotion of District Strategic Employment Sites. The details of all District Strategic Employment Sites have been shared with our Strategic Partner - Invest Essex. Data will be reported from Q4.
B	Partnership working to provide an Enterprise Centre	On Track - Conditional Elements	Q3 - Work progressing within targets
C	Rural business and diversification supported	On Track - Conditional Elements	Q3 - Following approval of the Council's Prosperity Strategy actions are being developed as part of the Prosperity action plan and in partnership with the Place Board. The need to support rural/district businesses in the creation of the Bradwell B supply chain has been identified as part of BRB engagement. Data will be reported from Q4
D	Tourism supported and encouraged	On Track - Conditional Elements	Q3 - The closure of the Tourist Information Centre has had a significant impact on the performance of the Councils tourism website and social media but over all performance is expected to recover. Annual Tourism data shows continued growth, despite regional slow down, solidifying positive performance trend.
E	Efficient and effective engagement with businesses	On Track - Conditional Elements	Q3 - Following the approval of the Council's Prosperity Strategy all Key Partners have been engaged and a map of partnership working and priorities is being developed.

WE ARE MALDON DISTRICT

Prosperity performance measures

A) Delivery of strategic employments sites

% of identified sites promoted through partners

Quarter ● Q2 ● Q3

1.0 — Annual Target 100%

0.5

0 Q2
0 Q3

Data ETA: Q4

UNDER CONSTRUCTION

Job Creation

Year ● 17/18

25K

2029 Target: 23000

21000

20K

15K

10K

5K

0K

17/18

B) Partnership working to provide an Enterprise Centre

Occupancy in the Enterprise hub

Quarter ● Q2 ● Q3

1

0 Q2

0

0 Q3

-1

Q2   Q3

Data ETA: Q4/Q1(20/21)

