

APOLOGIES Committee Services  
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DIRECTOR OF STRATEGY,  
PERFORMANCE AND  
GOVERNANCE  
Paul Dodson

10 November 2021

Dear Councillor

You are summoned to attend the meeting of the;

**PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE**

on **THURSDAY 18 NOVEMBER 2021 at 7.30 pm**

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

Please Note that due to social distancing and space limitations, we require any members of the public or press who wish to attend physically and observe or speak under Public Participation rules at this meeting to complete [a request form](#) (to be submitted by 12noon on the working day before the Committee meeting). This will be reviewed and managed according to capacity of the meeting and whether any other persons have already registered.

The Committee meeting will still be live streamed via the [Council's YouTube channel](#) for ease of viewing.

A copy of the agenda is attached.

Yours faithfully



Director of Strategy, Performance and Governance

**COMMITTEE MEMBERSHIP:**

CHAIRMAN	Councillor Mrs J C Stilts
VICE-CHAIRMAN	Councillor K W Jarvis
COUNCILLORS	R G Boyce MBE
	M R Edwards
	Mrs J L Fleming, CC
	M S Heard
	A L Hull
	J V Keyes
	S P Nunn
	E L Stephens





**AGENDA**  
**PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE**  
**THURSDAY 18 NOVEMBER 2021**

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1. **Chairman's Notices**

2. **Apologies for Absence**

3. **Minutes** (Pages 5 - 12)

To confirm the minutes of the meeting held on 23 September 2021, (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](http://www.maldon.gov.uk/publicparticipation).

6. **Internal Audit Reports** (Pages 13 - 14)

To consider the report of the Director of Resources and associated Internal Audit reports from 6a to 6e, (copies enclosed).

a) **Progress Report** (Pages 15 - 24)

b) **Follow-Up of Recommendations Report** (Pages 25 - 32)

c) **Covid Response Plan Report** (Pages 33 - 44)

d) **Partnerships Report** (Pages 45 - 56)

e) **Fraud Risk Assessment** (Pages 57 - 80)

7. **Update on the Audit of the 2020/21 Accounts** (Pages 81 - 86)

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

8. **Decision to opt into the National Scheme for Audit Appointments** (Pages 87 - 100)

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

9. **Section 106 6-Monthly Update and Infrastructure Funding Statement 2021** (Pages 101 - 112)

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

10. **Process Improvement Framework** (Pages 113 - 126)

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

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

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### **NOTICES**

#### **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.

#### **Fire**

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

#### **Health and Safety**

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

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

Meetings held in the Council Chamber are being monitored and recorded by CCTV.

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**MINUTES of  
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE  
23 SEPTEMBER 2021**

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**PRESENT**

Chairman	Councillor Mrs J C Stilts
Councillors	R G Boyce MBE, M R Edwards, Mrs J L Fleming, CC, M S Heard, A L Hull and E L Stephens
Substitute	Councillor C Swain
In Attendance	Councillor C Morris

**287. CHAIRMAN'S NOTICES**

The Chairman welcomed all present and took the Committee through some housekeeping arrangements for the meeting.

**288. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors K W Jarvis and S P Nunn.

In accordance with notice given Councillor C Swain was in attendance at the meeting substituting for Councillor Nunn.

**289. MINUTES OF THE LAST MEETING**

**RESOLVED** by assent that the Minutes of the meeting of the Committee held on 29 July 2021 be approved and confirmed.

**290. DISCLOSURE OF INTEREST**

There were none.

**291. PUBLIC PARTICIPATION**

No requests had been received.

**292. UPDATE ON THE AUDIT OF THE 2020/21 ACCOUNTS**

The Committee considered the report of the Director of Resources that provided an update for members on the audit of the 2020/21 accounts.

The Chairman introduced the report and deferred to the Director of Resources to present the detail. The Director of Resources took the Committee through the report

and advised that this year the preparation of the accounts had been significantly impacted both directly and indirectly by the Pandemic. The timescale for completion had been moved forward by two months. Additional requirements had been introduced and staffing changes took place in the middle of the closure period. In terms of the Pandemic from an accounting perspective, there had been far more transactions and technical adjustments, from a resourcing perspective staff had been off sick with Covid and were also focussed on the Covid response, for example dealing with complex grants. Despite these issues the Council's draft accounts were published ahead of the deadline of the 31 July 2021.

The Pandemic also compounded national issues of auditor resourcing. The audit of the Essex Pension Fund was now expected to commence in October and the Council's Audit was reliant on this being completed before the accounts were signed off so the accounts would not be audited by 30 September 2021. Due to the delay a notice to that effect will be published on the website. No significant issues have been identified by the auditors, the Finance team was now fully resourced and the intention was to bring the audited accounts to the next meeting of the Performance Governance and Audit Committee on 18 November 2021.

In response to issues raised the Director of Resources responded as follows:-

- That the link to the draft accounts would be circulated to all Committee members.
- That the Council had to await the conclusion of the Essex Pension Fund audit before the Council's auditors can carry out their work on it.
- That there were no additional costs to the Council in terms of the delay to the Essex Pension Fund audit.

There being no further discussion the Chairman moved the recommendation which was duly seconded and agreed by assent.

**RESOLVED** that the report was considered.

## **293. REVIEW OF CORPORATE PERFORMANCE - QUARTER 1**

The Committee considered the report of the Director of Strategy, Performance and Governance that required the Committee to undertake a quarterly review of the Thematic Strategies performance, as assurance that performance was being managed effectively to achieve the corporate outcomes as set out in the Council's Corporate Plan 2021 - 2023, and for recommended changes and improvements to be reported to the Strategy and Resources Committee in January 2022. Appendix 1 to the report provided an overview of performance as of the end of Quarter 1 (April - June 2021).

The Chairman introduced the report and deferred to the Programmes, Performance and Governance Manager to present the detail. She took the Committee through the first Corporate Performance report since the refreshed Corporate Plan was approved by Council in February 2021. The report covered quarter one, which was April- June 2021. This meant that the corporate performance measures for some of the themes had been updated to align to the new outcomes the Council was seeking to achieve, and some of the data collection for these was still in development. The rationale for this was set out in section 3.5 of the report.

Whilst the three theme areas were broadly on track, it was expected that the impact of Covid would still be seen within the performance reporting throughout the year, for example around business benefits and tourism together with school events.

The Committee's attention was drawn to section 3.4 in the report that highlighted the only performance indicator annotated 'at Risk', namely, the 'Five Year Housing Land Supply' (5YHLS) under the Place Thematic Strategy, and at Section 3.5 those new performance indicators introduced as a result of the refresh that were awaiting data.

The Chairman then moved the recommendations in the report and they were seconded by Councillor Fleming.

In response to issues raised Officers provided the following information:-

- That the call for sites commenced in April with a deadline of 23 June 2021, 180 sites were due to be reported to Strategy & Resources Committee. The next round of data on the 5YHLS was due in quarter 3 but in the meantime the council had commenced a number of actions to restore the supply including:- the review which will allocate more land; liaison with Parish Councils to prepare Neighbourhood Plans thus boosting local supply; creating relationships with developers to understand the pace of expected delivery etc.
- That the Action Plan comprised the need to approve plans for housing at a greater rate than at present.
- That where it states 'Awaiting Data' on the appendix this applied to new measures as a result of the Corporate Plan refresh. An example was fly-tipping where information was being sought on officer costs per clearance. That going forward 'awaited' or 'missing data' would be explained on the Appendix itself as well as in the covering report.
- That business engagement had been delayed due to staffing issues, however, the number of businesses now engaged in Sense of Place was at 24% equating to 774 businesses. That support for businesses included initiatives like 'Click it Local/Keep it Local', training support, recovery activities etc.
- That the work with Schools in supporting students with mental health issues had been disrupted due to Covid. The Community Lead Officer was now working on a strategy to support this area and data will be available in the next quarter. It was noted that Maldon District Council does not directly fund school initiatives, it sources funding for support programmes and signposts the respective Schools.
- That Officers would liaise with the Waste Management Team to progress the fly-tipping concerns.
- That Business benefit through Tourism would be assessed following the results of the Essex Wide Survey.
- That Intergenerational Projects delivery had been impeded by Covid and would be reported once up and running.

There being no further questions the Chairman put the duly seconded recommendations to the Committee and they were agreed by assent.

## **RESOLVED**

- (i) That Members reviewed the information as set out in the report and Appendix 1 with priority focus given to the Strategic Outcome level performance;

- (ii) That Members confirmed they were assured through this review that corporate performance was being managed effectively.

## **294. REVIEW OF CORPORATE RISK - QUARTER 1**

The Committee considered the report of the Director of Strategy, Performance and Governance that required the Committee to undertake a quarterly review of the Corporate Risk Register as assurance that the corporate risks were being managed effectively. Appendix 1 was attached to the report for this purpose.

The Chairman introduced the report and deferred to the Programmes, Performance and Governance Manager to present the detail. She took the Committee through the report that covered quarter one of the corporate risk register, which was April- June 2021. As shown in Appendix 1 all risks, colour coded to reflect tolerance levels, remained unchanged in score since the last report received by the Committee.

However, there were three emerging risks highlighted where it was expected the Council could see a change for the next quarter reporting. These were:

- (i) R10 – failure to develop jobs to support the growing population;
- (ii) R29 - failure to deliver services as a result of Covid-19– changes were likely as restrictions ease, and,
- (iii) R9 - failure to have a coordinated approach for inward investment and maximising business rates growth.

This was due to a number of factors:- the evolving picture of the Pandemic; the ease in restrictions and the expected positive impact of the creation of *The Maldon District Investment Prospectus* respectively. It was noted that Service level risks were identified and monitored in Service Plans by the relevant Service Plan Owners and, if deemed appropriate, were escalated to committee for consideration.

The Chairman moved the recommendations in the report and these were seconded by Councillor Fleming.

In response to issues raised Officers provided the following information:-

- That the Council approached Risk 10 - *failure to develop jobs to support the growing population* as a key stakeholder in the community.
- That information of the impact on non-domestic rates would be circulated outside of the meeting.
- That plans for a fully manned reception would be considered by the Recovery Working Group taking into consideration the continued operation of the booster clinic to the end of December 2021. At present, face to face appointments were taking place for those in need.
- That the Risk Register would be updated to reflect the reduced level of risk on safeguarding (R1) as the main concern that arose from the audit was regarding a secure case management system which was now in place.



- That feedback from the Committee regarding prioritising connections to the A12 over the South Maldon Relief Road would be fed back to the Corporate Leadership Team.

There being be further discussion the Chairman put the recommendations to the Committee and they were agreed by assent

### **RESOLVED**

- (i) That Members reviewed the Corporate Risk Register at Appendix 1 and provided comment and feedback for consideration;
- (ii) That Members were assured through this review that corporate risk was being managed effectively;
- (iii) That Members challenged risk where the Committee felt that the Council's corporate goals may not be achieved.

## **295. BALANCE SCORECARD EXCEPTIONS REPORT**

To consider the report of the Director of Strategy, Performance and Governance that detailed exceptions to operational service reporting for Committee review and discussion.

The Chairman introduced the report and deferred to the Programmes, Performance and Governance Manager to present the detail. She advised that the Corporate Performance and Governance framework required the Committee be given visibility of any identified Balance Scorecard key performance indicators (KPI) that had met their threshold, supported by an action plan to ensure targets were met

This was the second reporting of the six- monthly balance scorecard exceptions report that built further on performance insight, giving the operational exceptions in addition to the corporate outcomes reporting that was received by this committee on a quarterly basis. Internally, the Extended Leadership Team reviewed a monthly performance dashboard that covered reporting around financial, operational, customer, organizational and statutory performance indicators.

This report aimed to draw Member attention to the exceptions, where, as a Council, there was both underperformance or performance that surpassed targets. In section 3.5 the areas of underperformance were highlighted and in section 3.7 the areas of overperformance were highlighted.

It was noted that the missed bins issue had emerged since the last report and that many other authorities were also impacted by a national HGV driver shortage. This was being closely monitored with the contractor SUEZ. Overall, indicators were impacted in some way by the changes of the Pandemic and wider economic issues and the reporting mechanism allowed the Council to determine the extent of the impact and account for this in its strategies and response. In conclusion she reminded Members that there was a form available for Members to complete as they identify further work to support customers.

The Chairman moved the recommendations in the report and these were seconded by Councillor Boyce.

In response to issues raised Officers provided the following information:-

- That to counter the driver shortages, which was a national issue, the Council was advertising for drivers and developing contingencies working with the army to provide training and agencies to fill the staff gaps.
- That a meeting was scheduled with SUEZ week commencing 27/9/21.
- That leisure participation and uptake data activity would be more accurate when reported later in the year as the summer period was always quiet. Activities like swimming was almost back to pre-Pandemic levels however gym membership was down.
- A meeting of the Member Working Group to discuss leisure related issues was scheduled to take place November time, date TBC.

There being no further discussion the Chairman put the recommendations to the Committee and they were agreed by assent

#### **RESOLVED**

- (i) That the Committee reviewed and commented on exceptions to service reporting provided in the report;
- (ii) That Members confirmed they were assured through this review that Operational performance was being managed effectively.

### **296. ANNUAL GOVERNANCE STATEMENT ACTIONS UPDATE**

The Committee considered the report of the Director of Strategy, Performance and Governance that updated the Committee on the actions identified in the 2020/21 Annual Governance Statement.

The Chairman introduced the report and deferred to the Programmes, Performance and Governance Manager to present the detail. She took the Committee through the report advising that the annual governance statement identified an action plan to build on and improve best practice around governance at Maldon District Council. This was the second time that this report was presented six monthly to the committee so that it had oversight of progress on actions and what the Council was doing to improve governance arrangements, as well as any barriers to achieving this.

It was noted that section 3.4 provided a table of the actions and the associated commentary explained the progress/work that had taken place to date. The Chairman put the duly seconded recommendation to the Committee and it was agreed by assent.

**RESOLVED** that the Committee reviewed the annual governance statements table and updates and challenged where necessary.

### **297. REVIEW OF HEALTH AND SAFETY - QUARTER 1**

The Committee considered the report of the Director of Service Delivery that provided an update on health and safety statistics and activity during Quarter 1 (Q1) (1 April 2021 to 30 June 2021) and updated Members on activities commenced during Quarter 2 (Q2) (July to September).

The Chairman introduced the report and deferred to the Specialist Services Manager to present the detail. She reported the accident statistics and incidents of unacceptable behaviour, both of which were low. The Resources Facilities Team was seeking quotes to resolve the floor level problems in the Council Chamber and the First Aid procedure had been updated to reflect current arrangements.

Recognising the need to progress the review of the Health and Safety Action Plan, an Interim Health and Safety Lead Officer had been engaged for a 3-month period. The Officer was based within the Service Delivery Directorate and will work closely with the Senior Specialist (Environmental Health) and other Managers to identify priorities, seek assurance or action any improvements. This officer will also lead on the work to improve processes and procedures in time for the re-opening of the Splash Park in 2022.

The Chairman moved the recommendations in the report, seconded by Councillor Fleming.

In response to queries Officers provided the following information:-

- That an investigation was underway into the cabling accident in the park to ensure no re-occurrence in the future.
- That the new Interim Health and Safety Lead Officer would be largely based at the Parks Depot as the main area of focus was the Health and Safety Action Plan review . A corporate wide review will take place later in the work schedule.

There being no further questions the Chairman put the recommendations to the Committee and they were agreed by assent.

## **RESOLVED**

- (i) That the Committee reviewed the accident and incident statistics;
- (ii) That the Committee considered the work underway during Quarter 2 on health and safety activities.

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

There were none and the Chairman thanked all for their contributions.

The meeting closed at 8.00 pm.

MRS J C STILTS  
CHAIRMAN

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## **REPORT of DIRECTOR OF RESOURCES**

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**to  
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE  
18 NOVEMBER 2021**

### **INTERNAL AUDIT REPORTS: – PROGRESS; FOLLOW-UP OF RECOMMENDATIONS; COVID RESPONSE PLAN; PARTNERSHIPS AND FRAUD RISK ASSESSMENT**

#### **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 – November 2021 at **6a**;
  - Follow-up of Recommendations Report - November 2021 at **6b**;
  - Covid Response Plan Report– October 2021 at **6c**;
  - Partnerships Report– November 2021 at **6d**;
  - Fraud Risk Assessment Audit – November 2021 at **6e**.

#### **2. RECOMMENDATIONS**

That the Committee considers, comments, and approves the:

- (i) Internal Audit Progress Report – November 2021 at **6a**;
- (ii) Follow-up of Recommendations Report - November 2021 at **6b**;
- (iii) Covid Response Plan Report– October 2021 at **6c**;
- (iv) Partnerships Report– November 2021 at **6d**;
- (v) Fraud Risk Assessment Audit – November 2021 at **6e**.

#### **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).
- 3.4 The reports attached from 6a to 6e 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 from 6a-6e 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)  
Christopher André (BDO LLP)



# INTERNAL AUDIT PROGRESS REPORT

MALDON DISTRICT COUNCIL

November 2021

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**IBDO**

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# SUMMARY OF 2021/22 WORK

This report is intended to inform the Performance, Governance & Audit Committee of progress made against the 2021/22 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 were delays in the delivery of the 20/21 plan with two audits (CRM and Management of Property) being brought into the 21/22 plan. All audit except one (Workforce Management) have been provisionally scoped. As with the 20/21 Audit Plan, the 21/22 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 Performance, Governance and Audit Committee (PGA).

## Internal Audit Plan

The following audits have been issued in final since the July PGA:

- Fraud Risk Assessment (20/21)
- Covid Response Plan
- Partnerships

The following audits are at either draft report or fieldwork stage:

- Management of Property
- Main Financial Systems
- Policy Review
- IT Strategy and Transformation

## Other Reports for this Committee

- Follow Up of Internal Audit Recommendations



# REVIEW OF 2021/22 WORK

Audit Area	Planning	Fieldwork	Reporting	Opinion	
				Design	Effectiveness
Covid Recovery Plan	✓	Q2	November 2021	Substantial	Substantial
Partnerships	✓	Q2	November 2021	Moderate	Moderate
Management of Property	✓	Q2	February 2022		
Policy Review	✓	Q3	February 2022		
Main Financial Systems	✓	Q3	February 2022		
IT Strategy & Transformation	✓	Q3	February 2022		
Strategic Performance-Community	✓	Q3	February 2022		
Customer Service-CRM Post Implementation	✓	Q3	February 2022		
Communications & Stakeholder Management	✓	Q4	March 2022		
Commercialisation	✓	Q4	March 2022		
Workforce Management		Q4	March 2022		

## SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publications 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.

