



# GOVERNANCE AND AUDIT COMMITTEE AGENDA

Wednesday, 17<sup>th</sup> April 2024 at 7.15pm

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

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**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](mailto: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.

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**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](mailto: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 Committee held on 17<sup>th</sup> January 2024 (copy previously circulated).

**4 Public Question Time**

(See paragraph above)

**5 Local Audit Update**

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**6 Key Financial Indicators - as at 29<sup>th</sup> February 2024**

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**7 Progress Against Internal Audit Plan 2023/24**

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**8 Internal Audit Plan 2024/25**

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**9 External Audit Plan and Strategy for the year ending 31<sup>st</sup> March 2024**

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**10 Strategic Risk Register**

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**11 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.

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<b>Report Title:</b> Local Audit Update	
<b>Report to:</b> Governance and Audit Committee	
<b>Date:</b> 17 <sup>th</sup> April 2024	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Phil Myers, Head of Finance & S151 Officer and Steve Bladen, Audit Director, BDO LLP	
<b>Enquiries to:</b> Phil Myers, Head of Finance & S151 Officer <a href="mailto:phil.myers@braintree.gov.uk">phil.myers@braintree.gov.uk</a>	

## 1. Purpose of the Report

- 1.1 To provide an update on government proposals for addressing the current national backlog on the completion of local audits.
- 1.2 To share the Council's response to the government's consultation on addressing the local audit backlog in England.
- 1.3 To provide detail of the approach intended by BDO LLP on the Council's outstanding audits based on the government's current proposals.

## 2. Recommendations

- 2.1 Members are asked to note the report; the Council's submission to the government consultation; and the intended approach by BDO LLP to the outstanding audits up to and including 2022/23.

## 3. Summary of Issues

- 3.1 At the meeting of the Committee held on 24<sup>th</sup> August 2023, Members were advised on the position regarding local audit and the situation for Braintree District Council (the Council) for its outstanding audit of accounts for the reporting periods: 2019/20, 2020/21, 2021/22 and 2022/23. The report also outlined proposals announced by government on 18<sup>th</sup> July 2023, in a Cross-System Statement on clearing the backlog of audits and to embed timely audits. A series of backstop dates were being suggested between December 2023 and September 2024 that would sequentially clear specific financial years' audits up to and including 2022/23. A further backstop date of 31<sup>st</sup> March 2025 was also proposed for the 2023/24 financial year. The government stated that further engagement and cross-system work was still needed during the Summer to finalise proposals. Following this, it was anticipated that changes to the relevant codes and standards would be made in time for implementation to begin by the end of December 2023.
- 3.2 Subsequent verbal updates have been provided to the Committee at the meetings held on 4<sup>th</sup> October 2023 and 17<sup>th</sup> January 2024, including reporting on the ongoing delays with BDO LLP in progressing any of the

audits, and particularly 2019/20 and 2020/21. The authority had previously been advised on several occasions that the audit for 2019/20 was substantially completed except for the internal processes at BDO LLP to enable formal sign-off; and a significant amount of work had been completed on the 2020/21 audit.

- 3.3 At the Committee's meeting on 17<sup>th</sup> January 2024, Members requested that BDO provide an account of the delay that had been experienced with the Council's audits. The Head of Finance and Section 151 Officer wrote to BDO LLP on 16<sup>th</sup> February 2024. A response is currently awaited from the BDO LLP Head of the London Audit.
- 3.4 On the 8<sup>th</sup> February 2024, Simon Hoare MP, Minister for Local Government, wrote to all Chief Executives, Chief Finance Officers, Leaders of Local Authorities, and Local Audit Firm Partners, announcing the launch of a consultation and Joint Statement on amended proposals to clear the backlog of audits and to put the local audit system on a sustainable footing. The Minister's letter and Joint Statement is attached to this report in **Appendices A and B**.
- 3.5 Government also launched at the same time a consultation seeking views on proposed legislative changes to the Accounts & Audit Regulations 2015.
- 3.6 The Joint Statement explains the package of measures and how these will interact. The measures comprise of three stages:
- **Phase 1: Reset** involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30<sup>th</sup> September 2024;
  - **Phase 2: Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles; and
  - **Phase 3: Reform** involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.
- 3.7 The Joint Statement states that although these proposals have been designed to minimise risks and unintended consequences, it is recognised that the proposed measures are likely to result in a significant number of local authority accounts receiving modified or disclaimed opinions, during both Phase 1 and Phase 2. The Statement also acknowledges that the work required to resolve the local audit backlog will be challenging for both local body finance teams and auditors, as well as system partners.

### **Phase 1; Reset**

- 3.8 Phase 1 involves using legislation and changes to the Code of Audit Practice to implement a backstop date for the publication of audited financial statements which are outstanding for all financial years up to and including 2022/23. Local auditors would be required to issue an opinion based on the work they have been able to complete to enable local bodies to publish

audited accounts ahead of the backstop dates. An audit opinion can be either unmodified, modified (qualified or adverse) or disclaimed. The Joint Statement recognises that there will need to be clear communications to explain what the different types of opinions mean, including explaining that modified or disclaimed opinions caused by the backstop date do not necessarily indicate significant financial reporting or financial management issues in a local body.

- 3.9 External 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 including during Phase 1.
- 3.10 The National Audit Office (NAO) is to consult on changes to the Code of Audit Practice to enable auditors to produce a single commentary on VFM arrangements covering all outstanding periods up to and including 2022/23.
- 3.11 The government proposes to publish a list of local bodies and their auditors which do not meet the backstop date. If auditors have completed the required work, then they are expected to issue their audit opinion ahead of the backstop date. Auditors are expected to complete as much audit work as possible ahead of the backstop date. The NAO, working closely with the Financial Reporting Council (FRC), will produce statutory guidance and any additional advice needed to ensure the reset works as intended.

## **Phase 2: Recovery**

- 3.12 Recovering from modified and disclaimed audit opinions will require significant work for preparers and auditors. Where audit opinions for 2022/23 have been modified or disclaimed, the auditor engaged from 2023/24 will not have assurance over all historical figures that carry forward into the subsequent year, which is likely to impact on the extent to which they would be able to obtain assurance over subsequent closing balances. Under the proposals and to maintain compliance with the International Standards on Audit (UK), auditors would need to perform sufficient testing on opening balances to rebuild assurance that enables them to issue unmodified opinions in the future.
- 3.13 To prevent this recovery work causing delays to future audits, the proposals involve establishing new statutory backstop dates for all financial years up to and including 2027/28, replacing the existing deadlines in the Accounts and Audit Regulations 2015. These new backstop dates would enable auditors to rebuild assurance over local bodies' financial information which has been subject to modified opinion over a longer period of several years; however, this does mean that additional modifications or disclaimers of the audit opinion for some bodies will continue to occur from 2023/24, until assurance has been sufficiently rebuilt for the auditor to conclude that the financial statements as a whole are free from material misstatement.



- 3.14 To avoid further backlog, additional backstop dates are proposed for different reporting years as follows:
- Year ended 31 March 2024: 31 May 2025
  - Year ended 31 March 2025: 31 March 2026
  - Year ended 31 March 2026: 31 January 2027
  - Year ended 31 March 2027: 30 November 2027
  - Year ended 31 March 2028: 30 November 2028
- 3.15 These dates are intended to achieve a balance between restoring timely audit and returning to unmodified audit opinions for the majority of local bodies. They have also been designed, to the extent possible, to limit the impact on other public sector audits, including NHS audits.
- 3.16 Phase 2 proposes the restoration of full scope VFM arrangements by 2023/24. In addition, it is proposed that the Code of Audit Practice will set a requirement that from 2023/24 the Auditors' Annual Report will be issued in draft to those charged with governance by 30<sup>th</sup> November each year, irrespective of the position on the audit, to enable auditors to report regularly on most of the VFM arrangements work in a more timely and predictable way.
- 3.17 To reduce burdens on preparers and support auditors spreading the work to rebuild assurance over multiple periods, the Chartered Institute of Public Finance and Accountancy (CIPFA) has separately consulted on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25.
- 3.18 The current deadline for local bodies for the publication of unaudited accounts is the 31<sup>st</sup> May following the financial year end. The government's consultation included questions asking for views over whether this will create any significant issues for 2024/25 to 2027/28 but has not proposed to amend this date for 2023/24.

### **Phase 3: Reform**

- 3.19 The Joint Statement recognises that longer term work is required to address the systemic challenges that have led to the current local audit backlog and indicates that all parties to the previous Cross-System Statement have committed to continue work to ensure that financial reporting, auditing and regulatory requirements are proportionate and based on a common understanding of the purposes of local audit and reporting.
- 3.20 The Joint Statement goes on to state that the work will build on the recommendations of the Redmond Review, an independent review conducted by Sir Tony Redmond into the effectiveness of external audit and transparency of financial reporting in local authorities which was published in 2020; the recent Levelling Up, Housing and Communities Committee report into financial reporting and audit in local authorities; and the Public Accounts Committee reports on the timeliness of local audit. It is stated that the

government remains committed to establishing the Audit, Reporting and Governance Authority (ARGA) as system leader for local audit when Parliamentary time allows.

- 3.21 CIPFA will be looking at long-term reforms to financial reporting based on the needs of accounts users. CIPFA are in the process of relaunching the Better Reporting Group to inform this work.
- 3.22 HM Treasury is due to set out the outcome of its thematic review into the valuation of non-investment assets with the aim that CIPFA will apply changes to the Code of Practice for Local Authority Accounting from 2025/26.
- 3.23 The FRC intends to publish its Local Audit Workforce Strategy during 2024, which will include both short-term and longer-term recommendations to increase the supply of suitably skilled auditors, including for further changes to Key Audit Partner requirements.
- 3.24 Closely linked to the Local Audit Workforce Strategy, the government has procured the development of a Local Audit Qualification which will shortly be launched by CIPFA, opening the training route for experienced Responsible Individuals to become Key Audit Partners. In addition, CIPFA and the Local Government Association (LGA) are working on a parallel Workforce Strategy for local government finance teams.

### **Government consultation**

- 3.25 The consultation on the proposals for addressing the local audit backlog ran for four weeks between 8<sup>th</sup> February 2023 and 7<sup>th</sup> March 2024. The Council submitted a response, in consultation with the Chair of this committee, a copy of which is attached at **Appendix C**.
- 3.26 At the time of writing this report, the government's response to the consultation was still awaited.

### **Position regarding the Council's outstanding audits**

- 3.27 BDO LLP have provided an Audit Progress Report that sets out their intentions with regards to each open audit for the period 2019/20 - 2022/23 and is attached as Appendix D. Subject to government confirming the proposals, BDO LLP are indicating the following:
- Conclude audits of 2019/20 and 2020/21 by the backstop date.
  - Issue disclaimed audit opinions on 2021/22 and 2022/23.
  - Complete their value for money work and issue a single Auditor's Annual Report covering the period up to 2022/23.
- 3.28 In order to facilitate matters by the backstop date the Council will also need to undertake the statutory public inspection period for the draft 2022/23 accounts, which was deferred due to the non-certification of the accounts by

the Section 151 Officer in light of the continuing delay in receiving external audit assurance on the accounts for the preceding three prior years.

- 3.29 Revisions to the Committee's timetable of meeting and/ or delegations will need to be reviewed if the backstop date of 30<sup>th</sup> September 2024 is confirmed in order to enable the governance process to be completed in time. This will be agreed with the Chair once final details of the reset and timetable have been received.

#### **4. Options**

- 4.1 The Committee is asked to note the report; the Council's submission to the consultation; and the Audit Progress Report from BDO LLP. Members may wish to raise questions with BDO LLP on their intended approach in light of the government's proposals.

#### **5. Financial Implications**

- 5.1 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. Previously, it has been referenced that fees will be adjusted by the Public Sector Audit Appointments Ltd (the PSAA) so that local authorities only pay for work completed. The requirement for fee variations as a result of the proposals on audits under contracts commencing from April 2023 will be subject to the PSAA fee variation process with input from audited bodies.
- 5.2 The delay in completion of audits means that the audit fees, which comprise a set scale fee under the contracts 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.

#### **6. Legal Implications**

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

#### **7. Equality and Diversity Implications**

- 7.1 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.

7.2 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).

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

## **8. List of Appendices**

**Appendix A** – Letter from Simon Hoare MP, Minister for Local Government dated 8<sup>th</sup> February 2024.

**Appendix B** - Joint Statement on amended proposals to clear the backlog of audits and to put the local audit system on a sustainable footing.

**Appendix C** – Council's response to the government consultation.

**Appendix D** – BDO LLP paper on intentions with regards to each open audit for the period 2019/20 - 2022/23

## **9. Background Papers**

9.1 None.



## Department for Levelling Up, Housing & Communities

**Simon Hoare MP**

*Minister for Local Government*

2 Marsham Street

London

SW1P 4DF

To All Chief Executives, Chief Financial Officers,  
Local Authority Leaders and Local Audit Firm  
Partners

8 February 2024

Dear Colleagues,

### **Local Audit Consultation**

I am delighted that today the Government is launching a consultation and Joint Statement, progressing the commitments made by the previous Minister for Local Government to work with the Financial Reporting Council (FRC), and other organisations in the local audit system on cross-system proposals to clear the backlog and put the local audit system on a sustainable footing.

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. A significant number of local audits in England are outstanding. The issues facing local audit are widely recognised as multi-faceted and complex. Delays are to an extent affecting Scotland and Wales as well as England. They also impact different sectors, not just local government. It is widely recognised that many organisations in the local audit system have contributed to the delays experienced since 2017/2018 and that audits have become more challenging, with firms responding to a changing regulatory environment. In addition, pressures on the system were compounded during the COVID-19 pandemic and by an aging workforce.

The consultation seeks views on proposed legislative changes to the Accounts and Audit Regulations 2015 (the 2015 Regulations). We have published a draft statutory instrument alongside the consultation which covers the core elements of the proposed amendments. These, along with the Joint Statement are available at [www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation).

These cross-system proposals have been developed and agreed by the Department for Levelling-Up Housing and Communities (DLUHC), the FRC, the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW), and Public Sector Audit Appointments (PSAA).

These are not proposals we take lightly, but these are exceptional times. Key organisations across the local audit system, including the Government, share the conviction that bold steps are necessary to reset the system.

The Joint Statement provides vital context, and explains the package of measures and how the various elements are intended to interact and explains that the wider package of measures consists of three stages:

- Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024.
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation itself covers questions on:

- Phase 1: 'Backstop' Proposals for Financial Years 2015/2016 to 2022/2023 and
- Phase 2: 'Backstop' Proposals for the Recovery Period, Financial Years 2023/2024 - 2027/2028

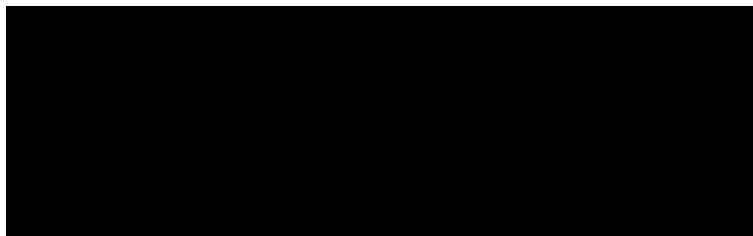
This consultation will run for four weeks from 8 February 2024 to 7 March 2024. This is an open consultation, and we welcome the views of any individual or entity interested in the proposals, including all Category 1 authorities and their Section 151 officers, audit firms, and other organisations which form part of the local audit framework. You can respond to this call for evidence through our online consultation platform Citizen Space: <https://consult.levellingup.gov.uk/local-audit-and-conduct/addressing-the-local-audit-backlog-in-england> .

The NAO is also consulting in parallel to this consultation, on related changes to the Code of Audit Practice. A link to the NAO consultation can be found here: [www.nao.org.uk/code-of-audit-practice-consultation](http://www.nao.org.uk/code-of-audit-practice-consultation). Further detail on the NAO's proposals can also be found in the Joint Statement. The CIPFA LASAAC Board will be consulting shortly on related changes to the Code of Practice for Local Authority Accounting.

While I recognise the challenges there have been I would like to encourage you to continue undertaking existing work to produce and audit local authority financial statements while the consultations take place. Any slowdown in activity would lead to further issues in the future and, ahead of the first proposed backstop date. Please do continue to work together to ensure that as many audits can be completed in full as possible.

These proposals are an important step in restoring timely and high-quality financial reporting and audit for local bodies and I am grateful for the hard work and collaboration of system organisations in developing these measures. Please let us know your views so that we can work closely together to refine and implement measures to clear the backlog of local audit opinions, and develop the long-term reforms required to prevent a backlog recurring.

I look forward to seeing your responses.



**SIMON HOARE MP**  
Minister for Local Government

# **Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit**

**Published 8 February 2024**

## **Executive summary**

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers.

The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level. The number of outstanding opinions peaked on 30 September 2023 at 918. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771.

In July 2023, the Minister for Local Government published a [Cross-System Statement](#) to Parliament setting out proposals to tackle this backlog. Since then, organisations involved in the regulation and oversight of local body financial reporting and audit (“system partners”) have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return. This new Joint Statement provides an update on the proposals. All system partners share the conviction that bold steps are necessary to reset the system and recognise the exceptional nature of the proposed measures.

To clear the backlog of historical accounts and ‘reset’ the system, the Department for Levelling Up, Housing and Communities (DLUHC) proposes putting a date in law (the “backstop date”) – 30 September 2024 – by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23.

The National Audit Office (NAO) is proposing changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published, and to allow them to provide a single commentary on value for money (VFM) arrangements for local bodies for all outstanding years up to and including 2022/23.

The duty for local bodies to publish a delay notice where the audit has not been concluded by the deadline will be withdrawn. This is because, with a backstop in place for both local bodies and auditors, authorities would be required to publish audited accounts by 30 September 2024. The introduction of a backstop date is intended to allow those who prepare and audit local body accounts to focus on more current financial periods.

The backstop date is likely to be a factor in local auditors issuing a modified or disclaimed opinion on outstanding accounts if they do not have enough time to complete all audit work before that date. It is important that local bodies, residents and other accounts users can distinguish between modified and disclaimed audit opinions caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues.

Auditors have a responsibility under auditing standards to clearly communicate the reasons for their opinion within their report, including where the backstop date causes a modified or disclaimed opinion. System partners will consider guidance for auditors to remind them of these responsibilities. System partners will also issue communications that explain what the different types of modified opinions mean and that clarify that local bodies should not be unfairly judged based on modified opinions caused by the introduction of a backstop date that are largely beyond their control.

As was set out in the July Cross-System Statement, auditors' statutory duty to report on value for money (VfM) arrangements and their statutory audit powers (including to make statutory recommendations or issue Public Interest Reports) are important for enabling identification of areas of concern at an early stage, allowing councils to address them. These remain a high priority in our proposals.

For these measures to achieve their intended objectives, auditors and local bodies need to work together to ensure that as many audits can be completed in full as possible. Auditors should make prioritisation decisions within their portfolio of the audits of local bodies to limit the impact on other public bodies' audits and ensure they complete the work required to conclude and report on whether there are any significant weaknesses in VfM arrangements. Preparers must ensure that any unaudited accounts from 2022/23 or earlier years, that have not been published, are published as soon as possible and respond to auditor requests in a timely manner.

The Financial Reporting Council's (FRC) Audit Quality Review (AQR) team will not carry out routine inspections of major local audits for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so. Alongside this, the Institute of Chartered Accountants in England and Wales (ICAEW) has committed to mirroring this approach for its inspections of non-major local audits.

To ensure that delays do not re-emerge once the backlog of local body audit opinions has been cleared and 'recover' the system, DLUHC proposes to put further backstop dates into law for the publication of audited accounts by local bodies. These would cover the 5-year audit appointments awarded in 2022 by Public Sector Audit Appointments (PSAA) for financial years 2023/24 to 2027/28. As it is anticipated there would be modified and disclaimed opinions on outstanding accounts from the 30 September 2024 backstop date, this measure is designed to enable auditors to rebuild assurance over several audit cycles rather than in a single year, reducing the risk of the backlog re-emerging. This means there would also likely be modified or disclaimed audit opinions for several years.

To support the 'recovery' of the system, the CIPFA LASAAC Local Authority Code Board (CIPFA LASAAC) will consult on temporary changes to the Code of Practice on Local Authority Accounting to reduce burdens on those who prepare and audit local body accounts. These proposed changes include extending overrides on infrastructure assets, simplifying the professional revaluation of operational property, and reducing disclosure requirements around net pension assets and liabilities for at least 2 years.

PSAA will use its fee variation process to determine the final fees local public bodies will have to pay in relation to delayed audits and 2023/24 audits. PSAA will set the scale fees for 2024/25 in accordance with the Local Audit (Appointing Person) Regulations 2015. The FRC and the NAO will support PSAA as it determines the fee impact of changes in audit requirements. It will also review relevant aspects of the contracts for the audits from 2023/24 to identify changes required to align with the changes proposed in the consultations.

All system partners have a shared resolve that the current situation needs addressing and measures of this nature are needed to achieve the shared priority of restoring timely, high-quality financial reporting and audit. Further work is required to address the systemic issues that have led to the unprecedented backlog. The issues facing local audit are widely recognised as multi-faceted and complex with no single cause or solution.



The development of these proposals has involved widespread engagement since summer 2023, especially with auditors and finance teams. To support the further development and testing of the measures, 2 consultations have been launched today, in partnership with the FRC, to receive further feedback and inform the decision on how to proceed:

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements

CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors.

The 'local bodies' these proposals relate to include councils, but also other relevant authorities as defined under the Local Audit and Accountability Act (2014). It does not include NHS bodies.

### **Introduction**

1. Local bodies need to have accurate and independently audited accounts, delivered on time, to help them effectively plan, make informed decisions and manage their services. Local residents, councillors, central government and other accounts users need timely audited accounts to understand what money the local body has received and how it has used its resources so they can hold it to account. This is key to transparent, trusted and accountable local democracy.

2. In July 2023, the Minister for Local Government published a [Cross-System Statement](#) setting out proposals to set a series of backstop dates to clear the backlog in local audit opinions in England and embed timely audit. The Statement included commitments by the Department for Levelling Up, Housing and Communities (DLUHC), the Financial Reporting Council (FRC), the National Audit Office (NAO), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW) and Public Sector Audit Appointments (PSAA).

3. Since the publication of the Cross-System Statement, the Department has worked collaboratively with the FRC, as incoming shadow system leader, and the other system partners, to develop proposals to achieve the objectives. The proposals maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)). The proposals consist of 3 stages:

- **Phase 1: Reset** involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024
- **Phase 2: Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles
- **Phase 3: Reform** involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit

4. Financial reporting and audit frameworks were not designed for the current backlog in local audit. Although these proposals have been designed to minimise risks and unintended consequences, the proposed measures are likely to result in a significant number of local authority accounts receiving modified or disclaimed opinions, during both Phase 1 and Phase 2. The work required to resolve the

local audit backlog will be challenging for both local body finance teams and auditors, as well as system partners.

