



## AUDIT COMMITTEE

<b>DATE:</b>	Thursday, 26 January 2017
<b>TIME:</b>	7.30 pm
<b>VENUE:</b>	Council Chamber, Council Offices, Thorpe Road, Weeley, CO16 9AJ

### MEMBERSHIP:

Councillor Coley (Chairman)  
Councillor Griffiths (Vice-Chairman)

Councillor Poonian  
Councillor Stephenson

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

**DATE OF PUBLICATION: TUESDAY, 17 JANUARY 2017**

## 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 held on Thursday 22 September 2016 (Pages 1 - 4)**

To confirm and sign as a correct record, the minutes of the last meeting of the Committee, held on Thursday 22 September 2016.

### **3 Declarations of Interest**

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

### **4 Report of Audit and Governance Manager - A.1 - Report on Internal Audit - September 2016 - November 2016 (Pages 5 - 14)**

To provide the Committee with a periodic report on the Internal Audit function for the period September 2016 – November 2016.

### **5 Report of Corporate Director (Corporate Services) - A.2 - Corporate Risk Update (Pages 15 - 38)**

To present to the Committee an updated Risk Management Framework and Corporate Risk Register.

### **6 Report of Corporate Director (Corporate Services) - A.3 - Code of Corporate Governance (Pages 39 - 50)**

To seek approval for a new Code of Governance reflecting the requirements of the new local government framework.

### **7 Report of Corporate Director (Corporate Services) - A.4 - External Audit's Annual Audit Letter 2015/16 (Pages 51 - 80)**

To present to the Committee the External Auditor's Annual Audit Letter 2015/16.

### **8 Report of Corporate Director (Corporate Services) - A.5 - Appointment of External Auditor from 2018/19 (Pages 81 - 84)**

To set out the proposal to opt into the Public Sector Audit Appointments arrangements for appointing External Auditors from 2018/19.

### **9 Report of Corporate Director (Corporate Services) - A.6 - Audit Committee - Table of Outstanding Issues (Pages 85 - 92)**

To present to the Committee the progress against outstanding actions identified by the Committee.

### **10 Items Scheduled for the Next Meeting of the Committee in March 2017**

Items currently scheduled for that meeting include:

- 1) Internal Audit Regular Monitoring Report
- 2) External Audit - Audit Plan 2016/17
- 3) Annual Internal Audit Plan 2017/18
- 4) Certification of Claims and Returns 2015/16
- 5) Audit Committee Work Programme 2017/18
- 6) Table of Outstanding Issues (including update against External Audit Recommendations)

**11 Exclusion of Press and Public**

The Cabinet is asked to consider the following resolution:

“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 12 on the grounds that it involves the likely disclosure of exempt information as defined in the relevant paragraph(s) of Part 1 of Schedule 12A, as amended, of the Act.

Exempt Minute of the meeting of the Audit Committee held on 22 September 2016.”

**12 Exempt Minute of the Last Meeting held on Thursday 22 September 2016 (Pages 93 - 94)**

To confirm and sign as a correct record, the exempt minute of the last meeting of the Committee, held on Thursday 22 September 2016.

**Date of the Next Scheduled Meeting**

*The next scheduled meeting of the Audit Committee is to be held in the Council Chamber - Chamber at 7.30 pm on Thursday, 16 March 2017.*

## **Information for Visitors**

**FIRE EVACUATION PROCEDURE**

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## MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD

ON THURSDAY 22 SEPTEMBER 2016

AT 7.30 P.M. IN THE COUNCIL CHAMBER, COUNCIL OFFICES, WEELEY

**Present:** Councillors Griffiths (Vice-Chairman, in the Chair), Chapman, Poonian and Stephenson

**Also Present:** Councillor Hones

**In Attendance:** Head of Finance, Revenues & Benefits Services & Section 151 Officer (Richard Barrett), Audit and Governance Manager (Steve Blake) and Committee Services Officer (Janey Nice)

**Also in Attendance:** Chris Hewitt (Ernst & Young – External Auditor) and Kevin Suter (Ernst & Young – Executive Director)

### 9. CHAIR

In the absence of the Chairman of the Committee (Councillor Coley), the Chair was occupied by the Vice-Chairman (Councillor Griffiths).

### 10. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

An apology for absence was submitted on behalf of Councillor Coley.

### 11. MINUTES OF THE LAST MEETING

The minutes of the meeting of the Committee held on 30 June 2016 were approved as a correct record and signed by the Chairman.

### 12. DECLARATIONS OF INTEREST

There were none on this occasion.

### 13. REPORT ON INTERNAL AUDIT – JUNE 2016 – AUGUST 2016

The Council's Audit and Governance Manager (Steve Blake) provided a periodic report on the Internal Audit function for the period of June 2016 to August

The Audit and Governance Manager informed the Committee that 10 audits had been completed with the final report issued and all audits completed in the period had achieved a satisfactory level of assurance, with one exception (Housing Allocations) receiving an "improvement required" classification although the service had already taken the necessary action in response.

The Audit and Governance Manager also informed the Committee of the current position in relation to:

- (i) Public Sector Internal Audit Standards;
- (ii) Internal Audit Plan Progress;
- (iii) Quality Assurance;

- (iv) Outcomes of Internal Audit Work;
- (v) Section 106 Agreements (Follow Up);
- (vi) Housing Allocations; and
- (vii) Management response to Internal Audit findings.

In respect of the on-going issues in respect of S.106 agreements, the Audit and Governance Manager confirmed that there would be a follow-up audit later in the year.

Mr Blake informed the Committee that the Section 106 agreements which had drawn attention at the previous meeting, said that while there had been issues with the findings, most of the issues remained irrelevant. He said that there would be a further follow up audit either later in this current financial year or early in 2017/18.

The Chairman commented that he would like the relevant Portfolio Holder at the next meeting of the Committee in December 2016 as he wanted assurance that all control mechanisms were in place.

Following discussion and questions by Members, it was:

**RESOLVED** that the contents of the report be noted; and

**RESOLVED** that the relevant Portfolio Holder for Section 106 agreements be invited to the next meeting of the Audit Committee due to be held on 15 December 2016.

#### 14. **AUDIT RESULTS REPORT 2015/16**

The Committee gave consideration to item A.2 of the Report of the Corporate Director (Corporate Services) which was presented by the Ernst & Young Executive Director (Kevin Suter).

- The External Auditor's Audit Results Report for the period ending 31 March 2016 and Letter of Representation for Members' consideration and approval in order to enable a final opinion on the accounts and value for money arrangements to be formally issued by the External Auditor;
- The Statement of Accounts 2015/16 for Members' consideration and approval for publication by the end of September 2016; and
- A revised Annual Governance Statement 2015/16 for Members' approval.

Mr Suter set out that Ernst and Young anticipated issuing an unqualified opinion on the Council's financial statements and that there were only a very few items management had been asked to adjust the accounts for. In respect of the value for money opinion, Mr Suter also stated that Ernst and Young expected to conclude that the Council had put in place proper arrangements to secure value for money in the use of resources. He also went on to comment that Ernst and Young had concluded that the Council had continued to respond well to the financial challenges it is facing however he did highlight the significant risk facing the Council in terms of identifying the necessary savings required over the medium term period to meet the budget gap.

Having considered the matters raised and the answers to questions, the Committee **RESOLVED:**

1. That, in respect of the Audit Results Report, the Audit Committee:

- 
- (a) Considered and noted the contents of the report including the required adjustments to the Statement of Accounts 2015/16 as set out on page 5 of the A.2 Audit Results Report 2016/17;
  - (b) Subject to (a) above approved the management representation letter set out as Appendix E to the External Auditors Audit Results Report 2015/16;
  - (c) Subject to (b) above, authorised the Head of Finance, Revenues & Benefits and Audit Committee Chairman or Vice-Chairman to sign the management representation letter for forwarding to the External Auditor;
  - (d) Subject to (b) and (c) above, approved for publication the audited Statement of Accounts for 2015/16, amended for the adjusted items identified.
2. That, in respect of the Council's Annual Governance Statement 2015/16 the Audit Committee:
    - (a) Approved the revised Annual Governance Statement set out in Appendix A to the afore-mentioned report: and
    - (b) Subject to 2(a) above, the Chief Executive and Leader of the to sign the Annual Governance Statement, as set out in Appendix A to the afore-mentioned report.

#### 15. **AUDIT COMMITTEE – TABLE OF OUTSTANDING ISSUES**

The Head of Finance, Revenues & Benefits Services updated the Committee with the progress against outstanding actions identified by the Committee.

There was submitted a report by the Council's Corporate Director (Corporate Services) which presented to Members the progress against outstanding actions identified by the Committee.

It was reported that there were no significant issues to bring to the attention of the Committee, with updates provided against individual items, as set out in Appendix A to item A.3 of the Report of the Corporate Director (Corporate Services), or elsewhere on the agenda where appropriate.

Updates against actions identified within the Annual Governance Statement 2015/16 were set out in Appendix B with no significant issues to highlight at the present time. The Committee raised concern about the risks presented by the redevelopment project in Jaywick and the impairment charge representing the difference in purchase price and balance sheet value. Mr Barrett informed the Committee that a report previously presented to Cabinet addressed a number of issues that the Committee had raised including the long term approach the Council is able to take..

Updates against actions identified as part of the seafronts investigation that had been previously reported to the Committee at its meeting held on 30 June 2016 had been set out in Appendix C.

A Member also asked about the recent problems experienced with the public cleaning contract and following the associated discussion, it was suggested that the Council needs to reflect on the matter to see if there was any learning opportunities.

It was **RESOLVED** that the Committee had noted the outstanding issues; and it was:

**RECOMMENDED TO CABINET** (a) that Cabinet review the policy in respect of any future land purchases in Jaywick given the impairment loss of £0.700m in 2015/16.

(b) that in light of the recent experiences in connection with the public conveniences contract the Council reviewed its current procurement/contract processes to identify if such issues could be prevented in the future.

**16. ITEMS SCHEDULED FOR THE NEXT MEETING OF THE COMMITTEE IN DECEMBER 2016**

It was reported that items currently scheduled for that meeting included:

- 1) Internal Audit Regular Monitoring Report
- 2) Internal Audit Letter 2015/16
- 3) Corporate Risk Register (six monthly review)
- 4) Table of Outstanding Issues (including update against External Audit Recommendations)

**17. EXCLUSION OF PRESS AND PUBLIC**

It was **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 9 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.

The meeting was declared closed at 8.24 p.m.

Chairman



## AUDIT COMMITTEE

26 JANUARY 2017

### REPORT OF AUDIT AND GOVERNANCE MANAGER

#### A.1 REPORT ON INTERNAL AUDIT – September 2016 to November 2016

(Report prepared by Steve Blake)

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To provide a periodic report on the Internal Audit function for the period September 2016 – November 2016.

##### EXECUTIVE SUMMARY

- The proposed budget for Internal Audit for 2017/18 provides sufficient resources to enable the current level of provision to be maintained.
- The arrangements for the first stage of seeking the mandatory external review of Internal Audit are being addressed.
- Plan adjustments have been identified taking account of the Council's current needs.
- 11 audits were completed in the period, 9 of which achieved a satisfactory level of assurance.

##### RECOMMENDATION(S)

That: -

- (a) The report be considered and noted;
- (b) the Committee considers the proposed Internal Audit budget for 2017/18 and determines if it has any comments;
- (c) the Committee confirms its agreement to the approach to be adopted for the forthcoming external assessment of the Internal Audit function and;
- (d) the changes to the Internal Audit plan as detailed in the report be approved.

#### PART 2 – IMPLICATIONS OF THE DECISION

##### DELIVERING PRIORITIES

Provision of adequate and effective internal audit helps demonstrate the Council's commitment to corporate governance matters.

##### FINANCE, OTHER RESOURCES AND RISK

###### Finance and other resources

The Internal Audit function is operating within the budget set.

###### Risk

Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.

## LEGAL

The Council has a statutory responsibility to maintain adequate and effective internal audit.

## 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.**

Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.

During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.

There is no specific effect on any particular ward.

## PART 3 – SUPPORTING INFORMATION

### BACKGROUND

The Public Sector Internal Audit Standards require the Audit and Governance Manager, in his role as Chief Audit Executive, to make arrangements for reporting periodically to senior management (Management Board) and to the board (Audit Committee).

### CURRENT POSITION

#### **Public Sector Internal Audit Standards**

The standards were revised from April 2016. Updates regarding compliance with the standards have been regularly brought to the attention of the Committee. The Quality Assurance and Improvement Programme required by the standards was reported to the June 2016 meeting of the Committee.