## FINANCE

### **Labour unveils plans to scrap business rates**

A future Labour government would replace non-domestic rates with a fairer system to ease the burden on smaller high street firms, shadow chancellor Rachel Reeves has announced.

Speaking at the party's annual conference today, Reeves urged the government to freeze business rates and increase relief on smaller properties next year, funded by a 10 percentage point hike to the digital services tax.

If elected, Labour would implement a new tax system in the long-term, featuring more frequent revaluations and instant reductions in bills if property values fall, she added.

Reeves said: "Our high street businesses do so much to enrich our lives and our communities, facing huge adversity in the past year. They are struggling right now, with a cliff-edge in rates relief coming up in March.

"The next Labour government will scrap business rates.

"We will carry out the biggest overhaul of business taxation in a generation, so our businesses can lead the pack, not watch opportunities go elsewhere."

However, Reeves did not give any details on the potential replacement to business rates.

But she insisted that the new system would reward businesses that move into empty properties, encourage green improvements, and ensure that no public services or local authorities will lose out.

<https://www.publicfinance.co.uk/news/2021/09/labour-unveils-plans-scrap-business-rates>

### **Councils to receive funding boost for accommodating Afghan refugees**

Local authorities in the UK will receive additional funding to help with the cost of resettling Afghan refugees, following the recent coup in the nation.

Councils that offer residence through the government's two refugee settlement schemes will receive £20,520 per person, spread over three years, to cover resettlement and integration costs. Local councils and health partners will also receive up to £4,500 per child for education, £850 to cover English lessons for adults requiring support and £2,600 for healthcare costs.

Communities Secretary Robert Jenrick said: "I am incredibly impressed by the positive response we have received from councils so far, with a large number already pledging their support.

"However, we urgently need more offers of accommodation to welcome Afghan families who have remained firm allies of the UK, working with our troops and our country so bravely in recent years. "With this extra funding in place, I am asking all councils that have not yet come forward to contact us with a firm offer of support to help these families secure the best possible start to their new lives."

Local authorities will also be able to bid for a share of a £20m flexible funding pot, which will help offset the costs of providing additional services.

<https://www.publicfinance.co.uk/news/2021/09/councils-receive-funding-boost-accommodating-afghan-refugees>

### **Council scrutiny 'superficial and inadequate'**

Nottingham City Council's scrutiny of wholly-owned companies remains "superficial and inadequate" a year after its auditors raised similar concerns, according to an independent report.

In August 2020, external auditors Grant Thornton said in a public interest report that Nottingham's governance arrangements had a lack of clarity about roles and responsibilities and financial forecasts were not appropriately challenged.

However, a report by the Centre for Governance and Scrutiny, to be discussed at an overview and scrutiny committee meeting next week said that governance concerns are still an issue at the authority.

The report said: "Scrutiny of the executive and council companies was superficial and inadequate; this is partially due to scrutiny having no clearly understood role and the lack of a suitable information to base its scrutiny upon.

"We also note that some of the councillor-board roles and positions were potentially in conflict or might contribute to the weakened input of scrutiny oversight and challenge."

Scrutiny is "essentially disconnected" from the issues that the council faces and has largely been absent in challenging the decisions and events that have led it to the point of crisis", the report said.

<https://www.publicfinance.co.uk/news/2021/09/council-scrutiny-superficial-and-inadequate>

### **Former senior council officers guilty of 'phantom worker' scam**

Two senior officers at a borough council have been found guilty of creating a fake worker to defraud more than £40,000 from the authority.

Between June 2012 and April 2015, Kalvinder Garcha, head of corporate resources at Oadby and Wigston Borough Council, and Lynn Middleton, head of HR at the authority, created a fake employee to defraud the council.

Middleton's sister, Sharon Reeve, played the role of the phantom employee - being paid for two years' employment alongside seven weeks' work for a local cancer charity.

Reeve pleaded guilty to two counts of conspiracy to money launder two weeks into the trial, while Middleton pleaded guilty to two counts of fraud and money laundering at an earlier hearing. Meanwhile, Garcha was found guilty of two counts of money laundering and fraud at Leicester Crown Court.

Detective sergeant Matt Swift, from Leicestershire Police's Economic Crime Unit, said: "This has been a lengthy and complex investigation spanning more than four years.

<https://www.publicfinance.co.uk/news/2021/09/former-senior-council-officers-guilty-phantom-worker-scam>

### **News analysis: UK government threatens return of borrowing caps**

A government policy paper proposing limits on some UK local authorities' borrowing has received a mixed reception from voices within the sector.

Those with long memories will remember the days when Whitehall issued UK councils with annual credit approvals, effectively setting a cap on each authority's borrowing. That system ended with the introduction of the prudential framework in 2004, freeing councils to spend and borrow without seeking prior approval. It has been easy to forget that the legislation enabling the framework, the 2003 Local Government Act, contained a clause allowing the secretary of state to impose caps on particular councils "for the purpose of ensuring that the authority does not borrow more than it can afford". Easy to forget, that is, until now.

In late July, the Ministry of Housing, Communities & Local Government published a policy paper with an ominous message: "We are reviewing the statutory powers for capping borrowing and considering how and when we will apply these to protect local financial sustainability."

Although the paper said that the government wants to avoid a return to a system of central control, it made clear that greater intervention from Whitehall might be necessary to deal with increasing financial risks - not just from commercial property investments but from private finance initiative deals, income strip arrangements and financial derivatives.

<https://www.publicfinance.co.uk/analysis/2021/09/news-analysis-uk-government-threatens-return-borrowing-caps>

## Environment

### **Councils need 'centralised net zero plan'**

Local authorities will require a centralised strategy to ensure that net zero commitments are met, and councils are not forced to “go it alone”, according to a senior peer.

Although more than three quarters of local authorities in England have declared climate emergencies, councils are forced to go it alone without centralised help, Lord Deben, chair of the Climate Change Committee said.

He added that the Ministry for Housing, Communities and Local Government needs to develop a strategy, including best practice, to guide local authorities in achieving net zero policies.

Deben told the Housing, Communities and Local Government Committee: “What we really need is a net zero delivery structure, which would be centralised in MHCLG, and bring in other departments.

“This would constantly ensure that decisions made by local authorities, for local authorities, would be made with [climate] matters absolutely at the forefront.

“At the moment it is not like that.”

On funding, Deben said that the Treasury does not have a clear breakdown of where funding for climate related projects comes from, meaning it is difficult to create a benchmark to assess financing arrangements.

<https://www.publicfinance.co.uk/news/2021/09/councils-need-centralised-net-zero-plan>

## HOUSING

### **Commission urges flexible funding plan to tackle homelessness**

The government must develop a flexible long-term funding strategy if it is to meet its target of eliminating rough sleeping by 2024, according to experts.

Funding for local authorities to tackle rough sleeping is mainly directed to major cities, meaning that some councils are unable to offer services, the influential Kerslake Commission said [in its final report](#).

The commission called for a joined-up cross departmental approach, with central government leadership, to ensure that communities have enough guidance and resources to manage homelessness levels.

In his foreword to the report, Bob Kerslake, chair of the commission, said: “Perhaps inevitably, there is not one single answer but a series of actions covering prevention, early response, and new provision.

“Taken together, they add up to a substantial system change from the way things have been done up until now. All are practical and deliverable.

“At its heart is stronger cross-government planning and coordination, sufficient funding, and embedding a new level of collaboration and partnership across local government, health, and housing and homelessness providers.”

<https://www.publicfinance.co.uk/news/2021/09/commission-urges-flexible-funding-plan-tackle-homelessness>

### **MHCLG rebranding a 'misstep'**





The decision to rebrand the Ministry for Housing, Communities and Local Government has been criticised by the sector, with one expert calling it a misstep.

MHCLG confirmed yesterday that its name has changed to the Department for Levelling Up, Housing and Communities, mirroring the government's lead policy of tackling regional inequalities.

However, the move has drawn some scorn from experts due to the removal of local government, with Adam Lent, chief executive of think tank New Local, labelling the move arrogant. He tweeted: “I know the arrogance of Westminster is usually off the scale but replacing a whole tier of democratic governance with a half-baked election slogan is special even for SW1. “The government has pointlessly alienated the two million people who work in local govt while simultaneously upping the stakes on levelling up, a promise they cannot remotely fulfil in any meaningful way without the help of those people. “What a misstep.” Simon Bottery, senior fellow of social care at healthcare charity the Kings Fund said that rebranding belittles the importance that local authorities have in providing services. He tweeted: “Seems extraordinary to remove 'local government' from the department's title. “Councils spend over £23bn on adult social care alone.”

<https://www.publicfinance.co.uk/news/2021/09/mhclg-rebranding-misstep>

# APPENDIX I - DEFINITION OF ASSURANCE

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

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# INTERNAL AUDIT FOLLOW UP OF RECOMMENDATIONS REPORT

MALDON DISTRICT COUNCIL

November 2021

IDEAS | PEOPLE | TRUST



# Summary

## 2018/19

	Total Recs	H	M	L	To follow up	Complete		In progress		Overdue		No Response		Not Due		% Recommendations Implemented
						H	M	H	M	H	M	H	M	H	M	
18/19. Safe and Clean Environment	6	-	5	1	5	-	4	-	-	-	1	-	-	-	-	80%
Totals	22	3	13	6	16	3	12	-	-	-	1	-	-	-	-	

## 2019/20

	Total Recs	H	M	L	To follow up	Complete		In progress		Overdue		No Response		Not Due		% Recommendations Implemented
						H	M	H	M	H	M	H	M	H	M	
19/20. Flooding Risk Management	4	-	4	-	4	-	-	-	-	-	4	-	-	-	-	0%
Totals	48	5	34	9	39	5	30	-	-	-	4	-	-	-	-	

## 2020/21

	Total Recs	H	M	L	To follow up	Complete		In progress		Overdue		No Response		Not Due		% Recommendations Implemented
						H	M	H	M	H	M	H	M	H	M	
20/21. Safeguarding	5	1	3	1	4	-	-	-	-	-	-	-	-	-	4	0%
20/21. CIPFA FM Preparedness	1	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-
20/21. Workforce Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20/21. Information Management	2	-	2	-	2	-	2	-	-	-	-	-	-	-	-	100%
20/21. KFS-Payroll	2	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-
20/21. Affordable Housing	3	1	2	-	3	-	-	-	-	1	1	-	-	-	1	0%
20/21. Knowledge Management	3	-	3	-	3	-	2	-	-	-	-	-	-	-	1	67%
Totals	16	2	10	4	12	-	4	-	-	1	1	-	-	-	6	

## 2021/22

	Total Recs	H	M	L	To follow up	Complete		In progress		Overdue		No Response		Not Due		% Recommendations Implemented
						H	M	H	M	H	M	H	M	H	M	
Partnerships	4	-	3	1	3	-	-	-	-	-	-	-	-	-	3	0%
Covid Response Plan	1	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-
Totals	5	-	3	2	3	-	-	-	-	-	-	-	-	-	3	

---

# Summary

We regularly follow up progress with the implementation of recommendations raised by Internal Audit and we report to the Performance, Governance & Audit Committee. We request commentary by responsible officers on the progress towards implementation of our recommendations and for high and medium priority recommendations we verify the progress to source evidence and conclude either that the recommendation is complete or incomplete. This information is collected via the SharePoint portal. This report represents the status of all internal audit recommendations as at 28 October 2021.

## 2018/19 Recommendations

3 high and 13 medium recommendations were raised in 2018/19. Two recommendations were reviewed since the previous PGA:

- Building Control - One high priority recommendation has been implemented
- Safe & Clean Environment - One medium priority recommendation remains overdue.

## 2019/20 Recommendations

5 high and 34 medium recommendations were raised in 2019/20, 35 of which are considered implemented and previously reported to the PGA. The remaining four relate to Flooding Risk Management. Three of these became due since the previous PGA. However, these are yet to be implemented and all are reported as overdue.

## 2020/21 Recommendations

2 high and 10 medium recommendations were raised in 2020/21. Of these, three became due for review since the previous PGA. The current position of these recommendations are as follows:

- Knowledge Management - One medium priority recommendation has been implemented
- Affordable Housing - Two recommendations (one high and one medium) had a target implementation date of September 2021. However, both of these remain overdue.

## 2021/22 Recommendations

3 medium and 2 low recommendations have been raised in 2021/22. These will be followed up as they become due.



# Recommendations: Implemented

RECOMMENDATION MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2018/19 - Building Control				
Implement adequate policies and procedures providing guidance on the Building Control service function, requirements and deadlines. This should cover the process once notification of planning applications, building notices, demolitions and dangerous structures are received. The timeframes that need to be met including the fees/charges requirement, the process for dealing with under/overpayments and refunds. Once completed and approved this should be made available to all staff.	High	Hannah Wheatley	<del>1 March 2021</del> Revised to September 2021	We confirmed that the Council now has in place Building Control Policy and Procedures which were implemented in July 2021. We noted the documentation to cover four main areas: Enforcement of Building Regulations, Inspection and making safe dangerous structures, Demolition notices and General advice i.e. answering queries, documentation and record keeping.
2020/21 - Knowledge Management				
<p>A) New guidance notes should be developed by the individual teams rather than the improvement team at the time of the process redesign and held centrally on FreshService as a central repository for information, policies and guidance.</p> <p>B) Evidence of research and meetings with the teams should be retained to ensure the involvement of users can be demonstrated.</p> <p>C) Sign off should be provided for all new processes before they can go live</p>	Medium	Cheryl Hughes	July 2021	This is now complete due to the introduction of the process improvement checklist. This is working as expected to document the processes as they go live and ensure necessary requirements are met.

# Recommendations: Overdue

RECOMMENDATION MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
2020/21 - Affordable Housing				
<p>A) Ongoing reporting and monitoring of delivery against action plan and the affordable housing targets should be undertaken.</p> <p>B) The Housing Strategy extension should be finalised as soon as possible and an accompanying action plan included which links with the actions in the Housing Service Business Plan.</p> <p>C) The Housing Service Business Plan should be finalised and disseminated to relevant staff.</p>	High	Richard Holmes	<p><del>30 September 2021</del></p> <p>Revised to 31 December 2021</p>	<p>A) We were advised by the Lead Specialist (Community) that whilst there has been internal discussions held around changes required to existing KPI's, this has not yet materialised.</p> <p>B) We were informed by the Lead Specialist (Community) that the existing Housing Strategy is still yet to be taken to Committee members, and will be presented for extension in Q3 2021.</p> <p>C) We were informed by the Lead Specialist (Community) that the Housing Business Plan has been completed and is waiting for sign off/approval before being circulated to key staff.</p>
2.1. The Strategic Housing Board meetings and accompanying terms of reference should be reviewed and meetings re-instituted as soon as possible.	Medium	Richard Holmes	<p><del>30 September 2021</del></p> <p>Revised to 31 January 2022</p>	<p>The first reconstituted Strategic Housing Board (SHB) has now taken place with a range of actions arising. The actions will be used to update the Terms of Reference.</p> <p><i>Audit Comment: Whilst this was noted as completed on Sharepoint, we would require evidence of the ToR having been updated, approved, in place and adhered to before being able to conclude this to be implemented.</i></p>
2019/20 - Flood Risk Management				
The Council should ensure all staff across the Council work-streams involved in managing flooding risks undertake and complete training on flooding risk management. The Council should consider involvement and representation from external	Medium	Richard Holmes	<p><del>30 September 2020</del></p>	We were advised by the Lead Specialist (Community) that the Council has not started to develop training arrangements due to pressures brought on by Covid-19. Despite this, we were advised that staff who are

flooding agencies to lead on specific training as required.			Revised to 31 January 2022	involved with flood risk management still attend relevant Flood Boards, however the Council recognise that updates are required to the Master Flood Sheet, in addition to the Flood Policy being updated to be in line with the Council's Climate Strategy.
<p>A) The newly appointed community lead specialist should contact the key members from each organisation and members within the Council to discuss flooding risks in the short term and ensure the Council are well placed to manage potential risks. Due to the Covid-19 pandemic, if formal face-to-face meetings cannot take place, virtual meetings should be held.</p> <p>B) Discussion should be held with external bodies on the training support they may be able to provide (Finding 1) and discussions should also be held with the service delivery Officers on the elements they would like covered in training.</p>	Medium	Richard Holmes	<p><del>30 September 2021</del></p> <p>Revised to 31 January 2022</p>	<p>We were informed by the Lead Specialist (Community) that the internal flood risk groups are taking place, with actions being identified such as updating key documentation and revising policies. It was noted however that engagement with external organisations such as Anglian Water, Essex or Suffolk County Council continue to be limited.</p> <p>We were informed by the Lead Specialist (Community) that the Council is continuing to seek engagement and support from partner agencies to help develop the Council's training and overall knowledge in terms of Flood Risk, for example through part of the ECC Flood Board. However, the Council has yet to implement dedicated Flood Risk training</p>
The Council should design and implement a formal SUDS strategy that includes the designated responsibilities and formal governance arrangements to manage and monitor SUDS. Training should be provided where necessary potentially incorporating this as part of the wider flooding risk management training	Medium	Richard Holmes	<p><del>30 September 2021</del></p> <p>Revised to 31 January 2022</p>	We were informed by the Lead Specialist (Community) a SUDS strategy, including governance and process arrangements will be added into the overarching MDC Flood Risk Strategy Document. The Council is still in progress however is looking to liaise with Flood Risk experts and wider partners to help develop the strategy.
<b>2018/19 - Safe and Clean Environment</b>				
<p>The Council should create an environmental and waste management strategy of their own. This could incorporate the Inter-Authority Agreement, however should have a wider view of environmental management as a whole.</p> <p>This strategy should outline what the Council would like to achieve in the medium to long term in</p>		Paul Dodson	<p><del>2019/2020</del></p> <p>Revised to 31 March 2022</p>	There no updates for a draft strategy due to ongoing management of Covid relation workstreams.

