



AUDIT COMMITTEE

DATE:	Thursday, 22 June 2017
TIME:	7.30 pm
VENUE:	Council Chamber, Council Offices, Thorpe Road, Weeley, CO16 9AJ

MEMBERSHIP:

Councillor Coley (Chairman)	Councillor Hones
Councillor Poonian (Vice-Chairman)	Councillor Scott
Councillor Alexander	

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

DATE OF PUBLICATION: Thursday, 15 June 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 16 March 2017 (Pages 1 - 8)

To confirm and sign as a correct record, the minutes of the last meeting of the Committee, held on Thursday 16 March 2017.

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 - March - May 2017 and Annual Report of the Audit And Governance Manager 2016/17 (Pages 9 - 28)

To provide a periodic report on the Internal Audit function for March to May 2017 and the Audit and Governance Manager's Annual Report for 2016/17, as required by professional standards.

5 Report of Corporate Director (Corporate Services) - A.2 - Annual Governance Statement 2016/17 (Pages 29 - 42)

To seek approval of the Annual Governance Statement for 2016/17.

6 Report of Corporate Director (Corporate Services) - A.3 - Corporate Risk Update (Pages 43 - 70)

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

7 Report of Corporate Director (Corporate Services) - A.4 - Table of Outstanding Issues (Pages 71 - 80)

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

8 Items Scheduled for the Next Meeting of the Committee in September 2017

Items currently scheduled for that meeting include:

- 1) Internal Audit Regular Monitoring Report
- 2) Audit Results Report 2016/17
- 3) Counter Fraud Strategy / Update
- 4) Annual Review of the Risk Based Verification Policy
- 5) Table of Outstanding Issues

Date of the Next Scheduled Meeting

The next scheduled meeting of the Audit Committee is to be held in the Council Chamber, Council Offices, Thorpe Road, Weeley, CO16 9AJ at 7.30 pm on Thursday, 21 September 2017.

Information for Visitors

FIRE EVACUATION PROCEDURE

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MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD

ON THURSDAY 16 MARCH 2017

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

Present: Councillors Coley (Chairman), Griffiths (Vice-Chairman)(except items 31 – 35), Hones and Poonian

In Attendance: Head of Finance, Revenues & Benefits Services & Section 151 Officer (Richard Barrett), Head of Planning Services (Cath Bicknell)(except items 35 – 41), Audit and Governance Manager (Steve Blake), Committee Services Manager (Ian Ford) and Principal Auditor (Craig Clawson)

Also in Attendance: Chris Hewitt (Ernst & Young – External Auditor)

31. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

An apology for absence was submitted on behalf of Councillor Stephenson (with Councillor Hones substituting).

32. MINUTES OF THE LAST MEETING

The minutes of the meeting of the Committee held on 26 January 2017 were approved as a correct record and signed by the Chairman.

33. DECLARATIONS OF INTEREST

There were none on this occasion.

34. SECTION 106 AUDIT UPDATE

The Committee had before it a report of the Head of Planning Services (Cath Bicknell) (A.1), which provided it with an update in relation to the Section 106 Audit.

The Committee was aware that the 2014/15 audit of Section 106 agreements had concluded that improvement was required. The high priority actions identified by that audit were in relation to the monitoring fees, monitoring of income and the collection of contributions.

Monitoring fees

The audit had questioned whether monitoring fees should be collected. A High Court decision had found the collection of monitoring fees to be unlawful but subsequent external legal advice had suggested that the collection of fees for the drafting of agreements and the monitoring of development was lawful. Currently, fees were collected from developers for both purposes.

Monitoring of income

The audit had identified that there was a backlog in the monitoring of income. A report generated from the Section106 database was used to identify developments that needed

to be checked for commencement. However, a backlog, resulting from staff changes and absences, existed in this area of work.

Collection of contributions

The audit had identified that the database was not being used to identify which developments needed to be monitored. However, alternative sources of information (planning permissions and building regulations approvals) were being used. The completion of Section 106 agreements was not affected, only their monitoring.

It was further reported that the Section 106 database used to monitor Section 106 agreements was now unsupported thereby making its contents vulnerable. A new system had been purchased to reduce this risk and was being configured for implementation. It would be ready to use for Section 106 monitoring mid-2017 once backfilling of data had been completed. The new system (Exacom) had been produced by the developers of the previous database but unlike its predecessor, it was compatible with the Council's back office Planning System (Uniform) and was fully supported. Exacom included a level of reporting capabilities that improved the robustness of the monitoring work. It was also designed to deal with the Community Infrastructure Levy (CIL) and so would be valuable into the future, when CIL was introduced by the Council.

The Committee was reminded that, historically, the Section 106 monitoring activities were undertaken by a Section 106 officer and more recently by various officers alongside other duties. Unfortunately, under those arrangements some tasks had not been kept up-to-date. A Planning Technician, dedicated to monitoring of Section 106 agreements and preparing for the monitoring of CIL was being recruited on an initial fixed term basis and was expected to commence duties during March 2017. Implementation of the new IT system would be followed by a process review.

It was recommended by Officers that a follow-up audit of Section 106 agreement monitoring be undertaken once the new IT system and staffing arrangements had been in place for 9-12 months. This would allow time for the areas of concern identified in the previous audit to be addressed.

Following discussion and questions by Members, it was:

RESOLVED that

- (a) the progress in relation to the Section 106 audit be noted;
- (b) a follow-up audit be undertaken in March 2018; and
- (c) the Section 106 Audit be added to the Table of Outstanding Issues.

35. REPORT ON INTERNAL AUDIT – DECEMBER 2016 – FEBRUARY 2017

The Council's Principal Auditor (Craig Clawson) provided a periodic report (A.2) on the Internal Audit function for the period of December 2016 to mid-February 2017.

The Principal Auditor informed the Committee that all audits completed in the period had achieved a satisfactory level of assurance and that scheduled audits that had been unable to be progressed in the current year had been taken into account in preparing the 2017/18 Internal Audit Plan, as part of a rolling programme and therefore there was no impact on risk exposure to the Council.

The Principal Auditor also informed the Committee of the current position in relation to:

- (i) Public Sector Internal Audit Standards;
- (ii) Standard 1311 Internal Assessments and Standard 1312 External Assessments;
- (iii) Internal Audit Plan Progress;
- (iv) Quality Assurance;
- (v) Outcomes of Internal Audit Work; and
- (vi) Management response to Internal Audit findings.

In respect of item (ii) Standard 1312 External Assessments the Audit and Governance Manager (Steve Blake) informed the Committee that the Council had now accepted a quote from a suitable external contractor and that this Council's External quality Assessment would take place in September 2017 at the same time as that of Uttlesford District Council.

In respect of item (vi) Management response to Internal Audit findings the Principal Auditor informed Members that there were now no overdue high severity issues.

Following discussion and questions by Members, it was:

RESOLVED that the contents of the report be noted.

36. INTERNAL AUDIT CHARTER AND INTERNAL AUDIT PLAN 2017/18

There was submitted a report by the Council's Audit and Governance Manager (A.3) which sought the Committee's approval for an updated Internal Audit Charter and the Internal Audit Plan for 2017/18.

The Committee was reminded that Public Sector Internal Audit Standards required that the Audit and Governance Manager: -

1. Periodically reviewed the Internal Audit Charter and presented it for approval.
2. Provided a high level statement of how the Internal Audit Service would be delivered and developed in accordance with the Internal Audit Charter and how it linked to the organisational objectives and priorities.
3. Established a risk based Internal Audit Plan, at least annually, to determine the priorities of the Internal Audit function, consistent with the Council's goals.
4. Had in place a mechanism to review and adjust the plan, as necessary, in response to changes to the Council's business, risks, operations, programmes, systems and controls.
5. Produced a plan that took into account the need to produce an annual Internal Audit opinion.
6. Considered the input of senior management and the Audit Committee in producing the plan.
7. Assessed the Internal Audit resource requirements.

It was reported that the Internal Audit Charter had been reviewed and updated to reflect recent changes to the Public Sector Internal Audit Standards together with other desirable changes.

Members were reminded that the Standards required the Charter to be a formal document that: -

- Defined the Internal Audit activity's mission, purpose, authority and responsibility;
- Established the Internal Audit activity's position within the organisation including the nature of the "Chief Audit Executive's" (Audit and Governance Manager's) functional reporting relationship with the Board (Audit Committee);
- Authorised access to records, personnel and physical properties relevant to the performance of engagements;
- Defined the scope of Internal Audit activities;
- Defined the terms "Board" and "Senior Management" for the purpose of Internal Audit activity;
- Covered the arrangements for appropriate resourcing;
- Defined the role of Internal Audit regarding fraud-related work; and
- Included arrangements for avoiding conflicts of interest if Internal Audit undertook any non-audit activities.

Members were made aware that further changes were due to be made to the Public Sector Internal Audit Standards in 2017, but had yet to be published. Any required revisions to the Charter required would be brought to a future meeting of the Committee for approval.

The Committee was informed that the Internal Audit function would continue to deliver a service that took account of, and followed, the requirements as set out in the Charter, and which:

- Discharged the Council's statutory responsibilities with regard to internal audit;
- Provided a service compliant with the requirements of the Standards;
- Contributed to the Council's governance, risk and assurance arrangements;
- Enabled the Audit and Governance Manager to provide an annual opinion on the overall adequacy and effectiveness of the Council's control environment; and
- Delivered a quality service.

The Internal Audit resources available were considered sufficient to be able to deliver the proposed Internal Audit Plan 2017/18 that would meet the above requirements.

Having discussed the proposed Internal Audit Plan it was:

RESOLVED that

- (a) the updated Internal Audit Charter be approved;
- (b) the Internal Audit Plan for 2017/18 be approved; and
- (c) the existing arrangements for updating the Plan during the year, where necessary to reflect changing Authority activity and operational needs and to provide flexibility of service delivery, be continued, with significant amendments reported to this Committee as part of the periodic Internal Audit reporting arrangements.

37. EXTERNAL AUDITOR'S AUDIT PLAN 2016/17

There was submitted a report by the Council's Corporate Director (Corporate Services) (A.4) for the Committee's consideration and agreement of the External Auditor's Audit Plan for 2016/17.

Members were informed that the External Auditor's Audit Plan for the year ending 31 March 2017 set out their planned audit work in respect of the 2016/17 Financial Statements and Value for Money conclusion. The Plan had been developed taking into account a number of factors such as strategic, operational and financial risk which provided a reporting focus on the areas that mattered and would more likely be relevant to the Council.

Chris Hewitt from the Council's external auditor, Ernst & Young, highlighted the salient points of their audit plan for 2016/17 and, in particular, focused on the Financial Statements Risks, the Value for Money conclusions. He also highlighted the matters of Materiality, Independence and Fees.

Having considered the proposed External Auditor's Audit Plan it was:

RESOLVED that the External Auditor's Audit Plan for 2016/17 be approved.

38. EXTERNAL AUDIT – CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2015/16

There was submitted a report by the Council's Corporate Director (Corporate Services) (A.5) which presented the External Auditor's certification of claims and returns annual report for 2015/16.

