



## AUDIT COMMITTEE

<b>DATE:</b>	<b>Thursday, 27 May 2021</b>
<b>TIME:</b>	<b>10.30 am</b>
<b>VENUE:</b>	<b>Princes Theatre - Town Hall, Station Road, Clacton-on-Sea, CO15 1SE</b>

### MEMBERSHIP:

<b>Councillor Coley (Chairman)</b>	<b>Councillor Miles</b>
<b>Councillor Alexander (Vice-Chairman)</b>	<b>Councillor Placey</b>
<b>Councillor Fairley</b>	<b>Councillor Steady</b>
<b>Councillor King</b>	

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**For further details and general enquiries about this meeting, contact Ian Ford on 01255 686584.**

DATE OF PUBLICATION: Wednesday, 19 May 2021

## AGENDA

### **1 Apologies for Absence and Substitutions**

The Committee is asked to note any apologies for absence and substitutions received from Members.

### **2 Minutes of the Last Meeting (Pages 1 - 8)**

To confirm and sign as a correct record, the minutes of the last meeting of the Committee, held on Thursday 22 April 2021.

### **3 Declarations of Interest**

Councillors are invited to declare any Disclosable Pecuniary Interests or Personal Interest, and the nature of it, in relation to any item on the agenda.

### **4 Questions on Notice pursuant to Council Procedure Rule 38**

Subject to providing two working days' notice, a Member of the Committee may ask the Chairman of the Committee a question on any matter in relation to which the Council has powers or duties which affect the Tendring District **and** which falls within the terms of reference of the Committee.

### **5 Report of Assistant Director (Finance & IT) - A.1 - External Auditor's Audit Planning Report for the Year Ended 31 March 2021 (Pages 9 - 46)**

To present for consideration and agreement the External Auditor's Audit Planning Report for the year ended 31 March 2021.

### **6 Report of Assistant Director (Finance & IT) - A.2 - Corporate Risk Update (Pages 47 - 90)**

To present to the Audit Committee the updated Corporate Risk Register.

**Date of the Next Scheduled Meeting**

*The next scheduled meeting of the Audit Committee is to be held in the Town Hall, Station Road, Clacton-on-Sea, CO15 1SE at 10.30 am on Thursday, 29 July 2021.*

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**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,  
HELD ON THURSDAY, 22ND APRIL, 2021 AT 10.30 AM  
THE MEETING WAS HELD PURSUANT TO STATUTORY INSTRUMENT 2020/392.**

<b>Present:</b>	Councillors Coley (Chairman), Alexander (Vice-Chairman), Fairley, Miles (except items 29 - 33 (part)), Placey and Steady (except items 35 – 38)
<b>In Attendance:</b>	Richard Barrett (Assistant Director (Finance and IT) & Section 151 Officer), Craig Clawson (Internal Audit Manager), Ian Ford (Committee Services Manager), Clare Lewis (Fraud and Risk Manager), Kai Aberdeen (Theatre General Manager (Technical)) (items 29 - 33 (part) only) and Keith Durran (Democratic Services Officer)
<b>Also in Attendance:</b>	Lisa Clampin (Lead Partner) (except items 35 – 38) and Aphrodite Lefevre (Director & Engagement Lead) – both representing BDO LLP, the Council’s appointed External Auditor

**29. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

There were no apologies for absence submitted or substitutions on this occasion.

**30. MINUTES OF THE LAST MEETING**

It was moved by Councillor Fairley, seconded by Councillor Placey and:-

**RESOLVED** that the Minutes of the last meeting of the Committee held on Thursday 25 March 2021 be approved as a correct record.

**31. DECLARATIONS OF INTEREST**

There were no declarations of interest made on this occasion.

**32. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38**

There were no Questions on Notice on this occasion.

**33. REPORT OF THE INTERNAL AUDIT MANAGER - A.1 - REPORT ON INTERNAL AUDIT: MARCH 2021 - APRIL 2021**

The Committee had before it a report submitted by the Council’s Internal Audit Manager (A.1) which provided a periodic update on the Internal Audit function for the period March to April 2021.

Further to Minute 17 (25.2.21) the Council’s Theatre General Manager (Technical) (Kai Aberdeen) attended the meeting and updated the Committee on the progress made in relation to the audit actions that had been required following the ‘Improvement Required’ outcome of the Princes Theatre Audit.

It was reported that a total of five audits had been completed since the previous update to the Audit Committee in March. Four of the five audits completed had received a

satisfactory level of assurance. One audit (Fleet Management) had received an overall opinion of 'Improvement Required'.

Fieldwork had been completed on a further three audits with the draft report yet to be finalised.

Fieldwork was ongoing on another six audits of which three were close to completion, therefore the majority of audit resource for the 2020/21 Internal Audit Plan would be used for the final three audits with the Revenues and Benefits Department.

#### Quality Assurance

Members were aware that the Internal Audit function issued satisfaction surveys for each audit completed. In the period under review 100% of the responses received had indicated that the auditee had been satisfied with the audit work undertaken.

#### Resourcing

It was reported that there had been no changes to the resources available to the Internal Audit Manager since the previous update in March 2021. The Internal Audit Plan was expected to be completed in order to provide the Head of Internal Audit's Annual Opinion.

The Internal Audit Team continued to support the Silver Cell and Community Hub in the COVID-19 Emergency Planning response. The impact on resourcing was however marginal at this stage.

#### Outcomes of Internal Audit Work

The Public Sector Internal Audit Standards (PSIAS) required the Internal Audit Manager to report to the Committee on significant risk exposures and control issues. Since the last such report five audits had been completed and the final report issued. Four audits had received an 'Adequate Assurance' audit opinion. One audit had received an 'Improvement Required' audit opinion.

#### Fleet Management – 'Improvement Required' Audit Outcome

##### 1. Fleet Management Policy

Members were informed that there was no Fleet Management Policy in place which would set the standards and regulations for employees to comply with when using Council vehicles. There was a set of guidelines for staff to follow, however, they did not incorporate key legislative requirements and lacked key processes and procedures to ensure adequate accountability and effective monitoring was in place, ensuring all operational requirements were recorded in one policy.

#### Agreed Audit Action:

*That a Fleet Management Policy be finalised, reviewed and communicated in order to ensure fleet operations and drivers were compliant with both legal and corporate requirements, effectively monitored and provided adequate accountability.*

## 2. Fleet Management Structure

It was reported that the Council planned to appoint a Transport Manager with the relevant qualifications, who would have responsibility to manage all of the Council's fleet. Currently, the Officer acting up as Transport Manager was responsible for managing all Council vehicles, excluding Building Services vehicles.

### Agreed Audit Action:

*That the Transport Manager has responsibility of all Council Fleet, including Building Services to mitigate the risk of vehicles being inadequately managed.*

## 3. Departmental Vehicle Tracking

The Committee was made aware that Service Managers had use of the Hubio Tracking Software. This was a real time monitoring system, which should be used to monitor and manage vehicle use and to regulate the purposes for which the Council's fleet was being used for. However, not all vehicles were able to be tracked due to the increased number of lease vehicles being used within the Building Services Team and Engineering Team as well as the tracking systems available not being used as effectively as possible through system errors and irregular monitoring.

### Agreed Audit Action:

*All vehicles to be fitted with Hubio trackers that could be removed and installed when lease vehicles were changed in order to ensure that all vehicles being used by Council staff could be continuously monitored. There would be an additional cost to the service which was currently being explored.*

## 4. Fuel Card System

Members were advised that the majority of fuel cards were allocated to a vehicle rather than an employee, this allowed flexibility to use different drivers for each vehicle. However, this created a lack of accountability if the fuel cards were abused and driver records were not kept up to date. Without restrictions in place regarding fuelling activity, it was difficult to monitor fuel consumption. Anything outside of business use, could be classified as a benefit and had further financial implications on the employee and the Council.

### Agreed Audit Action:

*Controlled fuelling processes and procedures were to be included within the Fleet Management Policy which all drivers must agree to and follow ensuring that adequate accountability was in place*

*Both avenues of allocating to individual staff or vehicle were to be explored regarding the allocation of fuel ID cards. Both processes would require improved supplementary processes to ensure adequate controls were in place.*

## Management Response to Internal Audit Findings

Members were aware that there were processes in place to track the action taken regarding findings raised in Internal Audit reports and to seek assurance that appropriate corrective action had been taken. Where appropriate, follow up audits had been arranged to revisit significant issues identified after an appropriate time. There were currently no high severity issues overdue (by more than or less than three months).

Having considered and discussed the contents of the Internal Audit Manager's report and its appendix:-

It was **RESOLVED** that the contents of the report be noted.

**34. REPORT OF THE ASSISTANT DIRECTOR (FINANCE & IT) - A.2 - ANTI-FRAUD AND CORRUPTION STRATEGY**

There was submitted a report by the Council's Assistant Director (Finance & IT)(report A.2) which presented to the Audit Committee for its approval an updated Anti-Fraud and Corruption Strategy.

It was reported that the Council's Anti-Fraud and Corruption Strategy had last been updated in March 2020 and it remained subject to an annual review process which had recently been completed.

An amended strategy was attached as Appendix A to the aforementioned report which reflected a number of minor amendments emerging as part of the annual review process but overall the Strategy remained based on CIPFA's Code of Practice on managing the risk of fraud and corruption as adopted by the Committee at its meeting held on 22 March 2018. The Strategy set out the Council's commitments along with the following key areas:

- *Purpose, Commitment and Procedure;*
- *Legislation and General Governance;*
- *Definitions;*
- *Standards, Expectations and Commitment;*
- *Roles and Responsibilities;*
- *Prevention;*
- *Detection and Investigation; and*
- *Resources Invested in Counter Fraud and Corruption.*

The intention was to continue to include the scope for prosecutions within the Anti-Fraud and Corruption Strategy itself and include the relevant framework against which prosecutions would be considered. Those changes had been included within the 'Detection and Investigation' section of the Strategy. The Strategy would continue to be subject to an annual review process.

Members were informed that the amendments to the Strategy also reflected the response to the COVID 19 pandemic where fraud risks had unfortunately increased during such difficult times. Work remained on-going in terms of lessons learnt from the last 12 months and further changes to the Strategy were likely to be required, especially as relevant regulatory bodies were expected to publish updated anti-fraud and corruption guidance following the COVID 19 pandemic. Subject to the scale and timing

of potential changes, a revised Strategy would be presented to the Committee during the year or form part of the annual review early in 2022.

Updates against the Council's Anti-Fraud and Corruption Strategy Action Plan were also included within the aforesaid Appendix A.

The Committee formally commended the Officers within Financial Services for putting in place pro-active anti-fraud checks in relation to the issuing of the central Government financed Covid-19 amelioration business grants.

It was moved by Councillor Alexander, seconded by Councillor Fairley and:-

**RESOLVED** that the amended Anti-Fraud and Corruption Strategy, as set out in Appendix A to item A.2 of the Report of the Assistant Director (Finance & IT), be approved, subject to the incorporation within of the minor alterations and additions agreed at the meeting.

**35. REPORT OF THE ASSISTANT DIRECTOR (FINANCE & IT) - A.3 - AUDIT COMMITTEE: TABLE OF OUTSTANDING ISSUES**

The Committee had before it a report submitted by the Assistant Director (Finance & IT) (A.3) which presented to the Committee the progress on outstanding actions identified by the Committee, together with updates on other general issues that fell within the responsibilities of the Committee.

The Committee was informed that there were three appendices to this report which contained:

- 1) updates against general issues previously identified by the Committee;
- 2) updates against recommendations made by the External Auditor; and
- 3) the latest position against the Annual Governance Statement Action Plan for 2020/21;

It was reported that, to date, there were no significant issues arising in respect of the items identified in Appendices A and B, with work remaining in progress or updates provided elsewhere on the agenda, where appropriate. However, there had been a significant impact from COVID 19 in terms of progressing the actions reported in Appendix C as quickly as originally anticipated. However, activity remained in progress against all actions and work would continue into 2021/22 as required.

Redmond Review

The Committee was aware that Sir Tony Redmond, a former council treasurer and local government ombudsman, had been asked by the Government to look at the effectiveness of external audit, as a summary of recommendations emerging from Sir Tony's review had been presented to it at its meeting held in October 2020.

Members were also aware that Sir Tony had made 23 recommendations relating to the quality, timeliness and sustainability of local audit, and the transparency of local authority accounts. The Government had grouped its initial response into the following

five themes, which had been reported to the Committee at its meeting held on 25 February 2021:-

- *Action to support immediate market stability;*
- *Consideration of system leadership options;*
- *Enhancing the functioning of local audit, and the governance for responding to its findings;*
- *Improving transparency of local authorities' accounts to the public; and*
- *Action to further consider the functioning of local audit for smaller bodies.*

Many of those responses had indicated that the Government would either be liaising with the relevant stakeholders or would be further considering some of the recommendations, with the Government's full response expected during the spring of 2021. This remained the case and any further announcements made by the Government would be reported to the Committee at the earliest opportunity.

Having discussed the contents of the report and its appendices:-

It was **RESOLVED** that the progress made against the actions set out in Appendices A to C to item A.3 of the report of the Assistant Director (Finance & IT) be noted.

### **36. DATE OF FURTHER SPECIAL MEETING OF THE COMMITTEE**

The Committee was requested to formally agree the date of a further special meeting of the Committee in order to enable Members to consider the remaining items on the Committee's work programme namely:-

- (1) External Auditor's Audit Plan for the Year Ending 31 March 2021;
- (2) External Auditor's Certification of Claims and Returns Annual Report; and
- (3) Update on the Council's Corporate Risks.

It was:-

**RESOLVED** that a further special meeting of the Committee be held on Thursday 27 May 2021, commencing at 10.30 a.m.

### **37. EXCLUSION OF PRESS AND PUBLIC**

It was moved by Councillor Alexander, seconded by Councillor Miles and:-

**RESOLVED** that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of Agenda Item 10 on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A, as amended, of the Act.

