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

22 July 2020

Dear Councillor

You are summoned to attend the meeting of the;

PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
on **THURSDAY 30 JULY 2020** at 1.00 pm.

Please note that this will be a **remote meeting** – Members to access the meeting via Microsoft Teams. Members of the press and public may listen to the live stream on the Council's website

<https://democracy.maldon.gov.uk/ieListDocuments.aspx?CIId=284&MIId=2179>

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

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AGENDA
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
THURSDAY 30 JULY 2020

1. **Chairman's Notices**

2. **Apologies for Absence**

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

To confirm the minutes of the Committee held on 25 June 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, of which prior notification in writing has been received (no later than noon on the Tuesday prior to the day of the meeting).

Should you wish to submit a question please complete the online form at:
www.maldon.gov.uk/publicparticipation

6. **Internal Audit Reports - Progress, Community Safety, Workforce Management**
(Pages 15 - 52)

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

7. **External Audit - Audit Planning Report** (Pages 53 - 76)

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

8. **Code of Corporate Governance Report** (Pages 77 - 84)

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

9. **Annual Governance Statement Report** (Pages 85 - 96)

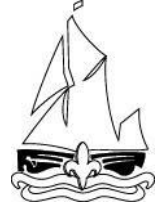
To consider the report of the Director of Strategy, Performance and Governance (copy enclosed).

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

NOTICES

Sound Recording of Meeting

Please note that the Council will be recording and publishing on the Council's website any part of this meeting held in open session. At the start of the meeting an announcement will be made about the recording.



**MINUTES of
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
25 JUNE 2020**

PRESENT

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, M S Heard, S P Nunn, N J Skeens, W Stamp, Mrs J C Stilts, C Swain and Mrs M E Thompson
In Attendance	Councillors C Mayes and C Morris

1017. CHAIRMAN'S NOTICES

The Chairman welcomed everyone to the first remote meeting of this committee, held under new regulations which came into effect on 4 April 2020 in response to the COVID-19 pandemic. She then took Members through some general housekeeping issues, the etiquette for the meeting and asked all Officers present to introduce themselves.

This was followed by a roll call of all Members present.

1018. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors B E Harker and J V Keyes.

1019. VERBAL UPDATE ON THE AUDIT OF THE STATEMENT OF ACCOUNTS

Prior to dealing with the agenda for the meeting the Chairman invited the Director of Resources to provide the meeting with a verbal update on the audit of the Statement of Accounts.

The Director of Resources reported that the draft Statement of Accounts was published on the website on 31 May 2020 ahead of this year's deadline which, as a result of COVID-19, was 31 August 2020. The External Audit commenced on 1 June 2020 and was ongoing and the deadline for the finalised audited set of accounts was 30 November 2020. Currently the audit was progressing well with the audit team communicating with council staff remotely via Microsoft Teams and other means on a daily basis

All outstanding audit requests were listed, and the schedule was maintained and reviewed regularly. There were no significant slippages or backlogs reported at this time and all audit requests had been replied to.

The auditors were sampling at the moment selecting from various parts of the process e.g. invoices. There were three more weeks of work on the virtual site until 10 July 2020 with a view to having all information compiled by the end of July 2020. External Audit has confirmed that all was still on schedule to meet the deadline and this was reviewed on a daily basis.

1020. MINUTES OF THE LAST MEETING

RESOLVED that the Minutes of the meeting of the Committee held on 27 February 2020 be approved and confirmed.

1021. DISCLOSURE OF INTEREST

Councillor Mrs P A Channer, CC, declared a non-pecuniary interest as a Member of Essex County Council in relation to any items on the agenda pertaining to that organisation.

Councillor M F L Durham, CC, declared a non-pecuniary interest as a Member of Essex County Council in relation to any items on the agenda pertaining to that organisation.

1022. PUBLIC PARTICIPATION

Mr Morris asked a question in relation to Item 7 on the Agenda End of Year Review of Corporate Performance

He believed that the council was failing some small and medium sized businesses in this current COVID-19 crisis by not giving them enough information on grants or coming forward with grants in time to save employment and businesses. He questioned whether we were going to be able to assist them as he was struggling to get the necessary information.

The Chairman advised Mr Morris that his concerns would be passed to the appropriate department.

1023. END OF YEAR REVIEW OF CORPORATE PERFORMANCE

As the Internal Audit Manager was experiencing difficulties joining the remote meeting the Chairman proposed that the Committee consider Agenda Item 7, Review of End of Year Performance, first. She then asked the Programmes Performance and Governance Manager to present the report.

The Committee considered the report, together with appendix 1, from the Director of Strategy, Performance and Governance that covered the end of year review of Corporate Performance, as at the end of quarter 4 (31 March 2020) against the Council's Thematic

Strategies. The content provided assurance that performance was being managed effectively to achieve Corporate outcomes. It also afforded the Committee the opportunity, where necessary, to make consensus suggestion of improvement.

The Programmes, Performance and Governance Manager took the Committee through the report and appendix. She reported that overall performance against measures for 2019/20 had been good. Referring to appendix 1 she drew Members attention to those areas within the three thematic strategies where there were issues around delivery of measures, largely due to the impact of COVID-19. It was noted from the appendix that the supporting plans, underpinning each of the strategies, provided the full detail on the status of each measure.

In response to questions raised by Members, Officers reported the following:-

- That in respect of thematic strategy Place ‘Maintaining Open Spaces’ the long term aim was to have management plans in place. However, with some key staff vacancies as a result of transformation and the impact of COVID-19 this work had to be re-prioritised due to competing demands. This will remain a priority.
- That the development of an Air Quality Management Assessment Action Plan was in hand. The working Group had met week commencing 22/6 and a report covering the results of the consultation was scheduled for Council on 2/7/2020.
- That where resource issues were a factor this was largely due to COVID-19 but also impacted by the fact that the Council was still operating slightly below full staff establishment. It was agreed a meeting be scheduled with the Director of Strategy, Performance and Governance, Councillor E L Bamford and Councillor Mrs P A Channer, CC, to discuss this matter further.
- That details on the year 6 transition template for Junior Schools project be circulated to Committee Members following the meeting.
- That an update on those areas in the red category, ‘target not met’ would be circulated to committee members.
- That fly tipping was a variable picture across the district and was continuously monitored and tracked and that closures due to Covid had exacerbated the situation.
- That the Council has a 5 year housing land supply, it passed the Housing Delivery Test programme from central government and was well on track. COVID-19 had impacted locally, nationally and worldwide in this area.
- That the figure of 21,000 jobs created related to the life of the Local Development Plan (LDP), progress towards the overall target.
- That knowledge transfer was a serious concern hence the reason why the Council operated a ‘handover’ process ensuring knowledge was retained. Furthermore, as a result of the transformation process, all procedures were now documented.
- That whilst turnover of staff was generally low a report would be compiled

around staff turnover detailing numbers of leavers, grades, destinations, new appointments grades and benchmarking against other like authorities.

- That information on exit questionnaires would be released if deemed appropriate under GDPR.

The Chairman thanked the Officer for the comprehensive report and Members for their input. She moved the recommendations in the report and they were seconded by Councillor Channer. The Chairman then put the recommendations to the Committee and they were agreed by assent.

RESOLVED that

- (i) Members reviewed 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 challenged the performance where the Committee felt that the Council's corporate goals may not be achieved.
- (iv) Members questioned Members and Officers on decisions and performance, relating to comparisons with the Corporate Plan outcomes or in respect of decisions, initiatives or projects.

1024. INTERNAL AUDIT REPORTS: - PROGRESS, FOLLOW-UP OF RECOMMENDATIONS AND NETWORK SECURITY

The Committee considered the report of the Director of Resources covering three reports from BDO LLP, the Council's internal audit services provider. The reports were titled:- Internal Audit Progress Report June 2020 at appendix 1; Follow-up of Recommendations Report June 2020 at appendix 2; and Network Security Audit March 2020 at appendix 3.

The Chairman introduced the Internal Audit reports and deferred to the BDO Audit Manager, to present and suggested that questions be taken following review of all three reports.

Addressing the *Progress Report* the Audit Manager advised that since the last meeting one audit had been finalised and was on today's agenda namely Network Security and that the Community Safety Audit had been issued in draft and would be considered at the next Committee meeting on 30 July 2020.

In terms of the 2020/21 Audit Plan she reported that there had been delays due to staff capacity as a result of the pandemic. She had reviewed the content with officers to ensure it was still relevant and agreed the fieldwork schedule. A detailed plan was now in place to be brought to the next committee for approval. In the meantime, the internal auditors would commence the quarter 2 audits that had been scheduled.

In respect of the *Follow-up of Recommendations* report good progress had been made in that a number of recommendations had been implemented in relation to IT Disaster Recovery and Procurement and Contract Management audits. The Disaster Recovery Plan itself had been updated and tested, therefore, a number of recommendations were now closed.

Those overdue included the Fraud Risk Assessment however this was now at a stage to progress over the summer, looking at dates for training of key staff on counter fraud. Further detail on timings around the counter fraud work would be provided at the next committee. The other overdue area was around Risk Management which was still overdue as Officers had requested a deferral to July for completion, due to staff capacity issues.

The *Network Security Audit* review resulted in a moderate level of assurance with appropriate procedures and controls in place to mitigate the key risks reviewed. A lot of good practice was identified, and internal audit made three recommendations, 1) training on IT password policy and data security via an E learning package, 2) Cyber risk assessments to be undertaken on a regular basis and documented and 3) implement an internal vulnerability scanning tool. Since the time of completion all recommendations had been implemented.

In response to questions Officers reported the following:-

- That for clarification of audit scope the Terms of reference for the Community Safety Audit be circulated to Committee Members.
- That in respect of the Flood Risk Management audit the fieldwork was completed however internal audit were awaiting information as key staff did not have the capacity to deliver due to work on COVID. It was hoped to issue a draft report within the next two weeks.
- That a detailed timetable and audit plan would be considered at the next Committee in July.
- That the Director of Resources was working on the Fraud Risk Action Plan as a priority and would report back to Committee on progress.
- That the Council had balanced the speed with which it responded to the Covid-19 Business Grants with the appropriate checks to counter fraud. Part of the follow-up work included taking part in a national initiative to drive down fraudulent activity.
- That the Director of Resources would ensure the new Member Expenses form together with the policy was available to all Members.
- That fuel receipts were no longer a requirement and the new postcode system denoting the start and end to journeys. This was also a matter of efficiencies as the cost of administering the receipts outweighed the benefits.
- That the Director of Resources would follow up on the findings around credit cards raised in a previous audit and update Members outside of the meeting.

- That the high priority recommendation reported in the Network Security Audit around IT training and budget had now been implemented using an E learning platform.

The Chairman, noting there were no further questions, moved the recommendations in the report and these were duly seconded by Councillor Durham. The Chairman then put the recommendations to the Committee and they were agreed by assent.

RESOLVED that the Committee considered, commented and approved the

- (i) Internal Audit Progress Report June 2020 at appendix 1;
- (ii) Follow-up of recommendations Report June 2020 at appendix 2; and
- (iii) Network Security Audit March 2020 at appendix 3.

1025. QUARTERLY REVIEW OF CORPORATE RISK

The Committee considered the report and appendix 1 from the Director of Strategy, performance and governance on the Risk Management Policy that required the Committee to undertake a quarterly review of the Corporate Risk Register as assurance that the corporate risks were being managed effectively.

The Chairman introduced the report and asked the Programmes, performance and Governance Manager to present it to the Committee.

The Programmes, Performance and Governance Manager addressing quarter 4 provided a summary to the Committee. She reported that the Corporate Leadership Team (CLT) had been reviewing the Risk Register on a weekly basis and that the report covered the direction of travel from quarter 3 to quarter 4. Overall there were three risks that had seen a reduction in score and three an increase. The information provided was to give Members an opportunity to review the risk management scores and challenge where there was concern on corporate delivery.

The risks that had reduced were Risk 29 – Failure to deliver services as a result of COVID-19; Risk 22 – Contracts not managed or owned not providing value for money and Risk 20 – Failure to have a Disaster Recovery/Business Continuity plan. Those reporting an increase were Risk 9 – Co-ordinated approach to inward investment and business rate growth; Risk 15 – Failure to plan and deliver balanced budget and Risk 2 – Failure to target services and influence partners around the vulnerable population. All increases were due to the impact of COVID-19.

The Chairman welcomed comments and reminded the Committee that the Corporate Risk Register was owned by CLT and Members were being asked to comment on the risk scores, not the content.

In response to questions raised Officers reported the following:-

- That in response to findings by internal audit and in line with industry standards best practice the Council had adopted the 5x5 risk rating scale.
- That the high score around Risk 9 was a reflection of the impact of COVID-19. All economic strategies from local to worldwide had been adversely impacted. The focus at the moment was applying government based business support.

- That the Director of Strategy, performance and Governance would report outside of the meeting on the status of governance within the risk register.
- That governance was naturally an audit function and the results of the recent governance audit would be reported back to Committee in September 2020.

The Chairman concluded by advising the Committee that governance was also being reviewed by the Corporate Governance Working Group and that a report, together with an audit report, would be received by the committee in September 2020.

The Chairman then moved the recommendations in the report, seconded by Councillor Heard. The Chairman put the recommendations to the Committee and they were agreed by assent

RESOLVED that

- (i) Members noted the change in scoring in this report, to reflect recent policy updates.
- (ii) Members reviewed the Corporate Risk Register in Appendix 1 and provided comment and feedback for consideration.
- (iii) Members were assured through this review that corporate risk was being managed effectively.
- (iv) Members challenged risk where the Committee felt that the Council's corporate goals may not be achieved.

1026. CORPORATE HEALTH AND SAFETY - QUARTER 4

The Committee considered the report of the Director of Service Delivery that provided an update on corporate health and safety activity from 1 January to 31 March 2020 (Quarter 4) together with appendix 1 the Health & Safety action plan 2019/20 and appendix 2 Health & Safety action plan 2020/21.

The Chairman introduced the report and deferred to the Director of Service Delivery to take the Committee through the report.

The Director of Service Delivery highlighted the incident/ accidents that had taken place. There were five accidents reported during the quarter and four incidents of unacceptable behaviour by members of the public. The areas effected were within customer services and two referrals from other agencies (1 from Police and 1 from the Department of Work and Pensions)

He advised Members that all recommendations following the Health and Safety Executive (HSE) visit to Promenade Park had been completed and following a revisit by HSE all work had been signed-off by the Inspector.

