

GOVERNANCE AND AUDIT COMMITTEE AGENDA

Thursday, 24th August 2023 at 7.15pm

Council Chamber, Braintree District Council, Causeway House,
Bocking End, Braintree, CM7 9HB

THIS MEETING IS OPEN TO THE PUBLIC

Members of the public will be able to view and listen to this meeting via YouTube.
To access the meeting please use the link below:

<http://www.braintree.gov.uk/youtube>

Members of the Governance and Audit Committee are requested to attend this meeting to transact the business set out in the Agenda.

Councillor J Baugh
Councillor J Edwards (Vice Chairman)
Councillor M Green
Councillor A Hooks
Councillor L Jefferis
Councillor A Munday
Councillor G Prime

Councillor R Ramage
Councillor R van Dulken
Councillor T Walsh
Councillor L Walters
Councillor J Wrench (Chairman)
Councillor B Wright

Members unable to attend the meeting are requested to forward their apologies for absence to the Governance and Members Team on 01376 552525 or email governance@braintree.gov.uk by 3pm on the day of the meeting.

D GASCOYNE
Chief Executive

INFORMATION FOR MEMBERS – DECLARATIONS OF MEMBERS’ INTERESTS

Declaration of Disclosable Pecuniary Interests (DPI), Other Pecuniary Interests (OPI) or Non-Pecuniary Interests (NPI).

Any Member with a DPI, OPI or NPI must declare the nature of their interest in accordance with the Code of Conduct. Members must not participate in any discussion of the matter in which they have declared a DPI or OPI or participate in any vote, or further vote, taken on the matter at the meeting. In addition, the Member must withdraw from the Chamber where the meeting considering the business is being held unless the Member has received a dispensation from the Monitoring Officer.

Public Question Time – Registration and Speaking

The Agenda allows for a period of up to 30 minutes for Public Question Time. Members of the public may ask questions or make statement to the Committee on matters listed on the agenda for this meeting.

All questions or statements should be concise and should be able to be heard within the 3 minutes allotted to each speaker.

Anyone wishing to ask a question or make a statement is requested to register their interest by completing the Public Question Time registration [online form](#) by **midday on the second working day** before the day of the meeting.

For example, if the meeting is on a Tuesday, the registration deadline is midday on Friday, (where there is a Bank Holiday Monday you will need to register by midday on the previous Thursday). The Council reserves the right to decline any requests to register to speak if they are received after this time.

When registering for Public Question Time please indicate whether you wish to attend the meeting ‘in person’, or to participate remotely. People who choose to join the meeting remotely will be provided with the relevant link and joining instructions for the meeting.

Please note that completion of the on-line form does not guarantee you a place to speak during Public Question Time. You will receive email notification from the Governance Service confirming whether your request is successful.

The Chairman of the Committee has discretion to extend the time allocated to registered speakers and to amend the order in which they may speak.

In the event that a registered speaker is unable to connect to the meeting, or if there are any technical issues, their question/statement may be read by a Council Officer.

Further information on Public Question Time is available on the [Council's website](#).

Health and Safety

Anyone attending a meeting of the Council is asked to make themselves aware of the nearest available fire exit. In the event of an alarm sounding, you must evacuate the building immediately and follow all instructions provided by staff. You will be directed to the nearest designated assembly point where you should stay until it is safe to return to the building.

Documents

Agendas, Reports and Minutes may be accessed via www.braintree.gov.uk

Data Processing

For further information on how the Council processes data, please see the Council's Privacy Policy.

https://www.braintree.gov.uk/info/200136/access_to_information/376/privacy_policy

Mobile Phones

Please ensure that your mobile phone is switched to silent during the meeting in order to prevent disturbances.

Webcast and Audio Recording

Please note that this meeting will be webcast and audio recorded. You may view webcasts for up to 6 months after the meeting using this link: <http://braintree.public-tv/core/portal/home>

The meeting will also be broadcast via the Council's YouTube Channel.

Comments and Suggestions

We welcome comments to make our services as efficient and effective as possible. If you have any suggestions regarding the meeting you have attended you may send these to governance@braintree.gov.uk

PUBLIC SESSION		Page
1	Apologies for Absence	
2	Declaration of Interests - Scrutiny Committee	
	1. To declare the existence and nature of any interests relating to items on the agenda having regard to the Code of Conduct for Members and having taken appropriate advice (where necessary) before the meeting.	
	2. To declare the existence and nature of any instruction given by or on behalf of a political group to any Councillor who is a member of that group as to how that Councillor shall speak or vote on any matter before the Committee or the application or threat to apply any sanction by the group in respect of that Councillor should he/she speak or vote on any particular matter.	
3	Minutes of the Previous Meeting	
	To approve as a correct record the minutes of the meeting of the Governance and Audit Scrutiny Committee held on 20 th April 2023 (copy previously circulated).	
4	Public Question Time	
	Only Registered Speakers will be invited by the Chairman to speak during Public Question Time.	
	Please see the Agenda notes for guidance.	
5	Key Financial Indicators - as at 30th June 2023	6 - 11
6	Internal Audit Annual Report 2022/23	12 - 32
7	Internal Audit Plan 2023/24	33 - 52
8	Internal Audit Update, Including Progress Against the 2022/23 and 2023/24 Internal Audit Plans	53 - 66
9	Local Audit Update	67 - 83
10	To approve a revised Risk Management Policy and Strategy	84 - 105
11	Treasury Management Annual Report 2022/23	106 - 116

12 To approve the Annual Governance Statement for 2022/23 117 - 131

13 Urgent Business - Public Session

To consider any matter which, in the opinion of the Chairman, should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.

Report Title: To receive a suite of the Council's Key Financial Indicators as at 30 th June 2023	
Report to: Governance and Audit Committee	
Date: 24 th August 2023	For: Decision
Key Decision: No	Decision Planner Ref No: N/A
Report Presented by: Phil Myers, Head of Finance	
Enquiries to: Phil Myers, Head of Finance (phil.myers@braintree.gov.uk)	

1. Purpose of the Report

- 1.1 To receive a suite of the Key Financial Indicators of the Council on performance in the current financial year up to 30th June 2023. To evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues as and when they may arise.

2. Recommendations

- 2.1 Members are asked to note the report of the Key Financial Indicators (KFIs) as at 30th June 2023.

3. Summary of Issues

- 3.1 The attached schedule (Appendix A) provides details of performance recorded for the financial year to 30th June 2023.
- 3.2 The KFIs reported to the Committee would normally include information on the revenue budget position compared to profile to the end of the reporting period. However, the regular in-year financial reporting to Senior Management and the Cabinet focuses on providing a projected year-end position against the budget, therefore, it is proposed to align the KFIs to this information. The first quarter review and projection for the year is due to be reported to Cabinet at their meeting on 25th September 2023. This will mean that this information will be reported within the KFIs to the next meeting of this committee scheduled for 4th October.
- 3.3 Information on capital spending and capital receipts to the end of June is included in this report.
- 3.4 Commentary:**
- 3.4.1 The current capital programme totals £13.1million of which £6.6million is profiled to be spent in 2023-24. The profiled spend for the year includes planned expenditure on: Witham and Halstead town centre improvements £600,000; final works at the Plaza Enterprise Centre £282,000 and H120 Business Park £500,000; Halstead community grants £600,000; planned

maintenance £375,000; disabled facility grants £1.3million; rural prosperity fund £147,000; and £300,000 for investment in computer servers and ICT infrastructure at Causeway House. Actual expenditure incurred to the end of June was £595,000.

- 3.4.2 Capital receipts estimated to be generated in-year total £3.9million which includes receipts from Right-to-Buy (RTB) sales through Eastlight Community Housing; the sale of Council-owned sites for residential development; and a receipt from the grant of access to development land. The actual value and timing of receipts varies as they are either subject to demand, in the case of RTB receipts, or for other land disposals, contracts may be exchanged but subject to receipt of satisfactory planning consents. In the current economic climate, there has been a marked slowdown in the number of RTB sales with just three sales completed at the end of June with a receipt value of £195,000. The Council also received £60,000 from a legacy VAT shelter arrangement with Eastlight. Other minor receipts were received totalling £45,000.
- 3.4.3 In terms of the Council's commercial property portfolio, the number of units available for let was 273, including offices and units at I-Construct, the Plaza, Victoria Square, and lettable space within Causeway House. At the end of June, the occupation level was 90.5%. Several vacant units are close to being let and there remains third party interest in space within Causeway House.
- 3.4.4 The total Council Tax collectable debit for the year is £115million. The collection rate as at the end of June was 30.5% (£35.0million collected), which compares to a rate of 30.1% for the same period last year. Collection rates continue to be closely monitored for any impact from the cost-of-living crisis.
- 3.4.5 The total Business Rates collectable debit for the year is £47million. The collection rate as at the end of June was 30.1% (£14.2million collected), which compares to a rate of 31.3% for the same period last year. Business rate relief schemes introduced by government during the Covid pandemic have gradually been withdrawn or reduced leading to higher amounts collectable. A revaluation of business rates also came into effect from April 2023, and whilst many businesses will have received transitional relief, there will be some businesses that have seen increases in their rate liability.
- 3.4.6 A total of 272 write-offs of Council Tax, with a value of £47,000 have been authorised in the year to date: 49 in respect of the current year and 223 in respect of previous financial years. The main reason for write-off is due to Individual Voluntary Arrangements (IVAs), the prevalence of which has grown over the last few years. In these cases, whilst debt is written off, collection continues via pre-agreed payment arrangements. Whilst an IVA is in place the Council is prevented from taking any further recovery action. If the debtor later defaults on an IVA, the outstanding debt is restated, and appropriate recovery action would then commence.

- 3.4.7 A total of 15 write-offs of Business Rates, with a net value of £26,000, have been authorised in the year to date: 3 in respect of the current year and 12 in respect of previous financial years.
- 3.4.8 The value of sundry debts owed to the Council at the end of June is £3.2million, of which £1.4million is in respect of Housing Benefit overpayments. Payment plans are agreed and range from payment within 14 days, payments by instalments throughout the year, and plans determined under Regulations (prescribed maximum amount that can be received from a debtor's benefit award).
- 3.4.9 The proportion of supplier payments made within 30 days is 98.5% The target is 98%.
- 3.4.10 Up to the end of June the average amount held as short-term investments was £45.1million on which £479,000 of interest has been secured, equivalent to an annualised return of 4.3%.
- 3.4.11 The amount invested in pooled funds comprising equity, property, and multi-assets is £19million. Dividend income is paid quarterly, and the amount due to the end of June was £314,000, equivalent to an annualised return of 4.95%. The total value of the Council's fund holdings at the end of June was £20.5million, which represented an unrealised gain of £1.5million.
- 3.4.12 Detail of the Council's investment portfolio totalling £67.5million, as at 30th June, is provided at Appendix B.

4. Options

- 4.1 To receive and ask questions as appropriate on the Key Financial Indicators contained in this report.

5. Financial Implications

- 5.1 There are no new financial implications arising from the recommendations set out in this report.

6. Legal Implications

- 6.1 There are no specific legal implications arising out of this report.

7. Other Implications

- 7.1 There are no other implications arising out of this report.

8. Equality and Diversity Implications

- 8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act;

(b) Advance equality of opportunity between people who share a protected characteristic and those who do not; and

(c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

8.3 The content of this report will not have a disproportionately adverse impact on any people with a particular characteristic.

9. List of Appendices

Appendix A – Key Financial Indicators for the period 1st April 2023 to 30th June 2023.

Appendix B – Treasury Management – Details of the Council's investments for the period 1st April 2023 to 30th June 2023.

10. Background Papers

None.

Key Financial Indicators at 30th June 2023

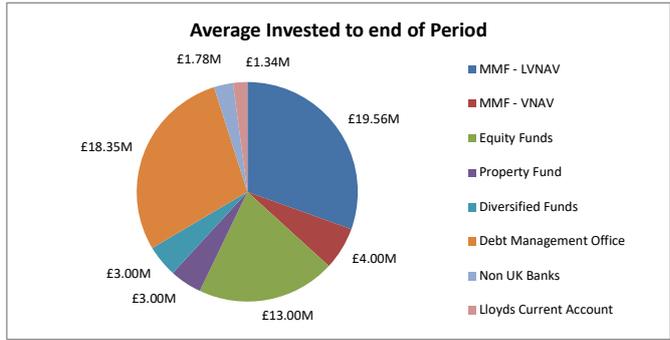
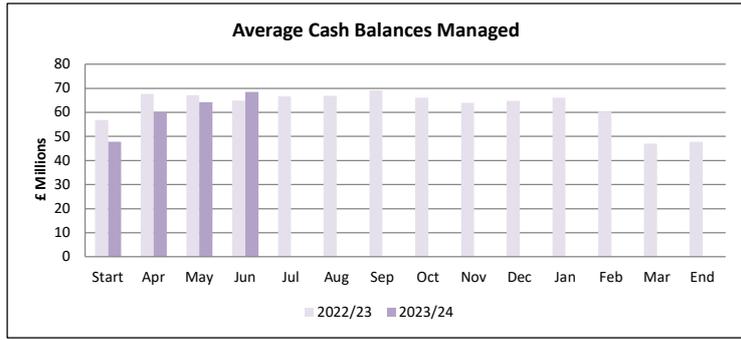
APPENDIX A

	Full Year Budget 2023/24	Actual 30 Jun 2023
Capital Expenditure	6,616	595
Capital Receipts	-3,900	-300

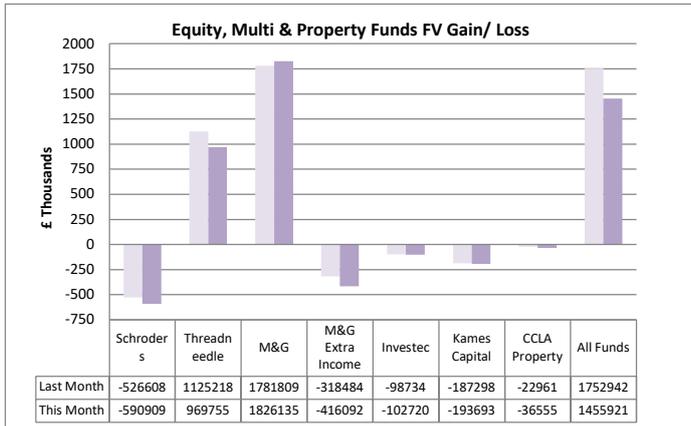
	Full Year Target	Actual 30 Jun 2023	Actual 30 Jun 2022	Variance
Council Tax collection in year - %	97.7%	30.5%	30.1%	0.4%
Council Tax collection - income collected for year - £m	£115.0	£35.0	£32.7	£2.4
Write-offs in year - £'000		£4	£5	-£1
Write-offs in year - number		49	22	27
Write-offs all years £'000		£47	£102	-£55
Write-offs all years - number		272	190	82
Business Rates collection in year - %	98.9%	30.1%	31.3%	-1.1%
Business Rates collected for year - £m	£47.0	£14.2	£13.5	£0.7
Write-offs in year - £'000		£6	£2	£4
Write-offs in year - number		3	2	1
Write-offs all years - £'000		£26	£26	-£0
Write-offs all years - number		15	11	4
Creditors - payment of invoices within 30 days of receipt	98.0%	98.5%	97.8%	0.7%

Debtors - Balance Outstanding	31-Mar-21	31-Mar-22	31-Mar-23	30-Jun-23
	£'000	£'000	£'000	£'000
Charges for services provided by central service e.g. Training, Procurement, Print Room, Marketing, Elections etc.	180	83	83	54
Asset Management	372	270	319	471
Development, Building Control & Environment	140	300	109	237
Finance	102	82	56	48
Community & Leisure	92	103	380	376
Operations	1,312	1,155	1,370	531
Housing	43	73	35	38
Sub-Total	2,241	2,066	2,352	1,755
Housing Benefits Overpayment Recoveries	1,613	1,541	1,441	1,424
Total	3,854	3,607	3,793	3,179
Profile by Recovery Stage:				
Invoice	2,088	2,016	2,085	1,359
Reminder	791	674	788	811
Pre-legal	145	86	136	205
Enforcement Agent	184	202	244	269
Tracing Agent	2	-	23	23
Charging Order	22	22	20	20
Attachment to Benefits/Earnings	622	607	497	492
Total	3,854	3,607	3,793	3,179
Write offs (debits and credits) in year - value - £000	£0.6	£90.3	£8.2	£2.6
Write-offs in year - number	141	226	179	74

APPENDIX B - Treasury Management Monitor - 30 June 2023



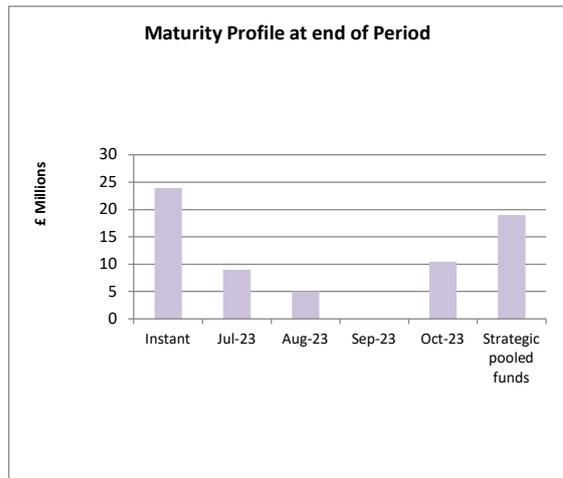
	Investment Activity			
	This Month Made £m	Sold £m	Cumulative Made £m	Sold £m
External Investments				
Property Fund	0.0	0.0	0.0	0.0
Equity Funds	0.0	0.0	0.0	0.0
Multi Funds	0.0	0.0	0.0	0.0
MMF - LVNAV	0.0	0.0	0.0	-1.0
MMF - VNAV	0.0	0.0	0.0	0.0
Sub-Total	0.0	0.0	0.0	-1.0
Deposits - Fixed				
UK Bank & Building Soc.	0.0	0.0	0.0	0.0
Non-UK Banks	0.0	0.0	0.0	-3.0
Debt Mgt Office	15.0	-12.5	42.0	-17.5
Local Authorities	0.0	0.0	0.0	0.0
Sub-Total	15.0	-12.5	42.0	-20.5
Lloyds Bank PLC	0.3	0.0	0.0	-0.8
Sub-Total	0.3	0.0	0.0	-0.8
Total	15.3	-12.5	42.0	-22.3



Commentary
 Average sum invested in the month £68.46m (Last year £64.87m)
 Average sum invested for the year to date £64.12m (Last year £66.56m)
 Actual sum invested at the end of the period £67.47m (Last year £63.39m)
 Interest secured on instant access accounts, fixed deposits, and MMFs at the end of the period £478550 a return of 4.27% [Annual Updated Budget £514k]
 Note: 3mth Libid 4.83% 1mth LIBID 4.48% Average Base rate 4.44%
 Dividends earned (declared) on equity, property and diversified funds to the end of the period £314k [Annual Budget £786k]
 Unrealised gain/ -loss at end of period for equity, property and diversified funds is a net £1456k a change of £-297k from last month

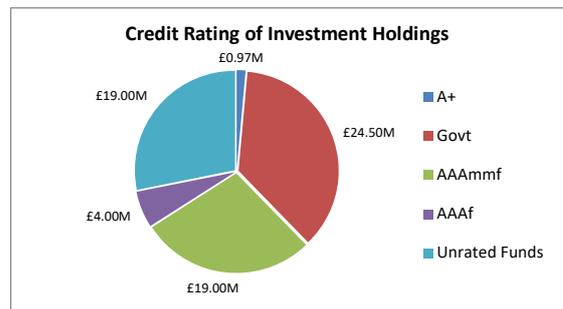
INVESTMENT HOLDINGS AT END OF PERIOD

COUNTERPARTY	Type	Principal	Start	Maturity	Yield
LANDESBANK HESSEN-THURINGEN (HELABA)	FIXED	0	00/01/1900	00/01/1900	0.00%
AUSTRALIA & NZ BANKING GROUP	FIXED	0	00/01/1900	00/01/1900	0.00%
DEBT MANAGEMENT OFFICE	FIXED	6000000	03/04/2023	03/07/2023	4.16%
DEBT MANAGEMENT OFFICE	FIXED	1000000	15/05/2023	19/07/2023	4.43%
DEBT MANAGEMENT OFFICE	FIXED	1000000	15/05/2023	20/07/2023	4.44%
DEBT MANAGEMENT OFFICE	FIXED	2000000	15/05/2023	21/08/2023	4.46%
DEBT MANAGEMENT OFFICE	FIXED	3000000	25/05/2023	19/10/2023	4.71%
DEBT MANAGEMENT OFFICE	FIXED	3500000	01/06/2023	19/10/2023	4.70%
DEBT MANAGEMENT OFFICE	FIXED	1000000	05/06/2023	19/07/2023	4.55%
DEBT MANAGEMENT OFFICE	FIXED	1000000	05/06/2023	21/08/2023	4.64%
DEBT MANAGEMENT OFFICE	FIXED	4000000	05/06/2023	19/10/2023	4.74%
DEBT MANAGEMENT OFFICE	FIXED	1000000	27/06/2023	30/08/2023	5.02%
DEBT MANAGEMENT OFFICE	FIXED	1000000	30/06/2023	30/08/2023	5.03%
LLOYDS BANK	CALL A/C	969000	30/06/2023	01/07/2023	4.90%
DEUTSCHE	MMF	0			4.71%
GOLDMAN SACHS	MMF	4000000	30/06/2023	01/07/2023	4.70%
CCLA PUBLIC DEPOSIT	MMF	5000000	30/06/2023	01/07/2023	4.78%
FEDERATED PRIME	MMF	5000000	30/06/2023	01/07/2023	4.73%
ABERDEEN STANDARD	MMF	5000000	30/06/2023	01/07/2023	4.78%



EXTERNAL FUND INVESTMENTS

Investment	Type	Principal	Yield
SHRODERS INCOME MAX.	EQUITY	2500000	Variable
THREADNEEDLE UK EQUITY	EQUITY	5000000	Variable
M&G GLOBAL DIVIDEND	EQUITY	2500000	Variable
M&G EXTRA INCOME	EQUITY	3000000	Variable
AEGON	MULTI	2000000	Variable
NINETY ONE	MULTI	1000000	Variable
CCLA - LAMIT PROPERTY	PROPERTY	3000000	Variable
ROYAL LONDON CASH PLUS	MMF-VNAV	4000000	Variable



Report Title: Internal Audit Annual Report 2022/23	
Report to: Governance and Audit Committee	
Date: 24 th August 2023	For: Decision
Key Decision: No	Decision Planner Ref No: N/A
Report Presented by: Angela Mitchell, Audit, Insurance and Fraud Manager	
Enquiries to: Angela Mitchell, Audit, Insurance and Fraud Manager (angie.mitchell@braintree.gov.uk)	

1. Purpose of the Report

- 1.1 The Public Sector Internal Audit Standards require the Head of Internal Audit to deliver an annual internal audit report and opinion that can be used by the organisation to inform its Annual Governance Statement.
- 1.2 The 2022/23 Annual Report from the Audit, Insurance and Fraud Manager is attached at Appendix 1, the conclusion from the 2022/23 work is that the Council's systems of internal control, and the internal control environment, are generally adequate with improvement required in some areas.

2. Recommendations

- 2.1 Members note and accept the Internal Audit Annual Report 2022/23.

3. Summary of Issues

- 3.1 The Head of Internal Audit's Annual Report and opinion provides the Council with an independent source of evidence on the design and effectiveness of its systems of internal control, risk management and governance. This report summarises the work undertaken by Internal Audit during the year 2022/23 and provides the rationale for the resulting audit opinion on the overall adequacy and effectiveness of the Council's framework of internal control, risk management and governance. The report includes a statement on conformance with the Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme.

3.2 Corporate Objectives

- 3.2.1 The recommendations set out in this report will help the Council to deliver the following Corporate Objectives:
 - The Internal Audit function conducts work to deliver assurance across all Corporate Objectives:

- A sustainable environment and a great place to live, work and play;
- A well connected and growing district with high quality homes and infrastructure;
- A prosperous district that attracts business growth and provides high quality employment opportunities;
- Residents live well in healthy and resilient communities where residents feel supported;
- A high performing organisation that delivers excellent and value for money services; and
- Delivering better outcomes for residents and businesses and reducing costs to taxpayers.

4. Options

- 4.1 This report invites Members of the Governance and Audit Committee to note and accept the Head of Internal Audit Annual Report and opinion.

5. Financial Implications

- 5.1 There are no financial implications arising from the recommendations set out in this report.

6. Legal Implications

- 6.1 The Council has a duty under the Local Government Act 1972 (s151) and the Accounts and Audit Regulations (2015) to maintain an adequate and effective internal audit function, taking into account Public Sector Internal Auditing Standards (PSIAS) or guidance. The PSIAS require the Chief Audit Executive to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

7. Other Implications

- 7.1 There are no other implications arising from this report.

8. Equality and Diversity Implications

- 8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act;
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not; and
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

- 8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 8.3 The Equality Impact Assessment indicates that the proposals in this report will/will not have a disproportionately adverse impact on any people with a particular characteristic.

9. List of Appendices

Appendix 1 – Internal Audit Annual Report 2022/23.

10. Background Papers

None.

INTERNAL AUDIT

ANNUAL REPORT 2022/23

CONTENTS	Page
1. Purpose	2
2. Background	2
3. Role Of Internal Audit	3
4. Other Assurance Providers	3
5. Overall Opinion	4
6. Delivery Of The 2022/23 Internal Audit Plan	6
7. Internal Audit Performance	11
8. Internal Audit Independence	14
9. Quality Assurance & Improvement Programme (QAIP)	15
10. Governance Committee	16
11. Definitions	17

1. PURPOSE

- 1.1. This is the annual report of the Audit, Insurance & Fraud Manager (AIFM) as required by the Public Sector Internal Audit Standards (“the Standards”) for the period 1st April 2022 to 31st March 2023.
- 1.2. The report includes the AIFM annual opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. This opinion is based on:
 - The work carried out by Internal Audit during the year
 - Assurances provided by independent external sources
- 1.3. The report provides information on:
 - The delivery of the Internal Audit Plan;
 - Audit reports issued and matters of concern;
 - Implementation of agreed actions;
 - Internal Audit Performance; and
 - The quality assessment and improvement programme

2. BACKGROUND

- 2.1 The Local Government Act 1972 (s151) requires the Council to make arrangements for the proper administration of its financial affairs, and the Accounts and Audit (England) Regulations 2015 require the Council to ‘undertake an effective Internal Audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Standards or guidance’.
- 2.2 The Standards require an annual report to be considered by a committee fulfilling the role of the ‘Board’ as defined by the Standards – for this Council this falls within the remit of the Governance and Audit Committee. This enables the Committee to review and monitor the outputs of internal audit activity and gain assurance that the function is fulfilling its statutory obligations. This process is an integral component of corporate governance. The Standards detail the matters that are required to be included in the annual report as:
 - The opinion;
 - A summary of the work that supports the opinion; and
 - A statement on conformance with the Standards and the results of the quality assurance and improvement programme.
- 2.3 The Local Government Application Note informs application of the Standards and defines requirements for Local Government Internal Audit.
- 2.4 The Internal Audit function must also comply with the Institute of Internal Auditors **Code of Ethics** – this is a statement of principles and expectations

governing behaviour of individuals and organisations in the conduct of internal auditing, including: **Integrity, Objectivity, Confidentiality, and Competency.**

3 THE ROLE OF INTERNAL AUDIT

3.1 The Standards define the role of Internal Audit as:

An independent, objective, assurance and consulting activity designed to add value to and improve an organisation's operations.

To help an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

3.2 The AIFM reports functionally to the Head of Finance and the Governance and Audit Committee. The Audit Charter formally defines the purpose, authority and responsibility of Internal Audit.

3.3 The AIFM had no constraints placed upon her, and there were no impairments to the audit team's independence and objectivity, in respect of: determining the overall audit coverage and access to Council systems, operations, records and officers; the audit methodology applied; the scope of Internal Audit work, performance of that work and communication of the results including proposing actions for improvement and forming opinions on individual audit reports issued.

3.4 Internal Audit provides a combination of assurance activity (assessing the design and effectiveness of systems and processes) and consulting activity (guidance and advice for the development of those systems and processes). The assurance opinion is based on:

- Delivery of internal audit work and written reports from internal audit activity completed in the course of the year (audit work is planned to give sufficient assurance on the management of key risks)
- Observations from consultancy / advisory support
- Results of follow up work (to assess implementation of prior year recommendations)
- Notable changes to the Council's ambitions, processes, management structure and use of technology
- Review of assurance from other assurance providers
- Quality and performance of the Internal Audit Service and degree of compliance with the Standards.