In summary, the key outcomes from the annual report were as set out below:

- Only one claim / return made by the Council had been subject to audit certification by the Council's External Auditor.
- A qualification letter had been issued in respect of the housing benefit subsidy claim, although there had been only a marginal effect on the grant due.
- To date no response had been received from the Department for Works and Pensions in response to the External Auditor's qualification letter which they received in early December 2016.
- One recommendation had been made by the External Auditor in respect of the Housing Benefits Subsidy Claim.

Mr Hewitt from the Council's external auditor, Ernst & Young, highlighted the salient points of their audit report including its recommendation in respect of the Housing Benefit Subsidy Claim and the 2015-16 Certification Fees.

Having considered the External Auditor's report it was:

RESOLVED that

- (a) the contents of the External Auditor's certification of claims and returns annual report 2015/16 be noted; and
- (b) the recommended action in response to the External Auditor's findings be approved.

39. AUDIT COMMITTEE WORK PROGRAMME 2017/18

There was submitted a report by the Council's Corporate Director (Corporate Services) (A.6) which presented for approval the Committee's proposed work programme for the period April 2017 to March 2018.

Members were aware that, in addition to the regulatory and statutory activities undertaken by the Committee such as the Statement of Accounts, Corporate Governance and Risk Management, the Committee were also required to review and scrutinise:

- The work and performance of the Internal Audit function;
- The outcomes from the work of the Council's External Auditor; and
- Progress against audit recommendations and other items identified by the Committee.

It was reported that as the year progressed, it might be necessary to review items as some reports / activities and associated timescales could be subject to change. As appropriate, the Chairman of the Committee would be consulted on any significant changes to the work programme.

Having considered the proposed Work Programme it was:

RESOLVED that

The Audit Committee's Work Programme for 2017/18 be approved.

40. AUDIT COMMITTEE – TABLE OF OUTSTANDING ISSUES

There was submitted a report by the Council's Corporate Director (Corporate Services) (A.7) 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.7 of the Report of the Corporate Director (Corporate Services), or elsewhere on the agenda where appropriate.

Updates against actions identified within the latest Annual Governance Statement were set out in Appendix B with no significant issues to highlight at the present time.

Members were aware that the Frinton and Walton Lifestyles facility had recently reopened following the completion of remedial work and associated testing for legionella. Although a recovery plan remained in progress, including training and other health and safety related issues, longer term improvement actions and learning points identified from this event were being finalised. Once completed, it was planned to present a summary of the findings and associated actions to the Committee for review and monitoring going forward.

It was **RESOLVED** that the progress made against the outstanding issues be noted.

41. ITEMS SCHEDULED FOR THE NEXT MEETING OF THE COMMITTEE IN JUNE 2017

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

- 1) Annual Report of the Audit and Governance Manager
- 2) Internal Audit Regular Monitoring Report
- 3) Annual Governance Statement (including review of the Council's Code of Corporate Governance)
- 4) Corporate Risk Update
- 5) Table of Outstanding Issues (including update against External Audit Recommendations)

The meeting was declared closed at 8.29 p.m.

Chairman

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AUDIT COMMITTEE

22 JUNE 2017

REPORT OF AUDIT AND GOVERNANCE MANAGER

A.1 REPORT ON INTERNAL AUDIT – MARCH – MAY 2017 AND ANNUAL REPORT OF THE AUDIT AND GOVERNANCE MANAGER 2016/17

(Report prepared by Steve Blake)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a periodic report on the Internal Audit function for March to May 2017 and the Audit and Governance Manager's Annual Report for 2016/17, as required by professional standards.

EXECUTIVE SUMMARY

- An annual self-assessment against the Public Sector Internal Audit Standards has identified a small number of outstanding compliance issues to be addressed during 2017/18 alongside the changes arising from the introduction of revised standards from April 2017.
- 98% of the 2016/17 Internal Audit Plan had been completed by the time of production of this report, with all key systems audits complete or at draft report stage.
- Eleven audits were completed in the quarter of which eight were given either Substantial or Adequate Assurance, three audits were rated Improvement Required and no audits were rated Significant Improvement Required.
- Although the Council's governance arrangements were generally found to be sound there were some significant issues reported that impacted on key or systems in use across the Council therefore giving a wider risk exposure and therefore it has only been possible to give a qualified assurance for the year in the Audit and Governance Manager's annual report. Actions to address the issues identified are ongoing.

RECOMMENDATION(S)

That the report be considered and noted.

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 to maintain 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 to make arrangements for reporting to senior management (Management Board) and to the board (Audit Committee) during the course of the year, and for producing an annual Internal Audit opinion and report that can be used to inform the Annual Governance Statement.

The Accounts and Audit Regulations 2015 make it a statutory requirement that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

CURRENT POSITION**REPORT ON INTERNAL AUDIT FOR MARCH - MAY 2017**

In order to provide the Committee with as up to date information as is possible, this section of the report provides detail relating to the outstanding period in 2016/17 not previously reported, and in addition the early part of the new financial year.

Public Sector Internal Audit Standards

A self-assessment against the standards has been undertaken to establish the level of conformance at the end of the 2016/17 financial year. The standards require that a Quality Assurance and Improvement Programme (QAIP) be produced and presented to the Audit Committee. The QAIP produced reflects any conformance issues identified as currently outstanding (Appendix A). The self-assessment undertaken has identified a small number of conformance issues that had not previously been identified at previous assessments and these have been added to the QAIP. Action is being taken, or is proposed, to deal with

all the entries listed.

As verbally reported to the March meeting of the Committee, a suitably qualified assessor has been appointed to undertake the external assessment required by the standards, and this is scheduled to be undertaken later in the year. The results of that assessment will be reported to the Committee in due course.

The Public Sector Internal Audit Standards were updated from 1st April 2017. The key changes can be summarised as follows: -

Standard	Key Change
1000 – Purpose, Authority and Responsibility	Clarification of the mandatory elements of the Public Sector Internal Audit Standards. Makes reference to the Mission introduced in the 2016 revision
1112 – Chief Audit Executive Roles Beyond Internal Auditing	New standard recognising that the postholder may have other responsibilities, and emphasising the requirement for safeguards to avoid conflicts of interest
1130 – Impairment to Independence or Objectivity	Additional content providing clarification on the provision of assurance services where consultancy and advice has previously been provided
1210 – Proficiency	Revised to reflect the new core principle on being “future-focussed”
1320 – Reporting on the Quality Assurance and Improvement Programme	Adds the expected disclosures required when reporting QAIP results
2000 – Managing the Internal Audit Activity	Revised to include a requirement that for the Internal Audit to be effectively managed consideration is given to “trends and emerging issues that could impact the organisation”
2010 – Planning	Amended wording to the interpretation, ensuring that the Internal Audit Plan is developed with an understanding of the organisation’s strategies, key business objectives, associated risks and risk management processes
2050 - Coordination and Reliance	New interpretation providing improved clarification regarding the placing of reliance on the work of other assurance providers
2060 - Reporting to Senior Management and the Board	Expanded interpretation setting out the key elements that need to be reported to Senior Management and the Audit Committee
2210 - Engagement Objectives	New interpretation setting out different types of criteria to evaluate governance, risk management and controls
2230 – Engagement Resource Allocation	New interpretation defining the knowledge, skills, competencies and quantity of resources to accomplish each audit with due professional care.

There have been minor revisions to other standards.

In reality many of the aspects of the changes are already undertaken, and require no more than an update of the Internal Audit Manual to reflect the revised standards. The QAIP has been updated to reflect that there is outstanding work to be undertaken to demonstrate compliance with the revised standards.

Standard 2060 Reporting to Senior Management and the Board

Given the nature of this standard, it is appropriate to consider its requirements at this time, so that the changes required can be reflected in this, and future, reports to the Committee. The revised standard requires the following to be reported: -

Reporting Requirement	Current Arrangements	Proposed Arrangements
The Audit Charter	Annual review of the Charter reported to Audit Committee	No change
Independence of the Internal Audit activity	Referred to in Charter, and in Audit and Governance Manager's Annual report	Comment on any independence issues to be added to periodic reports on Internal Audit
The Audit Plan and progress against the plan	Appendix to each periodic Internal Audit report to the Committee identifies progress made. Audit and Governance Manager's Annual Report provides additional detail	Measurement of progress against plan to be reintroduced to periodic reports on Internal Audit
Resource requirements	Included in Annual Plan reports. Reference made in periodic reports when significant resource issues arise	No change
Results of Internal Audit activity	Included in periodic reports on Internal audit	No change
Conformance with the Code of Ethics and the Standards, and action plans to address any significant conformance issues	Included in periodic reports, with Quality Assurance and Improvement Programme reported at least annually	No change
Management response to risk, that in the Audit and Governance Manager's judgement, may be unacceptable to the Council	Any such issues arising would be included in periodic reports on Internal Audit	Line to be added to periodic report on Internal Audit to report where no such instances have occurred in the period under review

Internal Audit Plan – The 2016/17 plan was approved by this Committee on 17th March 2016, with the 2017/18 plan being approved by the Committee at its last meeting on 16th March 2017.

Internal Audit Plan 2016/17 Progress – Appendix B provides detail of the status of each audit in the plan at 31st March 2017 and an updated position for May 2017.

At 31st March 2017 the equivalent of 86% of the 2016/17 plan had been completed. This

was due to a number of audits overrunning their planned time. Whilst there are mechanisms in place to monitor and control time, the nature and complexity of some audits and the issues arising can impact on time performance. All key systems audits are now either complete with a final report issued or at draft report stage.

The Audit and Governance Manager's Annual Report, set out later in this report, identifies that the level of coverage achieved and the effect of the changes made to the plan did not impact materially on the forming of an overall opinion on the Council's Internal Control environment or expose the Council to material risk. The plan is intended to be flexible and subject to change during a financial year, it being recognised that exposure to risk can change. A small number of audits were deferred where circumstances / changes to the Council's operations made the timing of an audit in 2016/17 inappropriate – these audits have been included in the 2017/18 plan.

Although each Internal Audit Plan is described as relating to a specific year, in reality it should be considered as an ongoing rolling plan of work. Audits incomplete at 31st March have been rolled forward and progressed in the early part of 2017/18. With a small number of exceptions these audits have now either been completed or are substantially complete. Where an audit is not shown as completed any issues requiring reporting to the Committee will be brought to the meeting following issue of the final report on each assignment.

Internal Audit Plan 2017/18 Progress – At 31st May 2017, 14% of the plan had been completed – whilst this is marginally behind target it is not at a level that currently gives any cause for concern. Detail has been included in Appendix B of progress to date on each audit.

Independence of the Internal Audit Activity

The Audit and Governance Manager had in the period under review operational responsibilities regarding processes included in the Corporate and Ethical Governance and Risk Management audits. He has declared an interest regarding those audits, and the previously agreed arrangements whereby the Principal Auditor takes managerial responsibility for those audits has been implemented. The only role the Audit and Governance Manager has undertaken in those audits is that of auditee.

There were no other issues identified during the period that impacted on the independence of the Internal Audit function.

Outcomes of Internal Audit Work

The standards require the Audit and Governance Manager to report to the Audit Committee on the outcomes of internal audit work undertaken. 11 Internal Audit reports have been issued since the last report to this Committee.

Assurance	Colour	Number this Quarter	
Substantial		4	
Adequate		4	
Improvement Required		3	Brief details provided below of key issues identified
Significant Improvement Required		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.