### **38. EXEMPT MINUTE OF THE MEETING HELD ON THURSDAY 25 MARCH 2021**

It was moved by Councillor Alexander, seconded by Councillor Miles and:-

**RESOLVED** that the Exempt Minute of the last meeting of the Committee held on Thursday 25 March 2021 be approved as a correct record.

The meeting was declared closed at 11.35 am

**Chairman**

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## AUDIT COMMITTEE

27 MAY 2021

### REPORT OF ASSISTANT DIRECTOR (FINANCE & IT)

#### A.1 EXTERNAL AUDITOR'S AUDIT PLANNING REPORT FOR THE YEAR ENDED 31 MARCH 2021

(Report prepared by Richard Barrett)

#### PART 1 – KEY INFORMATION

##### **PURPOSE OF THE REPORT**

To present for consideration and agreement the External Auditor's Audit Planning Report for the year ended 31 March 2021.

##### **EXECUTIVE SUMMARY**

The External Auditor's Audit Plan for the year ending 31 March 2021 is attached, which gives an overview of their planned audit work in respect of informing their opinion on the 2020/21 Financial Statements and their commentary on the Council's use of resources.

As discussed in their report, the plan forms a key part of their communication strategy with the Council, which continues to be designed to promote effective two way communication throughout the audit process with those charged with governance.

The plan is set against a risk based approach to provide a focus on areas of the financial statements where the risk of material misstatement is higher or where there is a risk that the organisation has not made proper arrangements for securing value for money in its use of resources.

##### **RECOMMENDATIONS**

**That the Audit Committee considers and agrees the External Auditor's Audit Planning Report for the year ended 31 March 2021.**

#### PART 2 – IMPLICATIONS OF THE DECISION

##### **DELIVERING PRIORITIES**

Delivery against priorities, service improvement and governance arrangements are improved through external challenge such as from external audit inspections and reviews.

##### **FINANCE, OTHER RESOURCES AND RISK**

###### **Finance and other resources**

**Page 7** of the attached sets out a breakdown of fees. The planned 'base' fee totals **£45,205** (excluding certification of claims and returns), which can be met from within existing budgets. As set out on the same page, additional work will be required to respond to the new use of resources reporting requirements. The additional cost will be considered within the quarterly financial performance reports during the year as an on-going cost pressure.

No allowance is made within the overall fee for additional work that may be required such as that associated with additional requirements placed on the Council or unforeseen circumstances, which would be the subject of further reports where necessary.

**Risk**

Not supporting and responding practically and timely to External Audit activity may have an impact on the delivery of the Council’s priorities, reputation, governance arrangements and overall control environment.

**LEGAL**

The Council is required to ensure there are adequate internal audit / internal control arrangements in place.

The Accounts and Audit Regulations 2015 introduced a change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts has been brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July. In response to COVID 19 and as an interim response to the Redmond review, the Government has agreed to extend the deadlines for an initial period of two years. In line with these revised deadlines, the draft accounts have to be published by the end of July with the publication of the audited accounts due by the end of September.

The PSAA is specified as an appointing person under the provisions of the Local Audit and Accountability Act 2014 and regulation 3 of the Local Audit (Appointing Person) Regulations 2015. For audits of the accounts from 2018/19, the PSAA appoints an auditor to relevant principal local government authorities that have opted into its national scheme. At the meeting of Full Council on 7 February 2017 it was agreed to opt in to the PSAA’s national scheme. Appointments are made for the duration of a five-year appointing period. The current appointing period covers the audits of the accounts for 2018/19 to 2022/23.

**OTHER IMPLICATIONS**

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.  
**Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

There are no direct implications.

**PART 3 – SUPPORTING INFORMATION**

**EXTERNAL AUDIT – AUDIT PLANNING REPORT FOR THE YEAR ENDED 31 MARCH 2021**

Shortly after the end of each financial year the Council prepares in accordance with proper practices a Statement of Accounts as statutorily required which is then subject to external audit before final publication.

The Audit Plan issued by the External Auditor highlights at a summary level, aspects of the work they plan on undertaking and why, including the value for money conclusion. The

External Auditor has also highlighted a number of key risks along with their planned audit approach against each item identified.

As set out on page 16 of the attached, attention is drawn to the new approach to the use of resources assessment following a change in the associated code and guidance. The outcome from the work of the External Auditor is now moving to a commentary on the Council's value for money arrangements rather than a conclusion or opinion.

The commentary will cover the following 3 headings:

**A) Financial sustainability: *how the body plans and manages its resources to ensure it can continue to deliver its services, including:***

This is expected to cover areas such as:

- 1) How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- 2) how the Council plans to bridge its funding gaps and identifies achievable savings;
- 3) how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- 4) how the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- 5) how the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

**B) Governance: *how the body ensures that it makes informed decisions and properly manages its risks, including:***

This is expected to cover areas such as:

- 1) How the Council monitors and assesses risk and how it gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- 2) how the Council approaches and carries out its annual budget setting process;
- 3) how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- 4) how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes

arrangements for effective challenge from those charged with governance/audit committee; and

- 5) how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

**c) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:**

This is expected to cover areas such as:

- 1) How financial and performance information has been used to assess performance to identify areas for improvement;
- 2) how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- 3) how the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- 4) where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Given the broad areas of governance that the new use of resources assessment will cover, there is unsurprisingly a large overlap with the existing Annual Governance Statement activities, where many of the issues are already being addressed or are planned to be addressed or strengthened. Although the Council is therefore in a strong position to respond to the new assessment, it is proposed that the outcomes from the work of the External Auditor will be brought together and monitored via the existing Annual Governance Statement processes going forward.

The outcome of the External Auditor's work will be set out in the Auditor's Annual Report that will be presented to the Audit Committee later in the year.

**BACKGROUND PAPERS FOR THE DECISION**

None

**ATTACHMENTS**

The External Auditor's Audit Planning Report for the year ended 31 March 2021

Report to the Audit Committee

# TENDRING DISTRICT COUNCIL

Audit Planning Report: year ending 31 March 2021



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# WELCOME

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We have pleasure in presenting our Audit Planning Report to the Audit Committee of Tendring District Council (the 'Council'). This report forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process with those charged with governance.

It summarises the planned audit strategy for the year ending 31 March 2021 in respect of our audit of the financial statements and use of resources; comprising materiality, key audit risks and the planned approach to these; together with timetable and the BDO team.

The planned audit strategy has been discussed with management to ensure that it incorporates developments in the business during the year under review, the results for the year to date and other required scope changes.

This report contains matters which should properly be considered by the Council as a whole. We expect that the Audit Committee will refer such matters to the Council, together with any recommendations, as it considers appropriate.

We look forward to discussing this plan with you at the Audit Committee meeting on 27 May 2021 and to receiving your input on the scope and approach.

In the meantime if you would like to discuss any aspects in advance of the meeting please contact one of the team.

Aphrodite Lefevre

12 May 2021



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This report has been prepared solely for the use of the Audit Committee and Those Charged with Governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

# SCOPE AND MATERIALITY

## Executive summary

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This summary provides an overview of the key audit matters that we believe are important to the Audit Committee in reviewing the planned audit strategy for the Council for the year ending 31 March 2021.

It is also intended to promote effective communication and discussion and to ensure that the audit strategy appropriately incorporates input from those charged with governance.

### Audit scope

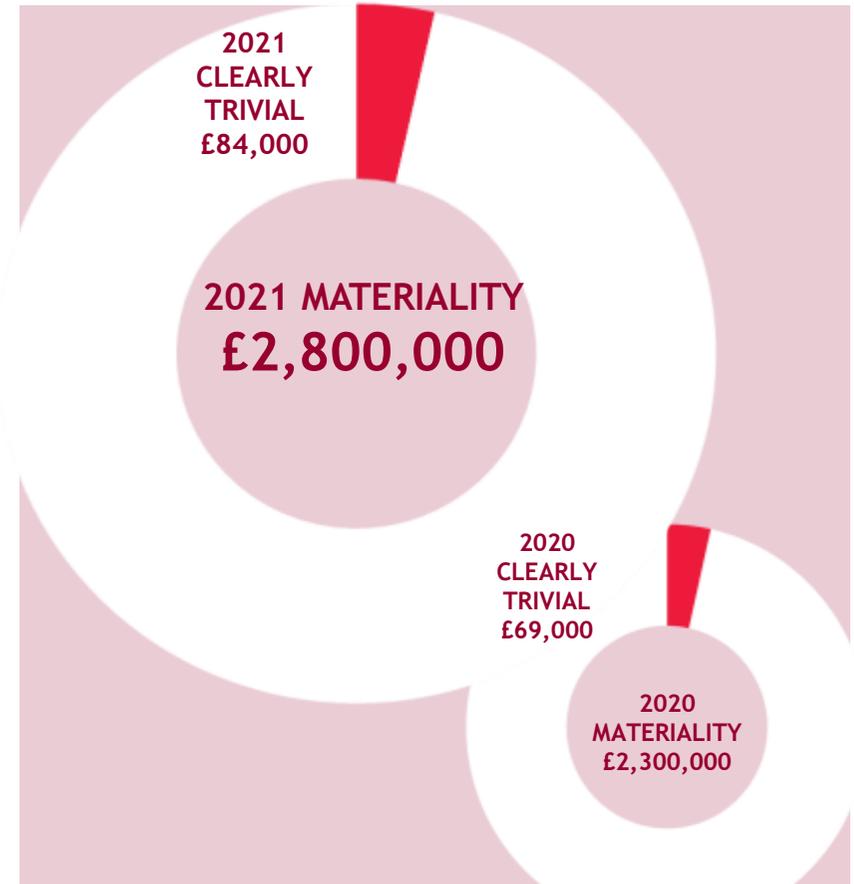
The scope of the audit is determined by the National Audit Office's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements; reviewing the arrangements to secure value for money through the economic, efficient and effective use of its resources; and, where appropriate, exercising the auditor's wider reporting powers and duties. The Code of Audit Practice was updated with effect from 1 April 2020 and as a consequence the scope of the use of resources work has changed for the year ending 31 March 2021. More information on this change is included on page 16.

Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the National Audit Office.

### Materiality

Planning materiality for the Council will be set at 2.5% of gross expenditure for the year (prior year 2%). This will be revisited when the draft financial statements are received for audit. The increase in materiality reflects the development of our understanding of the Council. It also reflects the outcome of the prior year audit, which did not identify any significant matters.

Although materiality is the judgement of the engagement lead, the Audit Committee is obliged to satisfy themselves that the materiality chosen is appropriate for the scope of the audit.



# AUDIT STRATEGY

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Our audit strategy is predicated on a risk based approach, so that audit work is focused on the areas of the financial statements where the risk of material misstatement is assessed to be higher, or where there is a risk that the organisation has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We have discussed the changes to the Council, systems and controls in the year with management and obtained their own view of potential audit risk in order to update our understanding of the Council's activities and to determine which risks impact on the numbers and disclosures in the financial statements, or on its arrangements for securing economy, efficiency and effectiveness in its use of resources. We will continue to update this assessment throughout the audit.

The table on the next page summarises our planned approach to audit risks identified.

There has been no significant change to audit risks identified or their classification as compared to the prior year.

# AUDIT RISKS OVERVIEW

## Executive summary

Risk identified - Financial statements	Risk rating	Fraud risk present	Testing approach	Impact of significant judgements and estimates
Management override of controls	Significant	Yes	Substantive	Medium
Expenditure cut-off	Significant	Yes	Substantive	Medium
Valuation of non-current assets	Significant	No	Substantive	High
Valuation of pension assets and liabilities	Significant	No	Substantive	High
Use of resources (to be defined)	Significant	N/A	N/A	N/A



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# INDEPENDENCE AND FEES

## Executive summary



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### Independence

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standard for Auditors and, in our professional judgement, is independent

### Fees

	2020/21 Planned	2019/20 Actual	2019/20 Planned
Code audit fee	£45,205	45,205	£45,205
<b>Total audit fees</b>	<b>£45,205</b>	<b>£45,205</b>	<b>£45,205</b>
<b>Fees for non-audit services - audit related:</b>			
• Certification of housing benefits subsidy claim	TBC	TBC	£11,250
• Certification of pooled housing capital receipts return	TBC	TBC	£2,650
<b>Total non-audit services fees</b>	<b>TBC</b>	<b>TBC</b>	<b>£13,900</b>
<b>Total fees</b>			<b>£59,105</b>

### Use of resources fee variance

The audit fee is based on audit scope under the Code of Audit Practice. A new Code is effective for periods commencing 1 April 2020, which significantly increases the work of auditors for reporting on a body’s use of resources. We will propose a fee variation in respect of this once additional procedures have been fully scoped.

### Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee or where we are required to carry out work in exercising our additional powers and duties, we will first discuss this with the Council. Where this requires a variation to the scale fee set by PSAA we will seek approval from Public Sector Audit Appointments Limited (PSAA). If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

# OVERVIEW

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Key components of our audit objectives and strategy for the Group are highlighted and explained on the following pages.

Audit planning is a collaborative and continuous process and our audit strategy, as reflected here, will be reviewed and updated as our audit progresses.

We will communicate any significant changes to our audit strategy, should the need for such change arise.