### **Phase 1: Reset**

5. In line with the Cross-System Statement in July 2023, Phase 1 involves using legislation and changes to the Code of Audit Practice to implement a backstop date for the publication of audited financial statements which are outstanding for all financial years up to and including 2022/23. The current duty, set out in legislation, for local bodies to publish a delay notice in instances where the audit has not been concluded ahead of the deadline, would be removed.
6. Local auditors would be required to issue an opinion based on the work they have been able to complete to enable local bodies to publish audited accounts ahead of the backstop dates. An audit opinion can be either unmodified, modified (qualified or adverse) or disclaimed.
7. Auditing standards allow auditors to issue modified or disclaimed opinions in the event of a statutory backstop date, even in cases where little to no substantive testing has been carried out. As set out in the Cross-System statement in July, the proposed backstop date is likely to result in modifications or disclaimers of the audit opinion. System partners will provide clear communications to the system explaining what the different types of opinions mean, including explaining that modified or disclaimed opinions caused by the backstop date do not necessarily indicate significant financial reporting or financial management issues in a local body.
8. The auditors' statutory duty to report on 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 for identifying areas of concern at an early stage, allowing local bodies to address them. Under these proposals this will remain a high priority including during Phase 1.
9. The NAO consultation asks for views on changes to the Code of Audit Practice to enable auditors to produce a single commentary on VFM arrangements covering all outstanding periods up to 2022/23 and remind auditors of their obligations to use their statutory reporting powers to draw significant matters to the attention of bodies and residents in a timely way.
10. The proposed backstop date for Phase 1, as set out in DLUHC's consultation on changes to the Accounts and Audit Regulations 2015, 30 September 2024. This has been designed to enable sufficient time for auditors to issue opinions, including modified or disclaimed opinions due to the backstop, and for bodies to publish accounts containing those audit opinions once the legislation has come into force.
11. The NAO's consultation on changes to the Code and any subsequent laying of a new Code of Audit Practice in Parliament would support the backstop date. The proposed backstop date also recognises the multiple priorities of preparers and auditors. For example, finance teams need to, amongst other things, prepare budgets and medium-term financial plans, and for auditors, there will be pre-existing commitments to carry out other public sector audit work, including NHS external audit work, most of which will take place between April and June 2024.
12. The government will publish a list of local bodies and their auditors which do not meet the backstop date, making it clear where unaudited accounts have also not been published.
13. There will be no exemptions for auditors or local bodies except in very limited circumstances. The NAO will consult on specific exemptions to auditors issuing their opinion ahead of the backstop date as part of its consultation on changes to the Code of Audit Practice. These include, for example,

if the auditor is unable to issue their opinion where there are outstanding elector objections to the accounts that could be material to the opinion. DLUHC's consultation also includes a question about creating an equivalent exemption for local bodies in this circumstance, as well as a question seeking views on any other exceptional circumstances in which exemptions may be justifiable.

14. If auditors have completed the required work then they are able to issue their audit opinion ahead of the backstop date. Auditors are expected to complete as much audit work as possible ahead of the backstop date. The NAO, working closely with the FRC, will produce statutory guidance and any additional advice needed to ensure the reset works as intended.

## **Phase 2: Recovery**

15. The July Cross-System Statement set out that recovering from modified and disclaimed audit opinions requires significant work for preparers and auditors. Following modified or disclaimed audit opinions, auditors will need to audit some of the opening balances in order to obtain assurance over the current year closing balances. Where the audit opinion is modified or disclaimed, the auditor does not have assurance over all historical figures that carry forward into the subsequent year. Opening balances can impact closing balances and movements in the current year. In some cases, where the auditor does not have assurance over opening balances, they would be unable to obtain assurance over the closing balances.

16. System partners committed to consider the secondary effects of the proposals, which may impact the audit of opening balances within the accounts for future years. Under these proposals and to maintain compliance with the ISAs (UK), auditors need to perform sufficient testing on opening balances to rebuild assurance that enables them to issue unmodified opinions in the future.

17. To prevent this recovery work causing delays to future audits, the proposals involve establishing new statutory backstop dates for all financial years up to and including 2027/28. These backstop dates would replace the existing deadlines in the Accounts and Audit Regulations 2015. As at Phase 1, the current duty, set out in legislation, for local bodies to publish a delay notice in instances where the audit has not been concluded by the deadline, would be removed. The changes to the Code of Audit Practice in Phase 1 requiring auditors to discharge their statutory duties in relation to the financial statements audit in accordance with backstop dates would continue to apply in Phase 2.

18. These new backstop dates would enable auditors to rebuild assurance over local bodies' financial information which has been subject to modified opinion over a longer period of several years. The default position without backstop dates would be that auditors need to rebuild all assurance in the first year following a modified or disclaimed opinion, creating an exceptional workload in this first year, which would risk a recurrence of the backlog. Instead, these proposals enable spreading the work to rebuild this assurance over multiple periods, and we welcome responses on local bodies' and auditors' capacity to manage this work. Backstop dates may result in additional modifications or disclaimers of the audit opinion for some bodies. Unmodified opinions cannot be issued until assurance has been sufficiently rebuilt for the auditor to conclude that the financial statements as a whole are free from material misstatement. This proposal draws on the findings of the recent Levelling Up, Housing and Communities Committee report on financial reporting and audit in local authorities.

19. The FRC has confirmed that rebuilding assurance over multiple periods is compliant with ISAs (UK).

20. Taken together with the proposal outlined in 'Phase 1' for a backstop date of 30 September 2024 for all years up to and including 2022/23, the government is now consulting on the following additional backstop dates:

- Year ended 31 March 2024: 31 May 2025
- Year ended 31 March 2025: 31 March 2026
- Year ended 31 March 2026: 31 January 2027
- Year ended 31 March 2027: 30 November 2027
- Year ended 31 March 2028: 30 November 2028

21. These dates are intended to achieve a balance between restoring timely audit and returning to unmodified audit opinions for the majority of local bodies. They have also been designed, to the extent possible, to limit the impact on other public sector audits, including NHS audits.

22. As has been set out, returning to full and timely reporting on VFM arrangements is a priority. Whilst Phase 1 enables the auditor to incorporate outstanding VFM arrangements reporting for historical years into a single output under a reduced scope, proposals for Phase 2 involve the restoration of full scope VFM arrangements by 2023/24. In addition, it is proposed that the Code of Audit Practice will set a requirement that from 2023/24 the Auditors' Annual Report will be issued in draft to those charged with governance by 30 November each year, irrespective of the position on the audit, to enable auditors to report regularly on most of the VFM arrangements work in a more timely and predictable way.

23. To reduce burdens on preparers and support auditors spreading the work to rebuild assurance over multiple periods CIPFA LASAAC will consult on 3 temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25:

- extending the override relating to the valuation and disclosure requirements for infrastructure assets
- simplifying the revaluation of operational property and instead permitting the use of indexation until new requirements for revaluation of operational property are introduced in 2025/26 following HM Treasury's thematic review of the valuation of non-investments assets in the public sector
- reducing the requirements for disclosures around net defined benefit pension liabilities / assets for 2 years to align with those in FRS 102 (UK Generally Accepted Accounting Practice) rather than International Financial Reporting Standards (IFRS)

24. The current deadline for local bodies (other than NHS bodies) for the publication of unaudited accounts is 31 May following the financial year end. This means the 2024/25 unaudited accounts deadline is set to be the same date as the backstop date for 2023/24 audited accounts. The government's consultation includes questions asking for views over whether this will create any significant issues and for views on the 31 May deadline for 2024/25 to 2027/28.

### **Consultations to deliver Phase 1 and Phase 2**

25. There will be 3 consultations to implement the Phase 1 and Phase 2 measures set out:

- DLUHC is seeking views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO is seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements
- CIPFA LASAAC will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors

### **Commitments by the FRC to support delivery of Phase 1 and Phase 2**

26. All system partners recognise that the exceptional nature of the proposed measures means there will need to be an extensive programme of communications and engagement with local bodies, auditors and wider system stakeholders including elected members.

27. The FRC will support the NAO and CIPFA to issue guidance for preparers and auditors. The guidance for auditors will be designed to support audit firms with implementing the proposed approach to Phase 1 and Phase 2 in a way that is compliant with the ISAs (UK) and the Code of Audit Practice whilst supporting the overall objectives of the reset and recovery.

28. It is important that local bodies, residents and other accounts users can distinguish between modified and disclaimed audit opinions caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues. Guidance for auditors will remind auditors of their responsibilities to communicate the reasons for a modified or disclaimed opinion in reports to audit committees and in the auditor's report. This includes indicating clearly where the modified or disclaimed opinion occurs because the auditor has not completed work ahead of the backstop date.

29. We expect audit committees and other stakeholders to take this into account and ensure that their decisions and judgements are cognisant of where modified or disclaimed opinions are a result of the introduction of backstop dates.

30. The FRC will also hold an exceptional local audit specific meeting of the Technical Advisory Group (TAG). TAG normally takes place every 2 months to consider the application of ISAs (UK), ethical and quality management standards. TAG provides a forum for firms to raise technical issues with the application of standards as well as a means for the FRC to informally consult on standards and guidance that it might issue. The purpose of the local audit specific TAG would be for the FRC to respond to queries from firms in applying the ISAs (UK) in light of the backstop dates as well as any technical guidance issued by the NAO or the FRC. It will also provide an opportunity for firms to discuss best practice and practical matters of implementation in a forum convened by the FRC. The FRC will invite all firms involved in local audit, and representatives from system partners, to this special TAG meeting.

31. In line with the July Cross-System Statement, the FRC's AQR team has recently set out changes to its regulatory approach as part of its [report on the quality of major local audits](#). This sets out that AQR will not carry out routine inspections of major local audits for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so. AQR will provide further details on its planned approach to individual inspections for 2023/24 onwards, once the proposed measures are finalised. ICAEW has committed to mirroring the FRC's approach for its inspections of non-major local audits.

32. Working with DLUHC, the FRC is developing an escalated reporting framework. The intention is for the framework to be fully operational for 2023/24 audits so local authorities and auditors can use it to raise risks to individual audits meeting backstop dates and / or emerging systemic issues ahead of backstop dates to enable them and system partners to take appropriate action as early as possible. The framework is being designed to enable a coordinated response where there are more significant risks and complexities facing entities and ensure that system wide issues are identified as soon as possible so they can be addressed. We will provide further details on the proposed framework by the point the legislation on the backstop dates is in place.

33. The FRC intends to conclude its Audit and Assurance Sandbox on the approach to materiality on local audits in the first quarter of 2024 and will publish the findings. The Sandbox has brought together groups of auditors, practitioners, regulatory bodies and interested parties to explore potential pathways whereby auditors could set differential materiality levels for balance sheet items, such as operational property, from overall account materiality set based on expenditure.

#### **Commitments by ICAEW**

34. ICAEW has committed to mirroring the FRC AQR's approach for its inspections of non-major local audits.

#### **Commitments by PSAA**

35. PSAA will set scale fees and determine fee variations where the auditor undertakes more or less work than assumed by the scale fee in line with the Local Audit (Appointing Person) Regulations 2015. It will also consult with bodies where appropriate. Where possible (subject to sufficient satisfactory data and information from key parties), PSAA will develop indicative fee ranges and assumptions for areas where there is expected to be a change in the audit work carried out.

36. When PSAA subsequently determines the fees payable, the principles set out in the Cross System Statement will apply: 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 (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, and the body is due to pay the applicable fee, including where there is a modified or disclaimed opinion. Conversely, if an auditor has collected audit fees in part or in full, and the backstop date 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 and reported.

#### **Expectations of auditors and local bodies to deliver Phase 1 and Phase 2**

37. If implemented, all system partners believe Phase 1 and Phase 2 taken together will result in an overall significant reduction in work compared to the option of not introducing backstop dates. Nevertheless, the success of these proposals depends on both auditors and audited bodies focusing on their obligations in the public interest for timely, high-quality financial reporting and audit.

38. During the consultation period, any local body with concerns about specific financial risk resulting from the proposals should discuss this with their auditors and engage with DLUHC or the relevant parent Department at the earliest opportunity. This may include, but is not limited to, bodies with covenants that require audited accounts with unmodified audit opinions. Any auditors with specific technical, practical, or ethical concerns should flag these with the FRC as soon as possible.

39. Any slowdown in activity would lead to further issues in the future. Ahead of the first proposed backstop date, auditors and local bodies should work together to ensure that as many audits can be completed in full as possible. Where work has already been completed to provide sufficient evidence to support the audit opinion, preparers and auditors should work together to publish the audited accounts as soon as possible.

40. The potential introduction of backstop dates does not preclude the legal responsibilities for local bodies to publish unaudited accounts and hold the 30-working day inspection period for local electors. Any local body that has not yet published unaudited accounts for all years up to and including the financial year 2022/2023, or held the inspection period, should do so as soon as possible.

41. Where a local body believes they will not be able to provide draft accounts, which have been subject to the 30-working day inspection period, to the auditor, with sufficient time ahead of the backstop date, they should, following engagement with their auditors, flag this with DLUHC or the relevant sponsor department as soon as possible. Auditors are only able to provide an opinion – whether unmodified, modified or disclaimed – on a set of accounts which have been certified by the Section 151 Officer as true and fair, subject to the 30-day inspection period and approved as final by those charged with governance.

42. It should not be necessary for the audit of the previous year's accounts for Section 151 Officers to comply with their responsibilities to certify that the unaudited accounts show a true and fair view as local bodies should have sufficient internal controls and processes for the Section 151 Officer to obtain this assurance.

43. In consultation with local bodies and those charged with governance, auditors will need to make prioritisation decisions about the work they complete on local bodies' audits. When making such prioritisation decisions, auditors should consider the impact on other local bodies' audits. For example, they may choose to prioritise conducting sufficient audit work on pension funds to provide IAS 19 assurances to auditors of other local bodies. Finance teams should ensure they provide high-quality evidence requested by auditors in a timely manner.

44. Where an auditor has not obtained sufficient audit evidence to conclude they have reasonable assurance that the financial statements as a whole are free from material misstatement, they will need to modify or disclaim their audit opinion, as required by the ISAs (UK). Auditors are reminded of their existing responsibilities to clearly communicate the reasons for modified or disclaimed opinions in the auditor's report. They should explain in reports to the audit committee if the modified opinion is caused by the introduction of statutory backstop dates and to communicate what work they have been able to carry out.

45. Auditors should also keep in mind that the July Cross-System Statement stated that the auditors' statutory duty to report on VFM arrangements and their wider reporting powers remain a high priority. Auditors will need to ensure that they are able to conclude and report significant weaknesses in VFM arrangements in the audit report ahead of the backstop date as this legal duty cannot be disclaimed. For audits undertaken under the 2015 Code of Audit Practice, covering years up to 2019/20, auditors will need to report their conclusion on VFM arrangements as part of the auditor's report. Where auditors have concerns about a local body's ability to prepare accounts of sufficient quality ahead of the backstop date, they should consider using their wider reporting powers.

46. The government recognises that all audit firms conduct a variety of public sector audit work in addition to local audit. Local auditors should plan and commit to deliver work ahead of the backstop dates that allows for their existing contractual commitments for other public sector audits. Apart from in exceptional circumstances, NHS England will not accept requests for extensions to audit deadlines for NHS bodies because of auditors needing to complete work ahead of backstop dates for non-NHS local audited accounts.

### **Phase 3: Reform**

47. Further, longer term work is required to address the systemic challenges that have led to the current local audit backlog. All parties to the Cross-System Statement have committed to continue work to ensure that financial reporting, auditing and regulatory requirements are proportionate and based on a common understanding of the purposes of local audit and reporting.

48. This work will build on the recommendations of the [Redmond Review](#), the recent Levelling Up, Housing and Communities Committee report into financial reporting and audit in local authorities and Public Accounts Committee reports on the timeliness of local audit. The government remains committed to establishing the Audit, Reporting and Governance Authority as system leader for local audit when Parliamentary time allows.

49. CIPFA LASAAC's strategic plan includes a workstream looking at long-term reforms to financial reporting based on the needs of accounts users. CIPFA are in the process of relaunching the Better Reporting Group to inform this work.

50. HM Treasury will be setting out in the first quarter of 2024 the outcome of the thematic review into the valuation of non-investment assets. CIPFA will continue to work with HM Treasury on how the changes apply to local bodies with the intention that they are introduced to the Code of Practice for Local Authority Accounting for 2025/26.

51. The FRC intends to publish its Local Audit Workforce Strategy during 2024, following a presentation to the Local Audit Liaison Committee. The Strategy will include both short-term and longer-term recommendations to increase the supply of suitably skilled auditors, including for further changes to Key Audit Partner requirements.

52. Closely linked to the Local Audit Workforce Strategy, the government has successfully procured the development of a Local Audit Qualification which will shortly be launched by CIPFA, opening the training route for experienced Responsible Individuals to become Key Audit Partners. In addition, CIPFA and the Local Government Association (LGA) are working on a parallel Workforce Strategy for local government finance teams.

### **Conclusion**

53. The measures proposed are an important step in restoring timely financial reporting and audit for local bodies. The government is grateful for the hard work and collaboration of system partners in developing these ambitious measures. All system partners are committed to continue to work closely together to, following the consultation, implement measures to clear the backlog of local audit opinions and develop the long-term reforms required to prevent a backlog arising in the future.



**Braintree District Council's Response to the Government's Consultation: Addressing the Local Audit Backlog in England**

**Questions**

**Q1. Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 3 and 4 below), do you agree that Category 1 authorities should be required to have published audited accounts for all financial years up to and including financial year 2022/2023 by 30 September 2024? (agree, disagree, unsure)**

Agree however this is reliant on audit firms achieving the 30th September backstop date which is highly questionable given previous track record of delivering on previous deadlines. There may be limited benefit in some local audit firms in prioritising resources to this work, particularly if they are withdrawing from the market

The delays caused by the current backlog of unaudited accounts has led to an over 700 audits yet to be signed. The proposed backstop is necessary to release pressure on Auditors and Local Authorities who are still working on previous audits some of which is adding limited value given the time delays.

**Q2. Do you agree that the requirement at Regulation 10(2) for Category 1 authorities to publish a delay notice should be disapplied in relation to any outstanding audits covering financial years 2015/2016 to 2022/2023? (agree, disagree, unsure)**

Agree

In order to address the backlog, phase 1 of the backstop needs to be completed and cleared in full.

**Q3. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop date of 30 September in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion? (agree, disagree, unsure)**

Disagree. -The stated purpose of the statutory backstop date is to clear the backlog. If exemptions are granted, then the backstop date would not achieve the stated purpose

**Q4. Do you think there would be any other exceptional circumstances which might create conditions in which it would be appropriate for Category 1 authorities to be exempt from the 30 September backstop date? (agree, disagree, unsure)**

No, as previously stated, the backstop date has to apply across the board if the backlog is to be effectively cleared.

**Q5. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadline of 30 September 2024? (agree, disagree, unsure)**

Unsure. It is not clear from this question what form these additional consequences would take and therefore it is difficult to comment on them. Additionally, it is unclear what outcome is being sought from the application of additional consequences.

It is not clear what form the published list would take nor what contextualising information would be provided. A local authority should not be penalised for the poor performance of an external auditor or vice versa – will a list make clear where the failures in performance have occurred. What would be achieved through the publication of a non-contextualised list?

**Q6. Notwithstanding the possibility of exemptions in exceptional circumstances (covered by questions 7 and 8 below), do you agree that Category 1 local authorities should be required to publish audited accounts for financial years 2023/2024 to 2027/2028 by the following dates (agree, disagree, unsure)?**

- **2023/24: 31 May 2025**
- **2024/25: 31 March 2026**
- **2025/26: 31 January 2027**
- **2026/27: 30 November 2027**
- **2027/28: 30 November 2028**

**Do you have any comments on these dates?**

Disagree with the 2023/24 deadline as this will clash with not only the preparing the 2024/25 accounts but also coincide with the audit firm's inspection of the NHS accounts.

The other proposed dates would seem sensible.

**Q7. Do you think it would be appropriate for Category 1 authorities to be exempt from the statutory backstop dates for Phase 2 in circumstances where the auditor is unable to issue their opinion due to outstanding objections to the accounts that could be material to that opinion? (agree, disagree, unsure)**

Disagree, this will only restart the audit backlog again.

**Q8. Do you think there would be any other exceptional circumstances which might create conditions in which it would appropriate for Category 1**

**authorities to be exempt from the backstop dates for Phase 2? (agree, disagree, unsure)**

Disagree, the purpose of the backstop is to have audited accounts by the agreed date any deviation will only start the backlog again.

**Q9. We intend to publish a list of local bodies and audit firms which meet statutory deadlines for the publication of audited accounts and those which do not. Do you think there should be additional consequences for Category 1 authorities or audit firms (excluding an authority or firm covered by an exemption) if they do not comply with the statutory deadlines for Phase 2? (agree, disagree, unsure)**

**Please explain your response and, where relevant, include any suggested consequences.**

Unsure, as before it is difficult to comment on what these consequences should be when it is unclear what outcome this intervention is supposed to achieve

**Q10. The Accounts and Audit Regulations 2015 (regulation 15(1)(a)) currently requires Category 1 local authorities to publish unaudited accounts by the 31 May following the end of the financial year. In light of the proposed deadlines for the publication of audited accounts, do you think the 31 May deadline remains appropriate for financial years 2024/2025 to 2027/2028? (agree, disagree, unsure)**

Agree

**Q11. The existing annual deadline for the publication of unaudited accounts is 31 May. As set out above, we are proposing a backstop date for the publication of audited accounts for the financial year 2023/2024 of 31 May 2025. This would mean that 31 May 2025 would be the statutory deadline for both the publication of audited accounts for financial year 2023/2024 and unaudited accounts for financial year 2024/2025. Do you expect this would create any significant issues? (agree, disagree, unsure)**

Disagree, this would be impractical as audit firms carry out NHS audits from 1st April as well as coincide with preparation of the 2024/25 accounts.

A date prior to the 1st of April or post the completion of NHS audits would be more appropriate. It would also be helpful to reiterate that audit completion does not need to be by the end date but can be completed and signed off anytime within the backstop date.

**Q12. The government anticipates that the Phase 1 backstop proposals will result in modified or disclaimed opinions. A modified or disclaimed opinion at the end of Phase 1 would require auditors to subsequently rebuild assurance.**

**The Phase 2 backstop dates are intended to enable this work to be spread across multiple years. Given this additional work, and noting the further explanation at paragraphs 15 to 46 of the [Joint Statement](#), do you have any views on the feasibility of audited accounts being published by the proposed statutory backstop dates for Phase 2?**

We agree with the backstop dates for Phase 2 however there should be the ability for audit firms to provide full assurance for those authorities who can demonstrate the opening and closing balance in a shorter period during the Phase 2 backstop.

**Q13. Do you agree that it would be beneficial for the 2015 Regulations be amended so that Category 1 bodies would be under a duty to consider and publish audit letters received from the local auditor whenever they are issued, rather than, as is currently the case, only following the completion of the audit? (agree, disagree, unsure)**

Unsure, again what is the outcome that you are seeking? If external audit returns to more standard timetable, then this should cease to be a material issue as delays in publication would be limited. What benefit would be gained by earlier publication?

**Q14. Do you have any comments on whether any of the proposals outlined in this consultation could have a disproportionate impact, either positively or negatively, on people with protected characteristics or wish to highlight any other potential equality impacts?**

I do not think this will impact on people with protected characteristics.

**Q15. Finally, do you have any further comments on the proposed changes to the 2015 Regulations not covered by the questions so far, including relating to any unintended consequences?**

Not at the moment



Report to the Governance and Audit Committee

# BRAINTREE DISTRICT COUNCIL

Audit Progress Report

IDEAS | PEOPLE | TRUST



# AUDIT UPDATE



This report provides an update to the Governance and Audit Committee on the progress of our audits of the Council's financial statements for the periods 2019/20 - 2022/23. The report includes a summary of the work necessary to complete those audits and an indicative timeline for completion of those audits.

Our report also provides some background on recent consultations by the Department for Levelling Up, Housing and Communities (DLUHC) and the National Audit Office (NAO) on proposals to address the significant delays in local authority financial reporting.

## 2019/20 and 2020/21

Our audits of the Council's financial statements for the years ended 31 March 2020 and 31 March 2021 remain in progress. On the following pages we have set out a timeline for completion of those audits. Our expectation is that we will conclude both these audits in advance of the statutory backstop date of 30 September 2024 proposed by DLUHC in its recent consultation.

## 2021/22 and 2022/23

Our audits of the council's financial statements for the years ended 31 March 2022 and 31 March 2023 have not yet started.

The DLUHC consultation included a proposed statutory backstop date for auditors to complete all audits up to and including the 2022/23 year by 30 September 2024. There was an acknowledgement within the consultation that the introduction of a statutory backstop date would likely result in qualified or disclaimed audit opinions for some bodies.

While DLUHC are yet to publish final proposals, if a statutory backstop date of 30 September 2024 were established, then given the status of our audits for the years ended 31 March 2022 and 31 March 2023, we would expect to issue a disclaimed audit opinions on those financial statements. A disclaimed audit opinion means that the auditor is unable to offer a view as to whether the financial statements give a true and fair view.

# AUDIT UPDATE



## Auditor's Use of Resources Assessment

The DLUHC consultations included a requirement for auditors to complete a single Use of Resources (or Value for Money) assessment covering any open audit periods. Auditors would then issue a single Auditor's Annual Report covering all open periods.

Again, subject to the outcome of the DLUHC and NAO consultations, we expect to issue an Auditor's Annual Report covering the period 2020/21 - 2022/23 in September 2024. The work necessary to inform our assessment will be undertaken between July and August 2024.