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regards to the environment, with specific targets and actions to assist in implementing the strategy, as well as an intermittent review to ensure the Council is working towards implementing the strategy.		
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## MALDON DISTRICT COUNCIL

### INTERNAL AUDIT REPORT

COVID RECOVERY PLAN  
OCTOBER 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Substantial	Substantial

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#### DISTRIBUTION

Name	Job Title
Paul Dodson	Director of Strategy, Performance and Governance and Returning Officer
Chris Leslie	Director of Resources
Richard Holmes	Director of Service Delivery and Head of Paid Service

#### REPORT STATUS LIST

Auditor:	Ben Endersby
Dates work performed:	03 August - 29 September 2021
Draft report issued:	20 October 2021
Final report issued:	29 October 2021

## EXECUTIVE SUMMARY

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

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

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

High	0
Medium	0
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 1

### CRR/BAF REFERENCE:

R29: Failure to deliver services as a result of Covid-19

### BACKGROUND:

In response to the Covid 19 pandemic Maldon District Council developed a Covid Recovery Framework to outline the priority of operational work as well as to prepare for the long-term recovery of the District. It seeks to provide a framework to set out the key areas to consider and highlight where more detailed plans are required.

The approach to dealing with Covid has been based on systems management, working with partners, primarily across Essex, to work as a team in addressing the key challenges they have faced. This has included the work of the Essex Strategic Co-ordination Group as well as with the voluntary sector and communities.

Included within the Framework are recovery plans from an Economic and Community point of view as well as a Roadmap which specifies key dates and the steps to have been completed.

Whilst the Framework paper is largely operational, member engagement is sought through both the Reset and Recovery Working Group, as well as the normal processes of Committee and Council, to take forward the projects and Strategies as they emerge. The plans themselves will remain dynamic and evolving, and will need to be amended, based on circumstances.

**GOOD PRACTICE:**

- The Recovery Framework received appropriate review, scrutiny and approval by Senior Management prior to its release and implementation
- The Framework contains clear key priorities to enable recovery plans to be produced for the Council's core services and key activities, linked to the revised Corporate Plan approved in late 2020/21
- Clear governance structures have been established, with adequate detail of the core roles and responsibilities in delivering the individual recovery plans. This involved the Corporate Leadership Team (CLT) maintaining ownership of the Framework and the Reset and Recovery working group being responsible for managing and monitoring the delivery of it.
- Individual Project Leads for each work stream were also in place and they delivered updates for each of their assigned areas to be reviewed and scrutinized
- Other committees and groups throughout the Council (Strategy and Resources Committee, Executive Leadership Team [ELT] and Performance, Governance and Audit Committee) also received regular update reports which ensured appropriate committee oversight and scrutiny of the Council's performance against the framework's core objectives.

**KEY FINDINGS:**

- The Terms of Reference for the Reset and Recovery Group is out of date and requires review and revision (Finding 1 - Low)

**ADDED VALUE**

We completed a benchmarking exercise of the Council's Recovery Framework against other Council Recovery Plans. We reviewed the date the plans were produced, the key priorities and themes detailed within each plan, what governance arrangements and KPIs were in place and how performance would be monitored.

We reviewed plans from :

- Ashford Borough Council
- London Borough of Hounslow
- Malvern Hills District Council
- Swale Borough Council
- Wychavon District Council

In general, the Maldon plan compared well to others but in some cases there were more comprehensive KPIs and one District had their plan on a page, so it was easier to read.

**CONCLUSION:**

Our review found that the Council has an adequate Recovery Framework in place that is well managed and supported with key processes, controls and documentation. Minor exceptions were noted regarding the need to revise and review terms of reference for the Rest and Recovery Group and developing more KPIs but this did not affect our final assessment of substantial assurance over the control design and substantial assurance over the control effectiveness.

## DETAILED FINDINGS

**RISK: GOVERNANCE STRUCTURES, INCLUDING ROLES AND RESPONSIBILITIES, ARE UNCLEAR AND NOT ADHERED TOO**

Ref	Significance	Finding
1	Low	<p>At its meeting on 16 July 2020, the Council agreed to the formation of the Covid-19 Reset and Recovery Member Working Group. This Group was responsible for developing a Covid-19 Corporate Reset and Recovery Plan/Recovery Framework. At its first meeting on 3 August 2020 the Covid-19 Reset and Recovery Member Working Group agreed the draft Terms of Reference for the group.</p> <p>The role of the group is to review the impact of the emergency and also the way in which services are delivered in the new circumstances. These actions and considerations include Council Business Impact, Community Impacts and Business and Economic Support. Work is focused under the following work streams which have assigned Project Leads providing update to the members:</p> <ul style="list-style-type: none"> <li>· Supporting businesses/Economic Development</li> <li>· Financial recovery</li> <li>· Town Centre Recovery</li> <li>· Future ways of working</li> <li>· Ongoing Covid19 Response</li> </ul> <p>The Reset and Recovery group meet monthly and from a sample of five minutes and papers we reviewed, all were well attended, with clear minutes and actions plans in place for all.</p> <p>However, we noted that the Terms of Reference (ToR) for the group requires updating as some staff named within it are no longer at the Council and there was no review/approval date. Further, it did not include the regularity of the meetings. Having an out of date ToR could result in the working group not fulfilling its roles and responsibilities.</p>

### RECOMMENDATION:

The Reset and Recovery Working Groups Terms of Reference should be reviewed and updated and should detail the regularity of its meetings and include its date of approval and next review.

### MANAGEMENT RESPONSE:

The recommendations set out are accepted and Terms of Reference will be reviewed at the next meeting of the Re-set and Recovery Working Group.

Responsible Officer: Paul Dodson (Director of Strategy, Performance & Governance)

Implementation Date: 31<sup>st</sup> January 2022

**OBSERVATION****BENCHMARKING EXERCISE**

Our conclusions were that while the Council's Recovery Framework included clear delivery plans, supported with adequate governance arrangements, accountabilities and monitoring processes, some lessons could be learnt namely in the presentation and simplicity of some other plans produced eg producing a one page document and in the inclusion of clearer measureable actions and KPIs within them.

All the Council plans reviewed during this exercise were shared with the Senior Management involved in this audit and the full results of this exercise can be seen in Appendix I.

## 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
Paul Dodson	Director of Strategy, Performance and Governance and Returning Officer
Richard Holmes	Director of Service Delivery and Head of Paid Service
Chris Leslie	Director of Resources
Cheryl Hughes	Programmes, Performance and Governance Manager
Jack Ellum	Strategic Theme Lead - Prosperity
Joshua Fulcher	Strategic Theme Lead - Community
Hannah Wheatley	Specialist Services Manager

## APPENDIX I - BENCHMARKING EXERCISE

Council	Maldon DC	Ashford BC	Swale BC	LB Hounslow	Wychavon DC	Malvern Hills DC
Name of plan	Recovery Framework (No date on document)	Recovery Plan (Dated June 2020)	Recovery Plan (Dated July 2020)	Recovery Plan (Dated Oct 2020)	Covid-19 Recovery Plan 2021-2023 (No date on document)	Recovery Framework (No date on document)
Themes	Three broad phases 1. The immediate period, where the urgency of fighting the virus and protecting our communities is the paramount challenge. 2. The period from Easter until the autumn when many people will have received the vaccine. Our communities will want to revive normal life robustly and public services will need repair. 3. Winter 2021/22 when we may need refreshed plans for public health and health and social care.	4 key themes - i) economic recovery ii) Community Recovery iii) Place Making, Regeneration, and Infrastructure and iv) Organisational Change and Workforce Development	5 priorities i) economic improvement ii) affordable housing iii) Climate and Environmental Emergency iv) Communities and Social Inclusion v) Renewing Local Democracy and making the council fit for the future	4 themes i) Economic Recovery ii) Community recovery iii) Social and wellbeing iv) Green recovery	5 actions i) Economic recovery ii) Social recovery iii) Community recovery iv) Organisational recovery and v) Environmental recovery	4 areas: i) Our communities and the local economy ii) Reset the business of the Council iii) Recovery of the organization iv) Councillors and democracy
Governance	Themes emanated from revision made to Corporate plan that was approved by the Council in March 21. Reset and Recovery Group in place that monitors progress	Overview and Scrutiny Cabinet	Cabinet subgroups for priority areas have been established	Recovery Programme Board set up chaired by Council leader - 4 taskforces (sub committees) in place reporting to Board each led by cabinet member)	Actions in this plan have been shaped by the findings and recommendations from our LGA Renewal and Recovery Panels and the Covid-19 Review Group's recommendations	A revised version of the Council's Five Year Plan was approved by the Executive Committee on Tuesday (19 January)



Council	Maldon DC	Ashford BC	Swale BC	LB Hounslow	Wychavon DC	Malvern Hills DC
Performance Monitored	Work streams set up to manage completion of themes. Reset and Recovery Group monitors progress and delivery	Quarterly performance report	Areas of focus broken down into short, medium and long term against each of the 5 priorities - with some KPI/deliverables identified	Recovery Index to be used - but no further detail provided	Plan does include key measurables eg Launch a £100,000 Wychavon growth grant to support business growth and diversification. And deliver five open air cinema events in Broadway, Droitwich Spa, Evesham, Pershore and one of the villages	There are 34 actions in the plan which are a bit vague with no clear KPI
Comments	See audit comments in main report	Good linkage and with the reference to Government Recovery plan - "Our plans to rebuild" and Kent Resilience Forum, clear length of plan being 18 months	Document not reader friendly	Very colourful and easy to read document	Plan is contained to one page so very easy to read and review	Although detailed on one page it is easy to read but by having 34 actions, the focus is lost and there don't appear to be any clear KPIs established.
		Clear KPIs identified in draft recovery plan for each theme, along with key priorities and benefits			Like MDC they updated their corporate plan with new actions - helpfully noted on the one page in bold	
		Very colourful and easy to read document				

APPENDIX II - 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 III - TERMS OF REFERENCE

### PURPOSE OF REVIEW:

The purpose of this review is to assess the controls in place regarding the implementation of the Council's Covid Recovery Framework, including how it is monitored and managed so that it is effective in its objectives.

### KEY RISKS:

The Framework is not formalised and does not include sufficient detail to inform the Council's future plans resulting in timeframes and objectives not being met

- Governance structures, including roles and responsibilities, are unclear and not adhered to
- There is a lack of oversight and monitoring of performance against the framework's objectives
- The framework is not in line with best practice and plans in place at other Councils

### SCOPE OF REVIEW:

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

- We will review the framework, the level of input from stakeholders and how this informed the framework
- We will review the governance structure set out in the framework including reporting arrangements and roles and responsibilities
- We will review the minutes of responsible groups and committees to confirm there is sufficient oversight and scrutiny
- We will review the plans in place at other Councils as well as guidance pertaining to covid recovery

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.

### BAF/CRR REFERENCE:

R29: Failure to deliver services as a result of Covid-19

**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

PARTNERSHIPS  
NOVEMBER 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

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#### DISTRIBUTION

Name	Job Title
Paul Dodson	Director of Strategy, Performance and Governance and Returning Office
Georgina Button	Assistant Director, Strategy, Policy and Communications
Cheryl Hughes	Programmes, Performance and Governance Manager

#### REPORT STATUS LIST

Auditors:	Christopher Andre
Dates work performed:	August - October 2021
Draft report issued:	28 October 2021
Final report issued:	01 November 2021

## 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 that may put some of the system objectives at risk.

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

High	0
Medium	3
Low	0

### TOTAL NUMBER OF RECOMMENDATIONS: 3

### CRR/BAF REFERENCE:

R3 AND R4

### BACKGROUND:

Partnerships are increasingly seen as a key approach to working and a means of achieving corporate objectives and delivering improved outcomes and efficient, effective services through collaboration with different organisations. Partnerships may also provide leverage to source additional funding, or reduce risks.

The term 'Partnership' is broad, covering a wide range of delivery formats including networks and steering groups, boards, shared service and contractual arrangements. Effective governance arrangements, clarity of the purpose of the partnerships, and review against delivery objectives is key to ensuring Corporate Objectives and Priorities are delivered.

The Council delivers its outcomes through partnership working and via its thematic strategies it identifies 'Smart Partners' These are individuals, groups and organisations who have a clear delivery remit, a statutory responsibility or who provide access to data and other helpful resources, including funding.

### GOOD PRACTICE:

- The Council maintains a record of partners via its Outside Bodies document as well as through the three thematic Strategies (Place, Prosperity and Community)
- Partners within the thematic strategies have been identified as such in order to enable the Council to meet its corporate objectives as identified in their recently updated 2021-2023 Corporate Plan
- Performance against objectives is monitored via quarterly reporting to the Performance, Governance and Audit Committee



- Members have been nominated for the Council's formal partners and there are robust processes in place to ensure these are agreed, with approval required from Full Council.

#### KEY FINDINGS:

- There is no documented guidance detailing the difference between smart and formal partners and the requirements expected to be in place for both (Finding 1 - Medium)
- Following the update to the Corporate Plan the three thematic strategies have not yet been updated to reflect this (Finding 2 - Medium)
- Whilst Members are nominated to sit on the Board of each of the formal partners, there is little feedback received and documentation held on ModGov (Finding 3 - Medium)

#### CONCLUSION:

The Council has a good understanding of the partnerships it holds, be it with smart or formal partners. As opposed to some other Councils we have undertaken this review at, where there is little record of the partnerships and who is responsible for them, Maldon has ensured partners are recorded in central documents and, in respect of the thematic strategies, the purpose of these partnerships is known.

However, where the Council has differentiated between smart and formal partners, there is a lack of guidance detailing what is to be expected to be in place for each, whilst feedback as to the work undertaken at formal partners is not readily available. In addition, updates are required to the thematic strategies following the renewed corporate objectives. This has led to a moderate assurance over both the design and operational effectiveness of controls in place regarding partnerships and their management.

## DETAILED FINDINGS

**RISK: PROTOCOLS AND GUIDANCE INCLUDING REQUIRED GOVERNANCE ARRANGEMENTS ARE NOT DEFINED OR ARE INADEQUATE**

Ref	Significance	Finding
1	Medium	<p>The Council has two types of partnerships in place, strategic (smart) and formal. Smart partnerships in place are aligned more with the thematic strategies and have been identified in order to help the Council achieve its corporate objectives. This differs to formal partners who are often statutory bodies relating to highways, county councils and safeguarding.</p> <p>There is expected to be different levels of governance over each of these with formal partners more likely to have regular, minuted meetings with terms of reference agreed as opposed to the less prescribed smart partners which are liaised with on a less frequent basis. However, there is no guidance in place which details the varying requirements between the two sets of partners. Additionally, our review of documentation found that some smart partners had more robust documentation in place as opposed to others for example Livewell is an established smart partner and looks at health and wellbeing and we were provided with a ToR, minutes and notes. However, Aran Services, who is another smart partner didn't not have any documentation available. There was a consensus amongst staff that there is a lack of clarity over what is expected to be in place in terms of agreements, terms of reference, minutes, actions etc.</p> <p>Without clear guidance as to what should be in place for the respective partners there is an increased risk of a lack of consistency and this may result in partnerships not meeting the needs of the Council.</p>

### RECOMMENDATION:

Guidance should be produced which clearly defines the requirements for both formal and smart partners or Statutory/Non statutory - whichever provides the best definition.

### MANAGEMENT RESPONSE:

Partnerships database is to be updated detailing if it is a formal or smart partner/ Statutory or Non statutory. Descriptions are provided in terms of what each partner is responsible for or what they bring to the activity but without a status definition. We will provide this clarity and status.

Responsible Officer: Georgina Button

Implementation Date: 30 November 2021

**RISK: SMART PARTNERS HAVE NOT BEEN IDENTIFIED ACROSS THE THREE THEMATIC STRATEGIES INCREASING THE LIKELIHOOD THAT OBJECTIVES ARE NOT MET**

Ref	Significance	Finding
2	Medium	<p>All three thematic strategies (Place, Prosperity and Community) include the partners they have identified as being key to the implementation and achievement of corporate priorities and objectives. The thematic strategies currently in place and available on the Council's website are in place for 2019-2023 and were approved at Full Council in November 2019.</p> <p>These were developed to achieve the targets of the Corporate Plan and partners are placed alongside these objectives. The Corporate Plan was updated in 2021 with new priorities identified. These established new objectives under the Place, Prosperity and Community thematic strategies and a separate document was developed which lists these. However, the full strategic theme documents have not yet been updated and therefore there is not the same level of cohesiveness between the objectives and the specific partners in place to achieve these.</p> <p>If the thematic strategies are not updated in line with the Corporate Plan there is a risk that the partnerships in place are either no longer required or further partners are needed.</p>

**RECOMMENDATION:**

The Council should ensure the three thematic strategies are updated to reflect the new objectives identified in the latest Corporate Plan and that partnerships are appropriately mapped out

**MANAGEMENT RESPONSE:**

Thematic strategies have now been updated and will be added to the Council's website this week.

Responsible Officer: Georgina Button

Implementation Date: 30 November 2021

### RISK: THERE ARE INSUFFICIENT LEVELS OF MANAGEMENT AND/OR MEMBER INVOLVEMENT AND FEEDBACK FOR FORMAL PARTNERSHIPS

Ref	Significance	Finding
3	Medium	<p>Members are appointed via Full Council to formal partnerships in order to sit on their respective Boards. We were informed that representatives are then required to feed back and provide copies of documentation which should be held on ModGov.</p> <p>A sample of formal partners were chosen with notes/minutes/ToRs requested. However, no documentation was able to be provided to satisfy this requirement other than the approval of appointment to respective partnerships.</p> <p>Without sufficient documentation maintained in reference to formal partnerships there is an increased risk that the Council is unaware of progress and ongoing work it is a part of.</p>

### RECOMMENDATION:

The Council should ensure that sufficient documentation is maintained for the formal partners. This should include:

- Terms of Reference
- Minutes from meetings
- Action Logs
- Updates from Council representatives

### MANAGEMENT RESPONSE:

The process was detailed at Statutory Annual Council with a reminder as to requirements recently circulated. Reminders will be issued where needed and the process noted again at Statutory Annual Council in 2022.