4 OTHER ASSURANCE PROVIDERS

4.1 Assurances are also taken from the following sources:

- **Service Leadership and Management:** Council Managers are the first line of defence and responsible for ensuring business is conducted in

accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Managers are also responsible for ensuring there is a sound system of control which includes arrangements for managing risk. They are required to escalate key governance concerns or weaknesses as they occur. Assurance Statements for 2022/23 on the adequacy and effectiveness of the systems of internal control and risk management operating within their service areas were received from managers.

- **Corporate Oversight Functions:** responsible for developing and designing governance and risk processes, and providing oversight, including:
 - Policies and procedures to guide and advise services (e.g. Risk Management Policy)
 - Ensuring services are compliant and meeting defined organisational requirements (e.g. Financial Services, Procurement and Governance)
 - Statutory Officer opinions over the governance of the Authority (Head of Paid Service, S151 Officer, and Monitoring Officer)
- **External Sources of Assurance:** independent reviews conducted by external providers – details of which are included in para. 5.3.3 below

5 OVERALL OPINION

Audit Opinion: Generally Adequate, improvement required in some areas.

I am satisfied that sufficient assurances were available to enable me to draw a reasonable conclusion of the effectiveness of the Council's arrangements for governance, risk management, internal control and fraud to enable me to provide an opinion for 2022/23.

Based upon work undertaken and review of other sources of assurance, *it is my opinion that the Council's systems for internal control, risk management and governance as of 31 March 2023 generally provide **adequate assurance** that key business processes and financial systems accord with proper practice. Significant progress has been made in improving weaknesses previously identified, but there remain areas where actions are yet to be fully addressed and embedded.*

Nineteen audit reviews conducted in 2022/23 and to the date of this report resulted in a 'Full or Substantial' assurance opinion. Four reviews were assessed as 'Limited Assurance' at the time of the audit fieldwork, we are awaiting completion of management responses but anticipate positive actions to resolve the weaknesses identified.

There are ongoing actions from prior year audits: we continue to work with management towards resolution and the Corporate Management Team review progress of implementing recommendations. The conclusion of the External Auditor review relating to 2019/20 and subsequent years is currently pending, and the outcome of their work and any implications will be reviewed when complete.

The Council continues to face many challenges and changes, leading to inevitable changes to the usual control framework. The potential associated increase to the Council's exposure to risks, loss and fraud was considered and reflected in audit planning. The Council continues to respond in an agile and effective way to change, reinforcing strong governance and leadership arrangements.

Angela Mitchell, Audit Insurance & Fraud Manager
27th June 2023

- 5.1 The AIFM Annual Report provides the Governance and Audit Scrutiny Committee with an opinion for inclusion in the Annual Governance Statement (AGS). The overall opinion for 2022/23 is that the internal control environment is *generally adequate, with improvement required in some areas*. If significant changes occur to the internal control environment prior to the Committee approving the AGS the Governance and Audit Committee will be informed.
- 5.2 Assurance can never be absolute. The audit opinion reflects the AIFM's view on the current state of the internal control environment and the effectiveness of the current systems of internal control across the Council based on the audit work conducted. There may be weaknesses in the systems of internal control that we are not aware of because they did not form part of our programme of work or were not brought to our attention. Not every Council activity or risk will be subject to audit coverage in any one year, this report provides further narrative on the scope of our work.
- 5.3 CIPFA guidance reflecting on the availability of assurance and the impact on annual audit opinions arising from the following factors which have been considered in forming the annual opinion:
- changing risks and impacts on the organisation.
 - whether key governance, risk management and internal control arrangements have deteriorated or been maintained.
 - changes to the resource base of internal audit.
 - demands on internal audit for advisory or non-audit support which do not directly contribute to the Internal Audit opinion; and
 - operational disruption impacting on the access of internal auditors to key staff, information, or systems.
- 5.3.1 Much of the 2022/23 planned work is complete (or substantially complete). Changes and high workload experienced by both the Audit Insurance & Fraud team and our colleagues across the Council, has affected final completion of some reviews. Where appropriate, work not completed in 2022/23 has been carried forward to the 2023/24 Internal Audit Plan.
- 5.3.2 In addition to audit work, the following activity contributes to the annual audit opinion:
- Information gained through attendance at corporate groups to understand the current risks and actions taken to mitigate those risks

- Consideration of committee and other reports for areas affecting governance, risks or controls
- Audit knowledge of processes and initiatives.
- Consideration of assurances available from other providers including from first and second lines of defence, independent regulators and peers
- Quality review mechanisms for work
- An External Quality Review of the Internal Audit function is conducted at least every 5 years and was last conducted during 2022/23, and annual self-assessments of compliance with standards are conducted in intervening years.

5.3.3 In preparing the Internal Audit Plan for 2022/23, managers were consulted to determine any planned reviews by external organisations from which assurance could be obtained on the operation of the internal control environment and systems of internal control. We noted the following sources of assurance:

- The statutory external audit of accounts and grant certification work. The External Audit Completion report for 2019/20 (presented to the Governance and Audit Scrutiny Committee on 28th October 2021) indicated the expectation that an unmodified opinion would be given on the financial statements, and that an 'except for' use of resources conclusion would be issued due to issues identified in relation to the Manor Street development. The 2019/20 work has yet to be finalised, and External Audit work on subsequent years has also not yet been completed.
- Oversight of Investments by advisors, External Audit and Members
- Strategic Information Governance Group oversight of information management. *This Group did not meet during 2022/23*
- Public Sector Network Connection Compliance (annual assessment, although this is to be withdrawn therefore alternative assurance will be sought in future). *An audit of cyber security is also currently in progress*
- Driver Vehicle Standards Agency inspection reports
- Internal Audit staff have also engaged with the following services to gain assurance on related risk recognition and the corporate response:
 - Information & Communications Technology Service (updates on the status of arrangements around cyber security). *One meeting of the Cyber Security Sub-Group was held in 2022/23*
 - Health Safety & Welfare Corporate Committee. *Three meetings of this committee were held in 2022/23.*
- We also considered the work of other internal oversight and review functions, including:
 - Risk Management oversight and reporting
 - Performance management
 - Financial performance management and reporting

5.4 The Standards require that where the 'Chief Audit Executive' (Audit, Insurance and Fraud Manager (AIFM) for Braintree District Council) has responsibility for matters beyond internal auditing, that these are periodically

highlighted to for review. The AIFM also has functional responsibility for Insurance and Fraud and has adopted appropriate safeguards as defined in the Internal Audit Charter.

6 DELIVERY OF THE 2022/23 INTERNAL AUDIT PLAN

6.1 The 2022/23 Internal Audit Plan focussed audit work on the Council's Strategic Risks and Corporate priorities, and was developed following consultation with the Chief Executive, Directors, and Heads of Service, and also a wider risk assessment of relevant factors to determine audit needs. The Audits were prioritised and an outline scope recorded.

6.2 The following affected the resources available for completion of the 2022/23 planned work:

- The AIFM and team prepared for and supported the External Quality Assessment (EQA) of the Internal Audit function. The EQA was conducted in February / March 2023.
- The AIFM continues to develop the service including to respond to action plans arising from EQA's of Internal Audit, to ensure the work and outputs accord with the requirements of the Public Sector Internal Audit Standards. This included developing an Audit Manual for the team to enhance the team approach and procedures such as relating to audit planning and reporting arrangements, and improving reporting to the Governance and Audit Committee. This development is ongoing.
- The AIFM has supported the Head of Finance in the development of the Council's approach to Risk Management and the review of Strategic Risks
- The AIFM advises staff and Members on the role and approach of Internal Audit.
- The AIFM's time was allocated to other management responsibilities including Insurance and Fraud. The Insurance aspect of the role is significant and include preparations for annual insurance renewal, arranging new covers, and a high claims handling workload (many requiring high resource input)
- Audit resources were spent on some unplanned investigation work.
- The Audit Team have provided corporate support in areas outside the normal remit of Internal Audit, and consultancy and advice in a number of areas to support colleagues across the Council.
- The Trainee Auditor continued his studies via an Apprenticeship, and during the year he made significant progress towards achieving the Chartered Internal Auditor qualification. The post holder left the Council in November 2022. The team undertook a recruitment process and appointed a new trainee auditor who joined the team in February 2023, and she is planning to commence study for the Certified Internal Auditor qualification during 2023/24.

6.3 Audit work in respect of the 2022/23 Internal Audit Plan was conducted with due regard to the relative priority of audits. Audits conducted in 2022/23 generally resulted in either a Full or Substantial assurance rating, although

four audits resulted in Limited Assurance rating (see below). Subsequent improvement actions and wider risk mitigation addressed the issues raised in many reviews; however, some actions are ongoing, and also some prior year audit recommendations have not yet been concluded. The following paragraphs provide further detail.

6.4 Four of the 2022/23 audits were assessed as a Limited Assurance outcome. Recommendations are identified which would reduce risks and improve controls. Management responses to some recommendations are pending:

- **Asset Management and Service Charges** – the review included determining if all costs were accounted for in service charges, whether billing was in accordance with lease terms, whether rent reviews were up to date, assessing if Asset Management Strategy assumptions were appropriately supported, and record retention policies. Two high priority recommendations were raised relating to a backlog in rent reviews, and no current Asset Management Strategy was in place. The service plans to complete actions to resolve these issues by October 2023.
- **Suppliers / Contractors Resilience** – the review included assessment and ongoing monitoring of key suppliers including measures to assess key supplier financial stability, assessment of supplier business continuity plans, and whether Council business continuity arrangements addressed supplier risk. Two high priority recommendations were raised relating to supplier resilience / business continuity arrangements, and ongoing review of supplier risks during the term of the contract. The service plans to complete actions to resolve these issues by November 2023.
- **CCTV / GDPR Compliance** – the review included service sourced IT equipment and cameras to ensure they were supported and licensed and known to the ICT service, and ensuring the management of CCTV was in line with legislation and guidance. Two high priority recommendations were made relating to the need for a written policy for use of Body Worn Video (BWV) devices, and improvement of CCTV signage. A further 5 medium priority recommendations were made relating to updating the acceptable use code of practice, central oversight of CCTV to ensure cyber risks are managed, removal of the option to withdraw consent to BWV, review of retention policies, and communication of the approved process for releasing CCTV data to third parties. A further 3 low priority recommendations were made. The service is developing an action plan to resolve the issues identified.
- **Horizon 120** (Draft, pending management response) – the review included an assessment of the business case, project governance and oversight arrangements, appointment and oversight of contractors, adequacy of service charge arrangements and sale of land plots. Six high priority recommendations were made relating to the production of business cases (detail to be commensurate with the size complexity and risk associate with the site) and to be produced before significant funding is committed, the business case to be supported by evidenced base data and sensitivity analysis and to document the logic of how the project will deliver objectives, to include detail analysis of benefits (financial and non-financial) and forecast cost benefit ratio and how they will be measured,

and also relating to the determination of service charges and documentation and approval arrangements for service charge caps. There were also 2 medium priority recommendations relating to the decision tracker (which was to be populated with details of decisions, supporting information and rationale, and who approved the decision), and retention (and review) of documents associated with contractor appointments. There were a further 2 low priority recommendations. *Management responses to the recommendations are currently pending.*

- 6.5 The Audit team contributed to the development of Risk Management processes, in recognition of out of date procedures and practices, and this work is ongoing in 2023/24. The review and assessment of Strategic Risks is undertaken by Management Board, the Corporate Management Team, and Members.
- 6.6 The reports completed for 2022/23 were as follows (audit outcomes are notified to the Governance and Audit Committee as audits are completed). Assurance levels are for the scope of work performed:

No: Recommendations:	High Priority	Medium Priority	Low Priority
FULL ASSURANCE (no high / medium priority recommendations)			
Council Tax			
Investments			
Budget Monitoring			
Non-Domestic Rates / Council Tax Fraud Risks			
Town Hall Income			
Leisure Provision Contract			
S106 Agreements			
Community Safety and Safeguarding Partnership			
Constitution			
Mobile Device Management			
Performance Management			
Climate Change			
SIGNIFICANT ASSURANCE			
LCTS (Draft Pending Management Response)	-	1	-
Planning	-	1	-
Authorised Signatories	-	2	3
Plant & Vehicle Workshop	-	-	3
Facilities Contracts	-	1	-
Risk Management	-	2	2
Major Projects General	-	3	-
LIMITED ASSURANCE			
Asset Management and Service Charges	2	-	-
Suppliers / Contractors Resilience	2	-	-
CCTV / GDPR Compliance	2	5	3
Horizon 120 (Draft Pending Management Response)	6	2	2
Additional Work was completed in the following areas, no assurance level assigned			

Risk Management – Review conducted of Risk Management Policy & Strategy, and support provided in review of Strategic Risks
Administer NFI Data Matching Exercise and review matches
Personnel security standard checks (DWP requirement for system access)
Review of grants to provide required declaration on compliance with grant conditions (for various grants – see para. 6.7 below)
Review of member council tax accounts
Assistance in conducting financial appraisals in connection with procurement of contracts
Follow-up reviews (implementation of previous audit recommendations)
Various ad hoc consultancy and advice
Investigation work in respect of staffing matters

Definitions of assurance levels are detailed at the end of this report

6.7 **Grant Assurance work:** During 2022/23, Internal Audit staff reviewed spend against grant conditions for the following grants. This enabled the Chief Executive / Chief Internal Auditor / S151 Officer (depending on the grant requirement) to sign a declaration for Government confirming the grant was used in accordance with specified conditions:

- Local Authority Test and Trace Support Payment Scheme (seven grants received)
- A separate audit was undertaken on the Shared Prosperity Fund, and including Business Grants relating to the Young Entrepreneurs Programme (work performed in accordance with the 2022/23 Internal Audit Plan, and completed in 2023/24)

6.8 The 2022/23 work also included follow up of previous Limited Assurance reports:

- **Housing Application Document Verification (2019/20):** The service was exploring alternative means of gaining assurance on validity of documents and applications and working with other Local Authorities and Gateway to Homechoice. *Additional work is planned in 2023/24.*
- **Manor Street Project (2020/21):** the review made 14 recommendations relating to improvements in controls and project governance, the management response was reported to the Governance & Audit Scrutiny Committee in July 2021. The recommendations were subject to a detailed follow up in 2022/23, the follow up review concluded that all 14 recommendations had been addressed and the control framework for the Council's programme and projects had been enhanced. *No further work is planned by Internal Audit.*
- **Contract Management (2020/21):** actions to improve completion of appropriate documentation, and completeness of records, were agreed and processes, including the introduction of a Programme and Project Assurance Team (PPAT), were implemented. A further review of Major Projects General, including PPAT was conducted in 2022/23 and concluded with a significant assurance outcome. *No further work is planned.*

- **Managers Self Service (including Payroll Duplicate Payments) (2021/22):** Management responses to the recommendations were received during 2022/23 (and reported to the Governance & Audit Scrutiny Committee in January 2023). The recommendations were followed up in 2022/23 and established that the HR and Payroll Services had both made changes to resolve the matters raised in the report, including amendments to the claim form and user guide and reminders to managers on checks to be conducted, limitation on the age of claims which may be submitted at any time, and pre-payroll checks to ensure duplicate payment does not occur. *No further work is planned.*
- **Project Realisation of Benefits (2021/22):** Management responses to the recommendations were received during 2022/23 (and reported to the Governance & Audit Scrutiny Committee in January 2023). *The recommendations will be followed up in 2023/24.*

6.9 Audits in the 2022/23 Internal Audit Plan which were not completed have been reviewed as part of the 2023/24 Internal Audit Planning process, and where appropriate included in the 2023/24 Plan.

7 INTERNAL AUDIT PERFORMANCE

7.1 Internal Audit Performance is assessed in the following qualitative ways:

- Delivery of the 'Head of Internal Audit' Annual Opinion, including statement on compliance with the Public Sector Internal Audit Standards;
- Proportion of Strategic Risks over which assurance is provided;
- Implementation of agreed actions; and
- Stakeholder engagement.

7.2 **Delivery of the 'Head of Audit' Annual Opinion:** The Function must perform sufficient annual coverage to enable an opinion to be given on the state of governance, risk management and internal control, considering the organisation's risk profile and focussing work on the areas which matter the most, and reflecting on other areas of assurance. In addition, the Standards require the Internal Audit activity to collectively possess the knowledge, skills and other competencies needed to perform its responsibilities:

- *Outcome of 2022/23 audit work is identified in Section 6 above*
- *The Audit, Insurance & Fraud Manager is a Chartered Internal Auditor with over 29 years' experience in Internal Audit gained across a number of Public Bodies*
- *The Senior Auditor has over 35 years' experience in Internal Audit at Braintree District Council*
- *The Auditor commenced employment in Internal Audit in February 2023 and intends to commence study for the Certified Internal Auditor qualification later this year*
- *The function's annual opinion is delivered to the Governance and Audit Committee in August 2023*

- See below reference to the Quality Assurance & Improvement Programme regarding a statement on compliance with the Standards

7.3 Proportion of Corporate Priorities and Strategic Risks over which assurance is provided: The 2022/23 Internal Audit Plan identified audit priorities relating to each strategic risk, and also linked audits to corporate priorities.

- Audits and other work were performed across all strategic risks and corporate priorities, with the exception of Risk 6 (Affordable Housing and Homelessness) for which an audit of the Accuracy of Housing Application Processing was scheduled but will be included in the 2023/24 Internal Audit Plan. The 2022/23 Audit Plan identified the scope of coverage for each review. Some audit work was commenced in 2022/23 and is included in the 2023/24 Internal Audit Plan to enable completion.

Audit work contributed to the following corporate priorities and strategic risks:

CORPORATE PRIORITIES	STRATEGIC RISKS	
A. Connecting people & places	1. Medium Term Financial Strategy	7. Return on Investments
B. Enhancing our environment	2. Economic Development	8. Emergency Planning
C. Supporting our communities	3. Planning	9. Information Management and Cyber Security
D. Promoting prosperity	4. Community Resilience	10. Strategic Investment
E. Delivering and innovating	5. Service & Project Delivery	11. Climate Change
	6. Affordable Housing and Homelessness	

AUDIT	Strategic Risk											Corporate Priority				
	1	2	3	4	5	6	7	8	9	10	11	A	B	C	D	E
Council Tax	✓															✓
Investments	✓															✓
Local CT Support	✓															✓
Budget Monitoring	✓															✓
NDR/CT Fraud risks	✓															✓
Town Hall income	✓															✓
Leisure contract		✓												✓		
Planning			✓									✓				
S106 Agreements			✓									✓			✓	
Community Safety & Safeguarding				✓										✓		✓
Constitution					✓											✓
Authorised signatories					✓											✓
Plant & Vehicle workshop					✓											✓
Facilities contracts					✓											✓
Asset Management & Service charges							✓								✓	✓
Risk Management								✓								✓

Supplier & contractor resilience									✓								✓	✓	
Mobile Device Management										✓									✓
CCTV GDPR										✓									✓
Performance management										✓			✓	✓	✓			✓	✓
Major Projects											✓			✓				✓	✓
Project in depth review Horizon 120											✓			✓				✓	✓
Climate Change												✓			✓	✓		✓	

7.4 **Implementation of Agreed Actions:** High and Medium priority recommendations are subject to follow up work by Internal Audit. For audits where the agreed completion date has elapsed, we have confirmed recommendations have been implemented. Follow up work is ongoing, as we recognise that other service priorities across the Council has resulted in implementation of some recommendations being delayed.

AUDIT YEAR	HIGH PRIORITY RECOMMENDATION STATUS	MEDIUM PRIORITY RECOMMENDATION STATUS
2018/19	<p>2 recommendations: All have previously been confirmed as complete</p>	<p>26 recommendations - 20 - have been confirmed as completed - <i>For the Leased Car audit (4 recommendations) the policy is being revised, and the number of leased cars held continues to reduce</i> - <i>For the Risk Management audit (2 recommendations), actions were dependent on a review of the risk management strategy which is in progress. Processes do exist for the review and monitoring of strategic and operational risks</i></p>
2019/20	<p>21 recommendations: - 16 are complete - 5 are in progress – (2 relate to Contract Management and are expected to be resolved in 2023/24, 3 relate to Housing, the service continues to explore options but has not yet been able to implement a solution, we are working with the service and HR to seek updated training)</p>	<p>14 recommendations: All are complete</p>

2020/21	1 recommendation: This recommendation is complete	17 recommendations: - 13 are complete - 4 are pending confirmation of status
2021/22	3 recommendations: - 2 are complete - 1 is complete but evidence is pending	19 Recommendations: - 6 are complete - 13 are pending confirmation of status
2022/23	12 recommendations: - 4 are not yet due - 1 is in progress - 1 is pending confirmation of action date - 6 are pending management response (report is Draft)	17 recommendations: - 1 is complete - 6 are not yet due (of which 2 are in progress) - 1 is in progress - 7 are pending confirmation of status - 2 are pending management response (report is Draft)

7.5 **Stakeholder Engagement:** Effective Internal Audit relationships benefit from engagement between the Internal Audit function and the business for the planning, conduct and reporting of engagements, and for liaison on matters affecting internal control, governance, and risk management.

- *The AIFM engages with Senior managers as part of the Internal Audit Planning process*
- *Internal Audit staff engage with audit sponsors to agree the scope of the audit, in conducting fieldwork, and to agree the content of reports and management response*
- *Auditee response to issues raised is positive, with improvement actions agreed*
- *The approach to Audit Planning is reported to the Governance and Audit Committee and overseen by the S151 Officer.*

8 INTERNAL AUDIT INDEPENDENCE

8.1 The Public Sector Internal Audit Standards require internal audit to confirm to the Governance and Audit Committee at least annually the organisational independence of the audit activity. Independence and objectivity mean the internal audit activity is able to make unbiased judgements and decisions based on audit work and is free from internal or external interference. Internal Audit achieves independence through the involvement of the Governance and Audit Committee involvement in:

- Approval of the risk based internal audit plan;
- Receiving communications from the Chief Audit Executive (CAE – the Audit Insurance and Fraud Manager) on internal audit activity and outcome of audit work; and
- Approval of the Internal Audit Charter which defines the function’s statutory role, status and authority within the Council.

- 8.2 The Standards require specific safeguards to be in place where the CAE has responsibility for matters beyond internal auditing. The CAE has responsibility for and involvement in the following non-audit operational functions:
- Operational responsibility for the Insurance and Fraud functions. *Responsibility for these areas is recognised by senior management and the Governance and Audit Committee, the CAE reports on insurance matters to the Head of Finance / S151 Officer, and engages the services of a broker to advise on the scope of cover and insurance arrangements. For Fraud matters the CAE reports to the Head of Finance / S151 Officer and the Governance and Audit Committee.*
 - Corporate support relating to the Council's arrangements for risk management, including update of the risk management policy and strategy. *Members and Senior Officers remain responsible for the oversight arrangements, and the identification and management of risks.*
 - The CAE provides administrative support for the Council's credit card account, *but does not hold a Council credit card.*
- 8.3 Where audits are performed of areas within the CAE scope of responsibility, the scope of work will be approved by the Head of Finance, where appropriate external or specialist providers will be engaged, and any review will be undertaken independently of the CAE and the outcome reported directly to the Head of Finance.
- 8.4 During 2022/23 and to the date of producing this report, the CAE and Internal Audit team have not experienced interference in determining the scope of Internal Audit, the performance of audit work, or in communication of the results.

9 QUALITY ASSURANCE & IMPROVEMENT PROGRAMME (QAIP)

- 9.1 The Public Sector Internal Audit Standards require an annual self-assessment against the Standards, and an external assessment to be conducted at least once in every 5 years, and for a commentary on compliance to be included within the Annual Report.
- *An External Quality Assessment (EQA) was conducted in February / March 2023 and reported to the Governance and Audit Scrutiny Committee in April 2023*
 - *Self-assessment against the EQA Action Plan and the Local Government Application Note is conducted at least annually and the results reported to the Governance and Audit Committee.*
 - *During 2022/23 the internal audit function continued to develop approaches in accordance with best practice and the Standards, including by:*
 - *Preparing a comprehensive Internal Audit Manual*
 - *Updating the Internal Audit Charter in line with External Quality Assessment recommendations*

- *Making arrangements to report more frequently to Management Board on Internal Audit Matters*
 - *Actively seeking action dates for recommendations made in audit reports*
 - *Including details of internal audit improvements in the Quality Assurance and Improvement Programme reporting*
 - *Annual Report updated to confirm audit team independence has not been compromised, and to reference how the audit team's work contributes to corporate priorities and risks*
 - *References to strategic objectives and risks are now included in audit planning and reporting*
 - *Due regard is given to fraud risks when planning internal audit work*
 - *Action dates are sought for all recommendations*
 - *Development of the Audit Plan was in progress at the time of writing*
- *The internal audit function has complied with the definition of Internal Audit (see paragraph 3.1 above)*
 - *The internal audit function has complied with the Code of Ethics (see paragraph 2.4 above)*
 - *The internal audit function conforms with the Standards and the Local Government Application Note, but areas where the function would benefit from further development were identified in the External Quality Assessment report to the Governance and Audit Scrutiny Committee on 20th April 2023.*

9.2 Quality assurance is achieved through establishing practices which maintain performance, including the day to day supervision, review and measurement of internal audit activity which is built into routine procedures:

- *Team outputs are reviewed by the AIFM, or the Senior Auditor, including: Terms of Reference, Working Papers, and the Audit Report. A review sheet is completed with commentary on the results of the review. The AIFM continues to experience a high insurance workload, and as such there has been some delay in review of some audit documentation.*
- *The team engages in continuous improvement activity to ensure a consistent and up to date approach is adopted. Guidance is provided to staff by the AIFM, and staff periodically attend other organised topical training events and read Internal Audit professional publications.*
- *Professional development of staff is actively encouraged and supported, and the new Auditor will commence study in 2023/24 for Certified Internal Auditor status. In addition, the team maintains active engagement with other Internal Audit functions including through the Local Authority Chief Auditor Network and contact with colleagues from other Essex Local Authorities.*

9.3 A review of fraud related corporate policies and procedures identified a number which require updating to ensure they continue to meet requirements. These were reported to the Governance and Audit Scrutiny Committee in January 2023. In 2022/23 and to the date of this report, the following Policies

were reviewed and presented to the Governance and Audit Scrutiny Committee:

- Anti-Money Laundering Policy & Guidance – April 2022
- Regulation of Investigatory Powers Act 200 (RIPA) and Investigatory Powers Act (IPA) – Committee notified of updates to Officers involved in the authorisation and oversight of RIPA and IPA – November 2022

10 GOVERNANCE AND AUDIT COMMITTEE

10.1 The work of Internal Audit has been reported regularly to Members via the Governance and Audit Scrutiny Committee, providing Members with an opportunity to review and monitor the Internal Audit team outputs, and gain assurance that the function is fulfilling its statutory obligations. The reporting to the Governance and Audit Committee continues to be an integral component of corporate governance.

10.2 Internal Audit reporting to the Governance and Audit Committee includes the following:

- The Internal Audit Plan, including the process for determining the Audit Plan;
- Progress of audit work and performance against the plan, including outputs from audit work;
- The results of reviews of compliance with the Public Sector Internal Audit standards;
- The Head of Audit Annual Opinion; and
- Any matters of concern will be reported as they arise.

11 DEFINITIONS

OVERALL AUDIT OPINION	
Full Assurance	Internal controls meet acceptable standards and are consistently applied. There is reasonable, but not absolute, assurance that adequate risk management and controls are in place for the activity.
Significant Assurance	There is significant assurance that the internal control framework meets the minimum acceptable standards. Some weaknesses or inconsistent application in controls mean that some risks are not adequately mitigated.
Limited Assurance	The internal control framework does not meet the minimum acceptable standard. Some weaknesses or inconsistent application in controls mean that some risks are not adequately mitigated and require significant improvements.
No Assurance	The internal control framework does not meet the minimum acceptable standards and no assurance can be given.

RECOMMENDATION PRIORITY	
High	Can have a significant impact on operational performance so essential to provide satisfactory control of serious risk.

Medium	Can have a moderate impact on operational performance so important to provide satisfactory control of risk
Low	Minor impact on operational performance but offers improvement to internal control

Internal Control Environment:

Comprises the systems of governance, risk management and internal control.

The key elements of an organisation's control environment include:

- Establishing and monitoring objectives;
- Policy and decision making which ensures compliance with established policies, procedures, laws and regulations;
- Embedding risk management;
- Economical, effective and efficient use of resources, and continuous improvement;
- Financial management and the reporting of financial management; and
- Performance management and reporting of performance management.

