

## AUDIT COMMITTEE

26 MARCH 2020

### REPORT OF THE INTERNAL AUDIT MANAGER

#### A.1 INTERNAL AUDIT PLAN 2020/21 (Report prepared by Craig Clawson)

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To seek the approval of the Audit Committee for the 2020/21 Internal Audit Plan.

##### EXECUTIVE SUMMARY

- The 2020/21 Audit Plan has been developed using a risk based approach, taking account of the Councils Corporate Objectives, Corporate Risks and Emerging Risks. As well as the above the plan for 2020/21 has been collated based on the information gained from liaising with Directors, Heads of Service and entire departments to target areas that may benefit from an independent review of processes and procedures to determine potential efficiency gains, improved technology / software requirements or if the function has not been audited for a substantial period of time due to it being considered of lower risk historically.
- The establishment for the Internal Audit function is currently 4.2 full time equivalent (fte) staff. However, it is proposed a trial period of working with a hybrid structure of 3 fte internal employees, while using the budget available from the vacancies we are holding to pay for third party professional services to contribute to the delivery of specialist audit areas within the Internal Audit Plan. Interviews are also due to be held soon for a new apprentice to join the Internal Audit Team.
- The level and range of coverage is considered sufficient for the Internal Audit Manager to be able to provide an annual opinion on the Council's assurance framework.

##### RECOMMENDATION(S)

- (a) That the Internal Audit Plan for 2020/21 be considered and approved; and**
- (b) that 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.**

## PART 2 – IMPLICATIONS OF THE DECISION

<b>DELIVERING PRIORITIES</b>
Provision of adequate and effective internal audit helps demonstrate the Council's commitment to corporate governance matters.
<b>FINANCE, OTHER RESOURCES AND RISK</b>
<p><b>Finance and other resources</b> The proposed 2020/21 Internal Audit Plan can be resourced from the 2020/21 budget. The total direct budget for Internal Audit is £177,700 (excluding recharges) for 2020/21. This has reduced from £188,340 in 2019/20 as part of the restructure recently implemented by the Internal Audit Manager.</p> <p><b>Risk</b> Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.</p>
<b>LEGAL</b>
The Council has a statutory responsibility to undertake an effective internal audit.
<b>OTHER IMPLICATIONS</b>
<p><b>Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.</b> <b>Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.</b></p> <p>Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.</p> <p>During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.</p> <p>There is no specific effect on any particular ward.</p>

## PART 3 – SUPPORTING INFORMATION

<b>BACKGROUND</b>
<p>In respect of the Internal Audit Plan the Public Sector Internal Audit Standards require the Internal Audit Manager to: -</p> <ul style="list-style-type: none"><li>• Establish a risk based Internal Audit Plan, at least annually, to determine the priorities of the Internal Audit function, consistent with the Council's goals.</li></ul>

- Has 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.
- Produces a plan that takes into account the need to produce an annual Internal Audit opinion.
- Considers the input of senior management and the Audit Committee in producing the plan.
- Assesses the Internal Audit resource requirements.

## **DEVELOPMENT OF THE AUDIT PLAN**

The Internal Audit Plan has been produced taking into account the requirements as set out in the Public Sector Internal Audit Standards, the current Internal Audit Charter and with an emphasis on continuing to use different audit techniques and reporting styles. The Internal Audit Team aspire to add value by targeting particular areas of the Council that may benefit from an independent review of processes and procedures to determine potential efficiency gains, improved technology / software requirements or change through new innovative ways of working.

The 2020/21 Audit Plan has been developed using a risk based approach, taking account of the Councils Corporate Objectives, Corporate Risks and Emerging Risks. A Risk Assessment process has also been undertaken on all auditable areas (Audit Universe) of the Council to enable the Internal Audit Manager to provide an opinion on the effectiveness of governance, risk management and internal control processes within the organisation and provide reasonable assurance to the Audit Committee.

Existing knowledge of the auditable areas and historical data on operational processes within each service area has allowed for a practical assessment on whether a full audit, a leaner audit or a more balanced approach is required. The proposed audit approach for all audits is set out within the Draft Internal Audit Plan (Appendix A).

Discussions have been held with Management Team members individually and collectively. The feedback from Management Team has been taken into account and incorporated within the plan presented to the Committee. The Committee now has the opportunity to input into the draft plan provided.

## **INTERNAL AUDIT RESOURCE REQUIREMENTS**

The establishment for the Internal Audit function is currently 4.2 fte, however it has not operated at this level for some time. As reported previously within Audit Committee Periodic Reports two members of the Internal Audit Team have left the organisation leaving 3 fte currently working within the team. The Internal Audit Team has worked hard to deliver the 2019/20 audit plan while holding vacancies. Due to the organisation moving towards digitalisation and the Internal Audit Team already working paperless this has allowed us to stream line our own processes and work smarter by targeting our resources and even undertaking 100% sample testing due to the availability of electronic data. Because of the changes to how we work, it is proposed that the Internal Audit Team remains with 3 fte while retaining the current budget to commission support from a third party for specialist audit days when needed.

The proposed plan has been developed based on the current resource available and the teams' adaptation to new innovative and leaner ways of working. The number of audit days has been reduced from 520 to 450; however, this will not impact on the level of assurance provided to the audit committee and the overall assurance opinion for a number of reasons;

- A leaner more practical audit plan has been developed using a risk based approach, knowledge of all operational processes within service areas, historical assurance opinions and an understanding of where procedural changes have occurred around the Council.
- A hybrid structure of both internal and external resource will provide additional resilience within the team as well as provide different experience, skills transfer for more junior staff and access to a hub of audit resource.
- The reduction of audit days from 2019/20 is not just due to the recent restructure. Historically Internal Audit were required to undertake all 'key system' audits on an annual basis. This is no longer a requirement, therefore after assessing the risk it is practical to rotate the key systems that consistently receive a 'Substantial Assurance' opinion to a biennial review. This has meant resource can now be utilised in areas that may require more support and allow the Internal Audit Team to continue with consultative / advisory services without affecting the ability to provide a Head of Internal Audit Annual Assurance Opinion.
- After the success of our previous apprentice, the Internal Audit Team will be recruiting another apprentice to provide administrative support to the team. As the apprentice's knowledge and experience grows it will provide additional resource for audit testing in the future to support the lead Auditors.

#### **INTERNAL AUDIT PLAN DETAIL**

The plan provides an outline of the work currently proposed to be undertaken during the 2020/21 financial year. In order to provide a proactive and flexible approach the plan should be considered indicative of the work currently intended. The Internal Audit Plan needs to be flexible to ensure that Internal Audit resources are directed where they are most needed, and add as much value as possible to the organisation.

The plan will be kept under review during the year, in consultation with the Council's senior management, and taking account of changes to the Council's priorities, operations and risk. Changes to the plan will be brought to the attention of the Committee for approval.

The Internal Audit Plan is not intended to provide coverage, in any one year, of the entire Audit Universe. If resources become available as a result of plan changes during the year, then priority will be given to audits with the highest ranking that were not included in the plan, that are considered to be due.

The plan is considered to be in effect a rolling programme of work, rather than being specific to one year, and audits scheduled, but incomplete at the end of any financial year roll forwards and are completed in the new financial year.

A detailed breakdown of the Audit Plan is included in Appendix A.

The Committee's attention is drawn to the following: -

- **The comments section** of the plan provides additional detail on the audit techniques to be used to deliver the reviews, a brief summary of what is included within the audit and in some instances why it is included in the plan
- **Emerging key projects** – there are a number of projects in progress or due to start in 2020/21. It is unknown at this stage the level of capacity needed from Internal Audit to support the Council in delivering and/or providing independent advice on the projects. Time has been allocated to support the Council and further detail will be provided to the Audit Committee when the level of involvement becomes clear.
- **Development** – Some days have been allocated within the plan to ensure that there is enough time available for the Audit Team to incorporate all of the new processes, procedures, techniques and reporting arrangements into all areas of their work. The time has been reduced in the 2020/21 plan as we have now developed a consistent standard and approach to our ways of working which has been implemented over the past two years.

As referred to above mechanisms exist to allow amendment to the plan and if any issues arise regarding the risks in the current Corporate Risk Register, or new risks emerge including any identified by the Council's external auditors, then plan adjustments will be considered.

***The level and range of coverage is considered sufficient for the Internal Audit Manager to be able to provide an annual opinion on the Council's assurance framework.***

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

Audit Plan Working Papers

#### **APPENDICES**

Appendix A - Draft Internal Audit Plan 2020/21

APPENDIX A

Tendring District Council Internal Audit				
2020/21 Internal Audit Plan				
Audit Title	Days Allocated	Total Days	Comments	Associated Inherent Risk Categories
<b>Key Systems / Key Financial Risk Areas</b>				
Procurement	20		Continuous Auditing Approach. Five days allocated per quarter of the annual plan	<ul style="list-style-type: none"> <li>• Financial</li> <li>• Reputation</li> <li>- General Governance and Fraud</li> </ul>
Housing Benefits	10		Different Techniques involved.  Self-assessment, Root-cause analysis / Data Analytics and Assurance Mapping exercises until Universal Credit is adopted.	<ul style="list-style-type: none"> <li>• Financial</li> <li>• Reputation</li> <li>- General Governance and Fraud</li> </ul>
Business Rates	15		Different Techniques involved. To include self-assessment, Root cause analysis / Data Analytics and Assurance Mapping exercises. Analysis of Legislation changes and pooling arrangements may also be required	<ul style="list-style-type: none"> <li>• Financial</li> <li>• Reputation</li> <li>- General Governance and Fraud</li> </ul>
Investment Planning	12		To review the Councils investment planning processes, return on investments and assess how the benefits are realised and recorded	<ul style="list-style-type: none"> <li>• Financial</li> </ul>
Corporate Governance	10		Assurance Mapping and Self-Assessments to be used within this audit. Interviews with Senior Management required to ascertain the culture of the organisation	<ul style="list-style-type: none"> <li>• Reputation</li> <li>- General Governance</li> </ul>
Council Tax	10		Different Techniques involved. To include self-assessment, Root cause analysis / Data Analytics and Assurance Mapping exercises.	<ul style="list-style-type: none"> <li>• Financial</li> <li>• Reputation</li> <li>- General Governance and Fraud</li> </ul>
Payroll	10		Data Analytics is the main audit technique used within this audit	<ul style="list-style-type: none"> <li>• Financial</li> <li>• Reputation</li> </ul>

APPENDIX A

				- General Governance and Fraud
Treasury Management	5		Assurance Mapping, Self-Assessments and Data Analytics are the main techniques used	<ul style="list-style-type: none"> <li>• Financial</li> <li>• Reputation</li> </ul> <p>- General Governance and Fraud</p>
Housing Rents	10		Root cause analysis / Data Analytics	<ul style="list-style-type: none"> <li>• Financial</li> </ul>
Cash Receipting	10		Root cause analysis / Data Analytics	<ul style="list-style-type: none"> <li>• Financial</li> </ul>
Financial Resilience	10		To review the resilience of the Councils long term financial plan and assess whether annual objectives are being achieved to determine future viability	<ul style="list-style-type: none"> <li>• Financial</li> </ul> <p>- General Governance</p>
		<b>122</b>		

Other Systems / Service Area				
Risk Management	5		Required annually under PSIAS and Cipfa guidance	- General Governance
Parking Income	12		Review the income management processes and controls in place for Parking Income	<ul style="list-style-type: none"> <li>• Financial</li> <li>• Reputation</li> </ul> <p>- General Governance and Fraud</p>
Princes Theatre	12		To review the processes and controls in place for the management of the Princes Theatre. This will include income management, insurance arrangements and procurement	<ul style="list-style-type: none"> <li>• Financial</li> </ul> <p>- General Governance</p>
Transformation Programme	12		Review of governance arrangements, decision making, cost / benefit analysis and benefit realisation  Consultative review as the programme progresses.	<ul style="list-style-type: none"> <li>• Reputation</li> <li>• Financial</li> </ul> <p>- General Governance</p>