Responsible Officer: Cheryl Hughes

Implementation Date: May 2022

**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
Georgina Button	Strategy, Policy and Communications Manager
Cheryl Hughes	Programmes, Performance and Governance Manager
Paul Dodson	Director of Strategy, Performance and Governance and Returning Office
Josh Fulcher	Strategic Theme Lead - Community
Jackie Longman	Strategic Theme Lead - Place

## 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 assess the adequacy and effectiveness of the Council's arrangements for the management of Partnerships and Smart Partners given the outcomes within the Corporate Plan to deliver various projects with partner involvement

### KEY RISKS:

- Protocols and guidance including required governance arrangements are not defined or are inadequate
- The Council enters into significant partnerships without approval
- The Council does not maintain an up to date list of Formal Partnerships which details Lead Officers
- Smart Partners have not been identified across the three Thematic Strategies increasing the likelihood that objectives are not met
- The governance arrangements do not make provision for effective strategic oversight of partnerships, or oversight is not effectively and regularly carried out to ensure partnership objectives are met
- There are insufficient levels of management and/or Member involvement and feedback for Formal Partnerships

### SCOPE OF REVIEW:

- We will review protocols in place to ensure they provide sufficient guidance to Officers in the establishment of a Partnership
- We will choose a sample of Partnerships (Smart and Formal) and confirm there are sufficient levels of governance in place
- We will review the process for maintaining an up to date list of Partnerships in place within the Council
- We will review the reporting and management arrangements to ensure there is adequate oversight

### BAF/CRR REFERENCE:

R3 and R4



**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**

**FRAUD RISK ASSESSMENT**  
**NOVEMBER 2021**

IDEAS | PEOPLE | TRUST



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#### DISTRIBUTION

Name	Job Title
Chris Leslie	Director of Resources
Al Morrell	Resources Casework Manager
Annette Cardy	Resources Specialist Services Manager

#### REPORT STATUS LIST

Accredited Counter Fraud specialist:	Al Tottle
Dates work performed:	22/09/20 - 08/10/20
Draft report issued:	June 2021
Final report issued:	November 2021

## EXECUTIVE SUMMARY

### BACKGROUND

The CIFAS document 'Fighting Fraud and Corruption Locally 2020' defines a strategy for local government and provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities with the support of those at the top. It estimates that one in three of all crimes committed nationally is fraud based and fraudsters are always seeking new ways to take money. The strategy highlights that potential losses to fraud could run into billions of pounds across local authorities if appropriate preventative action is not taken.

We last assisted the Council in carrying out a fraud risk assessment in 2014/15 and therefore this was in need of updating to help inform and support the Council's counter fraud strategy.

### SCOPE

The review considered the following fraud risk areas which are deemed to be some of the highest risk areas for fraud in Local Government:

- Procurement and contract management
- Identity fraud for employees and benefit claimants
- Disabled facility grants
- Members' interests and conflicts of interests
- Investment properties.

### OVERALL RISK RATING SUMMARY

Our fraud risk assessment has used the methodology and definitions in Appendix 1 to determine a risk rating for a number of possible fraud risks within each of the above areas, taking account of the impact and likelihood of each risk. A traffic light system has been used to attach a priority for mitigating action to each risk level.

As this is an advisory review, no assurance opinion has been provided.

OVERALL RISK RATING SUMMARY						
Fraud Risk Category	RESIDUAL FRAUD RATING			PRIORITY		
	Low	Medium	High	Urgent	Important	Routine
1.0 PROCUREMENT & CONTRACT MANAGEMENT	12	4	0	0	4	12
2.0a EMPLOYEE IDENTITY	1	1	0	0	1	1
2.0b CLAIMANT IDENTITY	1	1	0	0	1	1
3.0 DISABLED FACILITY GRANTS	12	0	0	0	0	12
4.0 COUNCILLORS' INTERESTS	2	1	0	0	1	2
5.0 INVESTMENT PROPERTIES	0	2	0	0	2	0
	28	9	0	0	9	28

See Appendix 1 for the definitions.

## SUMMARY OF FINDINGS

Following the Council's transformation exercise during 2019 and the consequent restructure, there are a number of new staff and officers in their roles. Even though they are experienced with Local Government processes, this can put the Council at some risk of new officers and staff understanding the controls and processes that the Council is operating whilst they embed into those roles. The additional complication of working from home due to the pandemic will also have an impact on this with less supervision, oversight etc.

In 2019/20, we undertook an internal audit of procurement which had a limited assurance opinion on the operational effectiveness of controls. We did not test controls as part of this fraud risk assessment, however, the Procurement Service has been brought back in house and the Council has employed a Lead Procurement Specialist who has instigated a number of processes and procedures to improve controls surrounding the procurement life cycle.

Our fraud risk assessment has identified no high risk fraud areas, nine medium fraud risks which generally relate to inherent risks in areas such as housing benefit claimants but also includes areas where actions have been suggested to assist with mitigating fraud risk. In addition, we identified 27 low risk areas. Again, there is always an inherent risk of fraud in these areas which is regarded as low but the Council has controls in place to manage and mitigate these risks.

We have developed an action plan, as set out on page 5, for the medium and important priority risk areas. This is summarised below:

### ***Procurement and contract management***

- The Lead Procurement Specialist is currently procuring some data analytics work which will review supplier spend. Additional data extracts to examine should include: contract and purchase order splitting, use of one time vendors
- The Finance Business should review actual contract spend against the contract value and report this as part of budget monitoring.
- Updating of the Anti-Bribery policy based on a review provided as part of this Fraud Risk Assessment and the Code of Conduct for Employees to ensure that it remains current.

### ***Employee Identity***

- Ensure that the Home Office's "Right to Work Checklist" is used for all employee identity checks
- Undertaking of employment documentation checks for all new starters by reviewing the physical documentation once staff are able to return to the Council offices, in-line with Government guidance.

### ***Councillors' interest***

- Removal of Councillors' signatures from the manually updated Declarations of Interests to reduce the risk of personal fraud against them
- All Declarations of Interest on the Council's webpage to show evidence of review by the Councillor on an annual basis, with dates recorded to reflect that this has been reviewed.

### ***Investment properties***

- Removal of Councillors' signatures from the manually updated Declarations of Interests to reduce the risk of personal fraud against them
- Development of an Anti-Money Laundering policy based on the research provided as part of this Fraud Risk Assessment.

National guidance and good practice documentation has been supplied to officers for the relevant areas where our discussions deemed this to be helpful.

## GOOD PRACTICE NOTED

The following areas of good practice were noted. These help mitigate fraud risks, provided the internal control environment is maintained to an adequate level and is reviewed as necessary, for example when there are staffing changes.

### ***Procurement***

- A Lead Procurement Specialist (LPS) has been brought back in-house following covering of procurement by a neighbouring local authority
- The LPS brings many years of experience in working and providing consultation in procurement
- The LPS has been working to update forms and processes for the procurement lifecycle since commencing with the Council in April 2020 including
  - Writing specifications, Financial due diligence , Exemption procedures, Contract management checklist, Contract monitoring and performance
- Signing up to ConstructionLine so that certain contractors will have been pre-vetted following due diligence checks
- Using local and national procurement frameworks
- There are regular meetings of the Procurement Agency for Essex which is composed of Local Authority members that meet for advice, sharing of best practice and knowledge
- The LPS has produced procurement training presentations for staff and works closely with colleagues to ensure that they approach procurement for advice with a procurement reference being provided for all procurement exercises greater than £5k
- Single Tender Waivers forms are reviewed by the Strategy & Resources Committee

### ***Employee Identity***

- New starters are now having their identity confirmed by video call by holding up an identity document next to their face, which is in line with the Government COVID-19 right to work check guidance. Retrospective checks of new starters will be undertaken whilst home working arrangements are still ongoing.
- The Council's Safer Recruitment Policy & Procedure was last updated in April 2020 following the Council's restructure and implementation of new working practices.
- The Council has created a specific policy regarding COVID-19 working at home which was last updated 23/09/20 and is on version 7. For recruitment, this contains a specific section under 2.5 regarding safer recruitment policy & procedures.

### ***Housing Benefit Claimant Identity***

- Cross referencing and data matching to the Department of Work & Pensions database, Housing Benefits Data Matching Service and the National Fraud Initiative exercise is carried out
- Local data matching exercise conducted on a monthly basis across Essex councils

### ***Disabled Facility Grants***

- There has been a relaunch of the DFG team with experienced officers having been recruited to deal with claims
- Process notes have been revised in May 2020
- A procurement process to update the list of pre-vetted contractors has been undertaken
- The DFG Officers ensure that the work is carried out to specification and is complete with sign off by the applicant
- Contractors provide quotes for the work and the most appropriate quote is selected following a comparison of the quotes
- The Council pays the grants directly to the contractors carrying out the work rather than to the applicants

### ***Councillors' Interests***

- The Democratic Services team, Monitoring Officer and Deputy monitoring Officer provide Members with training in areas such as Members' interests, the Code of Conduct, and whistleblowing
- Democratic Services have a working knowledge of members' interests, which would help in highlighting any potential conflicts of interest.



## ACTION PLAN

NB The ref number is not sequential as this relates to the Fraud Risk Assessment ref. Missing references relate to where no action is noted.

Ref	Key Risk	Fraud risk assessment	Priority	Actions	Management response	Responsible Officer & Implementation date
<b>1 PROCUREMENT &amp; CONTRACT MANAGEMENT</b>						
1.1	Policies and procedures are not regularly reviewed and do not reflect current practice	The Lead Specialist Procurement has updated the Contract Procedure Rules and has also developed a number of procedures and training programmes to assist staff and officers involved in the procurement process	Routine	The copy of the Code of Conduct for Employees provided for the Fraud Risk Assessment was last updated in October and therefore requires a review.	Code of Conduct to be reviewed including new Hybrid ways of working.	Annette Cardy Dec 2021
1.2	Bribery & Kickbacks	The Council has asked for a review of their Anti-bribery Policy and Procedures	Routine	Undertake a review of the amendments made to the Anti-bribery Policy and Procedures and update accordingly.	Review policy	Al Morrell Dec 2021
1.4	Contract/order Splitting	Training has been provided by the Lead Specialist Procurement in relation to this area, the data analytics exercise that is awaiting authorisation will help to detect if this has been happening.	Important	When the data analytics are performed, contract / purchase order splitting should form part of the analysis.	Agreed	Complete  These were identified in the analysis. The rules on disaggregation are in the toolkit. Projects with multiple elements/values are completed as one project, unless full

Ref	Key Risk	Fraud risk assessment	Priority	Actions	Management response	Responsible Officer & Implementation date
						justification can be evidenced and approved by Project Board.
1.10	Use of one time vendors (Source: London Public Sector CF Partnership - Procurement Fraud Themes and Control Measures)	The data analytics of the spend data will reveal any trends including significant use of one time vendors	Important	When the data analytics are performed, use of one time vendors should form part of the analysis.	Agreed	Complete  Spend Analysis identified One Off Vendors. Action plan in place to provide new joint procurement at better value targeting the highest risk / spend as priority. Eg Amazon one off's, Agency Framework. Printing Contract.

Ref	Key Risk	Fraud risk assessment	Priority	Actions	Management response	Responsible Officer & Implementation date
1.13	Inadequate contract/ supplier management and monitoring arrangements (Source: London Public Sector CF Partnership - Procurement Fraud Themes and Control Measures)	The Lead Procurement Specialist has created a mandatory online training programme and various guides for staff to use during the procurement cycle including supplier / contract management. There is a template for supplier management "Monitoring & Performance" Schedule.	Important	An inherent risk remains that officers and staff do not manage suppliers and contracts effectively even if training is provided. The outcome of the data analytics exercise, when completed, will determine the extent as to which this has occurred.	Agreed	Complete  All procurement related projects require a first project meeting or call for all new tender process and Procurement provide all the required documents and training guidance in relation to Contract Management and performance monitoring. These are also easily available as on line guidance for all managers
1.14	Contracts going beyond their authorised value or term (Source: London Public Sector CF Partnership - Procurement Fraud Themes and Control Measures)	A risk with any contract, spend is usually monitored as part of month end budgetary reporting but not necessarily against contract value	Important	The Finance Business Partners to review actual contractual spend against the contract value and report this as part of budget monitoring	Being reviewed as part of spend analysis with Finance and new budget monitoring process for 22.23	Debbie White & Lance Porteous March 2022

Ref	Key Risk	Fraud risk assessment	Priority	Actions	Management response	Responsible Officer & Implementation date
1.15	Lack of awareness of risks of fraud and corruption within the procurement lifecycle by staff involved with procuring goods or services (Source: MoH,C&LG Review into the risks of fraud and corruption in local government procurement)	The Lead Procurement Specialist has created a mandatory online training programme and various guides for staff to use during the procurement cycle.	Routine	The Lead Procurement Specialist to review the MoH, C&LG "Review into the Risk of Fraud and Corruption in Local Government Procurement" and the "Procurement Fraud Themes and Control Measures" documents	Agreed currently being reviewed	Complete  Completed by Procurement Specialist Debbie White July 21
1.16	Lack of awareness of the Procurement Fraud and Corruption Risk matrix (Source: MoH,C&LG Review into the risks of fraud and corruption in local government procurement)	The Lead Procurement Specialist was not aware of this document.	Routine	The Lead Procurement Specialist to review the MoHC&LG document "Procurement Fraud and Corruption Risk matrix"	Agreed currently being reviewed	Complete  Completed by Procurement Specialist Debbie White July 21

Ref	Key Risk	Fraud risk assessment	Priority	Actions	Management response	Responsible Officer & Implementation date
<b>2a EMPLOYEE IDENTITY</b>						
2a.1	False Identity and Immigration Status (Source: CO Government Digital Service - How to prove and verify someone's identity)	Current Government guidance is now being followed regarding the holding up of identity documentation during an online video call with retrospective checks to be undertaken of those new starters that this was not carried out for. Advised also to do retrospective checks on return to office for original ID	Important	The Home Office "Right to Work Checklist" to be used for all employee identity checks and to undertake retrospective checks on return to the office of original ID	The checklist is used for all new employees. The Government have not required retrospective checks to be made. Legislation is still in place to allow on line checks. If this is amended procedures will be changed in line with this	Complete
<b>2b CLAIMANT IDENTITY</b>						
2b.1	False Identity (Source: CO Government Digital Service - How to prove and verify someone's identity)	The majority of claims are referrals from the DWP and have gone through the DWP vetting and claimant ID checks; claims direct to the Council are cross checked to previous applications and to the DWP Searchlight database. Experienced members of the team help train staff, provide advice, sample checks and 100% checks are undertaken of assessment staff dependant on their experience.	Important	An inherent risk remains in this area due to a national increase in claimants as a result of the pandemic. The Council are using Government guidance in relation to processing Housing Benefit claims. The use of experienced and trained HB Officers will assist with identifying anomalies in documentation which can be followed up with the claimant. The Benefit Counter Fraud Policy provided was dated April 2013 with a review due in April 2016. Things may not have materially changed in the policy but it is best practice	Agreed - Policy to be reviewed	Michelle Le Marre & Al Morrell  Dec 2021

Ref	Key Risk	Fraud risk assessment	Priority	Actions	Management response	Responsible Officer & Implementation date
		The Benefit Counter Fraud Policy that was provided was last reviewed in April 2013.		to review and recommunicate them on a cyclical basis.		
<b>4 COUNCILLORS' INTERESTS</b>						
4.1	Undeclared interests or a lack of monitoring of declared interests unknowingly influence decision making for personal gain (Source L DCLG Openness and transparency on personal interests - a guide for councillors)	<p>The Council's Constitution is reviewed annually and contains a number of sections in relation to Member's Conduct, Interests and the Nolan principles.</p> <p>There is a process to update Members interests every year which are recorded on ModGov on the Council's website. There will be a move to a new form being completed every year from the next elections rather than reviewing the currently form and recording no change. Members of the Democratic Services Team have a general awareness of Councillor's interests and attend meetings.</p> <p>The 2016-19 Fighting Fraud &amp; Corruption Locally document states that "Local government is targeted by those who wish to corrupt local processes, such as housing or planning, for their own gain; and organised crime groups</p>	Important	<p>Continue with the work undertaken to train Councillors about conflicts of interest and continue to use "intelligence" to highlight any unreported potential conflicts.</p> <p>Remove Councillor's signatures of their Declarations of Interests.</p> <p>Even though there is no requirement to update the Councillor's Register of Interest form on an annual basis, a significant number of Councils are undertaking this exercise for all Councillors now on an annual basis even if they are continuing their term of office, as a completeness and transparency exercise.</p>	<p>Agreed signatures to not be placed on the website</p> <p>Already agreed to complete forms yearly from next year.</p>	<p>Complete</p> <p>Since 2019 the form hasn't had a signature option, so signatures haven't been published since then, The team have checked &amp; removed any historic forms published.</p>

Ref	Key Risk	Fraud risk assessment	Priority	Actions	Management response	Responsible Officer & Implementation date
		are known to target local officials to consolidate their status in communities." There is no legal requirement for the personal signatures of councillors to be published online - "openness & transparency on personal interests - a guide for councillors DCLG 09/13) however, manual amendments to the Register of Interest forms are being countersigned by the Councillor and this document is published. There is an increased risk of identity fraud as the Councillor's web page also contains their home address, mobile and home number (see Appendix 4).				
4.2	Fraud awareness training for Councillors (Source: LGA A Councillor's workbook on bribery & fraud prevention)	The Democratic Services team provide Members training with the Monitoring Officer and includes code of conduct training, Members' interests, audit training from Director of Corporate Resources, whistleblowing, money laundering,	Routine	The Fighting Fraud & Corruption Locally (2016-19) document states that "Local government is targeted by those who wish to corrupt local processes, such as housing or planning, for their own gain; and organised crime groups are known to target local officials to consolidate their status in communities". Circulate the Local Government Association document "A Councillor's Workbook on bribery and fraud prevention" 2017 to Councillors.	Agreed document to be circulated to Members and added to induction for new Members	Complete  Document circulated to Members on 5.8.21.  Document added to Induction pack and process 6.8.21



Ref	Key Risk	Fraud risk assessment	Priority	Actions	Management response	Responsible Officer & Implementation date
<b>5 INVESTMENT PROPERTIES</b>						
5.1	Money laundering guidance is not up to date and staff have not been trained in the regulations	The Council does not currently have a Money Laundering policy	Important	BDO has prepared a paper on Money Laundering Policy requirements and included examples of money laundering policies from other Councils that were deemed to cover the elements required (See separate Appendix to this report).	Agreed - Policy to be reviewed	Al Morrell Dec 2021
5.2	Safeguards are not in place to protect the council from risk of money laundering when purchasing investment properties, and the undertaking of adequate due diligence checks on the vendor	Sale and purchase of commercial properties are some of the largest financial transactions that the Council will be involved with. There are indications that serious organised crime groups have created "shell companies" for use in money laundering transactions for the sale and purchase of commercial property. It is accepted that solicitors involved internally and externally have a duty of care regarding money laundering legislation to ensure that proper due diligence checks are carried out on purchasers of council property, however, care should be exercised that some solicitors may be linked with the criminal organisation and therefore will mask the true intent of the other party. The Council must be satisfied before proceeding with the procurement	Important	The Council to include reference to purchase and sale of properties within the Money Laundering policy.	Agreed - Policy to be reviewed	Al Morrell Dec 2021

Ref	Key Risk	Fraud risk assessment	Priority	Actions	Management response	Responsible Officer & Implementation date
		or sale of a commercial property that the full due diligence checks have been undertaken to a satisfactory standard and the Council is satisfied on who it is transacting with.				