#### **Standard 1110 Organisational Independence**

This standard includes a requirement for the Audit Committee to “**approve the Internal Audit budget and resource plan**”. Guidance subsequently issued by CIPFA regarding Audit Committees indicates that the Committee could have a role, but does not indicate that it is mandatory. The Council’s Constitution was updated in 2015 to enable the Audit Committee to “**consider the annual budget for the Internal Audit service as part of the Council’s budget setting process**”.

The proposed budget for Internal Audit for 2017/18 is currently £174,240. This figure could change as a result of decisions made by Cabinet or Council. If there is any significant change made, this will be drawn to the Committee’s attention in the Annual Internal Audit Plan report at its March 2017 meeting. The comparable figure for 2016/17 was £167,770. The work required to establish the audit needs assessment, and the resource plan, for 2017/18 is currently underway and will form the basis of the above report. The budget available is sufficient to enable an Internal Audit Plan of similar size to that for 2016/17 to be produced, and is expected to provide sufficient audit coverage.

### **Standard 1312 External Assessments**

This standard requires an “**external assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation**”. The standards were introduced in 2013, and it is necessary for the Internal Audit function to be assessed before 31<sup>st</sup> December 2017.

In order to comply with the requirements of the standard, it is necessary at this time to discuss with the Audit Committee in advance: -

- The form of the external assessment
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest

The guidance available indicates that external assessments can be in the form of a full external assessment, or a self-assessment with independent external validation. The standards also require periodic internal assessments, and these are undertaken in the form of an annual self-assessment with the results reported to the Audit Committee, with the next self-assessment being due in the January – March 2017 quarter, and scheduled to be reported to the June meeting of the Committee. It is considered to be more cost and resource effective to use the forthcoming internal self-assessment as a starting point and therefore, subject to the Committee’s agreement, it is proposed that the external assessment take the form of a self-assessment with independent validation.

It is proposed that quotations be sought only from recognised independent, experienced and suitably qualified providers of Public Sector Internal Audit Standards external quality assessments, in accordance with the requirements of the Council’s Procurement Procedure Rules and the Chairman of the Committee will be consulted before appointment of the preferred provider identified from the quotation exercise.

Sufficient budget is available to fund the expected cost of the proposed external assessment. The impact on resources for 2017/18 is being included as a factor in the development of the 2017/18 Internal Audit Plan, and it is currently believed that sufficient resources will be available to meet the impact of the assessment.

### **Internal Audit Plan Progress**

The Internal Audit Plan approved by the Audit Committee in March 2016 has been kept under review, in accordance with the requirements of the Public Sector Internal Audit Standards. A small number of amendments have been identified as being necessary at this point, taking account of changes within the Council since the plan was approved, and the current position regarding those activities / projects scheduled to be audited, and risk. In amending the plan at this time, the changes agreed will be taken into account in the preparation of the 2017/18 Internal Audit Plan. The changes proposed are: -

#### **Emerging Key Projects (20 days)**

At the current time, the emerging key projects have not reached the stage where it is feasible to undertake any Internal audit work. A provision will be included for such work in the 2017/18 plan.

#### **Fraud and Compliance Team (10 days)**

Management are currently undertaking a review of this team. CIPFA have published during 2016 **Fighting Fraud & Corruption Locally**, which provides a framework for the effective delivery of a counter fraud function and this has been drawn to the attention of management for consideration as part of that review. Given the changes it is considered that an effective Internal Audit review of the Council’s counter fraud arrangements would

be more appropriately incorporated into the 2017/18 Internal Audit Plan when the position after the changes have been implemented can be reviewed.

At this late stage in the financial year, it is unlikely that any audits added to the plan at this time would be commenced before the development work on the 2017/18 plan is completed. It is therefore proposed that no audits be added to the plan at this time, but that audits be added to the plan to reflect emerging risks and priorities as identified by the 2017/18 Internal Audit Plan process, in consultation with the Chairman of the Committee, if sufficient resources are available to accommodate the commencement of such work before the financial year end.

Appendix A provides details of the status for each audit as at November 2016.

**Quality Assurance** – The Internal Audit function issues satisfaction surveys for each audit completed. In the period under review 100% of the responses received indicated that the auditee was satisfied with the audit work undertaken.

### **Outcomes of Internal Audit Work**

The standards require the Audit and Governance Manager to report to the Audit Committee on significant risk exposures and control issues. Since the last report 11 audits have been completed and the final report issued. The Public Sector Internal Audit Standards require the reporting of significant risk exposures and control issues.

<b>Assurance</b>	<b>Colour</b>	<b>Number this Period</b>	<b>Year to Date</b>	
Substantial		3	8	
Adequate		6	17	
Improvement Required		2	5	
Significant Improvement Required		0	0	

For the purpose of the colour coding approach, both the substantial and adequate opinions are shown in green as both are within acceptable tolerances.

The Committee's attention is drawn to the 2 audits where the assurance level was Improvement Required: -

### **Procurement – Contractor Use**

The audit undertaken found instances of a failure to raise orders at the correct point in the process, which is a breach of Procurement Procedure Rules as detailed in the Council's Constitution. The relevant Corporate Director has subsequently written to all staff in his department instructing them to comply with the Council's rules. Such issues will be included in procurement training / guidance currently being developed.

A further and more extensive audit across all departments on compliance with this aspect of Procurement Procedure Rules is planned to be undertaken shortly.

### **Payroll / Human Resources – Computer Application Review**

Good project management processes had not been adequately developed, maintained or documented for the implementation of the computer system. The issues identified had their origins in the period before the current officers' involvement. Whilst key aspects of the

project have been implemented, and no issues were identified with the day to day operation of the system, there remain aspects of the implementation pending. It has been recommended that good project management be put in place for the remaining phases of the implementation, and the agreed actions regarding this will be tracked by Internal Audit.

**Management Response to Internal Audit Findings** – There are processes in place to track the action taken regarding findings raised in Internal Audit reports and to seek assurance that appropriate corrective action has been taken. Where appropriate follow up audits have been arranged to revisit significant issues identified after an appropriate time.

The number of high severity issues outstanding was as follows: -

Status	Number	Comments
Overdue more than 3 months	0	
Overdue less than 3 months	0	Regular reminders are issued to relevant managers to establish that corrective action has been taken / encourage resolution of each issue
Not yet due	6	

#### **BACKGROUND PAPERS FOR THE DECISION**




Audit Reports






#### **APPENDICES**

Appendix A – Internal Audit Plan 2016/17 Progress Report



<b>Audit Subject</b>	<b>Status November 2016</b>	<b>Opinion</b>	<b>Comments</b>
<b><u>2014/15 Internal Audit Plan</u></b> (Audits where Final Report not issued by 31 <sup>st</sup> March 2016)			
<b><u>Assurance Work – Other Systems</u></b>			
S106 (Follow Up)	Completed	Improvement Required	Reported June 2016
<b><u>2015/16 Internal Audit Plan</u></b> (Audits where Final Report not issued by 31 <sup>st</sup> March 2016)			
<b><u>Assurance Work – Key Systems</u></b>			
Corporate and Ethical Governance	Completed	Substantial Assurance	Reported June 2016
Housing Benefits	Completed	Adequate Assurance	Reported June 2016
Housing Rents	Completed	Substantial Assurance	Reported June 2016
National Non Domestic Rates	Completed	Adequate Assurance	Reported June 2016
Sundry Debtors	Completed	Improvement Required	Reported June 2016
<b><u>Assurance Work – Other Systems</u></b>			
Development Management	Completed	Adequate Assurance	Reported September 2016
Elections and Electoral Registration	Completed	Substantial Assurance	Reported June 2016
Emergency Planning	Completed	Adequate Assurance	Reported June 2016
Household Waste and Recyclable Materials	Completed	Adequate Assurance	Reported September 2016
Housing Repair and Maintenance	Completed	Adequate Assurance	Reported September 2016
<b>Open Spaces, Horticulture and Play Areas</b>	Completed	<b>Adequate Assurance</b>	
Parking Services	Completed	Adequate Assurance	Reported September 2016
Planning Enforcement	Completed	Adequate Assurance	Reported September 2016



<b>Audit Subject</b>	<b>Status November 2016</b>	<b>Opinion</b>	<b>Comments</b>
Risk Management	Completed	Substantial Assurance	Reported June 2016
<b><u>Assurance Work – Computer Audit</u></b>			
ICT Business Continuity / Disaster Recovery	Completed	Adequate Assurance	Reported September 2016
IT Governance	Completed	Adequate Assurance	Reported September 2016
<b><u>AUDITS SCHEDULED TO COMMENCE IN 2016/17</u></b>			
<b><u>2016/17 Internal Audit Plan</u></b>			
<b><u>Assurance Work – Key Systems</u></b>			
Bank Account	Allocated		
Business Rates	Allocated		
Corporate and Ethical Governance	Unallocated		
Corporate Procurement Review			
Ordering Compliance	Unallocated		
Council Tax	Fieldwork		
<b>Creditors</b>	<b>Completed</b>	<b>Substantial Assurance</b>	
Departmental Procurement			
<b>Procurement – Contractor Use</b>	<b>Completed</b>	<b>Improvement Required</b>	
Public Realm Procurement	Allocated		
Housing Benefit	Allocated		
Housing Rents	Allocated		
Main Accounting System	Fieldwork		
Payments Received	Allocated		
<b>Payroll</b>	<b>Completed</b>	<b>Substantial Assurance</b>	

<b>Audit Subject</b>	<b>Status November 2016</b>	<b>Opinion</b>	<b>Comments</b>
Sundry Debtors Treasury Management	Allocated Fieldwork		
<b><u>Assurance Work - Emerging Key Projects</u></b>			
Audits to be arranged	Unallocated		
<b><u>Assurance Work – Other Systems</u></b>			
<b>Beach Huts</b>	<b>Completed</b>	<b>Adequate Assurance</b>	
<b>Bereavement Services</b>	<b>Completed</b>	<b>Adequate Assurance</b>	
Building Control	Unallocated		
Coast Protection	Unallocated		
<b>Financial Resilience</b>	<b>Completed</b>	<b>Adequate Assurance</b>	
Fraud and Compliance Team	Unallocated		
Grants / Financial Assistance	Allocated		
Housing Allocations	Completed	Improvement Required	Reported September 2016
Housing Repairs and Maintenance	Allocated		
Leisure Services Development Programme	Completed	Substantial Assurance	Reported September 2016
Planning Policy	Unallocated		
Public Conveniences	Fieldwork		
Risk Management	Unallocated		
<b>Staff Allowances</b>			
<b>Corporate Services</b>	<b>Completed</b>	<b>Adequate Assurance</b>	
<b>Operational Services</b>	<b>Completed</b>	<b>Substantial Assurance</b>	
Street Sweeping	Completed	Adequate Assurance	Reported September 2016



<b>Audit Subject</b>	<b>Status November 2016</b>	<b>Opinion</b>	<b>Comments</b>
Walton – on – the – Naze Lifestyles	Allocated		
<b><u>Assurance Work – Computer Audit</u></b>			
IT Governance	Unallocated		
IT Project Management	Fieldwork		
<b>Payroll / Human Resources – Computer Application Review</b>	<b>Completed</b>	<b>Improvement Required</b>	
<b>Revenues and Benefits Computer Application Review</b>	<b>Completed</b>	<b>Adequate Assurance</b>	
Uniform Application Review	Allocated		

**Status Key**

**Unallocated**

Audit in Audit Plan, but no work undertaken yet

**Allocated**

Audit is being scoped / has been scoped and awaiting commencement

**Fieldwork**

Audit in progress

**Draft Report**

Audit fieldwork complete, but Final Report not yet issued

**Completed**

Final Report issued and audit results reported to Audit Committee

**Deferred**

Audit was in Audit Plan, but will now be undertaken in a later year. Deferred audits agreed by Audit Committee

**Delayed**

Valid request from function being audited for audit to be undertaken later than proposed

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## AUDIT COMMITTEE

26 JANUARY 2017

### REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

#### A.2 **CORPORATE RISK UPDATE**

(Report prepared by Steve Blake)

#### PART 1 – KEY INFORMATION

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

To present to the Audit Committee an updated Risk Management Framework and Corporate Risk Register.

##### **EXECUTIVE SUMMARY**

- The Risk Management Framework has been updated to reflect updated guidance on corporate governance.
- The Corporate Risk Register is regularly updated and presented to the Audit Committee every 6 months.
- 3 new risks have been added to the register in the period under review, no risks have been removed and no risks have been amended.
- 1 risk score has been amended.

##### **RECOMMENDATION(S)**

That the Audit Committee notes the updated framework and 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

At its meeting on 18<sup>th</sup> December 2014 the Committee noted an updated Risk Management Framework. No changes were considered necessary when the framework was last reviewed in December 2015.

The Corporate Risk Register was last presented to the Committee in June 2016.

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 therefore brought to the Committee at six monthly intervals to enable the Committee to fulfil its role.