## Handover Arrangements

Throughout the handover period we will discuss the progress of our work with KPMG, your incoming auditors, and will seek to minimise any impact on the Council's finance team.

## Audit Fees for 2021/22 and 2022/23

Public Sector Audit Appointments will use its fee variation process to determine the fees local public bodies will have to pay in relation to audits subject to the backstop dates (recognising that there is still an element of work auditors will need to do in relation to those audits).

Steve Bladen

8 April 2024



## BDO AUDIT TIMETABLE 2019/20 AND 2020/21

We have set out below a timetable for completion of our 2019/20 and 2020/21 audits.

### MAY - JULY 2024

#### 2019/20 Audit

- ▶ Completion of Senior Manager review of completed audit procedures and conclusion of work on Infrastructure assets
- ▶ BDO to complete internal quality control procedures
- ▶ BDO to prepare updated Audit Completion Report to the Governance and Audit Committee

### JULY - AUGUST 2024

#### 2020/21 Audit

- ▶ BDO to undertake and complete outstanding audit procedures
- ▶ The Council to respond to further questions relating to audit procedures and provide additional information as required
- ▶ Council to prepare and BDO to review revised financial statements (if required)
- ▶ BDO to complete internal quality control procedures
- ▶ BDO and Officers to meet to discuss key audit findings (if required)
- ▶ BDO to prepare Audit Completion Report to the Governance and Audit Committee

### SEPTEMBER 2024

#### 2019/20 and 2020/21 Audits

- ▶ BDO to present 2019/20 and 2020/21 Audit Completion Reports to the Governance and Audit Committee
- ▶ Issue 2019/20 and 2020/21 auditor's reports





We have set out below an indicative timeline for completion of our 2021/22 and 2022/23 audits.

As we noted on page 2 of our report, our expectation is that we will disclaim our opinion on the Council's 2021/22 and 2022/23 financial statements. Under International Standards on Auditing (UK), there remains an element of work that auditors need to do to issue that opinion. We are currently assessing the extent of that work, liaising as necessary with the Financial Reporting Council and other sector stakeholders to determine the level of work required. That assessment is not yet complete, but we expect to undertake any necessary work during July and August 2024. We expect to conclude those audits in September 2024.

#### JULY 2024 - AUGUST 2024

- ▶ BDO to undertake work necessary to issue disclaimed audit opinion
- ▶ BDO to undertake Use of Resources work for years 2020/21 - 2022/23
- ▶ Completion of Manager and Key Audit Partner review of completed audit procedures
- ▶ The Council to respond to questions relating to necessary audit procedures, and to provide any supporting information necessary to inform Use of Resources work.

#### SEPTEMBER 2024

- ▶ BDO to report to the Governance and Audit Committee
- ▶ BDO to issue 2021/22 and 2022/23 auditor's reports
- ▶ BDO to issue Auditor's Annual Report covering the period 2020/21 - 2022/23

## APPENDIX 1 - DLUHC AND NAO CONSULTATIONS

On 8 February 2024, a consultation was launched as part of a cross-system effort to address the backlog in local government audits across the sector. In summary:

- DLUHC sought views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The NAO sought views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements

Further details can be found [here](#).

Key elements of the consultations included proposals for:

- Auditors to produce a single commentary on value for money arrangements covering all outstanding periods up to 2022/23
- A proposed backstop date of 30 September 2024 for auditors to issue audit opinions, including modified or disclaimed opinions due to the backstop, for all periods up to and including 2022/23
- A series of backstop dates for later periods of account

BDO responded to both consultations. We await the Government's final proposals but continue to consider the implications for our audit of future periods.

On 29 February 2024, the Chartered Institute of Public Finance and Accountancy (CIPFA) launched its Invitation to Comment on short term proposals intended to help address the backlog of local authority audits. After considering a wide range of options CIPFA decided to explore two approaches. These would affect the 2023/24 and 2024/25 Codes, by providing:

- An option to simplify measurement of operational property plant and equipment using specified indexation, and
- Reduced disclosures for pensions reporting, by aligning that reporting with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland

The Invitation to Comment can be found [here](#).



FOR MORE INFORMATION:

STEVE BLADEN

t: +44 (0)20 3860 6563

m: +44 (0)7870 514535

e: [steve.bladen@bdo.co.uk](mailto:steve.bladen@bdo.co.uk)

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

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<b>Report Title:</b> To receive a suite of the Council's Key Financial Indicators as at 29 <sup>th</sup> February 2024	
<b>Report to:</b> Governance and Audit Committee	
<b>Date:</b> 17 <sup>th</sup> April 2024	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Phil Myers, Head of Finance	
<b>Enquiries to:</b> Phil Myers, Head of Finance ( <a href="mailto:phil.myers@braintree.gov.uk">phil.myers@braintree.gov.uk</a> )	

## 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 29<sup>th</sup> February 2024, including an update on the Third Quarter Financial Review and projected outturn for the 2023-24 year.
- 1.2 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 as at 29<sup>th</sup> February 2024 and the update on the Third Quarter Financial Review and projected outturn for 2023-24.

## 3. Summary of Issues

- 3.1 The report includes a summary of the Third Quarter Financial Review including an update on the latest projected outturn for the 2023/24 year at Appendix A.
- 3.2 The Key Financial Indicators (KFIs) and Treasury Management Monitor for the financial year to 29<sup>th</sup> February 2024 are included as Appendices B and C.

### Commentary

#### 3.3 Third Quarter Financial Review

- 3.3.1 The approved net budget for 2023/24 is £17.6million, to be financed from business rates, government grants, and council taxpayers. A drawdown of £644,000 of general fund balances was required to set a balanced budget.
- 3.3.2 On 11<sup>th</sup> December 2023, Full Council approved a budget transfer of up to £600,000 between Treasury Management income and all service staffing budgets to offset the in-year additional cost of the April 2023 pay award settlement. Full Council also approved the allocation of up to £300,000 for the

Council's own legal costs relating to appeals against the use of the former Wethersfield air base for an asylum centre with the extra costs to be met from general balances. Costs awarded against the Council would be additional to the agreed spend.

- 3.3.3 The updated budget comprises staffing related costs of £23.3million, other expenditure of £42.7million, and income of £48.4million. Included in other expenditure is £27.5million budgeted payments of Housing Benefit which is largely covered by government subsidy (98%) included in income.
- 3.3.4 A review of income and expenditure against budget and forecast for the year has been completed and was considered by the Cabinet at its meeting on 4<sup>th</sup> March 2024, as part of the Third Quarter Performance Report. The financial review indicated a projected overall positive variance of £494,000 for the year, as detailed in Appendix A.
- 3.3.5 Staffing expenditure across services is currently projected to be underspent by £202,000 after taking into account the corporate efficiency allowance of £300,000. This position is based on staffing arrangements that were known at the end of the third quarter and after adjusting budgets for the increased cost of the April 2023 pay award.
- 3.3.6 Other expenditure (excluding Wethersfield) is forecast to be £587,000 over budget, due mainly to increased Housing Benefit costs; additional operating costs of new property facilities, including unrecoverable service charges due to voids and unsold land plots; and increased operational costs for vehicle hire and maintenance due to an aging fleet for which new replacement vehicles have been procured and are awaiting delivery. This position is net of an underspend on Corporate Financing which is due to a saving on interest on borrowing. The overall forecast includes £300,000 projected spend on the Council's own legal cost in relation to Wethersfield, with a further £90,000 included for awarded costs.
- 3.3.7 A net overachievement of income of £1.3million is forecast, which is mainly from treasury management interest income, and a higher gainshare from the council tax sharing arrangement with preceptors. The previously projected shortfall in planning income under Sustainable Development has been reduced following the implementation of increases to statutory planning fees from 6<sup>th</sup> December 2023, and to account for several major applications expected to be received in the final quarter.
- 3.3.8 A more detailed commentary on the reasons for the projected variances is provided in the Third Quarter Performance report contained in the agenda for the Cabinet meeting held on 4<sup>th</sup> March 2024.
- 3.3.9 The Accountants are currently preparing the budget outturn position for the year which will be included in the Annual Performance report.

### **3.4 Key Financial Indicators**

- 3.4.1 The Key Financial Indicators are set out in Appendix B.

- 3.4.2 The current capital programme totals £13.7million of which £7.0million is profiled to be spent in 2023-24. Actual expenditure incurred to the end of February was £3.8million. Project expenditure incurred includes: Halstead Community Grants; ICT server and infrastructure upgrade at Causeway House; planned maintenance, including unadopted roads; disabled facilities grants; and residual costs at the H120 business park. Further expenditure of £995,000 is expected in the year, including year-end accruals. Project spend slippage of £2.0million is estimated with budgets proposed to be carried over into 2024/25. There is currently a projected underspend of £232,000 across the capital programme which mainly relates to Victoria Square and the Plaza projects, although both have yet to be formally closed and therefore the final position may differ. The capital position was considered by the Capital Programme Board at their meeting held on 25<sup>th</sup> March 2024. The Board requested that processes for establishing project profiles and in-year monitoring of programme spend is tightened so that project slippage is identified earlier. The recent employment of a manager for the Project Management Office and proposed increases to project management resources will support this in future.
- 3.4.3 Capital receipts estimated to be generated in-year total £3.9million and which includes receipts from Right-to-Buy (RTB) sales (via Eastlight Community Housing), and receipts from the sale of Council-owned land and grant of access rights. In the current economic climate, there has been a marked slowdown in the number of RTB sales with six sales completed at the end of February with a total receipt value of £645,000. The Council also received £338,000 from a legacy VAT shelter arrangement with Eastlight. Other minor receipts received total £75,000, giving an overall value of receipts received up to the end of February of £1.058million. Capital receipts from the sale of residential sites with an updated estimated value of £2.2million are now not expected to be achieved until 2024/25.
- 3.4.4 In terms of the Council's commercial property portfolio, the number of lettable units was 273, including offices and units at I-Construct, the Plaza, Victoria Square, and available space within Causeway House. The occupancy rate was 252 units or 92%.
- 3.4.5 The total Council Tax collectable debit for the year is £116million. The collection rate as at the end of February was 95.0% (£110.4million collected), which compares to a rate of 95.6% for the same period last year. Collection performance appears to have been impacted by the financial pressures on households from cost-of-living. The current risk on collection was recognised by reducing the assumed collection rate used for the 2024/25 budget to 98.25%.
- 3.4.6 The total Business Rates collectable debit for the year is £47million. The collection rate as at the end of February was 95.3% (£44.5million collected), which compares to a rate of 95.2% for the same period last year.

- 3.4.7 Council Tax and Business Rates collection performance continues to benchmark favourably against that achieved by other Essex billing authorities.
- 3.4.8 A total of 1129 write-offs of Council Tax, with a total value of £190,000 have been authorised in the year to date: 209 in respect of the current year and 920 in respect of previous financial years. The main reason for write-off continues to be Individual Voluntary Arrangements (IVAs). 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.
- 3.4.9 A total of 48 write-offs of Business Rates, with a net value of £82,000, have been authorised in the year to date: 14 in respect of the current year and 34 in respect of previous financial years.
- 3.4.10 The value of sundry debts owed to the Council at the end of February is £2.6million, of which £1.3million 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).
- 3.4.11 The proportion of supplier payments made within 30 days is 98.3% The target is 98%.
- 3.4.12 The average amount held as short-term investments up to the end of February was £49.9million on which £2.26million of interest has been secured, equivalent to an annualised return of 4.95%.
- 3.4.13 The amount invested in pooled funds comprising equity, property, and multi-assets is £19million. Dividend income is paid quarterly or monthly depending upon fund, and the amount due to the end of February was £773,000, equivalent to an annualised income return of 4.45%. The total value of the Council's fund holdings at the end of February was £20.8million, which represented an unrealised gain of £1.8million.
- 3.4.14 Detail of the Council's investment portfolio totalling £62.9million, as at 29<sup>th</sup> February is provided at Appendix C.

#### **4. Options**

- 4.1 To receive and ask questions as appropriate on the Key Financial Indicators and the update on the Third Quarter Financial Review 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 – Extract of the Third Quarter Financial Review for 2023-24.

Appendix B – Key Financial Indicators for the period 1<sup>st</sup> April 2023 to 29<sup>th</sup> February 2024

Appendix C – Treasury Management – Details of the Council's investments for the period 1<sup>st</sup> April 2023 to 29<sup>th</sup> February 2024.

## **10. Background Papers**

Third Quarter Performance Report 2023-24 – Cabinet Agenda for meeting to held on 4<sup>th</sup> March 2024.



## APPENDIX A

### Third Quarter Financial Review 2023/24 – Projected Full Year Variance

Business Plan Service	Updated Budget	Forecast Spend for the year	Previous Variance	Current Forecast Variance	Current Forecast RAG Status
	£'000	£'000	£'000	£'000	
Asset Management	(2,810)	(2,349)	420	461	R
Community & Leisure	798	870	54	72	R
Corporate Management Plan	1,635	1,655	(6)	20	A
Economic Development	237	149	(117)	(88)	G
Environment	944	1,025	110	81	R
Finance	734	(497)	(1,375)	(1,142)	G
Governance	1,325	1,303	(18)	(22)	G
Housing Services	958	963	2	5	A
ICT & Facilities	2,045	1,898	(78)	(147)	G
Marketing & Communications	653	669	23	16	A
People & Performance	1,027	1,006	(17)	(21)	G
Operations	7,489	7,262	(104)	(227)	G
Strategic Investment	36	29	(14)	(7)	G
Sustainable Development	1,500	1,447	253	122	R
<b>Service Plan Total</b>	<b>16,571</b>	<b>15,430</b>	<b>(867)</b>	<b>(877)</b>	<b>G</b>
Corporate Financing	1,496	1,064	(393)	(432)	G
Wethersfield Legal Challenge	-	390	235	390	
Est. Impact of Proposed Pay Award	-	-	606	-	
Efficiency Savings Target	(425)	-	425	425	
<b>Net Total</b>	<b>17,642</b>	<b>17,148</b>	<b>6</b>	<b>(494)</b>	<b>G</b>

RAG Status: G = favourable or zero variance, A = up to 5% adverse variance or <£50k, R = > 5%

Business Plan Service	Salaries			Other Expenditure			Gross Income		
	Updated Budget	Forecast Spend for the Year	Projected Variance	Updated Budget	Forecast Spend for the Year	Projected Variance	Updated Budget	Forecast Spend for the Year	Projected Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Asset Management	594	516	(78)	1,098	1,421	323	(4,502)	(4,286)	216
Community & Leisure	771	771	0	608	640	32	(582)	(542)	40
Corporate Management	1,773	1,765	(8)	98	126	28	(237)	(237)	0
Economic Development	365	307	(58)	(128)	(158)	(30)	0	0	0
Environment	1,786	1,926	140	115	126	11	(957)	(1,027)	(70)
Finance	2,669	2,616	(53)	29,219	29,365	146	(31,153)	(32,388)	(1,235)
Governance	845	702	(143)	743	762	19	(264)	(162)	102
Housing Services	1,367	1,368	1	157	163	6	(567)	(569)	(2)
ICT & Facilities	1,012	960	(52)	1,037	942	(95)	(4)	(4)	0
Marketing & Communications	543	530	(13)	275	308	33	(165)	(169)	(4)
People & Performance	941	920	(21)	87	87	0	0	0	0
Operations	7,327	7,255	(72)	6,374	6,522	148	(6,211)	(6,514)	(303)
Strategic Investment	248	311	63	(148)	(148)	0	(64)	(134)	(70)
Sustainable Development	2,800	2,560	(240)	411	520	109	(1,711)	(1,458)	253
<b>Service Plan Total</b>	<b>23,041</b>	<b>22,507</b>	<b>(534)</b>	<b>39,946</b>	<b>40,676</b>	<b>730</b>	<b>(46,417)</b>	<b>(47,490)</b>	<b>(1,073)</b>
Corporate Financing	602	634	32	2,703	2,560	(143)	(1,809)	(2,130)	(321)
Wethersfield Legal Challenge	-	-	-	-	390	390	-	-	-
Efficiency Savings Target	(300)	-	300	-	-	-	(125)	-	125
<b>Net Total</b>	<b>23,343</b>	<b>23,141</b>	<b>(202)</b>	<b>42,649</b>	<b>43,626</b>	<b>977</b>	<b>(48,351)</b>	<b>(49,620)</b>	<b>(1,269)</b>

**Key Financial Indicators at 29th February 2024**

**APPENDIX B**

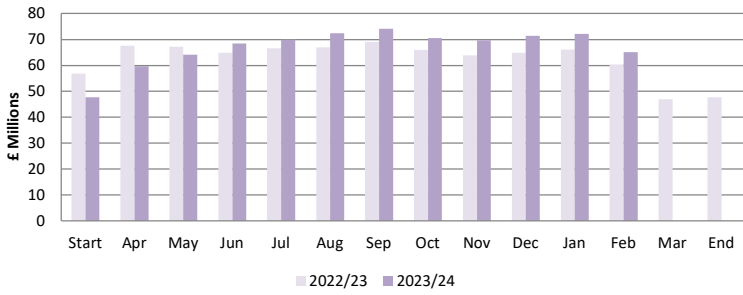
	Full Year Budget 2023/24	Actual 29 Feb 2024	Projected Full-yr Variance
<b>Capital Programme</b>			
Capital Expenditure £'000	7,024	3,792	-232
Capital Receipts £'000	-3,900	-1,058	

	Full Year Target	Actual 29 Feb 2024	Actual 28 Feb 2023	Variance
Council Tax collection in year - %	97.7%	95.0%	95.6%	-0.6%
Council Tax collection - income collected for year - £m	£116.3	£110.4	£104.5	£5.9
Write-offs in year - £'000		£45	£32	£13
Write-offs in year - number		209	387	-178
Write-offs all years £'000		£190	£272	-£82
Write-offs all years - number		1129	1159	-30
Business Rates collection in year - %	98.9%	95.3%	95.2%	0.1%
Business Rates collected for year - £m	£46.7	£44.5	£41.3	£3.2
Write-offs in year - £'000		£65	£37	£28
Write-offs in year - number		14	19	-5
Write-offs all years - £'000		£82	£94	-£11
Write-offs all years - number		48	43	5
Creditors - payment of invoices within 30 days of receipt	98.0%	98.3%	97.9%	0.4%

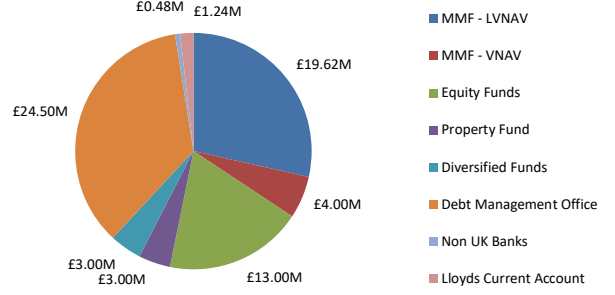
<b>Debtors - Balance Outstanding</b>	31-Mar-21	31-Mar-22	31-Mar-23	29-Feb-24
	£'000	£'000	£'000	£'000
Charges for services provided by central service e.g. Training, Procurement, Print Room, Marketing, Elections etc.	180	83	83	172
Asset Management	372	270	319	168
Development, Building Control & Environment	140	300	109	191
Finance	102	82	56	89
Community & Leisure	92	103	380	479
Operations*	1,312	1,155	1,370	118
Housing	43	73	35	29
Sub-Total	2,241	2,066	2,352	1,246
Housing Benefits Overpayment Recoveries	1,613	1,541	1,441	1,351
<b>Total</b>	<b>3,854</b>	<b>3,607</b>	<b>3,793</b>	<b>2,597</b>
Profile by Recovery Stage:				
Invoice	2,088	2,016	2,085	1,033
Reminder	791	674	788	568
Pre-legal	145	86	136	228
Enforcement Agent	184	202	244	291
Tracing Agent	2	-	23	24
Charging Order	22	22	20	19
Attachment to Benefits/Earnings	622	607	497	434
<b>Total</b>	<b>3,854</b>	<b>3,607</b>	<b>3,793</b>	<b>2,597</b>
Write offs (debits and credits) in year - value - £000	£0.6	£90.3	£8.2	£5.4
Write-offs in year - number	141	226	179	212

\* March figures will include billed commercial waste for following financial year

Average Cash Balances Managed

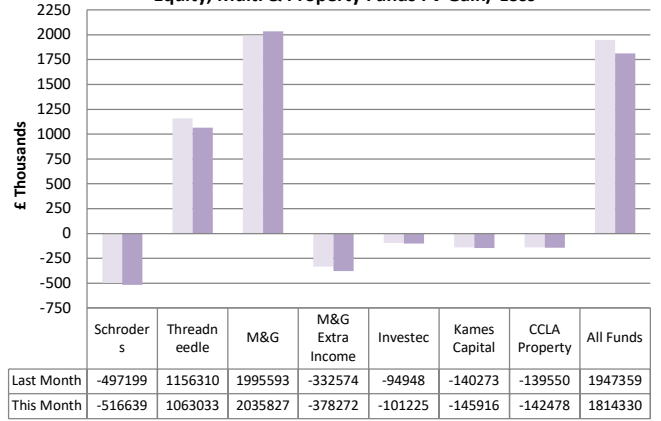


Average Invested to end of Period



	Investment Activity			
	This Month Made (£m)	Sold (£m)	Cumulative Made (£m)	Sold (£m)
<b>External Investments</b>				
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	1.0	0.0	2.0	-1.0
MMF - VNAV	0.0	0.0	0.0	0.0
<b>Sub-Total</b>	<b>1.0</b>	<b>0.0</b>	<b>2.0</b>	<b>-1.0</b>
<b>Deposits - Fixed</b>				
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	3.0	-12.0	113.5	-96.0
Local Authorities	0.0	0.0	0.0	0.0
<b>Sub-Total</b>	<b>3.0</b>	<b>-12.0</b>	<b>113.5</b>	<b>-99.0</b>
Lloyds Bank PLC	0.3	0.0	0.0	-0.4
<b>Sub-Total</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.4</b>
<b>Total</b>	<b>4.3</b>	<b>-12.0</b>	<b>115.5</b>	<b>-100.4</b>

Equity, Multi & Property Funds FV Gain/ Loss



Commentary

Average sum invested in the month £65.09m (Last year £60.32m)  
 Average sum invested for the year to date £68.91m (Last year £65.82m)  
 Actual sum invested at the end of the period £62.87m (Last year £51.56m)  
 Interest secured on instant access accounts, fixed deposits, and MMFs at the end of the period £2260840 a return of 4.95% [Annual Updated Budget £1.107m]  
 Note: 3mth LIBID 5.24% 1mth LIBID 5.02% Average Base rate 5.02%  
 Dividends earned (declared) on equity, property and diversified funds to the end of the period £773k [Annual Budget £786k]  
 Unrealised gain/ -loss at end of period for equity, property and diversified funds is a net £1814k a change of £-133k from last month

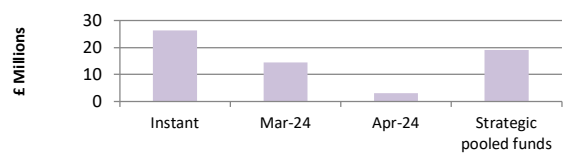
INVESTMENT HOLDINGS AT END OF PERIOD

COUNTERPARTY	Type	Principal	Start	Maturity	Yield
DEBT MANAGEMENT OFFICE	FIXED	3000000	01/12/2023	01/03/2024	5.18%
DEBT MANAGEMENT OFFICE	FIXED	1000000	04/12/2023	20/03/2024	5.21%
DEBT MANAGEMENT OFFICE	FIXED	500000	07/12/2023	01/03/2024	5.21%
DEBT MANAGEMENT OFFICE	FIXED	1500000	15/12/2023	01/03/2024	5.20%
DEBT MANAGEMENT OFFICE	FIXED	3500000	02/01/2024	01/03/2024	5.19%
DEBT MANAGEMENT OFFICE	FIXED	1500000	02/01/2024	13/03/2024	5.19%
DEBT MANAGEMENT OFFICE	FIXED	2500000	15/01/2024	19/03/2024	5.18%
DEBT MANAGEMENT OFFICE	FIXED	1000000	30/01/2024	19/03/2024	5.18%
DEBT MANAGEMENT OFFICE	FIXED	3000000	15/02/2024	10/04/2024	5.19%
LLOYDS BANK	CALL A/C	1372000	29/02/2024	01/03/2024	5.15%
DEUTSCHE	MMF	1000000	29/02/2024	01/03/2024	5.19%
GOLDMAN SACHS	MMF	5000000	29/02/2024	01/03/2024	5.17%
CCLA PUBLIC DEPOSIT	MMF	5000000	29/02/2024	01/03/2024	5.27%
FEDERATED PRIME	MMF	5000000	29/02/2024	01/03/2024	5.31%
ABERDEEN STANDARD	MMF	5000000	29/02/2024	01/03/2024	5.29%

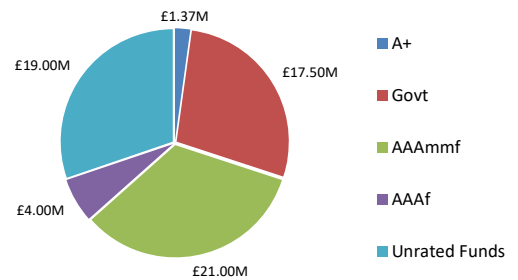
EXTERNAL FUND INVESTMENTS

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

Maturity Profile at end of Period



Credit Rating of Investment Holdings



## Agenda Item: 7

<b>Report Title:</b> Internal Audit Update, Including Progress Against the 2023/24 Internal Audit Plan	
<b>Report to:</b> Governance and Audit Committee	
<b>Date:</b> 17 <sup>th</sup> April 2024	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Angela Mitchell, Audit, Insurance and Fraud Manager	
<b>Enquiries to:</b> Angela Mitchell, Audit, Insurance and Fraud Manager <a href="mailto:angmi@braintree.gov.uk">angmi@braintree.gov.uk</a> 01376 557821	

### 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 2023/24 Internal Audit Plan was approved by the Governance and Audit Committee on 24<sup>th</sup> 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 report to the Governance and Audit Scrutiny Committee in April 2023. This report identifies progress in respect of addressing actions identified in the 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 2023/24 Internal Audit Plan.
- 2.2 Members note the progress made and approve the updated action plan relating to the 2022/23 External Quality Assessment of Internal Audit.