UNDER CONSTRUCTION

E) Efficient & Effective engagement with Businesses

No. of businesses engaged

Quarter ● Q2 ● Q3

1.0

0.5

0.0

Q2   Q3

Data ETA: Q4

UNDER CONSTRUCTION

Business satisfaction with MDC services

Year ● 19/20

Target: Establish baseline

40%

30.20%

30%

20%

19/20

D) Tourism supported and encouraged

Visitors to Maldon Website

Quarter ● Q1 ● Q2 ● Q3

Annual Target: 433728

- 0.5M
- 0.4M
- 0.3M — 182167
- 0.2M — 146100
- 0.1M — 123323
- 0.0M

19/20
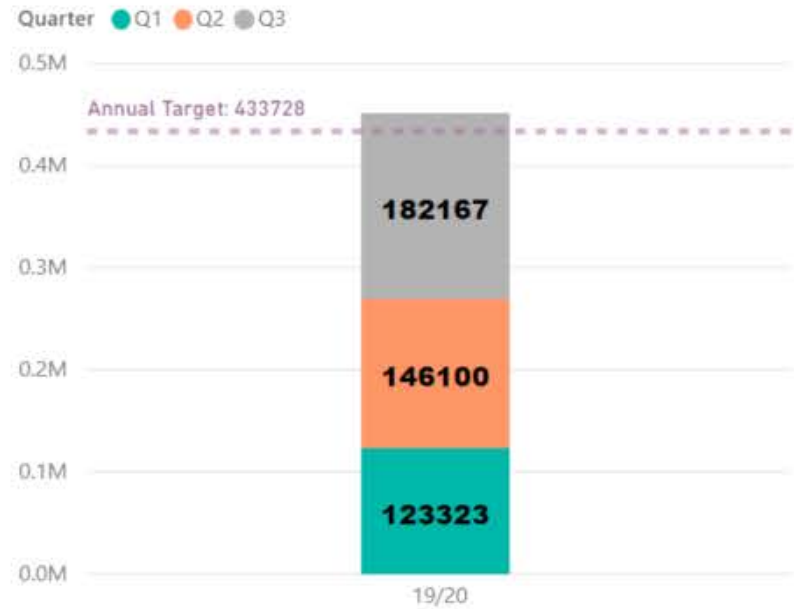
Business Tourism Benefit

Year ● 19/20

Target: Establish baseline

- 100%
- 80%
- 60%
- 40% — 30.20%
- 20%

19/20
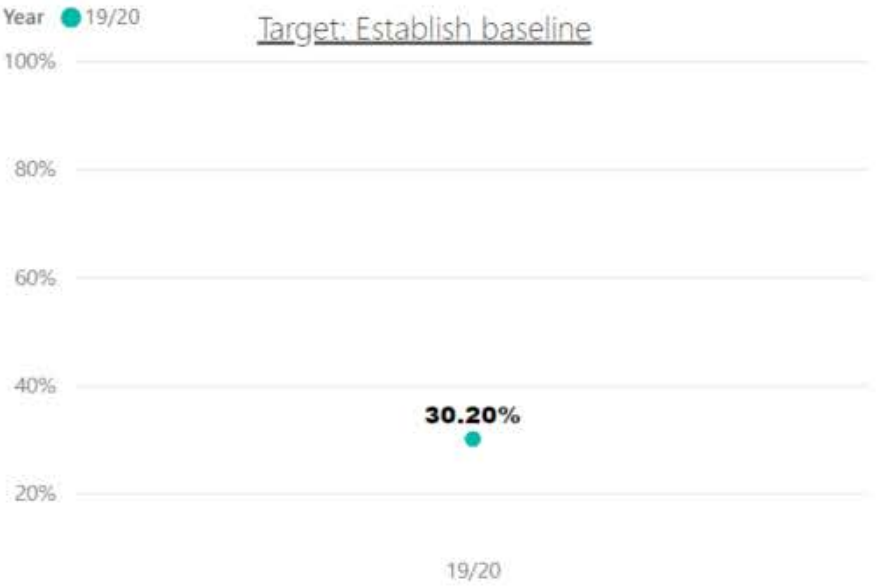
Number of tourism businesses engaged- PLACE HOLDER

- 1.0
- 0.5 — UNDER CONSTRUCTION
- 0.0

Data ETA: Q4

19/20

Tourism Spend

Year ● 17/18

Target 3%

- 10%
- 8% — 7.50%
- 6%
- 4% — Annual Target
- 2%

17/18

Prosperity supporting plans

Supportive Outcome	Prosperity Actions Plans	Status	Highlights/Low Lights	Targets
C) Rural and coastal business supported	Establish Maldon Rural Business Growth Strategy	On Track 🟢	Q3 - Following the approval of the Council's Prosperity Strategy; Rural Business Actions are being developed as part of the Prosperity Action Plan. Data will be reported from Q4	Contractual SoP Objectives met
B) Partnership working to provide an Enterprise Centre	Deliver Enterprise Centre	Not Started ⚫	Q3 - Business Case for scope of the Enterprise Centre has not started	Enterprise Centre delivered by 2025
B) Partnership working to provide an Enterprise Centre	Deliver Enterprise Hub based in Maldon District Council's building	At Risk 🔴	Q3 - Review of space, approach & security is on-going. Options are being reviewed and income from rental of space within the building is still likely in 2020, however may not meet specific enterprise (new business, start-up) objectives.	Enterprise Hub delivered by 2020
C) Rural and coastal business supported	Bradwell B project	Under Review 🟠	Q3 - The production of a Supplementary Planning Document is no longer part of the Bradwell B Programme. A Development Plan Document (DPD) for longer term impacts is now being progressed with a report going to the January S&R Committee. Maldon District Council and Essex County Council are engaged with BRB in advance of their Public Consultation and Development Consent Order application. A new target and action plan to ensure Local Businesses engaged in Bradwell B supply chain is being reviewed.	Production of Supplementary Planning Documents March 2020
D) Tourism supported & encouraged	Digital Tourism campaigns delivered	Not Started ⚫	Q3 - This action has not as yet started due to the staff resource not being in place.	TBC

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REPORT of
DIRECTOR OF SERVICE DELIVERY

to

PERFORMANCE GOVERNANCE AND AUDIT COMMITTEE
27 FEBRUARY 2020

CORPORATE HEALTH AND SAFETY (Q3)

1. PURPOSE OF THE REPORT

1.1 To provide an update on corporate health and safety activity from 1 October to 31 December 2019 (quarter three).

1.2 To show progress with the health and safety action plan for 2019-20.

2. RECOMMENDATIONS

It is recommended that the following is noted:-

(i) accident and incident statistics for the quarter;
(ii) progress with the health and safety action plan 2019/20; and
(iii) information pertaining to corporate health and safety matters.