Report Title: Internal Audit Plan 2023/24	
Report to: Governance and Audit Committee	
Date: 24 th August 2023	For: Decision
Key Decision: No	Decision Planner Ref No: N/A
Report Presented by: Angela Mitchell, Audit, Insurance and Fraud Manager	
Enquiries to: Angela Mitchell, Audit, Insurance and Fraud Manager angie.mitchell@braintree.gov.uk	

1. Purpose of the Report

- 1.1 To ensure there is an Internal Audit Plan for 2023/24 which complies with the Public Sector Internal Audit Standards.

2. Recommendations

Members endorse the Internal Audit Plan process and draft Internal Audit Plan for 2023/24.

3. Summary of Issues

3.1 Introduction

- 3.1.1 Public Sector Internal Auditing Standards (PSIAS) require the Chief Audit Executive to ‘establish risk-based plans to determine the priorities of the Internal Audit activity, consistent with the organisation’s goals’. The plan should take account of the organisation’s risk management framework and be reviewed and adjusted as necessary in response to changes in the Council’s business, risk, operations, programmes, systems and controls, and should:

- Give the ‘*Chief Audit Executive*’ (CAE) sufficient evidence to provide an annual audit opinion on the Council’s framework of governance, risk management and internal control based on the outcome of planned work;
- Use existing sources of assurance where possible; and
- Demonstrate how internal audit work is linked to the Council’s objectives and significant risks, and therefore provide relevant assurance.

- 3.1.2. This report presents (at Appendix 2) the Draft Internal Audit Plan for 2023/24. The Plan has been prepared in accordance with the Accounts and Audit Regulations 2015 (Section 5) requiring an effective internal audit of risk management, internal control and governance processes taking into account PSIAS and guidance, it sets out the programme of internal audit work for the year and forms part of the Council’s wider assurance framework, and it

supports the requirement to produce an audit opinion on the Council's overall internal control environment, and the robustness of risk management and governance arrangements. Delivery of the Plan is dependent on resources, and on changing audit needs which may arise during the year. Progress against the Plan, and any changes or additional work completed will be reported to future meetings of the Governance and Audit Committee.

3.2. **Internal Audit Planning Process**

3.2.1. The proposed Internal Audit Plan for 2023/24 relates audit work to the Council's strategic risks and corporate priorities. The plan is flexible and responsive to changing corporate needs, delivery is dependent on resources and work is prioritised to ensure these are focussed on the areas of greatest audit need. The time on each review will be responsive to relative priority and ongoing assessment throughout the audit, if additional resources are considered necessary to enable the delivery of planned work this will be communicated to Senior Management and the Governance and Audit Committee.

3.2.2. The Plan has been developed following meetings with the Chief Executive, Directors and Senior Managers, the feedback from these meetings informed a wider risk assessment and prioritisation of the Council's activities for audit coverage considering the following factors:

- Corporate priorities and risks, risk management (including fraud risks), and significant projects or proposals linked to corporate priorities.
- Significant changes to systems, structures, delivery models or governance.
- Assessments of systems of internal control (including recent assurance from Internal Audit or reliable third parties), known or suspected weaknesses or concerns (including relating to performance or data quality) and areas where assurance is sought.
- Inherent risk (such as activities with significant income or expenditure, reputational sensitivity or complexity, whether third parties are involved in delivery or if there is a high potential risk of fraud);
- The regulatory environment.
- Effectiveness of governance arrangements (including oversight arrangements and complexity of operations); and
- Horizon scanning to assess new risks and challenges.

3.2.3 The Audit Manager determined the scope of planned work to ensure adequate coverage across key areas which support provision of the annual audit opinion, the plan therefore includes work contributing to the following areas:

- Corporate Governance and Risk Management
- Information and Communication Technology
- Environment Social and Governance
- Partnership, External Funding and Grant Claims
- Fraud

- Service Specific Reviews (including areas contributing to performance management, risk management, financial management, people and asset management, and governance)
- Advice and Consultancy
- Follow Up work
- Other work such as associated with the Annual Governance Statement

3.2.4 The Audit Plan includes some allocation to **Key Financial Systems**, including risk-based reviews of key controls to ensure they are operating effectively. These systems are key to achievement of Corporate Objectives and would significantly impact the organisation were they to fail. Whilst controls in these areas remain reasonably static, the Plan includes risk-based reviews of key controls to provide continued assurance over their operation.

3.2.5 The Plan includes Audits around the areas of external funding / grant claims (to ensure compliance with funding body rules and regulations and grant certification), and governance (to ensure robust and transparent arrangements including risk management, performance management, promotion of ethics and values).

3.2.6 **Follow up reviews** are conducted on high and medium priority recommendations to provide assurance on the extent to which key risks have been properly mitigated.

3.2.7 The Plan includes **other activities associated provision of the Internal Audit service** which are integral to delivery of the Audit Plan. These activities include reporting to Members and other audit management tasks such as reviewing the Audit Charter.

3.3. Assurance Framework

3.3.1. In planning audit work, an assessment is made of sources of assurance, internal and external, received across the Council. The Institute of Internal Auditors 3 lines model (Appendix 1) demonstrates principles of accountability, responsibility for managing risk, and assurance; emphasises the need for strong working relationships and coordination / collaboration between Internal Audit, management and the governing body; and recognises the contribution of other oversight / evaluation roles in the provision of assurance.

3.3.2 Auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls and emerging risks.

3.4. Resourcing and Delivery of the Internal Audit Plan

3.4.1 The Audit Manager considers the range of knowledge, skills, qualifications and experience needed to deliver the audit plan. External support will be sought to

deliver audits where specialist input would be beneficial, and to provide contingency in the event of gaps in in-house staffing.

- 3.4.2 The draft Internal Audit Plan includes a high-level proposed outline scope for each audit. Provision of the annual audit opinion means balancing work across different aspects of governance, risk management and control – no formula exists for establishing what is sufficient coverage to enable delivery of the opinion, but the plan includes work supporting all corporate priorities and risks (in distinct audits, cross cutting audits, and follow up work).
- 3.4.3 The 2023/24 plan is split across the following primary areas, note that individual audits may each contribute to several areas of assurance:

Assurance or Work Area	2023/24 Planned Days
Corporate Governance & Risk Management	80 days
Information & Communication Technology	24 days
Environment Social and Governance	36 days
Partnership, External Funding & Grant claims	12 days
Fraud	26 days
Service Specific Reviews	56 days
Advice & Consultancy	4 days
Follow Up work	32 days
Other Planned work / contingency	28 days
2022/23 Planned Audits Completed in 2023/24	47 days
TOTAL	345 days

- 3.4.4 Available resources are limited, the plan also references:
- Areas known to require improvement for which there is no added value in allocating audit time, assurances will be sought on progress of improvements in these areas
 - Reserve list of audits, some of which may be reviewed if resources become available
 - Forward plan of areas to consider for audit during planning for 2024/25 or beyond
- 3.4.5 Inevitably there will be some changes to delivery of planned work. The Committee will be informed of progress of planned work, unforeseen work and changes to the plan through regular update reports.

3.3 Corporate Objectives

- 3.3.1 The recommendations set out in this report will help the Council to deliver the following Corporate Objectives:
- The Internal Audit function conducts work to deliver assurance across all Corporate Objectives:

- A sustainable environment and a great place to live, work and play;
- A well connected and growing district with high quality homes and infrastructure;
- A prosperous district that attracts business growth and provides high quality employment opportunities;
- Residents live well in healthy and resilient communities where residents feel supported;
- A high performing organisation that delivers excellent and value for money services;
- Delivering better outcomes for residents and businesses and reducing costs to taxpayers.

4. Options

4.1. Option 1 - To approve the Audit Plan for 2023/24

The Committee is invited to approve the Internal Audit Plan 2023/24, this is the preferred option as the plan provides for sufficient assurance on those activities / risks which are deemed key to achievement of the Council's aims and objectives, to support the provision of the statutory annual audit opinion.

4.2. Option 2 - To not approve or to make amendments to the Audit Plan 2023/24

Public Sector Internal Audit Standards identify the Committee role is to approve (but not direct) the work of Internal Audit, although the Committee may challenge whether the plan is sufficient and adequately focussed, particularly given the plan's purpose to provide the Committee with a key source of assurance to consider when it decides whether to recommend the Annual Governance Statement for signing by the Chief Executive and Leader of the Council.

5. Financial Implications

There are no financial implications arising from the recommendation to approve the Internal Audit Plan

6. Legal Implications

The Accounts and Audit (England) Regulations 2015 require the Council to ensure it has a sound system of internal control. In particular, Section 5 refers specifically to Internal Audit, requiring that the Council '...must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account *Public Sector Internal Auditing Standards or guidance*' (PSIAS).

The PSIAS require the Chief Audit Executive to establish '*risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals*' and '*the risk-based plan must take into account the requirement to produce an annual opinion and the assurance framework*'. The

plan *'must incorporate or be linked to a strategic or high level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter...'*

7. Other Implications

There are no other implications arising from the recommendations in this report.

8. Equality and Diversity Implications

8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act;
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not; and
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

8.3 The proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

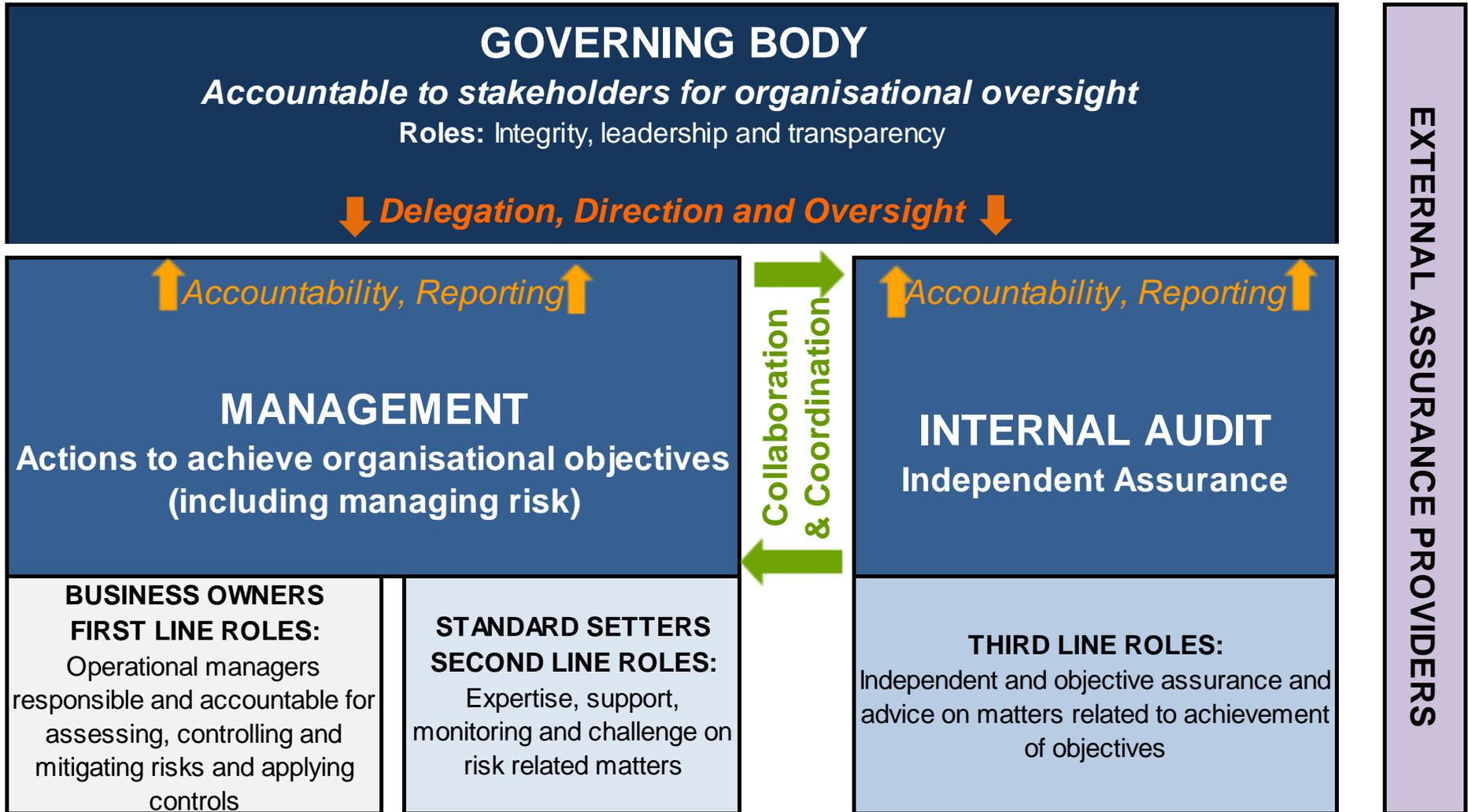
9. List of Appendices

Appendix 1 – Assurance Framework

Appendix 2 – Internal Audit Plan 2023/24

10. Background Papers

Public Sector Internal Audit Standards (published CIPFA in collaboration with the Institute of Internal Auditors).



DRAFT INTERNAL AUDIT PLAN 2023/24

2022/23 Planned Audits Completed in 2023/24:

Ref	Audit Title	Outline Scope	Priority *	23/4 Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
2022/23 Planned Audits Completed in 2023/24								
	Core Financial Systems	- LCTS - Investments	1	1	Assurance / Financial Management	Delivering & Innovating	Risk 1 (MTFS)	Head of Finance
	Budget Monitoring	Review of budget assumptions, and arrangements for review and monitoring. Ensure budgets subject to effective scrutiny and challenge by Senior Management and Members. Review budget update reporting arrangements	1	1	Corporate Governance / Risk Management	Delivering & Innovating	Risk 1 (MTFS)	Head of Finance
	Risk Management	Review sample of risks in the Strategic Risk Register to assess existence and effectiveness of mitigating controls	1	3	Risk Management	Delivering & Innovating	Risk 8 (Emergency Planning)	Corporate Director / Head of Finance
	Business Support Grant	Post payment assurance on compliance with grant / funding eligibility requirements	1	10	Compliance / Fraud / Financial Management	Promoting Prosperity	Risk 2 (Economic Development)	Head of Finance
	The Plaza (Horizon 120)	Review operational arrangements for managing The Plaza (set up, governance, management and monitoring)	1	10	Programme & Project Management	Promoting Prosperity / Delivering & innovating	Risk 7 (Return on Investments)	Corporate Director
	Supplier / Contractor Resilience	Assess arrangements for identifying emerging risks and contractor resilience for key suppliers	1	11	Risk Management / Business Continuity & Emergency Planning	Delivering & Innovating / Promoting Prosperity	Risk 8 (Emergency Planning)	Head of Environment

* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2023/24 (this opinion contributes to the Council’s Annual Governance Statement)

2 – These audits support the annual opinion but are lower priority for audit

3 - These items are lower priority for internal audit review, where resources do not allow completion of the full plan, audit work will focus on highest priority audits

DRAFT INTERNAL AUDIT PLAN 2023/24

Ref	Audit Title	Outline Scope	Priority *	23/4 Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
	Performance Management	Sample check of performance indicators to review relevance of measures, robustness of data collation and accuracy of presentation of results	3	11	Assurance / Performance Management	various	Risk 9 (Information Management & Cyber Security)	Various / Business Solutions Manager

DRAFT 2023/24 Internal Audit Plan:

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
<p>Corporate Governance & Risk Management undertake a range of audits relating to specific governance issues and risk management</p>								
1	Core Financial Systems	<p><i>Periodic reviews of core financial systems are considered for significant changes in system or processes, and to provide assurance over Business as Usual. Systems include: Debtors, Creditors, Business Rates, Council Tax, LCTS, Investments, Payroll, Cash & Bank, and General Ledger</i></p> <p><i>In 2023/24 we will review:</i></p> <ul style="list-style-type: none"> - Creditors (Audit currently in progress) - Cash & Bank (Audit currently in progress) - General Ledger (Audit currently in progress) 	1	8 8 8	Assurance / Financial Management	Delivering & Innovating	Risk 1 – Medium Term Financial Strategy	Head of Finance
2	Payroll Shared Service	<p>Review controls relating to operation of payroll service (for BDC and partner authorities):</p> <p><u>Payroll Service Operation:</u></p> <ul style="list-style-type: none"> - Process for ensuring only valid employees on the payroll. - HR reconciliation of Payroll data - Arrangements for review of Net Pay Exceptions <p><u>Pay Calculations:</u></p>	1	16	Assurance / Financial Management	Delivering & Innovating	Risk 5 (Service & project delivery) & Risk 9 (Information Management)	Head of Finance

* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2023/24 (this opinion contributes to the Council's Annual Governance Statement)

2 – These audits support the annual opinion but are lower priority for audit

3 - These items are lower priority for internal audit review, where resources do not allow completion of the full plan, audit work will focus on highest priority audits

DRAFT INTERNAL AUDIT PLAN 2023/24

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
		<ul style="list-style-type: none"> - Ensure holiday pay calculations are correct. <u>Payroll Data Security:</u> <ul style="list-style-type: none"> - Ensure Payroll data is stored safely and only accessed by authorised persons. - Assess risks associated with any generic logins used on self-service. - Assess the adequacy of system access controls and assigned access permissions (for ITrent and the Shared Payroll system) <i>(2022/23 planned audit deferred to 2023/24)</i>					& Cyber Security	
3	Elections	Review of governance, and authorisation for / evidence of spend and reconciliation. <i>(2022/23 planned audit deferred to 2023/24 - Audit currently in progress)</i>	2	8	Assurance / Financial Management	Delivering & Innovating	Risk 1 (MTFS), & Risk 5 (Service & project delivery)	Head of Governance
4	Business Continuity	Review of Business Continuity (BC) Plans to ensure consideration given to climate change / severe weather events. Observation of the planned Business Continuity Exercise	1	8	Assurance / Governance	Delivering & Innovating	Risk 8 (Emergency Planning), & generally supports all other risks Risk 11 (Climate Change)	Corporate Director / Head of Environment & Leisure / Head of Finance
5	Business Continuity – Key Suppliers	Assess the due diligence protocols in place to ensure key supplier ongoing viability & resilience including arrangements for oversight, financial and operational performance, business continuity arrangements and the adequacy of planning for alternative means of delivery.	1	10	Assurance / Governance	Delivering & Innovating	Risk 8 (Emergency Planning), & generally supports all other risks	

* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2023/24 (this opinion contributes to the Council’s Annual Governance Statement)

2 – These audits support the annual opinion but are lower priority for audit

3 - These items are lower priority for internal audit review, where resources do not allow completion of the full plan, audit work will focus on highest priority audits

DRAFT INTERNAL AUDIT PLAN 2023/24

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
6	Commercial Group	High level review of Commercial Group scope of work and outputs and corporate response.	2	4	High level Assurance / Governance	Delivering & Innovating	Risk 1 (MTFS), & Risk 5 (Service & project delivery)	Corporate Director / Shared procurement Hub Manager
7	Shared Services	Identify steps necessary for successful delivery of a shared service and assess against planned actions	1	10	Assurance / Governance	Delivering & Innovating	Risk 5 (Service & project delivery)	Chief Executive / Corporate Director
N/A	Risk Management	<i>See Culture & Ethics / Employee Engagement - Review of risks to assess existence and effectiveness of mitigating controls / actions</i>	1	N/A	Risk management	Delivering & Innovating	Various	Corporate Director / Head of Finance
Information & Communication Technology								
8	Cyber Security	Review alternative sources of assurance (results of IT Health Check / PSN / Cyber Essentials) and Corporate response. <i>(2022/23 planned audit deferred to 2023/24) Audit - currently in progress)</i>	1	6	Information Management & Governance / alternative source of assurance	Delivering & Innovating	Risk 9 (Information Management & Cyber Security)	Corporate Director / Head of ICT
9	Cyber Security Sub- Group	Attendance at ICT Cyber Security Sub Group meetings to gain assurance on risk recognition and Corporate response.	1	4	Information Management & Governance	Delivering & Innovating	Risk 9 (Information Management & Cyber Security)	Corporate Director / Head of ICT
10	Finance System Access Controls	Assess the adequacy of system access controls and assigned access permissions for the Finance system <i>(Audit currently in progress)</i>	2	6	Assurance / Financial Management	Delivering & Innovating	Risk 5 (Service & project delivery) & Risk 9	Head of Finance

* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2023/24 (this opinion contributes to the Council’s Annual Governance Statement)

2 – These audits support the annual opinion but are lower priority for audit

3 - These items are lower priority for internal audit review, where resources do not allow completion of the full plan, audit work will focus on highest priority audits

DRAFT INTERNAL AUDIT PLAN 2023/24

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
							(Information Management & Cyber Security)	
11	System Access Controls	Assess arrangements for the review and update of system access permissions, including in respect of staff changing roles, and leavers	2	8	Assurance / Cyber Security	Delivering & Innovating	Risk 9 (Information Management & Cyber Security)	Corporate Director / Head of ICT
Environment Social and Governance								
12	Culture & Ethics / Employee Engagement	<p>Review HR data (such as relating to sickness, exit interviews and Grievances) and ensure data is analysed to identify employee engagement issues and those issues are resolved.</p> <p>Identify EDI concerns raised in above and assess organisational response</p> <p>Review staff survey results and assess organisational response.</p> <p>Ensure the corporate culture, including policies and statements, supports equality diversity & inclusion.</p> <p>Review effectiveness of Corporate Risk Register actions relating to culture and staffing.</p> <p><i>EQA recommendation to include culture & ethics audits in the Audit Plan</i></p> <p><i>(Employee Engagement was 2022/23 planned audit deferred to 2023/24. Audit currently in progress)</i></p>	1	12	Governance and Compliance	Delivering & Innovating / Supporting Our Communities	Risk 5 (Service and Project Delivery)	Corporate Director / Head of Housing & Community
13	Health & Safety	Attendance at Corporate Health Safety & Welfare meetings to gain assurance on risk recognition and Corporate response, and provision of associated advice	1	4	Corporate Governance / Alternative	Delivering & innovating	Risk 5 (Service and Project Delivery)	Head of Environment & Leisure

* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2023/24 (this opinion contributes to the Council’s Annual Governance Statement)

2 – These audits support the annual opinion but are lower priority for audit

3 - These items are lower priority for internal audit review, where resources do not allow completion of the full plan, audit work will focus on highest priority audits

DRAFT INTERNAL AUDIT PLAN 2023/24

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
					source of assurance			
14	Cost of Living Crisis	Review Council response to the cost of living crisis, including in assessing the impact on vulnerable people, and assess communication and prevention activity to support residents (such as with energy efficiency) <i>(2022/23 planned audit deferred to 2023/24 - Audit currently in progress)</i>	1	8	Programme & Project Management / Risk Management	Delivering & Innovating / Supporting Our Communities	Risk 4 Community Resilience	Corporate Director / Head of Housing & Community
15	Equality Diversity & Inclusion (EDI)	Review corporate arrangements for monitoring and reporting compliance with Public Sector Equality Duty and Equality Framework for Local Government	1	6	Governance and Compliance	Delivering & Innovating / Supporting Our Communities	Risk 4 (Community Resilience), & Risk 5 (Service and Project Delivery)	Corporate Director / Head of Housing & Community
16	Energy Performance	Assess adequacy of arrangements for ensuring legal requirements relating to Energy Performance Certificates (provision of certificate and minimum rating) are met. Assess reporting of the same. <i>(2022/23 planned audit deferred to 2023/24 - Audit currently in progress)</i>	2	6	Assurance / Governance	Enhancing Our Environment / Delivering & Innovating / Supporting Our Communities	Risk 11 (Climate Change)	Asset Manager
<p>Partnership, External Funding & Grant Claims: For arrangements where the Council is the Accountable Body, to include review of compliance with funding body requirements</p>								
17	Grants / Funding Due diligence	Where grant funding is distributed, ensure recipient is required to agree grant conditions and service monitors spend against grant conditions. Additional provision to provide post payment assurance on compliance with grant / funding eligibility requirements	1	12	Compliance / Fraud / Financial Management	Promoting Prosperity / Supporting our Communities	Risk 1 (MTFS), Risk 2 (Economic Development), & Risk 4	Head of Finance

* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2023/24 (this opinion contributes to the Council’s Annual Governance Statement)

2 – These audits support the annual opinion but are lower priority for audit

3 - These items are lower priority for internal audit review, where resources do not allow completion of the full plan, audit work will focus on highest priority audits

DRAFT INTERNAL AUDIT PLAN 2023/24

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
		where that assurance is a requirement of the grant provision.					(Community Resilience)	
Fraud:								
18	Fraud Risks - Payments	Identify fraud risks, including relating to controls for amending payee bank details, and review against existing procedures. <i>(2022/23 planned audit deferred to 2023/24)</i>	1	6	Governance / Risk Management / Fraud	Delivering & innovating	Risk 1 (MTFS) and Risk 5 (Service & Project Delivery)	Head of Finance
19	Fraud Risks – Strategic Projects / Asset Management	Identify fraud risks and review against existing procedures. Money laundering – Review compliance with policy including client identification procedure requirements <i>(Strategic Investment Fraud Risks and Money Laundering were 2022/23 planned audits deferred to 2023/24)</i>	1	10	Assurance / Project Management / Governance / Risk Management / Fraud	Promoting Prosperity / Delivering & Innovating	Risk 1 (MTFS), Risk 5 (Service & Project Delivery), and Risk 10 (Strategic Investment)	Corporate Director - Growth
20	Data Matching	Audit Staff assist with the review of data matches and refer relevant cases to the Fraud Officer for investigation	2	10	Fraud	Supporting Our Communities / Delivering & innovating	Risk 1 (MTFS) and Risk 5 (Service & Project Delivery)	Head of Finance
Service Specific Reviews								
21	Accuracy of Housing Application Processing	Compliance with allocations policy <i>(2022/23 planned audit deferred to 2023/24)</i>	2	10	Compliance / Performance Management	Connecting People & Places / Supporting	Risk 4 (Community Resilience) & Risk 6 (Affordable)	Head of Housing & Community Services

* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2023/24 (this opinion contributes to the Council’s Annual Governance Statement)

2 – These audits support the annual opinion but are lower priority for audit

3 - These items are lower priority for internal audit review, where resources do not allow completion of the full plan, audit work will focus on highest priority audits

DRAFT INTERNAL AUDIT PLAN 2023/24

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
						Our Communities	Housing & Homelessness)	
22	Service Charges Management	For the Manor Street / Victoria Square development - Review arrangements involving outsourced billing for service charges to ensure effective oversight by the Council, and processes to ensure actual costs are properly reflected in service charges and accurately charged	1	6	Financial Management / Assurance	Delivering & Innovating	Risk 1 (MTFS), Risk 2 (Economic Development)	Corporate Director / Head of Finance / Head of Asset Management
23	Land and Property Inspections	Ensure oversight responsibility is assigned for all Council owned Land and Property, with robust arrangements in place for inspections, including of areas vacant pending sale <i>(2022/23 planned audit deferred to 2023/24)</i>	2	10	Risk management / People & Asset Management	Enhancing our Environment / Delivering & Innovating	Risk 7 (Return on Investments)	Corporate Directors / Asset Manager / Operations Manager
24	Debtors	Review recovery arrangements for significant historic debts, and ensure appropriate oversight by Senior Management	2	6	Performance Management / Governance	Delivering & Innovating	Risk 1 (MTFS)	Head of Finance
25	Housing Strategy	Review of arrangements to measure and manage performance to achieve strategy aims. Review the processes for approving and giving payments and/or incentives to private landlords to ensure clarity of award criteria, confirmation of eligibility, transparency and provision of incentive in line with policy	2	10	Performance Management	Supporting Our Communities / Delivering & Innovating	Risk 4 (Community Resilience) & Risk 6 (Affordable Housing & Homelessness)	Head of Housing & Community Services
26	Operator Licence Compliance	Review of Operator Licence Compliance Audit Report	2	1	Alternative Source of Assurance	Supporting Our Communities / Delivering & Innovating	Risk 5 (Service & project delivery)	Head of Operations
27	North Essex Parking Partnership	Assurance over the costs charged to the partnership. Assess the due diligence protocols in place to ensure partnership ongoing viability & resilience including	2	15	Assurance / Financial	Delivering & Innovating	Risk 1 (MTFS)	Head of Operations /

* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2023/24 (this opinion contributes to the Council’s Annual Governance Statement)

2 – These audits support the annual opinion but are lower priority for audit

3 - These items are lower priority for internal audit review, where resources do not allow completion of the full plan, audit work will focus on highest priority audits

DRAFT INTERNAL AUDIT PLAN 2023/24

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
		arrangements for oversight, financial and operational performance, and business continuity arrangements			Management / Governance			Head of Finance
Advice and Consultancy: Including representation on boards and working groups as deemed appropriate to advise on risk and control								
28	Braintree District Museum Trust	To support the service in their review of the contract agreement with the Museum Trust	2	4	Governance / Advice	Supporting our Communities	Risk 4 (Community Resilience) & Risk 5 (Service & Project Delivery)	Head of Housing & Community Services
N/A	<i>Other Corporate Groups</i>	<i>Refer to Health Safety & Welfare Committee, and Cyber Security Sub-Group above – primary reason for attendance is to gain assurance, but we recognise there may be occasion in the course of attendance to provide advice on risks and controls</i>	2	N/A	<i>Governance / Information Management / Advice</i>	<i>Delivering & innovating</i>	<i>Risk 5 (Service and Project Delivery), & Risk 9 (Information Management & Cyber Security)</i>	<i>Corporate Director / Head of Environment & Leisure / Head of ICT</i>
Follow Up Work: To examine progress made in addressing concerns or issues for reviews receiving a Limited Assurance opinion								
29	Follow Up Reviews – Limited Assurance Reports	We will follow up all Limited Assurance reports and review evidence of implementation of high and medium priority recommendations from previous years <ul style="list-style-type: none"> - Housing Application Document Verification (2019/20) - Contract Management – Major Contracts (2020/21) - Managers Self Service (2021/22) - Project Realisation of Benefits (2021/22) - Asset Management and Service Charges (2022/23) 	1	20	Follow Up	Various	Various	Various

* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2023/24 (this opinion contributes to the Council’s Annual Governance Statement)

2 – These audits support the annual opinion but are lower priority for audit

3 - These items are lower priority for internal audit review, where resources do not allow completion of the full plan, audit work will focus on highest priority audits

DRAFT INTERNAL AUDIT PLAN 2023/24

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
		<ul style="list-style-type: none"> - The Plaza / Horizon 120 (2022/23) - Suppliers / Contractor Resilience (2022/23) - CCTV / GDPR Compliance (2022/23) 						
30	Follow Up Reviews - Other	We will follow up to track progress of implementation of other high and medium priority recommendations	2	12	Follow Up	All Corporate priorities	All risks	Various
Other Planned Work								
31	Office for Local Government	Assess implications from the Internal Audit perspective of changes arising from the introduction of the Office for Local Government <i>(2022/23 planned audit deferred to 2023/24)</i>	1	3	Corporate Governance / Audit planning and compliance	Delivering & Innovating	Risk 5 (Service & Project Delivery)	Corporate
32	Annual Governance Statement	Review of process for producing and evidence supporting the Council's AGS. Ensure the AGS covers all elements set out in best practice Ensure Assurance statements have been obtained to support the elements of the AGS To confirm areas of improvement identified in the AGS are clear and have action plans in place with arrangements for monitoring progress Review arrangements for challenging non-responses to Service Assurance Statements.	1	5	Assurance / Governance	Delivering & Innovating	Various	Head of Finance
N/A	Contingency for additional work	Additional work arising during the year will be accepted where relevant to the provision of the opinion over corporate governance, risk or internal control, and to corporate priorities or strategic risks	N/A	20	various	Various	Various	various
Internal Audit Management: Other Activity Associated with the Internal Audit Function								
	Internal Audit Management	- Audit Planning - To develop the 2024/25 Internal Audit Plan	N/A	50	N/A	All	All	Head of Finance /

* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2023/24 (this opinion contributes to the Council's Annual Governance Statement)

2 – These audits support the annual opinion but are lower priority for audit

3 - These items are lower priority for internal audit review, where resources do not allow completion of the full plan, audit work will focus on highest priority audits

DRAFT INTERNAL AUDIT PLAN 2023/24

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
		<ul style="list-style-type: none"> - Head of Internal Audit Annual Report – to prepare the annual opinion on the Council’s arrangements for Governance, Internal and Risk Management - Governance and Audit Committee – services associated with the preparation, agreement and presentation of committee reports - Plan Monitoring, work allocation and scheduling – monitoring and reporting on audit plan progress - Audit Management - To undertake required Audit Management activity including quality assurance and continuous improvement processes (including to review processes against revised Standards), and to review and update where necessary the Audit Charter and Strategy 						Corporate Director (Resources)

The following items were identified during Audit Planning as requiring improvement. Senior Management recognise the weaknesses in these areas and therefore there is limited benefit in Internal Audit review at this time, however we will seek updates on progress of improvements.