### 3. Summary of Issues

#### 3.1 Progress against the 2023/24 Internal Audit Plans

3.1.1 Performance against the 2023/24 Internal Audit Plan is detailed in **Appendix 1**.

3.1.2. The following audits have been completed since the last progress report to the Committee (17<sup>th</sup> January 2024). **Appendix 2** provides a summary of the outcomes of these audits:

- Elections – **Significant** Assurance
- Business Continuity – **Significant** Assurance
- Cost of Living Crisis – **Full** Assurance
- Business Support Grants – **Full** Assurance
- Land and Property Inspections – **Significant** Assurance
- Housing Strategy – **Full** Assurance
- Operator Licence Compliance – **Full** Assurance
- Braintree District Museum Trust – **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 renewal process was completed for 2023 which involved working with services to respond to a significant number of questions from insurers and negotiating final premium rates with the assistance of a broker. The team has also dealt with additions to cover requirements, responded to insurance and risk related enquiries, and continues to manage the insurance claim caseload.
- The Audit Manager is reviewing Fraud related policies and legislative change.
- Additional ad hoc advice and consultancy services have been provided in the areas summarised in Appendix 1.

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 **Quality Assurance & Improvement Programme (QAIP) and External Quality Assessment (EQA) Action Plan Update**

3.2.1 The outcome and action plan in respect of the External Quality Assessment of conformance of the Internal Audit Service to the Public Sector Internal Audit Standards was presented to the Governance and Audit Committee on 20<sup>th</sup> April 2023. A summary of the progress in relation to the action plan is attached at **Appendix 3** to this report.

3.2.2 The following improvements have been implemented since the last update to the Governance and Audit Committee (January 2024) on the QAIP and the status of implementation of recommendations and suggestions identified in the 2022/23 External Quality Assessment.

- The Audit Manager reported directly to Management Board to present the Draft Internal Audit Plan (Recommendation R4).

3.2.3 The revised Internal Audit Standards impacts on some action plan items; therefore, adjustments will be made to align with the new standards.

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

3.3.1 There were no RIPA / IPA applications in 2023/24, and none in 2024/25 to the date of producing this report.

### 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**

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

#### **5. Financial Implications**

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

#### **6. Legal Implications**

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

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

#### **9. List of Appendices**

- 9.1 Appendix 1 – Progress Against the 2023/24 Internal Audit Plan.
- 9.2 Appendix 2 - Outcome of Audits Completed Since the Previous Report to Governance Committee (17<sup>th</sup> January 2024).

9.3 Appendix 3 – External Quality Assessment of Internal Audit – Updated Action Plan.

**10. Background Papers**

None.



**APPENDIX 1 - PROGRESS AGAINST 2023/24 INTERNAL AUDIT PLAN**  
**(as at 2<sup>nd</sup> April 2024)**

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

	<b>Audit Priority</b>		<b>Current Status</b>	<b>Date Report to Governance &amp; Audit Committee</b>
<b>2023/24 Internal Audit Plan – All Audits</b>				
1	Core Financial Systems <ul style="list-style-type: none"> <li>• Creditors</li> <li>• Cash &amp; Bank</li> <li>• General Ledger</li> </ul>	1	<ul style="list-style-type: none"> <li>• Completed</li> <li>• Completed</li> <li>• Completed</li> </ul>	<ul style="list-style-type: none"> <li>• 4<sup>th</sup> October 2023</li> <li>• 4<sup>th</sup> October 2023</li> <li>• 4<sup>th</sup> October 2023</li> </ul>
2	Payroll Shared Service	1	<i>In progress - carried forward to 2024/25 Plan</i>	
3	Elections	2	Completed	<b>17<sup>th</sup> April 2024</b>
4	Business Continuity	1	Completed	<b>17<sup>th</sup> April 2024</b>
5	Business Continuity – Key Suppliers	1	<i>In progress - carried forward to 2024/25 Plan</i>	
6	Commercial Group	2	In progress (nearly complete)	
7	Shared Services	1	<i>Carried forward to 2024/25 Plan</i>	
8	Cyber Security	1	Completed	4 <sup>th</sup> October 2023
9	Cyber Security Sub-Group	1	<i>Carried forward to 2024/25 Plan</i>	
10	Finance System Access Controls	2	Completed	17 <sup>th</sup> January 2024
11	System Access Controls	2	Completed	17 <sup>th</sup> January 2024
12	Culture & Ethics / Employee Engagement	1	Completed	4 <sup>th</sup> October 2023
13	Health & Safety	1	<i>Ongoing attendance at corporate meetings as source of assurance</i>	
14	Cost of Living Crisis	1	Completed	<b>17<sup>th</sup> April 2024</b>
15	Equality Diversity & Inclusion (EDI)	1	<i>In progress - carried forward to 2024/25 Plan</i>	
16	Energy Performance	2	<i>In progress - carried forward to 2024/25 Plan</i>	
17	Grant Scheme Due Diligence <ul style="list-style-type: none"> <li>- Business Support Grants</li> <li>- Shared Prosperity Fund</li> </ul>	2	<ul style="list-style-type: none"> <li>• Completed</li> <li>• Limited work in 2023/4, carried forward to 2024/5 plan</li> </ul>	<ul style="list-style-type: none"> <li>• <b>17<sup>th</sup> April 2024</b></li> <li>•</li> </ul>
18	Fraud Risks - Payments	1	In progress (nearly complete)	

19	Fraud Risks – Strategic Projects / Asset Management	1	Completed	17 <sup>th</sup> January 2024
20	Data Matching	2	Ongoing upload of data and review of matches	
21	Accuracy of Housing Application Processing	2	<i>In progress - carried forward to 2024/25 Plan</i>	
22	Service Charges Management	1	In progress (nearly complete)	
23	Land and Property Inspections	2	Completed	<b>17<sup>th</sup> April 2024</b>
24	Debtors	2	Completed	17 <sup>th</sup> January 2024
25	Housing Strategy	2	Completed	<b>17<sup>th</sup> April 2024</b>
26	Operator Licence Compliance	2	Completed	<b>17<sup>th</sup> April 2024</b>
27	North Essex Parking Partnership	2	Completed	17 <sup>th</sup> January 2024
28	Braintree District Museum Trust	2	Completed	<b>17<sup>th</sup> April 2024</b>
29	<p>Follow Up Reviews – Limited Assurance Reports</p> <ul style="list-style-type: none"> <li>• <b>Housing Application Document Verification</b> (2019/20)</li> <li>• <b>Contract Management – Major Contracts</b> (2020/21)</li> <li>• <b>Managers Self Service</b> (2021/22)</li> <li>• <b>Project Realisation of Benefits</b> (2021/22)</li> <li>• <b>Asset Management and Service Charges</b> (2022/23)</li> <li>• <b>Manor Street</b> (2022/23) – follow up recommendation</li> <li>• <b>Horizon 120</b> (2022/23)</li>   <li>• <b>Suppliers / Contractor Resilience</b> (2022/23)</li> <li>• <b>CCTV / GDPR Compliance</b> (2022/23)</li> </ul>	1	<ul style="list-style-type: none"> <li>• In progress</li> <li>• Completed</li> <li>• Completed</li> <li>• In progress</li> <li>• In progress</li> <li>• In progress</li> <li>• In progress</li> <li>• In progress</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Updates:</i> <ul style="list-style-type: none"> <li>○ 24<sup>th</sup> Aug 2023</li> <li>○ <b>17<sup>th</sup> Apr 2024</b></li> </ul> </li> <li>• 24<sup>th</sup> Aug2023</li> <li>• 24<sup>th</sup> Aug 2023</li> <li>• <i>Update 17<sup>th</sup> Apr 2024</i></li> <li>• <i>Update 17<sup>th</sup> Apr 2024</i></li> <li>• Update 17<sup>th</sup> Jan 2024</li> <li>• Corporate Director update: 4<sup>th</sup> Oct 2023</li> <li>• <i>Update 17<sup>th</sup> Apr 2024</i></li> <li>• <i>Update 17<sup>th</sup> Apr 2024</i></li> </ul>
30	Follow Up Reviews - Other	2	In progress	<i>Update 24<sup>th</sup> August 2023 via Annual Report</i>
31	Office for Local Government	1		
32	Annual Governance Statement	1	2022/23 AGS reported to Governance and Audit Committee 24 <sup>th</sup> August 2023, incorporating Internal Audit Opinion	

Reporting of Additional Unplanned Work Performed 2023/24			
Use of Council Vehicles	N/A	Completed	17 <sup>th</sup> January 2024

## 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 and for ongoing assurance over supplier resilience.
- **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 and maintaining records of Authorised signatories
- Annual 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
- Advice was provided to Environmental Health on procedures relating to **setting up a new customer** for Council services
- Review of **Gifts, Hospitality and Interests** Officer declarations
- Coordination of the upload of data and general administrative arrangements, and review of data matches arising from the **National Fraud Initiative (NFI) data matching exercise**
- A review of **spend against the Changing Places funding provided to the Council**, to support provision of a statement of assurance to the fund provider, was conducted by the Senior Auditor
- A review was conducted of the **Use of Council Vehicles** including tax implications
- Circulated **fraud alerts** to relevant services (various topics)
- Advice provided to a service in relation to a **fraudulent transaction** (the payer was identified through the National Anti Fraud Network), and also to a customer on responding to a **scam contract**
- Submitted the annual **RIPA and IPA return** to the Investigatory Powers Commissioner's Office (IPCO).
- Provided information to the **external auditor** to support their work in relation to the audit of the Council's financial statements
- The Audit Insurance & Fraud Manager continues to offer advice in relation to **insurance and the management of risks**, and to respond to associated **Freedom of Information Act (FOI)** requests
- Corporate **Risk Management** support

**APPENDIX 2 – OUTCOME OF AUDITS COMPLETED SINCE THE PREVIOUS REPORT TO GOVERNANCE COMMITTEE (17<sup>th</sup> January 2024)**

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
<b>Elections</b>  <b>Significant Assurance</b>	Review of governance and authorisation for / evidence of spend and reconciliation	Areas of good practice: <ul style="list-style-type: none"> <li>• Documentation was in the process of being reviewed</li> <li>• Appropriate authorisation was provided for expenditure and orders for the same are through the Corporate E-Procurement system</li> </ul>	To clarify roles, responsibilities and governance arrangements within documentation	<b>Medium</b>	<b>Agreed:</b> Chief Executive and Elections Manager <b>Action date:</b> 28 June 2024
<b>Business Continuity</b>  <b>Significant Assurance</b>	<ul style="list-style-type: none"> <li>• Review of Business Continuity Plans to ensure consideration given to climate change / severe weather events</li> <li>• Observation of planned Business Continuity exercise</li> </ul>	Areas of good practice: <ul style="list-style-type: none"> <li>• Business Continuity refresher training workshop with exercises provided to relevant staff in 2023, and further training is scheduled in 2024</li> <li>• Departments maintain business continuity plans (although most require updating)</li> </ul>	Departments to update Business Continuity Plans, including for climate change and severe weather events, and to ensure up to date officer contact information	<b>Medium</b>	<b>Agreed:</b> Sustainability Manager <b>Action Date:</b> July 2024
<b>Cost of Living Crisis</b>  <b>Full Assurance</b>	<ul style="list-style-type: none"> <li>• Review Council actions including in assessing the impact on vulnerable people</li> <li>• Assess communication and prevention activity to</li> </ul>	Areas of good practice: <ul style="list-style-type: none"> <li>• Funding had been allocated (including to the foodbank) and other funding to support health and wellbeing across the District was planned</li> <li>• Working with Leisure provider to provide ‘warm spaces’ and community spaces</li> </ul>	<i>There were no recommendations arising from this review</i>	N/A	N/A

	<p>support residents (such as with energy efficiency)</p> <ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Promotions via social media have reached a lot of people and resulted in positive comments</li> </ul>			
<p><b>Business Support Grants</b></p> <p><b>Full Assurance</b></p>	<ul style="list-style-type: none"> <li>• Grants issued in line with grant conditions</li> <li>• Appropriate checks are made on grant applicants</li> <li>• Where a condition of the grant, post payment assurance checks are conducted</li> <li>• Ensure grant records are maintained and spend is monitored</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>• Grant information is publicised via the Council's website</li> <li>• Applications are checked to grant conditions before payments are made</li> <li>• Records of grants are maintained and supporting documentation retained to demonstrate compliance</li> <li>• Grant progress is monitored</li> </ul>	<p><i>There were no recommendations arising from this review</i></p>	N/A	N/A
<p><b>Land and Property Inspections</b></p> <p><b>Significant Assurance</b></p>	<ul style="list-style-type: none"> <li>• Records maintained of Council property and land</li> <li>• Inspections are scheduled, conducted in a timely manner, and with accurate information recorded</li> <li>• Management oversight of inspections is maintained</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>• Inspections are completed prior to sale</li> <li>• Details of inspections and compliance checks conducted are maintained</li> <li>• Records and associated documentation are maintained for Council owned properties</li> <li>• Inspections of play equipment and sports pitches and facilities are also conducted (by the Street Scene team) and records maintained</li> </ul>	<p>Property inspections of Council assets to be completed and records maintained</p>	<b>Medium</b>	<p><b>Agreed:</b> Interim Asset Manager <b>Action Date:</b> August 2024</p>
<p><b>Housing Strategy</b></p> <p><b>Full Assurance</b></p>	<ul style="list-style-type: none"> <li>• Review of arrangements to measure and manage performance in achieving strategy aims</li> <li>• Review process for approving and giving</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>• Housing Strategy approved by Cabinet (March 2023) and reviewed by Strategic Housing Board</li> <li>• Landlord Incentive scheme in place with applications subject to approval</li> </ul>	<p><i>There were no recommendations arising from this review</i></p>	N/A	N/A

	<p>payments and incentives to landlords</p> <ul style="list-style-type: none"> <li>• Ensure clarity of award criteria for landlords, confirmation of eligibility, transparency and provision of incentives in line with policy</li> </ul>	<ul style="list-style-type: none"> <li>• Projects relating to strategy priorities are tracked and scrutinised by the Strategic Housing team</li> <li>• Strategy aims are linked with Healthy Housing Strategy, Homelessness Prevention Policy and Empty Homes Policy to seek to make more properties available to rent</li> </ul>			
<p><b>Operator Licence Compliance</b></p> <p><b>Full Assurance</b></p>	<ul style="list-style-type: none"> <li>• Review outcome of external Operator Licence compliance report (as external source of assurance)</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>• The transport management team has considerable experience and are suitably qualified</li> <li>• Previous action points have been addressed</li> <li>• The review identified appropriate practices adopted in the areas of management of drivers' hours and records, vehicle maintenance and inspections, procedures in the event of collision, arrangements for hiring vehicles, driver training, and goods vehicles management</li> </ul>	<p><i>There were no recommendations arising from this review</i></p>	N/A	N/A
<p><b>Braintree District Museum Trust</b></p> <p><b>Full Assurance</b></p>	<ul style="list-style-type: none"> <li>• Review of contract agreement by both parties, and agreement of any contract changes</li> <li>• Changes to financial arrangements agreed by both parties</li> <li>• Agreement signed by both parties, and subject to Member approval</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>• Contract variation was subject to legal review and approved by both parties</li> <li>• Minor changes reflecting financial arrangements were clear and in accordance with terms of the contract</li> </ul>	<p><i>There were no recommendations arising from this review</i></p>	N/A	N/A

**Key:**

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

<i>Full Assurance</i>	<i>Internal controls meet acceptable standards and are consistently applied.</i>
<i>Significant Assurance</i>	<i>Reasonable, but not absolute, assurance that adequate risk management and controls are in place.</i>
<i>Limited Assurance</i>	<i>Significant assurance that the internal control framework meets minimum acceptable standards.</i>
<i>No Assurance</i>	<i>Some weaknesses or inconsistent application in control means some risks are not adequately mitigated.</i>
	<i>Internal control framework does not meet minimum acceptable standard.</i>
	<i>Weaknesses or inconsistent application of controls means some risks are not mitigated and require significant improvement</i>
	<i>The internal control framework does not meet the minimum acceptable standards and no assurance can be given</i>

**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. *Update April 2024 – In Progress - Corporate training on 'Verifying ID documents and ID Fraud Prevention' was been arranged through the Organisational Learning and Development team*
- **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. *Update April 2024 – In Progress - a Project Management Office lead was appointed and commenced employment early April 2024, it is expected the post holder will resolve outstanding recommendations in this area.*
- **Asset Management and Service Charges (2022/23) – ongoing:** Both recommendations are In Progress:
  - Completion of rent reviews (high priority) - *Update April 2024 – the service is reviewing the asset schedule to enable electronic reporting, and progress has been made with conducting outstanding rent reviews*
  - preparation of an Asset Management Strategy (high priority) – *Update April 2024 – a Head of Asset Management has been appointed (to commence employment in April 2024) and external consultants will be appointed to support Strategy development. Monitoring of vacant properties and income targets will follow.*

- **Horizon 120 (2022/23) – ongoing.** The Corporate Director (Growth) provided a detailed update to the Governance and Audit Committee in October 2023. *Update April 2024 – a formal internal audit follow up is scheduled in the 2024/25 Draft Internal Audit Plan.*
- **Suppliers and Contractors Resilience (2022/23) – ongoing:** *Recommendation progress is as follows:*
  - Review of key supplier and contract / framework agreements for supplier business continuity arrangements (high priority) – *Update April 2024 – Completed - terms and conditions now include requirement for contractor to maintain adequate business continuity plans and measures (and provide evidence of the same), and documents and processes will be consistent across the Essex procurement Partnership*
  - Ongoing review of supplier risk during term of contract or framework agreement to enable prompt identification of resilience issues (high priority) – *Update April 2024 – In Progress – Annual financial checks have been carried out for suppliers on Framework agreements, Senior Management are considering practices for ongoing checks for other contracts*
- **CCTV GDPR Compliance (2022/23) – ongoing:** *Recommendation progress is as follows:*
  - Improve CCTV signage (high priority) – *Update April 2024 – In Progress – signage has been improved in a number of locations, others are to be checked. An action plan is being prepared for checking all signage*
  - Acceptable Use Code of practice to be updated to state requirement for ICT authorisation for procurement of CCTV systems (medium priority) – *Update April 2024 – To Be Done – IT Code of Practice to be updated*
  - IT to have central oversight of CCTV (medium priority) – *Update April 2024 – pending confirmation that CCTV pc is now on a separate network monitored by the IT team*
  - Retention policies to be reviewed to ensure CCTV is not retained for longer than required (medium priority) – *Update April 2024 – Completed – New and historical footage records reviewed and checks conducted to see if required to be retained, and CCTV User Manual updated accordingly*
  - Process for releasing CCTV to be communicated to all CCTV Operators (medium priority) – *Update April 2024 – Completed – management trail retained and progress and status of CCTV requests are clear to Duty officers*
  - Written policy on Body Worn Video in line with national guidance (high priority) – *Update April 2024 – In Progress – revised policy prepared and awaiting Legal Services review*
  - Remove withdrawal of consent relating to Body Worn Video from privacy policy – *Update April 2024 – Completed – privacy notice updated*
- **North Essex Parking Partnership (2023/24) – ongoing:** *Update April 2024 – a formal internal audit follow up is scheduled in the 2024/25 Draft Internal Audit Plan*



### APPENDIX 3 – EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT – UPDATED ACTION PLAN

The following details the progress made in implementing actions arising from the 2022/23 External Quality Assessment of the Internal Audit service against the Public Sector Internal Audit Standards

No.	Recommendation	Response (April 2023)	Responsible Officer	Action Date	Status Update
R1	The Charter should set out how to carry out audits of areas that are the responsibility of the CAE	Charter has been updated (April 2023)	Audit Manager	April 2023	<b>Complete</b> and will be reflected in future Charters
R2	The annual report should confirm that the team's independence has not been compromised	Will be added to next Annual Report	Audit Manager	July 2023	<b>Complete:</b> Included in 2022/23 Annual Report and will be reflected in subsequent Annual Reports
R3	As a minimum, the annual plan should set out the days needed for each category of audit activity	Paragraph outlining days will be added to the next Audit Plan	Audit Manager	July 2023	<b>Complete:</b> The 2023/24 and 2024/25 Internal Audit Plans identify the days needed for each category of audit activity
R4	The CAE should attend Management Board when internal audit reports are on the agenda	Audit Manager to report directly to Management Board, timing will correspond with Governance and Audit Scrutiny Committee reporting cycle	Management Board / Audit Manager	July 2023	<b>Commenced / Ongoing:</b> Audit Manager has attended Management Board for discussion on an Audit Report (July 2023), and 2024/5 Audit Plan (April 2024).  <b>Review: July 2024</b>

R5	Include a reference to strategic objectives and risks in the planning and reporting of audit assignments	Link to corporate objectives / strategic risks are clear in Audit Plan, will also be added to Audit Terms of Reference and Audit Reports	Audit Manager / Auditors	July 2023	<b>Completed:</b> Included in Audit Plans, and Auditors added references to Corporate priorities and strategic risks in Terms of Reference and Audit Reports
R6	Consider potential fraud risks when planning all audit work	Fraud risks are considered during preparation of the Internal Audit Plan. Further consideration will be made of significant fraud risks during audit assignment planning	Audit Manager / Auditors	July 2023	<b>Completed:</b> Fraud specific Audits included in Audit Plans, and Auditors consider fraud when planning assignments. Service Assurance Statements also now include Fraud risk assessment.
R7	Auditors should be given an indication of the time budget for each audit assignment and this should be recorded in planning documents	Audits will be assigned estimated days, although auditors are encouraged to make proactive assessments of approach during the audit	Audit Manager / Auditors	July 2023	<b>Completed:</b> Budget days identified in 2023/4 and subsequent Audit Plans
R8	Tailor the terms of reference for each audit to give greater detail about what is planned and the value that the work will deliver	Format of Audit Terms of Reference will be reviewed	Audit Manager / Auditors	March 2024	<b>Commenced / Ongoing:</b> Auditors have increased detail in Terms of Reference, further review of content to be completed  <b>Review: January 2025</b>
R9	Develop detailed work programmes for each audit, setting out the	Documenting more detail of the audit approach in advance is agreed in principle but we	Audit Manager / Auditors	March 2024	<b>Commenced / Ongoing:</b> Some progress made in developing work

	testing strategy, how it will address the audit risks and add value and approve this before implementation	recognise this would require additional resource input to the audit process. The scope of the planning will be reviewed. See also R11 below			programmes, further review of content to be completed  <b>Review: January 2025</b>
R10	Ensure that audit files are cross referenced so that the trail from the terms of reference to the audit plan, to audit work and to the report is clear. A detailed work programme can be helpful for this	Will review working paper format and develop audit trails for work to show more clearly the link between work performed and audit outputs	Audit Manager / Auditors	March 2024	<b>Commenced / Ongoing:</b> Auditors cross reference and include conclusions on working papers, further review of content to be completed  <b>Review: January 2025</b>
R11	Carry out supervision in a timely fashion so that effective corrections can be made to the work	Supervision is carried out via weekly staff updates on progress of work and through regular informal discussion with staff. The Audit Manager's current reactive workload in non-Audit areas of responsibility has thus far resulted in delayed oversight of internal audit work, therefore whilst the recommendation is agreed in principle it may not be practical to achieve increased and ongoing interventions until a review of resources is completed. Audit Manager will work with the Director and Head of Finance to review wider working arrangements	Head of Finance & S151/ Audit Manager	March 2024	<b>Ongoing:</b> Auditors provide weekly email updates of progress, Audit Manager review of Audit files is often delayed. Review of wider working arrangements is ongoing  <b>Review: January 2025</b>