In response to questions raised by Members he responded as follows:-

- That the 'material breaches in the law' referred to in appendix 1 were to do with the layout of the depot in Promenade Park. They were serious issues that have now

been overcome by changing the layout and including clear pathway markings for staff. The Health & Safety Executive (HSE) had revisited and signed off on all the recommendations implemented.

- That the reference to ‘other outmoded practices’ in appendix 2 had also been addressed as the visit by the HSE had triggered an internal review of H&S procedures. An external advisor had been brought in and staff training undertaken to certify staff, alongside embedding robust procedures and regular risk assessments.
- That unacceptable behaviour would not be countenanced by the Council demonstrated by the stringent action taken, following physical and verbal abuse on a contractor, in the suspension of services to the resident in question and informing the police.
- That details of the intervention fee paid to the HSE would be circulated to Committee Members.
- That the Service Delivery Directorate would provide copies of recent risk assessments on parks and toilet facilities to Burnham Town Council (BTC) to share knowledge and best practice.

Following the questions, the Chairman referred the Director of Service Delivery to the final recommendation on the report namely that the ‘health and safety action plan 2020/21 be approved’. She queried whether this was feasible at this point in time given the continuing risk of infection and fluid nature of the current situation. The Director of Service Delivery acknowledged that the situation remained fluid and said it would be best to defer approval for now. It was agreed that the final recommendation be amended to read ‘health and safety action plan 2020/21 will be updated and brought back to committee for approval’.

Councillor Stamp, referring to the current difficult situation, asked that the Committee express thanks to Mr Holmes, Director of Service Delivery and his team for their hard work in maintaining the parks, toilets and refuse collections. The Chairman and Committee members agreed that staff had been outstanding during this pandemic.

The Chairman then moved the recommendations in the report and they were seconded by Councillor Heard. The Chairman put the recommendations to the Committee and they were unanimously agreed.

RESOLVED that the following was noted:-

- (i) accident and incident statistics for the quarter;
- (ii) progress with the health and safety action plan 2019/20;
- (iii) information pertaining to corporate health and safety matters; and the
- (iv) health and safety action plan 2020-21 will be updated and brought back to committee for approval.

1027. SECTION 106 UPDATE REPORT

The Committee considered the update report of the Director of Strategy, Performance and Governance that provided an update to Members on progress with S106 delivery at Appendix A.

The Chairman introduced the report and asked the Director of Strategy, Performance and Governance to present the report.

He advised the committee that this update was in response to a request at the last meeting of the Performance, Governance and Audit Committee (PGA) on 27 February 2020. An update report was due at the April PGA but given the pandemic, a briefing report had been placed on the Modern.Gov document library in March 2020, in lieu of that report.

The report today outlined the current work underway and highlighted the introduction of a new s106 reporting requirement to HM Government on Developer Contributions required for 31 December 2020. The Infrastructure Funding Statement would cover the first return period from 1 April 2019 to 31 March 2020 and this process will be repeated annually thereafter. As outlined in the report, the s106 Officer had undertaken reconciliation work and following this was organising an All Member Seminar for August/September 2020 to go through the detail of the agreement and the status of s106 projects. It was noted that some site visits had been impacted by Covid.

Following that seminar, a report would be brought back to this Committee towards year end to present the funding statement prior to the submission deadline to HM Government on 31 December 2020.

In response to questions raised he reported the following:-

- That a CIL Working Group had been established to discuss the Infrastructure Financial Statement and viability. The Council would not normally take s106 through the working group. All Members to be updated on s106 projects through the Seminar. The CIL Working Group will report to Council.
- That the Infrastructure Delivery Plan outlined the delivery elements of the s106 funding and was subject to review to determine what had changed. To reassure Members he clarified that s106 funding directly delivered projects that address the impact of development. The CIL funding will be able to bring forward wider projects as the funding criteria was more flexible.
- That CIL would not impact on the Infrastructure Delivery Plan items for s106 and all projects would be delivered. The detail to be covered at the all Member Seminar.
- That the Infrastructure Funding Statement, as previously advised, would be reported to PGA given it was reporting on the performance of the delivery of s106 projects.

The Chairman moved the recommendations in the report, seconded by Councillor Mrs Channer. The Chairman then put the recommendations to the Committee and they were agreed by assent.

RESOLVED

- (i) Members note the Briefing Report attached at Appendix A.
- (ii) In light of the possibility of continuing issues relating to site visits, it is suggested that the S106 officer time be given to the preparation of an All Member Seminar for August/September, when the “nuts and bolts “ of the process can be explored and the most up to date site information offered based on the project as it stands at that time. This would include details of the amended spreadsheet following the monitoring site visits for an up to the minute indication of progress.
- (iii) The means of agreeing the final content of the Infrastructure Financial Statement submission for December 2020 should be agreed with Members.

1028. ANY OTHER ITEMS OF BUSINESS THAT THE CHAIRMAN OF THE COMMITTEE DECIDES ARE URGENT

The Chairman thanked Members for their input and Officers for their hard work.

The meeting closed at 3.02 pm.

E L BAMFORD
CHAIRMAN



REPORT of DIRECTOR OF RESOURCES

**to
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
30 JULY 2020**

INTERNAL AUDIT REPORTS – PROGRESS, COMMUNITY SAFETY, WORKFORCE MANAGEMENT

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 - July 2020 at **APPENDIX 1**;
- Community Safety Audit – July 2020 at **APPENDIX 2**;
- Workforce Management Audit – March 2020 at **APPENDIX 3**.

2. RECOMMENDATIONS

That the Committee considers, comments and approves the:

- (i) Internal Audit Progress Report - July 2020 at **APPENDIX 1**;
- (ii) Community Safety Audit - July 2020 at **APPENDIX 2**; and
- (iii) Workforce Management Audit – March 2020 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 Director of Resources, 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.

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: Chris Leslie, Director of Resources, Maldon District Council
Greg Rubins (BDO LLP)
Emma Donnelly (BDO LLP)

INTERNAL AUDIT PROGRESS REPORT

MALDON DISTRICT COUNCIL

JUNE 2020

IDEAS | PEOPLE | TRUST



CONTENTS

	Page
Summary of 2020/21 Work	3
Review of 2020/21 Work	5
Sector Update	7

SUMMARY OF 2020/21 WORK

This report is intended to inform the Performance, Governance & Audit Committee of progress made against the 2019/20 and 2020/21 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.

As a result of the impact of Covid-19 there have been some delays to completion of the 19/20 plan and start of the 20/21 plan. We have been working with officers to minimise these and to agree audits that can be done remotely by our team. We have agreed timings on all remaining audits and our work has recommenced accordingly. The 20/21 Audit Plan will need to be flexible to accommodate new risks resulting from Covid-19; we will agree any proposed changes with the Director of Resources and the Audit Committee.

Remaining 2019/20 Internal Audit Plan

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

- Corporate Governance (issued 06 July 2020)

The following audits are in fieldwork or scheduled (confirmed with management):

- Flooding Risk Management (fieldwork completed, auditor returned from leave, expectation to issue draft report w/c 13 July 2020)

The following audits have been finalised:

- Community Safety (issued separately)
- Workforce Management (issued separately)

2020/21 Internal Audit Plan

The following audits are in fieldwork or scheduled (confirmed with management):

- CV19 Grant Assurance (fieldwork scheduled)
- CIPFA FM Code Preparedness (fieldwork scheduled w/c 13 July 2020)
- Safeguarding (fieldwork scheduled 24 July 2020)
- Workforce Management (fieldwork scheduled 17 August 2020)
- Information Management (fieldwork scheduled 16 October 2020)

- Fraud work (scheduled August 2020)

Other Reports for this Committee

- Follow Up of Internal Audit Recommendations

Recommended changes to Plan

- Safeguarding days- reduction from 20days to 15days
- Main Financial Systems- increase to 25 days (this covers both CV Grant Assurance work and follow up work on last year's review)
- Removal from plan to facilitate the above audits:
 - Corporate Plan and Priorities
 - Policy Review
- Added audits:
 - CIPFA FM Code- Preparedness- 15 days
 - Fraud work- 18 days

REVIEW OF 2020/21 WORK

Audit Area	Audit Days	Planning	Original Fieldwork	Revised date (due to CV19)	Reporting	Opinion Design	Opinion Effectiveness
Financial Systems	15	✓	Q2	Q3	TBC		
Main Financial Systems - Follow up	10	✓	Q4	Q4	March 2021		
Customer Service- CRM Post Implementation	20		Q2	Q2	November 2021		
Communications & Stakeholder Management	20	✓	Q1	Q4	March 2021		
Information Management	15	✓	Q1	Q3- w/c 16 th October	Jan 2021		
Workforce Management	15	✓	Q2	Q2- w/c 17 th August	November 2021		
Safeguarding	15	✓	Q1	Q2- 24 th July 2020	September 2021		
Knowledge Management & Transfer	15		Q4	Q2- w/c 10 th August	November 2021		
Management of Property	15		Q4	Q3	February 2021		
Housing Needs and Affordable Housing	15		Q4	Q4	March 2021		
Additions to plan							
Fraud	18	✓	N/A	Q2	September 2021		
CIPFA FM Code- Preparedness	15	✓	N/A	w/c 13 th July 2020	September 2021		
Removed from plan							

Policy Review	15						
Corporate Plan and Priorities	15						

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.

Councils could need additional £6bn to balance Covid-19 spend

The organisation analysed returns councils submitted to the Ministry of Housing, Communities and Local Government on the financial impact of the pandemic earlier this month. The LGA found that the two emergency tranches of £3.2bn allocated by the government covered costs and income losses so far, but around £2bn more is likely to be needed to cover further costs of responding to the pandemic. An additional £4bn may be needed to deal with the impact of lost income from sources such as council tax, business rates and sales, fees and charges, the LGA said - stressing these figures were based on the assumption that things return to normal in July. "Vital emergency funding from government has helped meet extra cost pressures and lost income in the past three months, James Jamieson, LGA chairman said. "Concerns remain about the ongoing financial pressures ahead. Councils will need further funding and financial flexibilities in the weeks and months ahead to meet ongoing Covid-19 pressures and to keep services running normally. "Certainty around this is desperately-needed so councils can balance their budgets this year and take vital decisions about how to pay for vital local services next year."

<https://www.publicfinance.co.uk/news/2020/05/councils-could-need-additional-ps6bn-balance-covid-19-spend>



Coronavirus: LGA statement on local government funding crisis

"Extra funding for councils will be helpful but they will need up to four times the funding they have been allocated by government so far." Cllr Richard Watts, Chair of the Local Government Association's Resources Board, said:

"Local government continues to lead local efforts to beat this virus but is being stretched to the maximum. Many councils continue to face spiralling cost and demand pressures at the same time as seeing a huge drop in income. This is unsustainable. "Extra funding for councils will be helpful but they will need up to four times the funding they have been allocated by government so far. We are working with councils to provide the most robust evidence to government on the financial challenges they face. Their latest monthly returns should show the impact of a full month of cost pressures and income reductions and the impact of lower council tax and business rates collection rates.

<https://www.local.gov.uk/coronavirus-lga-statement-local-government-funding-crisis>



Spelthorne receives 90% of commercial rent despite Covid disruption

The council has gained attention over recent years for its investment strategy, which relies on borrowing significant sums from the Public Works Loan Board to invest in commercial property. In a report on its economic response to the pandemic, the council said of the 10% outstanding rent, all but 3.6% has been addressed through rent deferral plans agreed between the council and the tenants. The council's most high-profile venture was the purchase of a £360m business park in Sunbury-on-Thames in 2016, for which it took out 50 separate PWLB loans. The report said that the council's property portfolio is valued at £1bn, and that the income is critical in funding services and tackling the Covid-19 pandemic.

"As a result of our investments, we have improved the financial resilience of and increased service delivery resources in areas such as homelessness and independent living," the report said. "This has enabled the council to pro-actively and rapidly move in response to COVID-19 to meet the needs of its vulnerable communities without reliance on government funding in advance." The council redeployed staff to almost exclusively focus on maximizing rent receipts in order to ensure rental income was received, spending around 75% of their time in March and April on the task, the report said.

<https://www.publicfinance.co.uk/news/2020/05/spelthorne-receives-90-commercial-rent-despite-covid-disruption>



Council deploys tech to identify fraud

St Albans City and District Council says it is making "good progress" in tackling fraud, after adopting new technology to identify residents who are potentially abusing council tax discounts for single occupancy. Last year, the council subscribed to a government service that pinpoints properties where suspect claims are being made, and has since begun investigating an "unusually high number" of people claiming the single person's discount of 25% for council tax. It's doing so by matching discount claims with other financial and personal data that public bodies are entitled to hold. During the first three months of this year, 139 people were identified as high risk and were sent letters stating they were in receipt of single-occupancy reduction that they were not entitled to, according to a report given to a council audit committee last week. Further investigations will begin after the coronavirus pandemic passes.

"Already, more than 100 people suspected of incorrectly claiming a council tax discount have been identified along with four council homes where there may be tenancy fraud. We will look to recover any money which the council is owed and free up properties that are in the wrong hands."

<https://www.publicfinance.co.uk/news/2020/05/council-deploys-tech-identify-fraud>



Local government has done pretty well in cyber defence, but the model only works well if you are not the first to be attacked. So, as the internet of things takes off in care and other areas of our communities, it's clear that the current reactive model to cyber defence will be severely tested. There are already some powerful lessons to be learned from other countries. It is now possible to put cyber defence on the front foot; you don't need to have seen the type of attack before to trap it and kill it.



<https://www.lgcplus.com/services/health-and-care/how-councils-can-collaborate-to-harness-the-power-of-social-care-data-05-02-2020/>

PWLB Future Lending Terms

A recent report by the National Audit Office (NAO) highlights how a minority of local authorities have started using low-cost loans from the Public Works Loan Board (a public body that lends to local authorities for capital projects) to buy investment property primarily for rental income.

The case for this 'debt-for-yield' activity can be compelling for the individual local authority. But it introduces risks locally and nationally. At the local level, it exposes ratepayers to the risk that the income does not materialise, leaving the local authority with an inflexible commitment to keep up with the repayments on their loans. Within the wider public sector, it diverts money from core services such as schools, hospitals, and roads. And, because local authorities can often access debt more cheaply than the private sector, it becomes hard for businesses to compete. In the wider economy, it could crowd out public investment, and risks distorting property markets.