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Corporate Enforcement	12		Review of enforcement services across the Council to determine whether uniformity can be achieved within existing processes and controls and assess the efficiency of work programmes that may already be in place	<ul style="list-style-type: none"> <li>• Reputational</li> <li>- General Governance</li> </ul>
Asset Management	15		Audit scope to assess TDC assets and determine the effectiveness of income generation and maintenance schedules	<ul style="list-style-type: none"> <li>• Financial</li> <li>• Reputational</li> <li>- General Governance</li> </ul>
Fleet Management	12		To review the effectiveness of the Transport Management System and the processes and controls for managing and monitoring the Councils fleet of vehicles (owned and hired)	<ul style="list-style-type: none"> <li>• Safety</li> <li>• Reputation</li> <li>- General Governance</li> </ul>
North Essex Garden Communities	15		Identify the risks associated to the project and determine how TDC can manage, monitor and mitigate those risks	<ul style="list-style-type: none"> <li>• Financial</li> <li>• Reputation</li> <li>- General Governance</li> </ul>
Environmental Health	10		Compliance with key legislation and effectiveness of processes and controls in place for managing environmental health issues	<ul style="list-style-type: none"> <li>• Reputational</li> <li>- General Governance</li> </ul>
Assurance Mapping	10		Identify all types of assurance required and achieved across the Council to develop an assurance map of public services provided by TDC.	<ul style="list-style-type: none"> <li>• Reputation</li> <li>- General Governance</li> </ul>
Carbon Neutrality	12		To assess the baseline data used by the Council for setting its Carbon Neutrality aims and objectives and review / assess the planning methodology and feasibility of achieving our aspirations	<ul style="list-style-type: none"> <li>• Reputation</li> <li>- General Governance</li> </ul>



## APPENDIX A

Emerging Key Projects	20		Provision for emerging projects. Considered as a contingency provision to be allocated during year to specific tasks as appropriate	<ul style="list-style-type: none"> <li>• Reputation</li> <li>• Financial</li> </ul> <p>- General Governance and Fraud</p>
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<b>Follow Up Audits</b>				
Planning Enforcement – Follow Up	5		Follow up of controls put in place from the 2019/20 Planning Enforcement Audit	<ul style="list-style-type: none"> <li>• Reputation</li> </ul> <p>- General Governance and Fraud</p>
Northbourne Security Follow-Up	5		Follow up of controls put in place from the 2019/20 Northbourne Security Review	<ul style="list-style-type: none"> <li>• Financial</li> <li>• Reputation</li> </ul> <p>- General Governance and Fraud</p>
Housing Allocations – Follow Up	5		To follow up on the agreed actions from the 2019/20 Internal Audit and assess the progress of implementation	<ul style="list-style-type: none"> <li>• Financial</li> </ul> <p>- General Governance and Fraud</p>

**15**

<b>Computer Audit</b>				
Digital Transformation Programme	12		IT continues to be one of the biggest risk areas to all organisations. Governance arrangements and project delivery to be within scope  Consultative review as the programme progresses.	<ul style="list-style-type: none"> <li>• Financial</li> <li>• Reputation</li> </ul> <p>- General Governance</p>
IT Governance	8		PSIAS expectation that this will be covered each year.	<ul style="list-style-type: none"> <li>- General Governance</li> </ul>

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IT Change / Patch Management	10		To assess the IT functions processes and controls for change / patch management on IT infrastructure and software.	<ul style="list-style-type: none"> <li>• Reputation</li> <li>- General Governance</li> </ul>
		<b>30</b>		
<b>Action Tracking / Follow Up</b>	36		Time allocated to chase, monitor and review the implementation of outstanding audit actions	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
		<b>36</b>		
<b>Carry Forward of Work in Progress</b>	40		Audits in progress at 31st March 2020. May be necessary to revise figure at late stage in plan process	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
		<b>40</b>		
<b>Other</b>				
Consultancy & Advisory	50		Consultancy and advice, requested and unplanned audits, investigations.	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
Development	10		Time needed to adapt to internal and external changes and ensure that audit techniques, testing and reporting remain up to date	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
		<b>60</b>		
<b>Total</b>		<b>450</b>		

\***Associated Inherent Risk Categories** are the overarching risk headings in which Corporate Risks and Business Risks are developed. In order to reach a high enough level to be considered a significant risk to the authority and require management action and audit resource there must be an element of Governance, Financial, Reputational, Fraud and Safety risk identified.

## APPENDIX A

### Glossary

<b>Self-Assessment</b>	Services to assess own processes and controls. Internal Audit to undertake testing only.
<b>Data Analytics</b>	To compare large volumes of data and analyse specific trends, errors or anomalies.
<b>Assurance Mapping</b>	To review other assurance reports on the service area and take assurance from those reviews already complete where possible.
<b>Root Cause Analysis</b>	Where continuous issues arise, Internal Audit will identify the root cause and support the service in resolving the systemic issue rather than the singular one-off issue arising from audit testing.

# AUDIT COMMITTEE

26 MARCH 2020

## REPORT OF THE INTERNAL AUDIT MANAGER

### A.2 REPORT ON INTERNAL AUDIT – December 2019 to February 2020

(Report prepared by Craig Clawson)

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To provide a periodic report on the Internal Audit function for the period December 2019 – February 2020

##### EXECUTIVE SUMMARY

- A total of six audits have been completed since the previous update in January 2020.
- Financial Resilience and North Essex Garden Communities Reviews have been rescheduled, initial assessments will take place in March 2020.
- Based on the number of days outstanding on audits currently at fieldwork stage, the estimated percentage of the plan complete is at 90%. This time last year we were at 82% completion with a target of 90%.
- No significant issues were identified in the period

##### RECOMMENDATION(S)

That: -

- (a) The Internal Audit Plan progress to date 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 in maintaining a control environment that mitigates the opportunity for crime.

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

There is no specific effect on any particular ward.

## PART 3 – SUPPORTING INFORMATION

### BACKGROUND

The Public Sector Internal Audit Standards require the Acting Audit and Governance Manager, to make arrangements for reporting periodically to senior management (Management Board) and to the board (Audit Committee).

### INTERNAL AUDIT PLAN PROGRESS

A total of six audits have been completed since the previous update in January 2020. Fieldwork is near completion on a further two audits, Housing Rents and IT Governance; with the actions and overall opinion yet to be agreed.

Based on the audits completed, days spent on audits currently in fieldwork phase and consultancy days used for service support the percentage of the plan complete is forecast at 90%. Targeted percentage complete for this period is around 90%.

All six audits reported this period have received a satisfactory level of assurance, with no significant issues to be reported.

Consultative reviews are still ongoing; Digital Transformation Programme, Office Transformation Programme, Project Management and Northbourne Security. There have been no material changes since the last Audit Committee to report.

Initial assessments for other consultative reviews, Financial Resilience and North Essex Garden Communities; are due to take place in March 2020 with fieldwork due to start in April 2020.

As there are a number of audits that are continuous or consultative, it is necessary to provide a summary of progress below;

#### ***Office Transformation Programme***

The transformation board continues to meet on a regular basis to review progress with the Office Transformation Program. No significant issues have been raised regarding operational processes or internal controls.

## **Digital Transformation Programme**

There has not been any Digital Transformation Board meetings since the previous update in January. Further information will be provided at the next Audit Committee in July 2020 once progress on delivery of the programme is determined.

## **Project Management**

The Project Board continues to meet regularly with one meeting since our last update in January. No significant issues have been raised to date with Senior Managers providing updates and additional information when requested by the board.

## **Northbourne Security Review**

Internal Audit are continuing to work with Building Services and Finance on a new field management system to improve stock control, job and workflow management and workload scheduling system.

New CCTV has now been installed at Northbourne Depot with the installation of the electronic security gate still in progress.

## **Quality Assurance**

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

## **Resourcing**

Internal Audit is currently working with an establishment of 3 fte with access to a third party provider of Internal Audit Services for specialist audit days as and when required. We are currently in the process of recruiting an Apprentice to support the team with its administrative responsibilities.

Further details on resourcing the delivery of the 2020/21 Audit Plan are available within the 2020/21 Internal Audit Plan report.

## **Outcomes of Internal Audit Work**

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

<b>Assurance</b>	<b>Colour</b>	<b>Number this Period</b>	<b>Total for 2017/18 Plan</b>	
Substantial		4	8	
Adequate		2	10	
Improvement Required		0	3	
Significant Improvement Required		0	0	

No Opinion		0	0	
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For the purpose of the colour coding approach, both the substantial and adequate opinions are shown in green as both are within acceptable tolerances.

There have been no significant Issues arising from audits completed in the period under review receiving an 'Improvement Required' opinion and requiring reporting to Committee.

### **Update on previous significant issues reported**

#### **Planning Enforcement**

The scope of this review was to assess the processes and controls in place when managing public complaints, investigating potential planning breaches, enforcement action and appeals.

The following significant issues were identified within the audit;

- The current planning enforcement policy is dated November 2010. As well as questions whether the policy reflects current regulations, working practices and political thinking, it is noted that it also contains references to former council officers and former government departments.
- Once it has been established that a planning breach has occurred, a scored HARM assessment should be carried out and checked to evaluate whether further action and resource is justified.
- Planning Enforcement have use of the Enterprise module of the Planning Software. This is a real time monitoring software, which shows what stage each case is at, and whether it has reached its' milestone.
- To provide an effective and timely enforcement service, potential breaches need to be managed and a process followed.

#### *Status Update*

*Since the January 2020 Audit Committee in which the Corporate Director (Planning and Regeneration) provided an update, work has been undertaken in conjunction with the Corporate Enforcement Group to review and assess how all Council Enforcement functions work and identify where collaborative approaches to enforcement could be implemented as well as identify efficiencies in processes in order to deliver an effective enforcement function across all service areas provided by the Council*

#### **Housing Repairs and Maintenance**

The scope of the review was to review the processes and procedures in place for repairing and installing kitchens and bathrooms within Council Housing Stock and reactive repairs and maintenance.

- Variation orders are not written down when changing the value of a job with a third party contractor, therefore no record is available to determine the nature of why the change was required.

- *Written Variation orders to be enforced and retained. A linked process to be created to ensure these are managed and matched with invoices.*

#### *Status Update*

*The Contractor used for the Kitchen and Bathroom repairs and maintenance contract has terminated the contract. The service are using a pool of contractors in the short term to undertake urgent work.*

*The service are expected to use written variation orders when required as per the Councils financial procedure rules.*

For reporting purposes, the number of significant findings identified with outstanding actions are listed below;

<b>Status</b>	<b>Number</b>	<b>Comments</b>
Overdue more than 3 months	0	
Overdue less than 3 months	0	
Not yet due	6	

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

Audit Reports

#### **APPENDICES**

Appendix A – Internal Audit Plan 2019/20 Progress Report



<b>Tendring District Council Internal Audit</b>			
<b>2019/20 Internal Audit Plan Progress Report</b>			
<b>Audit Title</b>	<b>Status March 2020</b>	<b>Audit Type</b>	<b>Audit Opinion</b>
<b>2018/19 Carry Forward</b>			
Housing Repairs and Maintenance	Complete	Annual review of individual / multiple elements of HR & M	Improvement Required
Housing Allocations – Follow Up	Complete	Full review of Housing Allocations Service	Improvement Required
<b>Key Systems / Key Financial Risk Areas</b>			
<b>Procurement</b>	<b>Fieldwork</b>	<b>Continuous Auditing Approach. Five days allocated per quarter of the annual plan</b>	<b>To be confirmed</b>
<b>Housing Benefits</b>	<b>Fieldwork</b>	<b>Different Techniques involved. Self-assessment, Root-cause analysis / Data Analytics and Assurance Mapping exercises until Universal Credit is adopted.</b>	<b>Adequate Assurance</b>
<b>Business Rates</b>	<b>Fieldwork</b>	<b>Different Techniques involved. To include self-assessment, Root cause analysis / Data Analytics and Assurance Mapping exercises. Analysis of Legislation changes and pooling arrangements may also be required</b>	<b>Substantial Assurance</b>
<b>Main Accounting System</b>	<b>Fieldwork</b>	<b>Data Analytics is the main audit technique used within this audit</b>	<b>Substantial Assurance</b>
<b>Corporate Governance</b>	<b>Complete</b>	<b>Assurance Mapping and Self-Assessments to be used within this audit. Interviews with Senior Management required to ascertain the culture of the organisation</b>	<b>Substantial Assurance</b>
<b>Banking</b>	<b>Complete</b>	<b>Mainly Self-Assessment with some testing required</b>	<b>Substantial Assurance</b>