Issues arising from audits completed requiring reporting to Committee are: -

Sundry Debtors

The audit identified ongoing issues regarding debt recovery. Effective processes were not in place to provide regular reports / management information to departments / services on outstanding debts, therefore potentially increasing the risk of failing to detect and act upon debts due to the Council. There had been one instance identified during the year where failure by a department to act at an early enough stage had resulted in a substantial debt accruing, leaving the Council exposed to the risk of being unable to recover that debt. As a result of the audit, mechanisms have been / are being put in place to ensure that appropriate reports are generated and that staff are aware of recovery action required.

Risk Management

The audit focussed on departmental risk management in 2016/17. It identified that the current departmental risk registers contained insufficient coverage and required improvement. Management Team have recognised the need for improving operational risk management within service areas and fully support the implementation of an effective departmental risk management process, and this will be progressed during 2017.

Uniform Application Review

The audit identified that there were many more users than expected with administrator rights, and that there was no effective process in place for determining the correct level of access rights to be applied when users are set up on the system. Management have agreed to review the access needs for those currently with administrator rights, to undertake a security review to rationalise user access rights, and to put in place a process that determines the appropriate level of access when new users are set up. This will be progressed during 2017.

Management Response to Risk

There have been no instances in the period under review where management's response to risks identified in the Internal Audit work undertaken, has in the Audit and Governance Manager's opinion, been unacceptable.

Management Response to Internal Audit Reports

There are processes in place to track action taken regarding issues raised in Internal Audit reports and to seek assurance that appropriate corrective action has been taken, with follow up work being undertaken where necessary.

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

Status	Number	Comments
Overdue more than 3 months	0	
Overdue less than 3 months	1	Regular reminders issued to relevant managers to establish the action taken / encourage resolution
Not yet due	5	

There are no issues to draw to the attention of the Committee regarding high severity issues outstanding.

Quality Assurance – Detail regarding performance has been included in the Annual

Report.

ANNUAL REPORT OF THE AUDIT AND GOVERNANCE MANAGER 2016/17

Opinion on the Overall Adequacy and Effectiveness of the Council's Internal Control Environment

The Internal Audit function completed 37 scheduled audits during the year, and a further 10 2016/17 audits had been completed by May 2017. For the audits completed, assurance was classified as: -

Assurance	Number of Audits
Substantial	15
Adequate	24
Improvement Required	8
Significant Improvement Required	0

The result of each audit completed has been included in periodic reports produced for the Committee during the year. The control and governance arrangements were found to be operating satisfactorily in many of the activities audited during the year, with significant issues identified only in a small number of the audits completed. Summaries of the significant issues identified in the audits completed during the year were included in periodic reports to the Audit Committee, with the Committee's attention drawn to audits on Sundry Debtors, Procurement, S106 Agreements, Housing Allocations, Risk Management, Payroll and Human Resources Computer Application Review, and Uniform Computer Application Review, all of which had been given an assurance rating of Improvement Required. It should be noted that some of the issues identified in these audits were quite specific and that the governance arrangements were otherwise generally found to be of a satisfactory standard, however there were some weaknesses identified relating to key or systems in use across the Council therefore giving a wider risk exposure. No scheduled audit came close to being classified Significant Improvement Required.

Taking into account the issues identified in the audits included in the table above and listed in Appendix B, and where appropriate reviews by other assurance providers, the governance arrangements were generally found to be sound and fit for purpose. However the wider risk exposure linked to some of the significant issues reported result in it only being possible to give a qualified assurance.

The assurance provided is based on the fact that many activities of the Council are audited on a less than annual frequency, and also it is not practical to examine every significant decision / transaction within those functions reviewed in any one year. It would therefore not be possible to provide absolute assurance.

Qualification to the Opinion

The opinion given above is based upon the level of Internal Audit activity that it proved possible to deliver with the resources available during the year. It was not possible to fully complete the planned work during the year as detailed elsewhere in this report, although all key audits have been undertaken or were in progress at the year-end. In forming an opinion, audit outcomes identified, but not reported until the 2017/18 plan year have been taken into account. The level of coverage achieved is considered sufficient to be able to provide the assurance required.

Summary of the Internal Audit Work Undertaken to Formulate the Opinion, and Reliance Placed on the Work by Other Assurance Bodies

The 2016/17 plan made provision for the audit of all key systems. It also included audits of a selection of other functions of the Council, selected using a risk assessment process to produce the plan. In addition audits incomplete at 31st March 2016 were completed during 2016/17. For those audits completed where the assurance was considered Improvement Required brief details of findings were included in the periodic reports presented to the committee throughout the year, and the Committee requested and received further details regarding issues raised as a result these audits where they considered it appropriate.

The audit plan for 2016/17, in addition to assurance work on functions and systems, included some areas of focussed audit activity: -

- The Computer Audit element of the plan was undertaken in house. All audit planned were commenced during the year, with one exception which was commenced in April 2017.
- Planned audit work regarding the Council's Emerging Key Projects was deferred to 2017/18 as none of the projects intended to be covered under this heading had reached a stage during the year that warranted an audit being undertaken.
- One stand-alone Proactive Anti-Fraud Audit was undertaken, with further anti-fraud work undertaken being embedded in some of the assurance audits completed.
- The Internal Audit function undertakes unscheduled investigations and ad hoc audit work as and when required. Whilst there have been no investigations commenced during the year by the team, the Internal Audit function has participated in officer groups formed to deal with issues that have arisen including the debt recovery issue referred to above.

In accordance with best practice and the requirements of the Public Sector Internal Audit Standards, the 2016/17 plan included arrangements for the follow up of issues found at previous audits. This took the form of: -

- Separate follow up audits and embedded follow up work within assurance audits. In these cases any ongoing outstanding issues were formally reported to management, with any significant issues drawn to the attention of the Committee.
- Action Tracking – monthly reminders being issued, and responses verified by evidence where it was appropriate to do so.

The Internal Audit function has also provided advice and assistance to functions of the Council upon request, and during / following audits, as appropriate during the year.

A schedule of the audits undertaken during 2016/17 is included at Appendix B.

Upon completion of each audit a draft report was issued to the appropriate Corporate Director / Head of Department, containing details of any findings requiring addressing that had been identified. Subsequent discussions were held with appropriate senior managers and final reports issued, which included detail of agreed actions to resolve the issues identified. There were no instances, for the reports issued during 2016/17 or subsequently to date, where a satisfactory action had not been identified and agreed, and there were no risks identified where the agreed action was insufficient to mitigate such risks to an acceptable level.

No specific reliance has been placed upon the work of any other assurance provider in lieu of internal audit coverage during the year. There is a requirement however for the Audit and Governance Manager to take account in forming his annual opinion on the overall adequacy and effectiveness of the control environment, of the assurance given by other providers as well as directly by the Internal Audit function. The contents of reports issued

by other providers have therefore been taken into account in the opinion made.

Issues Relevant to the Preparation of the Annual Governance Statement

The overall opinion given in this report is relevant to the Annual Governance Statement, as is the need to highlight the issues raised in audits on Sundry Debtors, Procurement, S106 Agreements, Housing Allocations, Risk Management, Payroll and Human Resources Computer Application Review, and Uniform Computer Application Review all of which had been given an assurance rating of Improvement Required.

Performance of the Internal Audit Function

The performance measures used during 2016/17 were as follows: -

Performance Measure	Actual 2016/17	Actual 2015/16	Actual 2014/15	Actual 2013/14	Actual 2012/13
Percentage of Audit Plan Completed	86%*	79%	71%	94%	91%
Percentage of Satisfactory Responses to Satisfaction Surveys Issued with Final Audit Reports	100%	96%	96%	100%	96%

*At the time of producing this report 98% of the 2016/17 plan had been completed.

The Percentage of Audit Plan Completed performance measure is based upon planned time for the audits undertaken, and excludes ad hoc work. In reality, the actual time on planned audit work exceeded the total planned for 2016/17, the performance measure being reduced as a consequence of overruns of time occurring on a number of audits.

The 2016/17 plan approved by the Audit Committee in March 2016 was of a similar size to that provided in previous years, and was set at a level deemed appropriate to provide an adequate level of Internal Audit coverage. The Audit Plan was subject to adjustment during the year with changes subject to consideration by the Audit Committee, audits incomplete were rolled forward into 2017/18, with those outstanding relating to key systems being progressed early in 2017/18 and the issues arising being taken into account for this report.

All audits are subject to a quality review following completion of the fieldwork stage on each assignment. Audits were not considered complete and reports were not issued until any quality issues identified had been addressed.

Independence of the Internal Audit Activity

The Internal Audit function maintained an independent role during the year, compliant with the requirements of the Public Sector Internal Audit Standards. Effective arrangements as detailed below were in place to maintain independence taking account of the Audit and Governance Manager's other corporate responsibilities. Effective mechanisms were in place to ensure that any other conflicts of interest within the team were identified and addressed on an audit by audit basis, with no instances where there was considered to be any impairment to independence or objectivity.

Compliance with the Public Sector Internal Audit Standards

The Public Sector Internal Audit Standards were introduced from 1st April 2013, and updated in 2016 and 2017. Progress updates have been periodically reported to the Committee, on the work being undertaken to demonstrate conformance with the

requirements of the Standards. Since their introduction alternate solutions have been agreed by the Audit Committee regarding the following standards: -

1110 Organisational Independence

The standards require specific input from the Chief Executive and Chair of Audit Committee regarding the Audit and Governance Manager's performance appraisal. Alternate arrangements that enable both to comment on performance of the Audit and Governance Manager at any time, rather than through the formal appraisal process, have been agreed.

1130 Impairment to Independence or Objectivity

The Audit and Governance Manager had during 2016/17 operational responsibilities regarding Corporate Governance and Risk Management in addition to his Internal Audit duties. The standards identify that audits of activities where such a conflict of interest arises should be overseen by someone outside of Internal Audit. As there are practical issues identifying suitable staff external to the Internal Audit function who do not have a conflict of interest, the alternate arrangement agreed was for the Principal Auditor to undertake the Audit and Governance Manager role for such audits, with the latter's role in the audit being solely that of auditee. This avoids any conflict of interest and ensures that those audits have been managed by a member of staff with Internal Audit skills and expertise. New Standard **1112 Chief Audit Executive Roles Beyond Internal Auditing** applicable from April 2017 provides additional clarification and a requirement to periodically review such arrangements – this will be addressed in a future report to the Committee.

As referred to in the periodic report above, a small number of compliance issues relating to the standards remained outstanding at 31st March 2017, and are listed at Appendix A. Until the external assessment planned for later in 2017 has been undertaken successfully and any issues identified addressed, the Internal Audit function cannot be considered fully compliant with the Standards.