The government has launched this consultation to work with local authorities, sector representatives, and wider stakeholders to develop a targeted intervention to stop this activity while protecting the crucial work that local government does on service delivery, housing, and regeneration. The government's overall aim in this is to secure the effective operation of the prudential system for local councils, taxpayers and for all of us that rely on local services.

Alongside the publication of this consultation, the government is cutting the interest rate on new loans for social housing and has offered over £1 billion of discounted lending for high-value local infrastructure projects. The government intends to cut the interest on all new loans from the PWLB, subject to market conditions, following the development and implementation of a robust lending framework co-designed with the sector through this consultation.



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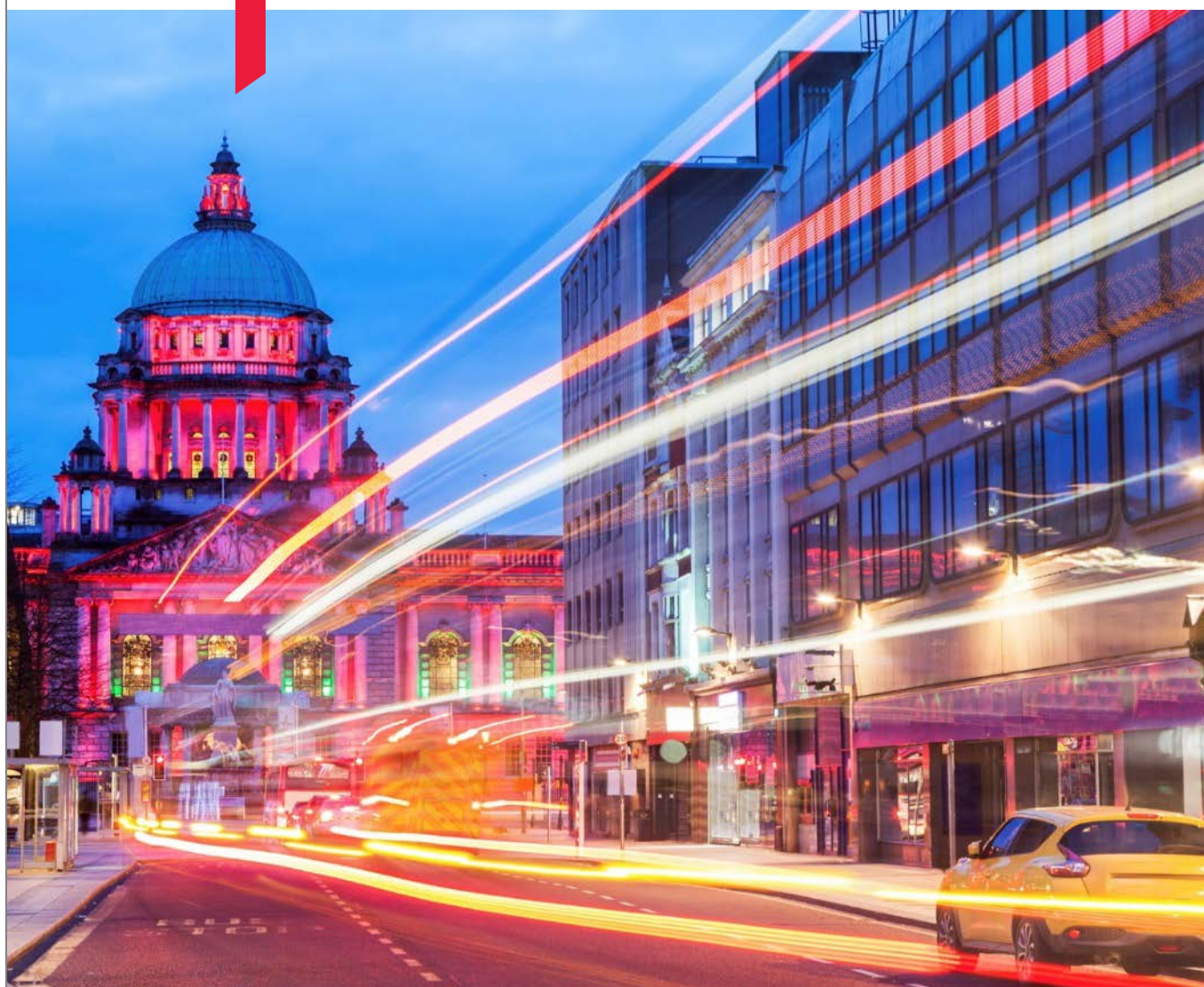
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MALDON DISTRICT COUNCIL

INTERNAL AUDIT REPORT - FINAL

COMMUNITY SAFETY
JULY 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

EXECUTIVE SUMMARY	2
DETAILED FINDINGS.....	4
STAFF INTERVIEWED.....	6
APPENDIX I - DEFINITIONS.....	7
APPENDIX II - TERMS OF REFERENCE.....	8

DISTRIBUTION

Name	Job Title
Richard Holmes	Director of Service Delivery
Spencer Clarke	Public Protection Manager

REPORT STATUS LIST

Auditors:	Chris Andre
Dates work performed:	02 - 20 March 2020
Draft report issued:	27 March 2020
Final report issued:	9 July 2020

EXECUTIVE SUMMARY**LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)**

Design	Moderate	Generally, a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of non-compliance with some controls, which may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	0
Medium	2
Low	0

TOTAL NUMBER OF RECOMMENDATIONS: 3**BACKGROUND:**

The 1998 Crime and Disorder Act sets out the statutory requirements for responsible authorities to work together with other local agencies, organisations and people, to develop and deliver strategies to tackle crime and disorder and help create safer communities. These statutory partnerships are known as Community Safety Partnerships (CSP).

Within Maldon the partnership is made up of a number of local organisations including Maldon District Council, Essex Police, Essex County Council, NHS, Essex Probation, Essex Fire and Rescue Service and voluntary organisations including Neighbourhood Watch.

Each year the CSP must undertake a Strategic Assessment which includes data analysis of levels and patterns of crime and disorder and findings from a resident's survey. The results allow the CSP to set its priorities.

Priorities 2018/19

- Tackling Violent Crime
- Driving down Anti Social Behaviour in public spaces with an emphasis on youth nuisance
- Identifying and supporting vulnerable people
- Ensuring the implantation and delivery of the Essex Police Rural Crime Strategy
- Promoting road safety and challenging irresponsible driving

Maldon have a Service Level Agreement (SLA) in place with Chelmsford Council to provide Maldon with, amongst other things, Strategic Community Safety Services. This takes the form of the Public Protection Manager who has run CSP for Maldon and Chelmsford for nine years. Despite this, they are two separate partnerships with individual assessments, priorities, action plans and reporting structures. Maldon CSP report to the Maldon Responsible Authorities Group (RAG) on a quarterly basis whose purpose is to formulate and implement the Strategic Assessment and is composed of Members and Officers, as well as individuals from Essex County Council, Essex Fire and Rescue and Mid Essex CCG.

The audit reviewed the governance of the CSP in relation to work carried out against the above priorities and utilisation of funding received, as well as completion of their statutory duties including development of the strategic assessment, oversight from the Overview and Scrutiny Committee and production of action plans.

GOOD PRACTICE:

- A Strategic Assessment was undertaken for Maldon with five priorities identified and worked upon for 19/20
- An action plan is in place for each of the priorities and includes owners and timescales for the actions
- Overview and Scrutiny Committee (meeting as the Crime and Disorder Committee) meet twice a year to review progress of the Community Safety Partnership (CSP) as is required as part of their statutory functions with regards to the CSP
- Monthly Tasking group is established, well attended and run predominantly by the Police
- Key roles and responsibilities are drawn up as part of the Strategic Assessment whilst a service level agreement is also in place due to the role of the Community Safety Partnership Manager working across two Councils

KEY FINDINGS:

- The monitoring and review of finances is not done in sufficient detail to ensure there is appropriate and fully informed oversight of the use of funding (Finding 1 - Medium)
- The Responsible Authority Group (RAG) does not meet with the required frequency as per its Terms of Reference - (Finding 1 - Medium)
- The action plan does not provide assurance over the likelihood of completion of the work and it does not appear to have been updated regularly (Finding 2 - Medium)

CONCLUSION:

Our review found that the Council has established reasonable processes and controls in place regarding the Community Safety Partnership with significant work undertaken against agreed priorities, however, monitoring and reporting of finance and progress via the action plan require improvement with insufficient detail provided to allow appropriate oversight of use of funding and progress. This has led to a final assessment of moderate assurance over the control design and moderate assurance over the control effectiveness.

DETAILED FINDINGS

RISK: THE PARTNERSHIP MAY NOT ENSURE THAT IDENTIFIED PRIORITIES ARE MET, OR THAT PERIODIC RESULTS ARE PUBLISHED (AND COMPARED TO TARGETS), TO PROVIDE ADEQUATE ASSURANCE THAT FUNDING IS BEING EFFECTIVELY UTILISED, AND THE PARTNERSHIP IS OPERATING SUCCESSFULLY

Ref	Significance	Finding
1	Medium	<p>We identified there is a lack of discussion at key oversight committees and groups regarding the financial status of the Community Safety Partnership and its use of funding provided to it.</p> <p>Annual funding is provided by the Police, Fire and Crime Commissioner for Essex with £12,527 given for 19/20. The Responsible Authorities Group (RAG) has a terms of reference (ToR) in place which states that one responsibility of the group is to ensure external and internal funds in the control of the Partnership are correctly managed. However, review of the last three sets of minutes provided for RAG did not appear to discuss funds and focused on work being completed. This was similarly the case for the Overview and Scrutiny Committee. The CSP is required to report to the Overview and Scrutiny Committee on a bi-annual basis. There was a significant amount of reporting completed with regards to what steps have been taken, what has been put in place as well as crime figures and updates from Police. However, there appears to be little discussion regarding financial performance and where they are against budget.</p> <p>It was also noted that the ToR for RAG states that it should meet at least once every three months, however, the last three meetings took place in February 2020, March 2019 and October 2018.</p> <p>Without more detailed budget monitoring and regular meetings there is an increased risk that funding is not being utilised effectively and there is insufficient oversight of this.</p>

RECOMMENDATION:

- A) RAG should meet on a quarterly basis in line with its ToR
- B) Appropriate budget monitoring should be established and updated monthly with quarterly reporting undertaken by CSP at RAG, as well as the Overview and Scrutiny Committee on a bi-annual basis, detailing budget vs actual and projected costs

MANAGEMENT RESPONSE:

It is accepted that the Responsible Authorities Group (strategic) did not meet with the frequency identified within its formal terms of reference for the dates specified within the audit. This was due to a number of factors such as the restructure of Maldon District Council and the Chair of the RAG leaving for another police force. However, it should be noted that the Community Safety Hub was implemented in March 2019 which brought together key strategic and operational partners (Council and Essex Police) into one working space and therefore meet on a daily basis. Community Safety Hub Tasking meets on a monthly basis and reviews both real time crime and the action plan of the community safety partnership.

The meeting of the RAG in February 2020 agreed that the next step for the strategic group would be to migrate to a One Maldon District which would broaden the scope of the strategic group to include topics such as health and economy but to still meet its duty as a statutory community safety partnership. The progress on implementing One Maldon District has been hampered by the Covid-19 crisis and is currently awaiting Member decision for approval. In the interim, meetings will be arranged on MS Teams to ensure that the partnership meets on a regular basis in the interim.

It is noted that financial transparency is important in terms of partnership. Finance is generally discussed at the start of the financial year when agreeing strategic priorities. The funding provided by the Office of Police, Fire & Crime Commissioner is relatively small in value and for the last three years this funding has been used to contribute towards the cost of the Community Safety Development Officer who has delivered community safety interventions using a Maldon District Council events budget. However, it is agreed that a funding paper shall be prepared for future meetings of the RAG and Overview & Scrutiny (sitting as Crime and Disorder Committee) which will include any reserves and spend/progress on the MDC events budgets and any other partnership contributions.

Responsible Officer: Spencer Clarke, Community Safety Manager

Implementation Date: 1 October 2020 (next O&S meeting)

RISK: THE PARTNERSHIP MAY NOT ENSURE THAT IDENTIFIED PRIORITIES ARE MET, OR THAT PERIODIC RESULTS ARE PUBLISHED (AND COMPARED TO TARGETS), TO PROVIDE ADEQUATE ASSURANCE THAT FUNDING IS BEING EFFECTIVELY UTILISED, AND THE PARTNERSHIP IS OPERATING SUCCESSFULLY

Ref	Significance	Finding
2	Medium	<p>Action plans have been developed which cover each of the five priorities identified and agreed as part of the strategic assessment completed annually. However, the plan is not detailed enough to provide an accurate reflection of the likelihood of completion of the work and does not appear to have been updated in all cases.</p> <p>Action plans include lead owners, timescales as well as comments, however, whilst it also includes a Status column this does not provide an accurate picture of whether they are on schedule or not. For example, two actions, one relating to the delivery of awareness raising sessions and the other to working in partnership with Anglia Ruskin University have a timescale of March 2020 (the month the action plan was received during the audit). However, one has a status of Ongoing, with the other stating Planning, and the latest comments refer to meetings scheduled to take place in October 2019.</p> <p>Additionally, one priority is to ensure the delivery of the Essex Police Rural Crime Strategy. This has one activity falling under it and that is to ensure the effective delivery of the Strategy. Actions are provided within the comments section yet due to the layout these do not have individual lead owners or timescales with current timescale for the activity recorded as Ongoing whilst the status is also Ongoing.</p> <p>Without appropriate action plans in place there is an increased risk that individuals are unaware of their responsibilities, likelihood of completion is unable to be gauged and actions are not completed resulting in priorities not being met.</p>

RECOMMENDATION:

- A) Layout of the action plan should be updated to ensure the overarching priorities have individual actions with lead owners and timescales for delivery recorded for each
- B) Include a RAG (Red, Amber, Green) rating against the actions, or against each priority, to provide a clear indication of progress when reported
- C) Update the RAG rating and comments on a monthly basis

MANAGEMENT RESPONSE:

At present, an action plan is agreed at the start of the financial year once the strategic priorities have been agreed. This is reviewed on a monthly basis at community safety hub tasking. It is accepted that the recommendations identified in the audit will improve the current action plan and it will enable partners to monitor progress in an improved manner. It should be noted that tasks under each strategic priority may change throughout the year based on demand and types of intervention required, and inevitably situations outside our control, for example the Covid-19 crisis has prevented face to face interventions within

school settings and targeted interventions with the elderly community who have been effectively shielding since March 2020. All three recommendations are accepted and will be implemented.