<b>Council Tax</b>	<b>Fieldwork</b>	<b>Different Techniques involved. To include self-assessment, Root cause analysis / Data Analytics and Assurance Mapping exercises.</b>	<b>Adequate Assurance</b>
Payroll	Complete	Data Analytics is the main audit technique used within this audit	Adequate Assurance
Accounts Payable	Complete	Data Analytics is the main audit technique used within this audit	Adequate Assurance
Treasury Management	Complete	Assurance Mapping, Self-Assessments and Data Analytics are the main techniques used	<b>Substantial Assurance</b>
<b>Housing Rents</b>	<b>Fieldwork</b>	<b>Root cause analysis / Data Analytics</b>	<b>To be confirmed</b>
Cash Receipting	Complete	Root cause analysis / Data Analytics	Adequate Assurance
<b>Accounts Receivable</b>	<b>Fieldwork</b>	<b>Data Analytics is the main audit technique used within this audit</b>	<b>Substantial Assurance</b>
<b>Contract Management – Waste and Street Sweeping</b>	<b>Fieldwork</b>	<b>Review of different contracts across the council assessing how they are managed and identifying where best practice can be shared</b>	<b>To be confirmed</b>
<b>Financial Resilience</b>	<b>Delayed</b>	<b>Balancing the Council’s budget and forecasting a medium to long plan is still one of the biggest risks the Council faces</b>	<b>Consultative Review</b>
<b>Capital Programme</b>	<b>Fieldwork</b>	<b>Detailed review of the Council’s capital programme and approach to capitalising expenditure.</b>	<b>Adequate Assurance</b>

<b>Other Services / Systems</b>			
<b>Northbourne Depot</b>	<b>Fieldwork</b>	<b>Overview of the planned repairs and maintenance programme and inspections schedule.</b>	<b>Consultative Review</b>
Risk Management	Complete	Required annually under PSIAS and Cipfa guidance	Adequate Assurance
Due Diligence	Complete	To review processes in place before contractors are appointed and ensure adequate due diligence is completed prior to awarding contracts and leases to third parties	Adequate Assurance

<b>Ethical Decision Making</b>	<b>Fieldwork</b>	<b>Cipfa and the IIA recommend that Internal Audit undertake an annual ethics and culture review. This review will assess how ethics is incorporated within the Council's decision making processes</b>	<b>To be confirmed</b>
Social Media	Complete	Assess policies and procedures in place at both member and officer level as well the controls in place to limit reputational damage in the event of potential misuse	Adequate Assurance
<b>Transformation Programme</b>	<b>Acting Audit and Governance Manager is part of the transformation delivery board</b>	<b>Review of governance arrangements, decision making, cost / benefit analysis and benefit realisation</b>	<b>Consultative Review</b>
<b>Project Management</b>	<b>Design of Project Management Governance Process now complete</b>	<b>Review of different projects across the council assessing how they are managed and identifying where best practice can be shared and guidance provided for future projects</b>	<b>Consultative Review</b>
<b>Leisure Centres – Follow Up</b>	<b>Fieldwork</b>	<b>Follow up on self-assessment exercise and concentrate on key themes from the 2018/19 review.</b>	<b>To be confirmed</b>
External Funding	Complete	Examine the Councils approach to exploring external funding opportunities for both the community and the organisation	Adequate Assurance
Planning Enforcement	Complete	Review processes and procedures related to breaches in planning control and assess their efficiency and effectiveness from receipt of complaint through to decision making and enforcement action.	Improvement Required
<b>Garden Communities</b>	<b>Delayed</b>	<b>Review of the progress to date of the Garden Communities initiative and assess the risks and controls in place</b>	<b>Consultative Review</b>
<b>Health &amp; Safety</b>	<b>Fieldwork</b>	<b>Spot checks, Compliance reviews and Self – Assessments</b>	<b>To be confirmed</b>

<b>Computer Audit</b>			
<b>Digital Transformation Programme</b>	<b>Acting Audit and Governance Manager is part of the digital transformation delivery board</b>	<b>IT continues to be one of the biggest risk areas to all organisations. Governance arrangements and project delivery to be within scope</b>	<b>Consultative Review</b>
<b>IT Governance</b>	<b>Fieldwork</b>	<b>PSIAS expectation that this will be covered each year.</b>	<b>To be confirmed</b>
Information Governance – GDPR Review	Complete	To review progress and implementation of GDPR within Council processes.	Adequate Assurance
Application Review - Agresso IT Security, Data Security and IT General Control	Complete	Review of current arrangements including how financial capacity is built in to emergency planning and business continuity procedures	Substantial Assurance

**Status Key**

<b>Unallocated</b>	Audit in Audit Plan, but no work undertaken yet
<b>Allocated</b>	Audit is being scoped / has been scoped and awaiting commencement
<b>Fieldwork</b>	Audit in progress
<b>Draft Report</b>	Audit fieldwork complete, but Final Report not yet issued
<b>Complete</b>	Final Report issued and audit results reported to Audit Committee
<b>Deferred</b>	Audit was in Audit Plan, but will now be undertaken in a later year. Deferred audits agreed by Audit Committee
<b>Delayed</b>	Valid request from function being audited for audit to be undertaken later than proposed

## AUDIT COMMITTEE

26 MARCH 2020

### REPORT OF ACTING CORPORATE DIRECTOR (CORPORATE SERVICES)

#### A.3 EXTERNAL AUDITOR'S AUDIT PLANNING REPORT FOR THE YEAR ENDED 31 MARCH 2020

(Report prepared by Richard Barrett)

#### PART 1 – KEY INFORMATION

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

To present for consideration and agreement the External Auditor's Audit Planning Report for the year ended 31 March 2020.

##### **EXECUTIVE SUMMARY**

The External Auditor's Audit Plan for the year ending 31 March 2020 is attached, which sets out their planned audit work in respect of informing their opinion on the 2019/20 Financial Statements and the Council's use of resources.

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

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

##### **RECOMMENDATIONS**

**That the Audit Committee considers and agrees the External Auditor's Audit Planning Report for the year ended 31 March 2020.**

#### PART 2 – IMPLICATIONS OF THE DECISION

##### **DELIVERING PRIORITIES**

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

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

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

**Page 7** of the attached sets out a breakdown of fees. The planned fee totals **£59,105** (including certification of claims and returns) which can be met from within existing budgets.

No allowance is made within the overall fee for additional work that may be required such as that associated with additional requirements placed on the Council or unforeseen

circumstances, which would be the subject of further reports where necessary.

### **Risk**

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

### **LEGAL**

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

The Accounts and Audit Regulations 2015 introduced a change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts has been brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.

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

### **OTHER IMPLICATIONS**

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

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

There are no direct implications.

## **PART 3 – SUPPORTING INFORMATION**

### **AUDIT PLAN 2019/20**

Shortly after the end of each financial year the Council prepares in accordance with proper practices a Statement of Accounts as statutorily required which is then subject to external audit before final publication. From 2017/18, the publication deadline has been shortened by two months with the date that the accounts must be audited and published being revised to the end of July each year.

The Audit Plan issued by the External Auditor highlights at a summary level, aspects of the work they plan on undertaking and why, including the value for money conclusion. The External Auditor has also highlighted a number of key risks along with their planned audit approach against each item identified.

The outcome of the External Auditor's work will be set out in their Audit Completion Report that will be presented to the Audit Committee at their July 2020 meeting followed by the Annual Audit Letter provided to the Council shortly after.

<b>BACKGROUND PAPERS FOR THE DECISION</b>
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None
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<b>ATTACHMENTS</b>
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The External Auditor's Audit Planning Report for the year ended 31 March 2020
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Report to the Audit Committee

# TENDRING DISTRICT COUNCIL

Audit Planning Report: year ending 31 March 2020

IDEAS | PEOPLE | TRUST





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# WELCOME

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### Introduction

### Welcome

### Executive summary

### Audit scope and objectives

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### Appendices contents

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

It summarises the planned audit strategy for the year ending 31 March 2020 in respect of our audit of the financial statements and use of resources; comprising materiality, key audit risks and the planned approach to these, together with the BDO team.

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

We look forward to discussing this plan with you at the Audit Committee meeting on 26 March 2020 and to receiving your input on the scope and approach.

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

Lisa Clampin

16 March 2020



**Lisa Clampin - Engagement Lead**

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**Nuwan Indika - Manager**

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**Tawanda Mutenga - Senior**

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

# SCOPE AND MATERIALITY

## Executive summary

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This summary provides an overview of the key audit matters that we believe are important to the Audit Committee in reviewing the planned audit strategy for the Council for the year ending 31 March 2020.

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

### Audit scope

The scope of the audit is determined by the National Audit Office's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements; reviewing the arrangements to secure value for money through the economic, efficient and effective use of its resources; and, where appropriate, exercising the auditor's wider reporting powers and duties.

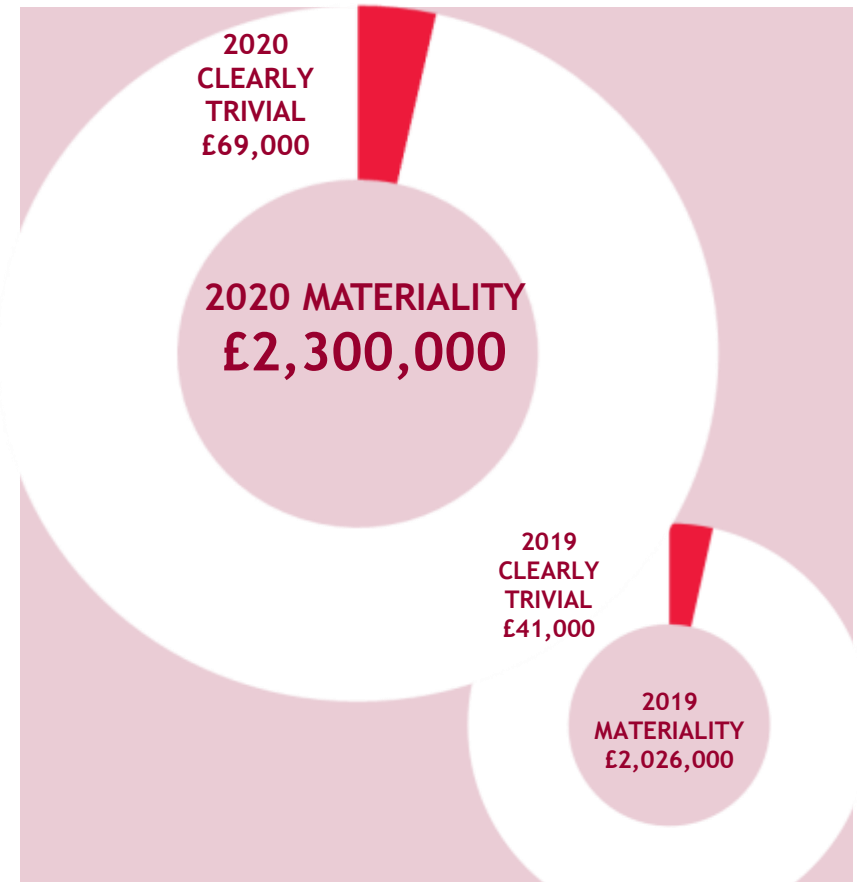
Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the National Audit Office.