BACKGROUND PAPERS FOR THE DECISION

Internal Audit Reports
Reports to Audit Committee in 2016/17

APPENDICES

Appendix A – Quality Assurance and Improvement Programme
Appendix B – Internal Audit Plan Progress

Public Sector Internal Audit Standards – Quality Assurance and Improvement Programme

Tendring District Council – Self Assessment – May 2017





PSIAS Ref (Checklist Ref)	Conformance with the Standard	Comment	Priority	Action Required / Responsible Officer / Date	Status
1220 Due Professional Care (89)	Do internal auditors exercise due professional care during a consulting engagement by considering the cost of the consulting engagement in relation to potential benefits	There are very few consulting engagements of the type envisaged by the standards undertaken. The existing Audit Manual does not provide sufficient detail regarding this issue	Low	Audit Manual to be updated to provide greater clarity Steve Blake – July 2017	Partially compliant
1310 Requirements of the Quality Assurance and Improvement Programme (98)	Does the QAIP include both internal and external assessments?	Currently only internal self assessments have been undertaken. External assessment procured for later this year	Medium	No further action required	Partially compliant
1311 Internal Assessments (103)	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	There are no service level agreements in place and no plans to introduce any. Performance targets to be revisited. Senior management to be consulted and revised targets reported to Audit Committee.	Medium	Review performance targets Craig Clawson – 2017/18	Partially compliant based upon existing targets in use.

PSIAS Ref (Checklist Ref)	Conformance with the Standard	Comment	Priority	Action Required / Responsible Officer / Date	Status
2050 Coordination (164)	Has the Audit and Governance Manager carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance	No formal assurance mapping exercise has been undertaken. Details are periodically sought from Departments in order to identify external sources of assurance. Approach to the use of data from other assurance providers documented.	Low	Assurance mapping exercise to be undertaken Craig Clawson - 2017/18	Partially compliant
2210 Engagement Objectives (230)	If management criteria to evaluate whether the Council's objectives and goals have been accomplished have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls	The existing Audit Manual needs revision to provide greater clarity regarding this	Low	Audit Manual to be updated to provide greater clarity Steve Blake – July 2017	Partially compliant




PSIAS Ref (Checklist Ref)	Conformance with the Standard	Comment	Priority	Action Required / Responsible Officer / Date	Status
2330 Documenting Information (275)	Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached	Recent file reviews of audits have identified a number of instances where working papers have not been sufficiently clear	High	Auditors continue to be reminded through File Review process Steve Blake / Craig Clawson – ongoing Additional guidance regarding each test within the audit universe is being added to Internal audit system as library content is developed Steve Blake – ongoing	Partially compliant
2430 Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing” (306)	Do internal auditors report that engagements are conducted in conformance with the PSIAS” only if the results of the QAIP support such a statement	Currently do not report that engagements are conducted in conformance	Low	To review following completion of external review Craig Clawson – 2017/18	Non compliant

PSIAS Ref (Checklist Ref)	Conformance with the Standard	Comment	Priority	Action Required / Responsible Officer / Date	Status
Revised Public Sector Internal Audit Standards from 1 st April 2017	Various revisions requiring action	Updates to Audit Manual and processes to be developed to ensure compliance with the revisions made	Medium	Audit Manual to be updated Steve Blake – July 2017 Development of processes Steve Blake – September 2017	Partially compliant

Audit Subject	Status 31st March 2017	Status May 2017	Opinion	Comments
<u>2014/15 Internal Audit Plan</u> (Audits where Final Report not issued by 31 st March 2016)				
<u>Assurance Work – Other Systems</u>				
S106 (Follow Up)	Completed		Improvement Required	Reported June 2016
<u>2015/16 Internal Audit Plan</u> (Audits where Final Report not issued by 31 st March 2016)				
<u>Assurance Work – Key Systems</u>				
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
<u>Assurance Work – Other Systems</u>				
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
Open Spaces, Horticulture and Play Areas	Completed		Adequate Assurance	Reported January 2017
Parking Services	Completed		Adequate Assurance	Reported September 2016
Planning Enforcement	Completed		Adequate Assurance	Reported September 2016
Risk Management	Completed		Substantial Assurance	Reported June 2016

Audit Subject	Status 31 st March 2017	Status May 2017	Opinion	Comments
<u>Assurance Work – Computer Audit</u>				
ICT Business Continuity / Disaster Recovery	Completed		Adequate Assurance	Reported September 2016
IT Governance	Completed		Adequate Assurance	Reported September 2016
<u>AUDITS SCHEDULED TO COMMENCE IN 2016/17</u>				
<u>2016/17 Internal Audit Plan</u>				
<u>Assurance Work – Key Systems</u>				
Bank Account	Completed		Substantial Assurance	Reported March 2017
Business Rates	Fieldwork	Completed	Substantial Assurance	
Corporate and Ethical Governance	Fieldwork	Completed	Adequate Assurance	
Corporate Procurement Review				
Ordering Compliance	Allocated	Draft Report		
Council Tax	Completed		Adequate Assurance	Reported March 2017
Creditors	Completed		Substantial Assurance	Reported January 2017
Departmental Procurement				
Procurement – Contractor Use	Completed		Improvement Required	Reported January 2017
Public Realm Procurement	Fieldwork	Draft Report		
Housing Benefit	Fieldwork	Completed	Substantial Assurance	
Housing Rents	Completed		Adequate Assurance	Reported March 2017
Main Accounting System	Completed		Substantial Assurance	Reported March 2017
Payments Received	Draft Report	Completed	Adequate Assurance	
Payroll	Completed		Substantial Assurance	Reported January 2017

Audit Subject	Status 31 st March 2017	Status May 2017	Opinion	Comments
Sundry Debtors	Fieldwork	Completed	Improvement Required	X
Treasury Management	Completed		Substantial Assurance	Reported March 2017
<u>Assurance Work - Emerging Key Projects</u>				
Audits to be arranged	Deferred			Included in 2017/18 Plan
<u>Assurance Work – Other Systems</u>				
Beach Huts	Completed		Adequate Assurance	Reported January 2017
Bereavement Services	Completed		Adequate Assurance	Reported January 2017
Building Control	Allocated	Fieldwork		
Coast Protection	Deferred			Included in 2017/18 Plan
Financial Resilience	Completed		Adequate Assurance	Reported January 2017
Fraud and Compliance Team	Deferred			Included in 2017/18 Plan
Grants / Financial Assistance	Fieldwork	Completed	Adequate Assurance	✓
Housing Allocations	Completed		Improvement Required	Reported September 2016
Housing Repairs and Maintenance	Draft Report	Completed	Adequate Assurance	✓
Leisure Services Development Programme	Completed		Substantial Assurance	Reported September 2016
Planning Policy	Unallocated	Unallocated		
Public Conveniences	Completed		Adequate Assurance	Reported March 2017
Risk Management	Fieldwork	Completed	Improvement Required	X
Staff Allowances				
Corporate Services	Completed		Adequate Assurance	Reported January 2017
Operational Services	Completed		Substantial Assurance	Reported January 2017
Street Sweeping	Completed		Adequate Assurance	Reported September 2016
Walton – on – the – Naze Lifestyles	Deferred			Included in 2017/18 Plan

Audit Subject	Status 31 st March 2017	Status May 2017	Opinion	Comments
<u>Assurance Work – Computer Audit</u>				
IT Governance	Allocated	Completed	Substantial Assurance	
I T Project Management	Fieldwork	Fieldwork		
Payroll / Human Resources – Computer Application Review	Completed		Improvement Required	Reported January 2017
Revenues and Benefits Computer Application Review	Completed		Adequate Assurance	Reported January 2017
Uniform Application Review	Fieldwork	Completed	Improvement Required	
<u>Proactive Anti-Fraud Audits</u>				
Anti Fraud - Creditors	Completed		Substantial Assurance	
<u>AUDITS SCHEDULED TO COMMENCE IN 2017/18</u>				
<u>2017/18 Internal Audit Plan</u>				
<u>Assurance Work – Key Systems</u>				
Banking		Unallocated		
Business Rates		Unallocated		
Corporate and Ethical Governance		Unallocated		
Council Tax		Unallocated		
Creditors		Unallocated		
Departmental Procurement		Unallocated		
Housing Benefit		Unallocated		
Housing Rents		Unallocated		

Audit Subject	Status 31st March 2017	Status May 2017	Opinion	Comments
Main Accounting System		Unallocated		
Payments Received		Unallocated		
Payroll		Unallocated		
Sundry Debtors		Unallocated		
Treasury Management		Unallocated		
<u>Assurance Work – Emerging Key Projects</u>				
Audits to be arranged		Unallocated		
<u>Assurance Work – Other Systems</u>				
Asset Management		Unallocated		
Coast Protection		Unallocated		
Corporate Counter Fraud		Unallocated		
Departmental Governance		Allocated		
Departmental Staff Allowances and Time				
Chief Executive and Management Support		Allocated		
Planning and Regeneration		Unallocated		
Engineering Services		Allocated		
Health and Safety		Unallocated		
Housing Repair and Maintenance				
Kitchen and Bathroom Replacement Contract		Allocated		
Heating Refurbishment Contract		Unallocated		
Insurance		Fieldwork		
Licensing		Unallocated		
Member Support		Allocated		
Parking Services		Unallocated		
Princes Theatre and Essex Hall		Allocated		
Regeneration and Inward Investment		Unallocated		
Risk Management		Unallocated		

Audit Subject	Status 31st March 2017	Status May 2017	Opinion	Comments
S106 Walton – on – the – Naze Lifestyles		Unallocated Fieldwork		
<u>Assurance Work – Computer Audit</u>				
Cash Receipting Application Review		Allocated		
Human Resources / Payroll Application Review		Unallocated		
IT Governance		Unallocated		
IT Infrastructure		Unallocated		
IT Support		Unallocated		
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			

AUDIT COMMITTEE

22 JUNE 2017

REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

A.2 ANNUAL GOVERNANCE STATEMENT 2016/17

(Report prepared by Steve Blake)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek approval of the Annual Governance Statement for 2016/17.

EXECUTIVE SUMMARY

- Local Authorities are required to conduct a review of the effectiveness of the system of internal control, and prepare an Annual Governance Statement.
- A new format has been devised for the Annual Governance Statement to inform Members and the public in a proactive way of the effectiveness of Council's governance arrangements, and the roles and responsibilities of those who perform key functions within those arrangements as summarised in the following chart.



- The Annual Governance Statement has been drafted taking account of the new CIPFA / SOLACE framework.

RECOMMENDATION(S)

That the Annual Governance Statement be approved.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The Annual Governance Statement 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 undertaking an annual review of the effectiveness of the Council's system of internal control, or producing an Annual Governance Statement, 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.

OTHER IMPLICATIONS

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

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

There are no direct implications with such matters forming part of the overall governance framework that is considered in the production of the Annual Governance Statement.

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 updated their framework for "Delivering Good Governance in Local Government" in 2016, and a new Code of Corporate Governance was approved by the Committee in January 2017. It is therefore necessary at this time to produce an Annual Governance Statement that is consistent with the revised CIPFA / SOLACE Framework, takes into account the new Code of Corporate Governance, and considers the effectiveness of the Council's governance arrangements.

The changes to the framework have provided an opportunity to provide a refresh of the design of the Annual Governance Statement to inform Members and the public in a proactive way of the effectiveness of the Council's governance arrangements and to provide detail regarding the roles and responsibilities of those who perform key functions within those arrangements.

CURRENT POSITION

The Council has previously approved and adopted a Code of Corporate Governance, at the meeting of the Audit Committee on 26th January 2017. This Code remains current until such time as an amended version is submitted to Members for approval.

