



**MINUTES of
AUDIT COMMITTEE
13 JUNE 2019**

PRESENT

Chairman	Councillor E L Bamford
Vice-Chairman	Councillor B E Harker
Councillors	Mrs P A Channer, CC, A S Fluker, J V Keyes, C Morris, S P Nunn and N J Skeens
In Attendance	Councillor C Swain

161. CHAIRMAN'S NOTICES

The Chairman opened the meeting by welcoming all new Members to the first meeting of the new municipal year.

She then drew Members' attention to the notices on the reverse of the agenda.

162. APOLOGIES FOR ABSENCE

There were no apologies for absence.

163. MINUTES OF THE LAST MEETING

RESOLVED that the Minutes of the meeting of the Committee held on 4 April 2019 be approved and confirmed

164. DISCLOSURE OF INTEREST

Councillor Mrs P A Channer, CC declared a non-pecuniary interest in Agenda Item 5 – Updated Action Plan of Flood Mitigation Projects Across the District - as a member of Essex County Council, a consultee on planning application matters with respect generally, to highways, matters of access and education primarily.

Councillor A S Fluker in the interest of openness and transparency declared on Agenda Item 5. - Updated Action Plan of Flood Mitigation Projects Across the District, as a member of the Maldon Harbour Improvement Commissioners.

165. UPDATED ACTION PLAN OF FLOOD MITIGATION PROJECTS ACROSS THE DISTRICT REPORT

The Committee considered the report of the Director of Strategy, Performance and Governance that provided Members with a six-monthly update on the action plan of flood mitigation projects across the district, as agreed at Audit Committee on 6 December 2018.

It was noted that the updates were highlighted in red on the action plan at appendix 1. Furthermore, that consideration of this live action plan of projects should assist Members when reviewing the current risk score for corporate risk “Failure to have a clear shared plan regarding strategic ownership of coastal, fluvial and surface water flooding mitigation and long-term maintenance responsibilities” on today’s agenda at Item 6. The Director of Resources asked the Lead Specialist Community to present the report and action Plan. For the benefit of new Members, the Lead Specialist Community provided the background to this key piece of work as follows:-

In response to the floods in 2007 in the Northeast of the country Sir Michael Pitt was charged with carrying out a review on flood risk management. One of the outcomes was the Flood and Water Management Act April 2010, which made the Environment Agency (EA) responsible for national strategy, Essex County Council (ECC) Lead Local Flood Authority (LLFA) responsible for district strategy and District Councils to act as risk management authorities. As a result of this all government funding to develop flood alleviation schemes had been allocated to the EA and ECC. This new strategy made the Council’s position very difficult in that they could only lobby partners to engage with bringing in funding to this district for flood alleviation projects.

The Plan presented today by the Lead Specialist Community had been developed through working in partnership with the Environment Agency, Anglian Water and ECC, facilitating meetings and setting up an Operational Group. The Plan was now a live working programme with a number of good schemes across the district at different stages of development.

At this point the Chairman reminded Members that the recommendation was, dependent on the outcome of the discussion, to look at possibly reducing the risk score for this corporate risk when debating the corporate register under Item 6 – Quarterly Review of Corporate Risk.

In response to questions from Members the following was reported:-

- that the Heybridge flood alleviation scheme with a date of March 2024 on the Plan was a separate line of development to the Heybridge Garden Settlement planning application;
- that the West Althorne embankment repairs scheme referred to the Southminster branch line. This scheme would involve partnership engagement with landowners, Network Rail being one of the major ones in the scheme;
- that ‘delivery in-house’ on the plan meant delivery by the Environment Agency’s in-house engineers;
- that the Stokes Hall scheme had been successfully completed in May 2019;
- that the Lead Specialist Community was working with landowners in respect of the Bradwell Waterside scheme;

- that with reference to the Brickhouse Farm scheme work was currently underway with ECC to discharge conditions around landscaping, types of trees preferred by MDC parks team, signage etc. A provisional start date had been agreed and next steps were around the felling of birch trees ideally as close to the start date as possible;
- that the Lead Specialist Community would report back at the next meeting on the Updated Flood Maps and on other issues raised outside of the meeting as appropriate.

It was noted that some of the updates at the meeting had not been incorporated in the Plan as they had happened post agenda publication, thus demonstrating how live the clear shared plan was.

The Chairman thanked the Lead Specialist Community for all her hard work and acknowledged how difficult it was to progress schemes when having to lobby for funding from partners.

The Chairman put the recommendation to the Committee and it was agreed.