### Materiality

Planning materiality for the Council will be set at 2% of gross expenditure for the year (prior year 1.75%). The increase in materiality reflects the development of our understanding of the Council when compared to the prior year (which was our first year as external auditor). It also reflects the outcome of the prior year audit, which did not identify any significant matters.

At this stage, the materiality figure is based on the prior year financial statements. This will be revisited when the draft financial statements are received for audit.

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



# AUDIT STRATEGY

## Executive summary

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

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

We will continue to update this assessment throughout the audit.

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

# AUDIT RISKS OVERVIEW

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<b>Risk identified - Financial statements</b>	<b>Risk rating</b>	<b>Fraud risk present</b>	<b>Testing approach</b>	<b>Impact of significant judgements and estimates</b>
Management override of controls	Significant	Yes	Substantive	Medium
Expenditure recognition	Significant	Yes	Substantive	Medium
Valuation of non-current assets	Significant	No	Substantive	High
Valuation of pension assets and liabilities	Significant	No	Substantive	High
<b>Risk identified - Use of resources</b>				
Sustainable finances	Significant	N/A	Detailed review	N/A



# INDEPENDENCE AND FEES

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### Independence

We confirm that the firm complies with the Financial Reporting Council's Ethical Standard for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

### Fees

	2019/20	2018/19
Code audit fee	£45,205	£45,205
<b>Total audit fees</b>	<b>£45,205</b>	<b>£45,205</b>
<b>Fees for non-audit services - audit related:</b>		
• Certification of housing benefits subsidy claim	<sup>(1)</sup> £11,250	£11,400
• Certification of pooled housing capital receipts return	£2,650	£2,500
<b>Total non-audit services fees</b>	<b>£13,900</b>	<b>£13,900</b>
<b>Total fees</b>	<b>£59,105</b>	<b>£59,105</b>

<sup>(1)</sup> The certification fee for housing benefit subsidy is on the basis that the Council performs the initial testing and we will re-perform. This also assumes three or less 40+ detailed testing during the year. The prior year fee includes a fee variation in respect of additional five 40+ detailed testing workbooks.

### Amendments to the proposed fees

The 2019/20 planned Code audit fee is the PSAA-published level. The Scale is based on the historical position from 2012/13 and so does not reflect any of the changes in audit scope and depth linked to current audit requirements for property, plant and equipment or pensions liability valuation work. Discussions on the total fee impact will be held initially with officers in the context of detailed operational planning and interim audit scope so as to best mitigate increases.



# OVERVIEW

## Audit scope and objectives

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

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

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

Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the National Audit Office.
Financial statements	We will express an opinion on the Council’s financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2019/20 and other directions.
Statement of Accounts	In addition to our objectives regarding the financial statements, we will also read and consider the other information contained in the Statement of Accounts to consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.
Use of Resources	We will report whether we consider that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
Additional powers and duties	Where necessary we may be required to: issue of a report in the public interest; make a written recommendation to the Council; allow local electors to raise questions and objections on the accounts; or exercise legal powers to apply to the courts for a declaration that an item of account is contrary to law, issue an advisory notice or an application for a judicial review.
Report to the Audit Committee	Prior to the approval of the financial statements, we will discuss our significant findings with the Audit Committee. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.

# BDO TEAM

## Team responsibilities

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**Lisa Clampin - Engagement Lead**

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- e: Lisa.Clampin@bdo.co.uk

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

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

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

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



**Nuwan Indika - Manager**

- t: 01473 320807
- m: 07966 243886
- e: Nuwan.Indika@bdo.co.uk

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



**Tawanda Mutenga - Senior**

- t: 01473 320711
- e: Tawanda.Mutenga@bdo.co.uk

I will be responsible for the day to day supervision of the audit team, and will be responsible for the delivery of the key audit work.



# OVERVIEW

## Audit risks

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

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- Valuation of pension assets and liabilities
- Sustainable finances (use of resources)
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Description of risk	Significant risk	Normal risk	Overview of risk
1. Management override of controls			Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.
2. Expenditure recognition			For public sector bodies the risk of fraud related to expenditure is relevant. There is a risk of manipulation of expenditure recognition by inappropriately including expenditure around the year end in the wrong financial year.
3. Valuation of non-current assets			The valuation of non-current assets is a significant risk as it involves a high degree of estimation uncertainty.
4. Valuation of pension assets and liabilities			The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty.
5. Sustainable finances (use of resources)			In light of the large underspends and significant amount of accumulated reserves, there is a risk that the budget setting and financial management process of the Council may not be designed to achieve the best use of the Council’s resources.

# MANAGEMENT OVERRIDE OF CONTROLS

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

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

## Risk detail

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

## Planned audit approach

Our audit procedures will include the following:

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



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

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

## Risk detail

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

## Planned audit approach

Our audit procedures will include the following:

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

# VALUATION OF NON-CURRENT ASSETS

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

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

## Risk detail

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

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

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

## Planned audit approach

Our audit procedures will include the following:

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

# VALUATION OF PENSION ASSETS AND LIABILITIES

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

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

## Risk detail

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

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

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

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

## Planned audit approach

Our audit procedures will include the following:

- Reviewing the competence of the management expert (actuary);
- Reviewing the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Reviewing the controls in place for providing accurate membership data to the actuary;
- Contacting the pension fund auditor and requesting confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data, and obtain assurance from the auditor of the pension fund over the reasonableness of the valuation of pension fund assets at 31 March 2019;
- Checking that any significant changes in membership data have been communicated to the actuary; and
- Agreeing the disclosures to the information provided by the pension fund actuary.

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**In light of the large underspends and significant amount of accumulated reserves, there is a risk that the budget setting and financial management process of the Council may not be designed to achieve the best use of the Council's resources.**

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

## Risk detail

During the 2017/18 year the Council introduced a new long term approach to budgeting/forecast under which a long term financial forecast is prepared for a ten year period which is updated on a regular basis. The most recent forecast in February 2020 shows a cumulative budget gap of £1.523m by 2023/24 and a cumulative budget surplus of £1.551m has been forecasted for the remaining years to 2026/27.

The 2019/20 budget monitoring shows that at the end of December 2019 there is an overall net underspend of £2.864m, although this is largely due to timing differences of income and expenditure.

As per 2018/19 outturn report for General Fund revenue financial performance, outturn for the year was a surplus of £3.583m against a net budget expenses of £11.339m, which represented a favourable variance (underspend) of £14.922m. The variance was primarily due to carry forward of a number of planned projects.

At 31 March 2019 the Council had total usable reserves of £51.245m which included the General Fund balance of 31.207m and HRA balance of £8.783m.

Whilst there is a recognition that the Council manages its finances in a prudent manner, given the large underspends and significant amount of accumulated reserves, there is a risk that the budget setting and financial management process of the Council may not be designed to achieve the best use of the Council's resources.

## Planned audit approach

Our audit procedures will include the following:

- Review the adequacy of the budget setting and financial management processes of the Council.
- Assess the effectiveness of the Council's policies and procedures for periodically reviewing existing reserves to evaluate the appropriateness of the levels of individual reserves based on factors such as historic utilisation rates, associated risk / sensitivity analysis and their underlying purpose.
- Review the financial outturn for 2019/20 and progress against the 2020/21 budget, for assessing the effectiveness of financial management arrangements, with the main focus being on any large underspends and carry forwards;
- Review the strategies to utilise budget surpluses after 2023/24 and assess how these are deployed for better delivery of Council services.

# OTHER MATTERS REQUIRING FURTHER DISCUSSION

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## Fraud

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

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

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

## Internal audit

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

We will review the reports issued by the Council's internal audit function although we do not plan to place reliance on their work in respect of their assessment of control processes.

## Laws and regulations

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

## Accounting policies

We will report to you on significant qualitative aspects of your chosen accounting policies. We will consider the consistency and application of the policies and we will report to you where accounting policies are inconsistent with the CIPFA Code of Practice on Local Authority Accounting 2019/20, applicable accounting standards or other direction under the circumstances.

## Significant accounting estimates and judgements

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

## Financial statement disclosures

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

## Related parties

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

## Any other matters

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

# GOING CONCERN

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

## Directors' responsibilities

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

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

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

## Audit responsibilities

Our responsibilities in respect of going concern are:

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

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

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

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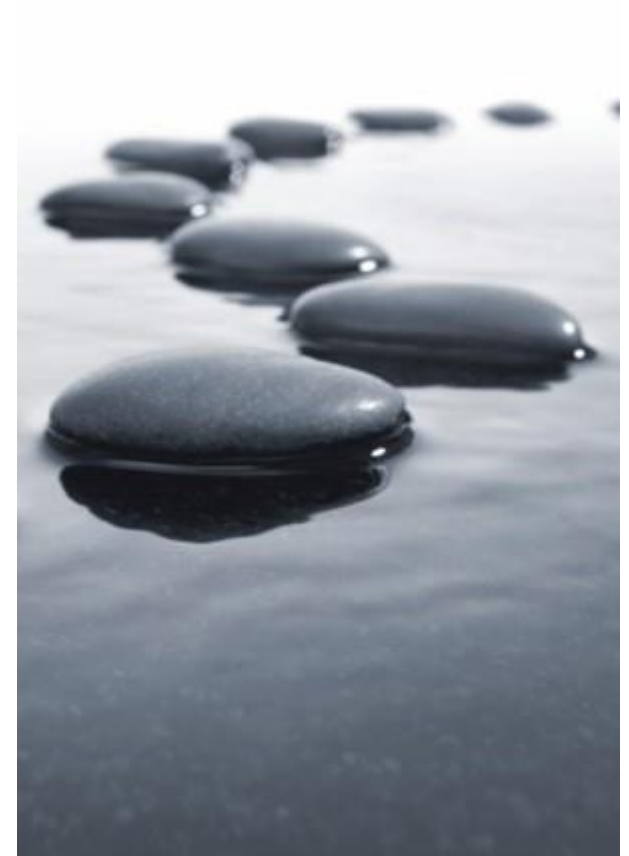
# IT GENERAL CONTROLS

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

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

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

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



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# INDEPENDENCE

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

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

This document considers such matters in the context of our audit for the year ending 31 March 2020.

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

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

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

**Non-audit services**

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

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

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### Financial reporting

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

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

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

The Section 151 Officer is responsible for preparing and filing a Statement of Accounts and financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2019/20, applicable accounting standards or other direction under the circumstances.

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

### Use of resources

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

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

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

# OUR RESPONSIBILITIES

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### Our responsibilities and reporting - financial reporting

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

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

### Our responsibilities and reporting - use of resources

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

This means that we have regard to relevant guidance issued by the National Audit Office and undertake sufficient work to be able to satisfy ourselves as to whether the Council has put arrangements in place that support the achievement of value for money.

### What we don't report

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



# COMMUNICATION WITH YOU

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## Those charged with governance

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

## Communication, meetings and feedback

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

## Audit Planning Report

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

## Internal Controls

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

## Audit Completion Report

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

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

# TEAM MEMBER ROTATION

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

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

**Independence - engagement team rotation**

<b>Senior team members</b>	<b>Number of years involved</b>	<b>Rotation to take place after</b>
Lisa Clampin Engagement lead	2	5 years
Nuwan Indika Manager	2	10 years

# MATERIALITY: DEFINITION AND APPLICATION

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### Concept and definition

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

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

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

- Narrative disclosure e.g. accounting policies, going concern; and
- Instances when greater precision is required (e.g. Remuneration and Staff Report and related party transactions).

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

### Calculation and determination

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

We determine materiality in order to:

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

### Reassessment of materiality

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

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



# MATERIALITY: DEFINITION AND APPLICATION



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

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

## Unadjusted errors

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

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

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

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

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**BDO’s audit quality cornerstones underpin the firm’s definition of audit quality.**

BDO is committed to audit quality. It is a standing item on the agenda of the Leadership Team, who in conjunction with the Audit Stream Executive, monitors the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. We welcome feedback from external bodies and are committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external regulators, the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest entities.