CIPFA / SOLACE published a new framework for delivering good governance in Local Government during 2016. This new framework is applicable to Annual Governance Statements prepared for the financial year 2016/17 onwards, and therefore this is the first statement prepared in accordance with that new framework.

The CIPFA / SOLACE framework identifies that an Annual Governance Statement should include: -

- An acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the Council's Code of Governance.
- Reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the Authority, the Executive, the Audit Committee, Internal Audit, and others as appropriate.
- An opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- An agreed action plan showing actions taken, or proposed, to deal with significant governance issues.
- Reference to how issues raised in the previous year's annual governance statement have been resolved.
- A conclusion – a commitment to monitoring implementation as part of the next annual review.

The CIPFA / SOLACE framework requires the Annual Governance Statement to be approved at a meeting of the Authority, or a delegated committee - this role has been delegated to the Audit Committee. The framework also requires that the Statement be signed by the Leader of the Council and the Chief Executive, on behalf of the Council.

The CIPFA / Solace framework no longer provides a model statement that can be adopted, and it is up to each Authority to produce a compliant statement in a form of their choosing. The format adopted reflects the structure identified in the CIPFA / SOLACE framework above.

The Annual Governance Statement for 2016/17 is attached as **Appendix A** and is submitted for approval by the Committee. It will then be subject to audit by the Council's external auditors, following which it must be signed by the Leader of the Council and the Chief Executive, and appended to the Council's Statement of Accounts. If any changes are required following audit, then a revised Annual Governance Statement will require the Committee's approval.

The Leader of the Council and the Chief Executive are required to be advised of the implications of the results of the annual review of the governance framework and that actions are in place to address any weaknesses. In this respect, the Governance Framework in place for 2016/17 was considered to be robust with improvements made during the year, and significant issues that did arise identified. A number of ongoing or forthcoming items have been identified for progressing in 2017/18. To monitor progress, these improvement items will be reported to Members as appropriate.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A – Annual Governance Statement 2016/17

TENDRING DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT 2016-17

1. ACKNOWLEDGEMENT OF RESPONSIBILITY FOR A SOUND SYSTEM OF GOVERNANCE

Tendring District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council acknowledges that it is responsible for: -

- **putting in place proper arrangements for a sound system of governance and internal control**
- **facilitating the effective exercise of its functions**
- **management of risk**

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the **CIPFA / SOLACE *Delivering Good Governance in Local Government Framework (2016 Edition)***. A copy of the authority's code is available to be viewed or downloaded from the Council's website (www.tendringdc.gov.uk) or can be obtained by contacting the Council's Corporate Services Department.

This statement explains how the Council has complied with the code, and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant authorities to, each financial year: -

- (a) conduct a review of the effectiveness of the system of internal control
- (b) prepare an annual governance statement

2. ROLES OF THOSE RESPONSIBLE FOR THE DEVELOPMENT AND MAINTENANCE OF THE GOVERNANCE ENVIRONMENT



The roles of those responsible for the development and maintenance of the governance environment can be summarised as follows: -

The Authority (Full Council)	The Executive (The Cabinet)
<ul style="list-style-type: none"> • Approve Constitution and Policy Framework • Approve Council's overall budget • Approve matters reserved by law to Full Council 	<ul style="list-style-type: none"> • Undertake the Council's Executive functions • Making decisions within the Budget and Policy Framework
Standards Committee	Overview and Scrutiny Committees
<ul style="list-style-type: none"> • Promote and maintain high standards of conduct • Develop culture of openness, transparency, trust and confidence • Embed a culture of strong ethical and corporate governance 	<ul style="list-style-type: none"> • Review or scrutinise Executive decisions • Assist with policy formulation and review • Report to Council / Cabinet on Council functions/ matters affecting the area or its inhabitants
Audit Committee	Management Team
<ul style="list-style-type: none"> • Approve the Council's Statement of Accounts • Independent assurance of adequacy of risk management framework • Consider Internal / External Audit work and recommendations arising 	<ul style="list-style-type: none"> • Develop and maintain the Council's strategic direction • Ensure delivery of agreed targets within service areas • Review overall performance, both financial and non-financial, and change management
Statutory Officers	Internal Audit
<ul style="list-style-type: none"> • Head of Paid Service – discharge of Council functions • Monitoring Officer – lawfulness and fairness of decision making • Chief Financial Officer (S151) – lawfulness of Council's financial affairs and financial prudence of decision making 	<ul style="list-style-type: none"> • Provide an independent and objective assurance function • Improve effectiveness of risk management, control and governance processes

3. EFFECTIVENESS OF THE KEY ELEMENTS OF THE CORPORATE GOVERNANCE FRAMEWORK

Purpose of the Governance Framework

The governance framework comprises: -

- **the systems and processes, culture and values by which the authority is directed and controlled**
- **its activities through which it accounts to, engages with and leads its communities**

It enables the authority to monitor: -

- **the achievement of its strategic objectives**
- **to consider whether those objectives have led to the delivery of appropriate services and value for money**

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to: -

- **identify and prioritise the risks to the achievement of the Council's policies, aims and objectives**
- **evaluate the likelihood and potential impact of those risks being realised**
- **manage those risks efficiently, effectively and economically**

The governance framework has been in place in the Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

The Governance Framework

The key elements that comprise the Council's governance arrangements include: -

1. The Council's Constitution, Budget and Policy Framework

- The **Council's Constitution** which sets out the Council's decision making framework enabling decisions to be taken efficiently and effectively, provides a means of holding decision makers to public account, a structure to deliver cost effective quality services to the community, and defines roles and responsibilities
- A **Corporate Plan** which identifies the Council's vision, its aims, values, opportunities and values
- **Budget and Policy Frameworks** covering key policies and plans that must be approved or adopted by full Council, including Financial Strategies and Budgets, Asset Strategies and Management Plans, Local Development Plans

2. Other Strategies, Policies and Procedures

- Clear **Codes of Conduct** which set behavioural expectations for all individuals representing the Council
- **Human Resources Policies and Procedures** covering an extensive range of good employment practices
- **Whistleblowing and Complaints Procedures** that provide individuals with opportunities to report issues with the Council
- **Information and IT Policies and Procedures** protecting data held by the Council
- A wide range of strategies, policies and procedures providing governance frameworks over functions and activities of the Council

3. Examples of Good Governance

- The identification of **Priorities and Projects** and their translation into clear goals enabling the targeting of work by departments
- **Performance Management** and **Budget Monitoring Frameworks** providing a review of key activities against targets set, delivery of projects, and financial performance
- The Publication of **Agendas, Minutes and Decisions** providing accurate and reliable information to the public
- A **Corporate Risk Management Framework** providing a structure for risk management within the Council, and a **Corporate Risk Register** identifying the key risk that the Council is exposed to that is subject to regular review
- **External Standards Compliance** including compliance with accounting and auditing codes and standards, and conformance of the Council's financial management arrangements with the governance requirements of the CIPFA Statement on "*The Role of the Chief Financial Officer in Local Government (2016)*"
- Robust governance arrangements for working, engaging and consulting with the Council's stakeholders, partners and the public

The Code of Corporate Governance provides a framework of the governance arrangements in place in the Council, and includes additional detail for each of the above headings. The Code is subject to regular review to reflect changes to the Council's Governance Framework, and any update to the CIPFA / Solace framework.

The governance arrangements were subject to evolution during the year with a number of activities and actions undertaken in reviewing and strengthening the Council's Governance Framework. These are set out below against the **Core Principles of Good Governance** identified in the Council's Code of Corporate Governance.

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

- The establishment of governance arrangements for the Garden Communities project.
- Consultation on a draft Corporate Enforcement Strategy to provide a framework ensuring that the Council's enforcement functions are carried out in an equitable, practical and consistent manner, for introduction in 2017/18.
- Review of the Monitoring Officer Protocol.

B. Ensuring openness and comprehensive stakeholder engagement

- The Council continued to be engaged in a number of partnership projects and initiatives to bring about sustained change in local services, to recast collective activity around the needs of local communities and citizens, and to deliver the conditions for growth that supports businesses and residents.
- A continuing role for the Local Plan Committee to oversee the remaining stages of preparing the Local Plan, addressing the fundamental issues raised by objectors and dealing with other aspects of planning policy work.
- All Members receiving a presentation from representatives of the Local Government Boundary Commission for England, together with events for local community groups and representatives and Town and Parish Councils, providing information regarding the electoral review for the District.
- All Member briefings on topical subjects including Jaywick Sands, Budgets, the emerging Local Plan, and Garden Communities.

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

- Approval of a Corporate Plan for 2016-2020 outlining the Council's vision, its priorities and projects, and with community leadership at its heart.

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

- As part of the financial strategy process, the establishment of Portfolio Holder led working parties each with a remit to identify budget reductions to meet the budget gaps for the period 2017/18 to 2019/20, providing forums for members and officers to discuss ideas and share information.
- Approval of a revised Capital Strategy taking account of the Council's financial environment, and providing guidance for individual capital investment decisions to promote consistency and reflect financial governance requirements.

- Approval of a Commercial Property Investment Policy to provide the opportunity to obtain improved yields compared to existing investment opportunities available.
- Adoption of a Customer Service Delivery Strategy to deliver an improved level of customer service at a reduced cost.
- Consultation on a draft Asset Management Plan, Property Strategy, Property Programme to enable the Council to manage effectively its land and property assets, for adoption in 2017/18.

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

- The Officer structure of the Council has continued to be subject to revision to facilitate service delivery within the resources available.
- Changes to Cabinet roles and responsibilities during the year to meet the challenges ahead, including Jaywick being given its own Cabinet Member with special responsibility to drive forward regeneration efforts to bring new homes, jobs and infrastructure to the area.
- The merger during the year of the Community Leaderships and Partnerships Committee and the Education and Skills Committee enabling the scrutiny of the delivery of education and skills services to be considered alongside other important functions including health, policing and the voluntary sector.
- A proactive framework for revising the Constitution ensuring it remains up to date and fit for purpose, enabling the Council to operate effectively in pursuit of its priorities.
- Continuing progress in transforming working arrangements to provide Members and officers with the best tools the Council can provide to undertake their roles effectively and efficiently in a modern environment.
- An Electoral Review Working Group, with cross party representation from Members, drawing up recommended proposals in respect of the total number of Councillors and numbers and boundaries of wards to be put to the Local Government Boundary Commission for England.
- A review of the Senior Management structure of the Council.
- Consideration of the operation of political proportionality rules in the allocation of seats on Committees to non-aligned Members.
- The adoption of a People Strategy setting out the Council's people priorities including recruitment, retention, staff development and organisation development.

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

- The retraining of staff and ensuring that rigorous management systems are put in place regarding health and safety.

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

- The determining of arrangements for the appointment of the Council's external auditors for 2018/19 onwards.
- The introduction of a revised Code of Corporate Governance consistent with the CIPFA / SOLACE Framework for delivering good governance in Local government 2016.

4. OPINION ON THE LEVEL OF ASSURANCE THAT THE GOVERNANCE ARRANGEMENTS CAN PROVIDE

The framework in place provides a sound basis for delivering good governance within the Council.