### CURRENT POSITION

#### Corporate Risk Management Framework

In April 2016 CIPFA Solace published a new framework for “**Delivering Good Governance in Local Government**”. The 2014 Risk Management Framework made reference to the previous CIPFA Solace governance framework in use at that time, and has therefore been updated to reflect the new framework. No other changes have been identified as being required at this time. The framework is included at Appendix A for information.

The framework sets out the approach to risk management across the Council.

Risks are captured in two standard Risk Registers: -

- The Corporate Risk Register, which is included with this report, and is presented to the Committee twice a year.
- Departmental Risk Registers (embedded within departmental planning processes) which are managed within departments.

#### Corporate Risk Register

Since the Corporate Risk Register was reported to the Audit Committee on 30th June 2016, a number of changes have been identified regarding the Council’s exposure to risk: -

#### New Risks Identified and Added to Register:

##### Risk 2i Garden Communities

This has been added to reflect the risks identified as applicable at this stage in the project, as reported to Cabinet on 25<sup>th</sup> November 2016 and Council on 29<sup>th</sup> November 2016.

##### Risk 3c Health and Safety

Following the recent issue regarding the finding of Legionella present at Walton-on –the – Naze Lifestyles health and safety has now been included as a corporate risk.

### Risk 3d Fraud and Corruption

Earlier this year, CIPFA published “**Fighting Fraud and Corruption Locally**”. The checklist supplied with the publication for use to demonstrate an effective counter fraud and corruption culture includes a requirement that “**the risks of fraud and corruption are specifically considered in the local authority’s overall risk management process**”. The risk has therefore been added to the Corporate Risk Register so that the risk is regularly drawn to the attention of senior management and this Committee as part of the corporate risk management processes.

#### Risks Removed from Register:

No risks have been removed at this time.

#### Risks Amended in Register:

No risks have been amended at this time.

### Risk Score Amendments

#### Risk 5a Financial Strategy

Both the inherent and residual risk scores have been increased, reflecting the challenges that the Council is currently exposed to in setting budgets for forthcoming years given the planned reductions in the Government’s minimum Revenue Support Grant.

	Inherent Risk			Residual Risk		
	Impact	Probability	Inherent Risk Rating	Impact	Probability	Residual Risk Rating
Previous	5	3	15	5	2	10
Revised	5	4	20	5	3	15

#### Other Changes

There have been minor detail, owner and target date changes made as appropriate to keep the register up to date as circumstances change.

Details regarding each identified risk are set out in the Corporate Risk Register (Appendix B) .

### BACKGROUND PAPERS FOR THE DECISION

None

### APPENDICES

Appendix A –Risk Management Framework

Appendix B – Corporate Risk Register

*Tendring*  
*District Council*



# **RISK MANAGEMENT FRAMEWORK**

**December 2016**

## 1. INTRODUCTION

Risk management is an essential element of good governance. CIPFA / Solace in their “Delivering Good Governance in Local Government” guidance note (2016) identify as a core principle of good governance that authorities “**manage risks and performance through robust internal control and strong public financial management**”.

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	Provide update monthly to Corporate Services
	The maintenance and review of Departmental Risk Registers	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	Submit Corporate Risk Register to Management Team on a regular basis
	Support Departments in the continued development and maintenance of Departmental Risk Registers ensuring content is consistent with this framework	As required
	Review and update of Risk Management Framework	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	Ongoing
	Audits of Risk Management process at Corporate and Departmental level	Annually
	Reporting on any significant risk exposures for consideration of inclusion in the appropriate Risk Register, identified from the work of Internal Audit.	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.

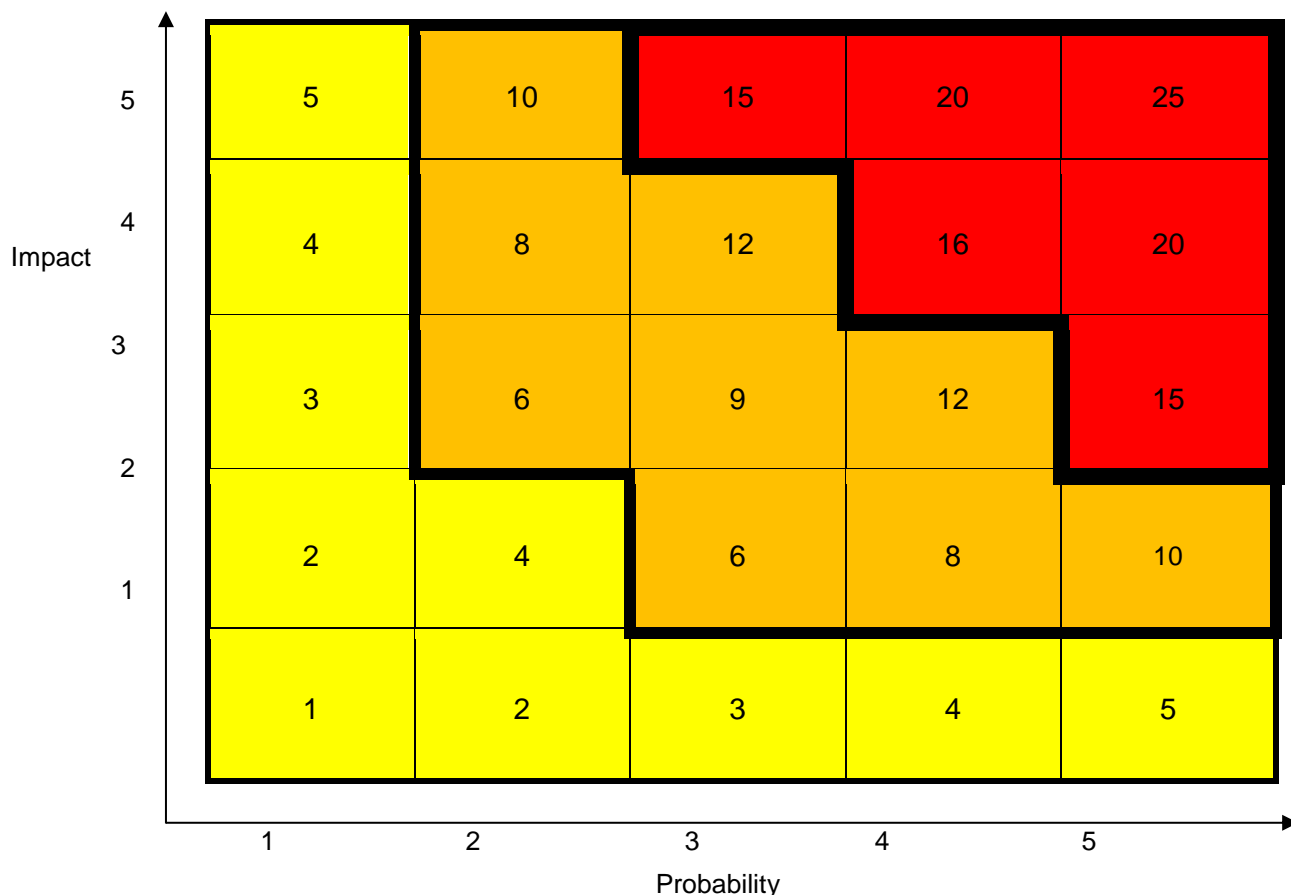
## 6. RISK RATING ELEMENTS - IMPACT

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

## 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	1
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**

20

**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.

12

**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.

## 9. RISK REGISTER FORMAT

### Corporate Risk Register (Example of format)

Risk No	Risk Details	Inherent Risk			Controls We control the risk by:	Warning Indicators	Action Owner	Target/ Review Date	Residual Risk			Contribution to / Secondary Risk Supported	
		Impact 1-5	Probability 1-5	Inherent Risk Rating					Impact 1-5	Probability 1-5	Residual Risk Rating		
1	Failure to deliver key services												
1a	Failure to effectively manage assets	5	3	15	Bringing the management of assets together within a dedicated team rather than devolved across the organisation. Implementing and developing an Asset Strategy and associated delivery plan and ensuring an effective and flexible property dealing policy	Loss of developments or transactions	Andy White	Summer 15	3	2	6	↓	2 & 3

### Departmental Risk Register (Example of format)

Risk No	Risk Details	Inherent Risk			Controls We control the risk by:	Warning Indicators	Action Owner	Target Date	Residual Risk			Contribution to / Secondary Risk Supported	
		Impact 1-5	Probability 1-5	Inherent Risk Rating					Impact 1-5	Probability 1-5	Residual Risk Rating		
FP1	Accountancy - Accounts not approved by statutory deadline	5	2	10	Detailed timetable drawn up, regular/weekly meetings of Accountancy staff to monitor progress. liaison with External Auditor Controls adequate with normal staffing levels.	Significant adverse issues emerging from work of external audit	Richard Bull	No outstanding actions	2	2	4	↓	



# Corporate Risk Register December 2016

## 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.

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### Low Risks (Rating of 1-5)

No action required to mitigate these risks.

CORPORATE RISK REGISTER – JUNE 2016

Risk No	Risk Details	Inherent Risk			Controls We Control the risk by:	Warning Indicators	Action Owner	Target / Review Date	Residual Risk			Contribution to / Secondary Risk supported	
		Impact 1-5	Probability 1-5	Inherent Risk Rating					Impact 1-5	Probability 1-5	Inherent Risk Rating		
1	Failure to deliver key services												
1a	Failure to effectively manage assets	3	3	9	Implementing and developing an Asset Strategy and associated delivery plan and ensuring an effective and flexible property dealing policy	Loss of developments or transactions	Andy White	Jan-17	2	2	4	↓	2 & 3
1b	Catastrophic IT network failure	5	3	15	<p>Cisco -based corporate network replacement works completed Nov'14 (excluding Weeley Offices). Additional resilience included in design to remove single points of network failure and dynamic routing implemented. New wireless network available at all main locations with individual survey solutions for remote sites (e.g. Leisure Centres etc.) ongoing. The wireless network itself offers additional if significant 'cabled' network faults or damage occurs. NOTE: Weeley Offices remain on old Cisco switches. Although the decision to close Weeley is progressing, this in itself creates additional risk but the majority of staff now have new laptops (Jan'16) so could work from alternate location(s) should a significant issue occur. Resilience built into IT Investment Strategies</p> <p><b>NOTE:</b> The IT Team is currently reviewing the council's data backup and 'disaster recovery' (DA) arrangements with a view to:</p> <ol style="list-style-type: none"> <li>1. Increasing the resilience of our data backup arrangements utilising the Microsoft Azure 'cloud' platform.</li> <li>2. Recommending a more risk-based managed approach to our DR arrangements to reduce operating costs. Proposals will be brought forward in early 2017.</li> </ol>	Network monitoring alarms	John Higgins	Feb-17	5	1	5	↓	2 & 3

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Risk No	Risk Details	Inherent Risk			Controls We Control the risk by:	Warning Indicators	Action Owner	Target / Review Date	Residual Risk			Contribution to / Secondary Risk supported	
		Impact 1-5	Probability 1-5	Inherent Risk Rating					Impact 1-5	Probability 1-5	Inherent Risk Rating		
	<p><b>Ineffective communication / management of information</b> 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.</p>	5	3	15	<p>Implement and develop key communication 'routes' such as consultations and petitioning schemes. Senior Information Risk Owner (SIRO) trained 2015. Essex-wide 'best practice' Information Governance policies adopted and regular information governance monitoring through our Information Governance Policy Unit (strategic) and the Information Security Management Group (operational).</p> <p>Ongoing development of 'electronic' approaches to communication such as the Council's website (focussing on ease of access for mobile devices) and improving transparency such as through improvements to the systems used to access reports and decisions (Modern.gov) . The Council has access to 'Survey Monkey' and the Intranet 'PING' is updated regularly focussing on self-service, ease of use and a dedicated Members area.</p> <p>Ongoing development of information systems and databases such as IDOX to ensure information is captured centrally and accessible by services in a timely and effective way. The IDOX Electronic Document Records System is being implemented across the Council.</p>	Annual IT staff survey, Communications Group and Departmental IT Champions	John Higgins	Ongoing	5	2	10	↓	2 & 3