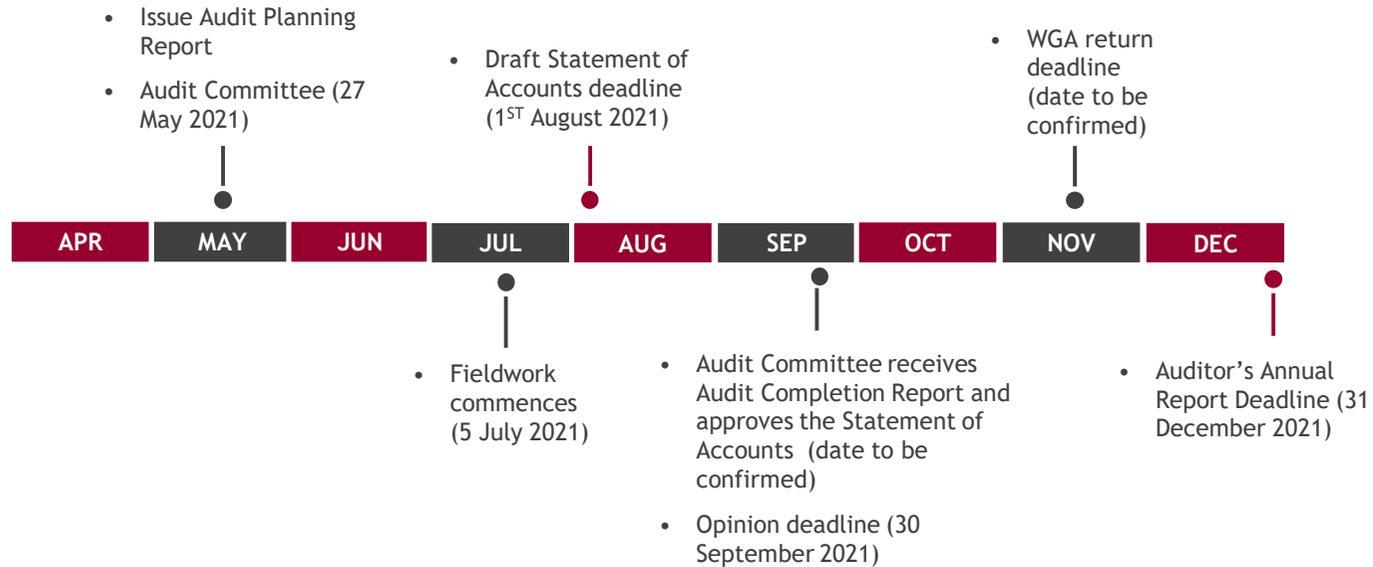
Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the National Audit Office.
Financial statements	We will express an opinion on the Council financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2020/21 and other directions.
Statement of Accounts	In addition to our objectives regarding the financial statements, we will also read and consider the other information contained in the Statement of Accounts to consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.
Additional powers and duties	Where necessary we may be required to: issue a report in the public interest; make a written recommendation to the Council; allow local electors to raise questions and objections on the accounts; or exercise legal powers to apply to the courts for a declaration that an item of account is contrary to law, issue an advisory notice or an application for a judicial review.
Audit Completion Report to the Audit Committee	Prior to the approval of the financial statements, we will discuss any significant findings with the Audit Committee. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.
Use of resources and Auditor's Annual Report	We will provide an annual commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The commentary will explain the work that we have undertaken during the year and highlight any significant weaknesses identified, along with any recommendations for improvement. The commentary will also draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the Council. The Auditor's Annual Report is required to be published by the Council. The timetable for the completion of and reporting on the auditors' work on VFM arrangements has been extended for 2020-21. The Auditor's Annual Report should be issued no more than three months after the date of the opinion on the financial statements

# AUDIT TIMELINE

An overview of the key dates

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# BDO TEAM

## Team responsibilities



**Aphrodite Lefevre**

t: 01603 756909

e: aphrodite.lefevre@bdo.co.uk

As audit engagement lead I will have primary responsibility to ensure that the appropriate audit opinion is given.

In meeting this responsibility I will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to report on the financial statements and communicate as required by the ISAs (UK), in accordance with our findings.

I will ensure that we have undertaken sufficient work to assess the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources against the guidance published by the National Audit Office.

I will be responsible for the overall quality of the engagement and is supported by the rest of the team as set out here.



**Tharshiha Vosper**

t: 0203 860 6271

e: tharshiha.vosper@bdo.co.uk

I will lead on the audit of the Council. I work closely with Lisa and Aphrodite to develop and execute the audit strategy. I will be a key point of contact on a day to day basis and will ensure that timelines are carefully managed to ensure that deadlines are met and matters to be communicated to management and the Audit Committee are highlighted on a timely basis.

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# OVERVIEW

## Audit risks

We have assessed the following as audit risks. These are matters assessed as most likely to cause a material misstatement in the financial statements or impact on our use of resources opinion and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

Description of risk	Significant risk	Normal risk	Overview of risk
1. Management override of controls			Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.
2. Expenditure cut-off			For public sector bodies the risk of fraud related to expenditure is relevant. There is a risk of manipulation of expenditure recognition by inappropriately deferring expenditure by including expenditure in the following year.
3. Valuation of non-current assets			The valuation of non-current assets is a significant risk as it involves a high degree of estimation uncertainty.
4. Valuation of pension assets and liabilities			The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty.
5. Use of resources			The Code of Audit Practice was updated with effect from 1 April 2020 and as a consequence the scope of our value for money work has changed for the year ending 31 March 2021. We are not yet in a position to report risks of significant weakness under the new Code requirements to those charged with governance and will provide an update once our risk assessment has progressed. Further information is provided on page 16.

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# MANAGEMENT OVERRIDE OF CONTROLS

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**Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.**

Significant risk
Normal risk
Fraud risk
Assess design & implementation of controls to mitigate
Significant Management estimates & judgements
Controls testing approach
Substantive testing approach

## Risk detail

ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

## Planned audit approach

Our audit procedures will include the following:

- Review and verification of journal entries made in the year, agreeing the journals to supporting documentation. We will determine key risk characteristics to filter the population of journals. We will use our IT team to assist with the journal extraction;
- Review of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias;
- Obtain an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual; and
- Review of unadjusted audit differences for indications of bias or deliberate misstatement.



# EXPENDITURE CUT-OFF

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**For public sector bodies the risk of fraud related to expenditure is relevant.**

## Risk detail

In the public sector the risk of fraud in revenue recognition is modified by Practice Note 10 issued by the Financial Reporting Council. This states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition. For the Council, we consider the risk of fraud to be in respect of the cut-off of expenditure at year-end.

## Planned audit approach

Our audit procedures will include the following:

- Checking that expenditure is recognised in the correct accounting period by substantively testing an expenditure around year-end.

Significant risk
Normal risk
Fraud risk
Assess design & implementation of controls to mitigate
Significant Management estimates & judgements
Controls testing approach
Substantive testing approach

# VALUATION OF NON-CURRENT ASSETS

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**The valuation of non-current assets is a significant risk as it involves a high degree of estimation uncertainty.**

Significant risk	■
Normal risk	—
Fraud risk	■
Assess design & implementation of controls to mitigate	■
Significant Management estimates & judgements	■
Controls testing approach	■
Substantive testing approach	■

## Risk detail

Local authorities are required to ensure that the carrying value of land, buildings and dwellings is not materially different to the current value (operational assets) or fair value (investment properties) at the balance sheet date.

The Council applies an annual revaluation process under which the assets that had significant change in value during the year are subject to full revaluation and all other assets are revalued on a desktop basis. All assets are subject to full revaluation at least every 5 years.

Due to the significant value of the Council’s land, buildings, dwellings and investment properties and the high degree of estimation uncertainty, there is a risk over the valuation of these assets where valuations are based on assumptions.

## Planned audit approach

Our audit procedures will include the following:

- Reviewing the instructions provided to the valuer and the valuer’s skills and expertise in order to determine if we can rely on the management expert;
- Confirming that the basis of valuation for assets valued in year is appropriate based on their usage;
- Reviewing accuracy and completeness of information provided to the valuer, such as rental agreements and floor area sizes;
- Reviewing assumptions used by the valuer and movements against relevant indices for similar classes of assets; and
- Following up valuation movements that appear unusual.

# VALUATION OF PENSION ASSETS AND LIABILITIES

**The valuation of the pension assets and liabilities is a significant risk as it involves a high degree of estimation uncertainty.**

## Risk detail

The net pension liability comprises the Council’s share of the market value of assets held in the Essex Pension Fund and the estimated future liability to pay pensions.

The valuation of the defined benefit obligation is a complex calculation involving a number of significant judgements and assumptions. The actuarial estimate of the pension fund liability uses information on current, deferred and retired member data and applies various actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability.

There is a risk that the membership data and cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the Council’s share of the scheme liability.

The investment portfolio of the Pension Fund includes a significant proportion of assets the valuation of which may be subject to a significant level of assumption and estimation, and valuations may not be based on observable market data. Due to the significance of these valuations, even a small change in assumptions and estimates could have a material impact on the overall valuation. There is a risk that valuation of pension assets may be based on inappropriate assumptions and estimates, and the share of assets allocated to the Council may not be accurate.

## Planned audit approach

Our audit procedures will include the following:

- Reviewing the competence of the management expert (actuary);
- Reviewing the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Reviewing the controls in place for providing accurate membership data to the actuary;
- Contacting the pension fund auditor and requesting confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data, and obtain assurance from the auditor of the pension fund over the reasonableness of the valuation of pension fund assets at 31 March 2021;
- Checking that any significant changes in membership data have been communicated to the actuary; and
- Agreeing the disclosures to the information provided by the pension fund actuary.

Significant risk	
Normal risk	
Fraud risk	
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	

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# USE OF RESOURCES

## New Code of Audit Practice (“Code”)

The Comptroller & Auditor General has determined through a new Code and guidance that the key output from local audit work in respect of value for money (VFM) arrangements is a commentary as reported in the Auditor’s Annual Report, not a VFM arrangements ‘conclusion’ or ‘opinion’. There may be matters referred to in the auditor’s commentary that do not represent significant weaknesses in arrangements and where significant weaknesses are reported we are required to also report recommendations.

As auditors we need to gather sufficient evidence and document our evaluation of arrangements to enable us to draft our commentary under three reporting criteria. These criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** (‘Improving 3Es’) - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

In addition to new assessment criteria and commentary requirements, the scope of the new Code also considerably increases auditors’ requirements for planning documentation and management should expect an increase in requests for discussion and evidence to facilitate this requirement.

## Risk of Significant Weakness

We are required to report the results of our risk assessment to those charged with governance, including additional work planned in respect of any identified risks of significant weakness, and to keep our risk assessment under continual review, with any changes again communicated to those charged with governance.

We are working through the implications of the new Code, including our risk assessment and a work programme that addresses risks of significant weakness identified.

Pertinent matters from early discussions with management include how the Council plans finances to support the sustainable delivery of services in accordance with its strategic and statutory priorities (Financial Sustainability), how the Council ensures it delivers its role, engages with stakeholders, monitors performance and acts for improvement within significant partnerships (Improving 3Es) and how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency (Governance). We are however not yet in a position to report any risks of significant weakness.

We will update the Audit Committee on risks of significant weakness and planned work when it meets next and, subject to risks being identified, will issue an updated version of this report.

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# GOING CONCERN

**Directors are required to make an assessment of the Council's ability to continue as a going concern.**

## Directors' responsibilities

It is the Directors' responsibility to make an assessment of the Council's ability to continue as a going concern to support the basis of preparation for the financial statements and disclosures in the financial statements. This is a requirement of the accounting standards.

This assessment should be supported by detailed cash flow forecasts with clear details of the key underlying assumptions, consideration of available finance throughout the forecast period, and a consideration of the forecast's sensitivity to reasonably possible variations in those assumptions along with any other relevant factors.

The going concern assessment should cover a minimum of 12 months from the date of the directors' approval of the financial statements. However, consideration should also be given to any major events or circumstances that may fall outside this period.

## Audit responsibilities

Our responsibilities in respect of going concern are:

- (a) To obtain sufficient appropriate audit evidence regarding, and conclude on, i) whether a material uncertainty related to going concern exists; and ii) the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements
- (b) To report in accordance with ISA (UK) 570.

We will obtain an understanding of the business model, objectives, strategies and related business risk, the measurement and review of the Council's financial performance including forecasting and budgeting processes and the Council's risk assessment process. We will evaluate:

- a) The Council's method, including the relevance and reliability of underlying data used to make the assessment, whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other
- b) The Council's plans for future actions in relation to the going concern assessment including whether such plans are feasible in the circumstances
- c) The adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment and any material uncertainties that may exist.

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## Fraud

Whilst the directors of the Council have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of management and those charged with governance.

We have not been made aware of any actual alleged or suspected incidences of fraud. We request confirmation from the Audit Committee on fraud and a discussion on the controls and processes in place to ensure timely identification and action.

Management believe that there is low risk of material misstatement arising from fraud and that controls in operation would prevent or detect material fraud.

## Accounting policies

We will report to you on significant qualitative aspects of your chosen accounting policies. We will consider the consistency and application of the policies and we will report to you where accounting policies are inconsistent with the CIPFA Code of Practice on Local Authority Accounting 2020/21 under the circumstances.

## Significant accounting estimates and judgements

We will report to you on significant accounting estimates and judgements. We will seek to understand and perform audit testing procedures on accounting estimates and judgements including consideration of the outcome of historical judgements and estimates. We will report to you our consideration of whether management estimates and judgements are within an acceptable range. See further details on page 20.

## Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We will review the reports issued by the Council's internal audit function although we do not plan place reliance on their work in respect of their assessment of control processes. We will use the work of Internal Audit to inform our consideration of the arrangements in place to secure value for money wherever possible.

## Laws and regulations

We will consider compliance with laws and regulations. The most significant of these for your organisation includes VAT legislation, Employment Taxes, Health and Safety and the Bribery Act 2010. We will make enquiries of management and review correspondence with the relevant authorities.

## Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for Management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management.

## Financial statement disclosures

We will report to you on the sufficiency and content of your financial statement disclosures.

## Any other matters

We will report to you on any other matters relevant to the overseeing of the financial reporting process. Where applicable this includes why we consider a significant accounting practice that is acceptable under the financial reporting framework not to be the most appropriate.