Responsible Officer: Spencer Clarke, Community Safety Manager

Implementation Date: 1 October 2020 (next O&S meeting)

STAFF INTERVIEWED

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

Name	Job Title
Spencer Clarke	Public Protection Manager

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.

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of the audit is to review the strategic framework, governance framework and financial framework relating to the council's community safety partnership service.

KEY RISKS:

Adequate and robust arrangements (including formal agreements, agreed priorities and oversight / monitoring) may not be in place to ensure that the Partnership complies with its statutory functions, which may result in adverse scrutiny, delivery failure, and/or loss of funding

Roles and responsibilities may not be established, to enable effective strategic and operational decision making, to determine how funding is used, and to agree and monitor service objectives. This may result in reputational damage to the Council and adverse external scrutiny

The Partnership may not ensure that identified priorities are met, or that periodic results are published (and compared to targets), to provide adequate assurance that funding is being effectively utilised, and the Partnership is operating successfully

The Council may be subject to adverse publicity, in the event that targets, and priorities are not achieved

Insufficient documentation may be retained as evidence to support priority completion, spend or outputs, and may not support evidence of achievement of objectives/priorities

SCOPE OF REVIEW:

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

- Whether the Council's Community Safety Partnership is effectively discharging its statutory duties
- Whether all partners are appropriately engaged with in the development of the CSP strategic assessment
- Whether the strategic priorities arising from the strategic assessment have action plans in place
- Whether these action plans are delivered in line with identified timeframes and that they effectively align to the priorities of the CSP
- Governance arrangements in place for monitoring of the progress of the CSP activities are effective
- Funding provided by external parties for the effective discharge of the CSP activities is being used appropriately

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.

FOR MORE INFORMATION:

Greg Rubins

Greg.Rubins@bdo.co.uk

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

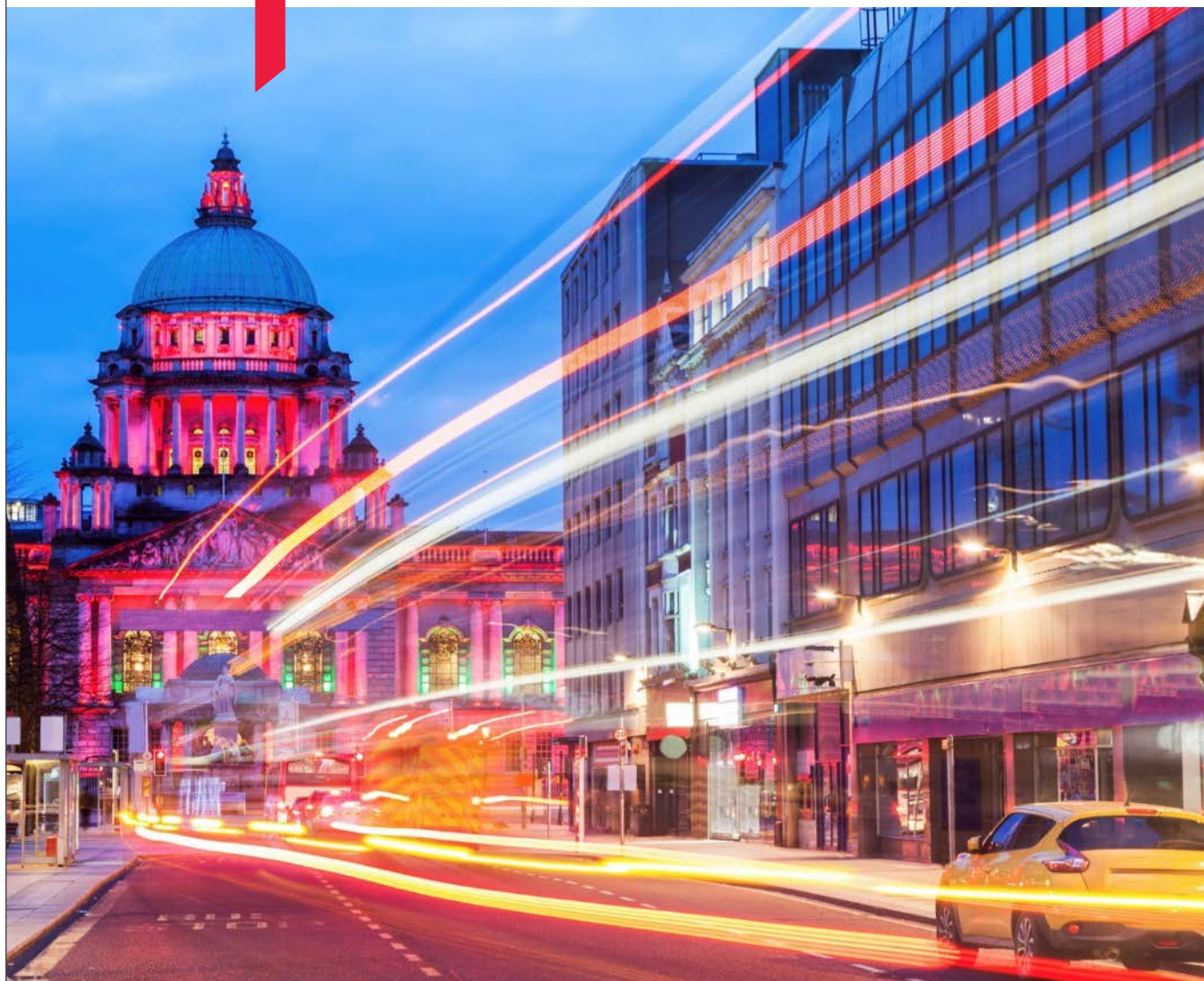
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MALDON DISTRICT COUNCIL

INTERNAL AUDIT REPORT

WORKFORCE MANAGEMENT (RECRUITMENT)
MARCH 2020

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Moderate

EXECUTIVE SUMMARY	2
DETAILED FINDINGS.....	4
STAFF INTERVIEWED	7
APPENDIX I - DEFINITIONS	8
APPENDIX II - TERMS OF REFERENCE.....	9

DISTRIBUTION

Annette Cardy	Resources Specialist Services Manager
Sam Mott	Senior Specialist - HR - Resources Directorate

REPORT STATUS LIST

Auditor	Peter Nyakunengwa
Dates work performed	18 - 20 December 2019
Draft report issued	30 January 2020
Final report issued	19 March 2020

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

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

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	0
Medium	1
Low	2

TOTAL NUMBER OF RECOMMENDATIONS: 3

BACKGROUND:

Members of Maldon District Council (the Council) have taken the decision to implement a full council transformation by delivering its Future Model by October 2019. As part of this transformation a new structure has been developed that focuses on delivering Council services through investment in the Council's information technology, becoming more customer focussed, and maximising its commercial opportunities. This transformation was imperative to ensure that the Council would continue to provide essential services to residents and businesses for the foreseeable future and create a secure and viable stand-alone Council. The new ways of working saw a reduction in staff in the current establishment whilst looking at a range of measures to limit any compulsory redundancies where possible.

Over this time frame the Council is required to maintain sufficient effective controls over its recruitment processes to support effective management of resources. Following discussion with management this review focused on the effective recruitment of staff to vacant posts. The aim of the Council is to provide a quality service to job seekers that is effective, fair, transparent and equally accessible and to recruit the number and quality of employees required to meet the needs of the service within the available resources.

The purpose of this review was to provide assurance over the design and effectiveness of the controls in place around recruitment processes and procedures and to highlight any areas where the controls might be improved.

GOOD PRACTICE:

Good practice was evidenced in the following areas:

- Comprehensive and accessible recruitment policies and procedures or checklists are in place covering all the areas under review.
- A Workforce Development Strategy exists which reflects on corporate priorities, identifies HR priorities and sets timescale for actions.
- HR staff are experienced and qualified, and adopt a structured approach to ensure necessary procedures are followed.
- Adequate consideration has been given to the various options to fill the vacant posts with initial searches being made from within the Council.

KEY FINDINGS:

Below is a summary of key findings we noted during the review:

- It was not possible to assess compliance with training for new staff as records are deleted when a training course is amended (Finding 1 - Low)
- Evidence of qualifications were not obtained on 2 out of 15 external recruits we tested and there was no approved waiver for this (Finding 2 - Low)
- There is scope to develop more sophisticated KPIs for the HR function in line with the new Workforce Strategy. This could include, for example, staff who leave within 90 days of recruitment (Finding 3 - Medium)

CONCLUSION:

Based on our review we have raised one medium and two low level recommendations to improve the Council's recruitment processes and procedures.

The controls across the recruitment processes examined are generally well designed, with some exceptions regarding access to training compliance and records of qualifications for candidates. We have raised one medium finding relating to lack of a HR performance balanced scorecard for measuring progress towards the Workforce Strategy. Consequently, we conclude substantial assurance over the design of the controls and moderate assurance over their operational effectiveness.

DETAILED FINDINGS

RISK: FAILURE TO PROVE TRAINING COMPLIANCE ON REGULATORY ISSUES SUCH AS GDPR REQUIREMENTS.

Ref	Significance	Finding
1	Low	<p><u>Backups on e-learning training modules</u></p> <p>The Council has an online training platform that it uses to train new and existing staff on relevant courses. Currently it offers the following training modules for its staff, GDPR, Safeguarding, Freedom of Information P1 & P2, Core Values, Health and Wellbeing and Emotional Intelligence. Some of the training modules such as GDPR, Safeguarding and Core Values are mandatory of all new staff.</p> <p>In our review we noted that each time a system or content update is made to a mandatory intranet e-learning modules, the records of percentage completion for those whom may have already completed or part completed the altered module are cleared and zero-rated without keeping a back-up list of staff that have completed the module. Whilst the system supplier has a backup of the training records, these are not held on site by the Council.</p> <p>This may make it difficult to readily demonstrate training compliance to on regulatory issues such as GDPR.</p>

RECOMMENDATION:

A back-up of all completion status be stored locally prior to any system/module update.

MANAGEMENT RESPONSE:

A record of all staff training completions will be collated and stored centrally for each financial year. The first report will be from Nov 19 to March 20 following a system refresh in Nov. Data prior to Nov 19 is held by Connect & Learn and can be accessed via the company.

Responsible Officer: Annette Cardy

Implementation Date: Mid April 2020

RISK: UNAUTHORISED/ INADEQUATE RECRUITMENTS BEING MADE FOR THE COUNCIL.

Ref	Significance	Finding
2	Low	<p><u>Vetting process</u></p> <p>Of the 15 new-starters files reviewed 2, representing 13.33% of the sample were found not to have qualifications on record. We were informed that the qualifications held by post holders were not relevant to the advertised roles so these were not sought.</p> <p>The job descriptions for one of the two roles without verified qualifications (i.e. Horticulture Apprentice) explicitly requires that the candidate should have "<i>Attained qualifications which demonstrate good levels of numeracy and literacy.</i>" Therefore, without the copies of qualifications on file it cannot be ascertained whether the current job holder meets the set criteria above.</p> <p>The other job description (i.e. Resources Casework Co-ordinator responsible for Resources Caseworkers) requires the successful candidate to have "Level 1: Good standard of education with a minimum of 5 GCSEs or equivalent experience.)" The HR function do not hold any qualifications or waiver of qualifications on file for the person who currently holds this post.</p> <p>This poses the risk of the Council making unqualified and or unauthorised recruitments.</p>

RECOMMENDATION:

Education verification be enforced on all roles within the Council irrespective of the job rank or where an individual acquired his or her qualification.

Where equivalent years of experience are sought, a waiver of qualification should be signed and approved by the CLT.

MANAGEMENT RESPONSE:

Apprentices are tested for core skills via the NVQ Apprenticeship acceptance programme and thus evidence is not required separately by MDC.

There are robust mechanisms to test skills. We are fully aware that the policy advises to check all qualifications but if these are very old so as to not be relevant we test skills in other ways which was the circumstances in the 2nd case sampled.

We plan to review Person Specifications in new roles to only include the need to look for technical qualifications are required for specific roles and to test numeracy, literacy etc via the application process.

Responsible Officer: Annette Cardy

Implementation Date: Completed

RISK: FAILURE TO UNDERSTAND HOW EFFECTIVELY THE COUNCIL IS PERFORMING AND HOW TO IDENTIFY THE EXTENT TO WHICH IT IS MEETING KEY GOALS AND OBJECTIVES.

Ref	Significance	Finding
3	Medium	<p><u>HR Key Performance Indicators</u></p> <p>Current KPI reporting capability has been very limited and labour intensive, the Council has not been measuring success with updated HR key performance indicators (KPIs) that would help it better understand whether it is accomplishing the HR objectives in a way that is in line with the overall Council strategy.</p> <p>These could include but are not limited to the following:</p> <ul style="list-style-type: none"> - Employee competency - Percentage of Cost of Workforce - Salary Competitiveness Ratio (SCR) - Benefits Satisfaction - Culture KPIs - Employee Satisfaction Index - New Hire 90-Day Failure Rate - Number of Diversity & Inclusion Initiatives Implemented

RECOMMENDATION:

Over and above the traditional HR measures like sick days, absenteeism, and employee satisfaction the Council should develop HR KPI's which recognise the changing role of HR, are aligned with key business needs, and enable the function to demonstrate progress against the HR workforce development strategy.

MANAGEMENT RESPONSE:

Agreed that internal PI's are measured and have targets to drive continuous performance. New PI's will be set up for the new financial year 2020.21 and monitored regularly.

Responsible Officer: Annette Cardy

Implementation Date: May 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.

Sam Mott	Senior Specialist HR Resource Directorate
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Rhiannon Saffell	Resources Caseworker (Level 2)
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Lisa Ashford	Resources Caseworker (Level 2)
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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.

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW

The purpose of this review is to consider the design and effectiveness of the controls in place around recruitment and to highlight any areas where the controls might be improved.

KEY RISKS

- There is not an agreed and effective Recruitment or Workforce Strategy
- Ineffective policies and procedures to support the recruitment process
- Staff involved in the recruitment process have insufficient capacity, experience, training or knowledge to fulfil the duties expected
- Inadequate consideration has been given to the various options to fill the vacant post i.e. secondment, job-sharing etc.
- Stages along the recruitment process are subject to inadequate approval
- Recruitment campaigns are not robust or sufficient to attract suitable candidates
- Recruitment information publicised is not up-to-date and is not in plain language and accessible
- Use of agencies to recruit is ineffective and/or inconsistent
- Vetting process applied to preferred candidates is inadequate to allow effective recruitment
- Key performance indicators are not set and/or adequately reported regarding the recruitment process
- Departing staff knowledge is not captured to support the future recruitment to vacant posts
- Proactive recruitment campaigns are not performed e.g. apprentice days, school fairs etc.
- Inadequate high level procedures are in place regarding the safe recruitment of staff.