Risk No	Risk Details	Inherent Risk			Controls We Control the risk by:	Warning Indicators	Action Owner	Target / Review Date	Residual Risk			Contribution to / Secondary Risk supported	
		Impact 1-5	Probability 1-5	Inherent Risk Rating					Impact 1-5	Probability 1-5	Inherent Risk Rating		
2	<b>Failure to deliver key projects</b>												
2a	<p><b>Coastal Defence</b> 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, 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.</p>	5	1	5	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.	Under Review	Damian Williams	Annually	1	1	1	↓	3
	<p><b>Community Leadership Projects</b> Potential for impact to the reputation of the Council and impact on Communities, through failure to deliver key projects with partners.</p>	4	3	12	Clearly defined ToR agreed between partners & TDC. Action plans agreed as appropriate for each project and reviewed on a regular basis.	Action plan not delivered (regular monitoring and feedback to Locality Board)	Karen Neath / Anastasia Simpson / John Fox	Annually	4	2	8	↓	3
2d	<p><b>Building Council Homes</b> No lifting of borrowing cap impacts on ability to deliver.</p>	4	2	8	Limited control available as risk is external. Whilst Lobbying will continue via ARCH/NFA little prospect of change at present time	Under Review	Paul Price	Annually	4	2	8	↔	-
2f	<p><b>Ineffective delivery of Transforming Tending project</b> Failure to provide effective change management and the coordination of corporate resources with an adverse impact on organisational focus and delivery</p>	5	3	15	Through the provision of effective organisational leadership through culture, change management, vision, values, communication and encouraging innovation and empowering staff.	To be reviewed once project proposal agreed by Members	Management Team (Martyn Knappett)	Monthly once project live	3	1	3	↓	3

Risk No	Risk Details	Inherent Risk			Controls We Control the risk by:	Warning Indicators	Action Owner	Target / Review Date	Residual Risk				Contribution to / Secondary Risk supported
		Impact 1-5	Probability 1-5	Inherent Risk Rating					Impact 1-5	Probability 1-5	Inherent Risk Rating		
2h	<b>Essex Family / Family Solutions</b> A TDC appointed Family Support Worker working within Trending Family Solutions Team. Risks of the project include potential breaches of data protection, Council reputation and professional liability (working with vulnerable families)	5	3	15	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.	Family complaints / non disengagement from statutory providers	Anastasia Simpson	Ongoing	5	2	10	↓	3 & 6
2i	<b>Garden Communities</b> The project fails to come to fruition due to land control / Local Plan issues	3	4	12	Breakpoints exist which enable termination of the project if a scenario develops which provides unacceptable commercial viability	Landowner agreements not reached by time of Local Plan Pre Submission Draft  Scheme not included in Local Plan Pre Submission Draft	Martyn Knappett	Ongoing	1	1	1	↓	7
3	<b>Reputational damage</b>												
Page 31	<b>Member Conduct</b>	4	3	12	Regular reports to Standards Committee and discussions with Group Leaders	Number of Complaints increasing	Management Team (Lisa Hastings)	Monthly	4	1	4	↓	-
3b	<b>Failure to comply with legislative requirements</b> Risk of judicial reviews or injunctions being sought against the Council, causing delay in service delivery and financial loss to defend actions.	4	4	16	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.	Pre-action protocol letters being received for potential judicial review claims	Lisa Hastings	Ongoing	2	1	2	↓	-
3c	<b>Health and Safety</b> Failure to have effective health and safety processes in place exposing public and staff to increased risk of injury or illness	5	4	20	Identifying an officer with overall responsibility for ensuring that effective health and safety processes in place	Incident reports  Inspection results	John Fox	Ongoing	5	2	10	↓	-

Risk No	Risk Details	Inherent Risk			Controls	Warning Indicators	Action Owner	Target / Review Date	Residual Risk			Contribution to / Secondary Risk supported	
		Impact 1-5	Probability 1-5	Inherent Risk Rating	We Control the risk by:				Impact 1-5	Probability 1-5	Inherent Risk Rating		
3d	<b>Fraud and Corruption</b> Failure to deliver effective counter fraud activities	3	5	15	Established Fraud and Compliance Team undertaking counter fraud role Internal Audit Team providing advice / recommendations to improve control environment and mitigate exposure to fraud risks Rules and procedures as laid down in the Constitution	Frauds identified Procedures not being followed	Richard Barrett	Ongoing	2	5	10	↓	5, 8
4	<b>Ineffective workforce management and planning</b>												
Page 32	<b>Loss of Key Staff</b> Loss of key staff either through service changes or natural turnover impacting on delivery.	4	3	12	Effective HR Processes in place (being developed) to identify early signs of workforce issues (including age profile) and processes in place for recruitment of right skills. Skills focus and flexible approach across Council. "Grow your own staff"	Staff turnover rates / inability to recruit	Management Team (Anastasia Simpson)	Monthly	4	3	12	↔	1,2,6,7 & 8
4b	<b>Lack of capacity to deliver core services</b>	4	3	12	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.	Staff turnover rates / inability to recruit	Management Team (Anastasia Simpson)	Monthly	4	3	12	↔	3 & 5

Risk No	Risk Details	Inherent Risk			Controls We Control the risk by:	Warning Indicators	Action Owner	Target / Review Date	Residual Risk			Contribution to / Secondary Risk supported	
		Impact 1-5	Probability 1-5	Inherent Risk Rating					Impact 1-5	Probability 1-5	Inherent Risk Rating		
5	Failure to deliver a balanced and sustainable budget												
	<b>Financial Strategy</b> The impact of achieving a balanced budget in an ever-tightening financial environment on service delivery objectives.	5	4	20	<ul style="list-style-type: none"> <li>• 5 Year Financial Planning.</li> <li>• Financial Strategy Preparation including identifying and capturing significant risks such as changes to government funding, and the identification of savings which will require some challenging decisions.</li> <li>• Robust and Timely Budget Monitoring Processes.</li> <li>• Engagement with key stakeholders, members and senior management as early as possible.</li> <li>• Responding to and implementing recommendations and advice issued by the Council's External Auditor.</li> <li>• Material savings options to be individually risk assessed</li> </ul>	Adverse Financial Forecasts / Medium Term Financial Planning.  Timing of decisions relating to savings not in line with the requirement to set a balanced budget each year over the next 3 years.  Adverse issues identified via the Corporate Budget Monitoring Process.  Lack of actions / monitoring in response to recommendations and advice issued by the External Auditor.	Richard Barrett	Ongoing	5	3	15	↓	1, 2, 3, 4 & 8

Risk No	Risk Details	Inherent Risk			Controls We Control the risk by:	Warning Indicators	Action Owner	Target / Review Date	Residual Risk			Contribution to / Secondary Risk supported	
		Impact 1-5	Probability 1-5	Inherent Risk Rating					Impact 1-5	Probability 1-5	Inherent Risk Rating		
6	Ineffective management of information												
6a	Loss of sensitive and/or personal data through malicious actions loss theft and/or hacking	4	5	20	Security contract to manage/ maintain firewalls outsourced to reputable UK contractor. Annual 3rd party IT Healthchecks and resolution/ mitigation regime achieving compliance with central government CESG Public Services Network (PSN) security guidelines audited annually. Network segregation works enhancing security to key sensitive data (PSN Services and IL3 [Revenues and Benefits]) completed. Security is further strengthened through Citrix access control and segregation of Citrix managed access to different areas. Information Governance procedures/ policies/ responsibilities/ ownership and training significantly strengthened through continued monitoring and review via newly empowered Information Policy Unit and Information Security Management Group. New 'one time use' PIN code additional security for Councillor remote access implemented following CESG audit. All new officer mobile devices (laptops and phones) are encrypted with complex passwords and are managed using Microsoft Mobile device Management (MDM) to further protect data.	Security Incident report & ongoing staff awareness.	John Higgins	Ongoing	5	2	10	↓	3

Risk No	Risk Details	Inherent Risk			Controls We Control the risk by:	Warning Indicators	Action Owner	Target / Review Date	Residual Risk			Contribution to / Secondary Risk supported	
		Impact 1-5	Probability 1-5	Inherent Risk Rating					Impact 1-5	Probability 1-5	Inherent Risk Rating		
6c	<p><b>Disconnection from PSN Network</b> Failure to achieve PSN recertification resulting in disconnection from PSN services, eg DWP, IER etc and urgent alternative arrangements to continue providing statutory service</p>	5	4	20	<p>Senior Information Risk Owner (SIRO) training completed by the Council's Head of IT and Corporate Resilience (John Higgins). This risk constitutes an annual cycle of IT security Health Check using a registered consultant, remediation/ resolution of any security issues identified then completion / submission of compliance documentation to central government for PSN recertification. Note: The Council remains at risk from any new CESA rules and further Whitehall hardening of security regulations on an ongoing basis. This can only be remediated through monitoring latest available guidance.</p>	<p>PSN/ CESA communications, outcome of IT Healthchecks, monitoring/ discussion with IT Support partner(s).</p>	John Higgins	Ongoing on an annual cycle - next submission due in March 2017.	5	1	5	↓	1, 2 & 3
6d	<p><b>Virus / Malware</b> Malicious code entering the TDC network and performing actions without consent</p>	5	4	20	<p>All TDC servers, desktops and laptops include Anti-Virus and Malware protection and are updated/ patched with latest software revisions. Standard users are further protected as admin rights are required to run executable and standard users do not have this level of access. All internet traffic is routed through our firewall and proxy server, both providing a further level of agreed security. All emails are routed through our email filtering system providing extra agreed security. User education - Staff are aware of what to do if they notice any suspicious activity which could be related to viruses/malware. Regular agreed backups are taken so that restores can take place if required.</p>	<p>Virus / malware production alerts. Users reporting unusual / suspicious activity. Monitoring programs alerting of suspicious activity</p>	John Higgins	Ongoing	5	1	5	↓	1, 2 & 3

Risk No	Risk Details	Inherent Risk			Controls We Control the risk by:	Warning Indicators	Action Owner	Target / Review Date	Residual Risk				Contribution to / Secondary Risk supported
		Impact 1-5	Probability 1-5	Inherent Risk Rating					Impact 1-5	Probability 1-5	Inherent Risk Rating		
7	<b>Failure to adopt a sound Local Plan</b>												
7a	<b>Local Plan</b> Failure to identify no of sites for the assessed level of homes Failure to deliver the revised Local Plan within statutory deadlines and the subsequent damage to the reputation of TDC and impact upon planning decisions in the future.	4	4	16	The Local Plan Committee reviews the Local Plan in a timely fashion and continues to consult with the local community, consultees and the Planning Inspectorate	Not meeting statutory, or locally imposed deadlines for progression.	Catherine Bicknell, Gary Guiver	Various	4	3	12	↓	3, 5 & 8
8	<b>Failure of income streams to meet Council's financial requirements and obligations to other bodies</b>												
8a	<b>Failure to collect levels of income required from Council Tax in order to fund the Council's financial requirements.</b>	5	4	20	Regular budget monitoring including reports to Cabinet by tracking payments against budgetary profile. Monitored monthly in the TDC Performance Report.	Income below profile	Richard Barrett	Monthly	5	2	10	↓	5
8b	<b>Failure to collect 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</b>	5	4	20	Regular budget monitoring including reports to Cabinet by tracking payments against budgetary profile. Monitored monthly in the TDC Performance Report.	Income below profile	Richard Barrett	Monthly	5	2	10	↓	5
9	<b>Failure in emergency and Business Continuity Planning</b>												
9a	<b>Ineffective Emergency Planning</b> The Council fails to effectively respond to an emergency and the community is adversely effected	4	3	12	Continue to develop and regularly test the Council's Emergency Plan including working with necessary partner organisation.	Extreme weather / disaster	John Higgins	Ongoing	3	2	6	↓	3
9b	<b>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	5	3	15	Development and testing of Business Continuity plans	Loss of infrastructure / staff	John Higgins	Ongoing	3	2	6	↓	1, 2 & 3



## APPENDIX – METHODOLOGY FOR CALCULATING RISK

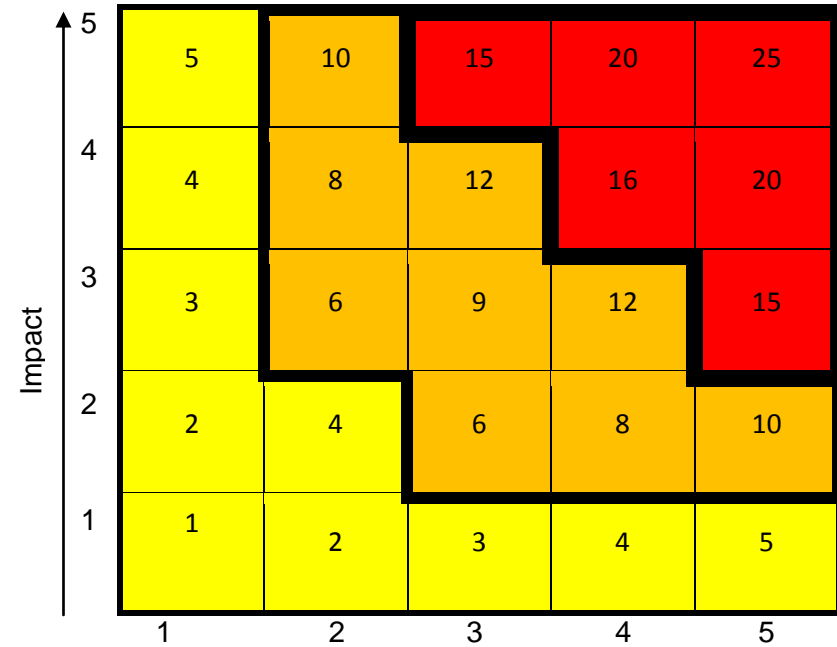
### RISK RATING ELEMENTS - IMPACT

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

**RISK RATING ELEMENTS - PROBABILITY**

Timescale	Up to 6 months	To 12 months	To 24 months	To 60 months	60+ months
Probability					
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

**RISK CALCULATION MATRIX**



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**Impact x Probability = Overall Risk Rating**

## AUDIT COMMITTEE

26 JANUARY 2017

### REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

#### A.3 CODE OF CORPORATE GOVERNANCE

(Report prepared by Steve Blake)

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To seek approval for a new Code of Corporate Governance reflecting the requirements of the new local government framework.