# IRREGULARITIES (INCLUDING FRAUD)

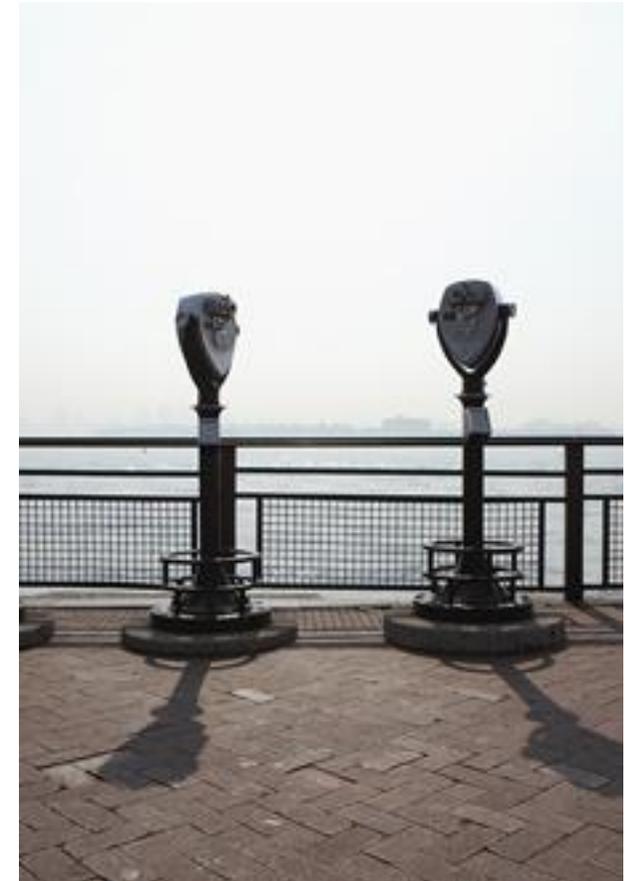
We are required to include in our auditor's report an explanation of the extent to which the audit is considered capable of detecting irregularities (non compliance with laws and regulations), including fraud.

Our audit is designed to provide reasonable assurance about whether the financial statements as whole a free from material misstatement whether due to fraud or error. We design audit procedures to respond to the risk of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and that irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error.

Our audit work will focus on laws and regulations that could give rise to a material misstatement in the Council's financial statements and may include, where appropriate:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations
- Enquiries of management, those charged with governance and the Council's legal advisers
- Agreement of the financial statement disclosures to underlying supporting documentation
- Review of minutes of Council meetings throughout the year and of correspondence with regulatory authorities
- Written representations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.



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# ACCOUNTING ESTIMATES

**Revision to ISA (UK) 540 means that we may need to update our approach the audit of accounting estimates - including confirmation and documentation of our understanding of the Council's estimation process.**

We will need to obtain an understanding of how you control your estimation process including not only the design and implementation of the process, but also the policies and procedures you put in place to satisfy yourself that each step in the process is properly applied, and that the resulting accounting estimates are reasonable.

For significant accounting estimates, particularly those that are complex or where there is a high degree of estimation uncertainty we will also make enquiries about how you:

- Make those responsible for deriving or changing your accounting estimates aware of relevant significant transactions, conditions or events
- Review the outcome(s) of previous accounting estimates and respond to the results of that review
- Identify and comply with the relevant requirements in the applicable financial reporting framework regarding your accounting estimates and related disclosures including how they are affected by complexity and your judgment
- Account for regulatory factors relevant to the Council's accounting estimates, including, when applicable, regulatory frameworks related to prudential supervision
- Identify the need for, and apply, specialised skills or knowledge related to accounting estimates, including with respect to the use of a management's expert
- Identify and address risks related to accounting estimates through your risk assessment process

- Identify relevant methods (including models), assumptions and data and the need for changes in them and from those identified, and select those to apply
- Address the degree of estimation uncertainty in selecting your final point estimates
- Describe in your financial statements matters related to your process for deriving your accounting estimates, and matters related to the degrees of estimation uncertainty underlying your accounting estimates
- Ensure there is oversight and governance in place over management's financial reporting process relevant to accounting estimates.

Under ISA (UK) 540 (revised) our audit approach will involve a more granular risk assessment relating to each significant estimate and separate consideration of the methods (or models) applied in calculating the estimate, the nature, source and reliability of data used and the significance, consistency and appropriateness of assumptions made.

We will also request written representations from you regarding the reasonableness of the methods, significant assumptions and the data used in determining the monetary amounts of accounting estimates, including the related disclosures, in accordance with the CIPFA Code of Practice on Local Authority Accounting 2020/21.

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# IT GENERAL CONTROLS

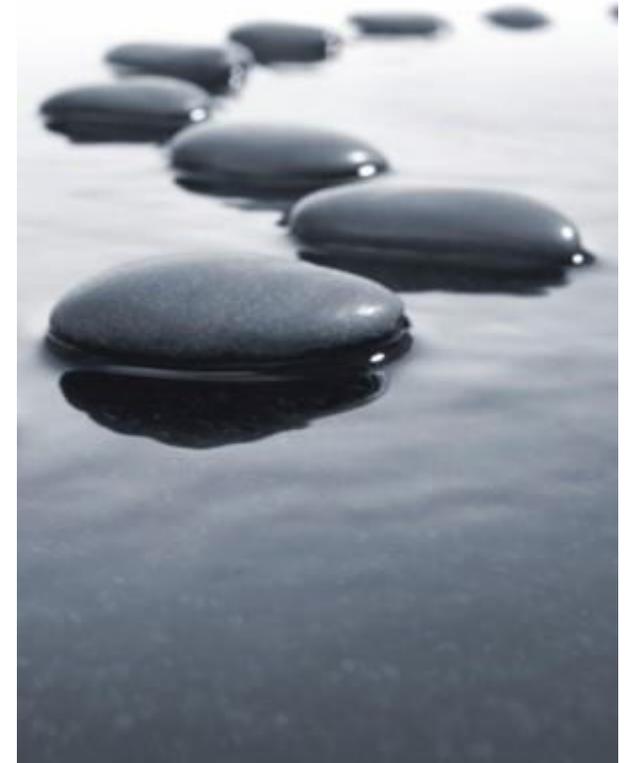
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IT General Controls (ITGCs) are the policies and procedures that relate to many IT applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. They commonly include controls over data center and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

ITGCs are an important component in systems of internal control, and sometimes have a direct impact on the reliability of other controls.

IT assurance is embedded in our audit strategy to ensure the IT systems provide a suitable platform for the control environment and is undertaken in conjunction with our IT Assurance team. Our testing strategy includes a tailored range of data analytics, system configuration and IT environment testing.

We will also obtain an understanding of the information system, including the related business processes relevant to financial reporting.



# FRC ETHICAL STANDARD (DECEMBER 2019)

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In December 2019 the FRC published the Revised Ethical Standard 2019 ('ES'), which is applicable from 15 March 2020. There are some transitional provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines as applicable to our audit of the Council.

Key headlines	Impact
<b>The objective, reasonable &amp; informed third party test</b>	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules, or result in an outcome that is inconsistent with the general principles.
<b>Contingent fees</b>	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
<b>Secondments</b>	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
<b>Recruitment and remuneration services</b>	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.

# INDEPENDENCE

**Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.**

We have embedded the requirements of the auditing standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement leads are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement.

This document considers such matters in the context of our audit for the year ending 31 March 2021.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Council.

We also confirm that we have obtained confirmation that external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Council.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

**Non-audit services**

Details of services, other than audit, provided by us to the Council during the period and up to the date of this report are set out in the fees table on page 7.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

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# COUNCIL'S RESPONSIBILITIES

## The Council's responsibilities and reporting

### Financial reporting

The Council is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which the Council accounts for its stewardship and use of the public money at its disposal.

The form and content of the Council's financial statements, and any additional schedules or returns for consolidation purposes, should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Council is also required to prepare schedules or returns to facilitate the preparation of consolidated accounts such as HM Treasury's Whole of Government Accounts.

The Section 151 Officer is responsible for preparing and filing a Statement of Accounts and financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2020/21, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of materially accurate financial statements.

### Use of resources

Councils are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a Governance Statement.

In preparing its Governance Statement, the Council will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on their arrangements for securing value for money from their use of resources.

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# OUR RESPONSIBILITIES

## Responsibilities and reporting

### Our responsibilities and reporting - financial reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the ‘other information’ contained in the Annual Report such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

### Our responsibilities and reporting - use of resources

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

This means that we have regard to relevant guidance issued by the National Audit Office and undertake sufficient work to be able to satisfy ourselves as to whether the Council has put arrangements in place that support the achievement of value for money and to provide an annual commentary on arrangements in the Auditor’s Annual Report.

### What we don’t report

Our audit is not designed to identify all matters that may be relevant to the Council and the Audit Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



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## Those charged with governance

References in this report to ‘those charged with governance’ are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit Committee.

In communicating with the Audit Committee, representing TCWG of the Council, we consider TCWG of subsidiary entities to be informed about matters relevant to their subsidiary. Please let us know if this is not appropriate.

## Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered. We will meet with management throughout the audit process. We will issue regular updates and drive the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

## Audit Planning Report

The Audit Planning Report sets out all planning matters which we want to draw to your attention including audit scope, our assessment of audit risks and materiality.

## Internal Controls

We will consider internal controls relevant to the preparation of financial statements in order to design our audit procedures and complete our work. This is not for the purpose of expressing an opinion on the effectiveness of internal control.

## Audit Completion Report

At the conclusion of the audit, we will issue an Audit Completion Report to communicate to you key audit findings before concluding our audit opinion. We will include any significant deficiencies in internal controls which we identify as a result of performing audit procedures. We will meet with you to discuss the findings and in particular to receive your input on areas of the financial statements involving significant estimates and judgements and critical accounting policies.

Once we have discussed the contents of the Audit Completion Report with you and having resolved all outstanding matters we will issue a final version of the report.

## Auditor’s Annual Report

We will provide an annual commentary on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources. The commentary will explain the work that we have undertaken during the year and highlight any significant weaknesses identified, along with any recommendations for improvement. The commentary will also draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the Council. The Auditor’s Annual Report is required to be published by the Council. At the time of drafting this Audit Planning Report the timetable for publication is not yet confirmed.

# TEAM MEMBER ROTATION

This table indicates the latest rotation periods normally permitted under the independence rules of the FRC’s Ethical Standard.

In order to safeguard audit quality we will employ a policy of gradual rotation covering the team members as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.



### Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place after
Aphrodite Lefevre Engagement Lead	2	5 years
Tharshiha Vosper Manager	1	9 years

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# MATERIALITY: DEFINITION AND APPLICATION

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### Concept and definition

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):

- Narrative disclosure e.g. accounting policies, going concern
- Instances when greater precision is required (e.g. disclosure of senior officers’ remuneration and related party transactions).

International Standards on Auditing (UK) also allow the auditor to set a lower level of materiality for particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

### Calculation and determination

We have determined materiality based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and audit tests
- Calculate sample sizes
- Assist in evaluating the effect of known and likely misstatements on the financial statements.

### Reassessment of materiality

We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.

Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope.

**Definition of materiality under IFRS**  
Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

# MATERIALITY: DEFINITION AND APPLICATION



If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.

You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

## **Unadjusted errors**

We will communicate to you all uncorrected misstatements identified during our audit, other than those which we believe are ‘clearly trivial’.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

We will obtain written representations from the Audit Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.

We will request that you correct all uncorrected misstatements. In particular we would strongly recommend correction of errors whose correction would affect compliance with contractual obligations or governmental regulations. Where you choose not to correct all identified misstatements we will request a written representation from you setting out your reasons for not doing so and confirming that in your view the effects of any uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as whole.

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# NEW ACCOUNTING STANDARDS, AUDITING STANDARDS AND OTHER FINANCIAL REPORTING DEVELOPMENTS

We would like to draw to your attention the following summary of key changes to standards, regulations and other financing reporting developments, their effective dates and an indication, based on preliminary discussions with management and our sector understanding, of their possible effect on the annual report.

New Accounting Standards, Auditing Standards and Other Financial Reporting Developments	Expected effect				Effective for periods beginning on or after 1 January	
	None	Low	Medium	High	2020	2021
Amendments to IFRS 3 <i>Definition of a business</i>		●				●
Auditing standard - audit of accounting estimates						
Increased emphasis on understanding management's processes, systems and controls estimation uncertainty and financial statement disclosures			●		●	
Auditing standard - going concern						
Increased emphasis on evaluation of management's assessment of the entity's ability to continue as a going concern			●		●	
Auditing standard - audit reports						
New audit report format with updated conclusion on going concern and reference to irregularities, including fraud			●		●	

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# AQR RESULTS 2019/20

## BDO Performance

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### Overview

The FRC released their Audit Quality Review results for the 7 largest accountancy firms in July 2020 for the review period 2019/20. A copy of all of the reports can be found on the [FRC Website](#).

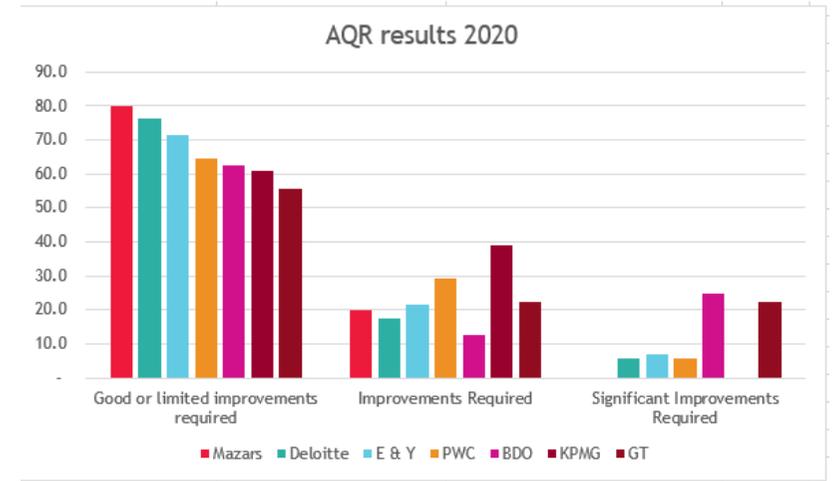
### Firm's Results

The graphs demonstrates our performance in relation to the other 6 largest firms. Having topped the table for audit quality for the last two consecutive years, we are disappointed to see a decline in our results. These scores remind us we must remain committed to continuous improvements and, having carefully considered the root causes of the AQR findings, we are in the process of implementing detailed action plans where required. We have made a number of enhancements to our Audit Quality Plan to address these issues to drive our key focus of a continuous improvement in audit quality including highlighting how we will make changes to our root cause analysis process which plays a key role.