More details can be found in our Transparency Report at [www.bdo.co.uk](http://www.bdo.co.uk)



# AQR RESULTS 2018/19

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## Overview

The FRC released their Audit Quality Review (AQR) results for the 7 largest accountancy firms in July 2019 for the review period 2018/19. A copy of all of the reports can be found on the [FRC Website](#). We are very proud of our results in this review period where, for the second year running, 7 of the 8 files reviewed were assessed as either good or requiring only limited improvements.

## Firm's results

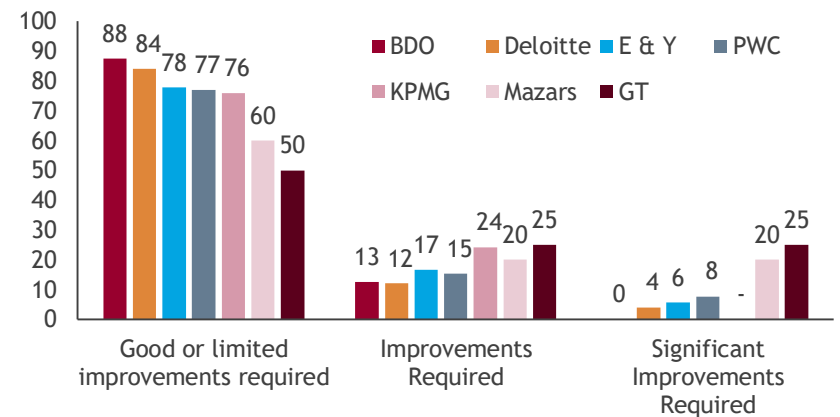
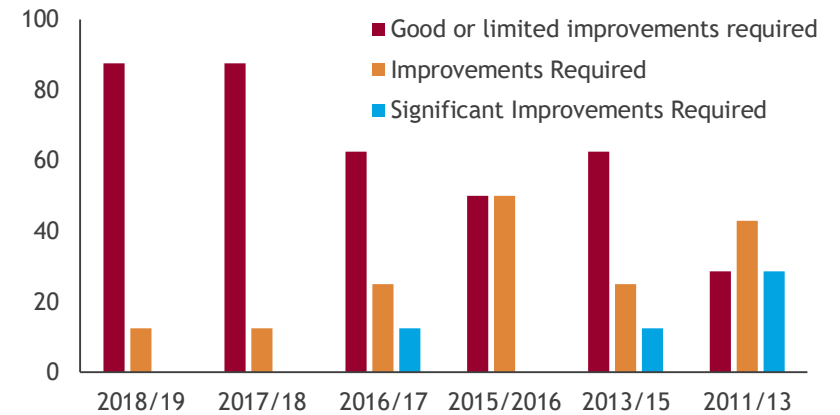
The graphs demonstrates our performance in relation to the other 6 largest firms and our continuous improvements and maintenance of that improvement over the last 6 review periods .

We include details of our model 'The Cycle of Continuous Improvement'. We acknowledge that the firm has performed well over the last few years however we are not complacent and need a strong process in place to maintain this high level of audit quality and deal rapidly and effectively with issues as they arise. This also highlights how our program of root cause analysis plays an important role in high audit quality.

We would encourage you to read our report which includes:

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

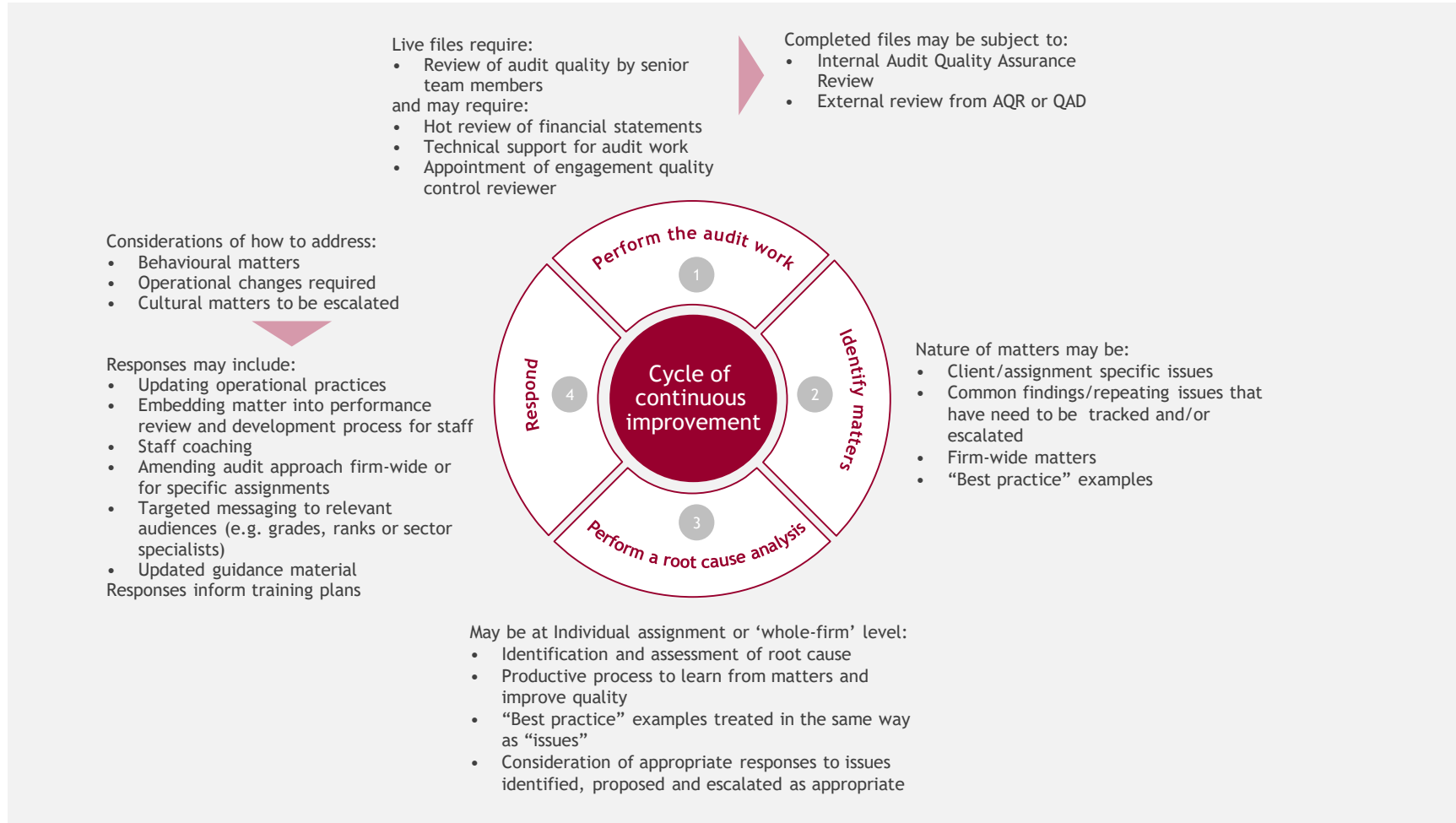
More details will be included in our Transparency Report which will be available on our [www.bdo.co.uk](http://www.bdo.co.uk).



# AQR RESULTS 2018/19

## BDO performance

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

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## AUDIT COMMITTEE

26 MARCH 2020

### REPORT OF ACTING CORPORATE DIRECTOR (CORPORATE SERVICES)

#### A.4 ANTI-FRAUD AND CORRUPTION STRATEGY

(Report prepared by Clare Lewis)

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To present to the Audit Committee an updated Anti-Fraud and Corruption Strategy.

##### EXECUTIVE SUMMARY

- The Council's Anti-Fraud and Corruption Strategy was last updated in January 2019 and it remains subject to an annual review process.
- An amended strategy is attached as **Appendix A** which reflects a number of minor amendments emerging as part of the annual review process but remains based on CIPFA's Code of Practice on managing the risk of fraud and corruption as adopted by the Committee at its 22 March 2018 meeting.
- The updated strategy now also sets out an overall approach to undertaking prosecutions along with financial penalties relating to council tax changes of circumstances.

##### RECOMMENDATION(S)

**That the Audit Committee approves the amended Anti-Fraud and Corruption Strategy set out in Appendix A.**

#### PART 2 – IMPLICATIONS OF THE DECISION

##### DELIVERING PRIORITIES

As a public body Tendring District Council is both required and expected to demonstrate a commitment to a fraud and corruption policy. This documents sets out the expectations of all individuals and organisations associated with it to act with integrity and that all Members and employees will demonstrate their commitment to the content in this policy.

The Council strives to maintain a robust response to fraudulent activity directed towards it which in turn protects the financial position of the Council that supports the delivery of the Council's priorities and objectives.

This is supported by the Fraud and Risk teams' recent fraud awareness training being carried out across all departments. This is expected to be completed in early 2020/21 and is receiving excellent feedback from officers who have received this training so far.

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

### **Finance and other resources**

Detecting and investigating potential fraud acts as a deterrent which protects public money. Also successful investigations and sanctions identify overpayments that are required to be repaid, which otherwise would fall as a potential cost to the Council.

There are no other direct financial implications associated with the Strategy. Any actions emerging from the Strategy that have a financial implication will be considered within the Council's wider financial framework and decision making processes.

### **Risk**

The Councils' approach to fraud is based on fairness and consistency and through the application of the Strategy the aim is to ensure that this can be demonstrated and therefore reducing the risk of challenge, damage to the Council's reputation and unsuccessful sanctions such as prosecutions.

Failure to take part in data matching exercises could also result in an adverse impact on the Council's reputation and may lead to increased external inspection / audit at additional cost.

## **LEGAL**

Information is set out within the Strategy in terms of the various legal issues, legislation and regulations associated with the Strategy.

## **OTHER IMPLICATIONS**

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

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

The Strategy aims to deliver fairness, transparency and consistency to all customers and stakeholders.

## **PART 3 – SUPPORTING INFORMATION**

### **BACKGROUND AND CURRENT POSITION**

To date the Council has operated an Anti-Fraud and Corruption Strategy which was last considered by the Committee in 2019. The strategy is subject to an annual review process which has recently been completed.

The amended strategy is set out in **Appendix A**. Amendments made since the Committee considered the strategy in January 2019 are highlighted in grey / italic font. For completeness, any sections being removed have been retained for the purpose of reporting the final version back to the Committee, with the font being struck through and in a grey / italic font.

The Strategy continues to be based on Cipfa's code of practice on managing the risk of fraud and corruption. As its foundation, the Strategy sets out the Council's commitments along with the following key areas:

- Purpose, Commitment and Procedure

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

In the past the Council has also maintained a separate prosecution policy that largely related to housing benefit fraud. As the responsibility for the prosecution of housing benefit fraud has reverted back to the Department of Works and Pensions, the scale and scope of potential prosecutions within the Revenues and Benefits service has significantly reduced. Therefore in consultation with the Council's Monitoring Officer, it is proposed to extend the Anti-Fraud and Corruption Strategy itself and include the relevant framework against which prosecutions will be considered. These changes have been included within the 'Detection and Investigation' section of the strategy and also include financial penalties relating to council tax changes in circumstances, which are an alternative approach to encourage people to ensure the Council can maintain an up to date council tax database that supports ongoing fraud and compliance work.

The strategy will continue to be subject to an annual review process including progress against identified actions and has therefore been included on the ongoing work programme of the Committee in 2020/21. It is acknowledged that through its application, the Strategy will evolve to reflect the various strands of work being developed within the Council, which will be included in future updates presented to the Committee.

Updates against the Councils Anti-Fraud and Corruption Strategy Action Plan are also included within **Appendix A**.

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

None

#### **APPENDICES**

**Appendix A - Anti-Fraud and Corruption Strategy (including action plan)**



*Tendring*  
**District Council**



## **Anti-Fraud and Corruption Strategy**

**Updated March 2020**

The basic elements of this Strategy deal with:-

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

These elements are covered in detail in the remainder of this document and end with a summary statement.