- **Equality Impact Assessment** - relating to requirement to publish EIA for every decision report
- **Consultant Procurement and Onboarding** – relating the need to ensure consultants sign up to the Council’s IT Security requirements at the commencement of their services, and HR are developing procedures for IR35. The Commercial Team will collate procurement spend data to consultants to support the corporate work in this area
- **Asset Management Document Retention & Accessibility** – relating to the completeness of Asset records and documentation
- **Mandatory Staff Training** – relating to actions to ensure all staff complete required E-Learning training

* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2023/24 (this opinion contributes to the Council’s Annual Governance Statement)

2 – These audits support the annual opinion but are lower priority for audit

3 - These items are lower priority for internal audit review, where resources do not allow completion of the full plan, audit work will focus on highest priority audits

DRAFT INTERNAL AUDIT PLAN 2023/24

The following items represent the reserve list of areas considered for review, but by virtue of their lower priority and no available unallocated audit days, will not be progressed at this time.

- **Declarations of interest compliance** - to ensure potential interests are declared and managed
- **IT New Projects and Programmes** – review arrangements for ensuring that decisions or changes involving the purchase of any form of Information and Communications Technology device or digital service, software or hardware is approved by the ICT team in advance of purchase, and the purchase is undertaken in collaboration with the ICT team
- **Shared Prosperity Funding** - To provide assurance that the governance arrangements and assurance processes supporting delivery of local Shared Prosperity Funding projects are operating effectively (Audit was in 2022/23 plan but scheme had not progressed)
- **Home Upgrade Grant** - Review of the adequacy of Council arrangements to allocate grant in light of strict grant award criteria
- **Food Safety** – Assess adequacy of arrangements for ensuring inspections are conducted in a timely manner
- **Energy Rebate** - High level review of arrangements for determining eligibility and payment (alternative provision for grant assurance where required)
- **Business Planning** - High level review to assess links between Organisational Goals and Objectives, Service Business Plans and assigned responsibility for related actions, and assess arrangements for determining whether organisational objectives and goals have been accomplished
- **Agency Supply Contract** - Assess the adequacy of arrangements for managing the delivery of the agency supply contract, ensuring adherence to contract terms relating to supply of appropriately trained staff and checks on staff suitability
- **Data Sharing Agreements** – Ensure the Council has identified where such agreements are required and has implemented them in accordance with Data protection requirements
- **Smaller project Governance** – review of project planning, and identification of issues and risks associated with smaller projects.
- **Code of Conduct** - check compliance with Code of Conduct (revised 2022/23)

Auditors will be mindful of the following when conducting general audit work:

- Fraud Risks
- Information management / GDPR
- Risk management
- Data Quality
- Governance

** Priority:*

1 – These audits are key for delivery of Chief Audit Executive opinion for 2023/24 (this opinion contributes to the Council's Annual Governance Statement)

2 – These audits support the annual opinion but are lower priority for audit

3 - These items are lower priority for internal audit review, where resources do not allow completion of the full plan, audit work will focus on highest priority audits

STRATEGIC PLANNING – ITEMS FOR CONSIDERATION FOR THE INTERNAL AUDIT PLAN 2024/25 or beyond

The following areas will be reviewed during planning for 2024/25:

- **Service Charges** – Following review of 2023/24 Manor Street / Victoria square, consider review of any other arrangements involving outsourced billing for service charges to ensure effective oversight by the Council, and processes to ensure actual costs are properly reflected in service charges
- **Housing Stock Condition Survey** – Assess Council response to survey results (survey to be conducted in 2023/24)
- **Post Completion Reviews – Manor Street and IConstruct** - to identify learning from the projects, assess whether relevant services were engaged, and to review Business Plan assumptions, issues and transparency of reporting
- **Plaza Operations Audit** – Facilities management of the building
- **Policy Management** - Review arrangements for ensuring policies are maintained & updated, Equality Impact Assessments are completed, and Data Protection Impact Assessments are completed
- **Homeless & rough sleeper strategy including associated Housing Grants** – review of arrangements to measure and manage performance to achieve strategy aims
- **Health & wellbeing** – review of arrangements to measure and manage performance to achieve strategy aims
- **Climate Performance Report** – assess adequacy and accuracy of evidence supporting output and Council response to performance measures (report expected late Autumn 2023)
- **Health & Safety Strategy** - High level review of corporate monitoring and oversight arrangement, policies and guidance, risk assessments
- **Environmental Social & Governance** – assess framework for tracking social value / ESG progress
- **Environment Act** – Council response to new legislation requirements
- **Building Safety Act** - Building Control
- **Private Rental Sector** – new registration scheme (future)
- **Planning Changes** – anticipated changes will shorten the timescales and impose penalties for Local Authorities where timescales not met – impacts Environmental Health is a Statutory Consultant
- **Disabled Facilities Grants** – assurance that correct measure is being applied to comply with new targets
- **HR Procedures and Processes** – assess consistency of application of defined protocols relating to Homeworking, agile working, and performance management
- **Sickness / Absence Management**
- **Revenues & Benefits System** - Assess arrangements for the review and update of system access permissions, including in respect of staff changing roles, and leavers

** Priority:*

1 – These audits are key for delivery of Chief Audit Executive opinion for 2023/24 (this opinion contributes to the Council's Annual Governance Statement)

2 – These audits support the annual opinion but are lower priority for audit

3 - These items are lower priority for internal audit review, where resources do not allow completion of the full plan, audit work will focus on highest priority audits

Report Title: Internal Audit Update, Including Progress Against the 2022/23 and 2023/24 Internal Audit Plans	
Report to: Governance and Audit Committee	
Date: 24 th August 2023	For: Decision
Key Decision: No	Decision Planner Ref No: N/A
Report Presented by: Angela Mitchell, Audit, Insurance and Fraud Manager	
Enquiries to: Angela Mitchell, Audit, Insurance and Fraud Manager Angie.mitchell@braintree.gov.uk	

1. Purpose of the Report

- 1.1 The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit activity to report functionally to the Governance and Audit Committee, being the committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.
- 1.2 The 2022/23 Internal Audit Plan was approved by the Governance and Audit Scrutiny Committee (GASC) on 21st July 2022, the 2023/24 Internal Audit Plan is to be presented to the Governance and Audit Committee on 24th August 2023. This report provides Members with an update on the Internal Audit activity, and progress and performance against planned work and any other matters affecting the provision of the Internal Audit Service. This is in accordance with the Governance and Audit Committee role and the requirements of the PSIAS.
- 1.3 The Internal Audit function was subject to an External Quality Assessment (EQA) in February 2023, the outcome of which was detailed in a separate report to GASC. This report identifies progress in respect of addressing actions identified in this and the previous EQA.
- 1.4 The report also provides an update on Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) applications made by the Authority.

2. Recommendations

- 2.1 Members note the progress and performance against the 2022/23 and 2023/24 Internal Audit Plans.
- 2.2 Members note the progress in respect of addressing actions identified in the External Quality Assessment of the Internal Audit function.

3. Summary of Issues

3.1 Progress against the 2022/23 and 2023/24 Internal Audit Plans

- 3.1.1 Performance against the 2022/23 Internal Audit Plan is detailed in **Appendix 1**.

3.1.2 Performance against the 2023/24 Internal Audit Plan is detailed in **Appendix 2**.

3.1.2. The following audits have been completed since the last progress report to the Committee (20th April 2023). **Appendix 3** provides a summary of the outcomes of these audits:

- Local Council Tax Support – **Significant Assurance**
- Investments – **Full Assurance**
- Budget Monitoring – **Full Assurance**
- Business Support Grants – **Full Assurance**
- The Plaza (Horizon 120) – **Limited Assurance**
- Supplier / Contractor Resilience – **Limited Assurance**
- Performance Management – **Full Assurance**

3.1.3 The proportion of planned work completed was affected by the following factors:

- A significant proportion of the Audit Manager's time is spent on Insurance work, and some time also spent on Fraud work. The insurance service is currently preparing for the 2023 renewal including negotiations with insurers regarding premium rates, and has dealt with additions to cover requirements and responded to insurance and risk related enquiries, and is also managing a high claim caseload;
- The Audit Manager has worked with the Head of Finance and Corporate Management Team to revise the Council's Risk Management Policy & Strategy, this is the subject of a separate report to this Committee;
- The Audit Manager is reviewing Fraud related policies; and
- Additional ad hoc advice and consultancy services have been provided in the areas summarised in Appendices 1 and 2.

3.1.4 The Internal Audit Plan is prioritised, and Audits are assigned based on their relative priority with consideration to Auditor experience and auditee preferred timescales but is also flexible to respond to changing corporate needs. Progress of and any changes to planned work is reported to the Committee.

3.2 **Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) Applications**

3.2.1 There have been no RIPA / IPA applications in 2023/24 to the date of producing this report.

3.3 **Quality Assurance & Improvement Programme (QAIP)**

3.3.2 Since the last update to the Governance and Audit Committee (April 2023) on the QAIP and the status of implementation of recommendations and suggestions identified in the 2022/23 External Quality Assessment, the following improvements have been made:

- The 2023/24 Internal Audit Plan identifies the days needed for each category of audit activity (Recommendation 3).

3.4 **Corporate Objectives**

3.4.1 The recommendations set out in this report will help the Council to deliver the following Corporate Objectives:

- The 2023/24 Internal Audit Plan includes work across all Corporate Objectives:
 - A sustainable environment and a great place to live, work and play;
 - A well connected and growing district with high quality homes and infrastructure;
 - A prosperous district that attracts business growth and provides high quality employment opportunities;
 - Residents live well in healthy and resilient communities where residents feel supported;
 - A high performing organisation that delivers excellent and value for money services;
 - Delivering better outcomes for residents and businesses and reducing costs to taxpayers.

4. **Options**

This report invites the Governance and Audit Committee to receive and note the progress against the 2022/23 and 2023/24 Internal Audit Plans, additional work performed, and any other matters affecting the Internal Audit service.

5. **Financial Implications**

There are no financial implications arising from the recommendations set out in this report.

6. **Legal Implications**

There are no specific legal implications arising from this report.

7. **Other Implications**

There are no other implications arising from this report.

8. **Equality and Diversity Implications**

8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act;
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not; and

(c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

8.3 The proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

9. List of Appendices

Appendix 1 – Progress Against the 2022/23 Internal Audit Plan

Appendix 2 – Progress Against the 2023/24 Internal Audit Plan

Appendix 3 - Outcome of Audits Completed Since the Previous Report To Governance Committee (20th April 2023)

10. Background Papers

None.

APPENDIX 1 - PROGRESS AGAINST 2022/23 INTERNAL AUDIT PLAN – as of 7th August 2023

This Appendix summarises the work completed in respect of the 2022/23 Internal Audit Plan (approved by the Governance and Audit Scrutiny Committee on 21st July 2022).

	Audit	Priority	Current Status	Date Report to Governance & Audit Committee
2022/23 Internal Audit Plan – All Audits				
1	Core Financial Systems – Back to Basic Reviews <ul style="list-style-type: none"> • Council Tax • Local Council Tax Support • Investments 	1	<ul style="list-style-type: none"> • Completed • Completed • Completed 	<ul style="list-style-type: none"> • 3rd Nov 2022 • 24th August 2023 • 24th August 2023
2	Payroll Shared Service	1	<i>Carried forward to 2023/24 Plan</i>	
3	Budget Monitoring	1	<ul style="list-style-type: none"> • Completed in 2023/24 	24th August 2023
4	Fraud Risks (NDR/Council Tax/Payments)	1	NDR/CT – Completed <i>Payments – carried forward to 2023/24 Plan</i>	<ul style="list-style-type: none"> • 3rd November 2022
5	North Essex Parking Partnership	2	<i>Carried forward to 2023/24 Plan</i>	
6	Energy Rebate	2	<i>2023/24 Plan Reserve list</i>	
7	Town Hall income	2	Completed	21 st July 2022
8	Money Laundering	2	<i>Carried forward to 2023/24 Plan</i>	
9	Business Support Grants / External Funding Assurance	1	Business Support Grants: Completed <i>External Finding Assurance: Ongoing as need arises. And in 2023/24 Plan</i>	<ul style="list-style-type: none"> • 24th August 2023
10	Shared Prosperity Funding	1	<i>2023/24 Plan Reserve list</i>	
11	Leisure Provision Contract	1	Completed	3 rd November 2022
12	Planning, including Time Extensions, Pre-Application & Notices	2	Completed	12 th January 2023
13	Section 106 agreements	2	Completed	21 st July 2022
14	Community Safety and Safeguarding Partnerships	1	Completed	12 th January 2023
15	Cost of Living Crisis	1	<i>Carried forward to 2023/24 Plan – In progress</i>	
16	Constitution (Financial Procedure Rules, Contract Procedure Rules, Procurement Rules)	1	Completed	12 th January 2023
17	Authorised Signatories	1	Completed	3 rd November 2022

18	Business Planning	2	2023/24 Plan Reserve list	
19	Plant & Vehicle Workshop	2	Completed	3 rd November 2022
20	Agency Supply Contract	2	2023/24 Plan Reserve list	
21	Facilities Contracts	2	Completed	20 th April 2023
22	Employee Engagement	2	Carried forward to 2023/24 Plan	
23	Policy Management	3	Forward plan for 2024/25	
24	Accuracy of Housing Application Processing	2	Carried forward to 2023/24 Plan	
25	Asset Management and Service Charges	1	Completed pending management response	20 th April 2023
26	The Plaza (Horizon 120)	1	Completed pending management response	24th August 2023
27	Land and Property Inspections	2	Carried forward to 2023/24 Plan	
28	Risk Management	1	Completed in 2023/24	20 th April 2023
29	Suppliers / Contractor Resilience	1	Completed	24th August 2023
30	Mobile Device Management	1	Completed	3 rd November 2022
31	CCTV GDPR Compliance	1	Completed	12 th January 2023
32	Cyber Security	1	Carried forward to 2023/24 Plan	
33	Culture & Ethics	2	Carried forward to 2023/24 Plan	
34	Performance Management	3	Completed	24th August 2023
35	Major Projects – general, including PPAT	1	Completed	20 th April 2023
36	Major Project – in depth review	1	Completed - Combined with 26 above, and see also Manor St. follow up	24 th August 2023
37	Strategic Investment Fraud Risks	2	Carried forward to 2023/24 Plan	
38	Climate Change	1	Completed	3 rd November 2022
39	Energy Performance	2	Carried forward to 2023/24 Plan – In progress	
40	Office for Local Government	1	Carried forward to 2023/24 Plan	
41	Health and Safety	1	Ongoing attendance at corporate meetings as source of assurance	
42	Cyber Security	1	Ongoing attendance at corporate meetings as source of assurance	

43	Annual Governance Statement	1		24th August 2023
44	Follow Up Reviews <ul style="list-style-type: none"> • Contract Management (2019/20) • Manor Street (2019/20) • Housing Application Document Verification (2019/20) • Contract Management – Major Contracts (2020/21) • Managers Self Service (2021/22) • Project Realisation of Benefits (2021/22) 	2	<ul style="list-style-type: none"> • Completed • Completed • In progress • Completed • Completed • Management actions due April 2023, follow up in progress 	<ul style="list-style-type: none"> • 3rd November 2022 • 20th April 2023 • (update 24th August 2023) • 24th August 2023 • 24th August 2023 •

2022/23 ADDITIONAL WORK COMPLETED

During 2022/23 the internal audit function has provided ad hoc advice and guidance in various areas, including the following. No assurance levels are assigned to this work:

- **Financial Appraisals** conducted on potential suppliers to support the procurement process.
- **Homes for Ukraine** advice on arrangements to pay guests.
- Advice on **grant agreement** relating to requirements for signing off expenditure as committed.
- Advice on response to potential **data breach**.
- Advice on **conflict of interest** relating to a supplier appointment.
- Tender advice where **financial appraisal** identified a high-risk supplier.
- Investigation following **Whistleblowing allegation** concerning time recording.
- Advice on use of an **imprest account** for a supplier.
- Advice to Procurement on options for **HB Subsidy Audit**.
- Advice relating to **private use of Council equipment** and subsequent checks on potential conflict of interest.
- Provided guidance on corporate protocols and liaised with Senior Managers regarding **expenses claims** submitted for amounts higher than permitted limits.
- Advice on **use of SharePoint**, and enquirer also signposted to ICT Services.
- Advice re use of **bank drop box**.
- Advice to a Member regarding **Parish Council administration**, including relating to charging for shared resources, Working Time Directive, tree works, and declarations of interest.
- Follow up advice re **digital verification of ID**.
- Advice regarding **building security** relating to tenants.
- Advice on need for **Performance Bonds** in a build contract.
- Ongoing participation in Corporate **Protect Duty** group.

APPENDIX 2 - PROGRESS AGAINST 2023/24 INTERNAL AUDIT PLAN – as of 7th August 2023

This Appendix summarises the work completed in respect of the 2023/24 Internal Audit Plan (presented to the Governance and Audit Committee on 24th August 2023).

	Audit	Priority	Current Status	Date Report to Governance & Audit Committee
2023/24 Internal Audit Plan – All Audits				
1	Core Financial Systems <ul style="list-style-type: none"> • Creditors • Cash & Bank • General Ledger 	1	<ul style="list-style-type: none"> • In progress • In progress • In progress 	
2	Payroll Shared Service	1		
3	Elections	2	In progress	
4	Business Continuity	1		
5	Business Continuity – Key Suppliers	1		
6	Commercial Group	2		
7	Shared Services	1		
8	Cyber Security	1	In progress	
9	Cyber Security Sub-Group	1		
10	Finance System Access Controls	2	In progress	
11	System Access Controls	2		
12	Culture & Ethics / Employee Engagement	1	In progress	
13	Health & Safety	1	Ongoing attendance at corporate meetings	
14	Cost of Living Crisis	1	In progress	
15	Equality Diversity & Inclusion (EDI)	1		
16	Energy Performance	2	In progress	
17	Grant Scheme Due Diligence	2		
18	Business Support Grants / Other External Funding Assurance	1		
19	Fraud Risks - Payments	1		
20	Fraud Risks – Strategic Projects / Asset Management	1		
21	Data Matching	2	In progress	
22	Accuracy of Housing Application Processing	2		
23	Land and Property Inspections	2		
24	Debtors	2		
25	Housing Strategy	2		
26	Operator Licence Compliance	2		
27	North Essex Parking Partnership	2		
28	Braintree District Museum Trust	2		
29	Follow Up Reviews – Limited Assurance Reports <ul style="list-style-type: none"> • Housing Application Document Verification (2019/20) • Contract Management – Major Contracts (2020/21) 	1	<ul style="list-style-type: none"> • In progress • Completed 	<ul style="list-style-type: none"> • <i>Update 24th August 2023</i> • 24th August 2023

	<ul style="list-style-type: none"> • Managers Self Service (2021/22) • Project Realisation of Benefits (2021/22) • Asset Management and Service Charges (2022/23) • The Plaza / Horizon 120 (2022/23) • Suppliers / Contractor Resilience (2022/23) • CCTV / GDPR Compliance (2022/23) 		<ul style="list-style-type: none"> • Completed • follow up in progress 	<ul style="list-style-type: none"> • 24th August 2023
30	Follow Up Reviews - Other	2	In progress	<i>Update 24th August 2023 via Annual Report</i>
31	Office for Local Government	1		
32	Annual Governance Statement	1		

2023/24 ADDITIONAL WORK COMPLETED

During 2023/24 the internal audit function has provided ad hoc advice and guidance in various areas, including the following. No assurance levels are assigned to this work:

- **Financial Appraisals** conducted on potential suppliers to support the procurement process.
- **Verification of DWP account information** (as required by Cabinet Office Baseline Personnel Security Standard), and other DWP account administration
- Follow up advice re **digital verification of ID.**
- Lloyds account user administration
- Advice on **Authorised Signatory** permissions
- Review of Member **Council Tax accounts**
- The service continues to undertake administrative support for the Councils **Barclaycard** arrangements
- Ongoing participation in Corporate **Protect Duty** group.
- **Investigation** work in respect of a staff matter
- The Audit Insurance & Fraud Manager continues to offer advice in relation to **insurance and the management of risks**

APPENDIX 3 – OUTCOME OF AUDITS COMPLETED SINCE THE PREVIOUS REPORT TO GOVERNANCE COMMITTEE (20th April 2023)

Recommendations reflect only High and Medium priority matters raised:

Audit	Overview of Scope	Summary of Findings	High / Medium Priority Recommendation(s)	Priority	Agreed / Responsible Officer / Action Date
Local Council Tax Support Significant Assurance	<ul style="list-style-type: none"> Officer understanding of the LCTS scheme Correct processing of claims Correct assessment of supporting documentation Correct calculation of amounts due, and correct reflection of same on the benefits system 	<p>Areas of good practice:</p> <ul style="list-style-type: none"> Officers have appropriate knowledge and experience to process claims Supporting documentation checked and officers ensure claim criteria met Document identification training provided to staff Correct calculation on benefits system and correct processing on the Council Tax system 	<p>Refresher training for document verification for benefits staff</p>	<p>Medium</p>	<p>Agreed: Revenues and Benefits Manager</p> <p>Action Date: September 2023</p>
Investments Full Assurance	<ul style="list-style-type: none"> Ensure Investments are in accordance with Treasury Management Strategy, and authorised in accordance with agreed protocols Investment records are up accurate and to date Treasury Management Strategy is approved Investment reports are produced 	<p>Areas of good practice:</p> <ul style="list-style-type: none"> Investments are in accordance with the Treasury Management Strategy, CIPFA Code of Practice and Prudential Code, and are approved by an authorised officer Records are maintained Treasury Management Strategy is approved by Governance and Audit Committee, and Full Council Governance and Audit Committee, and Full Council receive updates on Council investments, and Monthly 	<p>There were no recommendations arising from this review</p>	<p>N/A</p>	<p>N/A</p>

		reports reviewed by the Finance Management Team and Cabinet Member for Finance and Corporate Transformation			
Budget Monitoring Full Assurance	<ul style="list-style-type: none"> Review of processes for budget scrutiny, challenge and approval, including engagement of service unit managers Budget reporting arrangements Process for consultation on the fees and charges Consideration of risks relating to financial pressures when setting budget 	<p>Areas of good practice:</p> <ul style="list-style-type: none"> Budget and Medium Term Financial Strategy approved by Cabinet and Full Council in accordance with budget timetable Known financial risks and assumptions were considered Budget scrutiny by Management Board and Members, and outside consultation with parish councils and businesses Performance Management Scrutiny Committee also received reports / presentations Fees and charges reviewed by Head of Service, Finance officers, Management Board, Cabinet and Council 	There were no recommendations arising from this review	N/A	N/A
Business Support Grants Full Assurance	<ul style="list-style-type: none"> Review funding governance - ensure arrangements exist to manage, monitor spend, and report fund use Review progress of planned outputs against evidence 	<p>Areas of good practice:</p> <ul style="list-style-type: none"> Limited grant use at time of audit, however checks made to confirm applicant entitlement and processes in place to monitor and report 	There were no high or medium priority recommendations arising from this review	N/A	N/A
The Plaza (Horizon 120) Limited Assurance	<p>In depth review of major project, scope included:</p> <ul style="list-style-type: none"> Assess the adequacy of the business case 	<p>Areas of good practice:</p> <ul style="list-style-type: none"> Project governance processes have been strengthened with a new programme and project management structure now in place, 	<p><u>Business Case to:</u></p> <ul style="list-style-type: none"> Be drafted and approved before significant funding is committed Supported with verifiable base data and evidence based assumptions 	High High	<i>Corporate Director of Growth detailed response will be presented to</i>

	<ul style="list-style-type: none"> • Review arrangements for project governance and oversight • Review appointment and oversight of contractors • Assess adequacy of service charge arrangements • Review valuation arrangements and approval routes for sale of land plots 	<p>and there are arrangements for officer and Member oversight and input.</p> <ul style="list-style-type: none"> • A project budget monitoring tool has been developed, and issues risks and decisions are logged • Plot sales were at a value supported by valuations and professional advisors review of permitted deductions 	<ul style="list-style-type: none"> • Articulate theory of change • Include detailed analysis of financial and non-financial benefits, how they will be measured, and forecast Cost Benefit Ratio <p><u>Decision Tracker to:</u></p> <ul style="list-style-type: none"> • Be populated with recent & future decisions including approval and rationale, and with reference to supporting documentation <p><u>Contractor appointment:</u></p> <ul style="list-style-type: none"> • Locate procurement documents and associated approval and retain on project files <p><u>Service Charge Budgets and Calculations:</u></p> <ul style="list-style-type: none"> • Asset Management lead to meet with managing agent to progress determination of service charges • Review service charge caps to ensure cap level and duration is documented, liability is determined and factored into budgets, cap approval documentation is located, and document approval protocols for future service charge caps 	<p>High High</p> <p>Medium</p> <p>Medium</p> <p>High</p> <p>High</p>	<p><i>GAC in October 2023</i></p>
<p>Supplier / Contractor Resilience</p> <p>Limited Assurance</p>	<ul style="list-style-type: none"> • Existence and application of arrangements for assessing key supplier financial stability • Assessment of supplier business continuity arrangements 	<p>Areas of good practice:</p> <ul style="list-style-type: none"> • Contractor financial stability is checked prior to award of the contract • Tender evaluation includes an assessment of the supplier 	<ul style="list-style-type: none"> • Contract documentation requirements to ensure business continuity plans are checked for key suppliers to gain assurance over contractor ability to complete the contract 	<p>High</p>	<p>Agreed: Commercial Manager to introduce contract tiering including</p>

	<ul style="list-style-type: none"> • Ongoing monitoring of suppliers • Council Business Continuity arrangements address key supplier risks 	<ul style="list-style-type: none"> • Supplier risks are addressed in the Councils Strategic Risk Register and Business Continuity Planning 	<ul style="list-style-type: none"> • Ongoing review of supplier risk to be conducted during the term of the contract 	High	assessment of value and risk Action Date: November 2023
Performance Management Full Assurance	<ul style="list-style-type: none"> • Assessment of data collection to ensure correct performance data • Review presentation of results • Review relevance of measures 	<ul style="list-style-type: none"> • Data collection was in accordance with guidance, and appropriate supporting evidence was held to demonstrate reported performance • Performance indicators measured were relevant 	There were no recommendations arising from this review	N/A	N/A

Key:

For the scope of objectives subject to review during the audit:

Full Assurance

Internal controls meet acceptable standards and are consistently applied.