## 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
<u>Procurement and contract management</u>	
Debbie White	Lead Specialist Procurement
<u>Disabled Facility Grants</u>	
John Swords	Senior Housing Specialist
Paul Duguid	DFG Officer
<u>Employee Identity</u>	
Sam Mott	Senior Specialist - HR
<u>Claimant Identity</u>	
Sue Green	Customer, Community and Casework Manager
Morag Mcakenzie	
<u>Councillors' Interests</u>	
Emma Holmes	Deputy Monitoring Officer, Senior Legal Specialist
<u>Investment Properties</u>	
Emma Holmes	Deputy Monitoring Officer, Senior Legal Specialist
Lance Porteous	Lead Specialist - Finance

## APPENDIX I - DEFINITIONS

### Likelihood

Level	Likelihood of the fraud occurring
5	Certain - will occur frequently, given existing controls
4	Likely - will probably occur, given existing controls
3	Possible - could occur, given existing controls
2	Unlikely - not expected to occur, given existing controls
1	Rare - not expected to occur, except for exceptional circumstances, given existing controls

### Impact

Level	Grade	Impact on Service/Department (not an exhaustive list)	Impact on Service/Organisation/Reputation
1	None	Very minor fraud easily identifiable, good prevention, controls already in place	No service disruption  Low financial value (<£100)
2	Minor	No harm to service disruption. Fraud identifies poor management practices. Good controls and systems identify fraud early	Litigation / financial loss of £100-£1,000  Reputation of service not jeopardised
3	Moderate	Fraud does get reported but not immediately. Fraud demonstrates key weaknesses in controls and / or management. If allowed to continue, fraud loss may have increased significantly	Litigation / financial loss of £1,000 - £20,000  Failure / disruption of support services. Moderate business interruption. Adverse local publicity
4	Major	Fraudulent behaviour goes unreported and / or unchallenged. Existing policies, procedures and protocols undermine likelihood of detection and / or successful prosecution	Litigation of £20,000 - £500,000  Adverse national publicity. Temporary service disruption. Underperformance against key targets. Reportable to External Agencies / Regulatory Bodies.
5	Catastrophic	Fraud results in severe harm to the service's reputation. Financial repercussions severely affect service provided.	Litigation / financial loss > £500,000  International adverse publicity. Severe loss of reputation. Significant overspend.

The matrix below is used to calculate the risk assessment rating for each area. A traffic light system indicates the level of risk identified, to which is attached a priority for mitigating action, where appropriate.

**Fraud Risk (Impact x Likelihood)**

Likelihood	Impact				
	1 - None	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
1 - Rare	Low	Low	Medium	Medium	High
2 - Unlikely	Low	Low	Medium	Medium	High
3 - Possible	Low	Low	Medium	High	High
4 - Likely	Medium	Medium	Medium	High	High
5 - Almost certain	Medium	Medium	Medium	High	High

**Priority Grading**

Level	Grade	Definition
1	Urgent	Fundamental control issue on which action should be taken immediately
2	Important	Control issue on which action should be taken at the earliest opportunity
3	Routine	Control issue on which action should be taken

## APPENDIX II - TERMS OF REFERENCE

### PURPOSE OF REVIEW:

The purpose of conducting an FRA is to identify areas of risk in key departments and develop strategies to mitigate these risks. The outcome of the FRA should be used to review and inform service and corporate risk registers.

This is an advisory project and therefore will not result in an assurance opinion.

### SCOPE OF REVIEW:

The review will consider the following fraud risk areas which are deemed to be some of the highest risk areas for fraud in Local Government:

- Procurement and contract management
- Disabled facility grants
- Identity fraud for employees emailed again and benefit claimants
- Members' interests and conflicts of interests
- Investment properties

### APPROACH:

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

### CRR REFERENCE:

No direct cross reference.

### DATA ANALYTICS:

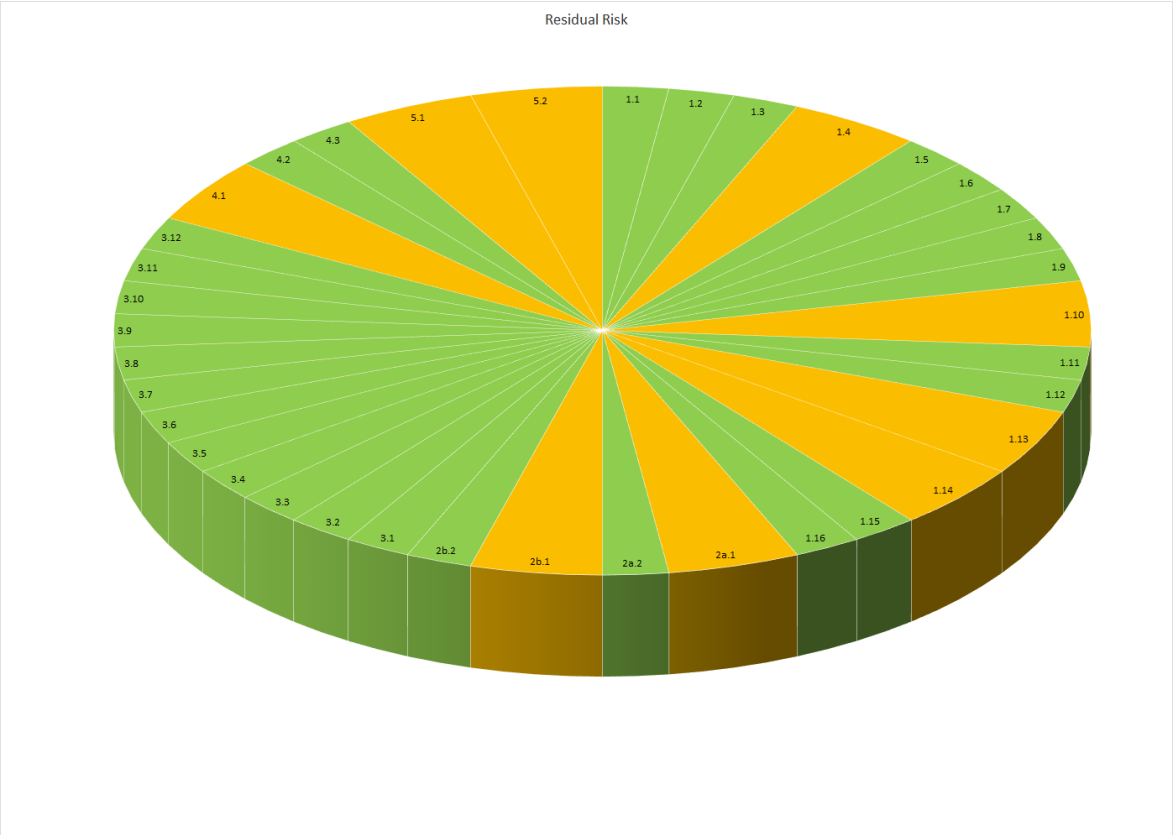
Data analytics will not be utilised as part of this review.

# APPENDIX III - FRAUD RISK ASSESSMENT HEAT MAP



See Page 19 for references.

Pie chart of residual risk



See Page 19 for references.



## References and areas reviewed

1.0 PROCUREMENT & CONTRACT MANAGEMENT		Ref	Likelihood	Impact	Consequence	Priority	RAG	Action raised
1.1	Policies and procedures are not regularly reviewed and do not reflect current practice	1.1	1	1	Low	Routine	1	Y
1.2	Bribery & Kickbacks	1.2	1	2	Low	Routine	1	Y
1.3	Conflicts of Interest	1.3	1	2	Low	Routine	1	
1.4	Contract/order Splitting	1.4	3	3	Medium	Important	2	Y
1.5	Adherence to the Scheme of Delegated Authority	1.5	1	2	Low	Routine	1	
1.6	Senior staff influencing junior staff involved in a selection process (Source: London Public Sector CF Partnership - Procurement Fraud Themes and Control	1.6	1	2	Low	Routine	1	
1.7	Procurement not involved in large contracts (Source: London Public Sector CF Partnership - Procurement Fraud Themes and Control Measures)	1.7	2	2	Low	Routine	1	
1.8	Contracts entered into by unauthorised officers (Source: London Public Sector CF Partnership - Procurement Fraud Themes and Control Measures)	1.8	2	2	Low	Routine	1	
1.9	Setting up of new suppliers (Source: London Public Sector CF Partnership - Procurement Fraud Themes and Control Measures)	1.9	1	2	Low	Routine	1	
1.10	Use of one time vendors (Source: London Public Sector CF Partnership - Procurement Fraud Themes and Control Measures)	1.1	3	3	Medium	Important	2	Y
1.11	Specifications not scoped effectively (Source: London Public Sector CF Partnership - Procurement Fraud Themes and Control Measures)	1.11	2	2	Low	Routine	1	
1.12	Inappropriate use of single tender waivers (Source: London Public Sector CF Partnership - Procurement Fraud Themes and Control Measures)	1.12	1	2	Low	Routine	1	
1.13	Inadequate contract/supplier management and monitoring arrangements (Source: London Public Sector CF Partnership - Procurement Fraud Themes and Control	1.13	3	3	Medium	Important	2	Y
1.14	Contracts going beyond their authorised value or term (Source: London Public Sector CF Partnership - Procurement Fraud Themes and Control Measures)	1.14	3	3	Medium	Important	2	Y
1.15	Lack of awareness of risks of fraud and corruption within the procurement lifecycle by staff involved with procuring goods or services (Source: MoH,C&LG Review	1.15	2	2	Low	Routine	1	Y
1.16	Lack of awareness of the Procurement Fraud and Corruption Risk matrix (Source: MoH,C&LG Review into the risks of fraud and corruption in local government	1.16	2	2	Low	Routine	1	Y
2.0a EMPLOYEE IDENTITY								
2a.1	False Identity and Immigration Status (Source: CO Government Digital Service - How to prove and verify someone's identity)	2a.1	3	3	Medium	Important	2	Y
2a.2	Failure to undertake pre-employment checks	2a.2	2	2	Low	Routine	1	
2.0b CLAIMANT IDENTITY								
2b.1	False Identity (Source: CO Government Digital Service - How to prove and verify someone's identity)	2b.1	3	3	Medium	Important	2	Y
2b.2	Other Council departments such as Council Tax, links to DWP are not consulted to triangulate applicant information (Source: DFG and other adaptations - external	2b.2	3	2	Low	Routine	1	
3.0 DISABLED FACILITY GRANTS								
3.1	Procedures and processes are not up to date and reflect current practice	3.1	1	1	Low	Routine	1	
3.2	Failure of the applicant to declare their complete financial circumstances for means testing (Source: DFG and other adaptations - external review report)	3.2	2	2	Low	Routine	1	
3.3	Applicants do not meet the requirements for a grant (Source: DFG and other adaptations - external review report)	3.3	2	2	Low	Routine	1	
3.4	Failure of the applicant to get the work undertaken and to the value of the grant	3.4	1	1	Low	Routine	1	
3.5	Failure to place a Local Land charge on the property (Source: DFG and other adaptations - external review report)	3.5	2	2	Low	Routine	1	
3.6	Other Council departments such as Council Tax and Housing Benefits are not consulted to triangulate applicant information (Source: DFG and other adaptations -	3.6	1	1	Low	Routine	1	
3.7	Application does show a fraud declaration and fair processing notice	3.7	1	1	Low	Routine	1	
3.8	the applicant does not sign a certificate of intention for the property being their main residence (Source: DFGs C&LG document)	3.8	1	1	Low	Routine	1	
3.9	Contractors are not on a framework to provide services	3.9	1	2	Low	Routine	1	
3.10	The applicant does not provide two written estimates for the work (Source: DFGs C&LG document)	3.1	1	1	Low	Routine	1	
3.11	The grant is paid before satisfactory completion of the works (Source: DFGs C&LG document)	3.11	2	2	Low	Routine	1	
3.12	Grants are paid for works or services carried out by the applicant or members of their family (Source: DFGs C&LG document)	3.12	1	1	Low	Routine	1	
4.0 COUNCILLORS' INTERESTS								
4.1	Undeclared interests or a lack of monitoring of declared interests unknowingly influence decision making for personal gain (Source L DCLG Openness and	4.1	3	3	Medium	Important	2	Y
4.2	Fraud awareness training for Councillors (Source: LGA A Councillor's workbook on bribery & fraud prevention)	4.2	1	2	Low	Routine	1	Y
4.3	Lack of sanctions against councillors for breaching (Source: Local Government Ethical Standards)	4.3	1	2	Low	Routine	1	
5.0 INVESTMENT PROPERTIES								
5.1	Money laundering guidance is not up to date and staff have not been trained in the regulations	5.1	3	3	Medium	Important	2	Y
5.2	Safeguards are not in place to protect the council from risk of money laundering when purchasing investment properties, and the undertaking of adequate due	5.2	3	3	Medium	Important	2	Y

## APPENDIX IV - A REVIEW OF FIRST 15 COUNCILLORS ALPHABETICALLY BY SURNAME

### First 15 Councillor's Declarations of Interests reviewed

Councillor	Date submitted	Manual update to form	Notes
Elaine L Bamford	24/05/2019		
Mark G Bassenger	24/05/2019		
Anne M Beale	17/07/2019		
Brian S Beale	17/07/2019	date submitted was the update date	Councillor's signature present on scanned copy of on line form
Vanessa J Bell	24/05/2019		
Robert G Boyce	24/05/2019	25/02/2020	Councillor's signature present on scanned copy of on line form
Penny A Channer	06/06/2019	13/02/2020	Councillor's signature present on scanned copy of on line form
Richard P F Dewick	31/05/2019		
Mark F L Durham	06/06/2019		
Michael R Edwards	21/05/2020		
Jane L Fleming	03/06/2019		
Adrian S Fluker	18/07/2019		
Mark S Heard	08/05/2019		
Michael W Helm	29/05/2019		
Anne L Hull	05/06/2019		

**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**

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**to  
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE  
18 NOVEMBER 2021**

### **UPDATE ON THE AUDIT OF THE 2020/21 ACCOUNTS**

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

- 1.1 To update members on the audit of the 2020/21 accounts.

#### **2. RECOMMENDATION**

- (i) That the report be considered.

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

- 3.1 At the Performance, Governance and Audit Committee meeting on 23 September 2021 an update on the delay to the audit of the statement of accounts and reasons for this was provided. Currently the audit of the accounts is still ongoing.
- 3.2 This year the deadline to have accounts audited by is 30 September 2021. In accordance with The Accounts and Audit Regulation 2015 the Council has published an explanation as to why the audited accounts are not available as this date has now passed.
- 3.3 Public Sector Audit Appointments Ltd reported in October that as at the target date of 30 September 2021 only 9% of local government bodies' 2020/21 audits had been completed.

#### **4. ISSUES IDENTIFIED SINCE SEPTEMBER**

- 4.1 At the last committee it was reported that no significant issues have been raised. Since then, further audit testing has identified a classification issue with how some COVID grants are recorded in the Comprehensive Income and Expenditure Statement (CIES).
- 4.2 Where the Council acts as an intermediary (or agent), effectively paying money on someone's behalf, these amounts should not be included in the CIES and just recorded in the Balance Sheet. Some of the COVID grants such as business support grants fall under this category and were incorrectly included in the CIES with matching income and expenditure.
- 4.3 As the income and expenditure matches off there is an overall nil financial impact, and the amounts can be easily removed to correct this. However, as the auditors use the gross expenditure figure to inform their testing and audit approach this has had a significant impact in their audit work due to the value of the grants (£26m).

- 4.4 The reduction this causes to the auditor's materiality level towards the end of the audit means previous audit testing methodology will need to be revisited and further samples selected. Given the work involved this will push audit completion into the new year and incur additional fees. Once an assessment of the additional work required has been undertaken the impact will be better understood.
- 4.5 At the Council's request the auditors have sent a letter in relation to this which is attached at **APPENDIX A**.

## **5. CHALLENGES FACED IN PREPARING THE ACCOUNTS**

- 5.1 Although the audit timeframe has been moved forward from last year, the pandemic has impacted more on this year's closing process than last year's. This is due to a variety of factors:
- Consistent with the national infection rates, more staff have been impacted by the virus during this closure period.
  - The Council is still responding to the pandemic and delivering business as usual activities. For example, starting events again this year, paying business grants, supporting local businesses, COVID enforcement and guidance, additional grant funded activities, supporting vaccinations and testing.
  - Increased accounting complexities particularly around grants and the Collection Fund (Council Tax and NNDR) due to new legislation and schemes.
  - Increased volume of transactions caused by grants and COVID initiatives.
  - Additional audit work caused by increased audit requirements (e.g. value for money) and COVID.
  - Availability of audit staff caused by a national shortage and the pandemic.
- 5.2 In addition, the Council is reliant on external bodies for parts of the accounts and audit, including Essex Pension Fund. As the Council's share of the pension fund is included in its accounts there is a reliance on the Pension Fund's auditors to complete their work. At the time of writing confirmation of the conclusion of the audit of the fund has not been received.
- 5.3 Aside from the issues already listed, the small accounting team also experienced resource challenges. Two members of the team left at short notice during the preparation of the accounts including the interim who was leading on the closure and handing over. The draft accounts were still prepared on time, but this did have an impact on the preparation of the audit working papers. COVID related sickness also impacted the team during the audit.
- 5.4 The accountancy team are now fully resourced with permanent staff, in accordance with the structure. Consideration is being given by the Section 151 Officer as to any additional resourcing requirement that may be needed for the future to help build resilience and capacity.
- 5.5 The external auditors have also experienced resourcing issues. This has meant that that they have not been able to continue allocating resources to audit the outstanding items.

- 5.6 Audit fees proposed by Deloitte at the start of the audit were £88,580. Discussions on the fees remain ongoing and the fees go to Public Sector Audit Appointments (PSAA) Ltd to be determined once the audit is concluded, with the Council able to put their views across directly to PSAA.

## **6. CONCLUSION**

- 6.1 The Council's 2020/21 accounts were not audited by 30 September 2021 and a notification is published on the Council's website explaining this is due to the impact of the ongoing pandemic on preparers and auditors of accounts.

## **7. IMPACT ON STRATEGIC THEMES**

- 7.1 Producing the statement of accounts is a statutory duty.