SCOPE OF REVIEW

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

- Check that there are adequate policies and procedures in place to cover all stages of the recruitment process.
- Review of whether management has considered different options for filling vacancies, such as by secondments, job-sharing arrangements and whether advertising is used as an effective means of publicising vacancies.
- Review of the assessment, interview and shortlisting process; the capacity, experience and training of those carrying out the interviews; and the adequacy of documentation on Firmstep to help identify the most suitable applicant/s for a given role
- Review of approvals in place, from initiation of recruitment activity to final appointment of a new employee, including the signing of contracts by both parties before commencement of employment
- Review of induction process in place to familiarise new joiners with the Council, including mandatory training in areas such as GDPR.
- Review of arrangements in place to ensure that those acting up in more senior roles are adequately assessed and equipped for the role and undergo expected evaluations.
- Review of vetting process and pre-employment checks conducted prior to an employee commencing work at the Council.

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.

FOR MORE INFORMATION:

Greg Rubins

Greg.Rubins@bdo.co.uk

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

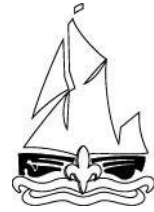
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REPORT of DIRECTOR OF RESOURCES

to
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
30 JULY 2020

EXTERNAL AUDIT - AUDIT PLANNING REPORT TO 31 MARCH 2020

1. PURPOSE OF THE REPORT

- 1.1 To present the Committee with the External Audit planning report for the 2020 audit (**APPENDIX 1**) produced by Deloitte LLP. It is designed to help the Council meets its governance responsibilities in relation to audit.

2. RECOMMENDATION

- (i) that the External Audit Planning report as shown in **APPENDIX 1** be noted;

3. SUMMARY OF KEY ISSUES

- 3.1 This report is for Members' information only.
- 3.2 The External Audit Planning Report to 31 March 2020 as attached at **APPENDIX 1** sets out the work that Deloitte LLP has undertaken on behalf the Council.
- 3.3 The report provides details on risk assessment processes, pension liability, valuation of property, value for money and the timeline of reporting to those charged with governance.

4. CONCLUSION

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

5. IMPACT ON CORPORATE GOALS

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

6. IMPLICATIONS

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

- (iii) **Impact on Risk** – None.
- (iv) **Impact on Resources (financial)** – The cost of these third-party services is within the Council's budget.
- (v) **Impact on Resources (human)** –None.
- (vi) **Impact on the Environment** – None.

Background papers: None.

Enquiries to: Chris Leslie, Director of Resources, (chris.leslie@maldon.gov.uk)



Maldon District Council

Audit planning report to the Audit Committee for the year ending 31 March 2020

Issued on 9th July 2020 for the meeting on 30th July 2020

01 Preliminary planning report

Introduction	3
Our audit explained	5
Scope of work and approach	6
Continuous communication and reporting	8
Significant risks	9
Other areas of audit focus	11
Value for money conclusion	13
Coronavirus (COVID-19) outbreak	14
Purpose of our report and responsibility statement	16

02 Appendices

Appendix 1 - Fraud responsibilities and representations	17
Appendix 2 - Independence and fees	18

The key messages in this report:

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

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

Page 57

I have pleasure in presenting our planning report to the Audit Committee for 2020 audit. I would like to draw your attention to the key messages of this paper:

Scope of our work

Our audit work will be carried out in accordance with the requirements of the Code of Audit Practice ('the Code') and supporting guidance published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General.

The Code sets the overall scope of the audit which includes an audit of the accounts of the Council and work to satisfy ourselves that the Council has made proper arrangements to secure value for money (VFM) in its use of resources. There have not been any changes to the Code, itself, and therefore the scope of our work is broadly similar to the scope of work set for your auditor in the prior year.

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

Areas of focus in our work on the accounts

We summarise below the area of significant audit risk we have so far identified:

- Management override of controls – auditing standards presume there is a risk that the accounts may be fraudulently misstated by management overriding controls. Key areas of focus are: bias in the preparation of accounting estimates; inappropriate journal entries; and transactions which have no economic substance.

We have also identified the following as other areas of audit focus:

- Pension Liability
- Valuation of Property, Plant and Equipment

Auditing standards also presume there is a risk of fraud in revenue recognition. Following an analysis of the Council's income streams, we have rebutted this presumption similarly to the previous year. The key factors considered include: the amount of annual income from each source; the transaction size; the extent of any estimates; and the complexity of the recognition principles.

The key messages in this report:

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

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

Areas of focus in our work on VFM

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

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

Covid-19

The global Coronavirus (Covid 19) pandemic has had a significant impact on audits across all sectors. We have summarised this on page 14 and 15. As the full impact continues to develop we will keep this under review but we will be performing additional procedures on a range of areas.

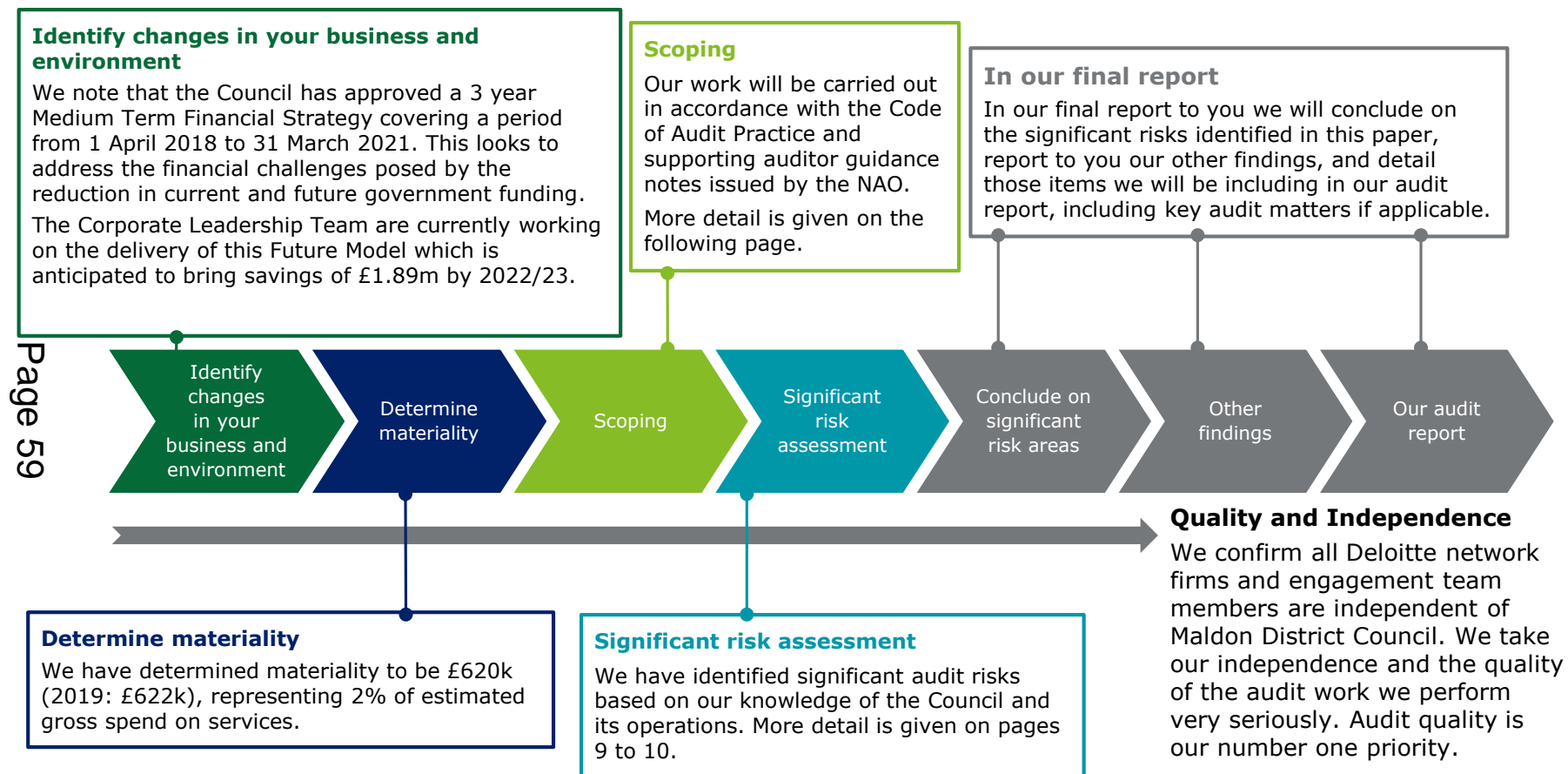
Follow-up on prior year recommendations

During the course of our previous year's audit we identified a number of internal control findings which we will follow up on in the current year's audit.

Craig Wisdom
Lead audit partner

Our audit of the statement of accounts explained

We tailor our audit to your Authority



Scope of work and approach

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

Opinion on the Council's financial statements

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

We report on whether the financial statements:

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

Opinion on other matters

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

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

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

Value for Money conclusion

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

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

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

Whole Government Accounts

We are required to issue a separate assurance report on the Council's separate return required to facilitate the preparation of the Whole of Government Accounts.

Our work on the return is carried out in accordance with instructions issued by the NAO and typically focuses on testing the consistency of the return with the Council's financial statements, together with the validity, accuracy and completeness of additional information about the Council's transaction and balances with other bodies consolidated within the Whole of Government Accounts. We are also typically asked to report to the NAO on key findings from our audit of the accounts. The NAO has not yet issued its instructions for the current year.

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

Scope of work and approach (Continued)

Our approach

Liaison with internal audit

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We have attended audit committees and we have been sighted on the progress Internal Audit. We will review their reports issued as part of the 2019/20 internal audit programme. We consider the findings from their work and where significant control weaknesses are identified, we consider the impact on the scope of our own work.

Approach to controls testing

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

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

Materiality

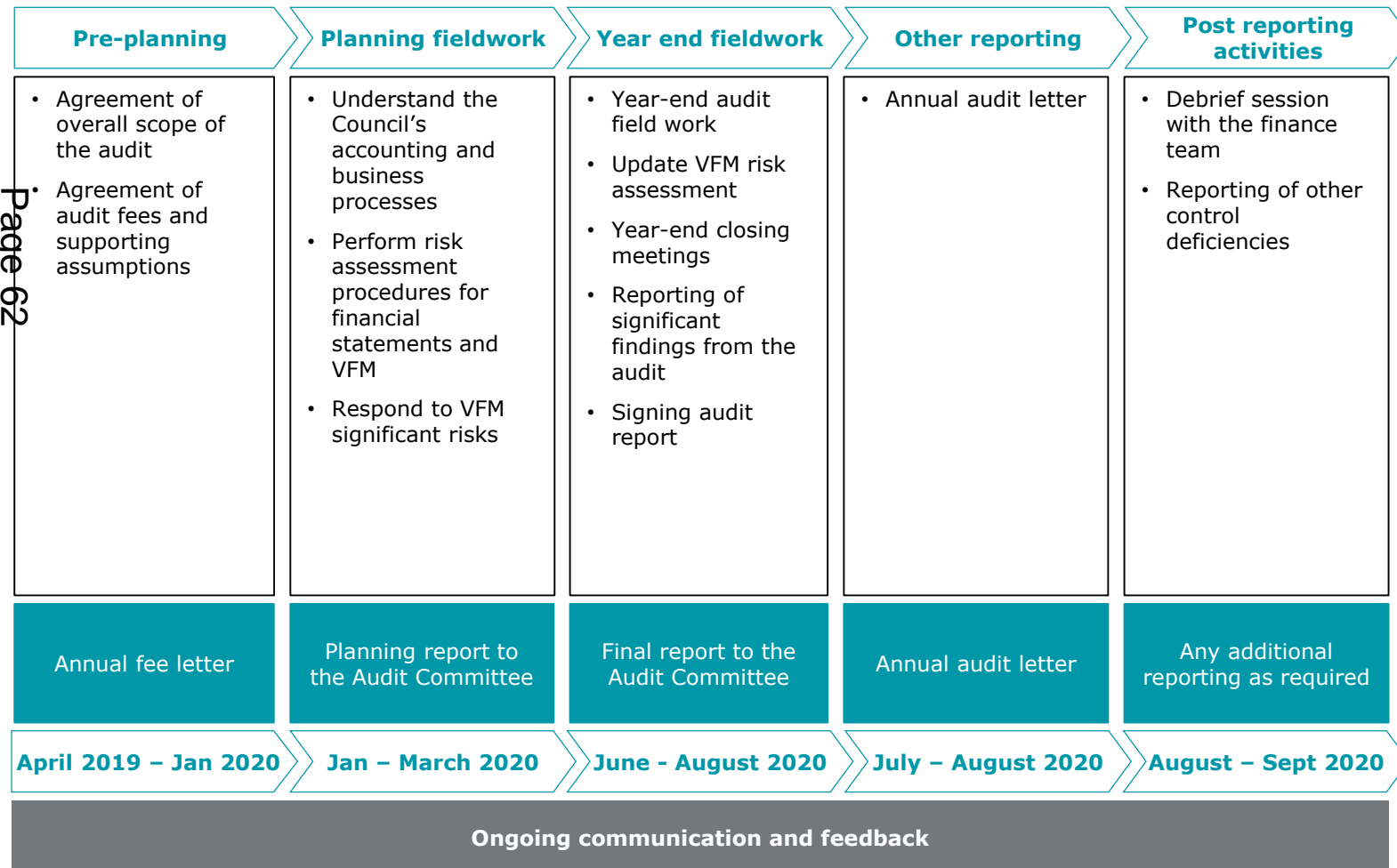
The audit partner has determined materiality as £620k (£622k), based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.

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

Continuous communication and reporting

Planned timing of the audit

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



Significant risks – statement of accounts

Our risk assessment process

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

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

Deloitte view

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

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

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

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

IAS 1 Critical accounting estimates

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

Principal risk and uncertainties

- The biggest risk to the Authority is the future uncertainty around funding. There is a significant funding gap identified in the Medium Term Financial Strategy
- Ongoing uncertainty on the future system of local government funding and how Maldon will fare within it.
- The new system for the Business Rates retention is being moved away from the 100% retention scheme originally proposed to a lower percentage.