Reasonable, but not absolute, assurance that adequate risk management and controls are in place.

Significant Assurance

Significant assurance that the internal control framework meets minimum acceptable standards.

Some weaknesses or inconsistent application in control means some risks are not adequately mitigated.

Limited Assurance

Internal control framework does not meet minimum acceptable standard.

Weaknesses or inconsistent application of controls means some risks are not mitigated and require significant improvement

No Assurance

The internal control framework does not meet the minimum acceptable standards and no assurance can be given

Management Responses for Matters Previously Reported to the Governance and Audit Committee:

- **Follow Up – Manor Street Project.** The follow up report confirmed all original recommendations had been implemented, but made one further recommendation relating to conducting analysis of the project benefits to support delivery of outputs and outcomes and inform the project closure report, and completing Project Closure reports in a timely manner to enable lessons to be learned (reported to Governance and Audit Scrutiny Committee in April 2023). *Update August 2023: Management response is pending*

- **Asset Management & Service Charges (Limited Assurance).** This item was reported to the Governance and Audit Scrutiny Committee in April 2023. The report included 2 High Priority Recommendations:
 - To complete Rent reviews in a timely manner. *Management Response: The Interim Asset Manager agreed and gave an Action Date of October 2023*
 - To prepare an Asset Management Strategy. *Management Response: The Interim Asset Manager agreed and gave an Action Date of October 2023*

Follow Up Reviews (Limited Assurance Reports):

- **Housing Application Document Verification (2019/20) - Ongoing:** The service was exploring alternative means of gaining assurance on validity of documents and applications and working with other Local Authorities and Gateway to Homechoice, and whilst recommendations are not yet completed, the Council’s Learning and Development team are seeking to arrange update training to reflect the increase in digitally supplied documents.
- **Contract Management (2020/21) - Completed:** actions to improve completion of appropriate documentation, and completeness of records, were agreed and processes, including the introduction of a Programme and Project Assurance Team (PPAT), were implemented. A further review of Major Projects General, including PPAT was conducted in 2022/23 and concluded with a significant assurance outcome.
- **Managers Self Service (including Payroll Duplicate Payments) (2021/22) - Completed:** The HR and Payroll Services have both made changes to resolve the matters raised in the report, including amendments to the claim form and user guide and reminders to managers on checks to be conducted, limitation on the age of claims which may be submitted at any time, and pre-payroll checks to ensure duplicate payment does not occur.
- **Project Realisation of Benefits (2021/22) – ongoing:** The report made recommendations relating to completion of project closure documentation and to conducting project Post Implementation Reviews. Actions were agreed by management originally with an expected implementation date of April 2023. The matters raised are expected to be resolved with the creation of a Project Management Office, the Manager post will soon be advertised.

The Internal Audit Annual Report to the Governance and Audit Committee (24th August 2023) also includes a summary of progress of implementation of recommendations contained in other reports, we will continue to follow up outstanding matters.

Report Title: Local Audit Update	
Report to: Governance and Audit Committee	
Date: 24 th August 2023	For: Decision
Key Decision: No	Decision Planner Ref No: N/A
Report Presented by: Phil Myers, Head of Finance	
Enquiries to: Phil Myers, Head of Finance phil.myers@braintree.gov.uk	

1. Purpose of the Report

- 1.1 To provide an update on the position regarding the audit of the Council's accounts, and to provide detail of recent proposals announced by the Department for Levelling-Up, Housing and Communities (DLUHC) for addressing the current national backlog on the completion of local audits.

2. Recommendations

- 2.1 Members are asked to note the report.
- 2.2 To delegate to the Chair of the Governance and Audit Committee in consultation with the Section 151 Officer to agree any response by the Council to proposals for clearing the national backlog of local audits and to embed timely audits.

3. Summary of Issues

- 3.1 The Accounts & Audit Regulations require the Council to prepare an annual Statement of Accounts (the draft accounts) which are made available for a period of public inspection. The draft Statement of Accounts must then be audited, approved by a committee with the benefit of the external auditor's report and opinion, and published on the Council's website. The published audited accounts are the final Statement of Accounts. Alongside the audit of the accounts the external auditor is required to assess and report on the Council's arrangements for securing value for money.
- 3.2 This process has been applied with no issues for many years; however, in line with most local authorities in England, the Council is now in the position where it has several years of accounts where completion of the audit has been delayed and therefore final publication has not taken place.
- 3.3 The delays to the completion of audits stem from a variety of reasons which have manifested in the local audit system since before the Covid pandemic, which only amplified the situation. The position has been exacerbated by

resourcing issues for the external auditor. The cause of delays is not unique to the Council nor the auditor, BDO LLP (BDO).

- 3.4 The last set of accounts for the Council which were audited and published in line with the requirements of the Accounts & Audit Regulations were for the 2018/19 financial year. This was the first year of BDO's five-year contract which was awarded following the national procurement of local audit by the Public Sector Audit Appointments Ltd (the PSAA). BDO are therefore the Council's external auditor for all accounting periods up to and including 2022-23. The position regarding each financial reporting year is as follows:

2019-20 Accounts

- 3.5 The Council issued a certified draft Statement of Accounts on 30th June 2020 which were made available for public inspection over the period 17th August 2020 to 28th September 2020. A revised draft Statement of Accounts was later issued on 30th November 2020, to incorporate changes agreed with the auditor based on their work completed at that time.
- 3.6 BDO commenced their audit on 6th July 2020. Whilst the audit of accounts progressed to near conclusion there was a delay to final completion of the audit pending the final value for money conclusion being determined. An Audit Completion Report was reported to the Governance and Audit Scrutiny Committee (GASC) on 28th October 2021. The report indicated that BDO anticipated issuing an unmodified opinion on the financial statements and proposed to issue an 'except for' opinion for the use of resources conclusion.
- 3.7 Subsequent delay to completion of the 2019-20 audit arose due to a combination of the internal review process required within BDO, and an emerging national financial reporting issue relating to infrastructure assets which meant the audit of any 'open year' accounts could not be completed until this issue was resolved by the Chartered Institute of Public Finance & Accountancy (CIPFA) and DLHUC.
- 3.8 A report by BDO to GASC on 21st July 2022, provided the Committee with an updated position statement. The Committee also approved delegation to the Chair to agree any changes to the Audit Completion Report if necessary to conclude the audit.
- 3.9 The issues relating to the infrastructure assets and an agreed way forward for accounts preparers and auditors was not finalised until early calendar year 2023. Changes to the CIPFA Accounting Code (the Code) were made and the DLHUC issued statutory regulations.
- 3.10 At the meeting of GASC held on 20th April 2023, BDO provided another update to the Committee and advised that there would be further delay to the completion of the audit as they considered their approach to infrastructure assets following the issue of a Code amendment and regulations. It was also noted the conflict in terms of timing with NHS audits which take priority for audit firms' resources during April/ May. The Committee were advised that

the audit would therefore not be completed until at least the end of June 2023; however, a roadmap was to be provided to the Council setting out a plan for completion of the outstanding audits. The current position at the time of writing this report is that the audit has still not been completed and the Council await further information on the roadmap.

2020-21 Accounts

- 3.11 Draft Statement of Accounts were certified and issued by the Council on 27th July 2021, with a period of public inspection from 2nd August 2021 to 13th September 2021.
- 3.12 Following periods of intermittent audit review, an interim report by BDO was provided to the GASC on 3rd November 2022. At that time BDO advised that audit field work was close to being completed and that the senior review process was underway. The interim report indicated that no significant control deficiencies nor any significant weaknesses in the Council's arrangements for ensuring value for money had been identified at that stage.
- 3.13 The auditor anticipated that the final findings would be reported to the authority ahead of the GASC meeting in January 2023. At the GASC meeting on 20th April 2023, the auditor acknowledged that there had been further delay with this audit although substantial work had been progressed. The need to resolve 2019-20 would mean progress on this audit would continue to be slow.
- 3.14 The audit for 2020-21 remains incomplete.

2021-22 Accounts

- 3.15 Draft Statement of Accounts were certified and issued by the Council on 31st July 2022. A period of public inspection took place between 1st August and 12th September 2022.
- 3.16 No date has been given for the commencement of the audit.

2022-23 Accounts

- 3,17 Draft uncertified Statement of Accounts were published on 9th June 2023. This was slightly later than the statutory deadline which had been brought forward from 31st July to 31st May.
- 3.18 The delay in issuing the draft accounts was due to late changes being required to reflect updated Pension Fund disclosures received from the Essex Pension Fund Service which also required restatement of 2021-22 comparator figures due to material changes.
- 3.19 Due to the delay in completion of prior year audits and the lack of assurance that would normally be received from these, the 2022-23 accounts were published without certification of the Section 151 Officer. The consequence

of this is that the period of public inspection that would normally follow the publication of draft accounts has been deferred.

- 3.20 No date has been given for the commencement of the audit.

Housing Benefit Assurance

- 3.21 The Council is required to obtain independent assurance on its Housing Benefit (HB) subsidy claims for the Department for Works and Pensions. The contract for this element of work is separate to the appointment of BDO by the PSAA to undertake the statutory annual external audit.
- 3.22 Traditionally the HB assurance work has been undertaken by the incumbent external auditor and for the period April 2018 to March 2023, the Council made arrangement for BDO to undertake this work.
- 3.23 The HB assurance work has also been impacted by the delay in audits, and currently the Council has an outstanding review that needs to be completed for 2021-22 and the 2022-23 review will be delayed.
- 3.24 For HB assurance work for the five-year period commencing from April 2023, the Council is currently involved in a joint procurement with three other Essex local authorities.

4. Appointment of External Auditor

- 4.1 The Council opted-in to the second round of the national auditor procurement undertaken by the PSAA for the appointment of auditors for the five-year period commencing April 2023.
- 4.2 Following consultation with the Council, the PSAA confirmed the appointment of KPMG as the external auditor for the financial years 2023-24 to 2027-28.

5. Local Audit Delays – Cross System Statement on Proposals to Clear the Backlog and Embed Timely Audits

- 5.1 On 18th July 2023, Lee Rowley, MP and Parliamentary Under-Secretary of State for Local Government and Building Safety, wrote to all councils updating on the work that DLHUC and other key stakeholders have undertaken to address the significant backlog of local audits in England. The letter was accompanied by a cross-system statement. The letter and statement are attached to this report as **Appendix A and B**.
- 5.2 The letter outlines the scale of the current issue with only 27% of local audits completed for the financial year 2021-22 and a combined total of outstanding local audits dating back to 2015-16 being nearly 520. The position will be exacerbated as audits for the 2022-23 financial year are now due to be undertaken.

5.3 The cross-system statement sets out proposals to reset the local audit system with the aim to restore the assurance provided by timely audits. To deal with the backlog specifically the following is proposed:

- To set a series of statutory deadlines (a backstop date) for accounts preparers and auditors to clear the backlog of delayed audits for financial years 2015/16 to the present.
- Auditors to be required to provide as much assurance as possible for these outstanding years, reporting as normal any significant concerns they have on an organisation’s financial controls and financial reporting, as well as financial resilience, governance, and risk.
- Where necessary, auditors would need to limit their opinion, making clear to users of the accounts where full evidence has not been confirmed and which the auditor is therefore unable to provide assurance over.
- Auditors’ statutory duty to report on value for money arrangements and their statutory audit powers will remain a high priority.
- To meet the backstop date, it is accepted that this may result in qualifications and disclaimers of opinion in the short-term for a number of local bodies.

5.4 At a recent webinar organised by the DLUHC further detail was provided on the proposed statutory dates that would apply to the relevant financial year of audit:

Financial Year of Audit	Backstop Date Proposed
2015-16 to 2019-20	31 December 2023
2020-21 and 2021-22	31 March 2024
2022-23	30 September 2024
2023-24	31 March 2025

5.5 Further engagement and cross-system work is still needed across the Summer to finalise proposals. Following this it is anticipated that changes to the relevant codes and standards will be made in time for implementation to begin by the end of December 2023.

5.6 The Cross-System Statement also references work that is now being undertaken by a number of organisations on longer-term proposals that would seek to avoid a repeat of the backlog in future. These include devising an escalated reporting framework to resolve issues ahead of statutory deadlines; a workforce strategy review to improve overall capacity and capability within the local audit market sector; and changes to the local financial reporting, auditing, and regulatory requirements

6. Options

6.1 The Committee is asked to note the report and agree delegation to the Chair to enable timely responses to be made to any further engagement with councils. The Committee may choose not to agree the delegation, but this

could impact on the Council's ability to be able to influence and comment on matters affecting the authority.

7. Financial Implications

7.1 The proposals to resolve the backlog of audits means that in some cases the level of work that the auditor will be able to undertake before having to issue their opinion to achieve the backstop dates may be less than would otherwise have been expected. The proposals refer to fees being adjusted by the PSAA so that local authorities will only pay for work completed.

7.2 The delay in completion of audits means that the audit fees, which comprise a set scale fee under the contract awarded by the PSAA, plus any agreed variations, have not been confirmed for the audit years 2019/20 through to 2022/23. Provision has been made in the Council's accounts for estimated fees; however, the final amounts confirmed by the PSAA may differ.

8. Legal Implications

8.1 The proposals set out in the Cross-System Statement will if implemented result in new statutory backstop dates being set for the audit and approval of the relevant financial years' accounts.

9. Equality and Diversity Implications

9.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

9.3 The proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

10. List of Appendices

10.1 **Appendix A** – Letter from Lee Rowley, MP - The Parliamentary Under-Secretary of State for Local Government and Building Safety.

10.2 **Appendix B** – Local Audit Delays – Cross-System Statement on Proposals to Clear the Backlog and Embed Timely Audits.

11. Background Papers

11.1 None.



Department for Levelling Up,
Housing & Communities

Lee Rowley MP

*Parliamentary Under-Secretary of State for Local
Government and Building Safety*

To: Local Authority Chief Executives, Local Authority
Leaders and
Chief Financial Officers in England, and
Local Audit Firm Partners

***Department for Levelling Up, Housing and
Communities***

Fry Building
2 Marsham Street
London
SW1P 4DF

18 July 2023

Dear Chief Executive / Chief Financial Officer / Local Authority Leaders / Local Audit Firm Partners,

This letter comprises an update on work since the Spring that DLUHC officials, along with Financial Reporting Council (FRC) colleagues, have undertaken to address the significant backlog of local audits in England and develop a sustainable solution to the timeliness challenges which the sector has faced in recent years. At the time of writing, only 27% of local audits have been completed for the financial year 2021-22. The combined total of outstanding local audits dating back to 2015-16 is now totalling nearly 520.

The attached paper derives from the recent work and outlines a proposed approach to resolving these issues, which has been agreed in principle with key partners across the local audit system. As Leaders of Local Authorities, Chief Executive Officers and Chief Financial Officers, you and your finance teams, alongside your auditors and Key Audit Partners, are critical to delivering high-quality financial reporting and audit in the public interest. As the paper suggests, decisive and concerted action is required to deal with the challenges in the local audit system. I would very much welcome your support in these endeavours and DLUHC officials will continue to engage with you as these proposals are further developed.

In summary, we are proposing that the National Audit Office (NAO) and DLUHC set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed audits for financial years 2015/16 to present. Auditors would then be required to provide as much assurance as possible for these outstanding years, reporting as normal any significant concerns they have on an organisation's financial controls and financial reporting, as well as financial resilience, governance and risk. Where necessary, it is intended that auditors would need to limit their opinion, making clear to the user of the accounts where full evidence hasn't been confirmed, and which the auditor is therefore unable to provide assurance over. Auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) will remain a high priority.

It will be the case that these deadlines may result in qualifications and disclaimers of opinion in the short term for a number of local bodies. We believe that these steps are necessary to reset the system and to restore the assurance which is provided by timely annual audits. Whilst further detailed work is needed across the Summer, there is broad consensus across the system that without any action being taken,

delays will continue for a number of years, and in that scenario, when the delayed audits are reported they will offer little if any assurance about the current position. In the meantime, there is a heightened risk of auditors not identifying and reporting on important, more current issues. We must ensure the capacity of the sector is focused on the most recent position as soon as possible.

It is critical that a repeat of the backlog is avoided in the future. Work across the local audit system must therefore be sustainable and ensure proportionate financial reporting requirements, auditing requirements and regulatory requirements are in place.

The Comptroller & Auditor General (C&AG) is therefore considering changes to the Code of Audit Practice on certain balances in the accounts to prevent continued local audit delays while a broader solution is sought. Potential changes would be time limited and would need to be supported by wider changes to standards and regulation. The C&AG will of course keep the Code of Audit Practice under review and will consider the effectiveness and operation of any changes made to the Code. This would inform a wider review of the measures to clear the backlog outlined above.

To support this broader work, it is important that the accounting framework set through the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting carefully balances the need for adherence to financial standards against the needs of the users of local authority financial information, including ensuring the accounts are still useful and valuable to the taxpayer. CIPFA is therefore exploring changes to the Code for the medium and long term, in order to enable a more proportionate approach to the accounting requirements for local authority non-investment assets and pension valuations for a local authority context.

CIPFA has already made a temporary adjustment to the Accounting Code on the reporting requirements for valuation of local authority infrastructure assets, to support amendments to regulation made by DLUHC in December 2022. However, clearly a long-term solution needs to be developed. This will take longer than the current temporary measures (both legislative and Code based) allow. As such, DLUHC will seek to extend the changes made to legislation last year and CIPFA will consider whether the current amendments to the Code can be extended in tandem.

In terms of ongoing regulatory requirements, the FRC has committed to set out annually its planned regulatory programme, areas of focus and how its inspection activity serves the public interest. As part of this work, the FRC intends to clearly set out how its inspection activity will review auditors' work on operational assets and pensions valuation, the rationale for doing so and examples of good practice. The FRC's inspection activity will continue to review compliance with auditing and ethical standards, any revised Code of Audit Practice and associated guidance. The FRC is also working with auditors, practitioners and regulatory bodies to consider whether changes to the level of audit materiality may be beneficial. This work is expected to conclude before the end of the year.

The Levelling Up, Housing and Community Committee is conducting an inquiry into Local Financial Reporting and Audit. I gave evidence to the Committee on 17 July and I have shared a copy of the enclosed cross-system statement with the Committee Chair.

The proposals will be subject to further work and engagement across the system over the Summer, including with Section 151 Officers, Chief Executive Officers, elected representatives, the Local Government Association and audit firms. We look forward to discussing this further with you in the coming weeks and will ensure that there are arrangements in place to engage all parts of the local audit sector, including the range of local bodies. Subject to the conclusion of the appropriate details, we anticipate changes to the relevant codes and standards will be made in time for implementation to begin by the end of December 2023.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Lee', is centered at the top of the page.

LEE ROWLEY MP

Parliamentary Under-Secretary of State for

Local Government and Building Safety

LOCAL AUDIT DELAYS – CROSS-SYSTEM STATEMENT ON PROPOSALS TO CLEAR THE BACKLOG AND EMBED TIMELY AUDITS

Introduction

1. There has been a deterioration in the timeliness of local audit since 2017/18, with delays compounding during the COVID-19 pandemic, leading to a persistent and significant backlog of audit opinions. Since November 2020, the Department for Levelling Up, Housing and Communities (DLUHC) has implemented a wide range of measures to improve timeliness and the wider local audit system as part of its response to Sir Tony Redmond's *Independent Review of local financial reporting and audit*.¹ In addition, in December 2021 DLUHC published a further package of measures to improve local audit delays, which went beyond Sir Tony Redmond's original recommendations.
2. We recognise that fuller action is required. This note sets out a range of broad proposals and actions, agreed in principle with key partners across the local audit system, to address the backlog of local audits in England. Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework, and we must collectively ensure that the local audit system is on a strong and sustainable footing for the future. There exists a shared resolve and commitment amongst the organisations referenced in this document to take action now to tackle the exceptional circumstances of the current backlog and ensure a return to timely delivery of high-quality financial reporting and external audit in local bodies,² in order to provide the vital accountability and assurance needed for local people and their elected representatives.
3. Further engagement and cross-system work will be needed this Summer to finalise the proposals outlined in this statement. Following this, we anticipate changes to the relevant codes and standards will be made in time for implementation to begin by the end of December 2023.

Context

4. Local audit completion for the financial year 2021/22 remains at approximately 27 percent, with the combined total of outstanding local audits dating back to 2015/16 now totalling nearly 520. This is clearly unacceptable. There is consensus across the system that there is now no alternative but to take collective action to resolve the backlog. Restoring timely audit and financial reporting will improve local accountability, strengthen the government's ability to identify warning signs of potential failure in local bodies and provide assurance to local residents about financial management and governance.
5. DLUHC, working with the Financial Reporting Council (FRC) as it prepares to commence the shadow system leadership role, has led urgent cross system work over the Spring - involving auditors, Section 151 Officers, regulators, government departments and other key stakeholders – to find a solution to reset the system.

ADDRESSING THE LOCAL AUDIT BACKLOG: PROPOSITION

6. Working together, the National Audit Office (NAO) and DLUHC intend to set a series of statutory deadlines for accounts preparers and auditors to clear the backlog of delayed

¹ [Local authority financial reporting and external audit: independent review - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/local-authority-financial-reporting-and-external-audit-independent-review)

² Local bodies include councils but also other relevant authorities as defined under the Local Audit and Accountability Act (2014)

audits for financial years 2015/16 to present. Auditors would then be required to provide as much assurance as possible for these outstanding years, reporting as normal any significant concerns they have on an organisation's financial controls, financial reporting as well as financial resilience, governance and risk. Where necessary, it is intended that auditors would need to limit their opinion and make clear to the users of the accounts those aspects or sections of a set of accounts which are not supported by sufficient, appropriate evidence, and which the auditor is unable to provide assurance over. Auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (such as the power to make statutory recommendations or produce Public Interest Reports where necessary) are an important mechanism for assurance and for identifying areas of concern at an early stage, allowing councils to address them. Under these proposals this will remain a high priority.

7. These deadlines may result in qualifications and disclaimers of opinion in the short term for a number of local bodies. We believe that these steps are necessary to reset the system and to restore the assurance which is provided by timely annual audits. Whilst further detailed work is needed across the Summer, including to mitigate any unintended consequences of these measures, there is broad consensus from organisations referenced in this document that without any action being taken, the delays will continue for a number of years, and in that scenario, when the delayed audits are reported, they will offer little if any assurance about the current position. In the meantime, there is a heightened risk of auditors not identifying and reporting on important, more current issues. We must ensure the capacity of the sector is focused on the most recent position as soon as possible.
8. Where an auditor has to issue a disclaimer of opinion, however, there will still be a need to audit the opening balances of the subsequent set of accounts, as the prior year figures will not be covered by an unqualified auditor's opinion. The Department is seeking to ensure that work to clear the backlog of accounts takes place within a limited window of time. It will therefore consider measures to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years and ensure the burden of auditing opening balances does not risk creating further delays. An important consideration will be ensuring there is appropriate assurance in place for opening balances for the start of the new contract period for the 99% of local bodies which have opted in to Public Sector Audit Appointments Limited's (PSAA) scheme.

Commitments by system partners

9. The **National Audit Office** is considering the development of a replacement Code of Audit Practice to give effect to the changes outlined above. This would include a requirement on auditors to issue the audit opinion for specific financial years in line with new statutory deadlines set out in legislation for the relevant authority. Auditors' statutory requirement to report on value for money arrangements would remain unchanged. Auditors would also be expected to facilitate a smooth transition during the contract handover period for the 2023/24 contracts. As part of this work the NAO will be establishing a specific Programme Board to provide the necessary governance to deliver a replacement Code of Audit Practice by the end of the year including the necessary consultation and Parliamentary process.
10. Alongside this **DLUHC** is considering whether legislative change is needed to:
 - a. set new statutory deadlines for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice.

- b. address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years.
11. Under these proposals the **Chartered Institute of Public Finance and Accountancy (CIPFA)** would issue guidance to support accounts preparers to follow any amended regulations which set out new statutory deadlines, provided the authority is in receipt of the appropriate audit findings report from the auditor. CIPFA would also set out how Section 151 Officers should approach their responsibilities to certify the accounts in light of potential qualifications or disclaimers which may result from these proposals.
 12. To support these changes, the **Financial Reporting Council (FRC)** will publish guidance on its regulatory approach to Major Local Audits³ (MLAs), articulating the importance of timeliness and compliance with statutory deadlines as an additional measure of audit quality. It will work with the NAO on the development of guidance where necessary to assist with the application of standards for these audits, including the need to meet the statutory dates. Local auditors will be required to have regard to and follow the NAO's guidance. The FRC's inspection activity would review auditors' compliance with auditing standards, the Code and relevant NAO guidance.
 13. The FRC will use its broader supervisory role to ensure commitment from audit firm leaders to implement the policy measures and the steps that are being taken to meet the timetables for concluding historical audits. This route will be used to escalate any pervasive concerns the FRC has gathered on an audit firm's resilience, risk management and ability to deliver timely local audits and address their part of the backlog.
 14. Under these proposals the FRC intends not to undertake routine audit quality reviews and inspections of MLAs for the historic audits up to the end of the 2021/22 financial year (though FRC will continue to inspect audit firms which deliver NHS audits). FRC will only conduct quality review inspections for historical audits where there is a clear case in the public interest to do so. The FRC will suspend the decision on the timing, scope, and coverage of inspections for the 2022/23 audits until there is confirmation of any revision to the NAO's Code of Audit Practice.
 15. The FRC will need to ensure that its enforcement function is still able to appropriately gather information and evidence to determine whether, in the public interest, there should be an investigation into accounting or auditing issues where there are significant financial and governance failures.
 16. The **Institute of Chartered Accountants in England and Wales (ICAEW)** is responsible for the inspection and regulation of non-Major Local Audits.⁴ The ICAEW proposes that its regulatory response to these measures will be consistent with the planned action of the FRC, as set out above.
 17. **PSAA** is responsible for appointing an auditor and setting scales of fees for local bodies that have chosen to opt-in to its national scheme. A small number of authorities are not opted-in to PSAA's scheme and appoint their own auditors independently. Under these proposals, PSAA anticipates that it will need to determine final fees for opted-in authorities for the historic periods on a case-by-case basis. Its guiding principle in this will remain that if auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted, then they are due the appropriate fee for the

³ An audit of a local government body or NHS body with income or expenditure of at least £500m or a local authority pension scheme with at least 20,000 members or gross assets in excess of £1bn.

⁴ ICAEW's Quality Assurance Department (QAD) is responsible for reviewing local audits conducted under the Local Audit and Accountability Act that are not major local audits.

work done, and the body is due to pay the applicable fee, including where there is a disclaimer or qualified opinion. Conversely, if an auditor has collected audit fees in part or in full, and a change in requirements means that the total work done represents less than the fee already collected, then the auditor must return the balance and refund the body the appropriate amount – this ensures that the bodies pay only for work that has been done.