R12	Ensure all action plans include deadlines	Audit staff continue to seek action dates for all recommendations	Corporate Management / Audit Manager / Auditors	April 2023	<b>Completed:</b> Action Plans do include action dates
R13	Expand the Auditor's Opinion to refer to the strategies, objectives and risks of the Council	Annual Report will be updated to reference corporate strategies, objectives and risks	Audit Manager	July 2023	<b>Completed:</b> 2023/24 Annual Report included reference to strategies and risks
<b>No.</b>	<b>Suggestion</b>	<b>Response (April 2023)</b>	<b>Responsible Officer</b>	<b>Action Date</b>	<b>Status Update</b>
S1	Include an interpretation of the Core Principles and Code of Ethics in the Audit Manual and Charter	Charter has been updated (April 2023) Audit Manual will be updated at next revision. <i>Note that consultation on revised Standards indicates potential updates in these areas</i>	Audit Manager	March 2024	<b>Part Completed / Ongoing:</b> Charter was updated, but Audit Manual revision deferred to reflect new Standards (released in January 2024 and effective from January 2025)  <b>Review: January 2025</b>
S2	Consider the value of carrying out formal as well as informal job appraisals	Corporate arrangements for formal staff appraisals in all areas of Council operations are to be reviewed	Corporate Review in 2023/4	Subject to Corporate Protocols	<b>Ongoing:</b> feedback provided to staff, revised corporate protocols are pending  <b>Review January 2025</b>
S3	Include details of internal audit improvements in the Manual and QAIP reporting	Actions arising from the EQA and other improvements are included in QAIP reporting (April 2023), and improvements will also be identified in the Annual Report (July 2023).	Audit Manager	March 2024	<b>Part completed / ongoing:</b> QAIP reporting via the Internal Audit Update report and Annual report. Audit Manual revision deferred to reflect new

		Audit Manual will be updated at next revision			standards (released January 2024, effective from January 2025)  <b>Review: January 2025</b>
S4	Identify and involve other persons within the organisation with sufficient knowledge of internal audit practices in the QAIP process	QAIP process will be updated to reflect existing arrangements for oversight by Head of Finance / S151 (such as through monthly performance reporting). Will consider opportunity for involving audit staff in ongoing self-assessment. Will review with Head of Finance / S151 potential for involvement of other non-audit personnel in assessment of Internal Audit	Head of Finance & S151/ Audit Manager	March 2024	<b>Part completed / ongoing:</b> QAIP reflects oversight by Head of Finance, but audit staff not currently directly involved in ongoing self-assessment  <b>Review: January 2025</b>
S5	Report the detail of QAIP activities in the Annual Report	QAIP reporting is included in the Annual Report, activities arising from this EQA review will be included in the next Annual Report	Audit Manager	July 2023	<b>Completed:</b> QAIP activities included in the 2022/23 Annual Report
S6	Consider including references to the LGAN in the Audit Manual	To be reviewed for future revision of the Audit Manual. <i>Note that consultation on revised Standards indicates potential updates reflecting application of the Standards in the Public Sector, the impact of these will be reviewed before any amendments to the Audit Manual</i>	Audit Manager	December 2024	<b>Pending:</b> Audit Manual pending update to reflect revised Standards  <i>(No change to action date)</i>

<b>Report Title:</b> Internal Audit Plan 2024/25	
<b>Report to:</b> Governance and Audit Committee	
<b>Date:</b> 17 <sup>th</sup> April 2024	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Angela Mitchell, Audit, Insurance and Fraud Manager	
<b>Enquiries to:</b> Angela Mitchell, Audit, Insurance and Fraud Manager <a href="mailto:angmi@braintree.gov.uk">angmi@braintree.gov.uk</a> 01376 557821	

## 1. Purpose of the Report

- 1.1 To ensure there is an Internal Audit Plan for 2024/25 which complies with the Public Sector Internal Audit Standards.

## 2. Recommendations

Members endorse the Internal Audit Plan process and draft Internal Audit Plan for 2024/25.

## 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 2024/25. 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. 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 2024/25 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 some 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 with 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 2024/25 plan is split across the following primary areas, note that individual audits may each contribute to several areas of assurance:

<b>Assurance or Work Area</b>	<b>2024/25 Planned Days</b>
Corporate Governance & Risk Management	86 days
Information & Communication Technology	26 days
Environment Social and Governance	28 days
Partnership, External Funding & Grant claims	12 days
Fraud	34 days
Service Specific Reviews	23 days
Advice & Consultancy	20 days
Follow Up work	32 days
Other Planned work / contingency	25 days
2023/24 Planned Audits Completed in 2024/25	54 days
<b>TOTAL</b>	<b>340 days</b>

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; and

- Forward plan of areas to consider for audit during planning for 2025/26 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.

### 3.5 Corporate Objectives

3.5.1. 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. Option 1 - To approve the Audit Plan for 2024/25

The Committee is invited to approve the Internal Audit Plan 2024/25, 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 2024/25

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**

6.1 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).

6.2 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**

7.1 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**

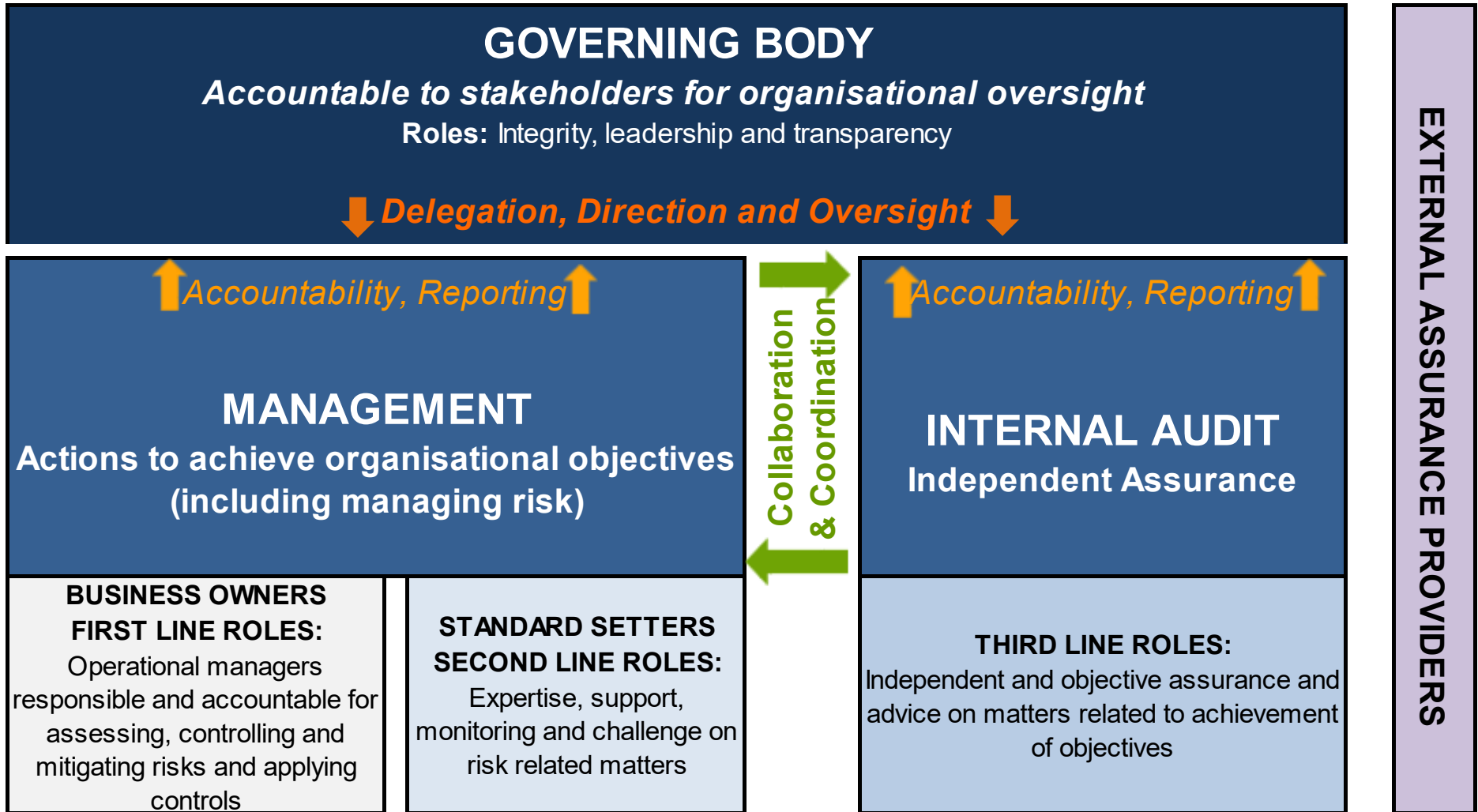
9.1 Appendix 1 – Assurance Framework.

9.2 Appendix 2 – Draft Internal Audit Plan 2024/25.

## **10. Background Papers**

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

Appendix 1 – Assurance Framework – 3 Lines Model



## APPENDIX 2 - DRAFT INTERNAL AUDIT PLAN 2024/25

### 2023/24 Planned Audits To Be Completed in 2024/25:

Ref	Audit Title	Outline Scope	Priority *	23/4 Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
<b>2023/24 Planned Audits To Be Completed in 2024/25</b>								
	<b>Payroll Shared Service</b>	Review controls relating to operation of payroll service ( <i>for BDC and partner authorities</i> ): <u>Payroll Service Operation:</u> - Process for ensuring only valid employees on the payroll. - HR reconciliation of Payroll data - Arrangements for review of Net Pay Exceptions <u>Pay Calculations:</u> - Ensure holiday pay calculations are correct. <u>Payroll Data Security:</u> - 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)	1	10	Assurance / Financial Management	Fit for the Future / Various	Risk 5 Service & project delivery & Risk 9 Information Management & Cyber Security	Head of Finance
	<b>Business Continuity – Key Suppliers</b>	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	6	Assurance / Governance	Fit for the Future	Risk 8 Emergency Planning, & supports all other risks	Head of Finance
	<b>Commercial Group</b>	High level review of Commercial Group scope of work and outputs and corporate response.	2	4	High level Assurance / Governance	Fit for the Future / Measure Success	Various	Corporate Director / Shared procurement Hub Manager

\* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2024/25 (this opinion contributes to the Council's Annual Governance Statement)

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

## APPENDIX 2 - DRAFT INTERNAL AUDIT PLAN 2024/25

Ref	Audit Title	Outline Scope	Priority *	23/4 Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
	<b>Equality Diversity &amp; Inclusion (EDI)</b>	Review corporate arrangements for monitoring and reporting compliance with Public Sector Equality Duty and Equality Framework for Local Government	1	6	Governance and Compliance	Fit for the Future / Various	Risk 5 Service and Project Delivery	Corporate Director / Head of Housing & Community
	<b>Energy Performance</b>	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.	2	6	Assurance / Governance	Environment	Risk 11 Climate Change	Asset Manager
	<b>Fraud Risks – Payments</b>	Identify fraud risks, including relating to controls for amending payee bank details, and review against existing procedures.	1	6	Governance / Risk Management / Fraud	Fit for the Future	Risk 1 MTFS and Risk 5 Service & Project Delivery	Head of Finance
	<b>Accuracy of Housing Application Processing</b>	Compliance with allocations policy	2	10	Compliance / Performance Management	Communities	Risk 4 Community Resilience & Risk 6 Affordable Housing & Homelessness	Head of Housing & Community Services
	<b>Service Charges Management (Saunders House)</b>	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	Prosperity / Fit for the Future	Risk 1 MTFS and Risk 2 Economic Development	Corporate Director / Head of Finance / Head of Assets

\* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2024/25 (this opinion contributes to the Council's Annual Governance Statement)

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## APPENDIX 2 - DRAFT INTERNAL AUDIT PLAN 2024/25

### DRAFT 2024/25 Internal Audit Plan:

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
<b>Corporate Governance &amp; Risk Management</b> undertake a range of audits relating to specific governance issues and risk management								
1	<b>Core Financial Systems</b>	<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 &amp; Bank, and General Ledger</i></p> <p><i>In 2024/25 we will review:</i></p> <ul style="list-style-type: none"> <li>- <i>Business Rates</i></li> <li>- <i>Council Tax</i></li> <li>- <i>Payroll</i></li> </ul>	1	8 8 8	Assurance / Financial Management	Fit for the Future / Various	Risk 1 – Medium Term Financial Strategy (MTFS)	Head of Finance
2	<b>Continuous Improvement</b>	Assess the Council against a sample of indicators and recommendations from the 'Best Value Standards and Intervention Guidance' <i>(2024/25 – Continuous Improvement, Leadership, Partnerships and Community Engagement)</i>	2	10	Governance / Assurance	Various	Risk 5 Service & project delivery & Various	Corporate Management
3	<b>Horizon 120</b>	Review of governance, transparency and protection of Council interests relating to soil and Phase 2 Options Agreement	1	14	Governance / Assurance	Prosperity	Risk 1 MTFS, Risk 7 Return on Investments & Risk 10 Capital Programme	Corporate Director (Growth) / Head of Finance
4	<b>Strategic Information</b>	Attendance at Corporate Strategic Information Governance Group meetings to gain assurance on risk recognition and Corporate response, and provision of associated advice	1	4	Governance / Alternative	Various	Risk 5 Service and Project Delivery	Corporate Director /

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## APPENDIX 2 - DRAFT INTERNAL AUDIT PLAN 2024/25

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
	<b>Governance Group</b>				source of assurance			Head of Governance
5	<b>Building Security - Door Access Systems</b>	Review of access controls for Causeway House, IConstruct and the Plaza to ensure access to buildings and areas is restricted to appropriate personnel	1	10	Assurance	Fit for the Future / Prosperity	Risk 5 Service & Project Delivery and Risk 9 Information Management & Cyber Security	ICT & Facilities Manager
6	<b>Post Completion Reviews – Manor Street and IConstruct</b>	Review to identify learning from the projects, assess whether relevant services were engaged, and to review Business Plan assumptions, issues and transparency of reporting	1	12	Assurance / Governance	Prosperity / Fit for the Future	Risk 5 Service & project delivery, Risk 7 Return on Investments & Risk 10 Capital Programme	Corporate Director (Growth)
7	<b>Procurement Frameworks</b>	Support Procurement team with review of framework risks	1	6	Assurance / Governance	Fit for the Future / Various	Risk 1 MTFS, & Risk 5 Service & project delivery	Corporate Director
8	<b>Risk Management</b>	Review of sample of risks to assess existence and effectiveness of mitigating controls / actions	1	6	Risk management	Various	Various	Corporate Director / Head of Finance
<b>Information &amp; Communication Technology</b>								
9	<b>Cyber Security (external assurance)</b>	Review alternative sources of assurance (results of PSN / Cyber Essentials) and Corporate response.	1	4	Information Management & Governance	Fit for the Future / Various	Risk 9 Information Management	Corporate Director / ICT

\* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2024/25 (this opinion contributes to the Council's Annual Governance Statement)

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

## APPENDIX 2 - DRAFT INTERNAL AUDIT PLAN 2024/25

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
					/ alternative source of assurance		& Cyber Security	& Facilities Manager
10	<b>Revenues and Benefits System Access Controls</b>	Assess the adequacy of system access controls and assigned access permissions (including in respect of staff changing roles, and leavers) for the Revenues and Benefits system	1	8	Assurance / Financial Management	Fit for the Future	Risk 9 Information Management & Cyber Security	Corporate Director / S151 / ICT & Facilities Manager
11	<b>Cyber Security Sub- Group</b>	Attendance at ICT Cyber Security Sub Group meetings to gain assurance on risk recognition and Corporate response.	1	4	Information Management & Governance	Fit for the Future / Various	Risk 9 Information Management & Cyber Security	Corporate Director / ICT & Facilities Manager
12	<b>ICT Disaster Recovery</b>	Assurance that the disaster recovery plan is comprehensive, appropriately documented, governed and tested	1	10	Information Management & Governance / alternative source of assurance	Fit for the Future / Various	Risk 9 Information Management & Cyber Security	Corporate Director / ICT & Facilities Manager
<b>Environment Social and Governance (ESG)</b> <i>(External Quality Assessment made recommendation to include culture &amp; ethics related audits in the Audit Plan)</i>								
13	<b>Housing Incentive Schemes</b>	Review of governance, administration and distribution of scheme funds	2	8	Governance / assurance	Communities / Prosperity	Risk 6 Affordable Housing & Homelessness	Corporate Director / Head of Finance
14	<b>Equality Diversity and Inclusion</b>	Assess the extent to which demographics and culture are evaluated and benchmarked, used proactively to guide corporate values, the recruitment strategy , career development and internal inclusion. Assess staff survey	1	10	Governance and Compliance	Fit for the Future / Various	Risk 5 Service and Project Delivery	Corporate Director / Head of Housing & Community

\* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2024/25 (this opinion contributes to the Council's Annual Governance Statement)

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

## APPENDIX 2 - DRAFT INTERNAL AUDIT PLAN 2024/25

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
		questions and responses relating to equality, diversity and inclusion.						
15	<b>Health &amp; Safety</b>	Attendance at Corporate Health Safety & Welfare meetings to gain assurance on risk recognition and Corporate response, and provision of associated advice	2	4	Corporate Governance / Alternative source of assurance	Various	Risk 5 Service and Project Delivery	Head of Environment
16	<b>Climate Performance</b>	Review of Climate Performance Report to assess adequacy and accuracy of evidence supporting output and Council response to performance measures ( <i>report expected late Autumn 2023</i> )	2	6	Assurance	Environment	Risk 11 Climate Change	Head of Environment
<b>Partnerships, External Funding &amp; Grant Claims:</b> For arrangements where the Council is the Accountable Body, to include review of compliance with funding body requirements								
17	<b>Grants / Funding Due diligence</b>	Review of governance around oversight and distribution / spend of grants relating to: <ul style="list-style-type: none"> <li>- Asylum Large Sites and Vessel Grant</li> <li>- Shared Prosperity Fund</li> </ul> Provision to provide assurance on compliance with grant / funding eligibility requirements where that assurance is a requirement of the grant provision.	1	12	Compliance / Fraud / Financial Management	Prosperity	Risk 1 MTFS, Risk 2 Economic Development, & Risk 4 Community Resilience	Head of Finance
<b>Fraud:</b>								
18	<b>Local Council Tax Support</b>	For the new banded scheme, review checks conducted by service and assess the extent to which the checks, processes and other data matches will identify anomalies	1	8	Assurance / Financial Management / Fraud	Communities / Fit for the Future	Risk 1 MTFS and Risk 5 Service & Project Delivery	Head of Finance

\* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2024/25 (this opinion contributes to the Council's Annual Governance Statement)

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

## APPENDIX 2 - DRAFT INTERNAL AUDIT PLAN 2024/25

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
19	<b>Data Matching</b>	Audit Staff assist with the review of data matches and refer relevant cases to the Fraud Officer for investigation	2	10	Fraud	Fit for the Future	Risk 1 MTFS & Risk 5 Service & Project Delivery	Head of Finance
20	<b>Fraud Risks – Procurement</b>	Identify fraud risks and review against existing procedures	1	8	Assurance / Fraud	Fit for the Future	Risk 5 Service & Project Delivery	Corporate Director / Head of Finance
21	<b>Declarations of interest compliance</b>	To ensure potential interests are declared and managed for staff, consultants and contractors	1	8	Assurance / Fraud	Fit for the Future	Risk 5 Service & Project Delivery	Monitoring Officer / Corporate Director
<b>Service Specific Reviews</b>								
22	<b>Service Assurance Statements</b>	For a sample of services, assess against service assurance statement to establish extent to which assurance is demonstrated	2	6	Assurance / Governance	Various	Various	Head of Finance
23	<b>Plaza Operations Audit</b>	Review of facilities management of the Plaza building: management of risks (eg. mechanical and electrical risks, and health safety and fire risks) and ensure accident / incident records are maintained, scheduling and completion of planned and reactive repairs, conduct and recording of inspections, and response to issues identified	1	1	Assurance / Governance	Prosperity	Risk 5 Service & project delivery, Risk 7 Return on Investments	Corporate Director (Growth)
24	<b>Service Charges Management (other)</b>	Review of governance, decision making and transparency of costs associated with service charges	1	8	Governance / Financial Management / Assurance	Prosperity / Fit for the Future	Risk 1 MTFS, and Risk 7 Return on Investments	Corporate Director / Head of Finance / Head of Asset Management

\* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2024/25 (this opinion contributes to the Council's Annual Governance Statement)

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

## APPENDIX 2 - DRAFT INTERNAL AUDIT PLAN 2024/25

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
25	<b>Elections</b>	Review of Compliance with the new Election Act, including requirements relating to overseas / absent voters, postal vote handling and ID requirements	2	7	Assurance / Value for Money	Fit for the Future	Risk 5 Service & project Delivery	Chief Executive / Head of Governance
26	<b>Operator Licence Compliance</b>	Annual review of Operator Licence Compliance Audit Report ( <i>last report was April 2023, next expected April 2024</i> )	2	1	Alternative Source of Assurance	Environment	Risk 5 Service & project delivery	Head of Operations
<b>Advice and Consultancy:</b> Including representation on boards and working groups as deemed appropriate to advise on risk and control								
27	<b>Value for Money on Fit for the Future Programme</b>	Assist in the corporate review of Governance and Value for Money relating to delivery of benefits and management of performance	1	10	Governance / Value for Money / Advice and Consultancy	Fit for the Future / Measure Success	Risk 5 Service & Project Delivery	Chief Executive / Corporate Director
28	<b>Shared Services</b>	Assist in the corporate work on shared services relating to Governance, clarity of vision and objectives, and business case review	1	10	Governance / Advice and Consultancy	Fit for the Future	Risk 5 Service & Project Delivery	Chief Executive / Corporate Director
N/A	<i>Other Corporate Groups</i>	<i>Refer to Health Safety &amp; Welfare Committee , Strategic Information Governance Group, 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 &amp; innovating</i>	<i>Risk 5 Service and Project Delivery, Risk 9 Information Management &amp; Cyber Security</i>	<i>Corporate Director / Head of Environment &amp; Leisure / ICT &amp; Facilities Manager</i>
<b>Follow Up Work:</b> To examine progress made in addressing concerns or issues for reviews receiving a Limited Assurance opinion								
29	<b>Follow Up Reviews – Limited</b>	We will follow up all Limited Assurance reports and review evidence of implementation of high and medium priority recommendations from previous years	1	20	Follow Up	Various	Various	Various

\* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2024/25 (this opinion contributes to the Council's Annual Governance Statement)