Prior year significant audit risks (financial statements)

- Management override of controls

Changes in your business and environment

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

The impact of Covid 19, whilst primarily post year end, has put pressure on future financial sustainability.

Significant risk

Management override of controls

Risk identified	<p>In accordance with ISA 240 (UK and Ireland) management override of controls is a presumed significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Authority's controls for specific transactions. The key judgments in the financial statements are those which we have selected as areas of audit focus; valuation of the Authority's properties and pension liability. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.</p>
Our response	<p>In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:</p> <ul style="list-style-type: none">• We will risk assess journals and select items for detailed follow up testing. We do this by using computer-assisted profiling to identify journals which have characteristics of increased interest. We will then test the appropriateness of journal entries selected through this profiling activity, and other adjustments made in the preparation of financial reporting.• We will review accounting estimates for evidence of bias that could, in aggregate, result in material misstatements due to fraud. Other areas of estimation in addition to the above include provisions (of which the most significant is the provision for NNDR appeals), bad debt provisions and estimation of depreciation based on a selection of useful economic lives.• We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.

Other areas of audit focus

Pension liability (LGPS)

APPENDIX 1

	Pension Assets	Pension liabilities	Net pension deficit
2018/19	£50.9m	£76.5m	£25.5m
2017/18	£48.1m	£74.5m	£26.5m

Risk description

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

As at 31 March 2019, the Council had a £25.5m pension deficit on its balance sheet. Pension assumptions are a complex and judgemental area and the calculation is reliant on accurate membership data provided to the actuary.

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

LGPS

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

Further risk assessment procedures and planned response

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

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

We will review and challenge the calculation of the McCloud case on pension liabilities and review the disclosure within the accounts against the code.

We will consider the impact of Covid 19 on pension asset valuations.

Other areas of audit focus (continued)

APPENDIX 1

Valuation of Property, Plant and Equipment and Investment Property

	Cost	NBV	Investment Property
2018/19	£43.7m	£34.9m	£2.7m
2017/18	£42.6m	£34.6m	£2.0m

Risk description	Further risk assessment procedures and planned response
<p>The Council held property, plant and equipment of £34.9m and Investment Property of £2.7m at 31 March 2019 which are required to be recorded at current or fair value at the balance sheet date.</p> <p>Valuation of property assets and investment property is an area of audit focus due to the inherent degree of complexity, estimation and potential variability in the valuation methodologies that can be applied.</p> <p>The Council's material assets are reviewed annually as at 31 December, these are the Council offices and 2 leisure centres.</p> <p>For the remainder of the operational assets, the financial year to 31 March 2019 represented year three of a five year rolling programme in which 20% of the portfolio was revalued. For those assets not revalued in year, they are reviewed at year end for any material changes since the last valuation date.</p> <p>In the current year there is increased uncertainty over the valuations due to Covid 19 and it is expected that the Councils valuers will include a material uncertainty clause in the valuation that is provided.</p>	<ul style="list-style-type: none"> We will use our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions used in the year-end valuation of the Council's property portfolio, including considering movements compared to those of other councils performing valuations for 2019/20 We will check whether any adjustments to the value of previously capitalised works are required and how these have been calculated. We will challenge management's assessment as to whether any impairment arises in respect of newly capitalised expenditure. We will consider the impact of uncertainties relating to the UK's exit from the EU upon property valuations in evaluating the property valuations and related disclosures. We will consider the impact of Covid 19 on asset valuations including the material uncertainty included by the Councils valuer. It should be noted that it is likely that we will include an "Emphasis of Matter" paragraph in the audit opinion which will draw attention to this uncertainty. This is not a qualification or modification of the audit opinion.

Value for money

Our risk assessment process and significant risks

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

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

Our risk assessment procedures include:

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

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

We have not identified any significant risk from our work to date.

Coronavirus (COVID-19) outbreak

How is Deloitte responding?

Deloitte has been closely monitoring and managing our response to the COVID-19 situation since its inception in order to be able to respond as necessary. The health and safety of our people is paramount, but we are doing our utmost to ensure we can complete audits to required timetables. We summarise below how we are responding.

Impact on our audit and our response

We have Business Continuity Plan ('BCP') arrangements which align to ISO 22301. Our BCP for the firm has been enacted to consider and mitigate the impact of COVID-19 across our operations. The health and safety of our people and those we work with comes first. This includes the provision of advice and support to staff and associates, development of response plans, and upgrades to our IT infrastructure to increase capacity for secure remote working.

We have the capability to work remotely with our audited entities, utilising a number of collaboration tools, including Deloitte Connect (a tool that facilitates secure two-way dialogue between the Deloitte team and management to effectively manage engagement co-ordination) and MS Teams allowing us to collaborate and supervise activities.

We have adequate server capacity for all our people to work remotely. A key element of our contingency planning strategy has been to advise all our people to take their laptops home with them each evening and over weekends so they are able to work from home as the need arises.

We are in regular contact with regulators as well as other Deloitte Member Firms to co-ordinate and understand the impact locally so we can execute global audits.

Internally, we have travel restrictions in place and we have implemented meeting and congregation protocols to try to minimise contagion. We are also reviewing team compositions to try to minimise the risk of full teams being disrupted.

Coronavirus (COVID-19) outbreak

How is Deloitte responding? (continued)

Impact on Maldon District Council's statement of accounts

The impact of the outbreak on the annual report and financial statements including:

- Principal risk disclosures
- Narrative report to include COVID 19 section
- Property valuation material uncertainty

Subsequent events due to fast changing environment.

Changes to the requirement and nature of Council's financial planning.

Impact on our audit

Impact on the audit including:

- Resource planning to adapt to the extended audit timeline.
- Logistics regarding travel and meetings with Council personnel will be resolved through the use of Sharepoint and Teams meetings.
- Potential changes to our significant risk areas and adapting our audit approach in a number of non significant risk areas due to changes in our risk assessment.
- Emphasis of matter paragraph on the material uncertainty around valuations will be included in our audit report.

Following our interim audit visit, we revisited our risk assessment and the related audit procedures. The key areas we considered were:

- areas where the control environment may have altered, for example with more staff working remotely;
- Fraud risks more generally as there is an increased opportunity and incentive to commit fraud due to the current situation;
- Valuation of council assets including the material uncertainty included by the Councils valuer;
- Valuation of Pension assets which has a 31 March 2020 year end when the market was particularly volatile; and
- Whether there is the potential for increased levels of irrecoverable debt.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

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

What we don't report

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

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

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

Use of this report

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

Other relevant communications

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

Deloitte LLP

Deloitte LLP

St Albans | 9 July 2020

Appendix 1 - Fraud responsibilities and representations

Responsibilities explained



Your Responsibilities:

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

Our responsibilities:

- We are required to obtain representations from your officers regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the statement of accounts as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the risk of valuation of land and buildings, capital expenditure and management override of controls as key audit risks for your organisation.

Fraud Characteristics:

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



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

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

Appendix 1 - Fraud responsibilities and representations

Inquiries

We will make the following inquiries regarding fraud:



Officers:

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

Internal audit

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

Those charged with governance

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



Appendix 2 - Independence and fees

Independence

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

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2020 in our final report to the Audit Committee.

Non-audit fees

There are no non-audit fees.

Independence monitoring

We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We have no other relationships with the Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.

Appendix 2 - Fees

The professional fees expected to be charged by Deloitte in the period from 1 April 2019 to 31 March 2020 are as follows:

	£
Financial statement audit under the NAO's Code of Audit Practice [1]*	37,942
Additional fee for change of scope due to COVID-19 [1]*	TBC
Total audit fees	37,942

[1] The fee reflected here is the scale fee. In line with recent PSAA correspondence that scale fees should be negotiated by individual s151 officers. In addition, we expect to incur additional costs due to changes in the scope of the audit due to the impact of the Covid 19 pandemic. We are currently discussing with the Authority the current level of fee.

* All additional fees are subject to agreement with PSAA.

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REPORT of DIRECTOR OF STRATEGY, PERFORMANCE AND GOVERNANCE

**to
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
30 JULY 2020**

CODE OF CORPORATE GOVERNANCE REPORT

1. PURPOSE OF THE REPORT

- 1.1 To provide a revised Code of Corporate Governance for adoption, in line with best practice.

2. RECOMMENDATIONS

- (i) To adopt the draft code of corporate conduct provided as **APPENDIX A**;
- (ii) That Performance, Governance and Audit Committee use this framework as a way to monitor progress of actions set out in the Annual Governance Statement;
- (iii) That a quarterly report of Annual Governance actions is provided for Performance, Governance and Audit committee review.

3. SUMMARY OF KEY ISSUES

- 3.1 The current Code of Corporate Governance published to the Maldon District Council (MDC) website was adopted in 2009
https://www.maldon.gov.uk/downloads/file/10213/code_of_corporate_governance
- 3.2 Chartered Institute of Public Finance and Accountancy (CIPFA) a 'Delivering Good Governance in Local Government' Framework was updated in 2016, with CIPFA and SOLACE recommending additional/ a change in the areas that should be addressed to ensure good local governance <https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>
- 3.3 The draft code appended to this report has been created in line with the updated CIPFA guidance and recommended best practice around Good Governance in Local Government, following recent officer attendance at a CIPFA course.

4. CONCLUSION

- 4.1 The updated code has been put together in line with best practice, and is intended as a background mechanism for Performance, Governance and Audit committee to review and track the actions associated with the Annual Governance Statement.

5. IMPACT ON STRATEGIC THEMES

- 5.1 The updated governance strategy will support the ‘performance and efficiency’ target set out within our corporate plan, which helps to underpin the strategic delivery.

6. IMPLICATIONS

- (i) **Impact on Customers** – Good governance will support good public perception of the way MDC delivers its services.
- (ii) **Impact on Equalities** – n/a
- (iii) **Impact on Risk** – Clearer governance processes and updated policies will limit our Corporate Risk.
- (iv) **Impact on Resources (financial)** – n/a
- (v) **Impact on Resources (human)** – n/a
- (vi) **Impact on the Environment** – n/a
- (vii) **Impact on Strengthening Communities** – n/a

Background Papers: Appendix A- Draft code of Corporate Governance

Enquiries to: Paul Dodson

Maldon District Council Code of Corporate Governance

Maldon District Council is committed to delivering on the CIPFA ‘Delivering Good Governance in Local Government’ Framework.

The table below sets out the standards we have in place to achieve each of the seven core principles of good governance and supporting evidence that is available to demonstrate this.

Principle A – Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
Sub principles	How does MDC achieve this	Supporting evidence
<ul style="list-style-type: none"> Behaving with Integrity Demonstrating Strong Commitment to Ethical Values Respecting the rule of Law 	The Council expects the authority's leadership – both Members and Officers - to create a climate of openness, support and respect and to uphold the Council's values.	Constitution
	The standards of conduct and personal behaviour expected of Members and staff is set out in the Employee Code of Conduct, the Member Code of Conduct and in the protocol on Member/ Officer relations. An up-to-date register of Member and Officer Senior Officer Interests is maintained.	Employee Code of Conduct Register of Interests
	The council operates a joint standards committee to deal with member complaints. Independent persons are included in this committee in line with localism act guidance	Protocol on member/ officer relations Joint standards committee terms of reference
	The Council has put in place procedures for considering complaints so that members of the public can express dissatisfaction with Council services and their concerns can be monitored and addressed.	Complaints Procedure
	The Performance Governance and Audit Committee have within their terms of reference to review specific governance issues	Terms of Reference for Performance, Governance and Audit Committee
	The Council maintains a Whistleblowing policy to enable confidential reporting of suspected breaches of the Employee Code of Conduct or unethical behaviour. It also maintains a Prevention of Fraud and Corruption Policy. Both policies have recently been updated and circulated to senior managers.	Whistleblowing Policy Prevention of Fraud & Corruption Policy
	The Council's standing orders and financial regulations put in place processes designed	

APPENDIX A

	<p>to ensure that Members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.</p> <p>The Council operates within the legal framework for local councils complying with its statutory duties and making the most of its powers to meet the needs of the District and its residents.</p> <p>The Council's Monitoring Officer is responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.</p> <p>The Council ensures that Statutory Officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.</p> <p>The Council has a clear Procurement Strategy designed to meet the Council's wider objectives and Contract Procedures Rules designed to deliver robust and fair procurement processes.</p>	<p>Constitution Financial Regulations</p> <p>Job Description for the Monitoring Officer</p> <p>Professional Qualifications and training</p> <p>Procurement Strategy</p>
Principle B - Ensuring openness and comprehensive stakeholder engagement		
Sub principles	How does MDC achieve this	Supporting evidence
<p>Openness</p> <p>Engaging comprehensively with Institutional stakeholders</p> <p>Engaging stakeholders effectively, including citizens and service users</p>	<p>The Council holds its meetings, and those of its committees in public unless there are good reasons for confidentiality. The public are allowed to ask questions at all Council and committee meetings.</p> <p>The Council records the deliberation of scrutiny committees and the reasons for Executive and Regulatory decisions and makes agenda papers and minutes available on the Council's website. The Council also records and publishes on the website written questions asked at Council meetings and their answers, and oral questions and answers where these are available.</p> <p>Officers use standard report templates for committee reports to help ensure that readers are provided with information that is accurate, complete and unbiased. Reports make clear the options available so that the implications of all decisions and strategic risks can be assessed before those decisions are made.</p>	<p>Committee agendas are published</p> <p>Agendas and Minutes of Committees Council Website</p> <p>Standard Committee Report Templates</p>

APPENDIX A

	<p>Officer training is provided around these committee processes and how to bring forward an item for committee</p> <p>The Council has a network of Area Committees to ensure neighbourhood planning issues are considered in the Council's decision-making processes.</p> <p>The Council has put in place an annual resident and business survey, some of the responses from which are used to inform corporate outcome performance, as these are based on resident perception</p> <p>The council runs an annual staff satisfaction survey, and asks for feedback to help inform improvements to services.</p>	<p>Area Committee Terms of Reference</p> <p>Resident and business survey</p> <p>Staff survey</p>
Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits		
<ul style="list-style-type: none"> Defining Outcomes Sustainable economic, social and environmental benefits 	<p>The council has developed a corporate plan which runs from 2019-23 and sets out our corporate strategy</p> <p>Thematic strategies have been developed to identify how these corporate outcomes will be delivered. The themes of community, prosperity and place align to the economic, social and environmental areas.</p> <p>Quarterly corporate performance reporting has been put in place to monitor delivery of these outcomes, and is reported to Performance, Governance and Audit committee</p>	<p>Corporate plan</p> <p>Thematic strategies</p> <p>PGA performance reports</p>
Principle D - Determining the interventions necessary to optimise the achievement of the intended outcome		
<ul style="list-style-type: none"> Determining Interventions Planning Interventions Optimising achievement of intended outcomes 	<p>Thematic strategies have been developed to identify how these corporate outcomes will be delivered.</p> <p>These strategies also feed into the service plan for each of the Tier 2 managers across the organisation</p> <p>Employees are set SMART objectives that make the link back to their contribution of the corporate plan delivery. Common barriers and lessons learned around objective delivery are collated by Human Resources in an annual survey.</p> <p>SMART objectives are reset for employees every April and reviewed at least once per</p>	<p>Thematic strategies</p> <p>Service plans</p> <p>SMART objectives</p>