When combined, these elements are intended to provide resilience against any attempted fraud and corruption activity.

### **Purpose, Commitment and Procedures**

Tendring District Council is committed to :-

- take all necessary action to prevent fraud and corruption;
- make facilities available to aid detection of fraud and corruption;
- ensure prompt investigation and action.

The Council has adopted CIPFA's code of practice on managing the risk of fraud and corruption. (Audit Committee 22 March 2018), which this Strategy encompasses, including setting out the overall framework within which the Council will respond to fraud and corruption.

Therefore these commitments will be demonstrated through the Council's operation of an effective Anti-Fraud and Corruption strategy. This Strategy will be subject to an annual review which will be presented to the Council's Management Team and Audit Committee.

By adopting this strategy and via its annual review of the policy, the Council's Management Team:

- Acknowledges the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users;
- Acknowledges the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.

By adopting this strategy and via its annual review of the policy, the Council's Audit Committee:

- Acknowledges its responsibility for ensuring the effective management of fraud and corruption risks.
- Acknowledges the specific goal of ensuring and maintaining the Council's resilience to fraud and corruption

The Council expects Members and employees to set appropriate high standards through compliance with legal requirements, procedures, code of conduct and general good practice.

The Council will expect all suppliers, contractors and other service providers (whether individuals or organisations) with which it deals to act at all times with integrity and financial probity. To support this, the Council has Financial Procedure Rules, Procurement Procedure Rules plus a Procurement Strategy.

## **Legislation and General Governance**

All relevant officers are expected to comply with appropriate legislation, codes of practice and corporate policies when executing duties in relation to fraud.

It is imperative that the following codes, legislation and policies are adhered to as part of all anti-fraud related activities undertaken within the Council:

- Human Rights Act 2000
- Local Government Finance Act 1992
- The Council Tax Reduction Scheme (Detection of Fraud and Enforcement)(England) Regulations 2013
- Welfare Reform Act 2012
- Police and Criminal Evidence Act 1984
- Criminal Procedure and Investigations Act 1996
- Regulation of Investigatory Powers Act 2000
- Council's Health and Safety Policy
- Equality Act 2010
- General Data Protection Regulations (GDPR) 2018
- Bribery Act 2010

This is not an exhaustive list and therefore all officers should act in accordance with any appropriate legislation, corporate/departmental policies and codes of practice that are relevant to the anti-fraud activity being undertaken.

## Definitions

### Fraud

The term "Fraud" is commonly used to describe a wide range of dishonest behaviour such as deception, forgery, false presentation, theft, embezzlement, bribery and concealment of a material fact.

Fraud can be perpetrated by persons outside of the Authority as well as internally. Tendring District Council defines fraud as a dishonest action designed to facilitate gain or loss (personal or for another) at the expensive of the Council and its residents.

### Corruption

Corruption is defined as "dishonest or fraudulent conduct by those in power" this is typically seen to involve bribery.

The Council looks to prevent, detect and investigate all aspects of possible corruption within its business.

### Risk

The term "risk", in the context of this Strategy, is identified as an action or inaction that could cause financial or reputation risk to the council.

The council promotes a positive ethos towards the identification of risk management across the council supported by the council's internal audit team.

## Standards Expectations and Commitment

Tendring District Council expects its officers and councillors to commit and abide by the 7 principles of public life, these apply to anyone who works as a public office holder. Although these principles are set out within the Council's Constitution, they are included within this strategy for completeness.

### Selflessness

Holders of public office should act solely in terms of the public interest.

### Integrity

Holders of the public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

### Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

### Accountability

Holders of the public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

### Openness

Holders of the public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so.

### Honesty

Holders of the public office should be truthful.

### Leadership

Holders of the public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

## **Roles and Responsibilities**

### Councillors and Elected Members

The roles and responsibilities are clearly defined for councillors in part six of the Council's Constitution entitled Members Code of Conduct. Members are expected to lead by example at all times maintaining the highest standards of probity, honesty and integrity and accountability in their actions. Adherence to Members code of conduct is overseen by the standards committee.

### Employees

The expectation for employee's behaviour is set within the Council's Staff handbook and within other associated policies'. The Council supports the official Code of Conduct for Local Government Employees.

The policy states that - The public is entitled to demand of a Local Government employee of any grade the highest standard of integrity, ability and commitment to the ethics of public service and the interest of all members of the community.

Council employees are seen to be the first line of defence against fraud and corruption. Employees are expected to conduct themselves in ways which are beyond reproach, above suspicion and be fully accountable.

Managers must be prepared to establish and maintain systems of internal control, ensuring that the Council's resources are properly applied and focused in the right areas for which they were intended. Advice may be sought from Internal Audit on potential control issues.

If an employee believes that they need to raise a concern and are unable to do so with their manager they should use an alternative route to raise their concerns, it is suggested that they contact one of the following in the first instance:-

Chief Executive

Head of Department

Head of People, Performance & Projects

Monitoring Officer

Section 151 Officer

Head of Internal Audit

The Head of Internal Audit would normally be the first point of contact in accordance with Financial Procedure Rules. In certain circumstances, however it might be appropriate for the Police to be advised at the same time as Internal Audit and the Monitoring Officer is advised.

Matters can also be raised through *Public Concern at Work* (Website [www.pcaaw.org.uk](http://www.pcaaw.org.uk)). This is a registered charity whose services are free and strictly confidential. They can also be contacted on 020 7404 6609.

The Council has Procurement Procedure Rules, and Financial Procedure Rules to ensure that all employees who deal with financial matters do so in a controlled, proper and transparent way that accords with best practice. These documents are reviewed periodically to ensure they remain up to date.

The Council uses systems and procedures that incorporate internal controls. These controls include separation of duties, independent checks and authorisation restrictions to ensure that errors as well as impropriety are prevented. Financial Regulations require that all Heads of Department maintain systems and controls to a standard acceptable to the Chief Finance Officer.

Employees identified as having committed fraud against the Council will be subject to disciplinary action, civil action or criminal prosecution (or all of the afore mentioned) where deemed appropriate.

Employees are responsible for their own conduct and behaviour and are expected to assist and comply with an investigation. Failure to do so may be considered a breach of trust.

#### Internal Audit

The Council's internal audit team operate in accordance with the Public Sector Internal Audit Standards under section 4 of the Local Government and Housing Act 1989. Internal audit undertakes an annual programme of work, which is reported to the Audit Committee on a quarterly basis. Whilst it is not the primary function of the internal audit team to detect fraud, the internal audit actively must evaluate the potential for the occurrence of fraud and how the organisation manages the risk of fraud.

#### External Audit

External audit review the Council's effectiveness at identifying the risk of fraud within the organisation and preventing and detecting fraud within the organisation.

#### Corporate Fraud and Risk Team

The Council has established a dedicated Corporate Fraud Team who focus on providing a comprehensive anti-fraud service available to all service areas. The team will utilise all available methods to detect and investigate fraud and corruption within the Authority. This includes the use of data matching and intelligence led investigations where possible. The Fraud and Risk Manager is responsible for assessing the authority's counter fraud arrangements in consultation with the Head of Finance, Revenues and Benefits and Head of People, Performance and Projects.

#### Public Sector Partners

The Council will continue to work with other authorities to provide positive data matching results and ensure fraud and error is identified and corrected at the earliest opportunity

#### National Fraud Initiative (NFI)

The Cabinet Office took over responsibility for the NFI data matching process from the Audit Commission in 2015. This is an independent public body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high quality local and national services for the public. The NFI looks into a broad range of fraud risks faced by the public sector. The NFI has been embedded in the statutory external audit process for audited and inspected bodies since 1998 and is currently run every two years. Additional data matches/exercises are available if required.

The National Fraud Initiative compares different sets of data such as payroll and benefit records, against other records held by the same, or another organisation, identifying errors in data recorded and potentially highlighting potentially fraudulent claims and payments. Any potential discrepancies identified have a full investigation carried out if felt appropriate.

The use of data for NFI purposes continues to be controlled to ensure compliance with data protection and human rights legislation.

The Fraud and Risk Manager is the Council's key contact and ensures that any NFI activity within the Council has the required action taken.

#### The National Anti-Fraud Network (NAFN)

Through NAFN the Council acquires data legally from a wide range of information providers in response to allegations of fraud and on-going investigations. NAFN will play a key role in ensuring the Council has effective lines of enquiry to ensure the Council maintains a robust intelligence gathering framework. The councils privacy notices advise customers how we will share their data.

#### Contractors

The Council expects all contractors it has dealings with to act with complete honesty and integrity in all dealings with the Council, its service users and residents. The Council expects the employees of contractors to report any suspicions or knowledge they may have in relation to fraud and/or corruption against the Council. We will seek the strongest available sanctions against contractors that commit fraud against the Council or who commit fraud against public funds. This expectation should be clearly stated in any contract.

#### Helpline for Employees

Whistle-blowers are protected by the Public Interest Disclosure Act 1998. All calls from employees are therefore treated confidentially. The Council has a whistleblowing policy and has a helpline for employees to bring attention to anything happening in the workplace that might be illegal, improper or unethical. The Council encourages employees to use the helpline to disclose any concerns in order that they can be dealt with. Any allegations will be fully investigated and, if substantiated, appropriate action will be taken in accordance with this policy. The council also has its own fraud hotline which can be used by staff and members of the public. [fraud@tendringdc.gov.uk](mailto:fraud@tendringdc.gov.uk)

#### Audit Committee

The remit of the Council's Audit Committee is set out in associated terms of Reference within the Council's Constitution and includes requirements to consider and monitor this strategy. They are also required to review the Council's risk management arrangements and seek assurances that action is being taken. They must also consider risk related issues and consider and monitor the strategy, plan and performance of the Council's Internal Audit Service. In addition the Committee is required to consider the strategy and plans of the Council's External Auditor.

## Risk Register

The Council has a corporate risk register in order to identify, record, review and revise and manage key business risks. All risks have been evaluated and prioritised. The Council will ensure that fraud risks are routinely considered as part of its risk management arrangements.

### The Risks of Fraud and Corruption

The Council acknowledges that there are many risks from fraud and corruption but has identified the following significant items:

- Reduced income from Council Tax/ Local Council Tax Support Scheme
- Reduced availability of social housing in respect of tenancy related matters
- Reduced income from business rates
- Misappropriation / misuse of grant income
- Uncompetitive pricing / reduced value for money from procurement activities
- Procurement
- Cyber Security Fraud

The Council will evaluate on an on-going basis the harm to its aims and objectives and service users that different fraud risks can cause.

Upon accepting office, following election, Members are required to comply with members' code of conduct which includes expected behaviours and declaration of interests. Interests are also expected to be declared during their time in office, should a change occur.

## **Prevention**

One major preventative measure against fraud and corruption is to take appropriate steps when employing new staff to establish, as far as is possible, their previous history in terms of their propriety, integrity and honesty.

The Council makes all appropriate enquiries in respect of all staff regardless of whether they are permanent, temporary or on fixed-term contracts.

All employees are bound by the Local Government Code of Conduct and local code of conduct as set out in the Staff Handbook (various paragraphs) and other relevant policies and are subject without exclusion to the Council's Disciplinary Procedures. Employees must disclose any pecuniary interest in contracts or similar matters and must on no account accept any fees or rewards in respect of their employment by the Council other than their proper remuneration. Other matters such as secondary employment or the receipt of gifts and hospitality (in accordance with the Code of Conduct) must be properly registered.

Section 151 of the Local Government Act 1972 places a statutory responsibility on the Chief Finance Officer to ensure that proper arrangements are made for the administration of the Council's financial affairs.



The Council has adopted Procurement Procedure Rules, as well as using the councils Standard Financial Terms and Conditions to ensure proper contact management is carried out as well as complying with Financial Procedure Rules to ensure that all employees who deal with financial matters do so in a controlled, proper and transparent way that accords with best practice. These documents are reviewed periodically to ensure they remain up to date.