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

## APPENDIX 2 - DRAFT INTERNAL AUDIT PLAN 2024/25

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
	<b>Assurance Reports</b>	<ul style="list-style-type: none"> <li>- <b>Housing Application Document Verification (2019/20)</b></li> <li>- <b>Project Realisation of Benefits (2021/22)</b></li> <li>- <b>Asset Management and Service Charges (2022/23)</b></li> <li>- <b>Horizon 120 (2022/23)</b></li> <li>- <b>Suppliers / Contractor Resilience (2022/23)</b></li> <li>- <b>CCTV / GDPR Compliance (2022/23)</b></li> <li>- <b>North Essex Parking Partnership (2023/24)</b></li> <li>- <b>Use of Council Vehicles (2023/24)</b></li> </ul>						
30	<b>Follow Up Reviews - Other</b>	We will follow up to track progress of implementation of other high and medium priority recommendations	2	12	Follow Up	Various	Various	Various
		<b>Other Planned Work</b>						
31	<b>Annual Governance Statement</b>	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	Various	Various	Head of Finance
N/A	<b>Contingency for additional work</b>	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
		<b>Internal Audit Management:</b> Other Activity Associated with the Internal Audit Function						

\* Priority:

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

## APPENDIX 2 - DRAFT INTERNAL AUDIT PLAN 2024/25

Ref	Audit Title	Outline Scope	Priority *	Days	Review Type	Corporate Priorities	Corporate Risk	Audit Sponsor
N/A	<b>Internal Audit Management</b>	<ul style="list-style-type: none"> <li>- Audit Planning - To develop the 2024/25 Internal Audit Plan</li> <li>- Head of Internal Audit Annual Report – to prepare the annual opinion on the Council’s arrangements for Governance, Internal and Risk Management</li> <li>- Governance and Audit Committee – services associated with the preparation, agreement and presentation of committee reports</li> <li>- Plan Monitoring, work allocation and scheduling – monitoring and reporting on audit plan progress</li> <li>- 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</li> </ul>	N/A	50	N/A	All	All	Head of Finance / Corporate Director (Support Services)
N/A	<b>Internal Audit Management – New Standards</b>	A review of the new Global Internal Audit Standards (released January 2024) to assess changes required to Internal Audit activity and processes	N/A	20	N/A	All	All	Head of Finance / Corporate Director (Support Services)

**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

\* Priority:

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

## APPENDIX 2 - DRAFT INTERNAL AUDIT PLAN 2024/25

- **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
- **Procurement Processes and Exemptions** – governance including arrangements for challenge

**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.**

- **Overtime Compliance and Value for Money** - Review compliance with corporate protocols for eligibility and rates, and assess effectiveness of consideration of alternative options
- **Disabled Facilities Grants Performance** - assurance that correct measure is being applied to comply with new targets
- **Human Resources – IR35 Procedures** – review of corporate compliance with requirements
- **Performance Management** – Assurance over data collection and reporting in respect of Fly Tipping
- **HR Procedures and Processes** – assess consistency of application of defined protocols relating to Homeworking, agile working, and performance management
- **Sickness / Absence Management** - Assess whether policies are up to date with clarity of roles, consistently applied across all services, absences recorded and supported by correct documentation, and data analysed reported and reviewed
- **Sustainable Procurement** - High level review of arrangements to ensure ESG risks
- **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
- **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)
- **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
- **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

\* Priority:

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



## APPENDIX 2 - DRAFT INTERNAL AUDIT PLAN 2024/25

- **Housing Stock Condition Survey** – Assess Council response to survey results (survey conducted in 2023/24)

### **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 2024/25 (this opinion contributes to the Council's Annual Governance Statement)*

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

## APPENDIX 2 - DRAFT INTERNAL AUDIT PLAN 2024/25

### STRATEGIC PLANNING – ITEMS FOR CONSIDERATION FOR THE INTERNAL AUDIT PLAN 2025/26 or beyond

The following areas will be reviewed during planning for 2025/26:

- **Corporate Peer Challenge Action Plan** – assess extent to which the Council demonstrates that outcomes of actions achieve the peer review recommendations
- **North Essex Councils** - Assist in the corporate work on North Essex Councils
- **Policy Management** - Review arrangements for ensuring policies are maintained & updated, Equality Impact Assessments are completed, and Data Protection Impact Assessments are completed
- **Asset Management** – Asset Management Strategy is fit for purpose with effective governance and delivery arrangements, reliable data on the Council’s property estate is maintained, acquisitions and disposals accord with the Constitution and Asset Management Strategy
- **Property Services** – maintenance of property assets is cost effective and fit for purpose such that values are preserved
- **Planning Performance** – anticipated changes will shorten the timescales and impose penalties for Local Authorities where timescales not met – impacts Environmental Health as a Statutory Consultant - review of accuracy of reporting in line with changes to the Planning regime
- **Economic Growth** – governance and corporate engagement, clarity and communication of vision and strategy to stakeholders, monitoring and reporting of progress and performance, management of risks
- **Project Management and Delivery** – governance arrangements including clarity of project management strategy and approach, including relating to project planning and approval, change management, and assessment of achievement of project objectives, and application of learning
- **Cashiers Income Management System** – review of implementation of new system to ensure user acceptance testing completed, access permissions are appropriate to role and segregation of duties is maintained, reconciliations are completed regularly and based on accurate information
- **Continuous Improvement** – Following on from the 2024/5 review (*of Continuous Improvement, Leadership, Partnerships and Community Engagement*), assess the Council against a sample of other indicators and recommendations from the ‘Best Value Standards and Intervention Guidance’ (relating to *Governance, Culture, and Service Delivery*)
- **Building Safety Act 2022**– Assess arrangements for ensuring Building Control compliance with the Act (applicable for new buildings completed after 1<sup>st</sup> October 2023) including Building Safety Regulator registration arrangements, staff training, checklists and procedures for compliance
- **Carry Forward Leave** – review of new process for authorisation of leave carried forward to the next financial year
- **Private Rental Sector** – new registration scheme (future)
- **Landscapes** – review of arrangements for ensuring tree strategy is up to date, tree inspections are undertaken according to risk, required works completed and database is complete and up to date (for inspections, works, and TPO’s)
- **Economic Development** – ensure clear vision and strategy for economic development, with associated priorities and objectives linked to action plans, and these are monitored, progress is measured and performance reported, and risks identified and mitigated
- **Financial Resilience** – assess change in financial resilience

\* Priority:

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

## Agenda Item: 9

<b>Report Title:</b> External Audit Plan and Strategy for the year ending 31 <sup>st</sup> March 2024	
<b>Report to:</b> Governance and Audit Committee	
<b>Date:</b> 17 <sup>th</sup> April 2024	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Phil Myers, Head of Finance and Mark Twyford, Manager, KPMG LLP	
<b>Enquiries to:</b> Phil Myers, Head of Finance ( <a href="mailto:phil.myers@braintree.gov.uk">phil.myers@braintree.gov.uk</a> )	

### 1. Purpose of the Report

- 1.1 To advise Members of the coverage of the External Audit Plan and Strategy for the year ending 31<sup>st</sup> March 2024.

### 2. Recommendations

- 2.1 To note the External Audit Plan and Strategy for the year ending 31<sup>st</sup> March 2024, together with the proposed audit fees.

### 3. Summary of Issues

- 3.1 The External Audit Plan and Strategy provides an overview of the planned scope and timing of the statutory audit of the Council's accounts by KPMG LLP (KPMG) and also identifies any significant risks that impact on the work to be conducted.
- 3.2 The report notes that planning activities are still ongoing and therefore the Plan is subject to change. In particular, the report notes that an audit opinion has not yet been expressed on the prior period. Any significant changes to the Plan or Strategy will be reported to the Committee.
- 3.3 The report sets out the fees chargeable for the year as determined by the Public Sector Audit Appointments Ltd (the PSAA) in their scale fees. A fee variation request can be made where the auditor considers additional work has been necessary, subject to the fee variation process as outlined by the PSAA.
- 3.4 A separate engagement of KPMG has been agreed for undertaking work to provide the Housing Benefit (HB) Subsidy certification based on an estimate of work required for 2023/24. The amount of fee proposed has yet to be confirmed and will be subject to the outcome of the prior period HB review.
- 3.5 **Corporate Objectives**
  - 3.5.1 Through the external audit scrutiny and reporting thereon, the recommendations set out in this report will help the Council to deliver the following Corporate Objectives:

- A high performing organisation that delivers excellent and value for money services (2020 to 2024)
- Fit for the Future: financial sustainability (2024 to 2028)

#### **4. Options**

- 4.1. The Committee is invited to note the External Audit Plan and Strategy. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and is in compliance with the National Audit Office (NAO) current Code of Audit Practice (the Code). The plan will remain draft until the Code has been finalised. This is the preferred option and complies with audit regulations and sound governance.

#### **5. Financial Implications**

- 5.1 Provision is made in the 2023/24 budget for the audit fees based on the PSAA scale fees, and separate provision for the HB certification work. Any variation to either will be reported as an in-year variance in 2024/25 or later year depending on when fees are finalised.

#### **6. Legal Implications**

- 6.1 There are no new legal aspects related to this matter.

#### **7. Equality and Diversity Implications**

- 7.1 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.
- 7.2 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).
- 7.3 The proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

#### **8. List of Appendices**

- 8.1 Appendix 1 - KPMG External Audit Plan and Strategy for the year ended 31st March 2024.

#### **9. Background Papers**

None.

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# Braintree District Council

**DRAFT** - Report to the  
Governance and Audit Committee

External Audit Plan & Strategy for the year ending  
31 March 2024

17 March 2024

# Introduction

To the Governance and Audit Committee  
of Braintree District Council

We are pleased to have the opportunity to meet with you on 17 April 2024 to discuss our audit of the financial statements of Braintree District Council for the year ending 31 March 2024.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice. The NAO is consulting on a new Code of Audit Practice for 2023/24, therefore this plan will remain draft until the finalisation of that Code.

This report outlines our risk assessment and planned audit approach. Our planning activities are still ongoing and we will communicate any significant changes to the planned audit approach. We note that an audit opinion has not been expressed on the prior period, once the prior period audit opinion has been expressed we will communicate any significant changes to the planned approach. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

Contents	Page
Overview of planned scope including materiality	3
Significant risks and Other audit risks	5
Audit Risks and our audit approach	6
Mandatory communications	13
Appendix	19

## The engagement team

Emma Larcombe shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Mark Twyford (Manager) with 8 years of experience and Yassin Ahmed (Assistant Manager) with 3 years of experience.

Yours sincerely,

**Emma Larcombe,**

**Director and Key Audit Partner - KPMG LLP**

17 April 2024

## How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. The audit undertaken in the current year is dependent on the finalisation of the previous auditor's work over historical financial statements. We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

# Overview of planned scope including materiality

## Our materiality levels

We determined materiality for the entity financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation, lack of shareholders and limited debt arrangements when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £1,910k 65% of materiality driven by our expectations of increased level of undetected or uncorrected misstatements in the period. We also adopt a qualitative perspective in addition to quantitative materiality for items that may be of specific interest to users, such as officers' remuneration.

## We will report misstatements to the audit committee including:

- Corrected and uncorrected audit misstatements above £147k.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

## Control environment

The impact of the control environment on our audit is reflected in our planned audit procedures. Our planned audit procedures reflect findings raised in the previous year and management's response to those findings.

- For example, we anticipate that we will adopt a controls-based approach on these accounts – payroll and cash.

## File review

We will undertake an appropriate prior year file review dependent on the final opinion issues by the previous auditors.

## Entity Materiality

Entity	
Materiality for the financial statements as a whole	<b>£2,950k</b> (3% of expenditure)
Procedure designed to detect individual errors at this level	<b>£1,910k</b>
Misstatements reported to the Governance and Audit Committee	<b>£147k</b>

**Entity Materiality**  
**£2,950k**  
**3% of entity expenditure £98,607k**



# Overview of planned scope including materiality (cont.)

## Timing of our audit and communications

- We will maintain communication led by the engagement director and manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management on 29 January 2024 where we present our draft audit plan outlining our audit approach and discuss management's progress in key areas;
- Due to the work of previous auditors still on-going, we will be communicating dates for audit completion at a future Committee.;
- Biannual private meetings can also be arranged with the Committee chairs if there is interest.

## Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
<b>Internal Audit</b>	We will review the reporting prepared by Internal Audit, but we do not plan to place any reliance on said work.
<b>KPMG Valuations Specialists (REVA)</b>	We will engage KPMG valuation specialist support in assessment of the valuations on investment properties and PPE where Market Value (MV) or Existing Use Value (EUV) have been adopted as the valuations basis.
<b>KPMG Pensions Centre of Excellence</b>	Our Pensions Centre of Excellence will carry out the audit work and initial review in regard to all balances concerned with the Defined Benefit Pension Scheme.

# Significant risks and Other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the sector and the wider economic environment in which Braintree District Council operates.

We also use our regular meetings with senior management to update our understanding and take input from sector and internal audit reports.

Due to the current levels of uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Governance and Audit Committee.

## Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

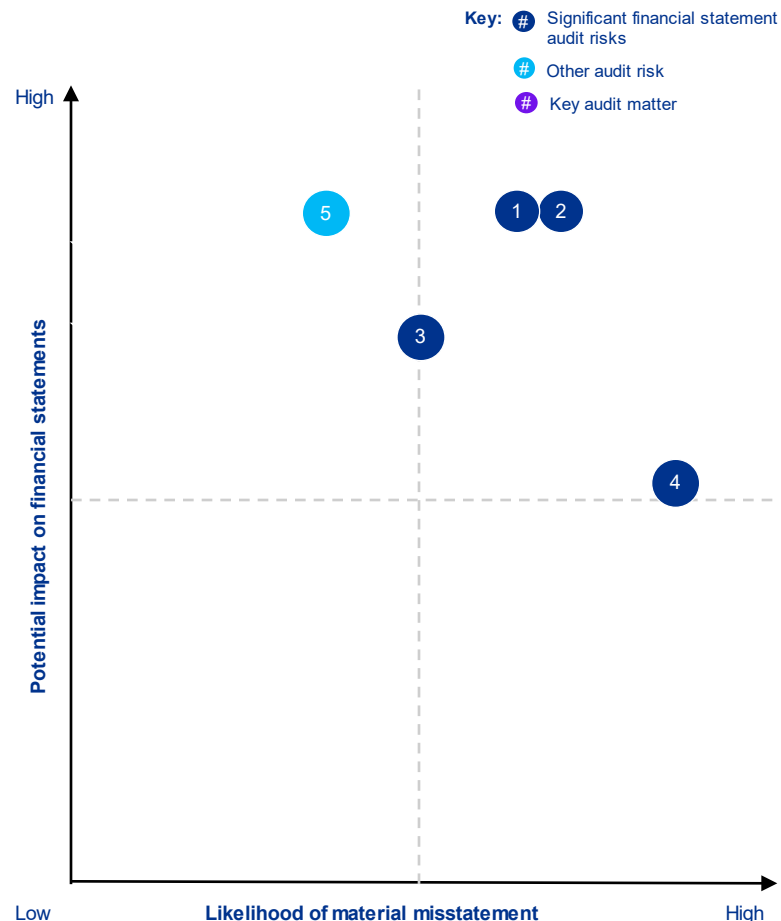
We have outlined the result of our risk assessment procedures to date on page 15.

### Significant risks

1. Valuation of PPE land and buildings – MV, EUV
2. Valuation of investment property – MV
3. Management override of controls
4. Valuation of post retirement benefit obligations

### Other audit risks

5. Valuation of land and buildings - DRC



# Audit risks and our audit approach (cont.)

## 1 Valuation of land and buildings – Market Value (MV), Existing Use Value (EUV)

The carrying amount of revalued Land & Buildings differs materially from the fair value



### Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle, however we note that in actuality the revaluation covers the majority of the balance on an annual basis (96% in 2023 and 91% in 2022).

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value, although we note for Braintree due to their high coverage this risk is reduced.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the valuer – Norfolk Property Services.

We consider this risk to apply in the valuation of land and buildings where the Market Value (MV) and Existing Use Value (EUV) models have been adopted due to their inherent complexity.



### Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of Norfolk Property Services, the valuers used in developing the valuation of the Council's properties at 31 March 2024;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

# Audit risks and our audit approach (cont.)

2

## Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value



### Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts, Norfolk Property Services, are engaged to undertake the valuations.



### Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of Norfolk Property Services, the valuers used in developing the valuation of the Council's investment property at 31 March 2024;
- We will inspect the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

# Audit risks and our audit approach (cont.)

3

## Management override of controls(a)

Fraud risk related to unpredictable way management override of controls may occur



### Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

*Note: (a) Significant risk that professional standards require us to assess in all cases.*



### Planned response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual.
- We will analyse all journals through the year and focus our testing on those with a higher risk, such as journals impacting income recognition, cash, PPE, Investment Property and Pensions.

# Audit risks and our audit approach (cont.)

4

## Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



### Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



### Planned response

We will perform the following procedures:

- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirm that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions;
- Where applicable, assess the level of surplus that should be recognised by the entity.

# Audit risks and our audit approach

5

## Valuation of land and buildings - DRC

The carrying amount of revalued Land & Buildings differs materially from the fair value



### Other audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the valuer – Norfolk Property Services.

We consider the risk in regard to valuation of land and buildings where the Depreciated Replacement Cost (DRC) model has been adopted to be less than the EUV and MV models, but to still be an area of focus.



### Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of Norfolk Property Services, the valuers used in developing the valuation of the Council's properties at 31 March 2024;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

# Audit risks and our audit approach

## Expenditure – rebuttal of Significant Risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

Having considered the risk factors relevant to the Council and the nature of expenditure within the Council, we have determined that a significant risk relating to expenditure recognition is not required.

Specifically, the financial position of the Council, (whilst under pressure) is not indicative of a position that would provide an incentive to manipulate expenditure recognition and the nature of expenditure has not identified any specific risk factors.



# Audit risks and our audit approach

## Revenue – Rebuttal of Significant Risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the sector we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of Income	Nature of Income	Rationale for Rebuttal
<b>Council tax</b>	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property: it is highly unlikely for there to be a material error in the population.
<b>Business rates</b>	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually: it is highly unlikely for there to be a material error in the population.
<b>Fees, charges and other service income</b>	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. The income accrues at a relatively even rate throughout the period, and as such is not material for the cut-off period around year-end. We do not deem there to be any incentive or opportunity to manipulate the income.
<b>Grant income</b>	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.

# Mandatory communications - additional reporting

## Going concern

Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.






However, financial sustainability is a core area of focus for our Value for Money opinion.

## Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

<p>Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily</p> 	<p>We have identified issues that we may need to report</p> 	<p>Work is completed at a later stage of our audit so we have nothing to report</p> 
---	---	---

We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts of DLUHC.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work in progress.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

# Mandatory communications

Type	Statements
<b>Management’s responsibilities (and, where appropriate, those charged with governance)</b>	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
<b>Auditor’s responsibilities</b>	<p>Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
<b>Auditor’s responsibilities – Fraud</b>	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
<b>Auditor’s responsibilities – Other information</b>	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
<b>Independence</b>	<p>Our independence confirmation at page 25 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff.</p>

# Braintree District Council

## **DRAFT** - Value for money risk assessment

**Our approach**  
Year ended 31 March 2024

17 March 2024

# Value for money

**For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.**

Our responsibility to conclude on significant weaknesses in value for money arrangements is unchanged.

The main output remains a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

## Risk assessment processes

Our responsibility remains to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

## Reporting

As with the prior year our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

### Financial sustainability

*How the body manages its resources to ensure it can continue to deliver its services.*

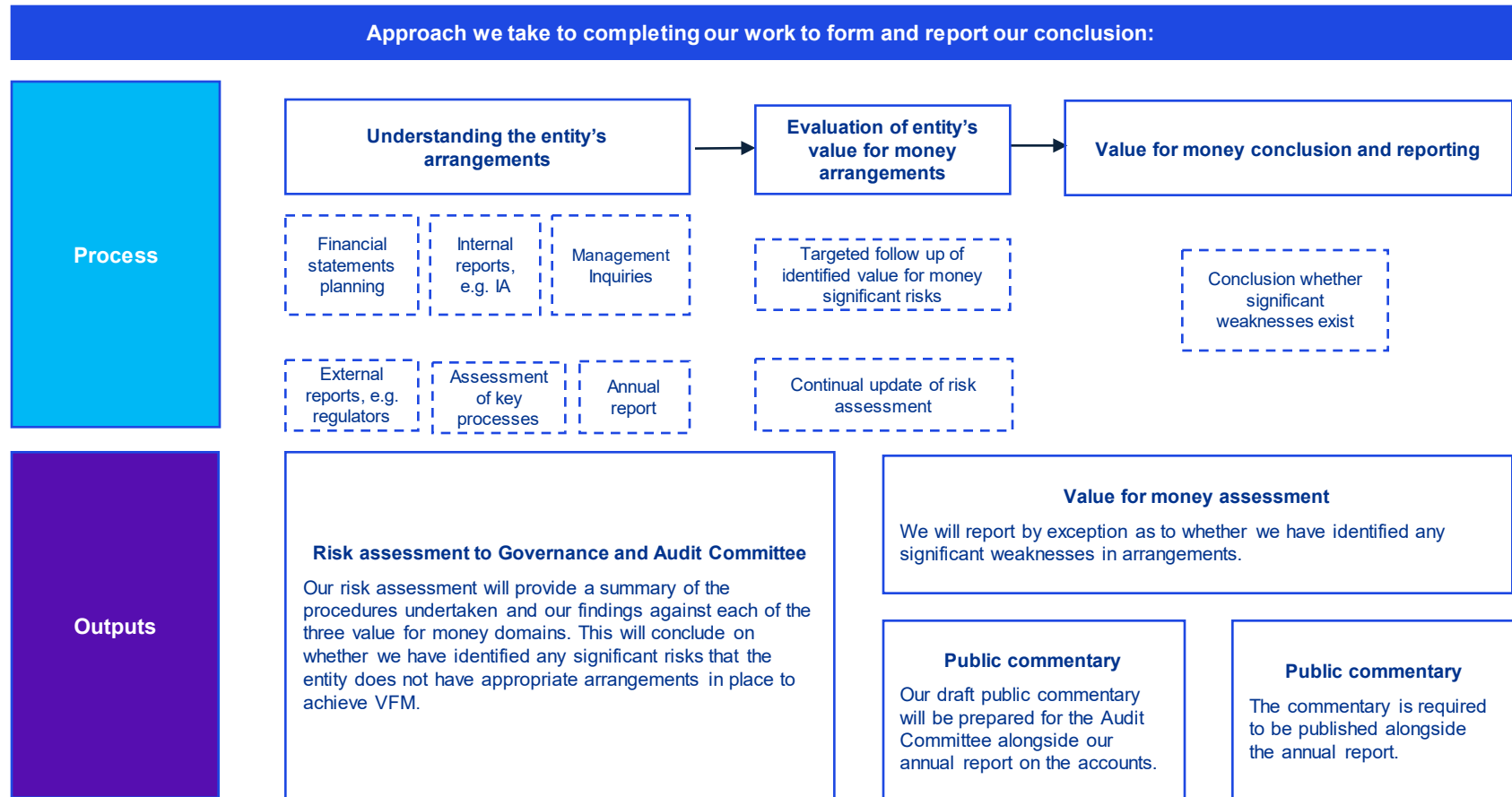
### Governance

*How the body ensures that it makes informed decisions and properly manages its risks.*

### Improving economy, efficiency and effectiveness

*How the body uses information about its costs and performance to improve the way it manages and delivers its services.*

# Value for money



# Summary of risk assessment

## Summary of risk assessment

We have not identified any risks of significant weaknesses from our initial work, however our risk assessment is continuing and we will provide our full risk assessment at the next Governance and Audit Committee.

# Appendix

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# Audit team and rotation

Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.



Emma Larcombe is the director responsible for our audit. They will lead our audit work, attend the Governance and Audit Committee and be responsible for the opinions that we issue.



Mark Twyford is the manager responsible for our audit. They will co-ordinate our audit work, attend the Governance and Audit Committee and ensure we are co-ordinated across our accounts and use of funds work.

Yassin Ahmed is the in-charge responsible for our audit for the second year. They will be responsible for our on-site fieldwork. He will complete work on more complex section of the audit.

To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



This will be director's first year as your engagement lead. They are required to rotate every five years, extendable to seven with PSAA approval.