## **8. IMPLICATIONS**

- (i) **Impact on Customers** – None
- (ii) **Impact on Equalities** – None
- (iii) **Impact on Risk** – None
- (iv) **Impact on Resources (financial)** – Outlined in the report
- (v) **Impact on Resources (human)** – None
- (vi) **Impact on the Environment** – None
- (vii) **Impact on Strengthening Communities** - None

### Enquiries to:

Chris Leslie, Director of Resources – [chris.leslie@maldon.gov.uk](mailto:chris.leslie@maldon.gov.uk)



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5 November 2021

Maldon District Council  
Council Offices  
Princes Road  
Maldon  
Essex  
CM9 5DL

Your ref: PH/AS/2021

Dear Chair of Audit Committee,

## **Delay with the finalisation of the external statutory audit of Maldon District Council for the year ended 31 March 2021**

This letter has been prepared to outline the reasons for the ongoing delay to the finalisation of the statutory audit of Maldon District Council and should be read in conjunction with agenda item 7 prepared by s151 Officer.

At the audit committee of 23rd September 2021 we reported that the audit would not be completed by the target date of 30 September 2021 and that a range of audit areas remained to be concluded upon. Included within these outstanding areas was our audit of the Covid Grants which we identified as an area of audit focus in our audit plan of 29 July 2021.

A key judgment to be made in respect of the COVID-19 grants is to determine whether the Authority is acting in a position of “principal” or “agent” for the administration of each grant. The key distinction being that a grant for which the Authority acts as Principal will be recognised as both Income and Expenditure within the Comprehensive Income and Expenditure Statement (CIES) whereas a grant for which the Authority acts as Agent will not feature in the CIES.

Following receipt of management’s paper setting out the classification of COVID-19 grants between Agent and Principal on 26<sup>th</sup> October 2021, and finalisation of our internal review of the terms and conditions of COVID-19 grants on 29<sup>th</sup> October 2021 we have recently been able to advance our testing in this area.

Whilst carrying our audit testing on the recognition of COVID-19 grants we have identified a classification error in the treatment of these grants. We note that the Authority has treated COVID-19 grants which they act as agent on the CIES rather than on the Balance Sheet. This has effectively led to an overstatement of expenditure and income. The finance team performed an analysis to segregate “agent” v/s “principal”, however, in some cases, the subsequent accounting treatment did not follow the classification identified by the Authority. We note that a key balance was the Small Business Grant which was correctly identified as an “agent” but was not accounted for as such in the CIES.

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We would like to highlight that:

- in some instances the judgement around the classification was right but the subsequent accounting treatment was not appropriate,
- in other instances the judgement around the classification was not correct and consequently the accounting treatment was not appropriate; and
- in the remaining instances the judgement around the classification was correct and the accounting treatment was also appropriate.

We can confirm that this classification error has a net nil impact on the net cost of service, however it impacts our audit materiality.

We set out audit materiality in our planning report presented to the Audit Committee on 29<sup>th</sup> July 2021. Our materiality is based on 2% of Gross Expenditure and was set at £1.2m for the 2020/21 audit. Given that the proposed adjustment impacts the Gross Expenditure balance, this consequently impacts our materiality. This impact on our audit approach and will affect the audit in the following ways:

- We will need to revisit our scoping decisions to ensure that sufficient balances have been tested to address the risk of material misstatement; and
- We will need to revisit all of substantive procedures completed to date to evaluate whether our sample sizes are sufficient and whether the results of our analytical procedures remain sufficiently precise.

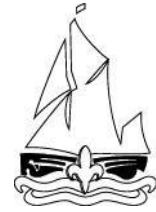
The overall impact on the materiality can only be determined once we have received the updated statement of accounts from the Authority. However is likely to result in a reduction in the region of £500k, giving a revised materiality in the region of £0.7m.

We highlight that the COVID-19 grants are new this year and involve significant judgement in accounting treatment which can be complex. We also highlight there were no clear central guidance provided for the Authority to follow.

We are working with the Authority to devise a plan for the completion of the audit and agree on timeline for finalisation.

Yours sincerely

**Paul Hewitson**  
Deloitte LLP



## **REPORT of DIRECTOR OF RESOURCES**

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**to  
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE  
18 NOVEMBER 2021**

### **DECISION TO OPT INTO THE NATIONAL SCHEME FOR AUDITOR APPOINTMENTS**

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

- 1.1 This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24.

#### **2. RECOMMENDATION**

To the Council:

- (i) That the Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

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

- 3.1 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. On 8 December 2016, the Council agreed to opt into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
- 3.1.1 PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During Autumn 2021 all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.
- 3.1.2 The report concludes that the sector-wide procurement conducted by PSAA will likely produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:
- collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;
  - if it does not use the national appointment arrangements, the Council/Authority will need to establish its own auditor panel with an independent chair and

independent members to oversee a local auditor procurement and ongoing management of an audit contract;

- it is the best opportunity to secure the appointment of a qualified, registered auditor there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
- supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.

3.1.3 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council needs to return completed opt-in documents to PSAA by 11 March 2022.

### **3.2 Procurement of External Audit for the period 2023/24 to 2027/28**

3.2.1 Under the Local Government Audit & Accountability Act 2014 ("the Act"), the Council is required to appoint an auditor to audit its accounts for each financial year. The Council has three options:-;

1. To appoint its own auditor, which requires it to follow the procedure set out in the Act.
2. To act jointly with other authorities to procure an auditor following the procedures in the Act.
3. To opt in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the 'appointing person'. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).

3.2.2 In order to opt in to the national scheme, a council must make a decision at a meeting of the Full Council.

### **3.3 The Appointed Auditor**

3.3.1 The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Best Value assessment of the council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.

3.3.2 The auditor must act independently of the council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.

- 3.3.3 The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC), employ authorised Key Audit Partners to oversee the work. As the report below sets out there is currently a shortage of registered firms and Key Audit Partners.
- 3.3.4 Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA), during the course of the next audit contract.
- 3.3.5 Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

### **3.4 Appointment by the Council itself or jointly**

- 3.4.1 The Council may elect to appoint its own external auditor under the Act, which would require the council to:-

- Establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council external audit.
- Manage the contract for its duration, overseen by the Auditor Panel.

Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

### **3.5 The national auditor appointment scheme**

- 3.5.1 PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA set five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.

3.5.2 In summary the national opt-in scheme provides the following:

- the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023;
- appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
- managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;
- ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;
- minimising the scheme management costs and returning any surpluses to scheme members;
- consulting with authorities on auditor appointments, giving the Council/Authority the opportunity to influence which auditor is appointed;
- consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
- ongoing contract and performance management of the contracts once these have been let.

**3.6 Pressures in the current local audit market and delays in issuing opinions**

3.6.1 Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements, and local audit fees had been reducing over a long period. 98% of those bodies eligible opted into the national scheme and attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.

3.6.2 During 2018 a series of financial crises and failures in the private sector year led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.

3.6.3 The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in

every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.

- 3.6.4 This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with Covid-19 creating further significant pressure for finance and audit teams.
- 3.6.5 None of these problems are unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

### **3.7 The invitation**

- 3.7.1 PSAA is now inviting the Council/Authority to opt in for the second appointing period, for 2023/24 to 2027/28, along with all other eligible authorities. Based on the level of opt-ins it will enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's/Authority's auditor. Details relating to PSAA's invitation are provided in **APPENDIX A** to this report.

### **3.8 The next audit procurement**

- 3.8.1 The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA will:
- seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;
  - continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key tenet of the national collective scheme);
  - continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members. In 2019 it returned a total £3.5million to relevant bodies and in 2021 a further £5.6million was returned.



- 3.8.2 PSAA will seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.
- 3.8.3 The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office)<sup>1</sup>, the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements. The requirements are mandatory; they shape the work auditors undertake and have a bearing on the actual fees required.
- 3.8.4 There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

## **4. CONCLUSION**

- 4.1 If the Council/Authority did not opt in there would be a need to establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which audit firm to award a contract for the Council's external audit.
- 4.2 Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.
- 4.3 These would be more resource-intensive processes to implement for the council, and without the bulk buying power of the sector-led procurement would be likely to result in a costlier service. It would also be more difficult to manage quality and

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<sup>1</sup> MHCLG's Spring statement proposes that overarching responsibility for Code will in due course transfer to the system leader, namely ARGA, the new regulator being established to replace the FRC.

independence requirements through a local appointment process. The Council is unable to influence the scope of the audit and the regulatory regime inhibits the Council's ability to affect quality.

- 4.4 The Council and its auditor panel would need to maintain ongoing oversight of the contract. Local contract management cannot, however, influence the scope or delivery of an audit.
- 4.5 The national offer provides the appointment of an independent auditor with limited administrative cost to the Council. By joining the scheme, the Council would be acting with other councils to optimise the opportunity to influence the market that a national procurement provides.
- 4.6 The recommended approach is therefore to opt in to the national auditor appointment scheme.

### **The way forward**

- 4.7 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the Council (meeting as a whole), except where the authority is a corporation sole.
- 4.8 The Council then needs to respond formally to PSAA's invitation in the form specified by PSAA by the close of the opt-in period (11 March 2022).
- 4.9 PSAA will commence the formal procurement process in early February 2022. It expects to award contracts in August 2022 and will then consult with authorities on the appointment of auditors so that it can make appointments by the statutory deadline of 31 December 2022.

## **5. IMPACT ON STRATEGIC THEMES**

- 5.1 The appointment of an external auditor is a statutory responsibility and supports the good governance of the Council.

## **6. IMPLICATIONS**

- (i) **Impact on Customers** – None
- (ii) **Impact on Equalities** – None
- (iii) **Impact on Risk** – The principal risks are that the Council:
  - fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
  - does not achieve value for money in the appointment process.

These risks are considered best mitigated by opting into the sector-led approach through PSAA.

**Impact on Resources (financial)** – There is a risk that current external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.

Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large scale collective procurement arrangement.

If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

**Impact on Resources (human)** – If the national scheme was not used there would be additional officer time in establishing local arrangements.

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

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

Enquiries to:

Chris Leslie, Director of Resources – [chris.leslie@maldon.gov.uk](mailto:chris.leslie@maldon.gov.uk)

22 September 2021

To: Mr Dodson, Chief Executive  
Maldon District Council

Copied to: Mr Leslie, S151 Officer  
Councillor Mrs Stilts, Chair of Audit Committee or equivalent

Dear Mr Dodson,

### **Invitation to opt into the national scheme for auditor appointments from April 2023**

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at [ap2@psaa.co.uk](mailto:ap2@psaa.co.uk). We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to [ap2@psaa.co.uk](mailto:ap2@psaa.co.uk), and we will respond to you.

Yours sincerely

Tony Crawley  
Chief Executive

Encl: Summary of the national scheme

## **Why accepting the national scheme opt-in invitation is the best solution**

### **Public Sector Audit Appointments Limited (PSAA)**

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

### **The national scheme for appointing local auditors**

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

### **What the appointing person scheme from 2023 will offer**

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

## **Opting in**

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

**Local Government Reorganisation**

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

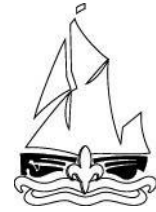
**Next Steps**

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).



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

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**to  
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE  
18 NOVEMBER 2021**

### **SECTION 106 6-MONTHLY UPDATE AND INFRASTRUCTURE FUNDING STATEMENT 2021**

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

- 1.1 The purpose of this report is to provide Members with the 6-monthly update on the monitoring of Section 106 planning obligations and to seek approval of the Maldon District Infrastructure Funding Statement 2021, in accordance with the Council's legal duties.

#### **2. RECOMMENDATIONS**

- (i) That the Committee considers the 6-monthly update on Section 106 planning obligations.
- (ii) That the Committee approves the Maldon District Council Infrastructure Funding Statement 2020-2021 for publication and government submission as set out in **APPENDIX 1**.

#### **3. BACKGROUND**

- 3.1 Section 106 of the Town & Country Planning Act 1990 provides a legal mechanism for local planning authorities to secure contributions from developers which can be put towards the costs of providing community and social infrastructure, the need for which has arisen directly as a result of the new development taking place.
- 3.2 Section 106 (S106) agreements typically form part of a planning permission and often require a developer to make a financial contribution towards local facilities such as schools, open space, health facilities, as well as securing provision for affordable housing when it is required by the Local Development Plan (LDP).
- 3.3 By law, there are clear rules on the constraints on the collection and use of S106 funding. They may only constitute a reason for granting planning permission for the development if the obligation is:
- a. Necessary to make the development acceptable in planning terms.
  - b. Directly related to the development; and
  - c. Fairly and reasonably related in scale and kind to the development.
- 3.4 It is important to note that S106 contributions may only be spent on new facilities or improvements to facilities where the new development has, *at least in part*, contributed to the need for that facility or will have an impact on existing facilities. This means that funding will normally be invested in facilities based in the same locality or catchment area in which the contributing development is located unless it is contributing to the funding of strategic infrastructure.

- 3.5 Between April 2015 and September 2019, there were restrictions imposed on all English Local Planning Authorities by the government which affected their ability to pool S106 contributions. Only 5 contributions could be pooled to be spent on the same infrastructure project. This meant that where S106 agreements might have referred to improvements to facilities within a locality during this four-year period, agreements typically named a specific project(s). Whilst the pooling restrictions were lifted on 1 September 2019 for new agreements, this does still impact on what some contributions negotiated during this time period can now be used for in the Maldon District. New obligations must also meet the tests set out in 3.3.
- 3.6 S106 planning obligations will continue to be monitored to ensure compliance and to track their progress

#### **4. SECTION 106 UPDATE**

- 4.1 Since the June 2021 Performance, Governance and Audit Committee (PGA) update on S106, officers have completed the reconciliation process and undertaken site visits that were previously not possible due to Covid-19 restrictions. It is now possible to confirm that the district records are up to date.
- 4.2 Site visits to developments across the District have confirmed that some new development has now commenced, where it was previously unstated. This has resulted in some payment triggers being met and S106 liabilities are now being sought from the relevant developers. As part of our efforts to work more closely with Essex County Council (ECC) that also monitors S106 contributions in the District, we have also shared the new commencement information with its infrastructure teams to ensure any relevant payments owed to ECC are charged for promptly.
- 4.3 Since the last update to PGA in June 2021, the Council has been in receipt of just under £140k of S106 payments as shown below. A further £45,780 is awaiting payment to the council. Payments will have also been collected by ECC in the last 6 months and MDC's records will be updated as the income becomes available.

<b>Application Ref</b>	<b>Development</b>	<b>Use</b>	<b>Amount (£)</b>
<b>14/00845/OUT</b>	Land west of Cemetery Chapel, Southminster Road, Burnham on Crouch	Health Payment (index addition)	3,042.29
<b>14/00356/FUL</b>	Land between Chandlers and Creeksea Lane, Maldon Road, Burnham on Crouch	Health Payment	29,647.06
<b>14/00356/FUL</b>	Land between Chandlers and Creeksea Lane, Maldon Road, Burnham on Crouch	Youth facilities	107,058.82
<b>TOTAL</b>			<b>139,748.17</b>

- 4.4 Since the June update, the following S106 expenditure has been made to third party projects to mitigate the harm caused by development:

Application Ref	Use	Payee	Amount (£)
14/01016/OUT	Allotments support	Burnham on Crouch Town Council	8,000
16/00093/FUL	Ecology (Blue House Farm Reserve)	Essex Wildlife Trust	49,808.45
<b>TOTAL</b>			<b>57,808.45</b>

- 4.5 Since the June update, there have been 11 new affordable homes secured through S106 to be delivered on development sites, comprising 9 x Affordable Rented and 2 x Shared Ownership properties.
- 4.6 An internal process improvement project remains underway to ensure the council's inter-departmental activities on the collection of Essex Recreational Disturbance Avoidance and Mitigation Strategy (RAMS) payments that accompany residential planning applications is as robust as possible to support the effective and efficient charging, administration, and transfer of the funds to the Essex RAMS Partnership. This will support the delivery of the Essex RAMS SPD, adopted by the Council in August 2020.
- 4.7 Linked to the development of the LDP Review and the Council's draft Duty to Co-Operate Strategy (at the time of writing this report, which was due for adoption at Council on 4 November 2021), new working arrangements have been set up with partners including ECC and the NHS Clinical Commissioning Group. For S106, this will help ensure the council can foster an improved working relationship with other bodies collecting and/or spending S106 funding in the District. Whilst these arrangements are relatively new, there are already signs that improved dialogue is supporting the cross-checking of information held about developments in the District and the monitoring of projects which the S106 funds could contribute to.
- 4.8 In respects of MDC projects which are looking to utilise S106 funds, all were delayed during 2020/2021. Some preparatory work including feasibility and public consultation has however now been undertaken. The Council, through its Commercial Team and Service Delivery will continue these preparations during 2021/2022 with a view to project expenditure taking place in future years.

## **5. INFRASTRUCTURE FUNDING STATEMENT 2021**

- 5.1 Maldon District Council is required by the Community Infrastructure Levy (CIL) (Amendment) (England) Regulations 2019 to publish S106 information by 31 December every year in an Infrastructure Funding Statement (IFS).
- 5.2 The first IFS was approved and published in December 2020.
- 5.3 The second IFS attached as **APPENDIX 1** covers the period 1 April 2020 to 31 March 2021.

### **What the Maldon District IFS does not cover**

- 5.4 The IFS only relates to S106 obligations for which Maldon District Council is legally responsible for ensuring compliance. It does not cover:

- a. Where Essex County Council is the Local Planning Authority (LPA) (Minerals and Waste Applications); and/or
- b. Where MDC determined the planning application, but where ECC is signatory of the S106 to the effect that it is directly responsible for compliance of its contributions; and/or
- c. Section 278 highway work agreements between developers and ECC.

## **IFS 2020-2021 Summary**

- 5.5 The IFS 2020-2021 is attached at **APPENDIX 1**. It has been prepared using the same format agreed following the PGA Committee in November 2020. In summary, in the 12-month requests for payment generated £121,620.15 for the S106 funds held by MDC. There were no requests for the disbursement of S106 funding. The IFS considers the effects of the pandemic on the trigger of payments and the steps being taken to restart the Health, Youth facility and public projects for which the Council has fiscal responsibility.

## **6. CONCLUSION**

- 6.1 In light of the report above and the matters before it, the PGA Committee has the following options:
- 6.1.1 **Option 1** – It can discuss the report and accept the recommendations set out in Section 2 of this report.
- 6.1.2 **Option 2** – The Committee can discuss the report and partially accept the recommendations. It could seek officers make amendments to the IFS to address any issues which the Committee raises as a concern. If the Committee is not minded to approve the IFS, it will then have to delegate the final approval of an updated version to the Director of Strategy, Performance and Governance, in consultation with the Chairman of Performance, Governance and Audit Committee to ensure it can be published and submitted to the Government by 31 December 2021 in accordance with the legal duties.