The Council has a statutory responsibility for conducting, each financial year, a review of the effectiveness of its system of internal control. The review of effectiveness is informed by: -

- **The work of Internal Audit as outlined in the Audit and Governance Manager's annual report**
- **Any issues reported or comment from the Council's external auditors and other review agencies and inspectorates**
- **The work of senior managers within the Council who have responsibility for the development and maintenance of the governance environment**

In practice, review of effectiveness is an ongoing process throughout the year. Set against the backcloth of ongoing reductions in Government funding of the Council and associated savings targets, action has continued within the Council in 2016/17 to provide a sustainable and long term basis against which to deliver services. These changes present governance challenges and risks that have been recognised as part of the process of managing change.

The Council draws assurance on its governance arrangements from a number of sources, in particular: -

- **Internal Audit**

The Internal Audit function undertakes a risk based programme of audits each year to provide the Council with assurance on the adequacy of its system of internal control.

The control and governance arrangements were found to be operating satisfactorily in many of the activities audited during the year, with significant issues identified only in a small number of the audits completed. Summaries of the significant issues identified in the audits completed during the year were included in periodic reports to the Audit Committee, with the Committee's attention drawn to audits on Sundry Debtors, Procurement, S106 Agreements, Housing Allocations, Risk Management, Payroll and Human Resources Computer Application Review, and Uniform Computer Application Review, all of which had been given an assurance rating of Improvement Required. It should be noted that some of the issues identified in these audits were quite specific and that the governance arrangements were otherwise generally found to be of a satisfactory standard, however there were some weaknesses identified related to key or systems in use across the Council therefore giving a wider risk exposure.

The Audit and Governance Manager has drawn together the results of all the audits undertaken during the year, and considered where appropriate the work undertaken by other review agencies, in forming an opinion. Whilst the governance arrangements were generally found to be sound and fit for purpose, the wider risk exposure linked to some of the significant issues reported result in it only being possible to give a qualified assurance.

The corrective action taken by officers with regard to the issues raised by Internal Audit aids the improvement / maintenance of the control and governance framework. Robust mechanisms are in place to monitor progress of corrective action, with follow up audits scheduled as necessary.

- **External Audit**

The Council is subject to an annual programme of external audit work associated with the Council's Statement of Accounts and value for money arrangements.

Each year the auditor's overall findings are brought together in an Audit Results Report and Annual Audit Letter (available on the Council's website). Action is taken on issues identified, with any material ongoing issues incorporated within Significant Governance Issues below.

- **Other Review Agencies and Inspectorates**

The Council is subject to inspection and review by a number of other agencies and inspectorates. The Council aims to take action to address any issues that arise from such inspections and reviews, and to improve governance arrangements where it is appropriate to do so.

- **Senior Managers**

In addition to the review work undertaken above to review and strengthen the Council's Governance Framework, the Council's senior managers have participated in a review of the effectiveness of the system of internal control providing assurance regarding the governance / control environment for their areas of responsibility.

5. ISSUES RAISED IN THE PREVIOUS YEAR'S ANNUAL GOVERNANCE STATEMENT

In respect of the governance issues identified as part of last year's Annual Governance Statement, the actions undertaken to address and resolve those issues included: -

- **Planning finances effectively to support the sustainable deliver of strategic priorities and maintain statutory functions**

A balanced budget for 2017/18 was agreed by Full council on 7th February 2017.

A key priority for the Council is now to look ahead to the budgets for 2018/19 and 2019/20 which will present a significant financial challenge with early forecasts indicating savings of £3.4m being required.

- **Managing and utilising assets effectively to support the delivery of strategic priorities**

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.

An Asset Management Plan and a Property Strategy have been adopted early in 2017/18.

- **Working with partners effectively to deliver strategic priorities - Jaywick**

The Council continues to work with partners in progressing / developing the various strands of this major project.

- **Working with partners effectively to develop strategic priorities – Garden Communities**

Full Council on 29th November 2016 gave approval in principle to the Council being a long term funder for the project, in partnership with other Council's, having received a comprehensive report 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 in 2017/18.

- **Other Major Issues – Code of Corporate Governance**

A new Code of Corporate Governance, taking account of the CIPFA / Solace framework for delivering good governance in Local Government, was agreed by the Audit Committee at its 26th January 2017 meeting.

- **Other Major Issues – Embedding arrangements regarding recording of Officer Decisions and the Scheme of Delegation within departments**

Training was provided to Senior Officers on the new Committee Management system in 2016, which included the requirements for Officer Decisions.

The Scheme of Delegation to Officers remains as an ongoing activity to reflect the most up to date position in respect of Portfolios and Senior Management Structures.

6. SIGNIFICANT GOVERNANCE ISSUES

To support the Council in addressing some of the key issues and improvements that have emerged from the annual review of effectiveness, including any items identified as part of the work of the External Auditor, the following actions have been identified :-

Governance Issue	Action
<p>Sustainable Resource Deployment: Achievement of Savings Needed over the Medium Term</p> <p>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions. Given the scale of savings needed, there is a risk that savings plans to bridge this gap are not robust and / or achievable.</p> <p>Delivery of the Transforming The Way We Work project</p>	<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 backdrop of planned cuts in Government funding to the Council over the period 2017/18 to 2019/20, with expected savings of £3.4m being required.</p> <p>To continue to maintain strong governance arrangements as the Council transforms the way in which it provides and delivers its services.</p>

Governance Issue	Action
<p>Informed Decision Making: Garden Communities Working with partners to identify an agreed strategic approach to the allocation and distribution of large scale housing led mixed use development, including employment opportunities and infrastructure provision. As a new and significant arrangement there may be risks relating to the governance arrangements for the establishment of the project.</p>	<p>To continue to play a key role in the development of the Garden Communities Project including key governance structures and financial arrangements set against open and transparent decision making.</p>
<p>Working with Partners and Other Third Parties Working with partners / third parties to effectively deliver the Jaywick Sands Community Development project</p>	<p>To continue to work with Essex County Council and other partners to develop options for residential and other development. To develop options for housing company and lead on set up of company.</p>
<p>Other Major Issues Competing priorities and resources not being aligned with projects at their outset to establish if there are sufficient resources to deliver those projects within the expected timescales</p>	<p>To ensure deliverability of projects without impact on the day to day operations of the Council.</p>
<p>In the light of recent experience, ensuring that the Council operates and delivers safe services.</p>	<p>To develop and maintain a robust corporate approach to delivery against the Council's health and safety responsibilities</p>

Progress regarding these governance issues will be monitored throughout the forthcoming year by the Council's Audit Committee.

7. CONCLUSION

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We propose over the coming year to take steps to address the significant governance issues identified in this statement, and to further enhance our governance arrangements. We are satisfied that these steps will address the needs for improvements that were identified in our review of effectiveness and will monitor their implementation as part of our next annual review.

Ian Davidson
Chief Executive

Neil Stock
Leader of the Council

Date

Date

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AUDIT COMMITTEE

22 JUNE 2017

REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

A.3 CORPORATE RISK UPDATE

(Report prepared by Clare Lewis)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

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

EXECUTIVE SUMMARY

- The Corporate Risk Register is regularly updated and presented to the Audit Committee every 6 months.
- Within the period under review, no new risks have been added to the register, no risks have been removed or amended, there are no items that are currently under review but 7 risks have been subject to changes to how they are controlled, with updated information provided within the register.

RECOMMENDATION(S)

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

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

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

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The risk management approach can be delivered within existing budgets.

Risk

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

LEGAL

There are no specific legal implications.

OTHER IMPLICATIONS

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

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

There are no other direct implications.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Corporate Risk Register was last presented to the Committee in January 2017.

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

Although changes have been identified as being required at this time, the framework is included at Appendix A for information purposes only.

Corporate Risk Register

Since the Corporate Risk Register was reported to the Audit Committee in January 2017, no new risks have been identified – this will continue to be reviewed throughout the year, and changes will be reported to the Committee at their meeting in December 2017 as part of the six monthly review cycle.

For completeness, the following table sets out all amendments to the Risk Register since it was last considered by the Committee. A number of actions relate to IT which reflect the ongoing nature of responding to security and the management of information, which have been brought into sharper focus by high profile cyber attacks and other such issues recently experienced nationally / globally.

Risk Register Item	Amendments / Comments
New Risks Identified	None
Risks Removed	None
Risk Scores Amended	None
Risks under review	None

<p>Risks Amended (how risks are controlled column)</p>	<p>2c Community Leadership Projects – Wording changed within ‘Warning Indicators Column’ to reflect regular monitoring and feedback is now being provided to Locality Board and CL&P Committee.</p> <p><i>All of the following amendments have been reflected in the ‘We Control the Risk by’ column within the register:</i></p> <p>1a Failure to Effectively Manage Assets – To reflect adoption of associated strategy at Full Council in May 2017.</p> <p>1b Catastrophic IT Network Failure – Wording updated to reflect ongoing IT review.</p> <p>1c Ineffective Communication / Management of Information – Wording updated to reflect ongoing IT review.</p> <p>6a Loss of Sensitive and/or Personal Data Through Malicious Actions, Theft and/or Hacking - Wording updated to reflect ongoing IT review</p> <p>6c Disconnection from PCN Network - Wording updated to reflect ongoing IT review</p> <p>9a Ineffective Emergency Planning - Wording updated to reflect most up to date position regarding increased resources within the Emergency Planning Function.</p>
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BACKGROUND PAPERS FOR THE DECISION
None

APPENDICES
<p>Appendix A – Risk Management Framework Appendix B – Corporate Risk Register</p>

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Tendring
District Council



RISK MANAGEMENT FRAMEWORK

June 2017

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

Audit Committee	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
Management Team	The maintenance and review of the Corporate Risk Register	Receives updated Corporate Risk Register on a regular basis
Corporate Directors / Heads of Department / Senior Managers	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
Audit and Governance Manager (Governance Role)	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 Review and update of Risk Management Framework	As required As required
Audit and Governance Manager (Internal Audit Role)	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
All Employees	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.