RESOLVED that Members had considered the updates to the action plan provided in appendix 1 and agreed to review the current risk score as a result of the updated plan and progress to date.

166. QUARTERLY REVIEW OF CORPORATE RISK

The Committee considered the report of the Director of Resources and its role in providing independent assurance to the Council on the adequacy of the risk management framework. It was noted that the Risk Management Policy required this Committee to undertake a quarterly review of the Corporate Risk Register, attached at appendix 1, as assurance that the corporate risks are being managed effectively.

The Director of Resources introduced the report and reminded Members that this report represented the position as at the end of Quarter 4 (31 March 2019) on the corporate risks included within the Corporate Risk Register 2018/19. She advised that the Corporate Risk register was reviewed by CLT on a quarterly basis, reported on TEN and subsequently considered by the Audit Committee. In advance of taking Members through the register page by page, and as a guide, she drew Members attention to the scoring matrix used in the Risk Management Policy Methodology.

All Risks were considered, and the following were discussed in more detail:-

Risk 1 – Failure to safeguard children and vulnerable adults - Members were pleased to note that, given their role in the community, safeguarding training applied to both Members and Officers.

In response to a question regarding timing of training the Director of Service Delivery advised that safeguarding training would be rolled out later in the year. The reason for the delay was due to the reorganisation of the safeguarding area. Interim arrangements were in place and when staff were in their new roles training would commence for both Officers and Members. A lead Member was not deemed necessary as safeguarding was part of everyone's remit.

Risk 5 – *Failure to deliver the required infrastructure to support development arising from the LDP* - the Director of Strategy performance and Governance reported that the Council was in the final stages of appointing a Section 106 Officer

Risk 6 – *Failure to have a clear shared plan regarding strategic ownership of coastal, fluvial and surface flood mitigation and long-term maintenance responsibilities* – the Chairman reminded Members that they had agreed under Item 5 to review the risk score in light of progress made against the original risk. The Director of Strategy Performance and Governance reiterated that this risk was around the failure to have a clear shared plan which was now in place and therefore reviewing the scoring was appropriate.

Councillor Fluker proposed that the risk score be reduced by lowering the likelihood from 4 to 3 with no change to the impact score of 4, resulting in an overall score of 12. This was seconded by Councillor S P Nunn.

The Chairman put the proposal to the Committee and this was agreed.

Risk 11 – *Failure to protect personal or commercially sensitive data* - it was agreed that the end of June 2019 would be a timely point to review the score for this corporate risk.

Risk 16 – *Corporate policies not managed and reviewed* - it was noted that the Corporate model on Mod.gov was out of date and would be removed.

The chairman thanked the Director of Resources for the comprehensive report

RESOLVED

- (i) That Members reviewed the information as set out in this report and appendix 1 and their views and comments were considered;
- (ii) That in undertaking this review Members were assured that corporate risk was being managed effectively;
- (iii) That the Risk Score for Corporate **Risk 6** - *Failure to have a clear shared plan regarding strategic ownership of coastal, fluvial and surface flood mitigation and long-term maintenance responsibilities* be reduced from 16 to 12.

167. INTERNAL AUDIT - FOLLOW UP OF RECOMMENDATIONS REPORT - MAY 2019

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

Mr Greg Rubins, Head of Internal Audit at Bider Dijke Otte (BDO) took the Committee through the report. He informed Members that the situation was positive with 48 high and medium recommendations out of 68 now implemented. Of the remaining 20, there were 2 not due yet and 7 formed part of the Future Model programme.

He provided a brief update on the Safe and Clean environment report around street cleaning and waste contracts, clarifying that 2 recommendations were in progress and 2 were not due yet. He assured Members that this would be completed by the next Committee, alongside the other outstanding work, as management initiatives had been prompt in response to recommendations raised.

The Chairman put the recommendation to the Committee and it was agreed.

RESOLVED that Members considered the progress to date against these recommendations.

168. INTERNAL AUDIT - PROGRESS REPORT - MAY 2019

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

Mr Greg Rubins introduced the report which updated Members on progress against the Audit Plan for 2018/19 and 2019/20. In addition, there were two summary reports being considered, namely the Fraud Risk Assessment and the Transformation Summary. The Transformation report had an assurance level of substantial on design and an assurance level of moderate on effectiveness. This work had been completed by one of BDO's local government advisory teams who were impressed with the processes, governance structure and clear work streams in the Council's Future Model.