APPENDIX A

	<p>quarter. Training for this process has been rolled out across the organisation</p> <p>Quarterly corporate performance reporting has been put in place to monitor delivery of the corporate plan outcomes, and is reported to Performance, Governance and Audit committee</p>	PGA performance reports
Principle E - Developing the Council's capacity, including the capability of its leadership and the individuals within it		
<ul style="list-style-type: none"> Developing the Council's capacity Developing the capability of the entity's leadership and other individuals 	<p>The Council sets out a clear statement of the roles and responsibilities of Members and Council Officers in its Constitution.</p> <p>The scheme of delegation within the Constitution makes clear what matters are reserved for collective decision-making by full Council, and what is delegated to committee and to senior officers.</p> <p>A Member/Officer protocol is used to aid effective communication between Officers and Members and to clarify their respective roles and appropriate ways of working. The Council's Head of Paid Service, Director of Service Delivery is responsible and accountable to the authority for its operational management.</p> <p>When working in partnership the Council ensures that Members are clear about their roles and responsibilities, both individually and collectively, in relation to the partnerships and to the Council. Working group membership and outside body representation are reviewed and appointed as part of the Statutory Annual council</p> <p>The behaviour expected of staff and managers is set out in the Council's competency framework and this is used as the basis for staff performance appraisal as part of the SMART objective process.</p> <p>Staff joining the Council are offered an induction programme and their training and development needs are reviewed regularly through SMART objective setting.</p>	<p>Constitution</p> <p>Protocol on member/ officer relations</p> <p>Outside bodies and working groups paper- Statutory Annual council</p> <p>Core competencies and SMART objectives</p> <p>Induction training and probation reporting</p>
Principle F - Managing risks and performance through robust internal control and strong public financial management		
<ul style="list-style-type: none"> Managing Risk Managing Performance 	<p>Maldon District Council has updated its risk management strategy following an internal audit for risk management, and to bring the policy in line with best practice</p> <p>Each service holds a risk register, and service risks are regularly discussed at senior</p>	Risk Management Strategy

APPENDIX A

<ul style="list-style-type: none"> • Robust Internal Control • Managing data • Strong public financial management 	<p>management meetings. If risks are high scoring or will have an impact on council delivery, these are escalated to the corporate risk register. The corporate risk register is reviewed and reported quarterly to the Performance, Governance and Audit Committee</p> <p>Performance measures have been updated to reflect the new corporate plan and are reported quarterly to performance, governance and audit committee. In line with the changes, we have provided specific training for the members of the Performance, Governance and Audit committee around the new data measures and reporting.</p> <p>Internally, a balance scorecard report is being produced to inform senior managers on performance areas associated with service delivery, to help inform and target resource</p> <p>The council employs a performance specialist, who ensures good practice and data management practices Maldon is part of the Essex-wide Policy and Performance Network group, who share best practice and future ideas around performance management</p> <p>We also have policies around good management of data including data protection and information security</p>	<p>PGA quarterly risk reports</p> <p>PGA quarterly performance reports</p> <p>Performance reporting training slides</p> <p>Draft balance scorecard</p> <p>Performance Specialist Job description</p> <p>EPPN terms of reference</p>
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REPORT of DIRECTOR OF STRATEGY, PERFORMANCE AND GOVERNANCE

**to
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
30 JULY 2020**

ANNUAL GOVERNANCE STATEMENT REPORT

1. PURPOSE OF THE REPORT

- 1.1 To provide an Annual Governance Statement for review and adoption.

2. RECOMMENDATIONS

- (i) To approve the Annual Governance Statement at **APPENDIX A**;
- (ii) That the Performance, Governance and Audit Committee monitor the progress of the action plan;
- (iii) That a quarterly report of Annual Governance actions is provided for Performance, Governance and Audit committee review.

3. SUMMARY OF KEY ISSUES

- 3.1 The Annual Governance Statement for Maldon District Council (MDC) has been re-designed according to the Chartered Institute of Public Finance and Accountancy (CPFA) best practice, and following officer attendance at training for best ways to write the annual governance statement.
- 3.2 The new format reviews the criteria for good governance and the activity that has taken place within these criteria over the 2019-20 financial year, as well as the internal audit statement/ review of the year.
- 3.3 The document also highlights areas where further improvements could be made to improve governance and work to do as new practices emerge, such as the Financial Management Code.
- 3.4 It is provided as separate to the statement of accounts for the first time at Maldon District Council, for the authority to recognise the importance of the document in supporting our governance arrangements, which underpin the way our financial reporting is produced.

4. CONCLUSION

- 4.1 The Annual Governance Statement template has been revised to bring it in line with the latest criteria for good governance in local government and CIPFA best practice. It is presented with a process to track it quarterly as a live governance document at Performance, Governance and Audit committee, and strengthens our approach to governance.

5. IMPACT ON STRATEGIC THEMES

- 5.1 A strengthened approach to governance will underpin more robust challenge on performance of the strategic plan.

6. IMPLICATIONS

- (i) **Impact on Customers** – Better governance approach allows us to deliver better services for our customers.
- (ii) **Impact on Equalities** – n/a
- (iii) **Impact on Risk** – good governance includes good risk management and will have a positive impact.
- (iv) **Impact on Resources (financial)** – n/a
- (v) **Impact on Resources (human)** – n/a
- (vi) **Impact on the Environment** – n/a
- (vii) **Impact on Strengthening Communities** – n/a

Background Papers: Appendix A- final AGS

Enquiries to: Paul Dodson

Annual Governance Statement

Summary: How our governance arrangements at Maldon District Council underpin delivery of the corporate plan and outcomes.

Maldon District Council has taken the opportunity to refresh its governance arrangements, having completed a full council Transformation programme in 2019/20. As part of this, we have clarified how we track our governance arrangements, and how they support Corporate outcome delivery. For example:

A revision of our Committee structure and associated update to our constitution has taken place as part of the Transformation work.

Quarterly performance and risk reporting have been refreshed and both are being reported to Performance, Governance and Audit committee.

A refresh of delegated responsibilities has taken place to support the new structure and staffing changes, so accountability is clear to officers and members.

We have established a Project Management Office and processes to ensure monitoring and oversight to support delivery of Corporate Projects, with monthly Extended Leadership Team projects board and a corporate approach to benefits realisation.

This activity was all underpinned by a Transformation programme lead by external consultants Ignite, and a full redesign of council service delivery in 2019/20.

Activity has since been followed up with a process improvement workplan to continue to drive efficiency in the council, reviewing our end to end processes and putting new digital customer processes in place to provide better value for money.

Internal audit summary – BDO

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

- The majority of the audits provided moderate assurance in the design and operational effectiveness of controls, with substantial assurance for the design of controls provided in two instances. However, there were three instances where we provided limited assurance, with respect to the design of controls of IT Disaster Recovery and the effectiveness of controls relating to Main Financial Systems (Accounts Payable, Accounts Receivable and Expenses). The deterioration in assurance over financial controls is a concern and is consistent with the findings of external audit. This appears to be the result of the impact of the transformation programme and there is an action plan to address these issues.
- There are currently two remaining audits with fieldwork in progress. It is unlikely that their outcomes will change the overall audit opinion:
 - Flood Risk Management
 - Corporate Governance

- Some areas of weakness have been identified through our reviews, including opportunities for improvement in the credit control process, the governance of approving Members' expense claims, IT disaster recovery arrangements and documentation of procurement and contract monitoring activities, particularly relating to older contracts, however the Council is already working to address the issues identified.

Overall, the significant transformation the Council has gone through has presented challenges to the control environment, particularly in Finance. While there remain some gaps and risks, our work has on the whole shown that the Council has generally been able to maintain reasonable controls and, in some areas, such as GDPR and workforce has developed good practice arrangements.

Action plan: What we will do more of in 2020/2021:

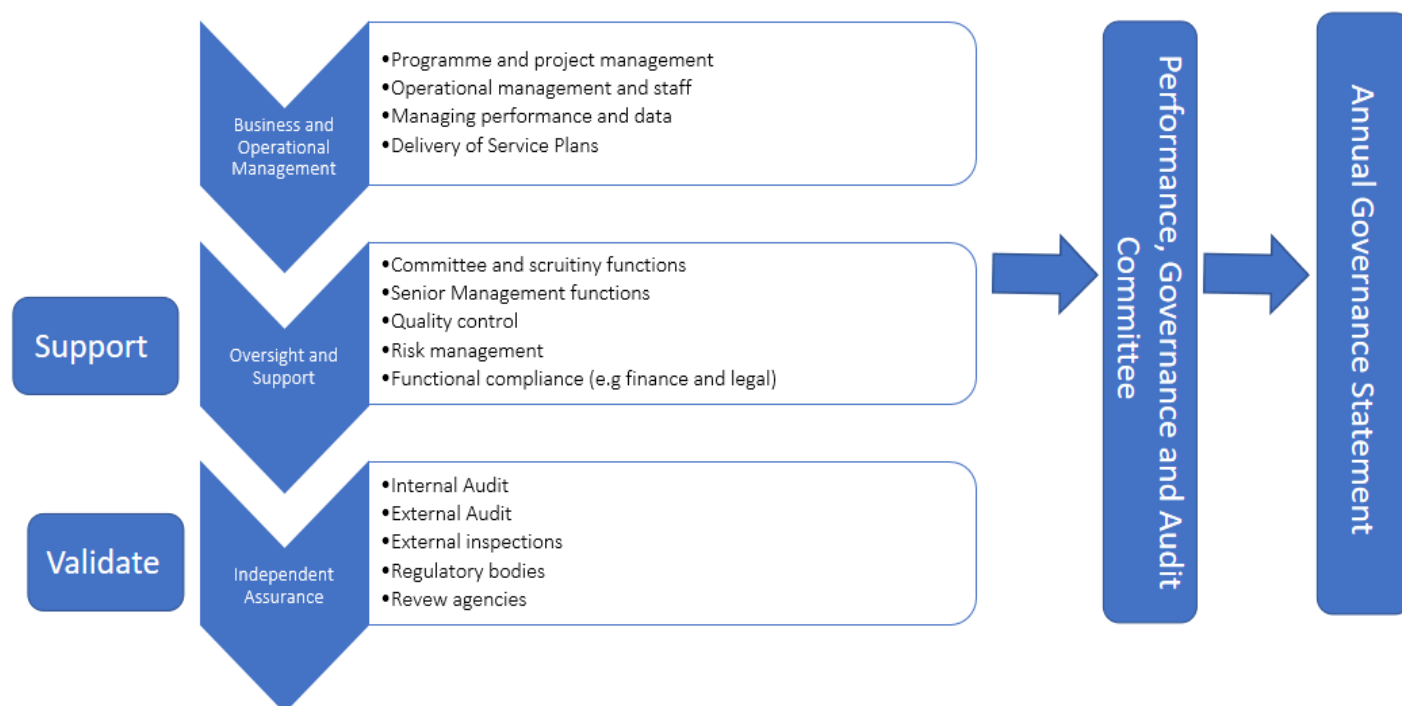
In compiling the annual governance statement, we have identified areas for further improvement over the next financial year.

The delivery of the action plan below will be tracked at our Performance, Governance and Audit committee:

Action
Be more performance driven. Focus has been on establishing measures and reporting at an outcome level, the programme for the next year will be to review and revise these measures
Internal balance scorecard reporting has been put together and will start to be used at leadership meetings- enabling swift decision making
Overall PMO reporting and lessons learned utilised at extended leadership team and to inform future budget considerations
A review of the Corporate Risk Register, to map Risk Management to the corporate outcome delivery
Plan the internal audit programme according to the weaknesses in outcome delivery
Monitor and improve commercial income delivery, and tracking the benefits of the Transformation programme
Review our Audit committee arrangements in light of the Redmond review (i.e Performance, Governance and Audit committee)
Analyse our preparedness for the CIPFA financial management code and put necessary measures in place for 2021 https://www.cipfa.org/policy-and-guidance/publications/f/financial-management-code
Public involvement and budget consultation as part of our Annual Strategic Cycle
Peer review of our scrutiny arrangements
Governance internal audit actions
Further roll out of risk management training

Background information

Our arrangements for Governance support



At Maldon District Council, our Governance arrangements are underpinned by a mix of business and operational management, oversight and support activities and independent assurance. The activity is fed into the Performance, Governance and Audit Committee and then into full Council.

An analysis of this work and the plan for the following year is what forms the Annual Governance Statement.

Progress made on last AGS actions -

In the 2018/19 AGS no significant governance issues were identified, on the basis of a review of the Council's Corporate Risk Register and Internal Audit reports.

It was felt that because no significant governance issues had been identified, a response in the form of an action plan was not necessary.

As we drive to be a more performance and efficiency focused council, despite governance arrangements moving on and no specific corporate risks and audit actions having been raised over the last year, we are keen to identify further areas for governance improvement. The approach for the report this year has been to analyse the seven key principles of good governance, and drive areas where further work and improvements could take place.