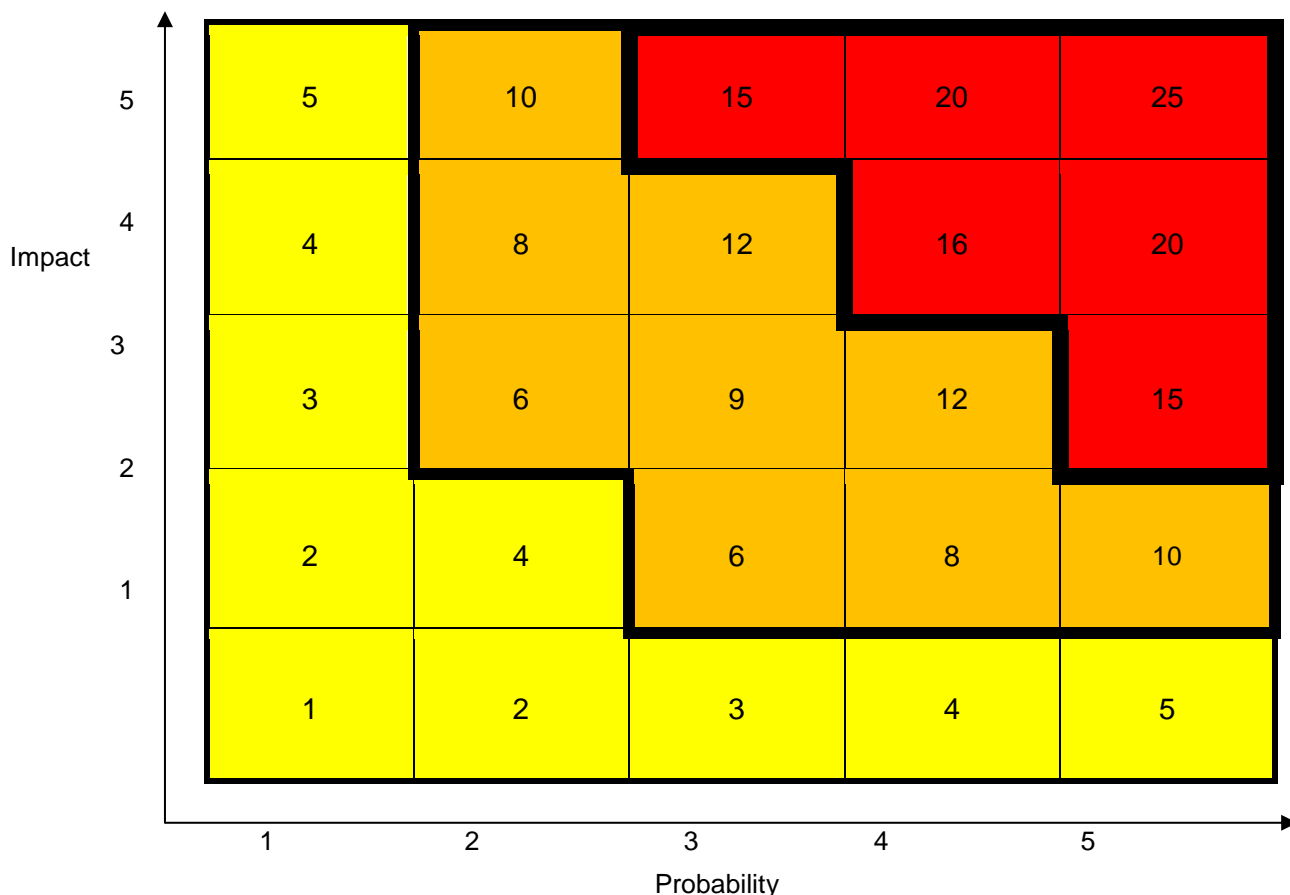
6. RISK RATING ELEMENTS - IMPACT

Risk level	Impact				
	Level	Financial	Service Delivery	Safety	Reputation
5	Critical	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	Major	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	Sizeable	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	Moderate	Loss above £5K below £25K	Delays in effective service delivery	Minor injury - no professional medical treatment	Slight reputation damage
1	Minor	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		

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Corporate Risk Register June 2017

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	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		
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 Adopted by full council in May 2017 new office practice to be directed shortly	Loss of developments or transactions	Andy White	Ongoing	2	2	4	↓	2 & 3
1b	Catastrophic IT network failure	5	3	15	Cisco -based corporate network replacement works completed Nov'14 (excluding Weeley Offices due to closure plans under office transformation). Additional resilience of removing single points of failure and dynamic routing implemented. New wireless network available at all main council offices (including Leisure Centres). The wireless network itself offers additional resilience subject to where a network fault/damage occurs. NOTE: Reference Weeley, the majority of staff now have new laptops so could work from alternate locations(s) should a significant issue occur. Resilience built into other IT Investment Strategies including 'mirrored' data storage at Town Hall and Barnes House and enhanced data backup. Management Team are scheduled to consider a proposal in JULY to move to a more risk-managed approach to our Disaster Recovery (DR) arrangements to reduce ongoing IT operating costs – data back up to Microsoft Azure 'cloud' platform as an alternative to replacement 'servers on a lorry' contract.	Network monitoring alarms	John Higgins	July-17	5	1	5	↓	2 & 3


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		
1c	<p>Ineffective communication / management of information Failure to adopt, implement and foster effective communication and information systems with an adverse impact on the ability to deliver services or relationship with key stakeholders.</p>	5	3	15	<p>Tending District Council has robust Information Governance policies and practices based upon shared Essex-wide 'best practice' Information Governance policies. We undertake quarterly information governance monitoring through our Information Governance Policy Unit (strategic) and the Information Security Management Group (operational). Our processes were successfully audited in June making just two minor improvement recommendations. The IDOX Electronic Document Records Management System (digital storage/ retrieval of paper records) continues to be rolled out corporately with estimated completion Sept'17.</p>	Annual IT staff survey, Communications Group and Departmental IT Champions	John Higgins	September - 17	5	2	10	↓	2 & 3


2 Failure to deliver key projects													
2a	<p>Coastal Defence The Council has a coastline of 60km and maintains the sea defence structures along 18.5km of this frontage. These defences protect the towns of Harwich, Dovercourt, 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
2c	<p>Community Leadership Projects 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 and CL&P Committee)	Karen Neath / Anastasia Simpson / John Fox	Annually	4	2	8	↓	3
2d	<p>Building Council Homes 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>Ineffective delivery of Transforming Tendring project 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

2h	Essex Family / Family Solutions A TDC appointed Family Support Worker working within Tendring Family Solutions Team. Risks of the project include potential breaches of data protection, Council reputation and professional liability (working with vulnerable families)	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	Garden Communities 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 Reputational damage													
3a	Member Conduct	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	Failure to comply with legislative requirements 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	Health and Safety 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	Richard Barrett	Ongoing	5	2	10	↓	-

3d	Fraud and Corruption 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	Ineffective workforce management and planning												
Page 62	Loss of Key Staff 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	Lack of capacity to deliver core services	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

5	Failure to deliver a balanced and sustainable budget												
Page 63	<p>Financial Strategy The impact of achieving a balanced budget in an ever-tightening financial environment on service delivery objectives.</p>	5	4	20	<ul style="list-style-type: none"> • 5 Year Financial Planning. • 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. • Robust and Timely Budget Monitoring Processes. • Engagement with key stakeholders, members and senior management as early as possible. • Responding to and implementing recommendations and advice issued by the Council's External Auditor. • Material savings options to be individually risk assessed 	<p>Adverse Financial Forecasts / Medium Term Financial Planning.</p> <p>Timing of decisions relating to savings not in line with the requirement to set a balanced budget each year over the next 3 years.</p> <p>Adverse issues identified via the Corporate Budget Monitoring Process.</p> <p>Lack of actions / monitoring in response to recommendations and advice issued by the External Auditor.</p>	Richard Barrett	Ongoing	5	3	15	↓	1, 2, 3, 4 & 8

6	Ineffective management of information												
Page 64	Loss of sensitive and/or personal data through malicious actions loss theft and/or hacking	4	5	20	<p>IT Health check (simulated vulnerability attacks) and resolution/ mitigation regime achieving compliance with central government National Security Cyber Centre (NCSC) security guidelines audited annually. Multi-firewall network segregation implemented with role-based access to systems necessary for work. Security is further strengthened through Citrix access control and segregation of Citrix managed access to different areas. Governance procedures/ policies/ responsibilities comments including quarterly review of all reported security breaches. All officer mobile devices (laptops, tablet and phones) are encrypted with complex passwords and are managed using Microsoft Mobile device Management (MDM) to further protect data. A corporate IT Service re-structure is estimated to be completed August 2017 with increased focus and training on cyber security. Recent purchase of enhancement module for corporate anti-malware software focussing on early detection/ isolation of Ransomware infection. Ongoing campaign to educate staff and members as to malware attacks e.g. phishing risks.</p>	Security Incident report & ongoing staff awareness.	John Higgins	Ongoing	5	2	10		3

6c	<p>Disconnection from PSN Network Failure to achieve PSN recertification resulting in disconnection from PSN services, e.g. DWP, IER etc. and urgent alternative arrangements to continue providing statutory service</p>	5	4	20	<p>This risk constitutes an annual cycle of IT security Health Check using a registered consultant, remediation/ resolution of any security issues identified then completion and submission of compliance documentation to central government national Cyber Security Centre (NCSC) for PSN recertification. Note: The Council remains at risk from any new CESH rules and ongoing further Whitehall hardening of security regulations on an ongoing basis. This can only be remediated through monitoring latest available guidance and/ or responding to NCSC challenges during the annual PSN process itself. Annual process currently awaiting further response from NCSC following their challenge/ acceptance of our latest IT Health Check submission.</p>	<p>PSN/ CESH communications, outcome of IT Health checks, monitoring/ discussion with IT Support partner(s).</p>	John Higgins	<p>On-going on an annual cycle and currently under review as at June 2017.</p>	5	1	5		1, 2 & 3
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Page 66	6d	Virus / Malware Malicious code entering the TDC network and performing actions without consent	5	4	20	<p>All TDC servers, desktops and laptops include Anti-Virus and Malware protection and are updated/ patched with latest software revisions.</p> <p>Standard users are further protected as admin rights are required to run executable and standard users do not have this level of access.</p> <p>All internet traffic is routed through our firewall and proxy server, both providing a further level of agreed security.</p> <p>All emails are routed through our email filtering system providing extra agreed security.</p> <p>User education - Staff are aware of what to do if they notice any suspicious activity which could be related to viruses/malware.</p> <p>Regular agreed backups are taken so that restores can take place if required.</p>	<p>Virus / malware production alerts.</p> <p>Users reporting unusual / suspicious activity.</p> <p>Monitoring programs alerting of suspicious activity</p>	John Higgins	Ongoing	5	1	5	↓	1, 2 & 3
	Failure to adopt a sound Local Plan													
	7a	Local Plan 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	<p>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</p>	<p>Not meeting statutory, or locally imposed deadlines for progression.</p>	Catherine Bicknell, Gary Guiver	Various	4	3	12	↓	3, 5 & 8
	8	Failure of income streams to meet Council's financial requirements and obligations to other bodies												
8a	Failure to collect levels of income required from Council Tax in order to fund the Council's financial requirements.	5	4	20	<p>Regular budget monitoring including reports to Cabinet by tracking payments against budgetary profile. Monitored monthly in the TDC Performance Report.</p>	<p>Income below profile</p>	Richard Barrett	Monthly	5	2	10	↓	5	

8b	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	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	Failure in emergency and Business Continuity Planning												
9a	Ineffective Emergency Planning 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. Emergency Planning now falls under the responsibility of The Head of IT and Resilience and following a Corporate IT Service re-structure, resources have increased by 0.5fte in Emergency Planning adding additional resilience and commencing succession planning.	Extreme weather / disaster	John Higgins	Ongoing	3	2	6	↓	3
Page 67	Ineffective Business Continuity Planning 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