##### EXECUTIVE SUMMARY

- Local Authorities are required to maintain a local Code of Corporate Governance.
- The proposed new code meets the requirements of the latest published framework, and reflects a revised presentational approach making it more accessible.

##### RECOMMENDATION(S)

**That the Code of Corporate Governance as set out in Appendix A be approved.**

#### PART 2 – IMPLICATIONS OF THE DECISION

##### DELIVERING PRIORITIES

The new Code of Corporate Governance helps to communicate the Council's underlying governance arrangements in delivery against its key priorities and objectives.

##### FINANCE, OTHER RESOURCES AND RISK

###### Finance and other resources

There are no direct financial implications arising from this report.

###### Risk

The inclusion on the Audit Committee's work programme responds to the risk of not maintaining an up to date Code of Corporate Governance, the production of which protects the Council's reputation and demonstrates the Council's commitment to the development and maintenance of the core principals of good governance.

##### LEGAL

Regulation 6(1) of The Accounts and Audit Regulations 2015 requires an authority to each financial year: -

- a) Conduct a review of the effectiveness of the system of internal control
- b) Prepare an annual governance statement

The preparation and publication of an Annual Governance Statement in accordance with the CIPFA / Solace Delivering Good Governance in Local Government Framework (2016) fulfils the statutory requirements above.

The Code of Corporate Governance is a key document in demonstrating the effectiveness of the Council's system of internal control.

#### **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.**

The maintenance of an up to date Code of Corporate Governance ensures that the Council has appropriate frameworks and controls in place that enable sound and inclusive decision making, and that there is clear accountability for the use of its resources in order to achieve desired outcomes for service users and communities.

There is no specific effect on any particular ward.

### **PART 3 – SUPPORTING INFORMATION**

#### **BACKGROUND**

The Council is required to maintain a Code of Corporate Governance, to undertake a review of the effectiveness of its system of internal control and produce an Annual Governance Statement each year.

CIPFA / Solace have updated their framework for “Delivering Good Governance in Local Government”, and it is therefore necessary at this time to update the Council's Code of Corporate Governance.

#### **CURRENT POSITION**

The current Code of Corporate Governance was approved by the Audit Committee at its meeting on 25<sup>th</sup> June 2015. That Code was consistent with the principles of the CIPFA / Solace Framework “Delivering Good Governance in Local Government (2007).

CIPFA / Solace published a new framework in 2016 which is applicable to local authorities from 2016/17 onwards, and therefore it has been necessary to produce a new Code of Corporate Governance, that reflects the new framework. Whilst the core principles in the framework have evolved, the concept of good governance remains broadly the same.

The concept of the new framework is to help each local authority to take responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way ensuring that:-

- Resources are directed in accordance with agreed policy and according to priorities
- There is sound and inclusive decision making
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities

The framework defines governance as follows: -

**“Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.”**

The framework also states that:

**“To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times.**

**Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.”**

The framework identifies that it is up to each local authority to:

- Set out its commitment to the principles of good governance included in the framework
- Determine its own governance structure, or local code, underpinned by the principles
- Ensure that it operates effectively in practice

The framework defines the principles that should underpin the governance of a local authority, and provides a structure to help with the authority’s approach to governance.

There are seven core principles in the framework: -

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**
- B. Ensuring openness and comprehensive stakeholder engagement**
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits**
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes**
- E. Developing the entity’s capacity including the capability of its leadership and the individuals within it**
- F. Managing risks and performance through robust internal control and strong financial management**
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

Core principles A and B provide the overarching requirements for acting in the public interest. These 2 principles permeate implementation of core principles C to G which focus on the implementation of governance and the achievement of outcomes.

For each core principle the framework identifies a series of sub-principles, and for each sub-principle a schedule of behaviours and actions that demonstrate good governance in action. The detail for each core principle is included in Appendix A. The framework recognises that individual authorities are all different and that a one–size-fits-all approach to governance is inappropriate, and therefore leaves it up to each authority to put the framework into practice in a way that reflects the needs and requirements of that authority.

Good governance is dynamic, and the Council as a whole should be committed to improving governance on a continuing basis through processes of evaluation and review. The framework expects the Council to test its governance structures and partnerships against the principles contained in the framework by: -

- Reviewing existing governance arrangements
- Developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
- Reporting publically on compliance with its own code annually, and on how the effectiveness of governance arrangements has been monitored throughout the year and on planned changes

The existing Local Code of Corporate Governance provides an extensive listing of the arrangements in place that demonstrate how the Council achieves each sub-principle within that framework. The spirit of the new framework no longer requires such a detailed approach and the opportunity has been taken to streamline the approach and develop a single page that identifies how the Council's policies, systems and processes, cultures and values link to the core principles within the governance framework. This single page Corporate Governance Structure is supported by a page for each core principle identifying the sub-principles, behaviours and actions that demonstrate good governance, and the linkages to the single page code (Appendix A). It is worth highlighting that the underlying activities have not changed, and the Council has previously been able to demonstrate that it has an effective governance framework in place, so to a large extent this is primarily a presentational change to meet the requirements of the new code.

The framework includes the requirement for annual review and reporting on the Council's governance arrangements. The Annual Governance Statement for 2016/17, scheduled to be reported to the June 2017 meeting of the Committee will reflect any changes from the previous format necessary to comply with the new requirements.

#### **BACKGROUND PAPERS FOR THE DECISION**

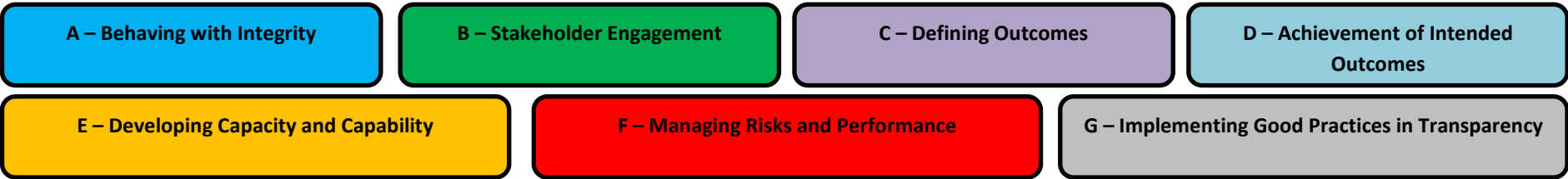
None

#### **APPENDICES**

Appendix A – Code of Corporate Governance 2016/17

TENDRING DISTRICT COUNCIL CORPORATE GOVERNANCE STRUCTURE (Appendix A)

Core Principles of Good Governance






Policies, Systems and Processes, Cultures and Values that form the Corporate Governance Structure

1. The Council's Constitution, Budget and Policy Framework								3. Examples of Good Governance							
	A	B	C	D	E	F	G		A	B	C	D	E	F	G
1 Constitution	■	■	■	■	■	■	■	1 All Member Briefings			■		■		
2 Asset Strategy / Asset Management Plan			■		■			2 Annual Governance Statement					■	■	■
3 Corporate Plan	■	■	■	■	■			3 Audit Committee	■				■	■	■
4 Community Strategy		■	■		■			4 Budget Monitoring / Reporting			■			■	
5 Community Safety Plan			■		■			5 Business Continuity Planning				■		■	
6 Financial Strategy / Forecast / Budget		■	■	■		■		6 Councillor Call for Action Scheme		■					
7 Local Development Plan		■	■					7 Decision Call In				■		■	
8 Housing Investment Programme			■	■	■			8 External Review Reports Acted Upon					■		■
9 Statements of Licensing Policy	■	■	■	■				9 External Standards Compliance	■						■
10 IT Strategy and Information Governance		■	■					10 Forums and Panels for Stakeholders		■			■		
11 Procurement Strategy		■	■	■				11 Internal Audit						■	■
2. Other Strategies, Policies and Procedures								12 Job Descriptions	■						
1 Anti Social Behaviour Policy		■						13 Member & Officer Training/Development	■				■	■	
2 Channel Shift Strategy			■					14 Member / Officer Groups					■		
3 Climate Change Strategy			■					15 Member Working Parties				■	■	■	
4 Codes of Conduct	■							16 Opposition Leaders Cabinet Participation					■		
5 Communications Strategy & Procedures		■	■					17 Our Priorities and Projects 2016		■	■	■	■		
6 Complaints Procedure	■							18 Overview and Scrutiny Committees	■		■		■	■	■
7 Covert Surveillance Policy	■							19 Performance Reports			■	■		■	■
8 Economic Strategy		■	■	■				20 Public Participation / Consultation		■	■	■	■		
9 Financial Policies and Procedures	■		■	■		■		21 Publications Scheme							■
10 Fraud and Corruption Strategy	■					■		22 Published Agendas / Minutes / Reports	■	■	■	■		■	■
11 Health and Safety Policy					■			23 Published Decisions	■	■	■	■		■	■
12 Health Inequalities Strategy			■					24 Registers of Gifts and Hospitality	■					■	
13 Housing Policies and Procedures		■	■					25 Registers / Declaration of Interests	■						
14 Human Resources Policies & Procedures	■				■			26 Regular Reviews of Constitution	■						
15 Independent Person Protocol	■							27 Representation – External Bodies		■					■
16 Information / Data Policies						■		28 Risk Management / Registers			■	■		■	
17 IT Policies and Procedures						■		29 Staff Briefings					■		
18 Members' Planning Code & Protocol	■							30 Standards Committee	■						
19 Media Protocol		■						31 Statement of Accounts						■	■
20 Partnership Guidance	■	■			■			32 State of Tendring District Statement							■
21 Petition Scheme	■	■	■		■			33 Statutory Officer Roles	■					■	
22 Risk Management Framework			■	■		■		34 Tendring Partnership Register		■			■		
23 Tourism Strategy		■						35 Transparency Information Published		■					■
24 Whistleblowing Policy	■							36 Website Maintained		■	■				■

**TENDRING DISTRICT COUNCIL CORPORATE GOVERNANCE STRUCTURE (Appendix A)**

Links identifying, in relation to each principle of good governance, inclusion within the Council’s Corporate Governance Structure: -

- 1. The Council’s Constitution, Budget and Policy Framework 
- 2. Other Strategies, Policies and Procedures 
- 3. Examples of Good Governance 

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

<b>Behaving with integrity</b>	<b>1</b>	<b>2</b>	<b>3</b>
Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation			
Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)			
Leading by example and using the above standard operating principles or values as a framework for decision making and other actions			
Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively			
<b><u>Demonstrating a commitment to ethical values</u></b>			
Seeking to establish, monitor and maintain the organisation’s ethical standards and performance			
Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation’s culture and operation			
Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values			
Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation			
<b><u>Respecting the rule of law</u></b>			
Ensuring members and staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations			
Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements			
Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders			
Dealing with breaches of legal and regulatory provisions effectively			
Ensuring corruption and misuse of power are dealt with effectively			



**B – Ensuring openness and comprehensive stakeholder engagement**

<b>Openess</b>	<b>1</b>	<b>2</b>	<b>3</b>
Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Using formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Engaging comprehensively with institutional stakeholders</b>			
Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ensuring that partnerships are based on: <ul style="list-style-type: none"> <li>- trust</li> <li>- a shared commitment to change</li> <li>- a culture that promotes and accepts challenge among partners</li> </ul> and that the added value of the partnership working is explicit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Engaging with individual citizens and service users effectively</b>			
Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Taking account of the impact of decisions on future generations of tax payers and service users	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

TENDRING DISTRICT COUNCIL CORPORATE GOVERNANCE STRUCTURE (Appendix A)

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

<b>Defining outcomes</b>	<b>1</b>	<b>2</b>	<b>3</b>
Having a clear vision, which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delivering defined outcomes on a sustainable basis within the resources that will be available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Identifying and managing risks to the achievement of outcomes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Managing service users’ expectations effectively with regard to determining priorities and making the best use of the resources available	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Sustainable economic, social and environmental benefits</b>			
Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ensuring fair access to services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**D – Determining the interventions necessary to optimise the achievement of the intended outcomes**