3. SUMMARY OF KEY ISSUES

3.1 There were 4 accidents and 2 near misses reported during the quarter.

- Parks - 3 accidents: an apprentice sprained his back whilst loading sand bags onto a vehicle; a staff member fell on wet matting whilst litter picking and bumped their head on a metal bin; a staff member cut their leg when they walked into a stationary vehicle.
- Other areas – 1 accident and 1 near miss: staff member cut their hand. Although the accident happened at work, it was not a work-related accident as the cut was sustained on something not provided by the Council. Another member of staff had a near miss when he tripped on stairs.
- Member of the public – 1 near miss: involved a child on play equipment due to a protruding screw. This caused damage to clothing, insurance claim for the damage. Action was taken to deal with the protruding screw.

3.2 There has been 5 incidents of unacceptable behaviour reported in quarter 3. Three were reported by Customer Service staff; 1 was an agency referral via Environmental Health following intelligence from Social Services; and 1 was reported by Planning Enforcement.

3.3   Progress with the health and safety action plan for 2019-20 can be seen in **APPENDIX 1**. There has been virtually no progress during quarter 3 except the conflict management training for Customer Solutions staff has now taken place.

3.4   The Health and Safety Executive (HSE) visited Promenade Park, specifically the Parks Team Depot. Advice was given in relation to traffic movements within the depot, both vehicular and pedestrian. The body of the report indicating the material breaches has been reproduced in **APPENDIX 2**. As requested, evidence of action and compliance has been forwarded to the HSE. The HSE inspector has revisited the Parks Depot and confirmed all matters have been rectified as required. As fault was found, the HSE have charged a fee (intervention fee, not a fine) at a cost of £400, which is based on officer time recovery.

3.5   Prior to the Health and Safety Executive visit managers commissioned a health and safety consultant to undertake a review of our direct labour force in early November 2019. The consultant identified several recommendations which are being actioned as required.

3.6   Following the departure of staff with health and safety responsibilities during the transition period, namely first aiders and display screen assessors, replacements have not yet been nominated or training taken place. This is now becoming a priority to ensure that the Council can fulfil its health and safety obligations.

4.   **CONCLUSION**

4.1   Whist very limited progress has been made in relation to the health and safety action plan for 2019-20, officers continue to proactively monitor health and safety targeting specific areas as required as evidenced by the audit for the Parks Team. An officer working group meets on a regular basis to discuss identified issues and as capacity and stability resumes the Action Plan will be revisited.

4.2   Following the visit by an HSE inspector, works have been completed to improve traffic movements within the depot at Promenade Park. The HSE have confirmed all matters have been addressed to their satisfaction

4.3   Following a health and safety audit requested by service managers and conducted by an external consultant, many of the recommendations regarding the parks Team have been implemented and any outstanding measures are being attended to.

5.   **IMPACT ON STRATEGIC THEMES**

5.1   Managing health and safety well helps protect the workforce and wider community who may be affected by the Council's activities ensuring that communities stay safe and healthy.

6. IMPLICATIONS

(i) **Impact on Customers** – Good health and safety management reduces the number of accidents and injuries to both customers and employees alike. Reduced staff absence resulting from work related injuries or ill health ensures a better service is provided to customers.

(ii) **Impact on Equalities** – None

(iii) **Impact on Risk** – Poor management of health and safety can lead to accidents, injuries, occupational ill health or dangerous occurrences. This may result in avoidable sickness absence and these incidents may be investigated by the Health and Safety Executive (HSE). This could result in prosecution with fines or custodial sentences and an award of costs if found guilty by the courts. In addition the HSE has adopted a "Fee for Fault" policy in which it recharges the cost of investigations if liability is identified. Civil claims by individuals could lead to significant pay outs which in turn could lead to increased insurance premiums. It can also lead to poor publicity, reputational damage and impacts on staff morale.

(iv) **Impact on Resources (financial)** – No additional resources required, however, by managing health and safety, there should be less impact on financial resources as identified in (iii) above.

(v) **Impact of Resources (human)** – No additional resources are required, however, by preventing accidents and ill health, there should be less impact on human resources.

(vi) **Impact on the Environment** – Good health and safety management of the workplace, for example, management of asbestos and legionella, helps provide a safer and healthier environment in which to live and work.