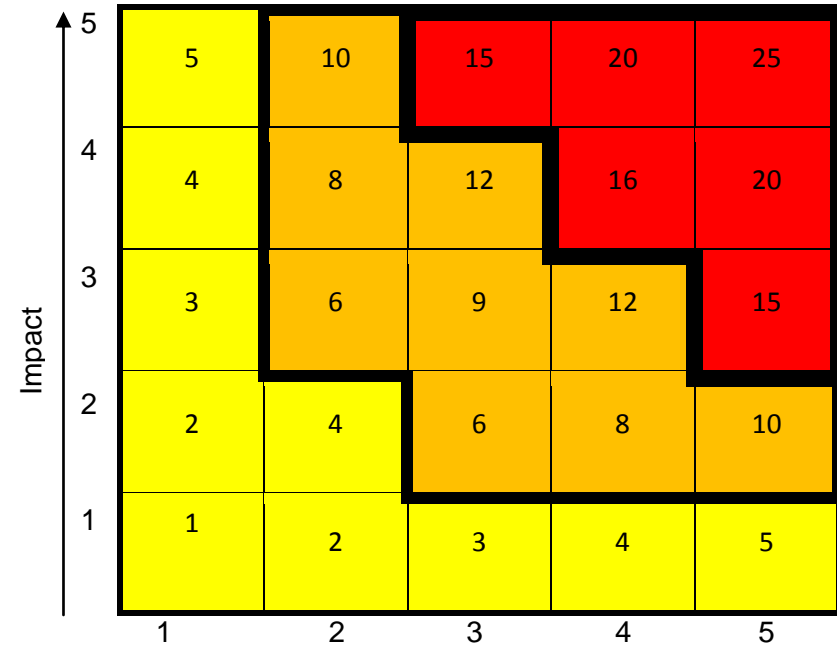
RISK RATING ELEMENTS - IMPACT

Risk level	Impact				
	Level	Financial	Service Delivery	Safety	Reputation
5	Critical	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	Major	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	Sizeable	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	Moderate	Loss above £5K below £25K	Delays in effective service delivery	Minor injury - no professional medical treatment	Slight reputation damage
1	Minor	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

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AUDIT COMMITTEE

22 JUNE 2017

REPORT OF CORPORATE DIRECTOR (CORPORATE SERVICES)

A.4 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 16 March 2017 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.

RECOMMENDATION(S)

That the progress 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.

For information the External Auditors Fee letter relating to 2017/18 is attached. This highlights a 2017/18 proposed fee that remains the same as 2016/17. The 2017/18 budget is **£74,840**, which is expected to be sufficient to meet the indicative audit fees including those associated with the certification of the housing benefit subsidy claim once finalised by the PSAA. If the total fees for the year increase due to the cost of additional work that may be required, then this will be managed within the overall budget position.

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**.

Previously the Committee have been advised of the progress against actions identified within the 2015/16 Annual Governance Statement within this report. The latest position on these actions is set out within the 2016/17 Annual Governance Statement that appears elsewhere on the agenda. Subject to the agreement of the 2016/17 Annual Governance Statement, any outstanding, revised or new actions will be included in future Table of Outstanding Issues reports to ensure members are kept up to date with progress.

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.

A brief update was provided to the Committee at its March 2017 meeting in respect of the identification of legionella at the Frinton and Walton Lifestyles facility. Although the Council's longer term / corporate response to this issue is on-going and remains subject to the final report from the Health and Safety Executive, a range of activities / actions have already been undertaken by the Council's, given the priority to react as quickly as possible to issues identified during the investigation. The Council's response to this issue to date has included:

- A comprehensive risk assessment being undertaken at Walton Lifestyles, by an independent specialist water management company, with all priority works identified being undertaken / completed.
- Risk assessments being undertaken at all other leisure centres by the same independent water management company and any matters identified being either remedied or programmed to be rectified in accordance with the risk profile.

- Staff training at all sites and a comprehensive review of legionella policy has been undertaken across the Council with all appropriate actions and recommendations being implemented as required.
- The Service continuing to work closely with the independent water management company, to ensure all recommended control measures throughout the Sports Facilities are working effectively.
- All recommended operational procedures to manage the control of Legionella across the Council's leisure centres have been implemented, with appropriate checks and balances to ensure they are being undertaken effectively.
- Corporate Services established a working group to provide on-going support to Operational Services throughout the investigation with activity covering issues such as financial consequences, training, staff redeployment, staff wellbeing and occupational health, insurance and Union liaison.

As part of a wider health and safety response, Health and Safety has been added to the Council's corporate risk register and a number of proposed actions are proposed which include:

- Designing a Health and Safety Actions 'matrix' to enable high level reporting to Management Team on key health and safety issues;
- Designing a Health and Safety Annual Plan in consultation with Departments;
- Reviewing existing health and safety processes in consultation with services and recommend changes / improvements where necessary;

As highlighted above, the formal report from the Health and Safety Executive is still awaited. Once received, any further improvements required will be reviewed and a further update provided to the Audit Committee.

It is also worth highlighting that Internal Audit will undertake an independent audit of health and safety later in the financial year, and this will examine the robustness of the revised arrangements that have been introduced corporately for the management of the Council's health and safety risks and responsibilities, along with the arrangements for support to services when undertaking improvement actions. This audit will also include a review of the improvement actions taken regarding the specific issues that had been identified including those arising from the final recommendations from the Health and Safety Executive.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A – Table of Outstanding Issues (June 2017) – General.

Attached – External Audit Fee Letter 2017/18

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AUDIT COMMITTEE - Table of Outstanding Issues (June 2017)

GENERAL					
Governance Area	Activity / Subject	Recommendation / Issue	Lead Service	Progress / Comments	Status - Target Date
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	Officers have now met with the Council's new insurers who have recommended that rather than undertake a property risk audit there is likely to be more value in letting the Council's claims history 'drive' any risk management work. This revised approach is now in hand with work planned to be undertaken in readiness for an update to be provided to the September meeting of the Committee.	September 2017
Fraud and Compliance	Effective delivery of Corporate Fraud and Compliance activities	<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"> • Staff within the Revenues and Benefits Service continue to undergo the necessary training to undertake fraud investigation work. • 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. • 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. 	Head of Finance and Revenues and Benefits	The restructure of the Finance and Revenues and Benefits Service has now been finalised and approved, which included the establishment of a dedicated Corporate Fraud and Risk Team. Along with undertaking fraud work associated with revenues and benefits, as as historically been the case, the team will now have a much wider focus and will undertake anti-fraud activities across the whole Council. The implementation of this revised approach will continue over the course of the year with updates provided to the Committee as appropriate.	September 2017
The Council's Governance arrangements	Procurement / Contract Arrangements	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.	Head of Finance and Revenues and Benefits	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.	On-going

<p>The Council's Governance arrangements</p>	<p>Procurement / Contract Arrangements</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. Outstanding actions are as follows:</p> <p>The centralisation of repair / maintenance type work to reduce the potential for untrained staff to become involved in the procurement process 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"> * Actions to protect the Council from fraud * Expectation of officers if covering another officer's duties where procurement is undertaken * The nature and level of assistance that can be provided to people / organisations bidding for Council work * Disaggregation of works to avoid procurement procedure rules is not permitted * Checks to undertake ensure potential contractors have the capacity and financial stability to deliver the Council's requirements * What activities need to be completed before payment is released to contractors / suppliers * The correct coding of expenditure within the financial systems * Contractors not to be paid in advance unless contractually obliged to do so * 'Spot' checks required by Senior Managers to ensure rules / guidance is being adhered to 	<p>Head of Finance and Revenues and Benefits</p>	<p>A training guide was finalised and published during March 2017.</p> <p>A number of recommendations and actions are expected to be identified following a corporate review of procurement that is currently being undertaken by Internal Audit. Therefore it is proposed to wait for the outcomes from this piece of work before finalising additional training. This approach will help to ensure that all necessary issues can be covered within the training that will be provided. This will also support the proposed approach of ensuring the training reflects real life examples of the issues identified rather than just highlighting the requirements of the constitution, which will therefore provide practical advice to officers involved in procurement activities.</p> <p>It is also still proposed to place restrictions within the Council's ordering / procurement processes to ensure only those officers who have undertaken the necessary training and confirmed that they have read and understood any associated guidance can place orders and procure goods and services on behalf of the Council.</p>	<p>September 2017</p>
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Ian Davidson
Chief Executive
Tendring District Council
Town Hall
Station Road
Clacton-on-Sea
Essex
CO15 1SE

21 April 2017

Our Ref: TDC/Fee letter/ 2017/18

Direct line: 07876 397986

Email: ksuter@uk.ey.com

Dear Ian

Tendring District Council Annual Audit and Certification Fees 2017/18

We are writing to confirm the audit and certification work that we propose to undertake for the 2017/18 financial year at Tendring District Council.

From 1 April 2015, the duty to make arrangements for the audit of the accounts and the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. In October 2015, the Secretary of State confirmed that the transitional arrangements would be extended for one year for audits of principal local government bodies only, to cover the audit of the accounts for 2017/18. The audit contracts previously let by the Audit Commission and novated to PSAA have therefore also been extended for one year to give effect to this decision.

From 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 will apply for principal local government and police bodies. These audited bodies will be responsible for making their own arrangements for the audit of the accounts and certification of the housing benefit subsidy claim. The PSAA will play a new and different role in these arrangements.

Indicative audit fee

For the 2017/18 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees. There are no planned changes to the overall work programme for 2017/18. It is therefore proposed by the PSAA that scale fees are set at the same level as the scale fees applicable for 2016/17. These fees reflect the significant reductions made to scale fees since 2012/13.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements

- Value for money conclusion
- Whole of Government accounts.

For Tendring District Council our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- Officers meeting the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the council;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2016/17, our audit planning process for 2017/18 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Certification fee

The PSAA sets an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee for 2017/18 will be based on actual 2015/16 benefit certification fees. As the actual 2015/16 benefit certification fee has not been finalised by PSAA at the time of writing they have not yet set the 2017/18 certification fees.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2017/18 relates to work on the housing benefit subsidy claim for the year ended 31 March 2018. We will set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2016/17 benefit certification work, and to reflect any further changes in the certification arrangements.

Summary of fees

	Indicative fee 2017/18 £	Planned fee 2016/17 £	Actual fee 2015/16 £
Total Code audit fee	58,708	**58,708	61,566
Certification of housing benefit subsidy claim	To Be Confirmed	15,475	*13,110
Non audit work	To Be Confirmed	To Be Confirmed	0

* The 2015-16 certification scale fee was £16,379. The sum of £13,110 fee reflects a discount of £3,269 recognising the work undertaken by the Housing Benefits team to complete initial testing on EY's behalf. This is still to be approved by the PSAA.

**The planned fees for 2016/17 will likely to be subject to a scale fee variation increase. This arises from how the new reporting requirements from the CIPFA Code of Practice on Local Authority Accounting for 2016-17 impacts the Comprehensive Income and Expenditure Statement. We will work with officers to establish working paper requirements to minimise the impact.

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative code audit fee will be billed in 4 quarterly instalments. Additionally, we will bill 25% of the indicative certification fee each quarter when it has been determined.

Audit plan

Our plan is expected to be issued in January 2018. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Head of Finance, Revenues and Benefits and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

Audit team

The key members of the audit team for the 2017/18 financial year are:

Kevin Suter
Executive Director

ksuter@uk.ey.com

Tel: 07876 397986

Chris Hewitt
Manager

CHewitt@uk.ey.com

Tel: 07879 667245

We are committed to providing you with a high quality service. 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, please contact me. 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.

Yours Sincerely

Kevin Suter

Executive Director
For and on behalf of Ernst & Young LLP

cc. Alan Coley, Chair of the Audit Committee
Richard Barrett, Head of Finance, Revenues and Benefits