## **7. IMPACT ON STRATEGIC THEMES**

- 7.1 The Strategic Themes of Place seeks to ensure that the council can demonstrate that it has tried to secure investment in the District's infrastructure alongside development.

## **8. IMPLICATIONS**

- (i) **Impact on Customers** – Monitoring S106 agreements does impact on the council's customers that are developers; as when triggers are hit, relevant liabilities must be paid.
- (ii) **Impact on Equalities** – None. The IFS is a legal statement, not a policy/service. The LDP 2017 and LDP Review are subject to the provisions of the Equality Act 2010 and the council is subject to the Public Sector Equality Duty in its decision-making.
- (iii) **Impact on Risk** – Failure to adequately monitor S106 contributions and the development that they are secured from could result in delayed payments or monies needing to be returned to developers. Failure to publish an IFS by

the end of December each year would result in the council failing its legal duties in this regard.

- (iv) **Impact on Resources (financial)** – Failure to adequately monitor S106 contributions and the development that they are secured from could result in delayed payments or monies needing to be returned to developers.
- (v) **Impact on Resources (human)** – Monitoring S106 and preparing the IFS is undertaken by the Planning Policy Team. This decision does not impact on this resource.
- (vi) **Impact on the Environment** – S106 agreements are a legal mechanism to secure obligations to mitigate the impact of development in the District, which could include payments that can mitigate any harm on the environment with investment in related opportunities.
- (vii) **Impact on Strengthening Communities** – S106 agreements are a legal mechanism to secure obligations to mitigate the impact of development in the District, which could include payments that can mitigate any harm on communities with investment in related opportunities.

Background Papers: None.

Enquiries to: Stephen Andrews, S106 Monitoring Officer

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**Maldon District Council**

**SECOND INFRASTRUCTURE FUNDING STATEMENT (IFS)**

**1 April 2020 – 31 March 2021**

**November 2021**



## 1. Introduction

- 1.1. Government guidance requires charging authorities, like Maldon District Council to produce an Infrastructure Funding Statement (IFS) on an annual basis and not later than 31<sup>st</sup> December each year. This is Maldon District Council's second IFS. It sets out the reporting year's income and expenditure relating to the developer funding raised from section 106 (S106) agreements.
- 1.2 The IFS reporting year runs from 1 April 2020 to 31 March 2021.
- 1.3 Community Infrastructure Levy (CIL) and S106 are collectively known as “planning obligations” or “developer contributions”. At the present time, the Council does not have an adopted CIL. **This statement therefore only relates to S106 income.**
- 1.4 The income from developer contributions is used to help fund the infrastructure needed alongside new development and this helps to maximise the benefits and opportunities from growth in the District. Infrastructure will include the delivery of affordable homes and other community facilities such as play parks, open space and youth facilities. The district also negotiates in conjunction with the NHS to achieve contributions for health infrastructure improvements.
- 1.5 Essex County Council are responsible for collecting developer funding for some important elements of the District's infrastructure such as:
  - Early learning and primary schools
  - Secondary schools
  - Highway improvements
  - Transport planning
  - Improvements to cycling and walking routes – shared with Maldon District Council
- 1.6 The above set out at 1.5 will be addressed by the Essex County Council Infrastructure Funding Statement 2020-2021.

## Impact of Covid-19 pandemic during the year 2020-21

- 1.7 Work was interrupted on some development sites due to worker furloughs. Any hold ups in construction were followed by some increases in production which have brought deliveries back to normal within the year. Some monitoring visits were prevented in Spring/Summer 2020 due to developer's own site restrictions and artificial delays occurred in trigger identifications which were partly resolved in September/October 2020 during site visits.
- 1.8 Although homes were being completed, many sales staff were also furloughed for a proportion of the year and this disrupted the activity of selling. This, in turn, delayed achievement of trigger points where those triggers were tied to “occupation” of new homes.
- 1.9 Some developer back-office staff were also furloughed or in some cases made redundant. In some cases, the loss of previous points of contact resulted in some disruption to the request for payment process.

- 1.10 In respects of proactive 106 expenditure, human resources of both Maldon District Council and the NHS were drawn into other Covid related projects. This has required careful monitoring to ensure that programmed works could be reprioritised as Covid restrictions ease.

## 2. Section 106 Income

- 2.1 The existing s106 agreement income is being collected with a view to delivering the Maldon District Infrastructure Delivery Plan, which accompanies the 2017 approved Maldon District Local Development Plan (LDP). The LDP can be found: [www.maldon.gov.uk/ldp](http://www.maldon.gov.uk/ldp). This sets out the importance which the Council attaches to its programme of infrastructure delivery to ensure that new development meets the needs of new residents and mitigates the impact new development can cause on existing services.
- 2.2 Table 1 shows the funds received into Maldon District Council during the reporting year.

**Table 1**

Date	S106 Type	Application Ref	Amount (£)
27/07/20	Affordable Housing Contribution <sup>1</sup>	14/01227/OUT	24,923.36
15/10/20	Health	14/00845/OUT	26,636.87
31/3/21	Health	14/01016/OUT	20,251.47
31/3/21	Ecology	14/01016/OUT	49,808.45
<b>TOTAL</b>			<b>121,620.15</b>

- 2.3 At the beginning of the reporting year the Council held developer funding as set out in Table 2.

Contribution Purpose	Balance held (£)	Amount in (£)	Total 31st March 21 (£)	£ Spent 2020-21	£ Balance held 31/3/2021
Affordable Housing	406,425.36	24,923.36	431,348.72	0.00	431,348.72
Health	398,923.42	46,888.34	455,811.76	0.00	455,811.76
Open Space (incl. allotments)	88,121.03	0	88,121.03	0.00	88,121.03
Ecology	0	£49,808.45	£49,808.45	0.00	49,808.45
Youth facilities	295,546.43	0	295,546.43	0.00	295,546.43
<b>TOTALS</b>	<b>1,189,016.24</b>	<b>121,620.15</b>	<b>1,320,636.39</b>	<b>0.00</b>	<b>1,320,636.39</b>

- 2.4 The s106 agreement income is being collected with a view to meeting the requirements of the [Infrastructure Delivery Plan](#) adopted to accompany the approved Maldon District LDP.

<sup>1</sup> Monies negotiated as the affordable housing contribution are paid in-lieu of on-site provision. These are used to fund project preparation and land purchase to facilitate affordable housing schemes elsewhere in the District. This is in addition to the affordable housing set out in Paragraph 2.5.

## Affordable Homes

- 2.5 The Council's LDP policy encourages developers to build between 25% and 40% of the development as affordable homes in the District. The actual percentage will depend on the specific location in the district and the viability of the scheme in financial terms. The Council encourages the affordable homes to be delivered on the individual development sites wherever possible, where they can be dedicated to households that need them. In some circumstances this may not be possible and then an agreed financially equivalent sum of money may be paid as a contribution (or Commuted Sum), which the council puts towards building other affordable housing schemes elsewhere within the district. This important aspect of on-site provision represents a significant contribution to the number of new homes provided to meet the affordable housing need of the District.
- 2.6 What is meant by an "Affordable Home" is defined in the LDP and in the Annex 2 of the [National Planning Policy Framework](#)<sup>2</sup>.
- 2.7 In the IFS year 2019/2020, the Council delivered new affordable homes as set out in Table 3.

**Table 3.**

Development Site	Housing Association/RP	Developer	Number of Affordable Homes for rent	Number of shared ownership	Total
Theedhams Farm Southminster (Blackwater Reach)	CHP	Barratt David Wilson	13	8	21
Limebrook Way Maldon (Handley Gardens)	Peabody	Taylor Wimpey	58	-	58
Broad Street Green, Heybridge	Estuary	Persimmon	15	4	19
Southminster Road, Burnham on Crouch (Grangewood Park )	CHP	Persimmon	10	17	27
Totham Road, Wickham Bishops (Land East of Malone Cottages)	CHP	Moody Homes	4	1	5
Maldon Road, Burnham on Crouch	Estuary	Barratt David Wilson	16	4	20
<b>TOTALS</b>			<b>116</b>	<b>34</b>	<b>150</b>

- 2.8 This represented approx. 35% per cent of the total number of new homes completed

<sup>2</sup> Since the introduction of the Government's First Homes Scheme in May 2021, the term may also include homes that are made available on the free market with a government subsidy for the first owners of new homes.

and provided approximately **£25,200,000** worth<sup>3</sup> of new homes to the identified Registered Providers who will manage and maintain them for current and future residents in affordable housing need.

### **3 Section 106 Expenditure / Outgoings**

- 3.1 There was no expenditure by the Council for 2020/2021.

### **4 S106 and future spending priorities**

- 4.1 The Council's Infrastructure Delivery Plan (IDP) works alongside the Maldon LDP.

Both were rigorously tested at Examination in Public and approved in 2017. An update of the IDP and its supporting evidence will be prepared in conjunction with the review of the LDP. This IFS therefore maintains the Council's commitment to the IDP 2017 for the purposes of continuity, as referred in Paragraph 2.4.

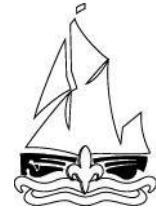
### **5 Governance**

- 5.1 The Council's Infrastructure Implementation Group has maintained a review of the Council's s106 income gathering and expenditure on projects. At the present time none of the delivery timeframes set out in individual agreements for spending the s106 contributions are becoming a cause for concern. The Council has continued to make progress with its partners and its internal projects team in preparing the necessary plans for scheme management.
- 5.2 In 2021, the Mid and South Essex NHS Clinical Commissioning Group (CCG) appointed a Planning Officer who will now support Councils and vice-versa with the delivery of health related projects that have benefited from s106 contributions. Although no monies were drawn down in the reporting year, the collaboration between the council and CCG has been significantly improved, with meetings now taking place more frequently with the view to introduce a routinely joint-reviewed monitoring schedule for schemes in the Maldon District. It is hoped this will ensure that Covid related delays in NHS spending plans can be resolved promptly during 2021-2022. The CCG are also providing MDC with an agreed project management package, to ensure the drawdown of s106 monies held by the Council happens in a timely fashion.
- 5.3 Although the Council's own projects which are seeking to invest s106 contributions have been delayed during 2020/2021, some preparatory work including feasibility and public consultation has been undertaken. The Council will continue these preparations during 2021/2022 with a view to project expenditure taking place in future years.
- 5.4 The Council is liaising with Essex County Council on the delivery of its infrastructure (schools expansion, early years, highways, etc.) to establish a better understanding of infrastructure upgrade or delivery timetables. This will not only provide a clearer picture of delivery but will assist in planning for new infrastructure within the LDP review.

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<sup>3</sup> This figure is based on a sample of homes valued at the point of handover to a Registered Provider in Oct. 2020 with an uplift for inflated build costs.

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

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**to  
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE  
18 NOVEMBER 2021**

### **PROCESS IMPROVEMENT FRAMEWORK**

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

- 1.1 To introduce members to the process improvement framework and help give context and detail about how the Council is delivering continual improvement in line with best practice.

#### **2. RECOMMENDATIONS**

- (i) That the committee reviews and feeds back on the process improvement framework set out at **APPENDIX A**.
- (ii) That the committee appoints two member representatives and seeks two representatives from Overview and Scrutiny committee at its next scheduled meeting, to work closely with the team around website testing and customer feedback

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

- 3.1 Process improvement was first introduced to Maldon District Council (MDC) as part of the Transformation review.
- 3.2 Rather than being a one-off exercise, learning from the programme work highlighted that process redesign takes far longer than expected, and is an ongoing and iterative process (as reported to the Overview and Scrutiny committee as part of the Transformation review). Process Improvement was permanently built into the structure at Maldon District Council within the approved financial strategy as of April 2021.
- 3.3 It was identified in the Council's Annual Governance Statement for 2020/21, and in the recent Audit reviewing Value for Money (VFM), that the Council's arrangements to secure continuous improvement help support Maldon to be a best value authority. VFM assessment takes into account the economy, efficiency, and effectiveness (known as the 'three Es') of our services.
- 3.4 The Framework document at **APPENDIX A** outlines how the team works and its approach to process improvement now that it is able to look at the long term work programme.
- 3.5 The framework is an operational document rather than something that requires adoption, but it is presented to the Performance, Governance and Audit committee

for oversight, and because it underpins a lot of the delivery around governance and continual improvement that is reported back to this committee.

- 3.6 The results of the work completed thus far are highlighted within the document.

#### **4. CONCLUSION**

- 4.1 The process improvement framework is a key operational document to define how the Council delivers continual improvement and value for money. It is presented to the committee to help give context around work to address areas identified in performance data, customer feedback and internal audit.

#### **5. IMPACT ON STRATEGIC THEMES**

- 5.1 The process improvement workplan is designed based on where the Council needs to develop processes and services that will help to meet its strategic goals.

#### **6. IMPLICATIONS**

- (1) **Impact on Customers** – all process improvement work is based on improving the customer journey. The work programme involves website development and making online journeys as simple as possible for customers.
- (iii) **Impact on Equalities** – N/A
- (iv) **Impact on Risk** – continual improvement work helps to address areas of operational risk. The work programme is defined by management based on areas where these risks are higher.
- (v) **Impact on Resources (financial)** – contributes to value for money financial requirements and demonstrated in audit of accounts. Work programme targets areas where we can save council finances
- (vi) **Impact on Resources (human)** – Work programme targets areas to improve efficiency of working arrangements for staff. Staff are involved in process redesign and their feedback is part of the solution.
- (vii) **Impact on the Environment** – N/A
- (viii) **Impact on Strengthening Communities** – N/A

Background Papers: [O&S committee report – Transformation review](#)

Enquiries to: Cheryl Hughes, Programmes, Performance and Governance Manager

Process Improvement Framework  
Maldon District Council  
2021- 2024

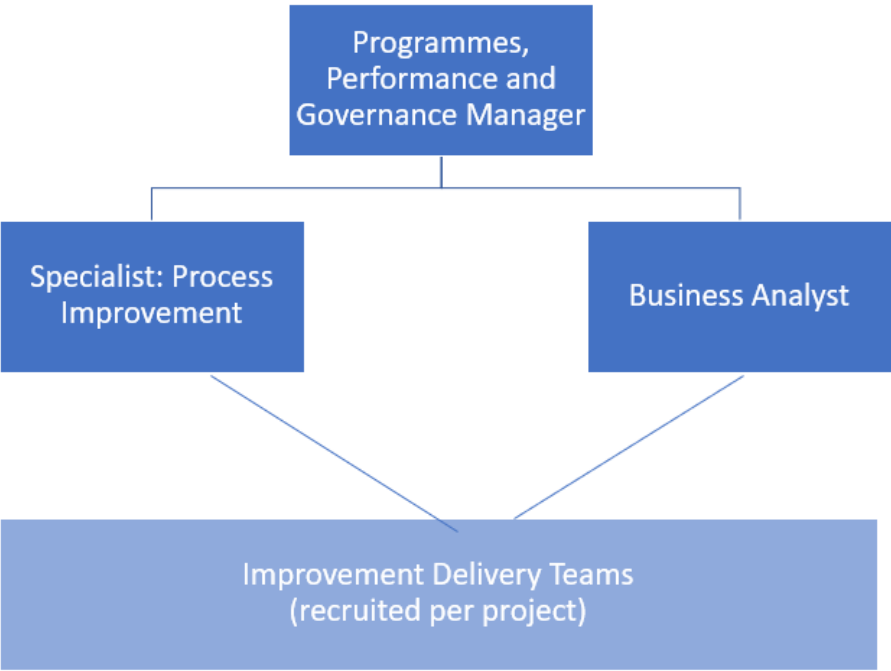
- 1 . What is process improvement?

Process Improvement is the **proactive task of identifying, analysing and improving upon existing business processes** within an organisation for optimisation and to meet new quotas or standards of quality

Maldon District Council brought in this approach as part of the Transformation programme in 2019 and have since formally embedded this into a permanent resource. It also helps us to respond as new processes come in, for example supporting the administration of various Covid support grants

For customer facing processes, development work primarily takes place through website improvements and forms built in Firmstep. But the work is much wider than this, often looking at automatic integration to back-office systems, and removing areas where there are duplicated and manual staff interventions

- 2. The process Improvement Team



There are three posts permanently attached to the process improvement workplan at Maldon District Council, two of these are on a full time basis.



The delivery team for each specific improvement are also identified and recruited as part of the scoping and include Subject Matter Experts (SME's) for the specific areas.

Additionally, our Leadership Team have oversight for improvements within their area, and overall delivery of the process improvement work through regular programme reporting.

As a team, our goal is to:

- Use process improvement to create sustainable services in the future and help future proof MDC through increased efficiency
- Embed a continuous improvement culture across the organisation by facilitating training sessions and workshops
- Highlight where the use of improvement tools can be applied throughout the organisation, (for example when opening discussions around re-tender of contracts and requirements) so that we work smartly as an organisation.

### • 3. How process improvement underpins the Corporate Strategy

Process improvement contributes to Value for money local authority requirement. It is up to individual local authorities to secure value for money in their spending decisions and to set a balanced budget. They have a legal duty to deliver continuous improvement and to combine that with economy, efficiency and effectiveness. This is demonstrated through the external audit of Council accounts, and at Maldon the Process Improvement workplan forms part of our evidence base for audits and grounding for value for money.

Process Improvement also enables us to deliver the Performance and Value outcomes identified in the Corporate Plan, for example:

- **Finance and income** – all improvement work is tracked for efficiencies in time or actual financial savings, and process review look to remove non-value-adding parts of the processes.
- **Governance** – the reporting and process mapping work that comes out of the programme supports our corporate governance, ensuring knowledge transfer and good documentation.
- **Performance** – process improvement helps to address areas of operational performance, and contribute to improved performance across the organisation.
- **Technology** –the team work closely with ICT to implement and embed new technologies, and move customer processes online, making technology as simple as possible.
- **Meaningful engagement** –work is based on detailed workshops with stakeholders to understand their 'pain points' and improvement work utilises customer feedback to make improvements.

- **Our workforce** – by training and enabling staff to work with the process improvement methodology, and addressing frustrations staff have in their day-to-day work, process improvement supports the workforce.

## OUR PERFORMANCE AND VALUE OUTCOMES



**14. FINANCE & INCOME**  
Effectively use our financial resources and approach to procurement and risk management to deliver value for money, whilst seeking fair funding and adopting a commercial approach to raise income, make the most of our assets and deliver our corporate outcomes.