18. A number of **audit firms** with responsibility for local audits from 2015 have been a party to the development of these proposals, and under these plans would work with DLUHC, FRC and NAO on their professional commitment to the steps they would take to ensure successful implementation of the measures to clear the backlog. Such a commitment, underpinned by the auditors' professional duty to be independent and deliver consistent high-quality and timely work, would be welcomed by all parties within the system. Audit firms will of course need to operate in accordance with any changes to the Code of Audit Practice as well as continuing to fulfil their existing statutory duties.
19. **Chief Executive Officers, Section 151 Officers and Audit Committees** also play a critical role in delivering high-quality financial reporting. DLUHC will continue to engage Section 151 Officers and the wider sector as proposals are further developed over the Summer.
20. Under these proposals, Section 151 Officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time. In addition, Chief Executives, Section 151 Officers, local authority Leaders and Chairs of Audit Committees should alert the auditor to significant organisational risks, critical decisions and changes in financial sustainability, and also where they have identified concerns on systems of financial control, financial reporting and capacity and capability to produce high-quality financial reporting on time. Where there are significant resilience risks, they should alert the auditor of the options, choices and alternatives that are being considered.
21. We will work with the **Local Government Association (LGA)** over the Summer, including to engage its members on these proposals. Under these proposals the LGA will support councils to understand their role in relation to external audit and that of auditors, and help councils communicate those messages to elected members and officers as necessary. The Department will also continue to engage with Section 151 Officers and treasurers' societies, in addition to representatives from the range of authorities impacted by these proposals.

LONGER TERM CHANGE

22. In order to prevent a recurrence of the backlog, it is essential that underlying issues which may have driven delays are addressed. Work will therefore progress with a number of organisations including the FRC, the NAO, CIPFA and the LGA to devise an escalated reporting framework for audit firms and local bodies to resolve issues ahead of statutory deadlines. We will also look to publish a list of local bodies and audit firms which meet statutory deadlines and those which do not.
23. Other underlying challenges will also continue to be addressed. The FRC is already leading work across the system to improve competition, capability and supply within the audit market. The FRC, supported by DLUHC, is committed to producing a workforce strategy by the end of the 2023 calendar year, which will identify gaps and barriers across the local audit system that are hindering the development of future capacity and agree actions and solutions to unblock these with stakeholders.

Local financial reporting, auditing and regulatory requirements

24. It is critical that a repeat of the backlog is avoided in the future. Work across the local audit system must therefore be sustainable and ensure proportionate financial reporting requirements, auditing requirements and regulatory requirements are in place.
25. Although reporting and disclosure requirements required by the Code of Practice on Local Authority Accounting have not changed for many years, there is a perception that both audit and regulatory expectations relating to the audit of non-investment assets have increased significantly in recent years. As a result, both account preparers and auditors frequently engage specialist valuers to provide the level of assurance which is thought to be necessary. In his review, Sir Tony Redmond noted a lack of consensus within the system over how to address this.
26. Local authority financial reporting must balance the need for adherence to financial standards against the needs of the users of local authority financial information, including ensuring the accounts are still useful and valuable to the taxpayer. Where reporting, auditing and regulatory standards combine to create pressures which delay timely reporting and audit, this should be addressed by responsible organisations across the local audit system. Doing so is vital in ensuring the delicate balance between high-quality financial reporting and user value is maintained.
27. There is also a question as to whether the level of work required for the current reporting and disclosures obligations on account preparers, which then require audit and oversight, is proportionate to their value to the user of the accounts, given the potential financial or governance risks are relatively low. All system participants therefore need to consider whether this work is proportionate to risk and a wise use of taxpayers' money, and will do so in the coming months.
28. Local authority accounts are consolidated within the statutory Whole of Government Accounts, which are prepared in accordance with International Financial Reporting Standards (as adapted and interpreted for the public sector). Since 2010 these standards have been reflected in the Code of Practice on Local Authority Accounting, which is independently set by CIPFA and passed by the CIPFA LASAAC⁵ board, under the advice of the Financial Reporting Advisory Board (FRAB) - an independent advisory board.
29. In light of these issues, the **Comptroller & Auditor General (C&AG)** is considering changes to the Code of Audit Practice relating to certain balances in the accounts to prevent continued local audit delays while a broader solution is sought. The C&AG is taking this action under the requirement of the 2014 Local Audit and Accountability Act that he should keep under review whether the existing Code continues to embody best professional practice with respect to the standards, procedures and techniques to be adopted by local auditors. As such, it reflects the seriousness with which he views the current delays in the local audit system. Potential changes would be time limited and would need to be supported by wider changes to standards and regulation.
30. The NAO has established a dedicated programme board, supported by at least three working groups, to develop the potential changes and related technical questions with stakeholders. A range of mechanisms will be considered to allow auditors to discharge their responsibilities to gather sufficient, appropriate and reliable audit evidence in accordance with International Standards on Auditing (ISAs).

⁵ Local Authority (Scotland) Accounts Advisory Committee

31. The C&AG, as he is required to do by the Local Audit and Accountability Act 2014, will keep the Code of Audit Practice under review and will consider the effectiveness and operation of any changes made to the Code. This would inform a wider review of the measures to clear the backlog outlined above.
32. **His Majesty's Treasury (HMT)** is conducting a thematic review of the valuation of non-investment assets such as roads and office buildings for financial reporting purposes across the public sector. The review is seeking to evaluate the advantages and disadvantages of the current valuation regime and consider the appropriate measurement options.
33. There are advantages to the alignment of central and local government accounting, including allowing local government accounts to be more easily consolidated into the statutory Whole of Government Accounts. As set out above, however, the level of work required by account preparers and auditors must not limit the value of the accounts to the user. **CIPFA** is therefore exploring changes to the Code of Practice on Local Authority Accounting for the medium and long term, in order to enable a more proportionate approach to the accounting requirements for non-investment assets and pension valuations for a local authority context. As a standard setter, CIPFA's guiding principle in approaching any changes to the reporting requirements adopted by the public sector in 2010 will be ensuring that high-quality financial reporting and the utility of financial statements to account users is maintained. As outlined above, any consideration of changes to accounting requirements will be accompanied by a broader set of measures from actors across the system.
34. CIPFA's work will run in parallel to HMT's thematic review. As the body responsible for local government accounting requirements, CIPFA is part of the working group HMT has set up for the review. CIPFA has clearly set out its view on the review's proposals. CIPFA will continue to work with HMT to ensure that any consequential changes to the Government Financial Reporting Manual (FRoM) and the Code of Practice on Local Authority Accounting are considered fully to ensure that the users of local authority accounts are incorporated.
35. In addition, CIPFA has already made a temporary adjustment to the Code on the valuation and reporting requirements for local authority infrastructure assets, to support amendments to regulation made by DLUHC in December 2022. However, clearly a long-term solution needs to be developed. This will take longer than the current temporary measures (both legislative and Code based) allow. As such, DLUHC will seek to extend the changes made to legislation last year and CIPFA will consider whether the current amendments to the Code can be extended in tandem.
36. **The Financial Reporting Council (FRC)** has committed to set out annually its planned regulatory programme, areas of focus and how its inspection activity serves the public interest through alignment with the significant financial, accounting and governance risks facing local bodies. As part of this the FRC expects to clearly set out how its inspection activity will review auditors' work on operational assets and pensions valuation, the rationale for doing so and examples of good practice. FRC inspection activity will continue to review compliance with auditing and ethical standards, any revised Code of Audit Practice and associated guidance.
37. The FRC has also indicated, in principle, that if the audit and reporting requirements for operational asset and pensions valuations are revised, its intention will be to update the inspection approach to reflect the changes in these areas.
38. The FRC's Audit & Assurance Sandbox initiative is taking forward a specific policy discussion on the application of materiality by local authority auditors. The Sandbox brings together groups of auditors, practitioners, regulatory bodies and interested parties to explore, identify and develop solutions to specific technical and policy issues. The

materiality discussions are expected to conclude before the end of the year. Next steps could include, for instance, the FRC determining whether additional guidance is required to support how auditors set materiality levels for local bodies in line with auditing standards or working with those local audit suppliers who decide to set a different basis of materiality without such guidance.

Conclusion

39. The local audit system, which comprises all of the organisations listed above, recognises the need to restore the timeliness of financial reporting and audit in local government. That is why all system partners have made clear proposals to reduce the backlog of local audits in England which are detailed in this statement. The Government will continue to work with the FRC and all key partners across the system to continue this ambitious programme of work over the Summer. As noted above, this will include consideration of longer-term changes in order to create a more sustainable local audit system for the future.

14 July 2023

Report Title: To approve a revised Risk Management Policy and Strategy	
Report to: Governance and Audit Committee	
Date: 24 th August 2023	For: Decision
Key Decision: No	Decision Planner Ref No: N/A
Report Presented by: Phil Myers, Head of Finance	
Enquiries to: Phil Myers, Head of Finance phil.myers@braintree.gov.uk	

1. Purpose of the Report

- 1.1 For the Governance and Audit Committee to consider and recommend to Cabinet a revised Risk Management Policy and Strategy.

2. Recommendations

- 2.1 The Governance and Audit Committee is to consider and approve for referral to Cabinet the revised Strategic Risk Management Policy and Strategy which is attached at Appendix A.

3. Summary of Issues

- 3.1 The purpose of risk management is to effectively manage threats and leverage opportunities to achieve Council objectives. Risk management is not about eliminating risk or being risk averse, it is about being aware of and managing acceptable risk in the pursuit of the Council's agreed objectives.
- 3.2 The Risk Management Policy is a formal acknowledgement of the Council's commitment to managing risk and communicates why and how risk management is embedded into the Council's activities. The Risk Management Strategy provides an overview of the Council's Risk Management Framework, acting as a reference to those executing the process.
- 3.2 The Risk Management Policy and Strategy is a key element in the implementation of good governance arrangements and the Council's Governance Review process.
- 3.3 A review of the Council's risk management arrangements was undertaken by the Audit, Insurance and Fraud Manager, referencing best practice guidance. This review identified the need to agree an updated Risk Management Policy and Strategy. This has been considered and developed in conjunction with Management Board and the wider Corporate Management Team. The revised Risk Management Policy and Strategy is attached at Appendix A.

- 3.4 The Risk Management Policy and Strategy sets out the Council's approach to risk management, including roles and responsibilities; and the risk matrix and risk appetite tables to be applied when measuring risk. A modified risk matrix is being proposed adopting a 5x5 matrix (previously 6x4). Risks will continue to be measured based upon likelihood and impact i.e., the likelihood of the risk materialising and the impact to the Council should the risk materialise to produce an overall risk rating. Risk will be assessed at the inherent uncontrolled state before any measures or controls are applied to treat the risk. This allows demonstration of the importance of controls and degree of reliance placed on them to mitigate the risk. This will be illustrated by a residual risk score.
- 3.5 Risk tolerance levels have been considered to set the Council's 'risk appetite'. As the Council is a diverse organisation, with statutory obligations, it has been recognised that it is not appropriate to set one level of risk appetite to be applied to all identified strategic risks. Risk owners will therefore assess the appropriate appetite for each risk captured within the strategic risk register to support decision-making and management of the risk.
- 3.6 A revised format is to be applied to the Strategic Risk Register. The revised format is currently being applied for the purposes of the latest review of strategic risks which will be reported to the next meeting of this Committee following approval at Cabinet in September.
- 3.7 The Council is involved in many partnerships, which will only continue to grow as the authority seeks to achieve its corporate goals and address its key challenges. The management of risk around partnerships has therefore been strengthened in this updated version of the Risk Management Policy and Strategy.
- 3.8 The recommendations set out in this report will help the Council to deliver its Corporate Objective of being a high performing organisation that delivers excellent and value for money services, by demonstrating that the Council has robust arrangements in place for risk management.

4. Options

- 4.1 The report invites the Governance and Audit Committee to review the proposed Risk Management Policy and Strategy and consider if they wish to propose any amendments ahead of it being considered by Cabinet.

5. Next Steps

- 5.2 The Council's Risk Management Policy and Strategy will be considered by the Cabinet at their meeting on 25th September 2023.

6. Financial Implications

6.1 There are no specific financial implications associated with this report.

7. Legal Implications

7.1 There are no new legal implications arising out of this report.

8. Equality and Diversity Implications

8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act;
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not; and
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

8.3 The Council's processes and approach to equalities and diversity are well developed and are not regarded as a risk. Where appropriate, each project arising out of the management of a risk will consider an Equality Impact Assessment where appropriate.

9. List of Appendices

9.1 **Appendix A** – Risk Management Policy and Strategy.

10. Background Papers

10.1 None.

RISK MANAGEMENT POLICY & STRATEGY


Author:

- Angela Mitchell, Audit Insurance & Fraud Manager

Internal Consultees:

- Suzanne Bennett, Corporate Director
- Phil Myers, Head of Finance
- Kim Cole, Monitoring Officer / Head of Governance
- Corporate Management Team

Background / Purpose of Risk management Policy and Strategy:

The purpose of risk management is to effectively manage threats and leverage opportunities to achieve Council objectives.

The Policy is a formal acknowledgement of the Council's commitment to managing risk and communicates why and how risk management is implemented.

The Strategy provides an overview of the Council's Risk Management Framework, acting as a reference to those executing the process.

Version Control:

This version supersedes 'Risk management Policy, Strategy and Implementation Plan (est 2003/4)' V1. (DRAFT) May 2023

Strategy & Policy Approval – Officer Level:

- Suzanne Bennett, Corporate Director
- Phil Myers, Head of Finance

Strategy & Policy Approval – Member level:

- Governance & Audit Committee (to endorse and recommend to Cabinet for adoption) (Proposed date August 2023)
- Cabinet (to approve) (Proposed date September 2023)

Other Distribution:

- Council Intranet (the Beehive) – Corporate Policies & Governance
- Council website – Council Strategy and Policy Documents

CONTENTS:

Ref		Page
	1. Introduction – Risk Management Policy Statement	3
	2. Risk Management Strategy & Implementation:	4
	2.1. Aims and Objectives	4
	2.2. Governance & Infrastructure	4
	2.3. Risk Identification	6
	2.4. Risk Assessment	7
	2.5. Risk Appetite and Tolerance	7
	2.6. Risk Treatment and Control	8
	2.7. Risk Register	9
	2.8. Reporting, Monitoring & Communication	9
	2.9. Partners and Third Parties	10
	APPENDIX 1 – Risk identification Table	11
	APPENDIX 2 – Rating Risk Impact and Likelihood	12
	APPENDIX 3 – Risk Register Format	14
	APPENDIX 4 – Risk Management Quick Guide	15
	APPENDIX 5 – Partnership Risks	17
	Acknowledgments & Reference	19

1. INTRODUCTION – RISK MANAGEMENT POLICY STATEMENT

RISK MANAGEMENT – Risk is unavoidable, it is the effect of uncertainty on our ability to achieve objectives, perform duties or meet the expectations of our stakeholders. Effective risk management is crucial to achievement of outcomes and is a key element of strong governance.

- 1.1. Risk Management is a vital activity which underpins and forms part of the Council’s vision, values, and strategic objectives; it assists the Council to operate effectively and efficiently; and provides confidence to our community.
- 1.2. Risk exists in everything we do – the Council’s policy is to identify, assess and manage key risks, through embedding a proactive approach throughout all processes, projects, and strategic decisions. This includes procurement and contracting, and relationships with partners.
- 1.3. Risk management is most effective as an enabler, and the policy aims to provide a consistent, communicated, and formalised process. Our risk appetite defines the level of risk exposure which the Council considers to be acceptable, providing clarity over those risks which will threaten achievement of objectives.
- 1.4. The policy statement and supporting documentation form the Council’s framework for effective management of risks, and through this we provide assurance to stakeholders that risk identification and management is key to delivery of our strategy and related objectives.
- 1.5. Staff are involved and empowered to own, identify, and manage risk, supported by discussion and action by Senior Management. This includes review and confirmation of risks, and evaluation of mitigation strategies applied to reduce risk to an acceptable level wherever possible. The management of risk is an integral part of both strategic and operational planning and the day to day running, monitoring, development, and maintenance of the Council’s activities.
- 1.6. The Council’s Corporate Strategy sets the context within which the Council operates, and the direction of travel for the lifetime of the plan. The Corporate Strategy includes statements about the Council’s priorities which help to determine the Council’s risk appetite – the risk appetite is the amount of risk the Council is willing to take in the achievement of its priorities. Risk appetite will vary over time, for example in response to a change in ambition, priorities, and the regional or national landscape of local government. The Council’s overall approach to risk is:

To balance caution and innovation, seeking the right opportunities and minimising risk as effectively as possible. The Council is not willing to take risks which could cause significant negative consequences to our objectives, although in some cases the Council may have to accept higher risks due to the cost of controlling them or statutory obligations.

Signed: **Cabinet Portfolio Holder**

Signed: **Chief Executive**

Date:

Date:

2. RISK MANAGEMENT STRATEGY AND IMPLEMENTATION

2.1. Aims and Objectives

2.1.1. A good risk management process and culture will help protect reputation, improve resilience, reduce unexpected loss, demonstrate good governance, increase the effectiveness of change projects and programmes, and position the Council in a better place to meet strategic objectives and priorities through enabling delivery of desired outcomes.

2.1.2. The aims and objectives of the Risk Management Strategy are to manage threats and leverage opportunities to achieve Council objectives through:

- Integration of risk management into corporate culture
- Raising awareness of the need for risk management by those connected with service delivery
- Facilitating anticipation of and response to social, environmental, and legislative changes
- Mitigating the impact and / or likelihood of risks occurring, and minimising the total cost of risk

2.1.3. The Risk Management Strategy enables this through provision of a structured framework to identify, assess and manage risks, including:

- Risk management governance (including defined roles and responsibilities for managing risks)
- Risk identification, assessment, and prioritisation
- Risk treatment and control
- Reporting, monitoring and communication
- Integration of risk management in the Council’s culture through instilling attitudes and behaviours of risk awareness, management and control
- Ensuring working arrangements with Partners and Third Parties are informed by our approach to risk management and respective risk appetites and tolerances are aligned

2.2. Governance

2.2.1. The responsibility to manage risks rests with every Member and Officer of the Council, however there are **key roles and responsibilities** required for ensuring that a clear structure exists for the coordination and review of risk information, and ownership of the processes:

Group / Individuals	Role / Responsibilities
<p>Elected Members – Cabinet</p> <p>Overall ownership of the risk management process. Understand risks faced by the Council, use risk knowledge to inform strategic decisions</p>	<ul style="list-style-type: none"> • Approve strategic direction of risk management, including through approval of Council risk management policies and strategies • Determine the levels of risk and outcomes which are tolerable in achieving Council objectives • Approve the Strategic Risk Register and related Management Action Plans for managing the high rated risks • The Lead Member for Risk Management is the Cabinet Member for Resources and Performance
<p>Elected Members – Portfolio Holders</p>	<ul style="list-style-type: none"> • Ensure Strategic risks within their portfolio are effectively managed through discussions with Senior Officers

APPENDIX A

<p>Elected Members – Governance and Audit Committee Scrutiny and oversight of risk governance and risk profile, and monitor effectiveness of risk management</p>	<ul style="list-style-type: none"> • Review, scrutinise and challenge risk management processes • Endorse the Risk management Strategy and recommend it to Cabinet • Monitor development and operation of risk management including progress in addressing risk related issues reported to the Committee • Ensure the Code of Corporate Governance and Annual Governance Statement properly reflects the risk environment and the adequacy and effectiveness of the Council’s risk management framework • Review the assessment of fraud risks and potential harm to the Council from fraud and corruption
<p>Elected Members – General</p>	<ul style="list-style-type: none"> • Contribute to review and development of the Strategic Risk Register, including through dedicated Member Development sessions
<p>Chief Executive and Corporate Management Team Champions risk awareness. Leads in identifying, owning and managing strategic risks.</p>	<ul style="list-style-type: none"> • Advise on the risk management framework strategy and process • Identify, analyse, and prioritise strategic and cross cutting risk and monitor progress against action plans • Promote a culture of effective risk management and encourage staff to be open and honest in identifying risks or missed opportunities. • Support and promote the embedding of risk management such that it is practiced as part of usual activities, including the sharing of best practice and experience. Review implementation. • Contribute to the Code of Corporate Governance and Annual Governance Statement for submission to Members, including the adequacy and effectiveness of risk management arrangements
<p>Management Board Strategic Risk Owner Ultimate accountability for ensuring nominated risks are appropriately managed</p>	<ul style="list-style-type: none"> • Ensures risk is assessed, managed, monitored, and reported, including: <ul style="list-style-type: none"> ○ Consider factors affecting inherent risk likelihood or impact ○ Review effectiveness of mitigating controls and impact on residual risk scoring ○ Update risk narrative to ensure accurate presentation to Management and Members
<p>Corporate Director – Support Services Lead Officer for the risk management process</p>	<ul style="list-style-type: none"> • Prepare and promote the Risk management Policy and Strategy and ensure it is regularly reviewed • Develop risk management controls in conjunction with Heads of Service and generally assist the Council to ensure an appropriate internal control environment exists • Arrange and administer insurance cover
<p>Corporate Directors and their Heads of Service Develop risk management culture, own control, and report on operational risks</p>	<ul style="list-style-type: none"> • Identify, analyse, prioritise, and report service operational risks, and identify risks for potential escalation to the Strategic Risk Register. Provide assurance on the effectiveness of controls to mitigate risks • Ensure reports and information include meaningful information on risks • Maintain business continuity plans, risk registers and action plans • Notify the Corporate Director (Support Services) of matters related to insurance requirements or claims • Manage processes to ensure established controls are applied and effective, provide evidence of controls and risk mitigation • Review controls in the light of change, implement new controls as necessary with guidance from the Corporate Director (Support Services)
<p>Risk Manager (Audit Insurance & Fraud Manager) Coordinates risk management activity on behalf of the</p>	<ul style="list-style-type: none"> • Develop, implement, and regularly review risk management policy, strategy and processes and provide advice on the same • Coordinate risk management process, prepare reports for the Corporate Management Team and Members, provide advice and support, and make recommendations to Management Board

APPENDIX A

<p>Council and provides link between risk management and related disciplines</p>	<ul style="list-style-type: none"> • Collate departmental risk profiles and assurance statements including for related disciplines • Arrange risk assessment and risk management training for staff
<p>External Audit and other review bodies Focus on financial risk, review and report on arrangements for managing risk</p>	<ul style="list-style-type: none"> • As part of the annual audit of financial statements, reviews and provides assurance on the adequacy of arrangements for managing risk and the control environment risk having due regard to statutory requirements and best practice
<p>Internal Audit Provide assurance to Senior Management and Members on risk management and governance</p>	<ul style="list-style-type: none"> • Align the Internal Audit Plan with Strategic risks, test controls for effectiveness, and provide advice on risks and controls • Review and challenge the effectiveness of the risk management framework, to provide assurance to Senior Management and the Governance and Audit Scrutiny Committee
<p>All employees Identify, assess, and help manage risks</p>	<ul style="list-style-type: none"> • Maintain awareness of risks, their impact and costs, and take ownership of the need to identify, assess and help manage risks in individual areas of responsibility • Bring to management attention at the earliest opportunity details of any emerging risks that may adversely impact service delivery

2.3. Risk Identification

2.3.1. The aim is to understand the potential impact of risk on the Council’s strategic and operational objectives. Failure to manage risks may lead to financial, reputational, legal, regulatory, safety, security, environmental, employee, customer, or operational consequences.

2.3.2. The Risk Management Process involves identifying, analysing, managing, and monitoring risks:



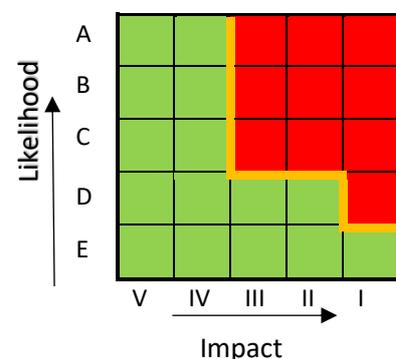
APPENDIX A

- 2.3.3. Senior Management and Services should **identify risks**, and in doing so may consider internal information sources such as objectives, strategies, plans, financial arrangements, inspection outcomes etc, and also external sources such as professional guidance on trends and risks, and risks identified by other public sector organisations and partners. **Appendix 1** identifies a range of suggested risk areas for use as a prompt in identifying risks.
- 2.3.4. Arrangements for the identification of **Strategic Risks** include review by Management Board, and Members via Member Development sessions and reporting to / oversight by the Governance and Audit Committee and Cabinet.
- 2.3.5. **Operational Risks** are defined within Service Business Plans, with oversight by Corporate Directors / Heads of Service for each area within their remit, providing opportunity to escalate any risks considered to be of strategic importance.
- 2.3.6. **Project Risks** associated with the Council’s involvement in specific initiatives are identified as part of corporate project management protocols, with oversight in accordance with project governance arrangements.

2.4. Risk Assessment

- 2.4.1. This is the process of analysing and assessing risks. Risks are **assessed at the inherent / uncontrolled (gross risk) state** before any measures are applied to treat the risk, this allows demonstration of the importance of controls and the degree of reliance placed on them to mitigate the risk. The **residual risk (net risk with control measures in place)** is also assessed and plotted, allowing reflection on the significance of the controls applied, and demonstrating direction of travel for mitigation of each risk.
- 2.4.2. Risks are assessed in terms of **likelihood** (probability of the risk occurring) and **impact** (consequences if it did occur). The Council has adopted the following Risk Assessment Matrix – risks which fall in the **RED** zone are outside the tolerance level and require actions and controls to mitigate them.

Likelihood:	Impact:
A – Very High	I – Catastrophic
B – High	II – Critical
C – Significant	III - Significant
D – Low	IV – Marginal
E – Almost impossible	V – Negligible



2.4.3. A rating grid providing additional guidance on the assessment of impact and likelihood is attached at **Appendix 2**.

- 2.4.4. Once assessed, risks are plotted on to a grid illustrating the Council’s risk appetite and tolerance.

2.5. Risk Appetite and Tolerance

2.5.1. **Risk appetite is a way of articulating how much risk the Council is willing to accept or tolerate in the pursuit of its corporate objectives and strategies**, balancing the propensity to take risk and the propensity to exercise control. Defining Risk Appetite provides a framework which informs decision making, and in defining risk appetite the Authority is able to:

- Enable managers making decisions to understand the degree to which they are permitted to expose the organisation to the consequences of an event or situation
- Prioritise risks for mitigation more effectively
- Better allocate resources
- Demonstrate consistent and more robust decision making around project and programme initiation

2.5.2. **Risk Appetite scales** are summarised as:

RISK APPETITE	DESCRIPTION
Averse	Avoiding risk is key objective – activities undertaken will be only those considered to carry virtually no inherent risk
Cautious	Safe options with low residual risk – accept some risk where potential benefit is significant. Activity may carry higher inherent risk, but this is deemed controllable to a large extent
Innovative	Innovative, options with greater uncertainty. Potential benefit may be higher, but activity carries high residual risk

2.5.3. The Council’s overall approach to risk is defined in the Risk Management Policy Statement (section 1 above), however the appetite for different types of risk will vary, for example the Council will be averse to safety risk exposure which could result in injury or loss of life, or where there is potential significant financial loss. Risk owners for strategic risks will assess the appropriate appetite for risks, to support decision making and management of the risk.

2.5.4. **Risk tolerance relates to the absolute boundaries of risk taking - the Council will respond to mitigate a risk where the tolerance level is exceeded.** The Council’s tolerance level is defined in para 2.4.2 above.



2.6. Risk Treatment & Control

2.6.1 Many risks identified during the first stage of the risk management process will have controls in place to mitigate them and an assessment will be made to determine their effectiveness in mitigating the risk to enable an informed decision to be made on any additional controls required. Risk action planning or treatment will address those risks considered to be at an unacceptably high level (outside approved tolerances).

2.6.2 For risks requiring additional treatment, there are four primary responses:

- **Terminate (avoid):** where the risk is undesirable / off-strategy or outside risk appetite, does not offer attractive reward, or we do not have the capability to manage the risk. Terminating includes stopping a process or activity completely.
- **Treat (reduce):** employ controls which reduce the likelihood or consequence(s) of the risk to within acceptable levels. Includes improvements to strategy, process, systems etc.
- **Transfer:** involves transferring the cost of the risk to a third party, for example insurance, contract, outsourcing
- **Tolerate (accept):** accept risk and do nothing to mitigate it. Such risks still need to be monitored and reviewed

RISK LEVEL	Options for mitigation of risk
MAJOR / UNACCEPTABLE RISK	<ul style="list-style-type: none"> • Terminate / avoid activity • Treat • Transfer • Tolerate (where no other options / last resort / Statutory function)
MODERATE RISK	<ul style="list-style-type: none"> • Treat • Transfer
MINOR RISK	<ul style="list-style-type: none"> • Treat (if cost not prohibitive) • Tolerate / accept

2.7. Risk Register

2.7.1. Risk owners will be assigned to each risk, and will develop action plans to record the mitigating controls, including target completion dates

2.7.2. The risk register format attached at **Appendix 3** is intended to provide a clear summary for reporting to Management Board and Members, whilst risk owners are likely to record additional information for their own risk oversight and management purposes.