Background Papers: accident and incident data (data protected); HSE correspondence; and consultant's health and safety report

Enquiries to: Gill Gibson, health and safety adviser, telephone 01621 875 813, gill.gibson@maldon.gov.uk

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HEALTH AND SAFETY ACTION PLAN 2019-20

Subject	Action Required	Timescale	Progress
Health and Safety Arrangements	To review all the corporate health and safety procedures falling due during 2019-20, ensuring they are relevant to the new future model	March 2020	• Accident and near miss reporting procedure reviewed and updated to reflect changes in staffing: new staff have been identified and made aware of the procedure. • Contractors' procedure reviewed and updated as some links were no longer working and relevant staff were reminded of this procedure. • The fire procedure is being updated on a regular basis to reflect all the changes in staffing and the relocation of staff within the Council office building.
Risk Assessments	To update and amend risk assessments, ensuring they reflect the new organisational structure: - • Strategy, Performance and Governance • Resources • Service Delivery Units	October 2019 October 2019 March 2020	• The managers of the Resources and Strategy, Performance and Governance teams have been asked to complete their risk assessments by October 2019. • Risk assessments have not yet been received from the back-office service areas: email sent 29 October 2019 asking the tier 2 managers for an update.
Hand Arm Vibration (HAV)	To respond to the Health and Safety Executive's investigation into HAV hazards and risks within the Parks Team	June 2019	• To date, the HSE has not contacted the Council following the submission of HAV information. • An appointed HSE inspector contacted the Council in October 2019 asking to visit the depot in Promenade Park: a date and time are being arranged. **This visit took place in November 2019: material breaches in the law were found in relation to workplace transport – see Appendix 2 for details. Action has been taken to comply with the law; the HSE has been informed of the action taken; the HSE inspector intends to revisit the depot in quarter 4.**
Training	To deliver health and safety training where required, to include: - • refresher first aid training and	When required	• First aid training for additional first aiders (following the departure of staff with first aid qualifications) and training for workstation assessors has not yet been organised.

	training for new first aiders • training for new workstation assessors	and June 2019 October 2019	• Conflict resolution training is currently being organised for Customer Service staff. **This training has now taken place.**

MATERIAL BREACHES – NOTIFICATION OF CONTRAVENTION

1. Vehicle/pedestrian segregation

Health & Safety at Work etc. Act 1974, Section 2(1)
The Workplace (Health, Safety and Welfare) Regulations 1992, Regulation 4(1) by virtue of Regulation 17

Vehicles and pedestrians were operating and circulating in the outdoor yard area where there was no vehicle/pedestrian segregation. Whilst there was a designated pathway running along one side of the yard, this was not clear nor were there any other measures to ensure pedestrians could cross and enter the workshop safely. The above regulations require that every workplace is organised in such a way that pedestrians and vehicles can circulate in a safe manner. This includes the safe movement of transport and pedestrian/vehicle segregation measures.

You should now:

1. So far as is reasonably practicable, provide separate traffic routes for vehicles and pedestrians.

2. Demarcate pedestrian-only areas using physical barriers, such as railings, but if this not practicable, implement other measures such as vehicle exclusion bollards, kerbing or a system of painted lines on the ground, combined with appropriate signage.

3. Provide a system in the workplace which, so far as is reasonably practicable, restricts the movement of vehicles in areas which are demarcated areas for pedestrian access.

4. Provide appropriate designated crossing places where vehicles and pedestrian routes cross.

5. Review those activities which currently require vehicles to reverse. Identify where it is practicable to eliminate the need for reversing and where this is not practicable, introduce a system to control risks from reversing vehicles, giving due consideration to:

   a. Restricting reversing to places where it can be carried out safely;
   b. Keeping people away
   c. Providing suitable high visibility clothing for people who are permitted in the area;
   d. Fitting reversing alarms to alert, or with a detection device to warn the driver of an obstruction or apply the brakes automatically; and
   e. Employing suitably trained banksmen to supervise the safe movement of vehicles.

6. Provide signage to indicate to all vehicles and pedestrians (including visitors) traffic routes and restrictions.

7. Identify and introduce a system to inform and instruct all persons who come onto site, including visitors
   and agency drivers, about the site rules.

You should email me by **20th December 2019** with evidence of the action you have taken.

I recommend that you refer to the following guidance, which is available free on the HSE website:
- A Guide to Workplace Transport Safety: http://www.hse.gov.uk/pubns/priced/hsg136.pdf
- Workplace Health, Safety and Welfare: http://www.hse.gov.uk/pubns/priced/l24.pdf

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