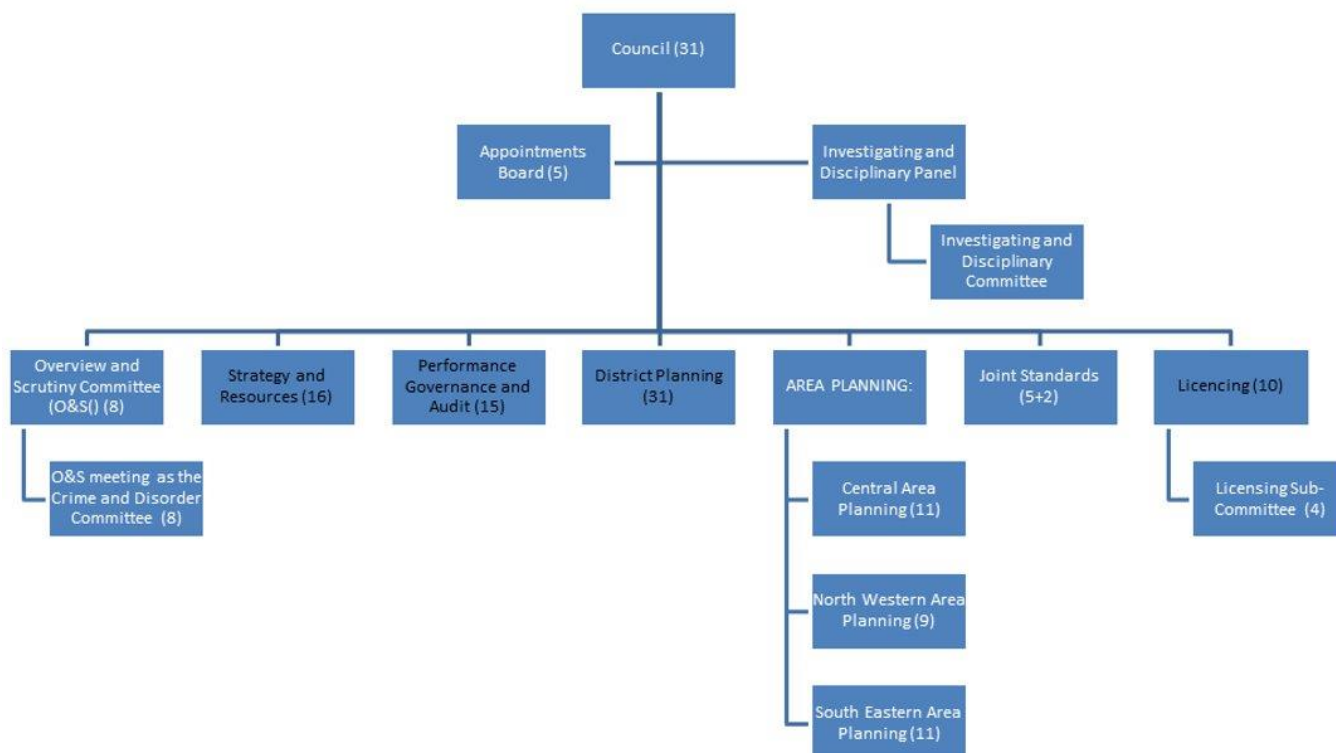
CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance, highlights seven key areas for good corporate governance, as shown in the diagram below:



This year, the following activity has taken place within this Governance Framework:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

This year we have reviewed and implemented a new constitution and committee structure – the process for doing this included members and officers in a Corporate Governance Working Group, and the new committee structure reflects the Transformation work that has taken place.



A new staff structure has also been put in place as part of a council-wide transformation programme, with three new focused directorates and a move away from silo, subject working.

Our committee structure has a joint standards committee. Two Member and one Parish Councillor conduct complaints were referred and dealt with at this committee in 2019/20.

Updates have been provided to senior managers on our anti-fraud and corruption and whistle blowing policies.

The Council has a Whistle Blowing Policy, which was last reviewed in January 2018 by the Finance and Corporate Services Committee. It sets out the arrangements for employees to disclose allegations of malpractice internally, in relation to staff, Members, contractors, suppliers or consultants in the course of their work for the Council, without fear of victimisation, discrimination or disadvantage.

We launched a Staff survey in December 2019 and received a response rate of 61% and some honest feedback and common themes from staff of areas for management to address. This is being followed up with a 'you said, we did' action plan for staff and has helped senior managers reflect on areas for improvement.

The Council has adopted a number of codes and protocols which set out the parameters for the way in which it operates, in particular a Member/Officer Relations Protocol intended to clarify roles and promote effective communication.

The Council's Financial Regulations provide the framework for managing the Council's financial affairs. They identify the financial responsibilities of the Council, the Committees, and key officers. The Section 151 Officer (under the Local Government Act 1972), is responsible for ensuring that sound financial management systems are maintained, and

expenditure is lawful and appropriate, and this appointment is normally held by the Director of Resources.

The Council's constitutional arrangements include a Code of Conduct for elected Members based on the Principles of Public Life (the Nolan Principles). This was originally adopted in 2012 and revised in 2016. Officers are subject to a Code of Conduct, the policy for which was adopted with effect from 18 November 2013 and last revised in April 2018.

Registers of gifts and hospitality are maintained for both Members and Officers. A statutory register of interests is maintained for Members, and the staff Code of Conduct requires staff to disclose interests. Periodic reminders are issued about the need to avoid potential conflicts of interest and protocols for the acceptance of gifts and hospitality.

The Council has a series of approved policies and strategies relating to good governance, including, for example, the Code of Corporate Governance, anti-fraud and corruption, whistle-blowing, data quality, Freedom of Information, and corporate equality policies, all of which are accessible via the Council's intranet.

BDO LLP under their remit of Internal Auditors consider fraud as part of their audit workplan. This ensures we conform to the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014).

B. Ensuring openness and comprehensive stakeholder engagement

We launched an annual residents survey in October 2019, which was available online, and it was also promoted in the October waste letters that were delivered to all households. Specific questions in the survey are used to measure the delivery of the corporate plan outcomes.

Public are invited to speak at committee meetings.

We have an internal audit plan, which reviews our controls and risk and provides opportunity for improvements to be identified and addressed. In 2019/20 seven internal audits took place for the following areas:

GDPR Compliance

Risk Maturity Assessment

Procurement & Contract Management

IT Disaster Recovery

Key Financial Systems

Workforce Management

Network Security

The Council undertakes consultation with particular interest groups, including our Friends Groups, Parish Clerks' Forum, Developer Forum, Landlord Forum, Business Forums, Community Safety Partnership and Park Watch scheme members.

The Council engages with the appropriate equality groups in order to ensure that it meets its obligations under the Equality Act 2010. The Council produces Equality Impact Assessments (EIA) in line with legislation.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

We have established new quarterly corporate performance reporting template which measures the delivery of the outcomes in the corporate plan.

The Corporate Plan is underpinned by the thematic strategies of:

1. Prosperity
2. Place
3. Community

And align to the economic (Prosperity), social (Community) and environmental (Place) outcomes.

With the adoption of these strategies and new performance reporting that underpin them, we have focussed our outcomes to these three areas.

The Corporate Plan details the vision, goals, objectives and core values that guide the direction, work and achievements of the authority. It is the Council's core internal strategic planning document, from which supporting strategies can be developed and published, including the Medium Term Financial Strategy, ICT Strategy and Workforce Development Plan, all of which underpin the Council's ambition to transform the way it delivers its services in the future.

At an operational level, each service produces a Level 2 business plan. These are not submitted to Committee, but facilitate effective performance and risk management within the Directorates including the setting of individual staff objectives and completion of performance reviews.

D. Determining the interventions necessary to optimize the achievement of the intended outcomes

The Performance, Governance and Audit Committee is provided with a quarterly performance report for delivery of the outcomes. They are invited to challenge and focus delivery of these.

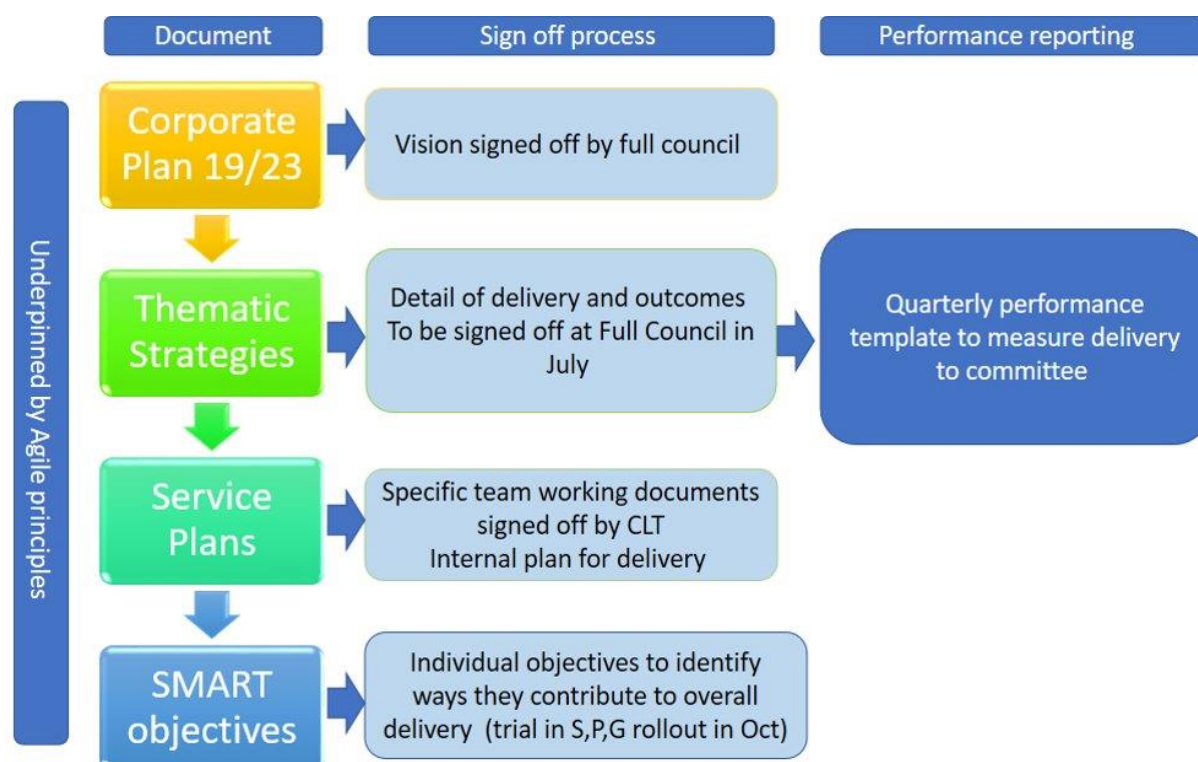
We have revised and adopted a new Risk Management Policy, and will need to do further work to align risk to the delivery of the defined corporate outcomes

The Council has implemented a full council transformation programme referred to as the Future Model over the years 2018/19 and 2019/20 to make savings and raise additional revenue income. The total savings required are £1.89m by 2022/23 when compared to the

2018/19 net budget, of which £1m is being achieved from the salaries cost by reducing the establishment headcount from 219.5 FTE to 181.5 FTE with a new structure. This was in response to the revenue budget gap identified in its Medium-Term Financial Strategy. The Council has also approved a Commercial Strategy that will look to develop an approved list of potential commercial projects to create new or increased revenue streams. The Council is being pro-active and forward looking to ensure its future sustainability and continues to hold robust levels of reserves.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

We have put in place a new process for linking the Corporate Plan objectives, through to delivery right down to the individual staff. The diagram below shows the steps:



To underpin this, we have also developed and delivered:

- Induction training for new members in May 2019
- Training in September 2019 on new Committee structures and Terms of Reference
- Chair and Vice Chair training to support the new committee structure.
- Budget Training for members.
- Internal Audit and Performance training for the new Performance, Governance and Audit Committee.

- Annual Strategic Cycle training for the Leadership team, and a way to track the items due within this each month.
- Project Management Office training for project managers and the senior leadership team, including measuring project performance and outcome delivery.
- Working with elected member and committee processes training for relevant staff.

F. Managing risks and performance through robust internal control and strong public financial management

Maldon District Council has a drive to be more performance-led. This year we have been establishing new performance reporting measures.

A new Risk Management Policy was adopted in November 2019. It addressed actions that were highlighted in a Risk Management internal audit that took place earlier in the year. Additional actions around the roll out and embedding staff awareness of Risk Management have also been taking place to address recommendations.

A Quarterly Corporate Risk register review goes to Performance, Governance and Audit committee.

Risks are a regular item of discussion in the monthly Extended Leadership Team meetings.

One of the most significant risks for the Council is the uncertainty of its future funding. This does not allow the Council to plan its future service delivery with any certainty.

Since the country voted to leave the EU in 2016, the Government has had to redirect its resources to planning for this. As a result of this there have been delays to the implementation of a new Business Rates Retention Scheme (BRRS) for local government and to the implementation of the outcome of the Fair Funding Review. This had a knock-on impact on the Spending Round 2019 announced in September 2019. This was due to be an announcement on the future financial settlement for the next 4 years 2020/21 to 2024/25. However, it was a one-year settlement announced for 2020/21. This was so that a new 4-year settlement could be aligned with the start of the new BRRS and the Fair Funding Review outcome and also the business rates revaluation that was planned for 2021. The delay in a 4-year settlement along with all the uncertainties around what the BRRS and Fair Funding Review outcome would look like has given local authorities no framework within which to work over the medium term. This in itself has presented a huge financial risk over the medium term.

The Council is in a good position to address this uncertainty due to having had sound financial management and planning in place. It has managed to build up a prudent level of reserves to enable it to manage the medium-term uncertainty. The Council will be responding to all Government consultations to ensure the interests of the Council and our residents are strongly represented.

There is also continued uncertainty over impact on the Council that the departure of the UK from the European Union on 31 January 2020 will have, but the Council will be monitoring

all developments during the year to ensure any potential financial impacts on the Council are anticipated.

However, the impact of Brexit has been overshadowed by the global pandemic COVID-19 which was first identified in China in December 2019. This has spread through the world infecting millions and the death toll has been statistically very high. The response of national governments has been to put their countries in lock-down and as at May 2020 the UK, along with countries throughout the world, find itself in unprecedented times. In response the government has provided financial support to businesses and individuals like never before. Local government has been working to deliver Central Government policies and legislation e.g. paying out grants to small businesses and businesses in the retail, hospitality and leisure industries as the Government has locked down the country. Local government has needed to deliver what is required to respond to the pandemic and is in an uncertain position with losses in income as income generating services have been closed or heavily impacted e.g. car parking. To date the Government have paid the council a grant of £672k to fund COVID-19 pressures although there is still a significant gap between this and the actual financial impact on the council.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

All committee meetings are open for the public to attend.

This year we have revised the quarterly performance reporting to align it to the corporate outcomes defined in the Corporate Plan

<https://democracy.maldon.gov.uk/documents/s18857/Appendix%201.pdf>

Members are invited to review the performance information and challenge where they feel delivery of the Corporate Plan outcomes is at risk. The internal process around producing this performance documentation also allows greater visibility for the senior managers around how staff are progressing agreed action plans.