2.8. Reporting, Monitoring and Communication

2.8.1. **Strategic Risks** are reviewed by:

- **Management Board** - twice a year
- **Cabinet** – twice a year
- **Governance and Audit Committee** – twice a year
- **Additional review by Members at Members Development Evenings**

2.8.2. **Operational Risks** are reviewed by:

- Heads of Service and Directors as part of annual Business Planning and during plan monitoring, including to identify any risks requiring monitoring at strategic level
- Cabinet Portfolio Holders as part of Business Plan review and approval

2.7.3 **Health and Safety Risks** are reviewed by:

- Management Board / Corporate Director with responsibility for Health & Safety / Head of Environment / Sustainability Manager – as part of normal management oversight arrangements
- Corporate Health Safety & Welfare Committee - quarterly
- Cabinet – quarterly

2.8.3. **Fraud Risks** – are reviewed by the Governance and Audit Committee

2.8.4. **Business Continuity Risks**

- The main threats with the potential to disrupt services, and actions to minimise their impact, are identified in service **Business Continuity Plans** and corporate procedures are in place to enable a coordinated response to a disruptive event involving Council premises, staff, Members, contractors, or suppliers.
- The specific threats associated with ICT facilities, and actions to minimise their impact are identified in the **ICT Business Continuity and Disaster Recovery Plan**
- Business Continuity plans are subject to annual review and periodic testing

2.8.5. **Other Risk Registers – Such as for Significant Projects and Contracts** are reviewed by:

- Project Boards or Steering Groups convened for oversight of a specific project, contract, or activity

2.8.6. This Policy will be accessible to all employees via the staff Intranet (the Beehive), and to Members and stakeholders via the Council's internet page www.braintree.gov.uk.

2.9. Partners and Third Parties

2.9.1. Many public services and community projects are now delivered through different forms of partnership, involving public, private and third sectors. *Partners are defined here as 'organisations with which we work to deliver corporate objectives, with a formal agreement of roles, contract, funding agreement, or service level agreement'.*

2.9.2. Partnerships are exposed to risks and should be managed accordingly – risks can arise from:

- Fundamental differences in agenda, strategy and objectives, legislative and regulatory environments, or governance arrangements
- Poor communication
- Resource constraints or lack of skills
- Lack of agreement on respective roles

2.8.3 Effective partnership risk management is aided by:

- Senior management team encompassing members from all organisations within the partnership, who support own and lead on risk management

APPENDIX A

- An approved risk management framework – risks should be identified, managed, and reported on an ongoing basis
- Clear ownership of every risk identified
- A partnership culture supporting well thought through risk taking and innovation
- Risk management considerations embedded in management processes and consistently applied throughout all partnership activities

APPENDIX A

APPENDIX 1 – RISK IDENTIFICATION

Suggested risk areas to use as a prompt in identifying risks:

STRATEGY RISKS	Poorly defined, based on inaccurate data, not communicated, performance not managed, or fails to support delivery due to changing environment (e.g. political, economic, social, technological, environmental or legislative change)
GOVERNANCE RISKS	Unclear plans priorities or accountabilities, ineffective oversight of decision making or performance, plans based on inaccurate social profiles, leadership & authority, democratic change
OPERATIONS RISKS	Inadequate or ineffective processes resulting in fraud, error, impaired quality or quantity, non-compliance, or poor value for money. Environmental impact from Council activity e.g. pollution, emissions, energy efficiency
LEGAL RISKS	Arising from Defective transaction, claim or other event resulting in liability or loss, failure to take measures to meet legal or regulatory requirements, or to protect assets (e.g. intellectual property). Risks in professional judgement activity
PROPERTY RISKS	Risks arising from property deficiencies or poorly designed or ineffective / inefficient safety management resulting in non-compliance and / or harm and suffering to employees, contractors, service users or public
FINANCIAL RISKS	Not managing finance in accordance with requirements and constraints, accounting & reporting, delegation & limits of authority, resulting in poor returns from investment, failure to manage assets / liabilities or to obtain value for money from resources deployed, or non-compliant financial reporting, fraud & corruption
COMMERCIAL RISKS	Weaknesses in the management of commercial partnerships, supply chains and contractual requirements, governance, legacy issues, or competition for service users, resulting in poor performance, inefficiency, poor value for money, fraud, or failure to meet business objectives
PEOPLE RISKS	Arising from ineffective leadership or engagement, sub-optimal culture, inappropriate behaviours, insufficient capacity / capability, industrial action, recruitment or retention, non-compliance with relevant employment legislation or HR policy resulting impact on performance
SAFETY RISKS	Arising from deficiencies or poor hazard management in buildings and physical assets, resulting in non-compliance or harm to employees, contractors, service users or the public
TECHNOLOGY RISKS	Arising from technology not delivering the expected services due to inadequate or deficient system / process development and performance or inadequate resilience, unreliable data, cyber-crime, capacity to deal with change, product reliability, integration of systems
INFORMATION RISKS	Arising from failure to produce robust, suitable, or appropriate data / information, or to exploit it to its full potential
SECURITY RISKS	Arising from failure to prevent unauthorised / inappropriate access to information, including cyber security and non-compliance with General Data Protection Regulation (GDPR)
PROJECT / PROGRAMME RISKS	Change programmes not aligned to strategic priorities or do not deliver requirements and benefits to time, cost, and quality
REPUTATIONAL RISKS	Arising from adverse events including ethical, sustainability, systemic failure, or poor quality, leading to damage to trust and relations, and interventions

APPENDIX A

APPENDIX 2 – RATING RISK IMPACT AND LIKELIHOOD

The following rating grid provides additional detail to help users assess the impact and likelihood of risks

ASSESSING IMPACT:

		Service Delivery	Finance & Resources	Reputation	Compliance / Legal / Regulatory	People H&S and Safeguarding	Effect on Project Objectives
I	Catastrophic / Very High / Major	Unable to deliver in medium / long term Complete breakdown of service delivery, severe prolonged impact, affects wider organisation. Failure of strategic partnership	Very significant financial loss Substantial failure in accountability or integrity Large financial loss over 50% of budget or greater than £1m Total loss of critical building	Total loss of trust, credibility and support Vote of no confidence in one service area Officers or Members forced to resign or secretary of state intervention Substantial adverse & persistent national media coverage	Very serious breach/loss of contract/very high financial loss. Risk of imprisonment Breach of law, action very difficult / impossible to defend	Real potential for fatal injury Death of one or more individuals	Complete failure of project
II	Critical / High	Disruption to delivery of key service for 1 to 2 weeks Failure of operational partnership	Sizeable financial loss up to 50% of budget / between £100k-£1m Extensive damage to critical building or considerable damage to several properties from one source	Criticism of key process Large scandal High levels of complaints at corporate level across several service areas Adverse national media coverage	Breach of law / major statutory process resulting in legal action which would be difficult to defend	Reportable major injury to one or more people	Extreme delay, project unlikely to achieve anticipated significant benefits
III	Significant	Disruption to delivery of services for 3-5 days	Financial loss: £50k to £100k Significant damage to buildings	Criticism of operations, scandal, complaints relating to specific service area. Adverse local media coverage	Significant breach of statutory process, duty or law, legal action or intervention likely	Reportable significant injury	Significant adverse impact on project and project benefits Considerable slippage impacting on overall finances / programme
IV	Marginal / Medium / Moderate	Widespread dissatisfaction Disrupted service delivery up to 3 days Can handle but some difficulty	Moderate financial loss: £10k-£50k Unable to delivery popular policies due to budget constraint Substantial damage to one part of building	Negative effect on perception (criticism or local bad press)	Minor breach of statutory process, duty or law, legal action is possible / likely	Minor injury	Adverse impact on project or most of expected benefits Some project slippage With possible impact on overall finances / programme

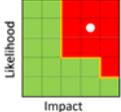
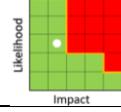
APPENDIX A

IV	Negligible / Very Low / Minor	Minor / short term interruption Minor service disruption, Local dissatisfaction, may result in complaints	Negligible loss Small financial loss less than £10k. Negligible/slight damage to property	Minor concerns No or minimal adverse effect on perception e.g. minor criticism of Council)	Very minor / near miss breach No legal implication	No injury or damage to wellbeing	Minimal impact to project Minor slippage
-----------	--	--	--	--	--	---	--

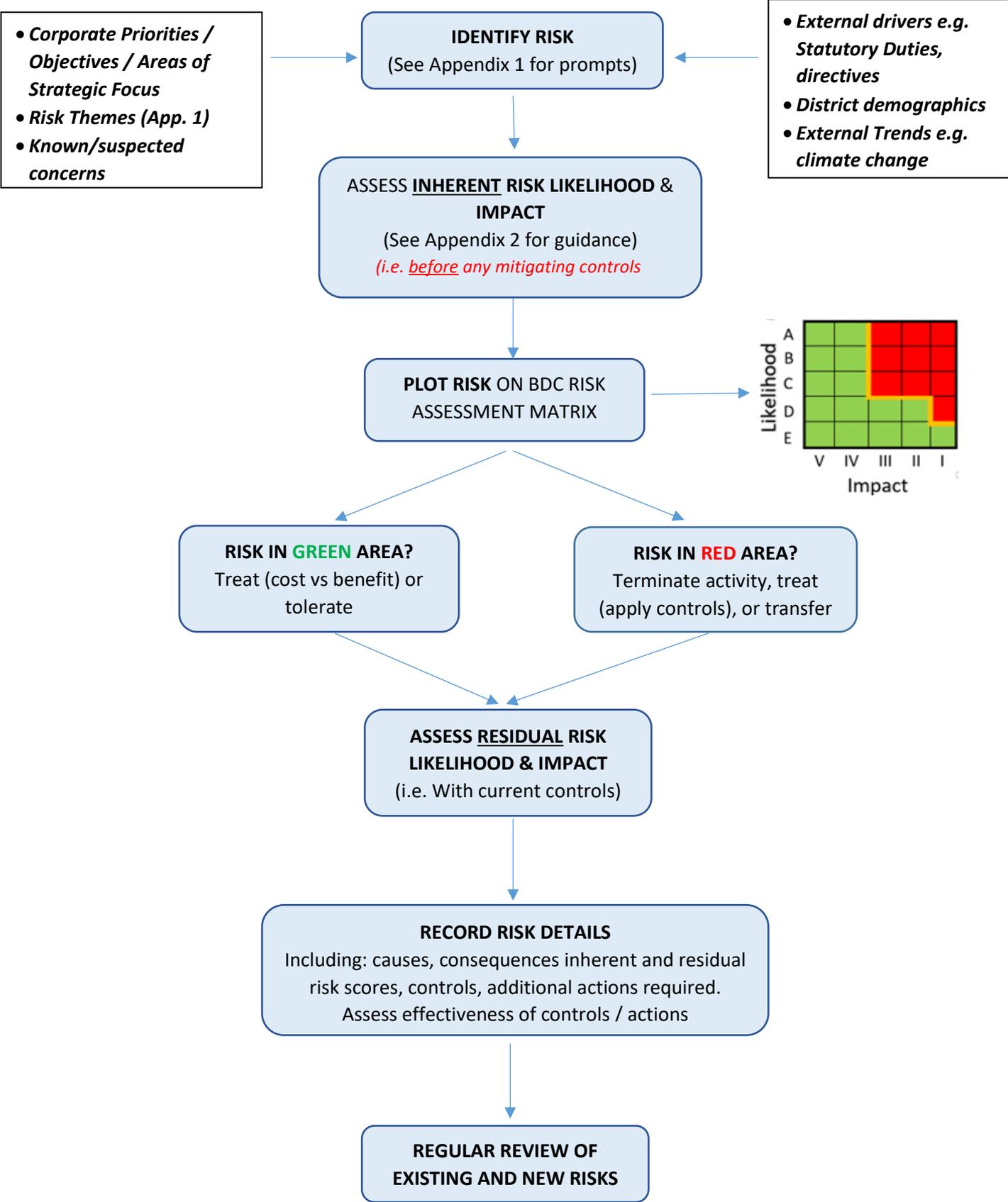
ASSESSING LIKELIHOOD

Score	Likelihood	Description
A	Very High: Definite / almost certain	The event is expected to occur or occurs regularly
B	High: Very likely / probably	The event will probably occur (annually)
C	Significant / Medium: Likely / possible	The event may occur (1 incident in 2 years)
D	Low: Unlikely / rare	The event could occur (1 incident in 5 years)
E	Almost Impossible	The event is unlikely to occur

APPENDIX 3 – RISK REGISTER FORMAT

<p>1. Risk Headline <i>E.g. Medium term Financial Strategy</i> <i>Risk Description e.g. The Council is unable to set a balanced budget and have a deliverable Financial Strategy over the medium term</i> Risk Owner: <i>Corporate Director (SB)</i> Cabinet Member Owner: <i>Cllr Kevin Bowers</i> Link to Corporate Priorities: <i>eg 'A balanced budget is essential to delivery of all priorities'</i></p>				
RISK SCORE	Likelihood	Impact	Risk Score	Risk Appetite
Inherent Risk Rating	<i>E.g. High</i>	<i>E.g. Critical / High</i>		<i>E.g. Cautious – safe delivery options with low residual risk but restricted potential for reward/return</i>
Residual Risk Rating	<i>E.g. Significant</i>	<i>E.g. Marginal</i>		
Direction of Travel (as at XX/XX/XX)			e.g.:   	
Risk Cause(s)			Risk Consequence(s)	
<p><i>E.g.:</i></p> <ul style="list-style-type: none"> - <i>Additional spending arising from Covid-19 and associated reduction in income from fees and charges, and Council Tax / Business Rates collection rates</i> - - 			<p><i>E.g.:</i></p> <ul style="list-style-type: none"> - <i>Planned savings not achieved, shortfall in resources leading to service cuts and increased use of balances or rushed decisions to identify other savings (in year and future years)</i> - - 	
Current Controls:				
<p><i>E.g.:</i></p> <ul style="list-style-type: none"> - <i>MTFS and Budget setting processes involving management board & Members, balanced base budget set for 2021/22.</i> - <i>Maintain unallocated balance above minimum of £1.5m</i> 				
EFFECTIVENESS OF CONTROLS: Completely effective / partially effective / not effective				
Additional Actions Required				
Corporate Director – SB				
<p><i>E.g.:</i></p> <ul style="list-style-type: none"> - <i>Timely reporting of Budget variations (Target date)</i> - <i>Continued close monitoring of cashflow, budgeted income and expenditure including ensuring costs reductions and income delivered on time / as budgeted (Target date)</i> - - 				

APPENDIX 4 - RISK MANAGEMENT QUICK GUIDE



APPENDIX 5 – PARTNERSHIP RISKS

Partnership working is key to delivery of corporate priorities. Officers engaging in partnerships will adopt a proportionate approach to assessment of partnership risks, this Appendix is intended to assist in the [assessment of risks to the Council associated with engaging in partnerships](#). The Council’s Constitution (16.8) contains further direction concerning arrangements for approving partnership frameworks and ensuring proper accounting arrangements and consideration of implications.

Each Partnership will determine its own governance and risk management arrangements, the following reflects considerations for the Council in engaging with partnerships.

Significance of Partnership: The Council has a number of arrangements in place which are not classed as significant partnerships and will therefore not require the same degree of review and monitoring. The following are indicators of the scale and significance of the partnership to the Council.

- Financial Commitment from the Council – *the extent of financial, resource and equipment costs to the partnership required of the Council.*
- Impact on Council objectives – *to what extent will the success or failure of the partnership affect the achievement of corporate priorities and objectives?*
- Procurement Complexity – *are contracts involved, and if so, what risks are associated with the delivery of the contracts? If the Council is the lead partner, will the Council bear those risks?*
- Organisational Impact – *will the partnership require new business processes, training or restructuring?*
- Legal Requirements – *will the partnership contribute to or directly link to the Council’s legal responsibilities?*

Detailed Risk Management is not necessary for **Low Risk ‘Partnerships’** (i.e. those with low financial or resource commitment, no or minimal impact on corporate objectives, no or minimal organisational impact, no impact on delivery of the Council’s legal requirements, and no contracts).

NB Special interest / professional groups convened for networking and collaboration on best practice, but without risks or liabilities, are not considered to be ‘Partnerships’ for the purpose of this briefing.

High Risk Partnerships will require more comprehensive management of risks as follows

<p>There is a clear business need for the partnership and engaging with the partnership</p>	<p><i>Consider alternative vehicles for achieving the desired outcome – are Partnership objectives consistent with Council priorities and is the Partnership the best way to achieve our objectives and priorities</i></p>
<p>There are clear Terms of Reference for the partnership, identifying:</p> <ul style="list-style-type: none"> - partnership objectives - governance and legal status - accountability - financial arrangements - partnership exit strategy 	<p><i>Are the liabilities of the Council and other partners, and respective roles and responsibilities, clear?</i></p> <p><i>Are they consistent with Council priorities, principles, Constitution, Rules, and ethics?</i></p> <p><i>Will the procurement of goods and services be consistent with Council protocols?</i></p> <p><i>Are funding arrangements, and responsibilities for the financial management, accounts and audit arrangements for the Partnership, clear?</i></p>

APPENDIX A

	<i>Are there any taxation issues?</i>
Robust business case	<i>Does the business case justify the Council's engagement with the partnership Are resource implications for the Council clear (staff, premises etc)</i>
Arrangements for Monitoring Performance / Measuring Success	Are responsibilities and reporting arrangements clear, are the right things measured
Arrangements for managing and monitoring Partnership Risks	Is Partnership risk management clear and robust, with appropriate review and responsibility assigned
Approval: <ul style="list-style-type: none"> - Cabinet - S151 Officer - Corporate Directors and Heads of Service 	<ul style="list-style-type: none"> - <i>Cabinet is responsible for approving delegations including frameworks for partnerships – Lead Officer to ensure appropriate approval obtained</i> - <i>S151 Officer to ensure proper accounting arrangements</i> - <i>Corporate Directors / Heads of Service to ensure the full implications of any partnership are explored and that Finance and Legal officers are consulted at an early stage</i>

RISKS TO THE PARTNERSHIP:

If the Council is the lead authority in the partnership, it will seek agreement from partners to adopt the Council's approach to Risk Management for partnership risks. Partnership risks may include:

- **Poorly defined shared vision and objectives** – *there should be no conflict between Partnership vision and objectives, and the corporate objectives of partners.*
- **Engagement of Partners** (for the expected duration of the partnership) – *governance arrangements should identify how key roles and responsibilities are allocated and address how the Partnership will deal with the exit of individual partners or the termination of the partnership.*
- **Financial & Resource Commitments** - *Is funding required for project costs? How will projects be funded and what are the implications if funding is not received. Are responsibilities for financial management, accounts, and audit arrangements clear and recognised as part of the financial commitment? Are there any taxation issues?*
- **Delivery targets not met** – *are there arrangements for monitoring and reporting performance and delivery, how will failure be managed?*
- **Stakeholder Engagement** – *have all Stakeholders been identified and protocols for engagement and communication identified?*
- **Operational Risks** – *Are technical and operation risks being managed? For example, relating to: people, assets, data and technology*

Acknowledgements & Reference:

ALARM (Association of Local Authority Risk Managers) – Risk Management Toolkit 2021

ALARM National Performance Model for Risk Management in Public Services

HM Government Orange Book – Management of Risk Principles and Concepts 2020

HM Government Finance Function Orange Book – Risk Appetite Guidance 2021

The Institute of Risk Management – Risk Appetite and Tolerance

Report Title: Treasury Management Annual Report 2022/23	
Report to: Governance and Audit Committee	
Date: 24 th August 2023	For: Recommendation
Key Decision: No	Decision Planner Ref No: N/A
Report Presented by: Mark Jarvis, Financial Services Manager	
Enquiries to: Mark Jarvis, Financial Services Manager Mark.jarvis@braintree.gov.uk	

1. Purpose of the Report

- 1.1 To provide the Committee opportunity to review the draft Treasury Management Annual Report for 2022/23 and, if appropriate, to recommend any changes or to provide comments before the report is considered by Full Council.

2. Recommendations

- 2.1 To recommend submission of the Treasury Management Annual Report for 2022/23 to Full Council.

3. Summary of Issues

- 3.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve a treasury management strategy prior to the commencement of the financial year; receive at least one mid-year report; and then receive an annual report after the financial year-end.
- 3.2 The Treasury Management Strategy for 2022/23 was approved by Full Council at its meeting held on 20 February 2022. A mid-year report was considered by the Governance and Audit Scrutiny Committee on 3rd November 2022. The annual report for the 2022/23 financial year is attached as Appendix 1.
- 3.3 The recommendation set out in this report will help the Council to demonstrate that it is achieving its corporate objectives of being a high performing organisation that delivers excellent and value for money services; and is delivering better outcomes for residents and businesses and reducing costs to taxpayers.

4. Options

- 4.1 The Committee may suggest changes to the draft annual report and/ or provide comments which the Cabinet Member for Resources and Performance can take into account when presenting the final report to Full Council.

5. Next Steps

- 5.1 The final annual report will be submitted to Full Council at its meeting on 11th December 2023.

6. Financial Implications

- 6.1 There are no new financial implications arising from this report as the budget position has already been reflected in the financial outturn for 2022/23. The treasury management position reported in the annual report will form the basis for updating the capital and investment strategy for 2023/24 and developing proposals for the 2024/25 budget and update to the Medium-Term Financial Strategy.

7. Legal Implications

- 7.1 The Council's treasury management activities are subject to regulation by the CIPFA Code. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

8. Other Implications

- 8.1 There are no other implication arising from the recommendation in this report.

9. Equality and Diversity Implications

- 9.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act;
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not; and
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual

orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

9.3 The Equality Impact Assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

10. List of Appendices

10.1 Appendix 1 – Treasury Management Annual Report 2022/23.

11. Background Papers

11.1 None.

1. Introduction

- 1.1 Treasury management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), which requires the approval of a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.2 The Treasury Management Strategy for 2022/23 was approved by Full Council at its meeting held on 20th February 2022. The Authority has invested substantial sums of money and continues borrow to fund its capital programme and is therefore exposed to financial risks. The successful identification, monitoring and control of risk remains central to the treasury management strategy.
- 1.3 The Council currently contracts with Arlingclose Limited as its treasury management adviser and receives specific advice on investment, debt and capital finance issues. However, responsibility for final decision making remains with the Council and its officers. The contract runs until 30th November 2025.

2. External Context

- 2.1 **Economic background:** The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.
- 2.2 The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%.
- 2.3 Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in

October. In February RPI measured 13.8%, up from 13.4% in the previous month

- 2.4 **Financial markets:** Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank (SVB) in the US and purchase of Credit Suisse by UBS caused further volatility.
- 2.5 **Credit review:** Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, CDS prices had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.
- 2.6 During the year, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. As market volatility is expected to remain a feature, at least in the near term the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.
- 2.7 Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of authorities with specific issues. While Arlingclose's advice for local authorities on its counterparty list remains unchanged, a degree caution is merited with certain authorities.

3. **Local Context**

- 3.1 On 31st March 2023, the Authority had net cash and investments of £47.1million. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in the table below.

Table: Resources available for investment at 31st March 2023

		31-Mar-23
		£000
	Usable reserves	46,177
	Working capital & other balances	16,686
A	Reserves & working capital	62,863
	Borrowing Capital Financing Requirement	21,532
	Less actual external borrowing	(5,800)
B	Equals internal borrowing	15,732
a – b	Resources available for investment	47,131

- 3.2 As at the 31st March 2023, the working capital balances had decreased significantly compared to last year for a number of reasons. The Council paid out £7million in respect of the £150 Energy Rebate scheme and repaid any residual funding from central government in relation to the global pandemic.
- 3.3 Borrowing and investments were kept below their underlying levels, referred to as internal borrowing, which reduces overall risk and interest costs. The level of internal borrowing decreased in the year by a net £1.3million, primarily due to the completion of a number of large capital scheme for which the repayment of debt via Minimum Revenue provision started in 2022/23.
- 3.4 The treasury management position at 31st March 2023 and the change during the year is shown in the table below.

Table: Treasury Management Summary

	31-Mar-22	2022/23	31-Mar-23
	Balance	Movement	Balance
	£000	£000	£000
Borrowing	6,000	-200	5,800
Pooled Fund Investments	19,000	-	19,000
Short-Term Investments	37,000	-10,000	27,000
Cash and Cash Equivalents	36	995	1,131
Total Investments¹	56,036	10,995	47,131
Net Cash & Investments	50,036	10,795	41,331
¹ Excludes changes in market value of pooled fund investments			

4. Borrowing Update

- 4.1 CIPFA's Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority.
- 4.2 Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code and with the Public Works Loan Board (PWLB) lending rules.

5. Borrowing strategy

- 5.1 At the start of the year, the Council held two LOBOs (Lender's Option Borrower's Option) loans with Commerzbank amounting to £6million. These carried an average interest rate of 4.7%. In conjunction with the Council's treasury advisors Arlingclose, the Council undertook due diligence over the possibility of refinancing these loans.
- 5.2 LOBOs give the lender the option to propose an increase in the interest rate at set dates, following which the Authority would either have to accept the new rate or repay the loan at short notice. It would be unlikely that favourable terms on replacement borrowing would be achieved by the Authority in the event the lender exercised their option.
- 5.3 In May 2022, the decision was undertaken to prematurely repay the LOBOs and replace the borrowing with PWLB debt. The outcome was a replacement loan of £6million from the PWLB at 2.59% and a £1.4million premium paid to the bank funded by existing cash resources. Given the high interest rate on the LOBOs compared to rates at that time, cumulative savings of £890,000 are expected to be achieved over the next 20 years. The annualised saving was included as part of the 2023/24 budget proposals.

6. Other Debt Activity

- 6.1 The authority did not enter into any new finance leases during 2022/23 and therefore the finance lease liability as at the 31st March 2023 reduced to £2.9million (£3.1million as at 31st March 2022).

7. Treasury Investment Activity

- 7.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. Investment balances

ranged between £45.0million and £72.1million, with an average amount invested across the year of £64.2million. As at 31st March 2023, the investment position was as shown in the table below:

Table: Investment Position 31 March 2023

	31 Mar 2022	2022/23movement		31 Mar 2023	31 Mar 2023	31 Mar 2023
	Balance	Made	Matured	Balance	Yield	WAM ¹
	£000	£000	£000	£000	%	days
Pooled Funds²:						
Equity	13,000	-	-	13,000	4.98%	T+3/4d
Diversified	3,000	-	-	3,000	4.76%	T+3d
Property	3,000	-	-	3,000	4.29%	90d
Sub-total	19,000	-	-	19,000	4.84%	
Short-term Investments						
Other local authorities	-	-	-	-	-	-
Short -Term Investment	-	3,000	-	3,000	2.64%	-
Debt Management Office	13,000	132,500	(145,500)	-	1.75%	-
MMF ³ (low volatility)	20,000	-	-	20,000	2.14%	On-call
MMF (variable)	4,000	-	-	4,000	1.59%	T+2d
Sub-total	37,000	135,500	(145,500)	27,000	2.01%	
Cash at bank	36			1,131		On-call
Total	56,036			47,131		

¹ Weighted average maturity – T+ indicates settlement days after transaction day

² Sum invested excluding any change in market values

³ Money Market Funds

7.2 By the end of the financial year, the overall amount of cash and investments had decreased by almost £9million from that held at 31st March 2022, which is largely a consequence of the amount of Government funding paid out as part of the Energy Rebate scheme earlier in the year.

7.3 Both the CIPFA Code and government guidance require funds to be invested prudently, and to have regard to security and liquidity, before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

7.4 Bank Rate has increased from 0.75% at the beginning of the year to 4.25% at the end of March 2023. Short-dated cash rates, which had ranged between 0.7% - 1.5% at the beginning of April, rose by around 3.5% for overnight/7-day maturities and 3.3% for 6-12 month maturities.

7.5 By the end of March 2023, deposit rates with the Debt Management Account Deposit Facility (DMADF) ranged between 4.05% and 4.15%, a significant uplift from the sub 1% rates at the beginning of the year.