We would encourage you to read our report which includes:

- Details of the root cause analysis we have been undertaking to address issues raised
- The actions we have/are undertaking to address the issues raised by the AQR
- A number of areas of good practice the AQR review team identified whilst undertaking their review.

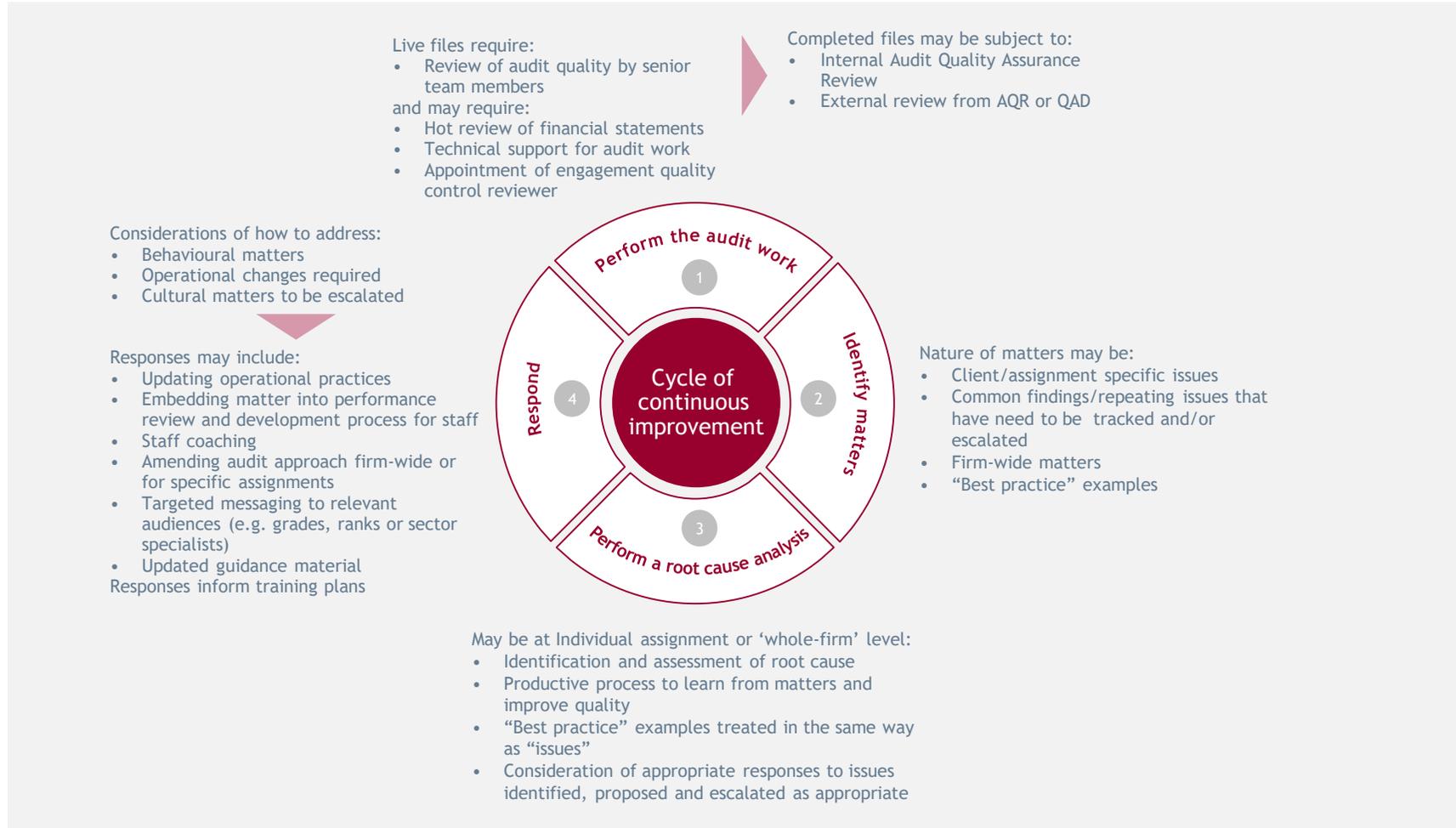
More details will be included in our Transparency Report which will be available on our [www.bdo.co.uk](http://www.bdo.co.uk)



# AQR RESULTS 2019/20 2

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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## AUDIT COMMITTEE

27 MAY 2021

### REPORT OF ASSISTANT DIRECTOR (FINANCE & IT)

#### A.2 CORPORATE RISK UPDATE

(Report prepared by Clare Lewis)

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To present to the Audit Committee the updated Corporate Risk Register.

##### EXECUTIVE SUMMARY

- The Corporate Risk Register is normally updated and presented to the Audit Committee every 6 months. The report was last presented in October 2020.
- The following table summarises the position at the end of the period under review with updated information provided within the register where necessary:

Item	Number
New Risks Identified	0
Risks Removed	0
Risk Score Amended	0
Risks Under Review	0
Risks Amended	15

##### RECOMMENDATION(S)

That the Audit Committee notes the updates provided to the current Corporate Risk Register.

#### PART 2 – IMPLICATIONS OF THE DECISION

##### DELIVERING PRIORITIES

Risk assessment, monitoring and control forms the central tool for managing the strategic risks that may prevent the Council from achieving the corporate priorities as identified in the Corporate Plan and associated corporate goals.

##### FINANCE, OTHER RESOURCES AND RISK

###### Finance and other resources

The risk management approach can be delivered within existing budgets.

###### Risk

The subject of risk and its management by the Council is set out in the main body of this report.

##### LEGAL

There are no specific legal implications.

## OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

**Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.**

There are no other direct implications.

## PART 3 – SUPPORTING INFORMATION

### BACKGROUND

The Corporate Risk Register was last presented to the Committee in October 2020.

The Terms of Reference for the Audit Committee include a responsibility to provide independent assurance of the adequacy of the risk management framework and the associated control environment. The Corporate Risk Register is where possible brought to the Committee at six monthly intervals to enable the Committee to fulfil its role.

### CURRENT POSITION

#### **Corporate Risk Management Framework**

Although no changes have been identified as being required at this time, the framework is included at **Appendix A** for information only. A review of the framework will be undertaken in 2021.

The risk register has been updated within the context of the usual and underlying risks that are included in the register. However, it is recognised that the unprecedented events experienced in the last year in respect of the COVID 19 pandemic will have a major on-going impact on the Council and likely cut across many of the risks currently included within the register.

Given the on-going and 'live' nature of the current COVID pandemic, it continues to be difficult to fully revise the register at this point in time to reflect what is deemed to be the 'new normal'.

However, the council continues to review the underlying risks associated with COVID 19 across all of its services, ensuring that it can continue to effectively maintain, operate and deliver its operations and services. Timely and effective responses have been made in key risk areas such as IT and network resilience, communication and management of information, cyber security, anti-fraud and corruption, health and safety along with business continuity / ability to effectively deliver services.

The council continues to review the underlying risks associated with COVID 19 across all of its services, ensuring that it continues to maintain, operate and deliver its operations and services.

Services will continue to reopen in the coming months and any associated risk relating to this will be carried out in a COVID secure way to ensure staff and customer safety.

A review of lessons learnt relating to COVID 19 is currently being undertaken and will be brought before the Audit Committee at a later meeting.

The below table sets out all amendments to the Risk Register since it was last considered

by the Committee in October 2020.

Risk Register Item	Amendments / Comments
New Risks Identified	None
Risks Removed	None
Risk Scores Amended	None
Risk under review	None
Risks Amended	<p>The following items have subject to minor amendments within the 'current action status / control strategy' sections to reflect the most up to date position.</p> <p>Item 1b - Catastrophic IT network failure</p> <p>Item 1c - Ineffective communication / management of information</p> <p>Item 1d - Ineffective Cyber Security Physical and Application (software) Based Protection Management</p> <p>Item 2a - Coastal Defence</p> <p>Item 2c - Building Council Homes</p> <p>Item 2d - Ineffective delivery of Transforming Tending project</p> <p>Item 2f - Garden Communities</p> <p>Item 3d - Fraud and Corruption.</p> <p>Item 4a - Loss of Key Staff</p> <p>Item 6a – Loss of sensitive and/or personal data through malicious actions loss theft and/or hacking</p> <p>Item 7a - Local Plan</p> <p>Item 8a – Failure to collect levels of income required from Council Tax</p> <p>Item 8b - Failure to collect levels of income required from Non Domestic Rates</p> <p>Item 9a - Ineffective Emergency Planning</p>

Item 9b – Ineffective Business Continuity Planning

The Fraud and Risk Team continue to oversee the Councils' Risk Management arrangements supported by the councils Internal Audit Team. The table sets out the work currently being undertaken.

Agreed Action	Current Position
Management Team to promote the importance of operational risk management within the organisation and ensure that Senior Managers implement a process for identifying and mitigating risks in coordination with the Corporate Fraud and Risk Manager.	The Corporate Fraud and Risk Manager continues to attend Management Team meetings on a quarterly basis and provide monthly updates for any urgent matters identified. The Fraud and Risk Manager continues to work with Management Team to effectively promote the importance of operational risk management within the Council
One to one meetings will continue to take place between Senior Managers and the Corporate Fraud and Risk Manager to identify and record key operational risks within their service areas. Support to be provided by Internal Audit if required	This is unfortunately delayed due to the Corporate Fraud and Risk Manager being redeployed to other tasks during the past 12 months. This review will continue into 2021.

**Follow up item**

Arrange Risk Management training for all departments across the council	The council has identified a need for managers to have some Risk Management training to ensure the council can move forward with verifying risk register actions and review departmental risks across all departments. This will also allow the Fraud and Risk Manager to review the councils Risk Management Framework.
Review carried out relating to the effectiveness of the current control measures in place to identify inherent risk.	Details of this report will be brought before the Audit Committee at a later meeting.

**BACKGROUND PAPERS FOR THE DECISION**

None

**APPENDICES**

**Appendix A** – Risk Management Framework  
**Appendix B** – Corporate Risk Register



# **RISK MANAGEMENT FRAMEWORK**

**July 2018**

**CORPORATE SERVICES**



## **1. INTRODUCTION**

Risk management is an essential element of good governance. CIPFA / Solace in their “Delivering Good Governance in Local Government” guidance note (2012) identify as a core principle of good governance that authorities “**take informed and transparent decisions which are subject to effective scrutiny and managing risk**”.

Risk management is not about being risk averse, it is about being risk aware. For the Council to make the most of its opportunities and to achieve its objectives, the Council will be exposed to risk. By being risk aware and understanding its risk appetite, the Council will be better able to take advantage of opportunities and mitigate threats.

To secure maximum benefit for Tendring District Council, the risk management framework must be integrated with departmental planning. Risk registers must be regularly reviewed and must be meaningful, consistent and current.

This framework is to ensure that the Council has a robust yet proportionate approach to risk management.

## **2. THE NEED FOR RISK MANAGEMENT**

Risks are uncertainties that matter and may impact on the delivery of the Council’s objectives and services. Risk exposure to the Council arises from the functions and activities it undertakes. Risk exposure will also arise as the Council increases its partnership and multiagency work – whilst control of risks in such instances may be outside of the Council’s direct control, the risk exposure needs to be taken into account within the risk management process.

Risk management is the systematic method of identifying, assessing, prioritising, controlling, monitoring, reviewing and communicating risks associated with any activity, function or process in a way that enables the Council to minimise the threats it is exposed to and to maximise the opportunities for achievement of its objectives.

The Council acknowledges that risk management plays a key role in better informed decision making and in assisting in the support and delivery of key objectives, projects and services. It aids in creating an environment that: -

- Maximises opportunities
- Minimises threats
- Adds value

## **3. THE MANAGEMENT OF RISK**

Risk exposure occurs at all levels within the Council. Therefore the Council’s approach to risk is that it must be addressed on an integrated basis with everyone having roles and responsibilities for its management.

Risks are managed by evaluating the inherent and residual risks applicable, scored to provide a risk rating, which are then assessed taking account of the Council’s risk tolerance / appetite. Risks are captured, and managed at two levels: -

## Corporate Risks

Corporate risks are those risks that potentially impact on the delivery of the Council's goals and objectives. They may include issues that have the potential to fundamentally affect service delivery or provision.

Corporate risks will be controlled in the Corporate Risk Register, owned by Management Team.

## Operational Risks

Operational risks are those that potentially impact on the routine service delivery of the Council.

Operational risks are recorded in registers maintained by each department of the Council, and embedded in the departmental planning process. Each register is owned by the relevant Corporate Director / Head of Department.

## 4. RISK MANAGEMENT ROLES AND RESPONSIBILITIES

<b>Audit Committee</b>	Provides independent assurance of the adequacy of the risk management framework and the associated control environment	Receives reports on risk management at least twice each year
<b>Management Team</b>	The maintenance and review of the Corporate Risk Register	Receives updated Corporate Risk Register on a regular basis
<b>Corporate Directors / Heads of Department / Senior Managers</b>	Provide updates on any Corporate Risk where identified as Action Owner  The maintenance and review of Departmental Risk Registers	Provide update monthly to Corporate Services  Provide update monthly to Corporate Services
<b>Audit and Governance Manager (Governance Role)</b>	Maintenance of the Corporate Risk Register taking into account updates from Management Team, Corporate Directors / Head of Department / Senior Managers  Support Departments in the continued development and maintenance of Departmental Risk Registers ensuring content is consistent with this framework Review and update of Risk Management Framework	Submit Corporate Risk Register to Management Team on a regular basis  As required  As required
<b>Audit and Governance Manager (Internal Audit Role)</b>	Maintenance of Internal Audit Universe and Audit Plans, and the undertaking of audits taking account of risks within Corporate and Departmental Risk Registers Audits of Risk Management process at Corporate and Departmental level Reporting on any significant risk exposures for consideration of inclusion in the appropriate Risk Register, identified from the work of Internal Audit.	Ongoing  Annually  As required
<b>All Employees</b>	Taking of reasonable steps to manage risk effectively in their roles	Ongoing

## 5. RISK REGISTERS

Risk registers are working documents that support senior management in the running of the Council.