# Audit cycle & timetable

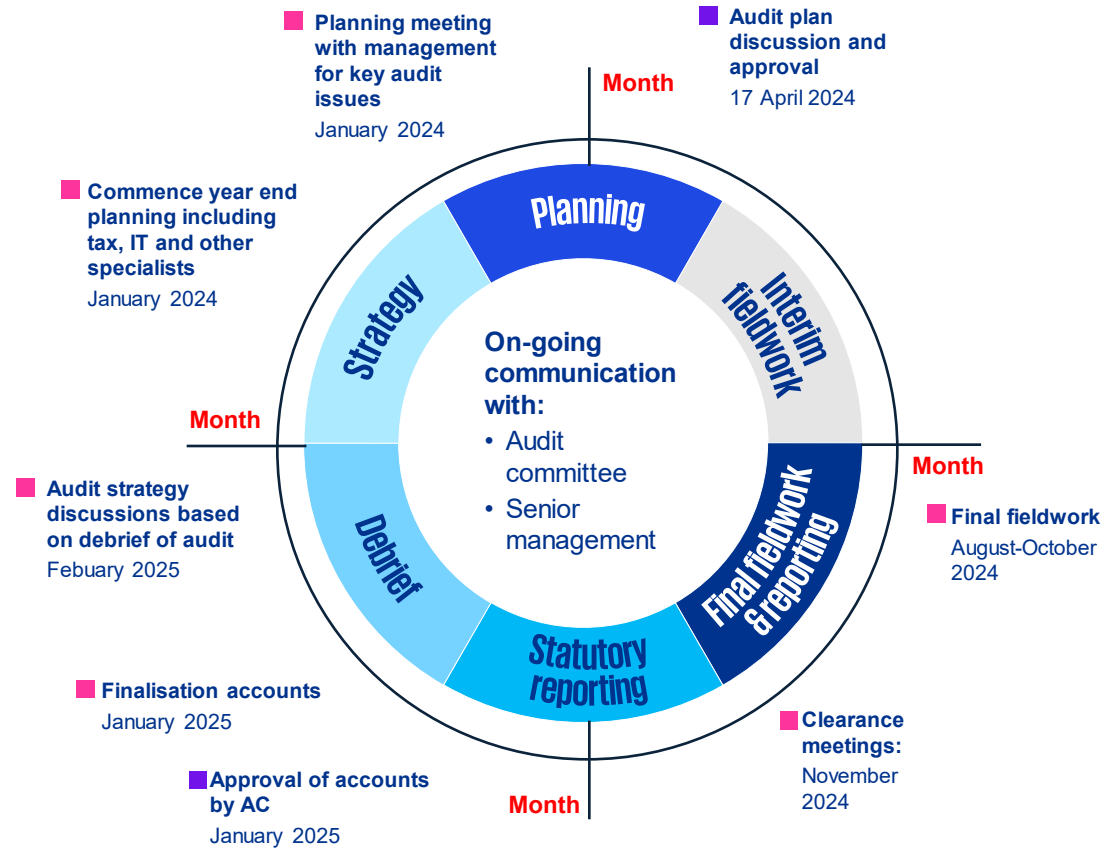
## Our schedule Nov 2023 – Dec 2024

We have worked with management to generate our understanding of the processes and controls in place at the Council in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report by December 2024.

This being the first year of KPMG as auditor we have undertaken greater activities to understand the Council at the planning stage. This level of input may not be required in future years and may change our audit timings.

Given the large amount of consultation happening in regard to the scope and timing of local government this audit **schedule may be subject to change.**



**Key:**

- Timing of AC communications
- Key events

# Fees

## Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	2022/23 (£'000)
Statutory audit	164	46*
ISA315r	TBC	-
ISA240	TBC	-
<b>TOTAL</b>	<b>TBC</b>	<b>46</b>

\*fee charged by BDO - your predecessor auditor.

As per PSAA's Scale Fees Consultation, the fees do not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud. The fees also assume no significant risks are identified as part of the Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

## Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

## Basis of fee information

Our fees are subject to the following assumptions:

- The entity's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The entity's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

# Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

## To the Governance and Audit Committee members

### Assessment of our objectivity and independence as auditor of Braintree District Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

# Confirmation of Independence

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2023 £k	Value of Services Committed but not yet delivered £k
1	Housing benefit grant certification	Management Self review Self interest	<ul style="list-style-type: none"> <li>Standard language on non-assumption of management responsibilities is included in our engagement letter.</li> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed after the audit is completed and the work is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	-	TBC

# Confirmation of Independence (cont.)

## Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

### Fee ratio

The ratio of non-audit fees to audit fees for the year is to be confirmed. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	164
ISA 315r	TBC
ISA 240	TBC
Other Assurance Services	TBC
<b>Total Fees</b>	<b>TBC</b>

### Application of the FRC Ethical Standard 2019

We communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

### Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

### Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

**KPMG LLP**

# KPMG's Audit quality framework

**Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.**

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

## ■ Commitment to continuous improvement

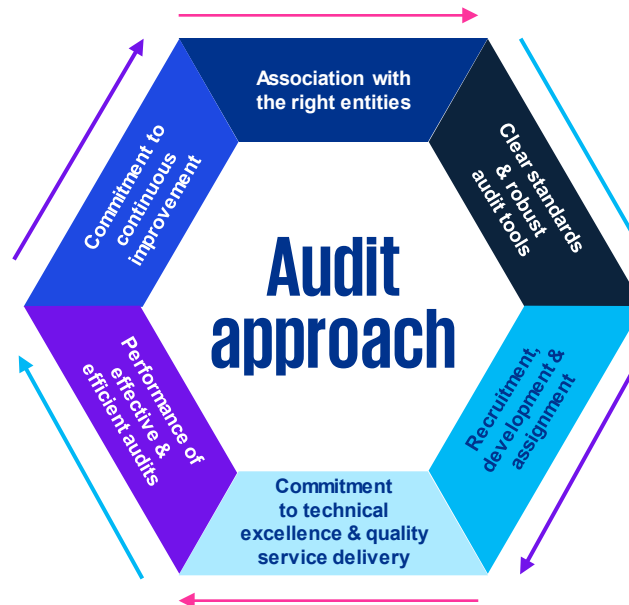
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

## ■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

## ■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



## ■ Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

## ■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

## ■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists

# ISA (UK) 315 Revised: Overview



## Summary

**In the prior period, ISA (UK) 315 Revised “Identifying and assessing the risks of material misstatement” was introduced and incorporated significant changes from the previous version of the ISA.**

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

### What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard’s scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

### Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity’s audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

### What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.



# ISA (UK) 240 Revised: changes embedded in our practices

## Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor's responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Area	Our approach following the revisions
<b>Risk assessment procedures and related activities</b>	<ol style="list-style-type: none"><li>1) Increased focus on applying professional scepticism – the key areas affected are:<ul style="list-style-type: none"><li>• the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence;</li><li>• remaining alert for indications of inauthenticity in documents and records, and</li><li>• investigating inconsistent or implausible responses to inquiries performed.</li></ul></li><li>2) Requirements to perform inquiries with individuals at the entity are expanded to include, amongst others, those who deal with allegations of fraud.</li><li>3) We will determine whether to involve technical specialists (including forensics) to aid in identifying and responding to risks of material misstatement due to fraud.</li></ol>
<b>Internal discussions and challenge</b>	We will have internal discussions among the audit team to identify and assess the risk of fraud in the audit, including determining the need for additional meetings to consider the findings from earlier stages of the audit and their impact on our assessment of the risk of fraud.

# FRC's areas of focus



The FRC released their [Annual Review of Corporate Reporting 2021/22](#) in October 2022, along with a [summary of key matters](#) for the coming year, primarily targeted at CEOs, CFOs and Audit Committee chairs. In addition, they released six thematic reviews during the year which should be considered when preparing financial reports.

The reports identify where the FRC believes companies should be improving their reporting. Below is a high level summary of the key topics. We encourage management and those charged with governance to read further on those areas which are significant to the entity.



## Reporting in uncertain times

Last year's Annual Review of Corporate Reporting from the FRC was prepared in the context of the current heightened economic and geopolitical uncertainty. The challenges of the Covid-19 pandemic, Russia's invasion of Ukraine and slowing of global economies has led to inflationary pressure worldwide and rising interest rates.

This makes meaningful disclosure more important than ever, and the FRC has stressed the need for companies to move beyond simply complying with the minimum requirements of the relevant accounting and reporting frameworks. They expect companies to provide high-quality, decision-useful information for investors, with companies continually assessing evolving risks and ensuring these are clearly explained in annual reports.

The potential effects of uncertainty on recognition, measurement and disclosure are numerous, and companies will need to think carefully about the impacts of uncertainty, in particular inflation, on their reporting. The Annual Review gives a number of examples including:

**Strategic report:** the impact of inflation on the business model, changes to principal risks and uncertainties, and the impact of inflation on stakeholders.

**Discount rates:** inputs need to follow a consistent approach in incorporating the effects of inflation.

**Material assumptions:** where inflation assumptions represent a source of significant estimation uncertainty, the FRC expects companies to provide explanation of how these have been calculated and sensitivity disclosures if appropriate.

**Pension schemes:** explain the effect of uncertainty on investment strategy and associated risks.



## Climate-related reporting

Climate-related reporting has advanced significantly this year as premium listed entities are required by the Listing Rules to provide disclosures consistent with the Taskforce on Climate-Related Disclosures (TCFD) recommendations. This follows the expansion of the Streamlined Energy and Carbon Reporting (SECR) rules last year, which require quoted companies and large unquoted companies and LLPs to provide emissions reporting.

Climate has therefore been an area of ongoing focus for the FRC, with a thematic reviews in both 2021 and 2022 on aspects of climate reporting. From reviews of TCFD disclosures in the year, the FRC has highlighted five areas of improvement for companies to consider going forwards:

**Granularity and specificity:** disclosures should be granular and specific both to the company and the individual disclosure requirement, including a clear link to financial planning.

**Balance:** discussion of climate-related risks and opportunities should be balanced, and companies should consider any technological dependencies.

**Interlinkage with other narrative disclosures:** companies should ensure clear links between TCFD disclosures with other narrative disclosures in the annual report.

**Materiality:** companies should clearly articulate how they have considered materiality in the context of their TCFD disclosures.

**Connectivity between TCFD and financial statements disclosures:** the FRC may challenge those that disclose significant climate risks or net zero transition plans in narrative reporting, but do not explain how this is taken into account in the financial statements.

# FRC's areas of focus (cont.)

## Cashflow statements

This continues to be a particular area of concern as it is a recurring source of errors identified by the FRC, with 15 companies restating their cash flow statements in the review period as a result of the FRC's enquiries.

Companies are encouraged to consider the guidance in the 2020 thematic review on this topic, and to ensure that robust pre-issuance reviews of the financial statements have been undertaken.

Cash flows must be classified as operating, investing or reporting in line with the requirements of the standard, and amounts reported should be consistent with disclosures elsewhere in the report and accounts including the elimination of non-cash transactions.

Several errors identified by the FRC related to the parent company cash flow statement, and it should be ensured that this statement also complies with the requirements of the standard.

## Financial Instruments

Companies should ensure that disclosure is sufficient to enable users to evaluate the nature and extent of risks arising from financial instruments and the approach taken to risk management.

These disclosures should include the approach and assumptions used in the measurement of expected credit losses, and details of concentrations of risk. In times of economic uncertainty, disclosure of methods used to measure exposure to risks, and details of hedging arrangements put in place for interest rates or inflation are all the more important.

In addition, accounting policies should be provided for all material financing and hedging arrangements and any changes in these arrangements. Where companies have banking covenants, information about these should be provided (unless the likelihood of a breach is considered remote).

## Income taxes

Where material deferred tax assets are recognised by historically loss-making entities, disclosures should explain the nature of the evidence supporting their recognition. In addition, any connected significant accounting judgements or sources of estimation uncertainty will also need to be disclosed.

On tax more generally, the FRC expects companies to ensure that tax-related disclosures are consistent throughout the annual report and accounts, and material reconciling items in the effective tax rate reconciliation are adequately explained.

For groups operating in several jurisdictions, effective tax reconciliations may be more meaningful if they aggregate reconciliations prepared using the domestic rate in each individual jurisdiction, with a weighted average tax rate applied to accounting profit.

## Strategic report and other Companies Act 2006 matters

The strategic report needs to articulate the effects of economic and other risks facing companies, including inflation, rising interest rates, supply chain issues and labour relations. Mitigation strategies should be explained, with links, where relevant, to information disclosed elsewhere in the annual report.

Business reviews should discuss significant movements in the balance sheet and cash flow statement, and should not be limited to just an explanation of financial performance in the period.

The FRC has also identified instances of companies not complying with legal requirements around distributions, and companies are reminded of the need to file interim accounts to support distributions in excess of the distributable profits shown in the relevant accounts.

## Revenue

Accounting policies should be provided for all significant performance obligations and should address the timing of revenue recognition, the basis for over-time recognition, and the methodology applied.

Inflationary features in contracts with customers and suppliers and the accounting for such clauses are under increased focus this year.

## Alternative performance measures ('APMs')

APMs should not be presented with more prominence, emphasis or authority than measures stemming directly from the financial statements, and should be reconciled to the relevant financial statements line item.

# FRC's areas of focus (cont.)

## Provisions and contingencies

Companies should give clear and specific descriptions of the nature and uncertainties for material provisions or contingent liabilities, the expected timeframe and the basis for estimating the probable or possible outflow.

Inputs used in measuring provisions should be consistent in the approach to incorporating the effects of inflation, and details of related assumptions should be provided if material.

## Presentation of financial statements and related disclosures

Material accounting policy information should be clearly disclosed, and additional company-specific disclosures should be provided when compliance with IFRS requirements is insufficient to adequately explain transactions.

## Judgements and estimates

Economic uncertainty increases the likelihood of companies needing to make significant judgements when preparing financial statements. The FRC highlights two specific examples – going concern assessments and accounting for inflationary features in contracts – where disclosure is key.

More generally, the FRC highlights the need for disclosures to clearly distinguish between estimates with a significant risk of a material adjustment to the carrying amounts of assets/liabilities within the next year, and other sources of estimation uncertainty.

Significant estimates, and the associated disclosures should be updated at the balance sheet date. Sensitivity disclosures should be meaningful for readers, for example by sensitising the most relevant assumptions, and explaining any changes in assumption since the previous year.

## Impairment of assets

Economic uncertainty may have a significant impact on impairment assessments, and this is an area where queries raised from the FRC could have been avoided by clearer disclosure.

Companies need to explain the sensitivity of recoverable amounts to changes in assumptions, especially where the range of possible outcomes has widened. This should include explanation of the effect of economic assumptions, such as reduction in customer demand and increased cost.

Inflation should be treated consistently in value in use calculations. Nominal cash flows are discounted at a nominal rate, and real cash flows are discounted at a real rate.

Lastly, the FRC stresses the importance of consistency between impairment reviews/disclosures and other disclosures in the annual report.

## Thematic reviews

The FRC released six thematic reviews on corporate reporting last year, and companies are encouraged to consider the guidance in those reviews, where relevant, to enhance their financial reporting. The topics covered are:

- [TCFD disclosures and climate in the financial statements](#)
- [Judgements and estimates](#)
- [IFRS 3 Business Combinations](#)
- [Discount rates](#)
- [Deferred Tax Assets \(IAS 12\)](#)
- [Earnings per Share \(IAS 33\)](#)

## 2022/23 review priorities

The FRC has indicated that its 2022/23 reviews will focus on the extent to which companies' disclosures address risks and uncertainty in the challenging economic environment, including those relating to climate change. Companies need to clearly articulate the impact of these risks on their strategy, business model and viability. In particular, the FRC intends to prioritise reviews of companies operating in the following sectors:

 Travel, hospitality and leisure

 Construction materials

 Retail

 Gas, water and multi-utilities



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**Agenda Item:**

<b>Report Title:</b> Strategic Risk Register	
<b>Report to:</b> Governance and Audit Committee	
<b>Date:</b> 17 <sup>th</sup> April 2024	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Phil Myers, Head of Finance	
<b>Enquiries to:</b> Phil Myers, Head of Finance <a href="mailto:phil.myers@braintree.gov.uk">phil.myers@braintree.gov.uk</a>	

**1. Purpose of the Report**

- 1.1 The report provides detail of the review and updating of the Council's Strategic Risk Register as agreed by Cabinet at its meeting on 4<sup>th</sup> March 2024.

**2. Recommendations**

- 2.1 Members are asked to note and endorse the Strategic Risk Register.

**3. Summary of Issues**

- 3.1 The Strategic Risk Register details the risks which have potential to impact on the delivery of the Corporate Strategy over the medium term.

- 3.2 The Register forms one part of the Council's overall approach to risk management. Other facets include:

- Processes for identifying and recording operational risks
- Risk registers for major projects
- Business continuity planning; and
- Emergency planning.

- 3.3 The Register was reviewed and updated by Senior Managers and Management Board and approved by Cabinet on 4<sup>th</sup> March 2024 in line with the aim of formally reviewing the Register at least twice a year.

- 3.4 Risks have been reviewed in accordance with the Risk Management Policy and Strategy, which this Committee considered at its meeting on 24<sup>th</sup> August 2023 ahead of it being approved by the Cabinet on 25<sup>th</sup> September 2023.

- 3.5 Each risk is assessed initially at the Inherent (uncontrolled) state and then reassessed taking into account the controls that have been put in place, giving a Residual Risk score. Nine of the eleven previously identified risks remain above the Risk Tolerance Line with no change to the Residual Risk

score (see Appendix 1) and therefore require active risk management. The Register identifies current controls and additional actions to mitigate risks.

- 3.6 A new risk relating to Landscape Services has been added to the Strategic Risk Register. The escalation of this risk from the service Operational Risk Register reflects an increase in tree related risks combined with a limited capacity to manage those risks, with potential impacts on both residents and the Council. This risk is also above the Risk Tolerance line and requires active management.
- 3.7 The updated Strategic Risk Register is attached at Appendix A.
- 3.8 A Member Development evening covering Risk Management is scheduled to be held on 8<sup>th</sup> May 2024, to provide an overview to Members on the Council's framework for managing risk and to give opportunity for Members to discuss and raise questions with respective Risk Owners.
- 3.9 By demonstrating that the Council has robust arrangements in place to manage and monitor its strategic risks, the recommendations set out in this report will help the Council to deliver the following Corporate Objectives:
- A high performing organisation that delivers excellent and value for money services (2020 to 2024);
  - Fit for the Future: financial sustainability (2024 to 2028); and
  - Effective risk management generally supports delivery of all Council priorities.

#### **4. Options**

- 4.1 The report invites Members of the Governance and Audit Committee to review the updated Strategic Risk Register as approved by the Cabinet. The Committee may suggest amendments or wish to seek further clarification on specific risks.

#### **5. Financial Implications**

- 5.1 There are no new financial implications arising from this report.

#### **6. Legal Implications**

- 6.1 There are no new legal implications arising from this report.

#### **7. Equality and Diversity Implications**

- 7.1 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.

7.2 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).

7.3 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.

## **8. List of Appendices**

8.1 Appendix 1 – Strategic Risk Register.

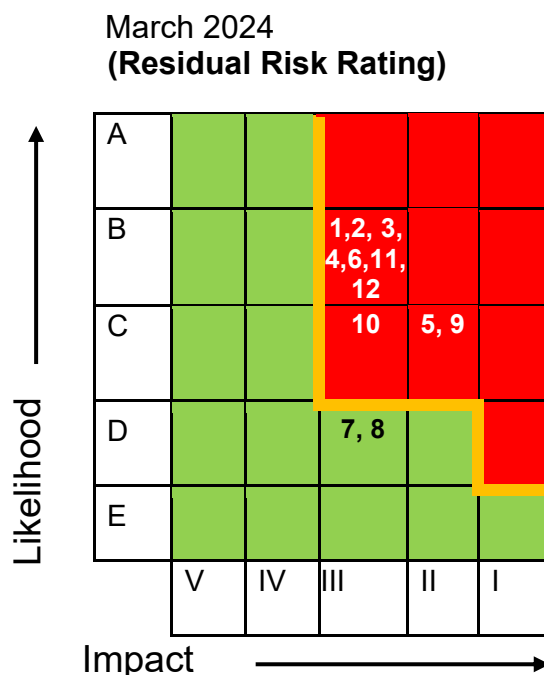
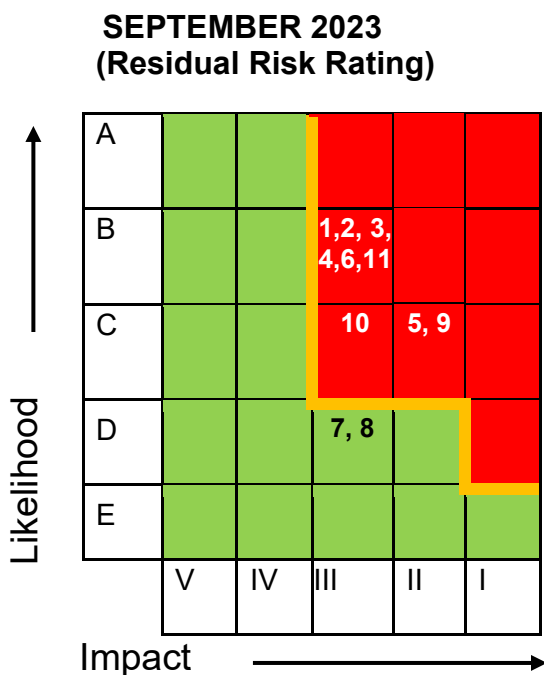
## **9. Background Papers**

9.1 Strategic Risk Register approved by Cabinet in March 2024 – [Agenda item 12 of meeting held on 4th March 2024](#)



STRATEGIC RISK PROFILE

(Last reviewed by Members via Cabinet March 2024)



<b>Likelihood:</b> A – Very High B – High C – Significant D – Low E – Almost impossible	<b>Impact:</b> I – Catastrophic II – Critical III - Significant IV – Marginal V – Negligible
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- Risk 1: Medium Term Financial Strategy
- Risk 2: Economic Development
- Risk 3: Planning
- Risk 4: Community Resilience
- Risk 5: Service and project Delivery
- Risk 6: Affordable Housing & Homelessness
- Risk 7: Return on Investments
- Risk 8: Emergency Planning
- Risk 9: Information Management & Cyber Security
- Risk 10: Major Capital Programme (*formerly Strategic Investment*)
- Risk 11: Climate Change
- Risk 12: Landscape Services (*new Jan 2024*)

RISK APPETITE	DESCRIPTION
<b>Averse</b>	Avoiding risk is key objective – activities undertaken will be only those considered to carry virtually no inherent risk
<b>Cautious</b>	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
<b>Innovative</b>	Innovative, options with greater uncertainty. Potential benefit may be higher, but activity carries high residual risk

**Risk 1. Medium term Financial Strategy & Financial Resilience**

The Council is unable to set a balanced budget without impacting significantly on service delivery and performance and have a deliverable financial strategy over the medium term.