The Council uses systems and procedures that incorporate internal controls. These controls include separation of duties, independent checks and authorisation restrictions to ensure that errors as well as impropriety are prevented. Financial Regulations require that all Heads of Department maintain systems and controls to a standard acceptable to the Chief Finance Officer.

Risk assessments, covering fraud and other issues affecting the whole range of Council activities, is undertaken by Internal Audit who then carry out independent reviews to monitor the adequacy and effectiveness of internal controls and governance arrangements ensuring that there is appropriate departmental compliance.

It is evident, nationally, that an increasingly wide variety of frauds are being perpetrated. The larger frauds may involve the creation of multiple identities and false addresses, and involve different agencies. It is therefore becoming increasingly necessary to liaise with those other agencies, exchanging information, where possible and appropriate, to help prevent and detect such fraud. The Council is committed to ensuring that arrangements exist, and they are developed, to encourage the exchange of information with other agencies including:-

- other local authorities;
- government departments;
- police forces;
- The Cabinet Office including NFI - Data matching exercises;
- the National Anti-Fraud Network [NAFN];
- Essex Audit Group [EAG];
- Eastern Region Corporate Fraud (ERCF)
- Housing Benefit Matching Service [HBMS] run by the DWP

## Detection and Investigation

Preventative systems, particularly internal controls within the Council have been designed to provide indications of fraudulent activity, and equally importantly, to deter potential fraudsters.

The responsibility to prevent and detect fraud and corruption lies with Management Team, Heads of Department, managers and all other employees of the Council as well as members of the public. Alert employees or members of the public are frequently the first to spot indications of fraud and corruption and prompt action by them enables effective detection to occur and appropriate action to be taken. The Council has a dedicated fraud hotline and email for all fraud related matters which could affect the Council and an on line reporting form. Details are [fraud.hotline@tendringdc.gov.uk](mailto:fraud.hotline@tendringdc.gov.uk) Tel 0800 169 7004

A significant proportion of fraud is discovered by chance or as a result of a "tip-off". Advice on this issue for employees and their managers can be obtained from the Head of Finance, Revenue and Benefits.

Financial Procedure Rules require all Heads of Department to report all suspected fraud or similar irregularity to the Head of Internal Audit. Correct reporting is essential to the Council's anti-fraud strategy to ensure:-

- consistent treatment of fraud and corruption;
- proper investigation by an independent unit (Internal Audit / Fraud and Risk Manager);
- prompt implementation of appropriate investigative activity;
- optimum protection of the Council's interests.

Under associated legislation, Tendring is required to participate in National Fraud Initiatives [NFI] run by the Cabinet Office. Data will be provided by the Council and will be used for cross-system and cross-authority electronic data matching for the prevention and detection of fraud. Similar data exchanges are also required for housing benefit matching exercises run by the DWP.

The nature and extent of the allegations will determine the level and type of investigation that is undertaken. Internal Audit will work with management and other relevant agencies to ensure that allegations are properly, fairly and thoroughly investigated and subsequently reported upon. Where appropriate, maximum recoveries of any losses will be made by the Council.

Where the outcome of an investigation indicates misconduct on the part of an employee, the official disciplinary procedure will be invoked. In proven cases of misconduct this may lead to the dismissal of an employee and if appropriate the involvement of the Police.

If appropriate to do so, the Council may consider sanctions against customers, including prosecution, where it has been identified that fraud has been committed against the Council. ~~The Council will maintain a separate sanction / prosecution policy relating to Council Tax and financial support schemes (e.g. Local Council Tax Support Scheme) with separate policies for other Council services being considered where necessary.~~

Any decision to prosecute can only be made where the relevant Head of Service has consulted with the Council's Legal Services Department.

### Council tax

As detailed earlier council tax is deemed to be a high risk area and there are a number of regulations relevant to this such as :-

Regulation 3 of the Council Tax (administration and enforcement) Regulations 1992 allows the Local Authority to request information. This is required for them to ensure that Council Tax is being correctly calculated.

Regulation 11 of the Council Tax (administration and enforcement) Regulations 1992 requires a liable person to advise a Local Authority if an exemption is incorrect.

Regulation 12 of the Council Tax (administration and enforcement) Regulations 1992 allows the Local Authority to request information. This is required for them to ensure that an exemption is being correctly calculated

Regulation 29 of the Council tax (Administration and Enforcement Regulations 1992 allows the Authority to apply a penalty which can be collected by adding it to an existing Council Tax charge or by issuing a separate notice.

The council may consider the need to impose a financial penalty of £70. The penalty can be imposed for

- failing to notify a change in circumstances
- providing false information

If a further request has to be made for the information already requested then a second, higher, penalty (currently £280.00) may be issued. This higher penalty can be applied each time the request is repeated.

The Head of Finance Revenues and Benefits will review the issuing of financial penalties on an ongoing bases.

### **Publication of Anti- Fraud and Corruption Activities of the Council**

The Council will at least annually report on the anti-fraud and corruption work that it has undertaken during the year along with publicising this Strategy.

This aims to set out the Council's intentions in terms of any identified fraud and corruption committed against it, along with acting as a deterrent to those considering such actions against the Council.

The Council's processes aim to be resilient to the threats of fraud and corruption and are designed to deter and detect such actions if committed against the Council.

### **Resources Invested in Counter Fraud and Corruption**

Given the Council's commitment to counter fraud and corruption as set out within this Strategy the following resources are deployed which are proportionate to the level of assessed risk:

#### ***Dedicated Fraud Team***

As highlighted earlier in this Strategy, the Council has established a dedicated team whose focus is to provide a comprehensive anti-fraud service within the Council, who are

also available to provide support to all departments. The Council has committed an on-going annual revenue budget in excess of £170k to support the work of this dedicated team.

### ***Training***

The Council recognises the importance of training and the response of employees throughout the Council in ensuring that its fraud and corruption strategy remains a continuing success.

In this respect the Council encourages training and regular development for all employees.

Effective investigation of fraud and corruption requires staff that are properly trained and regularly updated in all aspects of investigative work. Provision will be made for this and the training of Internal Audit staff will be geared towards achievement of that objective. Fraud Investigation Staff are now required to be professionally trained in all aspects of Corporate Fraud. General staff training will also incorporate appropriate references to the need for staff to be alert and vigilant in their day to day activities.

### ***Internal Audit Days***

The Internal Audit team include within their annual plan, fraud related work such as the assessment of fraud prevention controls and therefore in effect, a number of audit days are included within their overall annual work programme.

## **Summary**

A sophisticated network of systems and procedures is in place to assist with the prevention and detection of fraud and corruption. The Council is determined that these arrangements will be kept up to date, with regard to future developments in preventative and detection techniques, to limit fraudulent or corrupt activity that it may suffer.

To help achieve this objective the Council maintains a continuous review of all associated arrangements through its Management Team, Procurement and Financial Procedure Rules, Officer and Member Codes of Conduct and internal and external audit arrangements.

Financial Procedure Rules require all Heads of Department to keep their departmental procedures under continuous review, reporting any newly identified risks referring proposed changes in procedures to the Section 151 Officer.

This strategy and its effectiveness will be monitored by Internal Audit, as part of their ongoing activities and any issues that arise will be reported to the Council's Section 151 Officer, Management and the Audit Committee as appropriate.

Performance against this Strategy and its effectiveness will be included as part of the annual review process which will be reported to Management Team and the Audit Committee accordingly.

In addition, where actions have been identified to contribute to the performance and effectiveness of this Strategy, these will be included as an Appendix and included as part of the annual review process. Appendix A sets out the current actions identified as part of developing this Strategy.

## **References**

Whistleblowing Policy - <http://intranet/Interact/Pages/Content/Document.aspx?id=2148>

Officer Code of Conduct - <http://intranet/Interact/Pages/Content/Document.aspx?id=7977>

Staff Handbook - <http://intranet/Interact/Pages/Content/Document.aspx?id=2162>

Constitution Members Code of Conduct -

<http://intranet/interact/Pages/Content/Document.aspx?id=3155>

## Anti-Fraud and Corruption Strategy Action Plan – 2018/19 2020/21

Action	Responsible Officer	Update
<p>Review the consideration of fraud risks as part of the Council's general risk management arrangements.</p> <p>Explore the establishment of a separate Fraud and Corruption risk register for inclusion in future revisions to the Fraud and Corruption Strategy.</p>	<p>Fraud and Risk Manager</p>	<p><i>This will be undertaken in consultation with internal audit during 2020/21 and it has therefore been included within the scope of the risk management review 2020/21 mentioned elsewhere on the agenda.</i></p>
<p>Evaluate the harm that different fraud risks can cause in the context of Council objectives and service users.</p>	<p>Fraud and Risk Manager</p>	
<p>Review the Council's Procurement Rules to ensure that the anti-fraud and corruption requirements placed upon contractors and those providing services to the Council are robust enough</p>	<p>Fraud and Risk Manager</p>	<p><i>This is currently planned on being undertaken during 2020/21 as the necessary capacity will become available as part of the restructure associated with the Senior Governance Officer post set out elsewhere on the agenda.</i></p>
<p>General anti-fraud and corruption training to be provided to officers along with raising awareness of the Strategy within the Council and the commitments and expectations contained within it.</p>	<p>Fraud and Risk Manager</p>	<p><i>Fraud Awareness training has been rolled out to all TDC staff from February 2020. This incorporates awareness of the council's anti-fraud and corruption strategy and a general fraud awareness across all departments. Expected to be completed by the end of April 2020.</i></p>

# AUDIT COMMITTEE

26 MARCH 2020

## REPORT OF ACTING CORPORATE DIRECTOR (CORPORATE SERVICES)

### A.5 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 on outstanding actions identified by the Committee.

##### EXECUTIVE SUMMARY

- A Table of Outstanding Issues is maintained and reported to each meeting of the Committee. This approach enables the Committee to effectively monitor progress on issues and items that form part of its governance responsibilities.
- There are two appendices to this report:  
  
**Appendix A** – which provides updates against general issues previously identified by the Committee; and  
  
**Appendix B** – which provides updates against the Annual Governance Statement that the Committee agrees at its July meeting each year.
- To date there are no significant issues arising from the above, with work remaining in progress or updates provided elsewhere on the agenda where appropriate.

##### RECOMMENDATION(S)

**That the Committee considers and notes the progress against the actions set out in Appendices A and B.**

#### PART 2 – IMPLICATIONS OF THE DECISION

##### DELIVERING PRIORITIES

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

##### FINANCE, OTHER RESOURCES AND RISK

###### Finance and other resources

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

###### Risk

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

## LEGAL

There are no direct legal implications associated with this report.

## OTHER IMPLICATIONS

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

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

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

## PART 3 – SUPPORTING INFORMATION

### TABLE OF OUTSTANDING ISSUES

The Table of Outstanding Issues has been reviewed and updated since it was last considered by the Committee at its 26 January 2020 meeting.