**15. GOVERNANCE**  
Delivering a robust corporate and political governance framework for sound decision-making

**16. PERFORMANCE**  
Holding ourselves and our partners to account for service performance, whilst delivering good project management.

## OUR PERFORMANCE AND VALUE OUTCOMES



**17. TECHNOLOGY**  
Meeting the needs of our customers effectively and efficiently and reducing our carbon footprint by deploying appropriate technological solutions

**18. MEANINGFUL ENGAGEMENT**  
Using engagement with our residents, businesses, partners and staff to inform our decision-making

**19. OUR WORKFORCE**  
Building a flexible and happy workforce by creating a positive working environment that supports well-being and learning

Workshops with staff in service areas identify the link between Performance and Value Corporate Plan outcomes and the Process Improvement work, and help staff to identify areas in their personal work objectives that they can highlight working in this way.

### • 4. Information Communications Technology (ICT) strategy

The team also works closely with ICT, and with a view to feed into and help deliver on the wider ICT strategy. The team acts as a link between the ICT policies and implementation in the organisation, as a supporting service.

For example, we will be moving towards Microsoft Dynamics for our customer front end by 2024, and future opportunities and development work are built with this in mind.

We expect that in 2022, we will be working on a dual system, where front end forms still utilise Firmstep with a back office dynamics 365 database, and then gradually these forms will be migrated for full end to end customer journeys within the same system and greater internal process efficiencies.

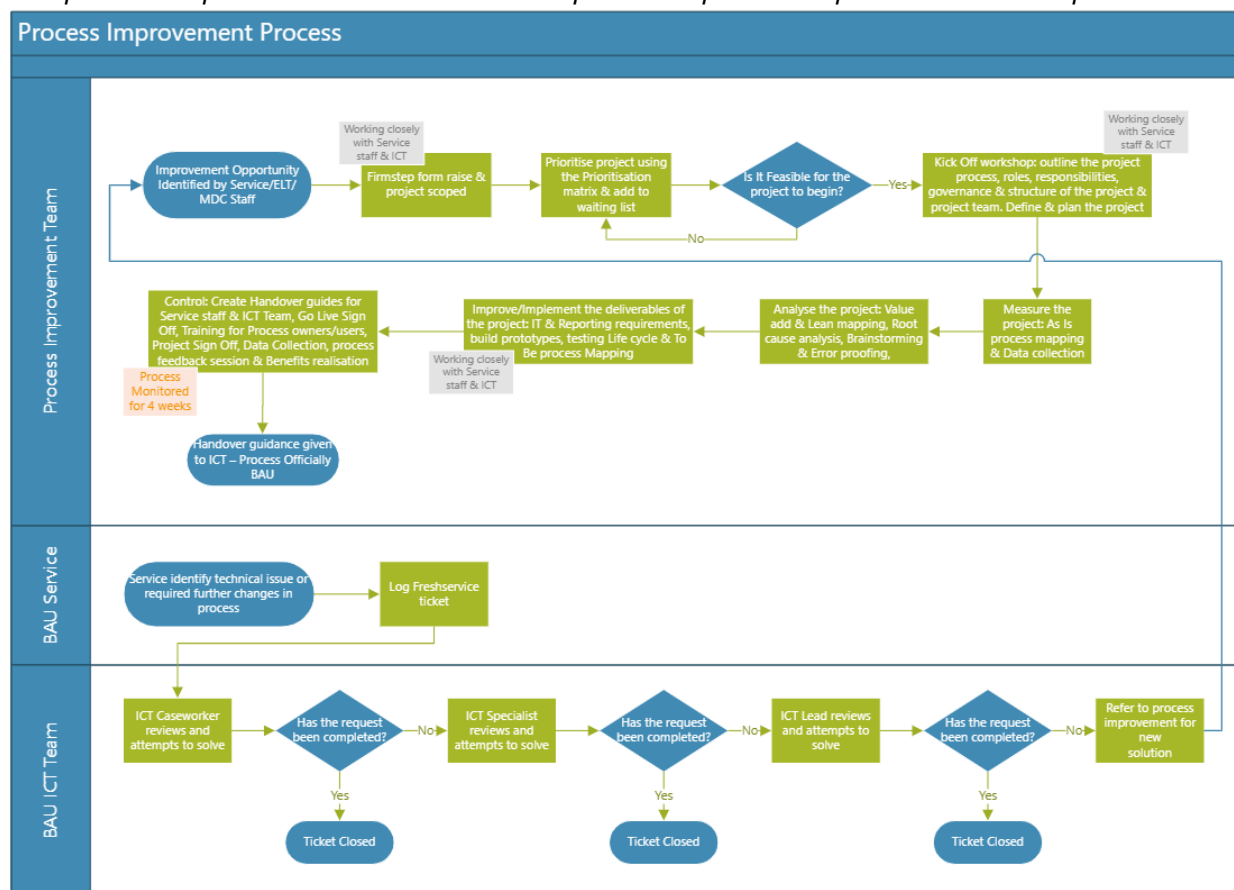
In early 2022, the process improvement team will begin training on dynamics 365 to support the move to this tool.

We have regular strategic meetings and project involvement from our ICT colleagues and work to deliver solutions and improvements that improve our use of technology across the organisation.

### • 5. What is our methodology?

The process improvement team follow the Lean Six Sigma methodology which relies on collaborative team effort to improve performance by removing waste / defects and reducing variation. The team strives to change the mindset of employees to focus on growth and continuous improvement leading to processes which will maximise efficiency and provide best value / services to our customers.

*This process map shows the transition from the process improvement process to the BAU process:*



We use a prioritisation matrix as a tool to visually structure and help decide which improvement projects should be started first. The matrix works in a collaborative environment with Tier 2's, Senior/Lead Specialists, Specialists, Case Workers and a Customer Solutions Advisor communicating what criteria are most important to their team/the organisation and score the importance of these within each process.

We use a Six Sigma tool within the process improvement process known as DMAIC (Define-Measure-Analyse-Improve-Control). This process involves identifying the problem you're trying to solve, taking stock of your current processes, identifying and implementing a solution, and maintaining that solution in the future.

We use a delivery charter to monitor and manage the DMAIC lifecycle to ensure that all process improvement projects are using a structured problem-solving framework that gives consistency in delivery. We have developed a bowling chart to capture tasks and assign owners to each task with deadlines ensuring that everyone is accountable for their agreed actions.

DMAIC focuses on improving an existing process, we apply the following tools into each stage as shown below:

- **Define** – within this phase we define the project and scope using a project charter format and begin to capture the A3 (project on a page) document. We do a feasibility analysis to ensure we do not waste time progressing with improvement projects which are not feasible.
- **Measure** – within this phase we begin to collect data on the current process and identify and map the 'As Is' process with the service team.
- **Analyse** – within this phase, we review and analyse the As Is' process map and brainstorm improvement ideas. We produce a value stream map identifying any waste, value add and amendments required. The 5 Why's tool is used to do a root cause analysis. When identifying potential software purchases and upgrades a Cost or SWOT analysis will be used.
- **Improve** – within this phase we use the 5-stage model for design lifecycle to identify IT and reporting requirements, we build prototypes in the test system and pass to service teams to carry out testing. We design the 'To Be' process map and provide training on the end to end process to the service team. If required, any additional software training will also take place.
- **Control** – within this phase we create handover guidance which includes a software to process matrix for service staff and the ICT team. We complete the 'go live sign off' with the lead SME (Subject Matter Expert) within the project team and transfer the process to the live systems. We provide a 4-week control period which is in place to allow service teams to raise any issues with the process before the project is signed off for complete closure.

More information and details on each of these stages and the tools used can be found [here](#).

- **6. Reporting process improvement**

Throughout the project lifecycle, we review and complete a lesson learnt log which feeds into the Project Management Office (PMO) lessons learnt log. We also report on the following to track the delivery and the benefits of the programme:

- Project review report – a progress update reported bi-weekly
- Project board highlights report – a delivery update for managers, reported monthly
- Process Improvement Program successes, this is a running total for the achievements of the program – reported quarterly
- Balance score card, this is the quarterly total of the achievements of the program – reported quarterly as part of internal performance monitoring
- ‘You Said’ ‘We Did’ Successes – for all MDC staff we give an update of how their suggestions have turned in to actions, this is published in One Team, the staff newsletter, and reported quarterly

- **7. Our Achievements to date**

The process improvement teams top achievements over the last 18 months consist of the following:

**Case study 1: COVID19 forms**

As part of Maldon District Councils COVID19 pandemic response, it was essential to provide forms to allow customers to carry out a number of tasks associated with the government guidelines. These were often required as a matter of urgency at short notice and by working closely with the teams involved we scoped form and process requirements, built forms with integrations where necessary, carried out the testing lifecycle and published to our live system for our customers.

Our customers were able to access the support they required during the pandemic with ease at any time of the day. This was available within just a few days of the guidelines being published by Central Government. Please see some feedback below:

*“Very easy to use”, “Easy to understand, website responded well”, “Good service, easy to use”*

**Case study 2: Garden waste database**

The original garden waste database was not fit for purpose, it was very slow to load and to respond to any searches, it had many duplications and inconsistency's within the data e.g. the payments would show paid when the customer hadn't or showed as not paid when the customer had. The database would not always be updated accurately and therefore the whole team would have to spent 4-5 weeks on an annual basis to cleanse the database and ensure all data was correct. This was costing £21,554 annually, in staff wages alone. The issues were caused by not being able to access the back end of Core, manual reporting from the database and customers paying the incorrect amounts. Members of the team would then have to chase underpayments, collect non-payments, and issue refunds for overpayments which in staff time cost £4712.00 annually.

We made fixes to the database making it as automated as possible, cleansed the data within the current database to assist with speeding up the loading and searching facilities.

*This went live at the end of January 2021 and in that time we have saved 7 minutes per search at a cost of £21,917.00 which will be an ongoing saving.*

**Case study 3: Delivery of new forms with integrations (ongoing)**

To improve the accessibility to our services we have delivered numerous online forms to allow our customers to access support, pay online, raise queries, report issues or make requests at any time of day. This ensures that customers are able to contact us when it is most convenient for them and with the COVID19 pandemic closing our office doors, this was essential for many customers.

We are continuing to add more and more online forms for customers to access our services. On top of this, we are also implementing integrations to many processes to save time for back office staff which allows quicker response times to customers.

Some forms which have gone live over the last 18 months are:

- Noise nuisance
- All in one payment form
- Street naming and numbering
- Report it – Litter, Dog Fouling, Fly tipping and Dead Animals
- Car Parking season tickets
- High Street Residents Permit
- Many forms in relation to the COVID19 response

Some customer feedback from our online forms: *"I normally pay by hand at Council Offices but due to COVID19 I have used the online service, which was easy and convenient , so I will continue to use this in future."*, *"easy and convenient"*, *"Easy to navigate and simple to fill out"*

Some other achievements between January 2020 and September 2021 include:

- New permanent process improvement program with ability for ongoing improvements to be added.
- Delivery of new forms with integrations e.g. Noise nuisance (ongoing)
- Interim solutions for the Section 106 process which was failing
- Improvements to finance reporting
- Introducing paperless invoicing
- Setting up HR select reports in a dashboard
- Removal of pink sack collections at the MDC office
- Introducing electronic signing of online forms
- Improving the deed of variation documentation and storage process

More information on these achievements, and others can be found on our SharePoint site [here](#).

### • 8. Our timetable of work for the next three years

We have a development timetable and list of 'pipeline' projects that are identified as opportunities arise. At any given time, the team have 6 live improvement projects, 2 major projects (e.g. HM Land Registry migration and website development), 2 quick win workshops and space for 2 urgent projects (e.g. COVID forms). New projects will not begin until one of these have been delivered and live.

Prioritisation work also pays consideration to wider strategic goals and operational issues of the organisation, for example, working closely to the ICT strategy, and prioritising areas such as licensing where historic systems for customer journeys will cease in April 2023.

We continually review this and re-prioritise the list as technology, legislative requirements and customer demand may change over time.

A key driver for the workplan is to move processes online for easier customer access where they aren't already, and improve journeys for our customers and our back office to make them as simple and effective as possible.

Below is an extract from the team worklist that shows the initial processes for work that have been identified:

Waiting List - Improvement Opportunities							
Position No.	Score	Service area	Process Impacted:	Process Description - 'what is the issue?'	Business Requirement 'we would like to...'	Target outcome - 'so that we can'	Is a Firmstep Form Required?
1	54.4	Customer Services	Develop website	Website is not clear enough for customers and difficult to find what they need	Improve the website to ensure customers can find at first attempt	Reduce the number of calls from customers unable to find the correct information online	No
2	49.2	Customer Services	Further all in one payment development	Not all payments can be received online	Add more payments to the all in one payment form	Customers will be able to pay for more online	Yes
3	48	Customer Services	Firmstep development	currently no integrations with MDC other systems, underdeveloped customer face (forms, icon, widgets for customer info, matching customer records with ID,	To improve accessibility by reducing the number of steps for the customer	so that customers are able to find the information easily which will reduce call volumes	Yes
4	47.4	Waste	Stopping using Suez portal	Information regarding services is not clear on Suez portal, causes high call volumes and rework. Suez charge for any amendments on their portal	Build forms and MDC website to hold all the information and instructions for customers and have a integration feed that information to Suez	Reduce confusion to customers, reduce call volumes and rework	Yes
5	47	Customer Services	Sending customer forms electronically	CSA's sending out Benefit forms and resending council tax bills via post	Implement paperless billing and reminders	reduce carbon footprint & reduce costs	No
6	46.8	Customer Services	Change of address	Transfer to new forms	Close old forms down or redesign to meet the service requirements		Yes
7	45.4	RAMS	RAMS process	New process - interim process is not monitored and payments are being refunded	Create the workflow with automated triggers and create payment pot which will split to be allocated where it needs to	ensure delivery of the service	No
8	45.4	RAMS	RAMS form	Form needed as part of the build of the end to end process	collect the Checking & monitoring Fee together when the Unilateral Undertaken is submitted	reduce steps in the process and avoid duplication	Yes
9	44.8	Planning	Online payments for applications	Unable to pay for planning applications online and not able to take payments over the phone so currently using BACS	Add this payment option to the All in One Payment form	allow customers to pay online	Yes
10	44.4	FOI	FOI process & reporting	Break in workflow, backlog of FOI's & ownership issues	create a workflow which is mostly automated to help direct the workflow to the correct staff	automate and design the workflow	Yes

A full version of the plan for process improvement work can be accessed on the [Member's SharePoint](#). Alongside the specific process improvement workplan, we have identified that we will:

- Train and embed process improvement practices across the organisation - including possible link between apprenticeship and new recruits (HR), and wider training and guidance available for all staff
- Establish an internal process improvement group, to help build capacity around the work, and share learning across subject areas
- Work closely with members to utilise their insight to help improve processes for our customers
- Work closely with the Project Management Office (PMO) to support wider project delivery and help apply continual improvement skills to some of our corporate projects, for example, supporting with workshop facilitation
- Identify new projects based on staff feedback and review suggestions based on the impact they could have
- Support projects that come out of the PMO where their delivery will improve the efficiency of the organization

## • 9. Learning and continual development

As part of our ethos of continual improvement, our delivery plan also includes learning and development of the team, to make sure we embed current best practice into the



organisation and change and adapt to wider priorities. A summary of how we do this is outlined below:

- Always reflecting on timetable and priorities
- Keeping on top of technology and best practice developments
- Regular meetings and planning with ICT colleagues to align to developments of theirs
- Working to industry standards and investing in training for our staff
- Training for our team to embed structured practice- e.g., both full time members on specific process improvement apprenticeships
- Knowledge transfer and support within the team
- Networking and bringing back wider learning through forums such as the Essex Policy and Performance Network
- Continually update and review our lessons learnt log to ensure we capture and share knowledge from our experiences, including reflecting on what went well and what could be done differently to improve future projects.

Both FTE attached to the team will be trained on Firmstep technical development and stakeholder facilitation and process re-engineering, which means they are able to cover and support all areas of process improvement work that come up and building resilience within the team.

- **10. Knowledge transfer outside of the team**

As part of the work to enable process improvement across the organisation, the following methods of knowledge transfer are specifically built into the work programme:

- Training housing staff and other areas to lead on and deliver improvement work
- Training ICT/ wider staff on forms build and end to end process testing
- Training on new/amended processes by providing a walk-through of the end to end process to all teams involved, this is recorded and available for later viewing.
- Testers – we will recruit and train some people that can test from a customer perspective (ideally including members, to give a customer-centric view and be part of our improvement journey)
- Creating documentation, such as the forms design guide, so that where wider staff pick up forms build, we ensure a consistent, best practice approach
- Ensuring documentation and a handover period is in place for all improvements we implement, to ensure knowledge transfer of the process to the processing team.

## 11. Risks and issues

The following risks have been identified for the process improvement programme and how it is delivered

<b>Risk</b>	<b>Score</b>	<b>Mitigating actions</b>
Resource in the team	I-5 L- 3 <b>15</b>	Building capacity for process improvement in wider staff as part of their day to day role Large projects and improvement work that take away capacity for the programme (e.g., HMLR) may require a backfill of resource and associated budget
As we use integrations more, more technical ICT support is required	I-3 L-3 <b>9</b>	Look to move away from integrations over time- by utilising dynamics 365 Avoid integrations where they don't add value to the process (owing to development time on Firmstep)
Having the time to train and build capacity – e.g., testing training	I-3 L-3 <b>9</b>	This is built into the workplan, but means that we have to rationalise resource and will manage taking on less specific improvement work alongside this
Changing priorities/ technologies for ICT	I-4 L-3 <b>12</b>	Regular communication between the Lead Specialist for ICT and the Programmes, Performance and Governance Manager Training for process improvement staff early on as technologies emerge
Availability and capacity of service staff	I-4 L-4 <b>16</b>	Prioritisation of live work from the pipeline considers service staff availability Regular progress reporting as identified in section six, highlights issues with staff availability and where this is ongoing will lead to discussion around whether to pause work in a specific area and prioritise elsewhere.
Member support and awareness	I-2 L-3 <b>6</b>	Transformation review report to O&S committee highlighted process improvement work Development of the Process Improvement Framework and report to Performance, Governance and Audit committee highlighting link to financial audit requirements Recruitment of Member testers to help champion process improvement work Reporting of exceptions to delivery through the Balance Scorecard reporting identified in section six.

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