- 7.6 The progression of risk and return metrics for the Authority's investments are shown in the following extracts from quarterly investment benchmarking:

Table: Investment Benchmarking

Period end	Credit Rating ¹	Bail-in exposure ¹	WAM ¹ (days)	Pooled funds volatility	Income return %	Total return ² %
31.03.22	AA-	62%	9	8.2%	1.83%	4.94%
30.06.22	AA-	53%	16	8.9%	2.03%	2.04%
30.09.22	AA-	56%	24	10.2%	2.58%	0.45%
31.12.22	AA-	63%	22	10.3%	3.25%	1.42%
31.03.23	A+	88%	8	9.5%	4.12%	1.64%
Similar LAs	A+	63%	56	5.3%	4.26%	0.73%
All clients	A+	59%	12	7.1%	4.32%	1.59%

Source: Arlingclose quarterly benchmarking

¹ Relates to internally managed investments

² Income plus change in market value of pooled funds

- 7.7 **Externally Managed Pooled Funds:** £19million of the Authority's investments are invested in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generate income which is used to support services in year.
- 7.8 The Authority is invested in bond, equity, multi-asset, and a property fund. During 2022/23, the values in corporate bond and equity markets had reduced from the highs of 2021/22 due to, tighter financial conditions, higher bond yields and challenges in some segments of commercial real estate (e.g. offices post-COVID, high street shops and shopping centres). As at the 31st March 2023, net unrealisable gains were just over £1.7million compared to £2.9million at the end of the previous year.
- 7.9 As pooled funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium-long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down; but with the confidence that over a three-five-year period total returns will exceed cash interest rates.
- 7.10 The DLUHC published a consultation on the IFRS 9 pooled investment fund statutory override for English authorities for fair value gains and losses on pooled investment funds which was due to expire with effect from 2023/24. The options under evaluation were to allow the override to lapse, to extend it, or to make it permanent. The override will be extended for two years and therefore remain in place for the 2023/24 and 2024/25 financial years. Under the Regulations, gains and losses resulting from unrealised fair value movements

relating to pooled investment funds, that would otherwise be recognised in profit or loss under IFRS 9, are not charges to the revenue account, and must be taken into an unusable reserve account.

8. Budgetary Performance

8.1 Interest paid on borrowing amounted to £173,000, with a further £112,000 of interest paid on finance leases. The borrowing costs were lower than budgeted due to the Council refinancing its LOBO debt in early May. This created a net saving of £48,000 in the year.

8.2 The following table shows the investment income generated for the year against budget:

Table: Investment Income 2022-23

	2022/23 Budget			2022/23 Actual		
	Average invested	Income	Yield	Average invested	Income	Yield
	£000	£000	%	£000	£000	%
Pooled Funds	19,000	786	4.14%	19,000	919	4.84%
Short-term investments	22,000	23	0.10%	45,219	907	2.01%
Total	41,000	809	1.97%	64,219	1,826	2.84%

8.3 The above table shows that income was considerably higher than budget by £1million. This is due to two core reasons: firstly, the progressive increase in interest rates and the relatively high cash balances held throughout the year.

9. Compliance

9.1 The Head of Finance (S151 officer) reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

9.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table below.

Table: Compliance against debt limits

	2022/23	31-Mar-23	2022/23	2022/23	Complied
	Maximum	Actual	Operational	Authorised	
			Boundary	Limit	
	£m	£m	£m	£m	
Borrowing	6.000	5.800			
Finance Lease	1.914	2.955			
Total Debt	7.914	8.755	30.000	50.000	√

9.3 Whilst internal resources have been used to meet the increased borrowing requirement (as measured by the CFR), had this been matched by new external

borrowing instead, this would have pushed debt levels up by a further £15.7million and a revised total at 31st March 2023 of £24.5million, which remains within the above limits.

Table: Compliance with Investment Limits

	2022/23	31-Mar-23	2022/23	Complied
	Max	Max	Limit	
	£m	£m	£m	
Any AAA rated money market fund	5	5	5	√
Loans to any single UK local authority	3	-	5	√
Any unrated pooled fund	5	5	5	√
Aggregate unrated pooled funds	19	19	25	√

- 9.4 For the purposes of day-to-day banking the aim is to maintain a balance of no more than £1.5million on operational current accounts, subject to short-term cash flow requirements. The following table shows how the Authority performed against this objective.

Table: Day-to-day banking balance

	2022/23	2022/23	2022/23	31-Mar-23
	Min	Max	Weighted	Actual
			Average	
Objective:	£m	£m	£m	£m
Aim not to have > £1.5m at any time	0.219	8.056	1.673	1.722
No of days <= £1.5m			195	
As % of days in the year			53%	

- 9.5 The number of days where the day-to-day bank balance was maintained at or below £1.5million was higher than that in 2021/22 (188 days or 52%). This reflected the significant amount of excess cash the Authority managed during the year at times when the Debt Management Office were offering negative rates.
- 9.6 Whilst limits were set on the principal sums invested for periods longer than a year to control exposure to the risk of incurring losses by seeking early repayment of investments, no such investments were made in the year.

Report Title: To approve the Annual Governance Statement for 2022-23	
Report to: Governance and Audit Committee	
Date: 24 th August 2023	For: Decision
Key Decision: No	Decision Planner Ref No: N/A
Report Presented by: Phil Myers, Head of Finance	
Enquiries to: Phil Myers, Head of Finance (phil.myers@braintree.gov.uk)	

1. Purpose of the Report

- 1.1 To evidence that the Council has conducted a review of the effectiveness of its system of internal control for 2022-23, and to ensure that the Annual Governance Statement for 2022-23 is correct and in order for the Leader of the Council and the Chief Executive to sign.

2. Recommendations

- 2.1 To approve the Annual Governance Statement for 2022-23 as set out in Appendix A, prior to it being signed by the Chief Executive and the Leader of the Council.
- 2.2 To give delegated authority to the Section 151 Officer to make any necessary amendments to the Annual Governance Statement as a result of its review by the external auditor prior to inclusion in the final published Statement of Accounts.

3. Summary of Issues

- 3.1 The annual review of the Council's governance, risk management and internal control arrangements has been undertaken to support the production of the Annual Governance Statement ('the Statement') for 2022-23.
- 3.2 This review includes the established information and assurance gathering processes to ensure the published Statement is correct
- 3.3 The aim of the review process is to ensure that the Council has effective governance, risk management, and internal control processes in place to assist with accountability and delivery of objectives. Any shortfalls identified in these arrangements through the review process are included as action points for the coming year.
- 3.4 The review process includes:

- obtaining assurances from Senior Managers, who report to a member of the Management Board, that key control systems have operated effectively within their areas of responsibility throughout the year;
 - reviewing the Council's governance framework against the best practice framework devised by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE); and
 - reviewing all External Audit and Inspection reports and Internal Audit reports.
- 3.5 The published Annual Governance Statement is required to detail the governance and control framework in place in the Council during 2022-23 and up to the date of publication of the Statement. Where arrangements are not in line with best practice or are not working effectively, this should be recorded in the Statement together with action plans for improvement.
- 3.6 The backlog in completion of the Council's accounts for the financial years 2019-20 through to 2021-22, has an impact on the level of assurance available to the Council on the financial position reported in its draft Statement of Accounts. This is referenced in the Statement.

The Annual Governance Statement ('the Statement')

- 3.7 The process of preparing the Statement should itself add value to the corporate governance and internal control framework of the Council. The Statement is required to be up to date at the time of publication. The best practice framework provides guidance on what the Statement should contain, including:
- an acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control) and reference to the Council's Code of Governance;
 - reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the Cabinet, the former Governance and Audit Scrutiny Committee, internal audit, and others as appropriate;
 - an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework;
 - an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
 - reference to how issues raised in the previous year's Statement have been resolved; and
 - a conclusion – a commitment to monitoring implementation as part of the next annual review.
- 3.8 A draft Statement is included at Appendix A.

- 3.9 The recommendations set out in this report will help the Council to deliver its Corporate Objective of being a high performing organisation that delivers excellent and value for money services by demonstrating that it has effective governance arrangements in place and seeks to improve upon these arrangements where necessary.

4. Options

- 4.1 The report invites the Governance and Audit Committee to approve the Annual Governance Statement for 2022-23. The Committee may determine that amendments are required to the Statement, and these will be incorporated into the final Statement, as appropriate.

5. Next Steps

- 5.1 The Annual Governance Statement is expected to be up to date at the time of publication of the audited Statement of Accounts, so it should account for significant events that could affect the assessment of the Council's governance arrangements up to that point.
- 5.2 There is no confirmed date as to when the External Auditor will commence the audit of the 2022-23 accounts. Proposals have been announced by the Department of Levelling-Up, Housing and Communities to resolve the current national backlog in local audits in England. It is recommended that delegated authority be given to the Section 151 Officer to make amendments to the Statement required by the auditor prior to inclusion in the final Statement of Accounts.

6. Financial Implications

- 6.1 There are no financial implications associated with this report.

7. Legal Implications

- 7.1 The report meets the requirement to undertake an annual review of the Council's governance arrangements as required by the Audit and Accounts Regulations 2015, as amended.

8. Other Implications

- 8.1 There are no other implications arising out of this report at this time.

9. Equality and Diversity Implications

- 9.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act;

- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not; and
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

9.3 Various aspects of the Annual Governance Statement are directly relevant to diversity and social inclusion. Examples include arrangements to consult with and encourage the participation of all sections of the community, communications with stakeholders, and the requirement for services to be provided in accordance with equality policies.

10. List of Appendices

Appendix A - Draft Annual Governance Statement for 2022-23

11. Background Papers

- 11.1 'Delivering Good Governance in Local Government – Framework' published by CIPFA and SOLACE 2016.
- 11.2 Braintree District Council's Local Code of Corporate Governance agreed by the Governance and Audit Scrutiny Committee on 22nd July 2021.

Braintree District Council Annual Governance Statement 2022/23

1. Scope of Responsibility

Braintree District Council (“the Council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and provides value for money. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging these overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and for facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Local Code of Governance (the Code), which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework: *Delivering Good Governance in Local Government*. A copy of the Council’s Code is on our website: [Here](#)

The Code was approved by the Governance and Audit Scrutiny Committee on 22nd July 2021.

The Annual Governance Statement explains how the Council has complied with the Code and meets the requirements of the Accounts and Audit Regulations, which requires the Council to prepare an annual governance statement.

2. The Purpose of the Governance Framework

The Council’s governance framework comprises of the systems and processes, and culture and values, by which the Council is directed and controlled and those activities through which it accounts to, engages with, and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

The core elements of the framework are:

- **The Constitution**, which sets out how the Council operates and how it makes decisions. The Constitution details the process through which the Council can make decisions efficiently, transparently, and accountably. The Monitoring Officer undertakes a review of the Constitution annually to ensure the Council’s arrangements remain compliant with legislative requirements and is fit for purpose in supporting the Council’s Corporate Strategy.
- **The Corporate Strategy**, which sets out the vision and priorities for the Braintree District for the four-year period 2020 to 2024. An Annual Plan details the agreed projects and initiatives to deliver each of the priorities of the Corporate Strategy as well as details of how the Council plans to measure progress against these objectives. A revised plan focusing on recovery following

the Covid pandemic, 'Bouncing back together', was agreed for the period October 2021 to March 2023, which has also been subject to review taking into account changing circumstances.

- **The System of Internal Control**, which is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively, and economically.
- **The Local Code of Corporate Governance**, which sets out how the Council's strategies, policies, plans, procedures, processes, structures, attitudes, and behaviours are in place to deliver good governance to all, as well as summarising the processes in place to support the delivery of strategic outcomes.

The core elements of the Council's governance framework are detailed against each principle in the CIPFA/SOLACE Framework:

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

- The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in the Council's Constitution (including the Financial Procedure Rules), Schemes of Delegation, and the Procurement Procedure Rules all of which are regularly reviewed and revised where appropriate.
- Codes of Conduct are in place for elected members and officers to make sure that public business is conducted with fairness and integrity, which define the high ethical values and standards of behaviour expected.
- The Head of Governance is the Council's Monitoring Officer and is responsible for ensuring that the Council operates within the law and that decisions are administered correctly and in accordance with the Constitution.
- The Head of Finance is the Council's Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972.
- Corporate complaints policy agreed and published on the Council's website.
- Members and Officers are required to record any gifts and hospitality received in accordance with the Authority's agreed procedure.
- A Whistleblowing Policy which enables concerns to be raised in a confidential manner and dealt with in a proportionate manner.
- The Governance and Audit Committee may make referrals to the Standards Sub-Committee with the aim of promoting high standards of conduct and to conduct a hearing into any allegation that a Member or Co-opted Member has breached the Member Code of Conduct.
- The Governance and Audit Committee members receive appropriate briefings supported by training from key officers and third parties to enhance the Governance Framework.

B. Ensuring openness and comprehensive stakeholder engagement

- Council meetings are held in public unless one of the criteria in Schedule 12A of the Local Government Act 1972 are satisfied. Unless confidential, decisions made by Council, the Executive (Cabinet/Cabinet Members) or other Committees are documented in the public domain. Meetings are broadcasted live using webcasting and are available for viewing.
- All elected members represent their electoral ward. Those not appointed to the Cabinet support the development of policy and scrutinise decisions made by the Cabinet or by officers under delegated powers.
- Systems are in place to ensure that relevant decisions taken by officers are published in accordance with legislative requirements.
- A standard decision-making report format is used to ensure that the decision maker is presented with all the information necessary to inform the decision, including outcomes of consultation and any relevant issues identified. Reports are subject to a sign-off process involving Directors, statutory officers, and where appropriate Cabinet Member.
- The views of the community are sought on a wide range of issues and regular consultation and engagement with residents and service users is undertaken.
- The Council demonstrates its openness by publishing the following:
 - A Pay Policy Statement;
 - The Constitution;
 - Council, Cabinet and Committee Reports;
 - Delegated decisions; and
 - Transparency information including: payments to suppliers, the remuneration of senior officers, Members' allowances and expenses, and gender pay reporting.
- A Councillor Community Grant Scheme is in place whereby voluntary and community groups can approach ward councillors for financial support for projects that benefit residents. Each Member is provided with a financial allocation (currently £1250) which they can distribute as grants either individually or joint fund projects with another Member(s).
- The Council's Marketing and Communications Team provides a range of support for the whole council including using social media, internal communications, marketing and promotions advice, and media relations. Public consultation plays a key part in the development of our key strategies and decision-making process, across the full range of the Council's services.

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

- The Council sets out the vision and priorities for the Braintree District in its Corporate Strategy. The Corporate Strategy is based on: public opinion about what is important in the district; issues which Members know to be of importance; data and research into key issues which affect the quality of life; and issues of national importance which need to be implemented at a local level.
- The 'Corporate Implications' template used in the decision-making process considers risks and impacts for individuals and communities; safeguarding; and

other legal or governance matters to ensure that fair access to services is not adversely affected. Changes to services are supported by an Equality Impact Assessment.

- The Council's Performance Management Framework.

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

- The Corporate Strategy covers a four-year period, supported by a more detailed plan that sets out the agreed projects and initiatives to deliver each of the priorities of the Corporate Strategy for the period of the plan, as well as details of how the Council will measure progress against these objectives.
- Cabinet Members are assigned specific portfolios with responsibility for different themes: Transformation, the Environment and Customer Services; Resources and Performance; Planning and Infrastructure; Economic Growth and Inward Investment; Housing, Health, and Wellbeing; and Stronger Communities. The Leader of the Council's portfolio includes matters such as overall vision and strategic lead, corporate strategy, business planning and performance, external strategic partnerships and joint working at national, regional, and local level, corporate communications, and promotion of the district.
- In determining how services and other courses of action should be planned and delivered the Council has well established engagement frameworks with internal and external stakeholders which is undertaken at a strategic, service, and individual level.
- The Council fosters effective relationships, collaborative working, and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of residents as stated in the Council's Corporate Strategy, values, and priorities.

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

- The Chief Executive (as the designated role of Head of Paid Service) is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.
- Performance reviews of staff ensure performance is managed and development needs are identified and monitored. These reviews may be undertaken as part of regular 1-2-1 discussions. For the Chief Executive and Corporate Directors, performance reviews are carried out by a panel of Members which include the Leader and/or appropriate Cabinet Members and the Chair of the Corporate Scrutiny Committee.
- There are regular team meetings, staff, and manager briefings, and 1-2-1s.
- There is a Member Induction and Member Development programme in place which includes specialist training for Members holding specific committee roles such as licensing and planning and for appointed Chairman of the committees. The content of the Member Development programme is refreshed annually.

- The Learning & Development Team ensure an appropriate programme of training and development is available for staff and managers including via an e-learning platform, the Learning Hive. During 2022/23 several mandatory courses were introduced that all staff were required to complete: Information Security, Data Protection, Code of Conduct, Diversity & Equality, Health & Safety, Fire Safety, and Safeguarding.
- The Council recognises the national agreements on pay and conditions of service. Where appropriate market supplements are paid to attract and retain staff.
- The Monitoring Officer provides training to officers on the application of the Constitution and other procedure rules.

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

- The Council has a Risk Management Policy and approach including robust systems of identification, evaluation and control of risks which threaten the Council's ability to meet its objectives to deliver services to the public.
- The Head of Finance (the Section 151 officer) is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.
- The Council's system of internal financial control is based on a framework of Financial Procedure Rules, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability.
- The Council has a proactive, holistic approach to tackling fraud, theft, corruption, and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably.
- A Medium-Term Financial Strategy and annual revenue and capital budgets are based on corporate priorities developed by the Cabinet and supported by the Management Board and presented for approval by Council in February each year.
- Revenue and Capital Budget Monitoring reports are presented to the Cabinet on a regular basis for monitoring and control purposes including the annual outturn.
- A Programme and Project Assurance Team (PPAT) meet regularly to review progress on the Council's strategic capital projects where risks and issues are considered along with project budgets. Each project has its own project risks and issues tracker.
- Two working groups have been established under the Leader's authority and which include Cabinet Members, along with Management Board and other senior managers. The Investment and Development Programme Board is focused on oversight of projects and processes that will contribute to delivering a balanced budget and more robust financial standing. A Capital Programme Board has oversight of all capital projects that do not directly contribute to addressing the budget challenge and to ensure a disciplined and standardised approach to capital projects.
- Progress on delivering the Corporate Strategy and Annual Plan is communicated through a performance management framework. The Cabinet and Corporate Scrutiny Committee receive quarterly reports on both performance against the

Corporate Plan/ Objectives and financial monitoring. These quarterly reports focus by exception and set out corrective measures where key performance indicators are not met or where there is any overspending against budget.

- All Statutory Officers are appropriately skilled and experienced, undertake training and support to perform their duties effectively and, as appropriate, participate in continuous professional development.
- Items for decision are published in the Decision Planner to enable the public to be aware of future decisions. All reports set out how a matter will help the Council to demonstrate that it is achieving its corporate objectives. In the event of an urgent item requiring a decision, the Chair of the Corporate Scrutiny Committee must agree that the decision is a matter of urgency, in accordance with the Access to Information Procedure Rules.
- The annual budget is supported by the Section 151 Officer commenting upon the robustness of the estimates made for the purposes of the budget requirement calculations, and the adequacy of the proposed financial reserves. The final accounts, of which this Statement is an integral part, outline the financial outturn of the Authority and are prepared in accordance with professional standards and are subject to external audit review.

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

- The Audit, Insurance and Fraud Manager provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is undertaken by an in-house Internal Audit team working in accordance with the Public Sector Internal Audit Standards. The findings of Internal Audit are reported to the Governance and Audit Committee which includes an annual opinion on the internal control environment.
- The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny, and Inspection bodies. The Governance and Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.
- The Council's scrutiny arrangements are well established and provide challenge and review and promote service improvement.
- The Scrutiny process as detailed in the Constitution enables those who are not Cabinet Members to call in key decisions should this be required.

3. Review of Effectiveness of the Governance Framework

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the

governance environment, the audit manager's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

The key elements of the review of effectiveness are:

- a. Both in-year and year-end review processes have taken place. In-year review mechanisms include:
 - The Cabinet is responsible for monitoring overall financial performance and received comprehensive reports on a quarterly basis. Budgetary reports provided details of income and expenditure against profile together with a prediction of the financial position at the year-end. Key Performance Indicators and progress of projects are also included in the quarterly reports.
 - Report by the Section 151 Officer on the robustness of the budget and the adequacy of balances.
 - The work programme of the Performance Management Scrutiny Committee (now the Corporate Scrutiny Committee) included reviews of S106 open spaces and NHS expenditure and the 2023/24 Budget proposals and Medium-Term Financial Strategy.
 - The Community Development Scrutiny Committee undertook a scrutiny review of markets and associated events in the Braintree District.
 - The Cabinet agreed its response to previous scrutiny reviews undertaken by the various scrutiny committees on the following matters: enforcement procedures at Braintree District Council 2021/22; review into cycling and walking in the Braintree District 2021/22; and review into commercialisation at Braintree District Council.
 - Cabinet received the report and recommendations on the scrutiny reviews carried out into S106 open spaces and NHS expenditure; markets and associated events within the Braintree District; and review into litter management in the Braintree District.
 - A Combined Scrutiny Committee was set up by Full Council which consisted of the chairs and committee members of the Community Development and Partnership Development Scrutiny committees to undertake a short-term scrutiny review into the measures in place to support residents through the cost-of-living crisis and to recommend any further assistance that the Council could deliver. The report and recommendations of the Combined Scrutiny Committee were considered by Full Council at its meeting on 10th October 2022, and the Cabinet's response was approved at the Full Council meeting held on 3rd January 2023.
 - A small number of complaints were raised under the Member Code of Conduct, and these have been reviewed in line with the Council's processes by the Monitoring Officer. The issues raised are particular to their circumstances and do not reflect a wider or systemic issue within the Council and are not regarded as significant governance issues within the meaning of the Annual Governance Statement. There are a few complaints that remain under consideration by the Monitoring Officer at the end of this period. There were no complaints referred to the Standards Sub Committee during the year.
 - The Governance and Audit Scrutiny Committee (now the Governance and Audit Committee) provided independent assurance to the Council in relation

to the effectiveness of the risk management framework and internal control environment. The Committee met four times during the 2022/23 year and received reports on risk management, internal control, and governance matters.

- The Governance and Audit Scrutiny Committee (GASC) met in April 2022 to consider the annual review of the Council's Constitution; and on 30th May 2022 to consider proposals for a Planning Committee Members Forum.
- The Council's Internal Audit Charter, as required under the Public Sector Internal Audit Standards, was last reviewed, and approved by the GASC on 20th April 2023.
- Internal Audit, as an independent and objective assurance service to the management of the Council, completed a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangements. The effectiveness of Internal Audit and its compliance with the Public Sector Internal Audit Standards was externally assessed in February 2023. The conclusion of the external assessor was that the Internal Audit service conformed with the requirements of the Standards which was an improvement over the previous assessment that the service partially conforms. An action plan to deliver continuous improvement and to maintain this level of compliance was approved by the GASC at its meeting held on 20th April 2023. Progress against the action plan will be reported to the Governance and Audit Committee.
- The External Auditor, BDO LLP (BDO), continues to review the Council's arrangements for:
 - Preparing accounts in compliance with statutory and other relevant requirements
 - Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
 - Managing performance to secure economy, efficiency, and effectiveness in the use of resources

The results of the audit for 2019/20 were initially reported to the GASC meeting held on 28th October 2021; however, a formal opinion on the accounts and Annual Audit Letter has been delayed due to a national financial reporting issue relating to accounting for infrastructure assets and resourcing within BDO. Significant work has been completed on the audit review of the 2020/21 accounts and an interim report presented to the GASC at its meeting held on 3rd November 2022; however, a formal opinion has yet to be issued (this is also subject to the conclusion of the 2019/20 audit). The interim report indicated that BDO had not identified any significant control deficiencies nor any significant weaknesses in the Council's arrangements for ensuring value for money. A date has not yet been confirmed by BDO for the commencement of the 2021/22 and 2022/23 audits.

- BDO have indicated that whilst changes will be required to the 2019/20 accounts resulting from the infrastructure asset issue, they do not anticipate this resulting in any significant change to their overall audit findings and expectation of issuing an unmodified opinion on the financial statements.
- On 18th July 2023, Lee Rowley, MP and Parliamentary Under-Secretary of State for Local Government and Building Safety, wrote to all councils updating on the work that DLHUC and other key stakeholders have undertaken to address the significant backlog of local audits in England. The

letter was accompanied by a Cross-System Statement. It is proposed that the system of local audit is reset, and statutory dates introduced by which all outstanding local audits from 2015/16 are completed. This may result in auditors issuing qualifications or disclaimers, depending on the level of assurance that can be obtained to meet the statutory deadlines.

- The Council's Strategic Risk Register was reviewed by Management Board and by Members in May 2022. A further review was undertaken by Management in December 2022. The Strategic Risk Register together with details of Management Board's action plans to manage those strategic risks considered high risk was agreed by Cabinet on 11th July 2022, and 6th February 2023. The Strategic Risk Register was also reported to the Governance and Audit Scrutiny Committee on 21st July 2022 and 20th April 2023.
- Awareness training on the Council's procurement procedure rules was provided to managers and key officers by the former Commercial Manager and Monitoring Officer.
- External inspections during the year included:
 - On 25th April 2023, Logistics UK undertook the annual audit of the Council's Operator Licence compliance. The audit covered several key areas of activity. The report has no recommendations and confirms that the three recommendations arising from the previous audit have all been satisfied.
 - On 16th February 2023, the Environment Agency undertook an inspection of the waste transfer station at Cordons Farm. This found that the Council was operating within the requirements of the Environmental Permitting Regulations permit, and one non-compliance in relation to waste coding. Action has been taken to address the non-compliance and take on board all the advice and guidance issued by the Agency as part of the inspection.
 - PSN (Public Service Network) continued compliance.
- Local Government and Social Care Ombudsman: During the year, the Ombudsman considered and determined a total of 12 matters. Of those matters the Ombudsman upheld two complaints against the Council. In both cases the Council agreed remedies with the Ombudsman to resolve the complaints. In both complaints, the Ombudsman considered that the Council had failed to keep proper records. This has been addressed by the service in question which, to date has satisfied the Ombudsman. The substantive area of complaint was parties being aggrieved by the decision of the Local Planning Authority in respect of Planning Applications and Planning Enforcement complaints.
- Oversight arrangements for the Investment & Development Programme and capital programme were refreshed with focus being separated between two Boards. The Boards will be supported by an Officer Group and by a developing Project Management Office, which will also support on wider project management across the organisation.
- The recommended approach to agile and flexible working across the organisation continues to be developed with a detailed survey having been conducted with input from a wide spectrum of stakeholders. This has informed further work which is being planned.

- b. The year-end review of the governance arrangements and the control environment included:
- Signed Service Assurance Statements from Senior Managers, who report to a member of the Management Board, that key elements of the control framework were in place during the year in their areas of responsibility.
 - The Audit, Insurance and Fraud Manager's Annual Report for 2022/23 was considered by the Governance and Audit Committee on 24th August 2023. The conclusion was that 'the Council's systems for internal control, risk management and governance generally provided adequate assurance that key business processes and financial systems accord with proper practice.

4. Issues and Improvements in Governance Arrangements for 2023/24

The following activities are planned for 2023/24:

Peer Review	During the autumn of 2023 the Local Government Association (LGA) will facilitate a Corporate Peer Challenge for the Council. One of the core areas of the challenge is Governance and Culture and the peers will be looking to test whether there are clear and robust governance arrangements and a culture of respect, challenge, and scrutiny.
External Quality Assessment (EQA) of Internal Audit – Action Plan	Following the EQA in February 2023 an action plan was agreed to address recommendations and suggestions made by the external assessor. Many of the points raised will be implemented over the coming financial year.
Risk Management Policy and Strategy	The Council's Risk Management Policy and Strategy has been identified as needing updating and bringing into line with current best practice. This will also involve a refresh of the approach to the Strategic Risk Register.

Agile & Flexible Working	As the Council progresses with its transition to a more agile and flexible working environment, new ways of working and managing performance are being developed which will be reflected in an Agile & Flexible Working Policy and staff etiquette, along with a revised performance management framework.
Member Development	Following the May 2023 local elections there has been a high proportion of new Members elected to the Council. To support their induction an extensive programme of Member Development will be delivered in conjunction with other externally sourced/ sign-posted development opportunities.

5. Assurance Statement

The review as detailed above provides good overall assurance that the Council's governance arrangements have remained fit for purpose. There has been no significant detriment on the Council's ability to deliver its services. The Council will continue to keep these arrangements under review and make improvements where this further strengthens our governance arrangements.

Graham Butland
Leader of the Council

Dan Gascoyne
Chief Executive