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

#### **Update On Issues Raised**

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

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

## BACKGROUND PAPERS FOR THE DECISION

None

## APPENDICES

**Appendix A** – Table of Outstanding Issues (March 2020) – General.

**Appendix B** - Table of Outstanding Issues (March 2020) - Annual Governance Statement Actions



**AUDIT COMMITTEE - Table of Outstanding Issues (March 2020) - GENERAL**

Governance Area	Activity / Subject	Recommendation / Issue	Lead / Service	Progress /Comments	Status – Target Date
<b>Risk Management</b>	Effective Emergency Planning	At its meeting on 30 January 2020, the Committee considered the updated corporate risk register. Following discussions on emergency planning the Committee asked how the Council could test the effectiveness of evacuation procedures in the event of a major incident such as flooding.	Head of Finance, Revenues and Benefits	Emergency plans are tested at a strategic / tactical level via regular simulated incidents. For practical reasons it is difficult to include the actual evacuation of residents etc. via these simulated exercises. However one of the primary issues faced in an evacuation scenario relates to vulnerable / disabled people where there may need to be enhanced preparedness. With this important issue in mind, work is on-going with Essex multi-agency partners to establish / maintain a statistical data set reflecting people that may need to be treated as a priority which can be shared in an emergency situation with all responders such as the police, fire and ambulance services.	<b>July 2020</b>

**AUDIT COMMITTEE - Table of Outstanding Issues (March 2020) – ANNUAL GOVERNANCE STATEMENT ACTIONS**

Governance Issue	Action	Current Position / Update
<p><b>Managing risks and performance through robust internal control and strong public financial management</b></p> <p>The Council continues to deliver the ten year approach to budgeting, aimed at maximising savings opportunities whilst delivering growth in underlying income to deliver a balanced budget over a ten year forecast.</p> <p>Risks exist to the plan should savings not be achieved and income generation schemes not materialise while using non-recurrent reserves to addressing budget gaps is not sustainable should austerity continue.</p>	<p>Continue to develop the long term forecast with a focus on:</p> <ul style="list-style-type: none"> <li>• Ensuring the robustness of assumptions used in financial planning/forecasting.</li> <li>• Prioritising resources whilst maintaining services wherever possible.</li> <li>• Undertaking targeted reviews of significant areas for cost pressures</li> <li>• Continuing to identify opportunities for savings, with the development of a 4 year plan for delivery.</li> </ul> <p>Delivery of a balanced budget in 2020/21 in-line with the forecast.</p>	<p>The budget for 2020/21 was agreed by Full Council on 11 February 2020 which was based on the most up to long term forecast.</p> <p>The long term forecast remains broadly on target with the delivery of annual surpluses over the life of the forecast still anticipated to be achieved.</p> <p>To isolate the on-going revenue forecast from potential one-off costs associated with the maintenance of Council Assets, an initial fund of £1.134m was agreed by Cabinet on 13 September to support costs that may emerge over the remaining years of the forecast. This will be complimented by a corporate review of the Council's operational assets to prioritise spending from this fund over the next few years</p> <p>A savings plan covering the period 2021/22 and beyond will be developed in the first half of 2020.</p>
<p><b>Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p> <p>By strengthening the linkages between the Corporate Plan priorities and the Council's investment plans.</p>	<p>To identify and maintain an ongoing corporate investment plan (including the capital programme) supporting delivery of the Council's priorities including the development of relevant strategies as necessary.</p>	<p>As part of delivering against the corporate plan and associated priorities, an investment plan will be developed as early as possible in 2020/21 which will be directly linked to the Council's budget and evolving financial position and supported by the reprioritisation of budgets / existing funding and/or as part of the long term forecast.</p>

<p><b>Ensuring openness and comprehensive stakeholder engagement</b></p> <p>Supporting the delivery of key housing and development projects and priorities through open and transparent decision making (including informal briefings). Demonstrating effective use of the council's resources throughout continuation of the project development. This will include robust governance arrangements including risk management, funding, skills and capacity.</p>	<p>Consultation on a draft Housing Strategy and approval of a business/action plan setting out delivery, funding and performance of key housing and development building projects such as:</p> <ul style="list-style-type: none"> <li>• Development of Jaywick Sands;</li> <li>• Garden Communities; and</li> <li>• Other relevant sites across the district.</li> </ul> <p>Additional specific statutory consultation on the Local Plan and future development of the Garden Communities project.</p>	<p>The Housing Strategy, reflecting changes from the recent consultation process will be reported back to Cabinet later in the year before recommending to Full Council.</p> <p>Options to deliver housing in Jaywick Sands remain in progress with discussions underway with external partners to develop the most advantageous approach that balances the right housing and tenure with viability / affordability.</p> <p>Full Council agreed at its meeting on 6 August, that the additional evidence and new Sustainability Appraisal required in support of Section 1 of the Local Plan would be subject to public consultation. The outcome of the consultation was submitted to the Inspector as part of his re-examination of Section 1, which recommenced on 14 January 2020. The inspector's decision relating to Section 1 of the Local Plan was still awaited at the time of finalising this report.</p> <p>The development of the Garden Communities project will be set out in future reports with any associated consultation undertaken as necessary</p>
<p><b>Developing the entity's capacity, including the capacity of its leadership and the individuals within it</b></p> <p>Ensuring compliance of the Council's governance arrangements through project board reviews and delivery of transformation projects, through the monitoring of key policies.</p>	<p>For the relevant project board or lead officers to identify sufficient resources to demonstrate and monitor compliance with the Council's policies and procedures (forming the Governance framework) during delivery and embedding the final arrangements.</p> <p>To complete the roll out of the revised business planning and project management approach.</p>	<p>A Project Board has been established with its regular meetings taking place from August 2019. The Project Board will continue to take a key role in supporting the development of projects / business cases, which will include a review of key outcomes / deliverables once the project has been fully implemented.</p> <p>A revised business planning and project management approach has been rolled out across in the Council with awareness / Q&amp;A sessions undertaken at departmental manager's meetings and senior manager's forums.</p>

	<p>Launch the Cabinet report writing through modern.gov using the new template and processes.</p> <p>Recruit to the Senior Governance Officer post.</p> <p>Develop an induction and training programme for the newly elected Councillors covering a range of topics, including dedicated chairmanship training and an overview and scrutiny workshop.</p>	<p>The roll out of the functionality of Modern.Gov has been fundamentally reviewed and will follow the following phased approach in 2020:  Phase I – Planning, Local Plan and Licensing  Phase II – HR/Council Tax, Standards and Audit  Phase III – Cabinet and the two OSCs and Council  This will be supported by meetings and 1:1 sessions for those writing and reviewing reports etc.</p> <p>Due to the Chief Executive’s senior management restructure the review of the Senior Governance Post remains on hold to reflect the extent of the governance functions and requirements of this role in supporting the Council’s Statutory Officers and any additional responsibilities going forward.</p> <p>Member development and training opportunities have been delivered including a session covering skills, practice and approach to chairing different meetings, and affordable housing for the Planning Committee. An annual tour for members is also being arranged which will highlight issues and sites of interest for members across the district. The overall member development programme is now underpinned by a new Member Development Statement and is ongoing and in addition to the All Member Briefing programme.</p> <p>Training on chairmanship took place in June (1:1 sessions) and September (a group session) and overview and scrutiny training was provided in June. Access to the LGA’s online training portal for Councillors is being rolled out and where LGA courses support Executive/Scrutiny or other training needs, attendance at these is being facilitated. The opportunity to enhance training for Councillors in order</p>
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		to best support the delivery of the new Corporate Plan will be considered in 2020/21 and beyond.
<p><b>Managing risks and performance through robust internal control and strong public financial management</b></p> <p><b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p> <p>Ensure the Local Code of Corporate Governance and key policies and procedures are up to date.</p>	<p>Through a centralised review, develop an action and monitoring plan to include policy review dates and associated decision making.</p>	<p>The work associated with this action is expected to commence in 2020/21 as it will form a key role of the Senior Governance Officer post discussed above.</p>

## AUDIT COMMITTEE

26 MARCH 2020

### REPORT OF ACTING CORPORATE DIRECTOR (CORPORATE SERVICES)

#### A.6 AUDIT COMMITTEE WORK PROGRAMME 2020/21 (Report prepared by Richard Barrett)

#### PART 1 – KEY INFORMATION

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

To present for approval the Audit Committee's proposed work programme covering the period April 2020 to March 2021.

##### **EXECUTIVE SUMMARY**

A work programme covering the period April 2020 to March 2021 has been prepared which continues to reflect the significant element of regulatory / statutory activity required along with other associated work which falls within the responsibilities of the Audit Committee.

##### **RECOMMENDATIONS**

**That the Audit Committee considers and approves the Audit Committee Work programme for 2020/21.**

#### 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 the Corporate priorities supported by effective management and forward planning within this overall framework.

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

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

Although there are no significant financial implications associated with the work programme of the Committee, additional officer time or resources may be required to support the activities of the Committee and existing budgets will be reviewed as appropriate if the potential for additional costs arises.

###### **Risk**

The work programme of the Committee covers a mix of governance arrangements along with statutory and regulatory functions. The work programme aims to address these areas of responsibility within related timescales and deadlines to support, protect and enhance the Council's reputation and governance framework.

## LEGAL

Statutory and regulatory requirements have been recognised within the work programme.

## OTHER IMPLICATIONS

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

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

The work programme has no direct impact on these issues although they could feature within areas of work falling within the remit of the Audit Committee in future which would be addressed specifically as and when they arise.

## PART 3 – SUPPORTING INFORMATION

### PROPOSED WORK PROGRAMME 2020/21

The Audit Committee has a wide ranging area of responsibility with statutory and regulatory functions making up a significant element of their work. The meetings of the Committee are scheduled around a quarterly basis subject to the work required of the Committee to support the statutory and regulatory timescales and deadlines. The Audit Committee's work programme therefore needs to take account of various demands whilst balancing a number of activities within the planned number of meetings scheduled for the year.

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 are 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;
- Progress against audit recommendations and other items identified by the Committee.

During the year other matters apart from those set out above may be presented to the Committee for consideration. Given the on-going regulatory and statutory workload and the various additional activities undertaken by the Committee, any additional items that may arise will need to be considered against the proposed work programme and included for reporting at the appropriate meeting, or considered for inclusion in subsequent work programmes.

Although not included in the formal work programme, it is recognised that the Committee may wish to develop training opportunities, which can be considered during the year. Such opportunities will either form part of future meetings or, where necessary, separate arrangements made.

Taking into account the responsibilities of the Audit Committee as highlighted above the proposed work programme covering the period from April 2020 up to and including March 2021 is set out in **Appendix A**.

As the year progresses, it may be necessary to review items as some reports / activities and associated timescales may be subject to change or need to be flexible, especially given the current impact of the coronavirus pandemic which may see disruption continue over a prolonged period of time. As appropriate the Chair of the Committee will be consulted on any significant changes if required.

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

None

#### **APPENDICES**

**APPENDIX A** – Audit Committee Work Programme 2020/21



**APPENDIX A**

**Audit Committee Work Programme 2020/21**

<b>Audit Committee Meeting</b>	<b>Item</b>	<b>From</b>
<b>July 2020</b>	Annual Report of the Head of Internal Audit 19/20	Internal Audit
	Internal Audit Regular Monitoring Report <i>(Including annual review of the Internal Audit Charter)</i>	Internal Audit
	Audit Completion Report 2019/20  (Including Statement of Accounts 2019/20, outcomes from the annual review of the Council's Code of Corporate Governance and Annual Governance Statement 2019/20)	External Audit / Chief Executive
	Corporate Risk Update  (including outcomes from annual cyber security self-assessment)	Chief Executive
	Table of Outstanding Issues  <i>(Including update against External Audit Recommendations and Annual Governance Statement Actions)</i>	Chief Executive
<b>September 2020</b>	Internal Audit Regular Monitoring Report	Internal Audit
	Annual Audit Letter 2019/20	External Audit
	Table of Outstanding Issues  <i>(Including update against External Audit Recommendations and Annual Governance Statement Actions)</i>	Chief Executive
<b>January 2021</b>	Internal Audit Regular Monitoring Report	Internal Audit

	Corporate Risk Update	Chief Executive
	Anti-Fraud and Corruption Strategy – Annual Review	Chief Executive
	Table of Outstanding Issues <i>(Including update against External Audit Recommendations and Annual Governance Statement Actions)</i>	Chief Executive
<b>March 2021</b>	Internal Audit Regular Monitoring Report	Internal Audit
	Internal Audit Plan 2021/22 <i>(Including annual review of Internal Audit Charter)</i>	Internal Audit
	External Audit - Audit Plan for Year Ending March 2021	External Audit
	Risk Based Verification Policy – Annual Review	Chief Executive
	Certification of Claims and Returns Annual Report	External Audit / Chief Executive
	Audit Committee’s Work Programme 2021/22	Chief Executive
	Table of Outstanding Issues <i>(Including update against External Audit Recommendations and Annual Governance Statement Actions)</i>	Chief Executive