Risk Registers will use a standard format, and record:

- A reference number for the risk
- Risk details
- Inherent risk scores and rating
- Identified controls in place to mitigate each risk
- Warning indicators
- Action owner
- Target / Review Date
- Residual risk scores and rating
- An indicator of direction of travel of each risk

The Corporate Risk Register will be structured to highlight high level corporate risk themes, with each containing detail of the identified corporate risks within that theme.

Whilst using the standard format, Departments can order risks to suit their own needs. Departments must though consider in preparing Departmental Risk Registers the exposure to risk across all of their functions, and the requirements of this framework. Registers must include all risks that would materially affect the operation of each department's activities.

The Council's Risk Registers take account of two forms of risk: -

**Inherent Risk** This is the level of risk that is **present before the application of any controls**. Measured by evaluating the impact and probability of the risk to calculate an Inherent Risk Rating.

**Residual Risk** This is the level of risk **remaining after application of controls**. The Residual Risk Rating is calculated on the same basis as for inherent risk, but factoring in any changes in impact and probability arising from the controls in place to mitigate the inherent risk.

Risks must be scored taking into account the scoring elements detailed in this framework, to provide a consistent approach across the Council.

Having identified each risk, and taking account of the extent of exposure to the Council, consideration should be given as appropriate to the level of exposure whether that risk should be:

**Treated** Procedures and controls in place or added that enable that risk to be mitigated to an acceptable level.

**Tolerated** It is not cost effective, or feasible, to address the risk, therefore the risk is accepted. This may not be acceptable where the risk is scored as High.

**Transferred** The risk is transferred to another body, eg by obtaining insurance cover. It will not be possible to transfer all types of risk.

**Terminated** Cease doing the activity that creates the risk exposure. Often this will not be possible.

Within the Council's Risk Registers it is expected that most risks identified will either be Treated or Tolerated.

## 6. RISK RATING ELEMENTS - IMPACT

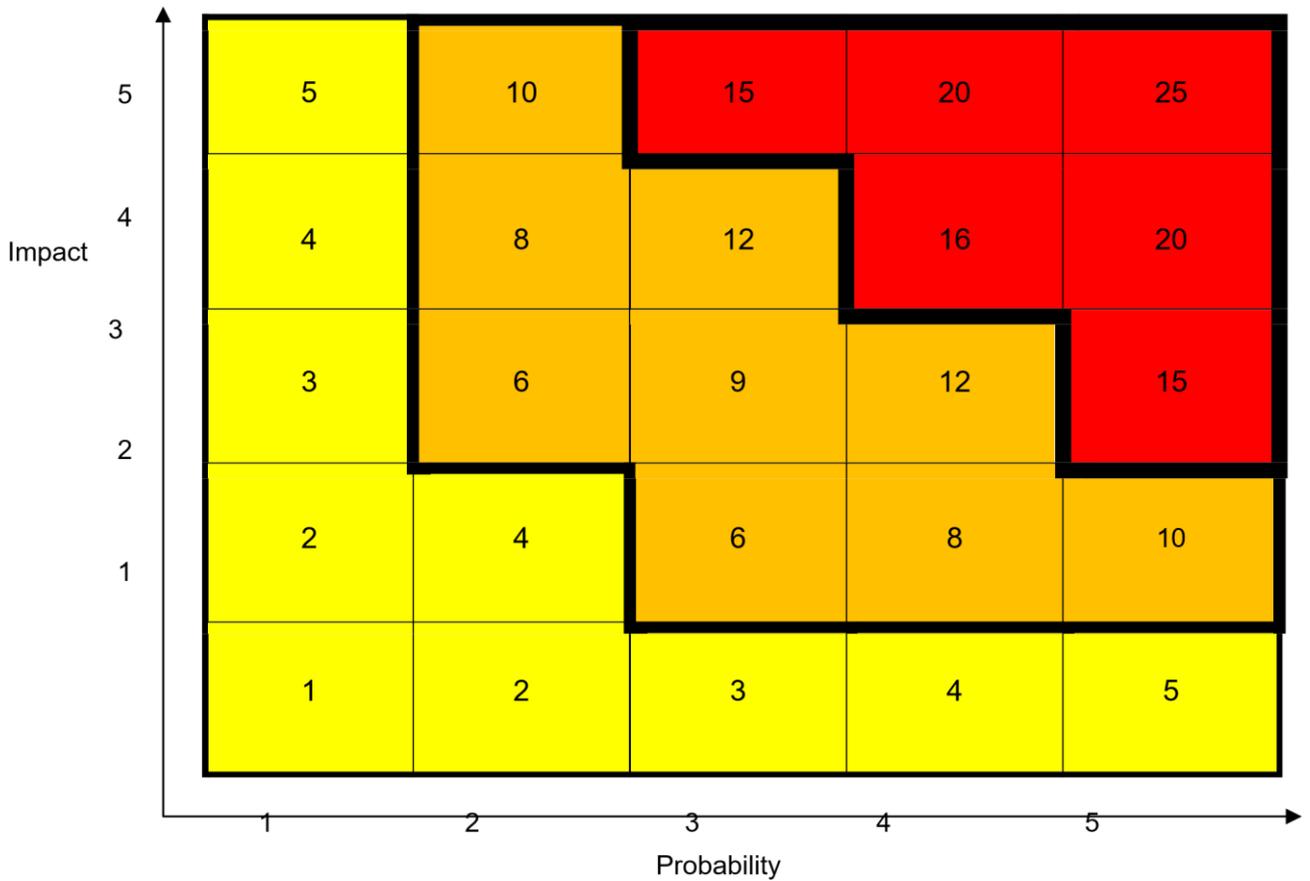
	Impact
--	--------

Risk level	Level	Financial	Service Delivery	Safety	Reputation
5	<b>Critical</b>	Loss of more than £1m	Effective service delivery is unachievable.	Fatality (Single or Multiple)	Reputation damage is severe and widespread i.e. Regulatory body intervention
4	<b>Major</b>	Loss above 250K but below £1m	Effective service delivery is severely disrupted in one or more areas	Multiple serious injuries requiring professional medical treatment	Reputation damage occurs with key partners.
3	<b>Sizeable</b>	Loss above £25K below £250K	Effective service delivery is disrupted in specific areas of the Council.	Injury to an individual(s) requiring professional medical treatment	Reputation damage is localised and/or relatively minor for the Council as a whole
2	<b>Moderate</b>	Loss above £5K below £25K	Delays in effective service delivery	Minor injury - no professional medical treatment	Slight reputation damage
1	<b>Minor</b>	Loss of up to £5K	Minor disruption to effective service delivery i.e. Staff in unplanned absence for up to one week	No treatment required	Reputation damage only on personal level

## 7. RISK RATING ELEMENTS - PROBABILITY

Timescale → ↓ Probability	Up to 6 months	To 12 months	To 24 months	To 60 months	60+ months
	Over 80%	5	4	3	2
65%-80%	4	4	3	2	1
50 – 64%	3	3	3	2	1
30 – 49%	2	2	2	2	1
Less than 30%	1	1	1	1	1

## 8. RISK MATRIX



**Impact x Probability = Overall Risk Rating**

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### High Risk (Rating of 15 -25)

Risks at this level will be considered to be above the Council's risk tolerance level. These risks require immediate attention and, as a high priority, a plan should be put together to provide sufficient mitigation resulting in a lower rating for the residual risk, wherever possible.

Management Team should regularly review any risks in the Corporate Risk Register where the mitigated level remains above the risk tolerance level.

Where a risk in a Departmental Risk Register scores at this level, consideration will be given to any corporate impact, and whether there is a need for the risk to be considered within the Corporate Risk Register.

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### Medium Risk (Rating of 6 – 12)

Controls should be put in place to mitigate the risk, wherever possible, especially where the risk is close to the risk tolerance level, or is increasing over time. However where the options for mitigation would not provide value for money, the risk may be tolerated.

4  **Low Risk (Rating of 1 – 5)** No  
action required to mitigate these risks.

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# Corporate Risk Register May 2021

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# Tendring District Council

## INTRODUCTION

The management of Risk is a key element to any organisation in order to protect its resources (human & physical), finances and reputation. By undertaking regular, stringent and structured analysis of the risks faced by the organisation senior managers are able to take strategic decisions to mitigate against such risks whilst still being able to take the necessary decisions for a progressive council.

This document explains the methodology used to analyse and identify the risks which are considered to be of a sufficient level to be monitored corporately. The process of identifying risks is a linear examination at service, departmental and subsequently corporate level. It is only by undertaking a thorough and detailed risk assessment that this can be achieved.

Each risk is assessed for the likelihood of the risk occurring, as well as the potential impact of such an occurrence. The combination of these two factors gives an initial risk rating. Each risk is then 'managed' by the implementation of control measures. It is then re-assessed to give a residual risk rating.

Only risks which would have a significant corporate-level impact upon the ability of the Council to undertake its normal service delivery, finances, safety, or reputation are reported at this level.

## DEFINITIONS

**Risk:** A risk is an event or action which may adversely affect the Council. It can arise from the possibility of not realising opportunities as well as from a threat materialising. Risk management is embedded across the organisation and forms part of each directorate's everyday function. They follow the format '[x...] leading to [y...] resulting in [z]'. Please note that as we increase our partnership and multi-agency work, risks become increasingly complex as controls may become out of our direct control.

**Inherent risk:** This is the level of risk that is present before controls have been applied. Measured by evaluating the impact and probability of the risk to calculate an Inherent Risk Rating.

**Residual risk:** This is the level of risk remaining after application of controls. The Residual Risk Rating is calculated on the same basis as for inherent risk, but factoring in any changes in impact and probability arising from the controls in place to mitigate the inherent risk.

**Control:** Controls are a key mechanism for managing risk and are put in place to provide reasonable assurance. Examples of controls can include policies and procedures adopted, progression of ongoing actions, or implementation of recommendations resulting from internal audits.

**Warning indicators:** These are the mechanisms or issues that will highlight that the risk is not being mitigated by the controls identified, or to the extent expected. These can be internal or external to the organisation.

## RISK RATING CATEGORIES

### 20 **High Risks (Rating of 15-25)**

- Risks at this level will be considered to be above the Council's risk tolerance level. These risks require immediate attention and, as a high priority, a plan needs to be put together to provide sufficient mitigation resulting in a lower rating for the residual risk, wherever possible.
- Management Team should regularly review any risks in the Corporate Risk Register where the mitigated level remains above the risk tolerance level.

- Where a risk in a Departmental Risk Register scores at this level, consideration will be given to any corporate impact, and whether there is a need for the risk to be considered in the Corporate Risk Register.

12  **Medium Risks (Rating of 6-12)**

- Controls should be put in place to mitigate the risk, wherever possible, especially where the risk is close to the risk tolerance level, or is increasing over time. However where the options for mitigation would not provide value for money, the risk may be tolerated.

4  **Low Risks (Rating of 1-5)**

- No action required to mitigate these risks.

Risk colour	Risk Headings	
	Failure to deliver key services	Pages 7-10
	Failure to deliver key projects	Pages 11-16
	Reputational Damage	Pages 17-20
	Ineffective workforce management and planning	Pages 21-22
	Failure to deliver a balanced and sustainable budget	Page 23
	Ineffective management of information	Pages 24-25
	Failure to adopt a sound Local Plan	Page 26
	Failure of income streams to meet Councils Financial requirements and obligations to other bodies.	Page 27 -28
	Failure in emergency and business continuity planning	Pages 29 - 30

<b>RISK 1a - Failure to effectively manage assets</b>						
<b>Assessment date</b>	<b>Inherent risk score</b>	<b>Present score breakdown</b>		<b>Direction of Risk</b>	<b>Residual Risk rating</b>	<b>Review date</b>
		<b>Probability</b>	<b>Impact</b>			
January 2019	9	<b>3</b>	<b>3</b>	Unchanged 	<b>4</b> <b>LOW</b>	September 2021
June 2019	9	Medium	Sizable			
January 2020	9					
October 2020	9					
May 2021	9					
<b>Current Action Status/ Control Strategy</b>	<p>Implementing and developing an Asset Strategy and associated delivery plan and ensuring an effective and flexible property dealing policy.</p> <p>Adopted by full council in May 2017 new office practice completed</p> <p>NOTE - The transformation project has its own separate risk assessment which is being managed by the Transformation Project Team and therefore not need to form part of this document.</p>					
Responsible Officer - Andy White						
Responsible Cabinet member(s) – Corporate Finance and Governance PFH						
Scrutiny Committee(s) – Resources and Services						

RISK 1b – Catastrophic IT network failure						
Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	15	<b>2</b>	<b>5</b>	Reduced 	<b>5</b> <b>LOW</b>	September 2021
June 2019	15	Moderate	Critical			
January 2020	15					
October 2020	10					
May 2021	10					
<b>Current Action Status/ Control Strategy</b>	<p>Significant Transformation network investment being undertaken during 2018/20 including; re-design, renewed cabling, existing equipment re-use, significant shift to WiFi working/ flexibility, additional resilience, removal of all single points of failure within our control, dual firewalls, dual 1Gbt/sec data links. Our investments also include real-time enhanced 24/7 Network visibility, monitoring, reporting and alarms together with a 24/7 Security Operations Centre (SOC) provided by a 3<sup>rd</sup> party. The new network support and maintenance contract with an external company from August 2018 alongside their greatly enhanced network monitoring/ reporting proposals is giving much greater 'real time' network performance visibility and is allowing us to react swiftly and pro-actively to issues.</p> <p>Ongoing investment in remote working capabilities has enabled the council to operate its services even in the event that the majority of its staff are required to work from home.</p> <p>Resilience built into other IT Investment Strategies including 'mirrored' data storage at two national Microsoft Azure platform data centres delivering 85% of our hybrid Private/ Public Applications - all resulting in significantly increased resilience and much speedier 'disaster recovery' capability.</p> <p>Any catastrophic IT network failure is now likely to result from either a national UK network infrastructure issue or a successful cyber security attack.</p>					
Responsible Officer - John Higgins						
Responsible Cabinet member(s) - Corporate Finance and Governance PFH						
Scrutiny Committee(s) - Resources and Services						

**CORPORATE RISK REGISTER –MAY 2021**

**RISK 1c - Ineffective communication / management of information** - Failure to adopt implement and foster effective communication and information systems with an adverse impact on the ability to deliver services or relationship with key stakeholders.

Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	15	<b>3</b>	<b>5</b>	Unchanged  	<b>10</b>  <b>Medium</b>	September 2021
June 2019	15	Medium	Critical			
January 2020	15					
October 2020	15					
May 2021	15					

**Current Action Status/ Control Strategy**

Tendring District Council has robust Information Governance policies and practices based upon shared Essex-wide 'best practice' Information Governance policies. We undertake quarterly information governance monitoring through our Information Governance Policy Unit (strategic) and the Information Security Management Group (operational). Our processes are annually audited to ensure they remain fit for purpose.

Whilst our information governance continues to strengthen, the Information Commissioner's Office (ICO) continues to 'raise the bar' on compliance matters. We are currently reviewing how Councillors access, utilise and manage personal and sensitive information and we must work to introduce changes to Councillor working practices to strengthen this aspect of Council information governance during 2021 or risk being found potentially in breach of General Data Protection Regulation legislation by the ICO. The key issue here is that having provided every councillor with a managed council device we must cease the councillor practice of forwarding council emails to personal email accounts where we have no control over cyber security protective measures. Ongoing vigilance with regard to Information Governance resources and training and budget to minimise the risk of an information breach or failure to comply with legislation as this work area volume increases significantly.

We monitor investigate each security breach report to continue to harden our robust information governance arrangements and to raise staff awareness.

New information governance training videos are going to be released shortly onto the learning zone platform.

Responsible Officer - John Higgins - Senior Information Risk Officer (SIRO) Judy Barker – Data Protection Officer (DPO)

Responsible Cabinet member(s) - Corporate Finance and Governance PFH

Scrutiny Committee(s) - Resources and Services Committee

**Failure to deliver key services**

Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	20	4	5	Unchanged 	15 <b>HIGH</b>	September 2021
June 2019	20	High	Critical			
January 2020	20					
October 2020	20					
May 2021	20					
<b>Current Action Status/ Control Strategy</b>	<p>Tendring District Council has robust cyber-security including; physical devices (Firewalls), network segregation, protective software applications to protect the Council from the daily occurrences of external Cyber-attack. In recognising the need to raise staff awareness/ vigilance and cyber security knowledge the Council was the first in Essex to roll-out cyber security training to staff and members in partnership with the Essex Police Cyber Crime Unit in 2017 and repeated in 2019. Training videos are available for staff and members to complete and cyber-security is part of our induction training. Our cyber-security is independently tested during our annual Public Services Network (PSN) connectivity 'IT Health Check'.</p> <p>Local Government Association cyber-security self-assessments are undertaken regularly with the latest one providing a robust Amber-green (score 65-79%) - but with areas of improvement identified. We are working on the improvement areas highlighted.</p> <p>Our Cloud migration strategy has enabled us to implement additional Cloud cyber-security functionality during 2020. We purchase 'best of breed' cyber security and anti-malware detection application(s) and key individuals complete NCSC approved cyber security training. National Cyber Security Centre (NCSC) Cyber Essentials - working towards this in certification in 2021.</p> <p>Our final data defence is that of officer and councillor vigilance, timely reporting of suspicions or incidents and robust daily backup and physical storage of this backed up data for use in a significant or cyber breach situation.</p>					
Responsible Officer - John Higgins						
Responsible Cabinet member(s) - Corporate Finance and Governance PFH						
Scrutiny Committee(s) - Resources and Services Committee						

**RISK 2a - Coastal Defence** - The Council has a coastline of 60km and maintains the sea defence structures along 18.5km of this frontage. These defences protect the towns of Harwich, Dovercourt, and Walton on the Naze, Frinton on Sea, Holland on Sea, Clacton and Brightlingsea. Unforeseen expenditure may be required on sea defences; which if left to deteriorate could cause catastrophic cliff failure and impact safety of residents/visitors nearby. The East Coast of the UK is vulnerable to a phenomenon called a North Sea Tidal Surge.

Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	15	<b>3</b>	<b>5</b>	Unchanged  	<b>5</b>  <b>LOW</b>	September 2021
June 2019	15	Medium	Critical			
January 2020	15					
October 2020	15					
May 2021	15					
<b>Current Action Status/ Control Strategy</b>	Carrying out annual inspections of coast protection structures and responding swiftly to public reporting of faults. An annual maintenance programme for the coastal frontage is set each year with an appropriate budget to cover the works. Each year sections of the sea defences are improved as part of a rolling programme of special maintenance schemes funded from the Council's Revenue Budgets. Works undertaken range from day to day maintenance of promenades and seawalls to schemes costing millions of pounds. Larger capital schemes attracting grant in aid are produced to comply with Defra guidelines and their High Level Targets for coast protection.					
Responsible Officer: Damian Williams						
Responsible Cabinet member(s) - Cllr. A. Porter – Portfolio Holder for Leisure and Tourism						
Scrutiny Committee(s) - Resources and Services						

**RISK 2b - Community Leadership Projects** - Potential for impact to the reputation of the Council and impact on Communities, through failure to deliver key projects with partners

Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	12	<b>3</b>	<b>4</b>	Unchanged 	<b>8</b> <b>MEDIUM</b>	September 2021
June 2019	12	Medium	Major			
January 2020	12					
October 2020	12					
May 2021	12					
<b>Current Action Status/ Control Strategy</b>	<p>Clearly defined Terms of Reference agreed between partners &amp; TDC. Action plans agreed as appropriate for each project and reviewed on a regular basis.</p> <p>Action plan delivery (regular monitoring and feedback to Community Leadership Committee, Portfolio Holder and external partners)</p> <p>A Community Asset Map has been produced via the North East Essex Alliance, this provides a useful tool to identify where to focus resources to strengthen and build more resilient communities.</p>					
Responsible Officer - Anastasia Simpson / John Fox / Rebecca Morton						
Responsible Cabinet member(s) - Partnerships PFH						
Scrutiny Committee(s) - Community Leadership						

**RISK 2c - Building Council Homes** - Continuing uncertainty over business plan capacity due to lack of clarity from the government.

Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	8	<b>2</b>	<b>4</b>	Unchanged 	<b>4</b>  <b>LOW</b>	September 2021
June 2019	8	Low	Major			
January 2020	8					
October 2020	8					
May 2021	8					
<b>Current Action Status/ Control Strategy</b>	<p>Government has removed the HRA borrowing cap but prudential borrowing rules still apply. Modelling has been undertaken within the business plan and we are comfortable that 200 new homes could be built over the next 8 – 10 years dependent upon build costs and land availability.</p> <p>Despite changes to rules around right to buy receipts, there have been no further Government policy changes in respect of issues that will have a major impact on the local delivery of additional council homes. Therefore, significant potential risks remain in respect of the impact of future / potential Government policy announcements.</p>					
Responsible Officer – Damian Williams						
Responsible Cabinet member(s) - Housing PFH						
Scrutiny Committee(s) – Resources and Services						

Failure to deliver key projects

<b>RISK 2d - Ineffective delivery of Transforming Tending project - Failure to provide effective change management and the coordination of corporate resources with an adverse impact on organisational focus and delivery</b>						
Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	15	<b>3</b>	<b>5</b>	Unchanged  	<b>3</b>  <b>LOW</b>	September 2021
June 2019	15	Medium	Critical			
January 2020	15					
October 2020	15					
May 2021	15					
<b>Current Action Status/ Control Strategy</b>		<p>Through the provision of effective organisational leadership through culture, change management, vision, values, communication and encouraging innovation and empowering staff.</p> <p>Physical, technological and organisational changes are under way. Project Board monitors on an ongoing basis.</p> <p>Technological capacity has been exhaustively tested during the COVID pandemic. Review of work content in latter stages required to manage costs</p> <p>Formal project stage review to be completed at completion of physical works estimated Autumn 2021</p>				
Responsible Officer – Andy White						
Responsible Cabinet member(s) - Corporate Finance and Governance FH						
Scrutiny Committee(s) – Resources and Services						

Failure to deliver key projects

**RISK 2e - Essex Family / Family Solutions** - A TDC appointed Family Support Worker working within Tendring Family Solutions Team. Risks of the project include potential breaches of data protection, Council reputation and professional liability (working with vulnerable families)

Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	8	<b>2</b>	<b>4</b>	Unchanged 	<b>8</b> <b>MEDIUM</b>	September 2021
June 2019	8	Low	Major			
January 2020	8					
October 2020	8					
May 2021	8					
<b>Current Action Status/ Control Strategy</b>	<p>Matrix management arrangements in place between TDC and ECC with clear workload management. The TDC FSW will be subject to the same control environment as other team members within Family Solutions. TDC has increased management capacity to oversee the FSW position.</p> <p>Funding has now been secured to move the post onto the Council establishment, so there is less risk to families.</p>					
Responsible Officer - Anastasia Simpson						
Responsible Cabinet member(s) - Partnership PFH						
Scrutiny Committee(s) - Community Leadership						

<b>RISK 2f - Garden Communities - The project fails to come to fruition due to land control / Local Plan issues</b>						
Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	12	4	3	Unchanged 	1 <b>LOW</b>	September 2021
June 2019	12	High	Sizeable			
January 2020	12					
October 2020	12					
May 2021	12					
<b>Current Action Status/ Control Strategy</b>		<p>Breakpoints exist which enable termination of the project if a scenario develops which provides unacceptable commercial viability.</p> <p>A development plan is being created to set out a more detailed framework for the layout and delivery of the proposed garden community.</p>				
Responsible Officer: Gary Guiver						
Responsible Cabinet member(s) - Leader						
Scrutiny Committee(s) - Resources and Services						

**RISK 3a - Member Conduct** - The Localism Act 2011 places a statutory duty upon Councils to promote and maintain high standards of conduct amongst its own Elected Members and any co-opted Members. Upheld Code of Conduct complaints risk damaging the Council's reputation and adverse implications on its ethical governance arrangements.

Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	12	<b>3</b>	<b>4</b>	Unchanged 	<b>4</b>  <b>LOW</b>	September 2021
June 2019	12	Medium	Major			
January 2020	12					
October 2020	12					
May 2021	12					
<b>Current Action Status/ Control Strategy</b>		Regular reports to Standards Committee and discussions with Group Leaders.				
Responsible Officer: Management Team (Lisa Hastings, Monitoring Officer)						
Responsible Cabinet member(s) - Code of Conduct matters are reported to the Standards Committee, as a Non-Executive function.						
Scrutiny Committee(s) – N/A						

Reputational damage

Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	16	4	4	Unchanged 	2 <b>LOW</b>	September 2021
June 2019	16	High	Major			
January 2020	16					
October 2020	16					
May 2021	16					
<b>Current Action Status/ Control Strategy</b>	Ensuring that communication between the Directors and Service Managers with the Legal Team is kept up to date with regards to priorities and project planning. Regular discussions to be held between Services. Head of Governance and Legal Services to be kept informed of new developments through Management Team and Cabinet agendas.					
Responsible Officer - Lisa Hastings						
Responsible Cabinet member(s) - Corporate Finance and Governance Portfolio Holder						
Scrutiny Committee(s) - Resources and Services						

Reputational damage

**RISK 3c - Health and Safety** - Failure to have effective Health and Safety processes in place exposing public and staff to increased risk of injury or illness.

Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	20	<b>4</b>	<b>5</b>	Unchanged 	<b>10</b> <b>MEDIUM</b>	September 2021
June 2019	20	High	Critical			
January 2020	20					
October 2020	20					
May 2021	20					
<b>Current Action Status/ Control Strategy</b>	<p>Identifying an officer with overall responsibility for ensuring that effective health and safety processes in place.</p> <p>Providing regular Health and Safety updates to Management Team</p> <p>Risk Assessment review being undertaken.</p>					
Responsible Officer: Richard Barrett						
Responsible Cabinet member(s) Corporate Finance and Governance PFH / HR and Council Tax Committee						
Scrutiny Committee(s) n/a						

**RISK 3d - Fraud and Corruption - Failure to deliver effective counter fraud activities**

Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	15	<b>5</b>	<b>3</b>	Unchanged 	<b>10</b> <b>MEDIUM</b>	September 2021
June 2019	15	High	Sizeable			
January 2020	15					
October 2020	15					
May 2021	15					
<b>Current Action Status/ Control Strategy</b>	<p>Established Fraud and Compliance Team undertaking counter fraud role</p> <p>Internal Audit Team providing advice / recommendations to improve control environment and mitigate exposure to fraud risks</p> <p>Rules and procedures as laid down in the Constitution</p> <p>Anti-Fraud and Corruption Strategy reviewed and reported to the Audit Committee annually.</p>					
Responsible Officer: - Richard Barrett						
Responsible Cabinet member(s) - Corporate Finance and Governance PFH						
Scrutiny Committee(s) - Resources and Services / Audit						

**RISK 4a - Loss of Key Staff** - Loss of key staff either through service changes or natural turnover impacting on delivery and /or reputational risk e.g. managing elections

Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	12	<b>3</b>	<b>4</b>	Unchanged 	<b>12</b> <b>MEDIUM</b>	September 2021
June 2019	12	Medium	Major			
January 2020	12					
October 2020	12					
May 2021	12					
<b>Current Action Status/ Control Strategy</b>		<p>Effective HR processes in place to identify early signs of workforce issues (including age profile). Skills focus and flexible approach across Council.            “Grow your own approach to talent management”</p> <p>Daily monitoring of staff absence takes place during periods of long term disruption, such as during an emergency / pandemic to identify any areas requiring access to additional capacity and Management Team have access to a weekly update.</p>				
Responsible Officer - Management Team (Anastasia Simpson)						
Responsible Cabinet member(s) - HR and Council Tax Committee						
Scrutiny Committee(s) N/A						

<b>RISK 4b - Lack of capacity to deliver core services - not retaining / having access to staff capacity to deliver services and priorities</b>						
Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	12	<b>3</b>	<b>4</b>	Unchanged 	<b>12</b> <b>MEDIUM</b>	September 2021
June 2019	12	Medium	Major			
January 2020	12					
October 2020	12					
May 2021	12					
<b>Current Action Status/ Control Strategy</b>	<p>Identification of areas of key person dependency, skills and competency matching and corporate approach to the delivery of key services and projects through secondments / cross service working.</p> <p>Effective succession planning information, shared through Management Team.</p>					
Responsible Officer - Management Team (Anastasia Simpson)						
Responsible Cabinet member(s) - Human Resources Committee and Council Tax Committee						
Scrutiny Committee(s) – N/A						

**RISK 5A - Financial Strategy** - The impact of achieving a balanced budget in an ever-tightening financial environment on service delivery objectives.

Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	20	<b>4</b>	<b>5</b>	Unchanged 	<b>15</b> <b>HIGH</b>	September 2021
June 2019	20	High	Critical			
January 2020	20					
October 2020	20					
May 2021	20					

**Current Action Status/ Control Strategy**

Long Term Financial Plan updated on an ongoing basis.

- Financial Strategy / Forecast Preparation including identifying and capturing significant risks such as changes to government funding, and the identification of savings which will require some challenging decisions.
- Robust and timely Budget Monitoring Processes.
- Engagement with key stakeholders, members and senior management as early as possible.
- Responding to and implementing recommendations and advice issued by the Council's External Auditor.
- Material savings options to be individually risk assessed

If the event that the long term approach does not deliver the intended outcomes then the Council can revert to the more traditional / short term approach to setting the budget.

Responsible Officer: Richard Barrett

Responsible Cabinet member(s) - Corporate Finance and Governance PFH

Scrutiny Committee(s) – Resources and Services

<b>RISK 6a - Loss of sensitive and/or personal data through malicious actions loss theft and/or hacking.</b>						
Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	20	<b>5</b>	<b>4</b>	 Reduced	<b>10</b>  <b>HIGH</b>	September 2021
June 2019	20	High	Major			
January 2020	20					
October 2020	20					
May 2021	20					
<b>Current Action Status/ Control Strategy</b>	<p>Multi-firewall network segregation implemented with role-based access to systems necessary for work. Governance procedures/ policies/ responsibilities quarterly reviewed by the Information Governance Policy Unit. All remote working is protectively 'tunnelled' utilising Microsoft VPN technology.</p> <p>All officer mobile devices (laptops, tablet and phones) are encrypted with complex passwords and are managed using Microsoft Mobile device Management (MDM) to further protect data</p> <p>Enhanced monitoring of the Council's internal network data flows focusses on early detection/ isolation of cyber-attack. The Council maintains an ongoing campaign to educate staff and members as to a range of cyber-attacks/ techniques.</p> <p>However, cyber-attacks have significantly increased during the COVID-19 global pandemic.</p>					
Responsible Officer - John Higgins – Senior Information Risk Owner (SIRO) Judy Barker – Council's named Data Protection Officer						
Responsible Cabinet member(s) - Corporate Finance and Governance PFH						
Scrutiny Committee(s) - Resources and Services Committee						

**CORPORATE RISK REGISTER –MAY 2021**

**RISK 6b- Disconnection from PSN Network** - Failure to achieve PSN recertification resulting in disconnection from PSN services, e.g. DWP, IER etc. and urgent alternative arrangements to continue providing statutory service

Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
July 2018	20	<b>4</b>	<b>5</b>	Unchanged  	<b>5</b>  <b>LOW</b>	September 2021
January 2019	20	High	Critical			
June 2019	20					
January 2020	20					
May 2021	20					

**Current Action Status/ Control Strategy**

This risk constitutes an annual cycle of IT security Health Check using a registered consultant, remediation/ resolution of any security issues identified then completion and submission of compliance documentation to central government national Cyber Security Centre (NCSC) for PSN recertification.

- ✓ PSN re-certification achieved 23 November 2019

Note: The Council remains at risk from any new NCSC edicts and ongoing further Whitehall hardening of security regulations. This can only be remediated through monitoring latest available guidance and/ or responding to NCSC challenges during the annual PSN process itself.

PSN/ CESC communications, outcome of IT Health checks, monitoring/ discussion with IT Support partner(s).

Responsible Officer: John Higgins

Responsible Cabinet member(s) - Corporate Services Portfolio Holder Cllr. Guglielmi

Scrutiny Committee(s) - Resources and Services Committee

**Ineffective management of Information**

RISK 7a - Local Plan - Failure to achieve a positive result from the Examination in Public into the Local Plan						
Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	12	4	4	Unchanged 	12 <b>MEDIUM</b>	September 2021
June 2019	12	High	Major			
January 2020	12					
October 2020	12					
May 2021	12					
<b>Current Action Status/ Control Strategy</b>	<p>Officers worked closely with the other North Essex Authorities, other partners and have taken advice as necessary to submit a robust Local Plan to prepare for the examination in public.</p> <p>Stage one of the Local Plan has now been adopted. Stage two is awaiting the inspector's recommendations following its examination.</p>					
Responsible Officer: Gary Guiver						
Responsible Cabinet member(s) – Leader						
Scrutiny Committee(s) – Planning						

Failure to adopt a sound Local Plan

Failure of income streams to meet Council's financial requirements and obligations to other bodies

<b>RISK 8a - Failure to collect levels of income required from Council Tax in order to fund the Council's financial requirements.</b>						
Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	20	4 High	5 Critical	Unchanged 	10 <b>MEDIUM</b>	September 2021
June 2019	20					
January 2020	20					
October 2020	20					
May 2021	20					
<b>Current Action Status/ Control Strategy</b>	Regular budget monitoring including reports to Cabinet, which will also set out options to respond to any adverse issues as necessary.					
Responsible Officer: Richard Barrett						
Responsible Cabinet member(s) - Corporate Finance and Governance PFH						
Scrutiny Committee(s) - Resources and Services						

**RISK - 8b - Failure to collect levels of income required from Non Domestic Rates in order to meet the shares between the Government, Essex County Council, Essex Fire Authority and Tendring District Council.**

Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
		Probability	Impact			
January 2019	20	4	5	Unchanged 	<b>10</b> <b>MEDIUM</b>	September 2021
June 2019	20	High	Critical			
January 2020	20					
October 2020	20					
May 2021	20					
<b>Current Action Status/ Control Strategy</b>	Regular budget monitoring including reports to Cabinet, which will also set out options to respond to any adverse issues as necessary.					
Responsible Officer: Richard Barrett						
Responsible Cabinet member(s) - Corporate Finance and Governance PFH						
Scrutiny Committee(s) - Resources and Services						

**CORPORATE RISK REGISTER –MAY 2021**

**Failure in emergency and Business Continuity Planning**

<b>RISK 9a - Ineffective Emergency Planning - The Council fails to effectively respond to an emergency and the community is adversely effected</b>						
<b>Assessment date</b>	<b>Inherent risk score</b>	<b>Present score breakdown</b>		<b>Direction of Risk</b>	<b>Residual Risk rating</b>	<b>Review date</b>
		<b>Probability</b>	<b>Impact</b>			
January 2019	12	<b>3</b>	<b>4</b>	Unchanged  	<b>4</b>  <b>LOW</b>	September 2021
June 2019	12	Medium	Major			
January 2020	12					
October 2020	12					
May 2021	12					
<b>Current Action Status/ Control Strategy</b>	<p>Continued develop and regularly test of different aspects of the Council's Emergency Plan including working with multi-agency partner organisation.</p> <p>During 2019, in partnership with Harwich Haven Authority (HHA) the Council jointly delivered a major live emergency planning exercise (ex Adler 4) which tested a range of aspects of the Council's Emergency Plan alongside our multi-agency partners. The Council remains involved in partnership events to monitor our emergency planning services.</p> <p>Tendring have led a pan-Essex project to design/ develop an IT system to mine available council-held data so that residents - and specifically vulnerable residents – affected by a civil emergency could be quickly identified so than an effective response plan could be planned and actioned using whatever specialist resources available. This new Vulnerable Intelligent Persons Emergency Response (VIPER) system went live across Essex. The system allows Emergency Planners to draw an emergency 'area of effect' on a map and VIPER will generate details of all residents affected in seconds.</p>					
Responsible Officer - John Higgins						
Responsible Cabinet member(s) - Partnerships PFH						
Scrutiny Committee(s) - Community Leadership						

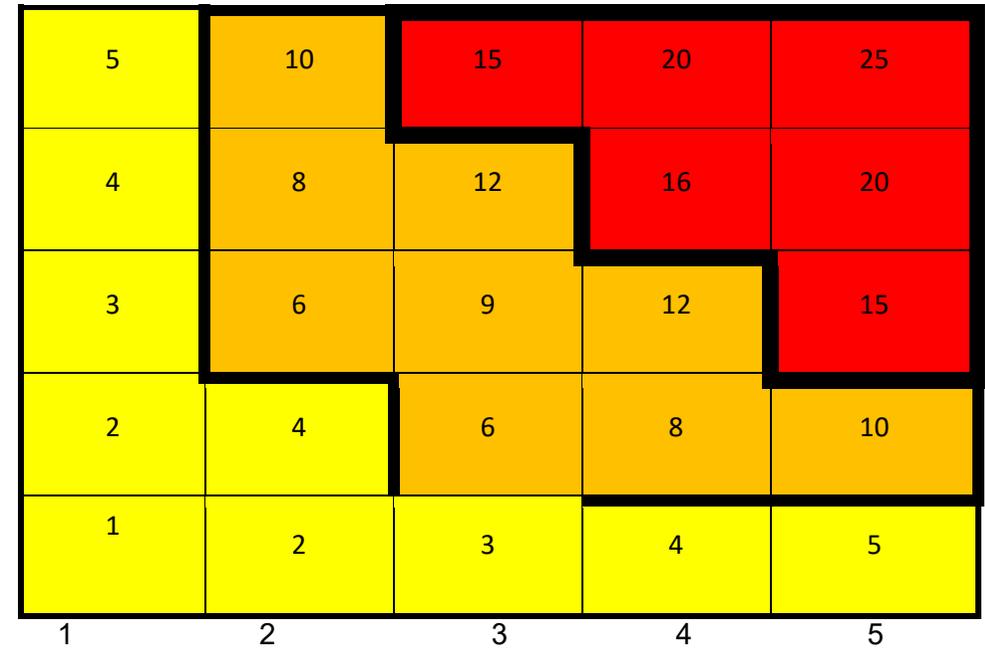
8806d Failure in emergency and Business Continuity Planning	<b>RISK 9b - Ineffective Business Continuity Planning</b> - The Council fails to effectively respond to an emergency / adverse event with an adverse impact on the delivery of services.						
	Assessment date	Inherent risk score	Present score breakdown		Direction of Risk	Residual Risk rating	Review date
			Probability	Impact			
	January 2019	15	<b>2</b>	<b>5</b>	Unchanged  	<b>6</b>  <b>MEDIUM</b>	September 2021
	June 2019	15	Medium	Critical			
	January 2020	10					
	October 2020	10					
	May 2021	10					
	<b>Current Action Status/ Control Strategy</b>	<p>Ongoing development and testing of Business Continuity plans by services.</p> <p>Significant digital investment and improved resilience in information storage, applications, Cloud migration, and reduced reliance upon office premises through flexible / remote working have all reduced this ongoing operational risk.</p> <p>Use of IT to record and support the development of service risk assessments and business continuity impact assessments – options being investigated 2021</p> <p>Certified training for additional staff in business continuity – being investigated 2021</p>					
Responsible Officer - John Higgins							
Responsible Cabinet member(s) - Partnerships PFH							
Scrutiny Committee(s) - Community Leadership							

## APPENDIX – METHODOLOGY FOR CALCULATING RISK

### RISK RATING ELEMENTS - IMPACT

Risk level	Impact				
	Level	Financial	Service Delivery	Safety	Reputation
5	<b>Critical</b>	Loss of more than £1m	Effective service delivery is unachievable.	Fatality (Single or Multiple)	Reputation damage is severe and widespread i.e. Regulatory body intervention
4	<b>Major</b>	Loss above 250K but below £1m	Effective service delivery is severely disrupted in one or more areas	Multiple serious injuries requiring professional medical treatment	Reputation damage occurs with key partners.
3	<b>Sizeable</b>	Loss above £25K below £250K	Effective service delivery is disrupted in specific areas of the Council.	Injury to an individual(s) requiring professional medical treatment	Reputation damage is localised and/or relatively minor for the Council as a whole
2	<b>Moderate</b>	Loss above £5K below £25K	Delays in effective service delivery	Minor injury - no professional medical treatment	Slight reputation damage
1	<b>Minor</b>	Loss of up to £5K	Minor disruption to effective service delivery i.e. Staff in unplanned absence for up to one week	No treatment required	Reputation damage only on personal level

Timescale ----- Probability	Up to 6 months	To 12 months	To 24 months	To 60 months	60+ months
Over 80%	5	4	3	2	1
65%-80%	4	4	3	2	1
50 – 64%	3	3	3	2	1
30 – 49%	2	2	2	2	1
Under 30%	1	1	1	1	1



Probability

Impact x Probability = Overall Risk Rating

RISK CALCULATION MATRIX

RISK RATING ELEMENTS – PROBABILITY