<b><u>Determining interventions</u></b>	<b>1</b>	<b>2</b>	<b>3</b>
Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided			
Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets bearing in mind future impacts			
<b><u>Planning interventions</u></b>			
Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets			
Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered			
Considering and monitoring risks facing each partner when working collaboratively, including shared risks			
Ensuring arrangements are flexible and agile so that mechanisms for delivering goods and services can be adapted to changing circumstances			
Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured			
Ensuring capacity exists to generate the information required to review service quality regularly			
Preparing budgets in accordance with objectives, strategies and the medium term financial plan			
Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy			
<b><u>Optimising achievement of intended outcomes</u></b>			
Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints			
Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term			
Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage			
Ensuring the achievement of 'social value' through service planning and commissioning			

**E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it**

<b><u>Developing the entity’s capacity</u></b>	<b>1</b>	<b>2</b>	<b>3</b>
Reviewing operations, performance and the use of assets on a regular basis to ensure their continuing effectiveness			
Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently			
Recognising the benefits of partnerships and collaborative working where added value can be achieved			
Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources			
<b><u>Developing the capability of the entity’s leadership and other individuals</u></b>			
Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in that relationship and that a shared understanding of roles and objectives is maintained			
Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body			
Ensuring that the leader and chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other’s authority			
Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> <li>- Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>- Ensuring members and officers have the appropriate skills, knowledge and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>- Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</li> </ul>			
Ensuring that there are structures in place to encourage public participation			
Taking steps to consider the leadership’s own effectiveness and ensuring that leaders are open to constructive feedback from peer review and inspections			
Holding staff to account through regular performance reviews which take account of training or development needs			
Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing			

TENDRING DISTRICT COUNCIL CORPORATE GOVERNANCE STRUCTURE (Appendix A)

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

	1	2	3
<b>Managing risk</b>			
Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making		Blue	Red
Implementing robust and integrated risk management arrangements and ensuring that they are working effectively		Blue	Red
Ensuring that responsibilities for managing individual risks are clearly allocated		Blue	Red
<b>Managing performance</b>			
Monitoring service delivery effectively including planning, specification, execution and independent post implementation review			Red
Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation’s financial, social and environmental position and outlook			Red
Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation’s performance and that of any organisation for which it is responsible	Green		Red
Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement			Red
Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)			Red
<b>Robust internal control</b>			
Aligning the risk management strategy and policies on internal control with achieving objectives		Blue	Red
Evaluating and monitoring risk management and internal control on a regular basis		Blue	Red
Ensuring effective counter fraud and anti-corruption arrangements are in place		Blue	
Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor			Red
Ensuring an audit committee or equivalent group / function, which is independent of the executive and accountable to the governing body:			
- Provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment	Green		Red
- That its recommendations are listened to and acted upon			
<b>Managing data</b>			
Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	Green	Blue	
Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies		Blue	
Reviewing and auditing the quality and accuracy of data used in decision making and performance monitoring			Red
<b>Strong public financial management</b>			
Ensuring financial management supports both long term achievement of outcomes and short term financial and operational performance	Green	Blue	Red
Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	Green	Blue	Red

TENDRING DISTRICT COUNCIL CORPORATE GOVERNANCE STRUCTURE (Appendix A)

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

<b>Implementing good practice in transparency</b>	<b>1</b>	<b>2</b>	<b>3</b>
Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate			<input type="checkbox"/>
Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand			<input type="checkbox"/>
<b>Implementing good practices in reporting</b>			
Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way			<input type="checkbox"/>
Ensuring members and senior management own the results reported	<input type="checkbox"/>		<input type="checkbox"/>
Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)			<input type="checkbox"/>
Ensuring that this framework is applied to jointly managed or shared service organisations as appropriate			<input type="checkbox"/>
Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations			<input type="checkbox"/>
<b>Assurance and effective accountability</b>			
Ensuring that recommendations for corrective action made by external audit are acted upon	<input type="checkbox"/>		<input type="checkbox"/>
Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon			<input type="checkbox"/>
Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations			<input type="checkbox"/>
Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement			<input type="checkbox"/>
Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## AUDIT COMMITTEE

26 JANUARY 2017

### REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

#### A.4 EXTERNAL AUDIT'S ANNUAL AUDIT LETTER 2015/16 (Report prepared by Richard Barrett)

#### PART 1 – KEY INFORMATION

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

To present to the Committee the External Auditor's Annual Audit Letter 2015/16.

##### **EXECUTIVE SUMMARY**

The Annual Audit Letter for 2015/16 has recently been received from the Council's External Auditors which primarily summarises the outcomes from various audit activities undertaken during the year. The key messages set out in the letter highlight that the Council received an unqualified opinion on both its financial statements and value for money arrangements.

##### **RECOMMENDATIONS**

**That the Audit Committee considers and notes the contents of the Annual Audit Letter 2015/16.**

#### PART 2 – IMPLICATIONS OF THE DECISION

##### **DELIVERING PRIORITIES**

The aim of continuing to be financially stable and well managed and provide good value for money is directly supported through learning and improving through audit and inspection.

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

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

There are no direct financial implications arising from this report although a number of small additional fees are expected as set out on page 23 of the attached.

###### **Risk**

Not responding practically and timely to outcomes from audit and inspection may have an impact on the delivery of the Council's priorities, reputation, governance arrangements and overall control environment.

##### **LEGAL**

The Accounts and Audit Regulations require that:

- (1) A committee must meet to consider the letter as soon as reasonably practicable;
- (2) following consideration of the letter in accordance with paragraph (1) the authority

must—(a) publish (which must include publication on the authority’s website) the audit letter; and (b) make copies available for purchase by any person on payment of such sum as the authority may reasonably require.

**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.**

This report does not have a direct impact although items could feature in the recommendations and subsequent action plans in future external audit reports. Any actions that may have an impact will be considered and appropriate steps taken to address any issues that may arise.

**PART 3 – SUPPORTING INFORMATION**

**ANNUAL AUDIT LETTER FOR THE PERIOD ENDING 31 MARCH 2016**

There are a number of different strands of external audit work undertaken during the year such as specific activity in relation to the financial statements and value for money opinion. The outcomes from these activities are reported to the Council separately as they are completed during the year. The Annual Audit Letter is effectively an end of year report for the Council which captures and summarises these outcomes in one document. It is primarily directed to Members but it must also be made available as a public document.

The **Annual Audit Letter** relating to 2015/16 is attached. No significant concerns have been raised relating to 2015/16.

However the External Auditor has raised a number of points to consider in the future which are set out on pages 20 and 21 of the attached. This is in addition to the overall challenge of identifying the necessary savings to meet forecasted budget gaps in 2018/19 and 2019/20 which must remain one of the top priorities for the Council going into 2017/18.

Responses to the points raised by the External Auditor are as follows:

External Audit Comment	Response
Economic impact of EU Referendum	Rather than being a separate issue, this matter is being actively managed via the financial forecast process where all financial / economic issues are brought together as part of the medium term financial planning process.
Faster Closure of Accounts	Financial Services are responding to the requirement to close the Council’s Accounts earlier with a phased approach being taken in the interim years to meet the new requirements from 2017/18.



Appointment of External Auditors	The Council's proposed approach to appointing External Auditors from the financial year 2018/19 is set out elsewhere on the agenda.
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<b>BACKGROUND PAPERS FOR THE DECISION</b>
None

<b>APPENDICES</b>
<b>ATTACHED</b> Annual Audit Letter for the year ended 31 March 2016

# Tendring District Council

Annual Audit Letter for the year ended 31 March 2016

October 2016

Ernst & Young LLP

Page 54

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

## Executive Summary

## Executive Summary

We are required to issue an annual audit letter to Tendring District Council (the Council) following completion of our audit procedures for the year ended 31 March 2016.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Governance Statement	The Annual Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 15 September 2016 and discussed with the Audit Committee on 22 September 2016.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 29 September 2016.

In February 2017 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Kevin Suter

Executive Director

Luton

For and on behalf of Ernst & Young LLP, Appointed Auditor

Purpose



## Purpose

### The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to the 22 September 2016 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.





# Responsibilities



## Responsibilities

### Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with the Audit Plan that we presented to the 17 March 2016 Audit Committee and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2015/16 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

# Financial Statement Audit

## Financial Statement Audit

### Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 29 September 2016.

Our detailed findings were reported to the 22 September 2016 Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We have not identified any evidence of material management override.</p> <p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation. We have no matters to report.</p> <p>Our review of accounting estimates did not identify any evidence of management bias. We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>
<p>Revenue and expenditure recognition</p> <p>Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.</p> <p>We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at</p>	<p>Our review concluded that the Council has appropriate revenue and expenditure recognition policies.</p> <p>Our review of accounting estimates did not identify any evidence of management bias.</p>

<p>the year end.</p> <p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.</p>	<p>We did not find errors in material revenue or expenditure streams.</p> <p>We did not find errors from testing cut-off processes.</p> <p>Our testing did not identify any expenditure which had been inappropriately capitalised.</p>
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Other Key Findings	Conclusion
<p>The Council succeeded in bringing forward its timetable for the preparation of the narrative report, financial statements and annual governance statement to meet the timetable for publication of 30 June 2016.</p>	<p>The Council completed its working papers to support the financial statements in the week of 27 June 2016. In addition, management created further working papers in response to our queries during the audit. Best practice is for all working papers to be prepared at the time of sign off of the financial statements to 30 June each year. As the timetable moves to 31 May in 2017/18, management needs to bring forward its preparations to meet this date.</p>
<p>Within Note 14 of the draft financial statements on Financial Instruments management included an internally calculated sum of £60.363 million to record fair values of PWLB loans.</p>	<p>Management has amended Note 14 Financial Instruments to record fair values of PWLB loans at £61.210 million as per the third party Debt Management Office website</p>
<p>Note 28 (c) Exit Costs and Note 29 Termination Costs of the draft financial statements did not include all relevant costs as required by the Code of Accounting Practice.</p>	<p>Management has updated Note 28 (c) Exit Costs and Note 29 Termination Costs to record all costs where the full conditions of the departure were known as at 31 March 2016 in line with the Code of Accounting Practice.</p>



A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with the edges of several coins visible. The lighting is warm, highlighting the metallic texture and the ridges on the edges. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Value for Money'.

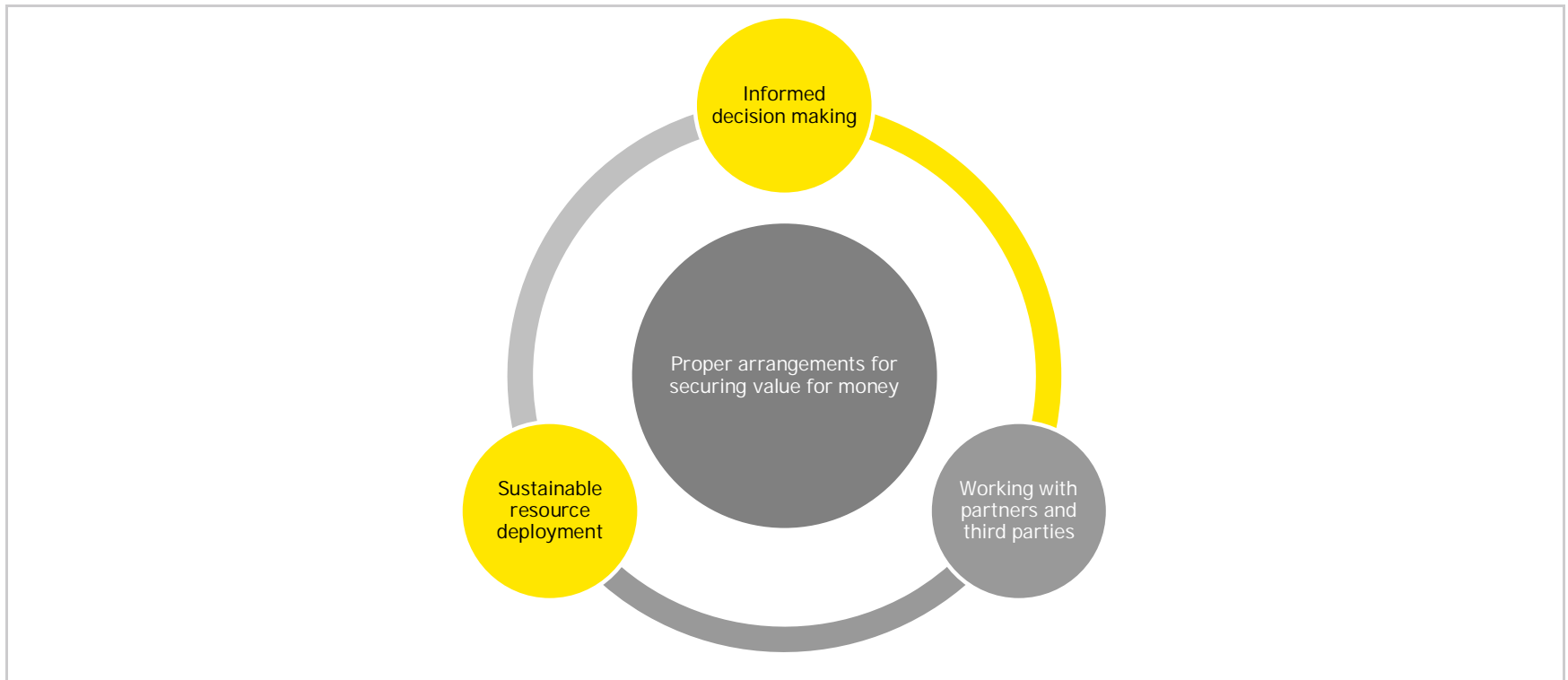
## Value for Money

## Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.