Furthermore, it was clear that investment requirements and cost benefits had been considered. The only recommendation BDO had, concerned clearer definition around non-financial benefits, but acknowledged that this was probably impacted by the stage the Council had reached in the transformation programme. Once raised, Council Officers had responded promptly and positively.

There were four reports still outstanding at different stages of completion; these will be reported at the next meeting. Finally, he reported that work had commenced on fieldwork for the 2019/20 programme of work to ensure timely delivery of the Audit Plan going forward.

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

RESOLVED

- (i) that Members considered the progress against the 2018/19 Internal Audit Plan;
- (ii) that Members commented on progress to date against the 2018/19 Internal Audit Plan, including the completed audits.

169. INTERNAL AUDIT ANNUAL REPORT - MAY 2019

The Committee considered the report of the Director of Resources that presented the Annual Opinion of the Head of Internal Audit (BDO LLP) on the results of, and assurance gained, from 1 April 2018 to 31 March 2019 internal audit work.

Mr Greg Rubins advised that the annual report and opinion summarised the work undertaken during the year and ultimately informed the Council's annual Governance Statement. Overall it represented moderate assurance, their second highest level of assurance, which reflected a very positive set of reports. The set consisted of six finalised reports and they had also taken into account the positive work emerging from the outstanding areas.

He added that the strong moderate assurance level this year could be even higher in future years once the transformation programme was completed. In respect of BDO's performance he said normally he would prefer to be further ahead in the process. The delays were largely due to the Council's major restructure hence the reason BDO had already started scoping the work for the financial year 2019/20.

The Chairman put the recommendation to the Committee and it was agreed.

RESOLVED that Members considered the Head of Internal Audit's opinion on the results of and assurance gained from the 2018 / 19 internal audit work, as set out in appendix 1.

170. INTERNAL AUDIT FRAUD RISK ASSESSMENT- ADVISORY REPORT - MARCH 2019

The Committee considered the advisory report to carry out a Fraud Risk Assessment as requested by the Director of Resources, covering the period November 2018 to January 2019.

Before asking the Head of Internal Audit, Greg Rubins, to comment on findings the Director of Resources provided the background to this report. She informed the Committee that in 2015 Central Government decided to centralise all benefit fraud investigation work, however, this Council decided to retain their own fraud resource with an allocated budget. The result was a combined corporate fraud and planning enforcement resource.

In 2017 the Director of Resources asked for a review to take place, specifically requested by the section 151 Officer, as there were concerns regarding the resource and whether it was focussed on corporate fraud or planning enforcement. The report found that the Council was not doing counter fraud work as the resources were focussed on planning enforcement cases.

Mr Rubins then addressed the report and advised that for best practice purposes BDO had assessed the Council against the Chartered Institute of Public Finance & Accountancy (CIPFA) guidance on counter fraud. He said he had seen both private and public sector organisations adversely impacted by corporate fraud. Furthermore, when going through transformation, there was an increased risk of fraud therefore close control over potential fraud was important. Whilst there was a basic framework in place and the fraud team was both experienced and knowledgeable, resources were inconsistently applied.

Assessment findings demonstrated a need to develop counter fraud resource by putting together a proper risk-based plan, a training plan for both Officers and Members,

updated policies and strategies with resources applied to wider areas including procurement, HR and Finance. Alongside these measures regular reporting to Audit Committee on actions taken was crucial. He advised that once investment in this area occurs the Council may see an initial increase in reporting fraud and that this was quite normal as previously staff may not have been aware of fraud or what constituted fraud.

The Director of Resources advised the Committee that, from the outset, the Future Model had a resourced built-in activity to cover this area of work through either staff appointment or external contactor. She said that the review had shown how valuable counter fraud work can be to an organisation as it raised awareness/reporting and shone a light on fraud, which by its nature was hidden.

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

RESOLVED

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

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

The Director of Resources advised the Committee that she would circulate the annual accounts, annual governance statement and the statement from the auditors to all Members. She requested that Members consider the paperwork and feedback to the Director. It was noted that once the final versions have been received and agreed by the next Audit Committee they would be signed-off by Councillor A S Fluker, Leader of the Council and Mr R Holmes the Head of Paid Services.

A question was raised regarding qualifications of the committee membership and subsequent to the meeting it was confirmed that all Members had attended Audit training which was delivered jointly by the Director of Resources and Mr Greg Rubins, Head of Audit at Binder Dije Otte (BDO), the Council's Internal Auditors.

There being no further items of business the Chairman closed the meeting at 4.09 pm.

**E L BAMFORD
CHAIRMAN**