We issued an unqualified value for money conclusion on 29 September 2016.

Our value for money arrangements risk assessment identified a significant risk in relation to the Council's arrangements to deploy resources in a sustainable manner. The risk concerns the Council's cumulative budget gap in the Medium Term Financial Plan (MTFP) over the next three years.

Our work did not identify any significant weaknesses in relation to the Council's arrangements. We therefore concluded that the Council had adequate arrangements in place.

As part of our work we made the following observations.

### Key Findings

Consideration of arrangements for deployment of resources to achieve planned and sustainable outcomes

The Council published its Medium Term Financial Plan (MTFP) in January 2016. The Council identified a cumulative funding gap of £5.023 million budget gap to 31 March 2020.

To deliver a balanced budget for 2016/17, the Council relied on £0.201 million from its Austerity Fund. Such funding represents a short term measure and is not sustainable over the medium term.

The Council has also updated its MTFP in August 2016 forecasting a reduced budget gap of £4.765 million to 2019/20, assuming a 1.9% increase in Council Tax for 2017/18. In addressing its budget gap, the Council has set in place a programme to achieve savings of £2.1 million in part through transforming services.

We have reviewed:

- The robustness of any assumptions used in medium term planning;
- The Council's approach to prioritising resources whilst maintaining services; and
- The savings plans in place, and assessing the likelihood of whether these can provide the Council with the required savings/ efficiencies over the medium term.

The robustness of any assumptions used in medium term planning

We have concluded that The MTFP identifies the key assumptions expected to underpin the 2016/17 budget. Assumptions include:

- Reductions in future levels of Revenue Support Grant;
- Using New Homes Bonus (NHB) to provide core funding to support the Council's transformation agenda, rather than the revenue base budget;
- Pay inflation, inflation for other costs and fees and charges; and
- Business rates pooling and council tax sharing.

We consider that the management can improve the MTFP by introducing sensitivity analysis to the assumptions and scenario analysis to help guide Members to determine options for budget setting.

The Council's approach to prioritising resources whilst maintaining services

Tendring ensures that resources are prioritised through the monitoring of 18 key project areas as well as 12 performance indicators, detailing business critical areas of the Council's work. For 2015/16, Cabinet were notified that of the 30 indicators reported, 24 are on or above their respective target, with six Building New Homes, Transforming Tendring, Review of Corporate Plan; Financial Self Sufficiency (Leisure Services), Recycling Rate and New Home Completions) behind target. We judged that there are no immediate pressing concerns that financial austerity is

impacting on Council performance as reported.

#### The savings plans in place

The savings plans of £2.1 million follow good practice in covering transformation projects and alternative service delivery to address the budget gap and by being managed by working parties led by portfolio holder Members. We noted that the savings plans are in development and need to be finalised with a risk assessment as to their likely success.

As at the end of 31 March 2016, the General Fund balance was £4 million with earmarked general reserves of £21.9 million. However, of these reserves of £21.9 million, £13.1 million relate to commitment reserves to fund specific projects by Members. Should these be spent, the remaining earmarked reserves available to the Council are £8.8 million. To 2019/20, should no savings plans materialise, the Council has sufficient reserves to meet the revised budget gap of £4.765 million. However, the Council needs to consider carefully all income streams including council tax increases in maintaining its reserves in the future.

Bridging the budget gap to ensure the Council's future financial viability presents a significant challenge for the Council. We have concluded that the Council is responding well to the financial challenges it is facing, but could improve arrangements for sensitivity and scenario analysis in its budget setting and to reduce its dependence on the Austerity Fund by finalising its savings plans promptly and risk assessing the likelihood of their success.

---

## Other Reporting Issues

## Other Reporting Issues

### Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

### Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

Management has amended the annual government statement for minor omissions from the Code of Practice and to provide the Head of Internal Audit Opinion in full.

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2015/16 financial statements from member of the public.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## Independence

We communicated our assessment of independence in our Audit Results Report to the 22 September 2016 Audit Committees. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## Control Themes and Observations

We have adopted a fully substantive approach and have therefore not tested the operation of controls.



A close-up photograph of a person's face as they look through a pair of black binoculars. The person's eyes are visible through the eyepieces, and their hands are holding the binoculars. The background is a soft, out-of-focus white. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Focused on your future'.

Focused on your  
future

## Focused on your future

Area	Issue	Impact
EU referendum	<p>Following the majority vote to end the UK’s membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&amp;P, Fitch and Moody’s) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. For entities in the public sector, there is likely to be an impact on investment property valuations if confidence in the wider UK property market falls; and the valuation of defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact of these issues, but there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.</p>	<p>Many of the issues and challenges that face the UK public sector will continue to exist, not least because continued pressure on public finances will need responding to. Additionally it may well be that the challenges are increased if the expected economic impacts of the referendum and loss of EU grants outweigh the benefits of not having to contribute to the EU and require even more innovative solutions.</p> <p>We are committed to supporting our clients through this period, and help identify the opportunities that will also arise. We will engage with you on the concerns and questions you may have, provide our insight at key points along the path, and provide any papers and analysis of the impact of the referendum on the Government and Public Sector market.</p>
Faster close	<p>From the 2017/18 financial year, the deadline for preparing the financial statements will move to 31 May from 30 June. In addition, the deadline for completing the statutory audit will move to 31 July from 30 September.</p>	<p>The faster closedown timetable requires the Council to adjust their timetables for preparing the accounts, as well as the budget setting process and the timing of committee meetings.</p> <p>It requires upfront planning to identify areas of the accounts that can be prepared earlier, before the 31 March, and there will be a need to establish robust basis for estimations across a wider number of entries in the financial statements.</p> <p>For the 2016/17 audit, we are working with officers to bring our work forward to support the transition ahead of the new deadlines in 2017/18.</p>
Appointment of auditors	<p>The current audit contracts expire on the completion of the 2017/18 audit. The expiry of contracts also marks the end of the current mandatory regime for auditor appointments.</p>	<p>Appointment of auditors for the 2018/19 financial year is required by 31 December 2017.</p> <p>The Council should consider whether they intend to opt</p>

Area	Issue	Impact
	<p>After this, the Council can exercise choice about whether they decide to opt in to the authorised national scheme, or whether to make other arrangements to appoint their own auditors.</p> <p>In July 2016, the Secretary of State for Communities and Local Government specified Public Sector Audit Appointments limited (PSAA) as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015.</p> <p>PSAA will be able to appoint an auditor to relevant authorities that choose to opt into its national collective scheme.</p>	<p>into the appointed person scheme to appoint your auditors from 2018/19 or if the Council should make their own arrangements following the legislative requirements.</p>



Appendix A

## Audit Fees



## Appendix A    Audit Fees

Our March 2016 Audit Plan recorded planned fees for 2015/16 in line with the scale fee set by the PSAA Ltd.

Description	Final Fee 2015/16 £	Planned Fee 2015/16 £	Scale Fee 2015/16 £
Total Audit Fee – Code work	To be confirmed**	60,095*	58,708
Total Audit Fee – Certification of claims and returns	To be confirmed***	16,379	16,379

\* We agreed a scale fee variation of £1,387 for the extra work we undertook in 2015/16 with the Head of Finance, Revenues and Benefits for reporting on the results of our work on the proposed options and cost implications of the restructuring of the Management Team. The scale fee variation increase was approved by PSAA Ltd.

\*\* As reported in the Audit Results Report to those charged with governance, We have also undertaken extra work as a result of:

- The request for extra working papers during the audit; and
- Extra work to follow up the accounting and completeness of the disclosures related to the Management Team restructuring.

We anticipate a further scale fee variation will be necessary, which we will discuss in the first instance with the Head of Finance, Revenues and Benefits. Any extra fee is subject to approval by PSAA Ltd.

\*\*\*Our certification of the housing benefits claim takes place in October and November 2016. We will confirm the final fees charged in our certification report to be issued to the Council in February 2017.

EY | Assurance | Tax | Transactions | Advisory

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ED None

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## AUDIT COMMITTEE

26 JANUARY 2017

### REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

#### A.5 APPOINTMENT OF EXTERNAL AUDITOR FROM 2018/19

(Report prepared by Richard Barrett)

#### PART 1 – KEY INFORMATION

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

To set out the proposal to opt in to the Public Sector Audit Appointments (PSAA) arrangements for appointing External Auditors from 2018/19.

##### **EXECUTIVE SUMMARY**

- Following the demise of the Audit Commission, new arrangements were needed for the longer term appointment of external auditors.
- The Local Audit and Accountability Act 2014 requires the Council to either opt in to an appointing person regime or to establish an auditor panel and conduct their own procurement exercise once the existing contract with Ernst and Young Expires.

##### **RECOMMENDATIONS**

**That the Audit Committee recommends to Full Council that this Council opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors from 2018/19.**

#### PART 2 – IMPLICATIONS OF THE DECISION

##### **DELIVERING PRIORITIES**

The aim of continuing to be financially stable and well managed and provide good value for money is directly supported through learning and improving through audit and inspection.

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

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

Until the associated procurement exercise is completed it is not possible to state what additional resource may be required for audit fees from 2018/19, although it is anticipated that any increase will be minimised through using PSAA given economies of scale that such arrangements are expected to provide. Once costs are known then they will be reflected in the financial forecast as necessary.

If the Council does not opt in to the PSAA arrangements, then additional resource may be needed to establish an auditor panel and to conduct a local procurement process and the potential for economies of scale would potentially be lower.

**Risk**

The main risks associated with this report are value for money considerations in terms of cost and the Council's capacity if it decided not to opt in to the appointing person regime and carry out its own appointment process via an independent panel.

**LEGAL**

The proposals set out in this report are compliant with the Local Audit and Accountability Act 2014.

The PSAA were specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015

**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.**

This report does not have a direct impact.

**PART 3 – SUPPORTING INFORMATION****BACKGROUND AND CURRENT POSITION**

As part of closing the Audit Commission the Government novated external audit contracts to PSAA on 1 April 2015. The contracts were due to expire following conclusion of the audits of the 2016/17 accounts, but could be extended for a period of up to three years by PSAA, subject to approval from the Department for Communities and Local Government.

In October 2015 the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the contracts for a period of one year. This meant that for the audit of the 2018/19 accounts it would be necessary for authorities to either undertake their own external audit procurement process or opt in to an appointed person regime.

An appointed person regime is to a large extent how the external auditors were appointed under the previous Audit Commission arrangements.

There was a degree of uncertainty around the new appointed person regime until July 2016 when PSAA were specified by the Secretary of State as an appointing person body. The appointing person is sometimes referred to as the sector led body and PSAA has wide support across local government. PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission and is a company owned by the Local Government Association's Improvement and Development Agency (IDeA).

An invitation to local authorities to opt in was received from the PSAA on 27 October and a response is required by 9 March 2017. Subject to the agreement of this Committee, the recommendation to make use of the appointing person arrangements offered by PSAA will be considered by Council on 7 February 2017 as required by the regulations.

The main advantages of opting in to the PSAA's appointing person option is set out in its prospectus which are summarised below;

- Assure timely auditor appointments
- Manage independence of auditors
- Secure highly competitive prices
- Save on procurement costs
- Save time and effort needed on auditor panels
- Focus on audit quality
- Operate on a not for profit basis and distribute any surplus funds to scheme members.

The alternative approach of establishing an auditor panel and conducting a local procurement process will be a far more resource intensive process and without the bulk buying power of the sector led procurement and would be likely to result in a more costly External Audit service.

As highlighted above a decision to opt in to the PSAA appointing person approach must be made by Full Council. To comply with this regulation the Committee is asked to make its recommendation to Council on 7 February 2017, which would allow a response to be made by the deadline of 9 March 2017.

For information, at the time of writing this report, via discussions with other authorities, it is understood that most other authorities across Essex will be opting in to the new PSAA appointing person approach.

#### **BACKGROUND PAPERS FOR THE DECISION**

PSAA Prospectus

PSAA – Appointing Person – Frequently Asked Questions

#### **APPENDICES**

None

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## AUDIT COMMITTEE

26 JANUARY 2017

### REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

#### A.6 AUDIT COMMITTEE – TABLE OF OUTSTANDING ISSUES

(Report prepared by Richard Barrett)

##### PART 1 – KEY INFORMATION

###### PURPOSE OF THE REPORT

To present to the Committee the progress against outstanding actions identified by the Committee.

###### EXECUTIVE SUMMARY

- The Table of Outstanding Issues has been reviewed and updated since it was last considered by the Committee at its 22 September 2016 meeting.
- To date there are no significant issues to bring to the attention of the Committee, with updates provided against individual items set out in **Appendix A** or elsewhere on the agenda where appropriate.
- Updates against actions identified within the latest Annual Governance Statement are set out in **Appendix B** with no significant issues to highlight at the present time.

###### RECOMMENDATION(S)

**That the progress made against the outstanding issues be noted.**

##### PART 2 – IMPLICATIONS OF THE DECISION

###### DELIVERING PRIORITIES

The existence of sound governance, internal control and financial management practices and procedures are essential to the delivery of Corporate priorities supported by effective management and forward planning within this overall framework.

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

###### Finance and other resources

There are no significant financial implications associated with monitoring of the agreed actions or responses. If additional resources are required then appropriate steps will be taken including any necessary reporting requirements.

###### Risk

The Table of Outstanding Issues is in itself a response to potential risk exposure with further activity highlighted to address matters raised by the Audit Committee.

###### LEGAL

There are no direct legal implications associated with this report.

###### 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.**

This report does not have a direct impact although such issues could feature in future recommendations and actions. Any actions that may have an impact will be considered and appropriate steps taken to address any issues that may arise.

### **PART 3 – SUPPORTING INFORMATION**

#### **TABLE OF OUTSTANDING ISSUES**

A Table of Outstanding Issues is maintained and reported to each meeting of the Committee. This approach enables the Committee to effectively monitor progress against issues and items that form part of its governance responsibilities.

An updated Table of Outstanding Issues is set out in **Appendix A**. An update against actions relating to the latest Annual Governance Statement is set out separately in **Appendix B**.

#### **Update Against Issues Raised**

Any actions identified by the Committee at its last meeting have now been included where appropriate.

Updates against items either appear as separate items elsewhere on the agenda or set out within the Appendices, with work scheduled or remaining in progress against all items.

During its 22 September 2016, the Committee agreed to invite the Planning and Regeneration Portfolio Holder to the next meeting of the Committee to discuss issues relating to S106 agreements. This invite has been revised to the March 2017 meeting of the Committee, which provides the opportunity to review the latest position / update from the service in terms of improvement actions taken.

#### **BACKGROUND PAPERS FOR THE DECISION**

None

#### **APPENDICES**

**Appendix A** – Table of Outstanding Issues (December 2016) – General.

**Appendix B** - Table of Outstanding Issues (December 2016) - Annual Governance Statement Actions

## AUDIT COMMITTEE - Table of Outstanding Issues (December 2016)

GENERAL					
Governance Area	Activity / Subject	Recommendation / Issue	Lead Service	Progress / Comments	Status - Target Date
External Audit	Future Change	At its meeting on 13 December 2012, the Audit Committee resolved:  <i>That the local procurement of external audit services along with any impact on Parish/Town Councils is added to the Table of Outstanding Issues for future consideration.</i>	Head of Finance and Revenues and Benefits	The most up to date position is set out in a separate report elsewhere on the agenda.	<b>March 2017</b>
Risk Management	Effective Management of the Council's Property Portfolio	Following the Audit Committee's training session on 23 October 2014, Officers were requested to keep the Committee up to date with the property risk audit that is to be undertaken in partnership with the Council's insurers.	Head of Finance and Revenues and Benefits	The Council's insurance policies were placed with alternative insurers in June 2016 which has had an impact on this work.  Discussion remain on-going with the new insurers to determine the scope and cost of this work.	<b>On-going</b>
Recommendations from the External Auditor	Certification of Claims and Returns Annual Report 2014/15	At its 17 March 2016 meeting the Committee considered the External Auditor's Certification of Claims and Returns Report for 2014/15 and approved the following recommendation :  [That in respect of the Housing Benefits Subsidy Claim] Perform early extended testing in those areas where errors were identified in 2014-15, to ascertain the extent of similar errors arising in 2015-16.	Head of Finance and Revenues and Benefits	A report considered by the Committee at its March 2016 meeting confirmed that the Council implemented the recommendations from last year but it needed to continue to undertake extended testing in the areas identified this year to ascertain the extent of similar errors, if any, in 2015/16. This was undertaken at the end of 2015/16 along with a review by subsidy officers within the service and the Head of Finance and Revenues and Benefits.	<b>The outcome from the work of the External Auditor in respect of the 2015/16 claim is scheduled to be reported to the March 2017 meeting of the Committee</b>

<b>Fraud and Compliance</b>	<b>Effective delivery of Corporate Fraud and Compliance activities</b>	<p>At its 17 March 2016 meeting the Committee considered the Table of Outstanding Issues Report which provided an update on the how the Council is delivery non-housing benefit anti-fraud activities and included the key points below:</p> <ul style="list-style-type: none"> <li>• Staff within the Revenues and Benefits Service continue to undergo the necessary training to undertake fraud investigation work.</li> <li>• Anti-fraud activities form part of wider compliance work undertaken by the relevant team that seeks to maximise income for the Council such as undertaking checks on entitlement to Council Tax discounts, undeclared change of circumstances and tenancy fraud.</li> <li>• The Council's overall corporate approach to anti-fraud and associated investigation work across the whole Council needs to be balanced against key priorities and staff capacity. This is being reviewed as part of the wider reorganisation associated with the senior management restructure currently in progress. A further update will be provided to the Committee later in the year when the reorganisation has been completed / embedded.</li> </ul>	Head of Finance and Revenues and Benefits	<p>Following the recent Senior Management restructure, which is now embedded, a review of a number of emerging / potential advantages (in respect of anti-fraud activities) from bringing the Finance and Governance activities together with the Revenues and Benefit function is reaching a conclusion. Associated changes are planned on being implemented by the end of March 2017 as part of a further staff reorganisation.</p>	<b>March 2017</b>
<b>The Council's Governance arrangements</b>	<b>Land / Property Acquisition Policy</b>	<p>At its 22 September 2016 meeting, the Committee considered the Table of Outstanding Issues Report, following which it resolved that Cabinet review the policy in respect of any future land purchases in Jaywick given the impairment loss of £0.700m in 2015/16.</p>	Head of Finance and Revenues and Benefits	<p>The Committee's comments were reported to Cabinet on 4 November 2016.</p> <p>The Finance, Revenues &amp; Benefits Portfolio Holder had considered the Audit Committee's comment and had responded as follows:- "It has been and remains the policy that all land purchases are carefully considered to fully assess the financial implications."</p> <p>Having considered the comment of the Audit Committee and the Portfolio Holder's response, Cabinet resolved that the Finance, Revenues &amp; Benefits Portfolio Holder's response be endorsed.</p>	<b>Completed</b>
<b>The Council's Governance arrangements</b>	<b>Procurement / Contract Arrangements</b>	<p>At its 22 September 2016 meeting, the Committee considered the Table of Outstanding Issues Report, following which it resolved that in light of the recent experiences in connection with the public conveniences contract the Council reviews its current procurement/contract processes to identify if such issues could be prevented in the future.</p>	Head of Finance and Revenues and Benefits	<p>As part of the wider review of procurement processes that are planned for 2017/18, this issue will be taken into account in consultation with Legal Services.</p>	<b>On-going</b>

<p><b>The Council's Governance arrangements</b></p>	<p><b>Procurement / Contract Arrangements</b></p>	<p>At its meeting on 22 September 2016, the Committee were presented with an update against actions identified as part of the Seafronts Investigation Action Plan. As most actions have now been completed a separate appendix is no longer included within this report with the following outstanding actions now included within this table:</p> <p>The centralisation of repair / maintenance type work to reduce the potential for untrained staff to become involved in the procurement process is continues to be reviewed as there may be a number of potential advantages from this approach.</p> <p>Guidance / Mandatory training remains under development which will include the following key points:</p> <ul style="list-style-type: none"> <li>* Actions to protect the Council from fraud</li> <li>* Expectation of officers if covering another officer's duties where procurement is undertaken</li> <li>* The nature and level of assistance that can be provided to people / organisations bidding for Council work</li> <li>* Disaggregation of works to avoid procurement procedure rules is not permitted</li> <li>* Checks to undertake ensure potential contractors have the capacity and financial stability to deliver the Council's requirements</li> <li>* What activities need to be completed before payment is released to contractors / suppliers</li> <li>* The correct coding of expenditure within the financial systems</li> <li>* Contractors not to be paid in advance unless contractually obliged to do so</li> <li>* 'Spot' checks required by Senior Managers to ensure rules / guidance is being adhered to</li> </ul>	<p>Head of Finance and Revenues and Benefits</p>	<p>In addition to responding the outstanding actions set out, once the training / guidance has been provided to officers, restrictions are also planned on being made to the Council's ordering system to restrict the use of the system to only those officers who have undertaken the necessary training and confirmed that they have read and understood the guidance.</p>	<p><b>March 2017</b></p>
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## AUDIT COMMITTEE - Table of Outstanding Issues (December 2016)

### ANNUAL GOVERNANCE STATEMENT ACTIONS

ANNUAL GOVERNANCE STATEMENT ACTIONS		
Governance Issue	Action	Current Position / Update
Page 90	<p>Via the Financial Strategy process, continue to maintain a strong and robust approach to identifying savings and respond to new or additional burdens against the backcloth of the potential for further cuts in Government funding.</p> <p>The forecast budget 'gap' is £1.968m in 2017/18 rising to £5m on a cumulative basis by 2019/20. The budget 'gap' primarily reflects the continuing year on year reduction in Government funding.</p> <p>Financial Resilience remains at the forefront of the financial planning process with money identified where possible to invest in 'spend to save' projects that will in turn support the Council in delivering a balanced and sustainable budget in the long term, by aiming to find savings from within its underlying revenue budget rather than relying on potentially time limited income such as from the New Homes Bonus to balance the budget.</p> <p>Cabinet Members to lead on taking forward savings proposals which will include some difficult decisions such as ceasing service provision, decommissioning assets or reducing the level of services provided.</p>	<p>At the time of printing this report, detailed budget proposals for 2017/18 were scheduled to be presented to Cabinet on 20 January 2017 which delivered a balanced budget by taking 2016/17 and 2017/18 across a two year budget cycle.</p> <p>A key priority for the Council is to now look ahead to the budget for 2018/19 which will present a significant financial challenge with early forecasts indicating savings of nearly £2.000m being required by the end this calendar year.</p>
	<p>A key / overlapping element of work that will be progressed during the year will be how the Council manages and utilises its assets effectively to support the delivery of services and priorities.</p>	<p>The on-going and comprehensive review of assets continues to form an important strand of work associated with the wider office transformation project. Decisions in respect of the Council offices in Weeley have now been taken and are being taken forward along with a number of further asset related initiatives.</p>

<p><b>Working with Partners and Other Third Parties</b></p>		
<p>Working with partners effectively to deliver strategic priorities</p>	<p>To ensure that adequate, effective and robust arrangements are in place for the acquisition of sites in the Jaywick area, and with a view to facilitating development or directly developing the sites for housing / regeneration stimulation.</p>	<p>The Council continues to work with partners in progressing / developing the various strands of this major project.</p>
	<p>To continue to play a key role in the development of the Garden Communities Project including key governance and financial arrangements set against open and transparent decision making.</p>	<p>The comprehensive report referred to when this issue was reported to the Committee in September 2016 was presented to Full Council on 29 November 2016, which set out the first steps in this major project. The Council continues to work with partnering authorities to take this project forward with further decisions planned to be presented to members as appropriate.</p>
<p><b>Other Major Issues</b></p>	<p>To revise the Code of Corporate Governance taking account of the new CIPFA/ Solace framework applicable from 2016/17.</p>	<p>A revised Code of Corporate Governance is presented elsewhere on the agenda.</p>
	<p>To continue to embed the arrangements regarding the recording of Officer Decisions and the Scheme of Delegation within Departments.</p>	<p>Training was provided to Senior Officers on the new Committee Management System in 2016, which also covered the requirements for Officer Decisions. The Scheme of Delegation to Officers remains as an on-going activity to reflect the most up to date position in respect of Portfolios and Senior Management Structures.</p>

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