**Risk Owner:** Corporate Director (SB) **Cabinet Member Owner:** Cllr Kevin Bowers

**Corporate Priorities:** A balanced budget is essential to enable delivery of **all priorities**

RISK SCORE	Likelihood	Impact	Risk Score	Risk Appetite
Inherent Risk Rating	Very High	Critical		Cautious
Residual Risk Rating	High	Significant		
<b>Direction of Travel</b>				
<b>Risk Cause(s)</b>			<b>Risk Consequence(s)</b>	
<p>Significant short/ medium term impact of pay and price inflation and a higher interest rate environment. Global supply chain impacted by the ongoing war in Ukraine and the conflict in the Middle East. Geo-political and economic outlook remains volatile.</p> <p>Cost of living crisis and risk of economic downturn impact on the finances of residents and businesses.</p> <p>The absence of a multi-year finance settlement with central government and allocation of one-off grants makes future financial planning very difficult and without much degree of certainty over grants and retained business rates. Whilst government have recently signalled a move to simplify funding streams there are still several programmes that are subject to bidding rounds. Late grant allocations with conditions containing 'hard' deadlines risks not being able to maximise use of funding where reliant on third parties.</p> <p>Future reforms of Local Government Finance system and potential impact on medium-longer term finances.</p> <p>Autum Statement 2023, set out a future outlook for public sector finances that raises the risk over future funding cuts to non-priority/ un-protected departments which cascades through to local authorities and particularly those authorities not responsible for adult and children services.</p> <p>Changes in demand for property and/ or ability of tenants to meet lease obligations.</p> <p>Funding arrangements with third parties &amp; partners who are experiencing their own financial pressures with the risk to either changes or withdrawal of their level of contributions or an inability to meet contractual obligations.</p> <p>Future capital receipts are subject to demand or decisions on planning or other triggers exercised by third parties.</p> <p>Legislative changes e.g., Waste reforms and planning reforms</p>			<ul style="list-style-type: none"> <li>- Income falls across multiple streams leading to shortfall in budget and ability to fund ongoing services.</li> <li>- Collection rates for Council Tax and Business Rates impacted. Income from business rate effected by rating appeals.</li> <li>- Increased credit loss risk due to non-collection of debt.</li> <li>- Assumptions made in the Medium-Term Financial Strategy (MTFS) are found to be incorrect. Pay and other expenditure increases above levels provided in budgets leading to overspends and/ or unplanned cuts in services or use of balances.</li> <li>- Reduction in government funding and a reset to business rate retention reducing income gains from accumulated growth.</li> <li>- Restricted ability to invest for the long-term through capital to either maintain asset base or meet the Councils priorities and aspirations.</li> <li>- Unplanned increase in borrowing impacting adversely on the revenue account through higher financing charges.</li> <li>- Need to instigate recovery plans at short notice leading to unplanned savings and impact on services.</li> </ul>	

<p>Audit of prior year accounts have been delayed meaning that assurance has not been confirmed by the external auditor on the 2019/20, 2020/21, 2021/22 and 2022/23 accounts.</p> <p>Plans to address financial shortfall over the medium-term do not deliver the savings or additional income required or at the pace required.</p>	<ul style="list-style-type: none"> <li>- Changes to usable resources that have been taken into account for financial planning &amp; budget due to changes required post-audit.</li> <li>- Unplanned use of reserves &amp; balances impacting on resilience &amp; ability to invest reserves as intended.</li> <li>- Unable to set balanced budget – Section 151 Officer must issue S114 Notice. Potential trigger for government intervention.</li> </ul>
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**Current Controls:**

- Annual rolling review of MTFS updating the current and 3-year horizon. Assumptions are kept under review and sensitivity analysis of key variables.
- Annual review and in-year monitoring of reserves.
- In-year budget monitoring and forecasting at regular intervals reported to Management Board and the Cabinet. Review includes progress against achieving savings reflected in budget.
- The Authority has demonstrated in the past that Corporate Management & Members will implement corrective recovery action when necessary to ensure spending is brought into line with Budget.
- Minimum balances level increased to £3m as part of the 2023/24 budget process. Current balances exceed this level.
- Earmarked reserves set aside in addition to general balances to help mitigate risks from fluctuations in income from business rates, recycling material, and treasury management, and service delivery.
- A developing strategy on meeting the projected funding shortfall estimated in the MTFS over the medium-term through the 'Fit for the Future' transformation programme and the Investment & Development Programme (IDP).
- Monitoring financial viability of key contract partners and commercial property tenants.
- Monitoring of the disposal of assets and other capital receipts against planned timescale for receipt of sale proceeds.
- New Homes Bonus and gain share from Business Rate Pooling are currently not being used to support base budget, but instead investment.
- Development of capital plans in accordance with the Capital Strategy with full financial appraisal and revenue implications. Oversight through a Capital Programme Board.
- Horizon scanning of government announcements concerning Local Government Finance and participate in any consultations

**EFFECTIVENESS OF CONTROLS:** Completely effective

**Additional Actions Required**

- Corporate Director & Section 151 Officer**
- Work with other Essex authorities and Local Government representative bodies to lobby Central Government for resources and greater certainty for financial planning.
  - 
  - Develop strategy to deal with potential for DLUHC not continuing with statutory regulations mitigating accounting requirement for long-term pooled fund investments.
  - Develop & embed transformation agenda across the Authority linked to achievable targets for savings/ additional income
  - Agree new Reserves Policy

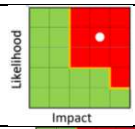
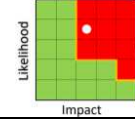

**Risk 2. Economic Growth**

International socio/political and economic disruption continues to impact on the UK national economy, caused by particular situations of inter and intra-national conflict and crisis that are impacting on world financial markets and supply chains. The national UK economic landscape itself remains unpredictable with a weak economy suffering from low growth and high inflation at a time when the economy continues to recover from the recent impacts of the Covid pandemic and the UK's exit from the EU. All of the above factors will continue to impact on the Braintree District economy, potentially impacting on the competitiveness and viability of some businesses, with downstream impacts on the employment of residents and their quality of life.

**Risk Owner:** Corporate Director (DC)

**Cabinet Member Owner:** Cllr Frankie Ricci

**Link to Corporate Priorities:** Connecting People and Places / Promoting Prosperity

RISK SCORE		Likelihood	Impact	Risk Score	Risk Appetite
<b>Inherent Risk Rating</b>	High		<b>Critical</b>		<b>Cautious</b>
<b>Residual Risk Rating</b>	High		<b>Significant</b>		
<b>Direction of Travel</b>				:	
<b>Risk Cause(s)</b>			<b>Risk Consequence(s)</b>		
<p>Slow growth in the national economy and the risk of recession                      Inflation rises on the cost of materials and staffing.                      Energy cost rises which have increased businesses operating costs and impacted on profitability.                      Lack of workforce available with the right skills.</p>			<ul style="list-style-type: none"> <li>- If the growth of the District economy is reduced then this could lead to job losses, company closures and a reduction in the standard of living for residents of the District as well as loss of livelihoods for business owners.</li> <li>- Business rates collection less than anticipated.</li> </ul>		
<b>Current Controls:</b>					
<p>The Economic Growth Strategy 2023 was agreed in March 2023 with an action plan of projects which are currently being delivered.</p> <p>The Council is the host of the North Essex Economic Board (NEEB), a partnership of 9 local authorities working together to deliver economic growth support to businesses and residents.</p> <p>A NEEB strategy has been approved in 2023 and an action plan has been agreed.</p> <p>BDC are delivering a business support programme funded by the Shared Prosperity Fund (SPF) within the District in 2023 and 2024 delivering support for sole traders, green skills and digital skills.</p> <p>BDC are also working with partners through NEEB to deliver a coordinated business support programme across North Essex also funded via the SPF.</p> <p>Braintree business newsletter with over 3000 subscribers and closed Facebook page for businesses to network and share opportunities and best practice. Economic Growth team are delivering business networking events every quarter to broker and signpost support and advice.</p> <p>BDC has launched a grant funding round of the Rural England Prosperity Fund (REPF) to support businesses in rural areas of the district offering grants of £50,000.</p> <p>Strong working relationships exist with skills providers, Department for Works and Pensions (DWP), Federation of Small Businesses (FSB) and other stakeholders working to support business and skills development.</p>					
<b>EFFECTIVENESS OF CONTROLS: Completely effective (as far as BDC influence can go)</b>					
<b>Additional Actions Required</b>					
<b>Corporate Director (DC)</b>					
<ul style="list-style-type: none"> <li>- Develop the Locate Braintree District brand and website and promote inward investment marketing campaigns to attract businesses to locate and grow in Braintree District (alongside relevant partners).</li> <li>- Deliver the actions as set out in the BDC Economic Strategy Action Plan.</li> <li>- Deliver the actions as set out in the NEEB strategy action plan.</li> <li>- Work with North Essex partners to find new opportunities to coordinate economic growth support activity.</li> </ul>					

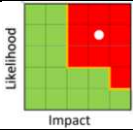
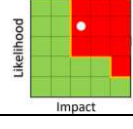
**Risk 3. Planning**

The government continues to suggest and legislate changes to the planning system, in support of delivering a national increase in housing supply. All changes have the potential to impact on the expectations, delivery methods and budgets of the Councils planning service.

**Risk Owner:** Corporate Director (DC)

**Cabinet Member Owner:** Cllr Spray

**Link to Corporate Priorities:** Connecting People and Places / Promoting Prosperity

RISK SCORE	Likelihood	Impact	Risk Score	Risk Appetite
<b>Inherent Risk Rating</b>	<b>High</b>	<b>Critical</b>		<b>Cautious</b>
<b>Residual Risk Rating</b>	<b>High</b>	<b>Significant</b>		

**Direction of Travel**



**Risk Cause(s)**

The government has made and continues to make changes to the planning system. Before changes are made this leads to uncertainty in the system and difficulty in making decisions. When changes are made, they are often made immediately with no time to plan for implementation.

The Government has announced (December 2023) it intends to make several changes to the current planning system, including:

- Made a multitude of changes to the National Planning Policy Framework.
- Consult on removing the use of Extensions of Time (EoT's) for minor developments and make them exceptional for major developments. If the proposals are confirmed this will severely impact on how the planning team deal with applications and the ability for consultations and negotiations.
- The planning guarantee timescales (the time within which a planning application should be determined) are expected to be reduced, which could mean more applicants asking for refunds if and when decisions have not been issued within certain time limits.
- The government is introducing mandatory Biodiversity Net Gain (BNG) stipulations for major developments in January 2024 and minor developments in April 2024. This will require new skills and take significant resources to deliver.
- Natural England is requiring a full review of the Essex RAMs (Essex Coast Recreational Disturbance Avoidance and Mitigation) Strategy which could significantly increase the amount charged per home or could prevent development altogether.

**Risk Consequence(s)**

That Local Plan making, or decision making is delayed or unsettled by potential future changes to the Planning system.

More applications may be refused if EoT's are no longer allowed with the consequence of more planning appeals being made against council determinations, which may require the Council to spend more money defending its decisions at appeals.

Some planning applications are likely to be of a poorer quality if negotiation time (i.e. EoT's) is removed.

Cost implications of having to refund more planning application fees due to the loss of the planning guarantee.

Not being able to properly implement BNG due to lack of staff expertise or resources.

Charges for RAMs could make development unviable thus impacting on housing delivery numbers.

Natural England could put a block on new development if it believes the impact on protected sites is too great.

**Current Controls:**

**EFFECTIVENESS OF CONTROLS:** Completely effective (as far as BDC influence can go)

## **Additional Actions Required**

### **Corporate Director (DC)**

Continue to lobby government on making sure changes to the planning system deliver what is required. Liaise with groups including PAS (Planning Advisory Service), EPOA (Essex Planning Officers Association), EELGA to lobby for appropriate changes to the system and more resources.

Officers reviewing national changes and implementing required changes to processes and service as appropriate quickly and effectively, including anticipating potential impacts and acting proactively. This includes potential changes of removal of EoT's for most applications.

RAMs working group working with EPOA and Natural England to revise the RAMs evidence base and strategy.

Working across Essex to provide BNG training and have appointed an officer to work on behalf of all authorities to share knowledge and best practice.

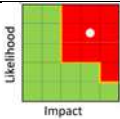
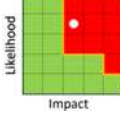
Strong monitoring and management of planning applications to ensure decisions are made and the planning guarantee refund period is not met.

**Risk 4 Community Resilience**

Food and child poverty, health inequalities, lack of skills and lower paid employment exacerbated by cost-of-living crisis and welfare changes mean the Community may not have resilience, leading to increased demand for Council and other Public Sector services.

**Risk Owner:** Corporate Director (CR)      **Cabinet Member Owner:** Cllr Mary Cunningham

**Corporate Priorities:** Supporting our Communities

RISK SCORE	Likelihood	Impact	Risk Score	Risk Appetite
<b>Inherent Risk Rating</b>	High	Critical		<b>Cautious</b>
<b>Residual Risk Rating</b>	High	Significant		

**Direction of Travel**



**Risk Cause(s)**

Cost of living increases are affecting residents' ability to live financially sustainably without support. The number of residents has increased and the impact on those residents has also increased.

Employment levels are high, but average pay for those who live and work in the district is lower than other areas of Essex.

There is a significant difference in life expectancy and health outcomes for the most and least deprived wards in the district.

People may not take opportunities to live an active lifestyle and will be more susceptible to physical and mental health issues as a result.

There is a growing population of older people in the district who may require increased support.

Charities have been affected financially since the pandemic and are less able to access previous income streams. There are not enough volunteers to enable them to continue in the role that they have been in supporting communities previously. The lack of volunteers is also impacting on the availability of community transport.

The rural nature of the district makes it more difficult for some of our residents to access services.

Some residents have concerns about community safety and crime rates in their area. Community Safety remains a key priority for residents.

**Risk Consequence(s)**

- Demand for services from the Council and other public sector organisations increases which exceed capacity.
- Increased health inequalities.
- Increase in number of households in fuel and food poverty and increase in number of children in poverty.
- People feel more socially isolated and lonely.
- People have an increased risk of suffering from physical or mental health issues.
- Charities are less able to support communities and there are less volunteers.
- Requests for Discretionary Housing Payments and/or Exceptional Hardship Fund payments exceed resources allocated.

**Current Controls:**

Supporting residents to be healthy and live well working with a range of partners through the Livewell Boards and the Health and Wellbeing Panel.

A Cost-of-Living Partnership group has been created to respond to emerging issues. Braintree District Council is investing £1 million over two years to support residents with issues around cost of living.

Work with Braintree, Halstead, and Witham Citizens Advice (CA); Eastlight Community Housing; and DWP to assist those affected by income and welfare changes. We have a Community Employment Support Officer who is working to support those with barriers to employment. Funded by DWP but embedded in BDC to ensure support can be given to those who most need it.

Key partnerships exist across public sector and the community and voluntary sector to support community and population issues, including:

- Community Safety Partnership
- Health and Wellbeing Board
- Local Cultural Education Partnership

BDC's Councillors' Community Grant Fund Programme continues in 23/24. BDC Grant Funding continues to be provided to Community360 to help support the voluntary sector and also the CA to provide advice.

The Braintree District and Eastlight Community Fund provides grants totalling approx. £100,000 annually to projects that help improve health and well-being, increase aspirations and opportunities, or develop skills through training.

Our Health and Wellbeing Board continues to deliver a range of projects to support people to LiveWell across the district, tackling priority areas of health. There are specific sub-groups to deal with key issues, including:

- Mental Health Forum
- Dementia Action Alliance
- Social Isolation and Loneliness Forum
- Active Braintree Network
- Holiday Hunger & School Holiday activities

Our Community Safety Partnership delivers an annual plan to respond to current and emerging priorities in order to reduce crime and disorder.

The Council is in the second year of our levelling up programme, part funded by the Shared Prosperity Fund and Rural England Prosperity Fund.

#### **EFFECTIVENESS OF CONTROLS: partially effective**

##### **Additional Actions Required**

Ensure continued work with the Health and Wellbeing Panel and other partners to identify and respond to community needs.

Continue to provide regular updates on activity to support residents through cost-of-living issues.

Regular reviews of the impact the welfare changes are having on those affected by reforms and work with key partners.

Support Community 360 to provide assistance to charities and community groups across the district.

The Council is working with key partners to respond to the levelling up white paper and key missions. This will seek to tackle a number of highlighted vulnerabilities and triggers identified in the community resilience risk.

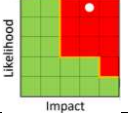
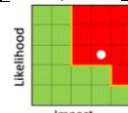



**Risk 5: Service and Project Delivery**

The organisation is unable to deliver services or projects either due to unavailability of staff or inability to fill key roles or lack of access to digital/traditional infrastructure

**Risk Owner:** Corporate Director (SB)      **Cabinet Member Owner:** Cllr Kevin Bowers

**Corporate Priorities:** Delivering and Innovating

RISK SCORE	Likelihood	Impact	Risk Score	Risk Appetite
<b>Inherent Risk Rating</b>	<b>Very High</b>	<b>Critical</b>		<b>Cautious</b>
<b>Residual Risk Rating</b>	<b>Significant</b>	<b>Critical</b>		
<b>Direction of Travel</b>				
<b>Risk Cause(s)</b>			<b>Risk Consequence(s)</b>	
<ul style="list-style-type: none"> <li>- Access to key technological systems is either limited or removed through systems failures, cyber-attacks, provider failures, failure of digital infrastructure or similar</li> <li>- Staff are unable to access key delivery locations or to provide services due to restricted or denied access to traditional infrastructure such as buildings, roads, public transport or electrical, energy and fuel supplies</li> <li>- Key operational assets are unavailable either through failures in procurement, crime or other events that restricts or denies organisation the ability to deliver services</li> <li>- Significant numbers of staff or key individuals are unable to work due to widespread sickness as a result of a pandemic</li> <li>- Inability to recruit to roles due to highly competitive labour market and decreased offer and desirability of the sector</li> <li>- Failure of third parties such as providers, suppliers or partners, to deliver current services/products or at current service levels or at budgeted prices</li> <li>- Failure to meet regulatory or legislative requirements resulting in an incident requiring response</li> <li>- Major incident occurs requiring a significant amount of BDC resource to make a response</li> <li>- Corporate and additional projects resourcing requirements conflict with the delivery of BAU</li> <li>- Industrial action restricts availability of significant numbers, key individuals impacting on service delivery</li> </ul>			<ul style="list-style-type: none"> <li>- Services delivery is reduced or halted for a period of time that begins to have a significant impact on safety or wellbeing of citizens or employees</li> <li>- Service delivery is reduced or halted for a period of time that begins to have a significant impact on the quality of life in the district</li> <li>- Service delivery is reduced or halted for a period of time that begins to have a significant impact on the reputation of the organisation</li> <li>- Projects are unable to be delivered or suffer from material or significant delay, therefore delaying delivery of outputs and outcomes and potentially increasing costs</li> <li>- Supply chain issues increase costs of projects making them unviable or reducing the cost/benefit ratio</li> <li>- Statutory or regulatory requirements are not delivered resulting in punitive action by regulators</li> <li>- Organisational priorities are not delivered</li> <li>- Sickness levels increase and morale decreases</li> </ul>	
<b>Current Controls:</b>				
<ul style="list-style-type: none"> <li>- People strategy and workforce development plans</li> <li>- Workforce planning and succession planning included in business plans</li> <li>- Flexible approach to recruitment, including the provision of market supplements when and where appropriate</li> <li>- Support arrangements including mental health first aiders, employee assistance programme and wellness at work programme in place</li> <li>- Sickness management process in place and managers supported by HR</li> <li>- Employee benefit scheme in place including childcare vouchers, reward scheme etc.</li> <li>- Cyber security measures in place including training of users</li> <li>- Regular server and workstation upgrades and ensuring latest version of software is used</li> <li>- Disaster recovery plan, including emergency generator, independent resilient network, alternative accommodation identification</li> </ul>				

- Business continuity plans in place, tested through planned exercise
- Mandatory training in place to ensure all staff understand regulatory and statutory requirements
- Transformation Reserve in place to support resources required to delivery transformation
- Planning for potential different service delivery models for key contracts
- Effective learning and development opportunities to support and train existing staff into technical roles

**EFFECTIVENESS OF CONTROLS:** Completely effective

#### **Additional Actions Required**

##### **Corporate Director (SB)**

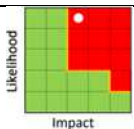
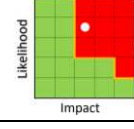

- Development and delivery of Transformation Programme. Shared Service element has a key outcome of improved staffing resilience so will play key role in addressing this risk. Other elements of Transformation programme should also be designed to address this risk
- Development of Transformation Programme to include a comprehensive resource plan including requirements for backfill and third-party support
- Further consideration of potential short-term impacts of climate change on service and project delivery and what adaptations are needed to address

**Risk 6: Affordable Housing & Homelessness**

The Council is unable to balance the demand for accommodation with the supply, so that increasing numbers of households require homelessness assistance

**Risk Owner:** Corporate Director (CR) **Cabinet Member Owner:** Cllr Lynette Bowers-Flint

**Corporate Priorities:** Connecting People and Places / Supporting Our Communities

RISK SCORE	Likelihood	Impact	Risk Score	Risk Appetite
<b>Inherent Risk Rating</b>	<b>Very High</b>	<b>Significant</b>		<b>Cautious</b>
<b>Residual Risk Rating</b>	<b>High</b>	<b>Significant</b>		
<b>Direction of Travel</b>				
<b>Risk Cause(s)</b>			<b>Risk Consequence(s)</b>	
<p><u>Local / UK Domestic Factors:</u></p> <ul style="list-style-type: none"> <li>- Mortgage rate rises: increase in number of repossessions and buy-to-let landlords raising rents to mitigate their increased costs.</li> <li>- Impact of the increase in cost of living: households, particularly in the Private Rented Sector (PRS) experiencing affordability issues</li> <li>- Freeze in Local Housing Allowance Rates: increasing the gap between actual rent and the benefit support available.</li> <li>- Reduced PRS availability and resulting increased market competition: reduced opportunity to relieve homelessness through offer of accommodation in PRS market.</li> <li>- Renters (Reform) Bill: PRS Landlords exiting the market.</li> <li>- Increase in 'County Line' and other gang-related activity</li> <li>- Increased competition for hotels: households placed further afield.</li> <li>- Continued impact of the pandemic: increase in number of people presenting with mental health needs.</li> <li>- Delayed delivery of final stage of Rough Sleeper pathway: Residents of first stage accommodation are unable to move on, therefore the accommodation does not become available for other individuals or residents are asked to vacate without suitable alternative accommodation, leading to potential return to rough sleeping.</li> </ul> <p><u>Assistance to Persons from Overseas:</u></p> <ul style="list-style-type: none"> <li>- Breakdown in arrangements for households in the District providing accommodation to Ukraine nationals</li> <li>- Potential pressure from resettlement of Afghan households from bridging hotels.</li> <li>- Potential for households to be larger in size, therefore more challenging to rehouse.</li> <li>- Potential additional pressure from the asylum dispersal programme</li> <li>- Potential additional pressure from the use of Wethersfield air base as an asylum centre: if asylum decisions issued whilst applicants are at Wethersfield, there is potential for BDC to receive applications for Housing Assistance. Where applications are from healthy single people with no priority need, it may lead to an increase in rough sleepers.</li> </ul>			<p><u>Increased demand for services and accommodation:</u></p> <ul style="list-style-type: none"> <li>- Increase in number of households, including priority households, threatened with homelessness, or awaiting social housing.</li> <li>- Increased time spent in temporary accommodation and, therefore, more units required</li> <li>- Potential increase in rough sleepers</li> </ul> <p><u>Impact on service costs and service provision:</u></p> <ul style="list-style-type: none"> <li>- Increase in agency / temporary staffing, and recruitment costs.</li> <li>- Increased demand for, and reduced ability to provide services and resulting increased pressure on staff.</li> <li>- Increase in numbers of customer enquiries and complaints.</li> <li>- Increased cost pressure on the Housing Benefits budget.</li> </ul>	

Changes to BDC Staffing and Responsibilities:

- Increased homelessness duties arising from the Domestic Abuse Act: increasing the number of priority need households waiting for social housing
- Staff retention: additional pressures in the sector causing staff to elect to change their career leading to increase in use of agency staff and associated costs, increased cost of recruitment, and more officer time spent liaising with agencies/interviewing/training. Gaps in service provision
- Staff recruitment: increased competition for staff within the sector leading to recruitment challenges
- Housing Assessment Team Manager role reduction of 2 days / week
- Capacity issues and lack of resilience during absences adds to pressure on remaining staff and increases likelihood that staff will leave

Partner Changes Impacting BDC Ability to Deliver:

- Staff turnover within Eastlight Community Homes: impacts on established working relationships and procedures

**Current Controls:**

- The Council has recruited to the following posts:
  - 2-year post to investigate empty homes and access to the Private Rented Sector
  - Health & Wellbeing post
  - Cost of Living post
  - Ukraine Resettlement Officer
- New Healthy Housing Strategy was adopted in 2023 – the focus on maximising the number of affordable homes brought on-stream, developing a private rented sector ‘offer’ and addressing the number of empty homes will all ensure that housing opportunities for residents are optimised.
- Registered Provider Forum established - Enables partners to discuss issues of concern and develop a consistent and appropriate response, e.g., to damp/mould/condensation
- Improvement achieved in the balance between inward and outward migration through Gateway to Homechoice.

**EFFECTIVENESS OF CONTROLS: Partially effective**

**Additional Actions Required**

**Corporate Director (CR)**

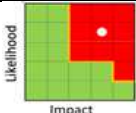
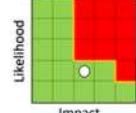

- The Council is planning to recruit an Assistant Housing Operations Manager (interviews 22/08/23)
- Housing Options Triage role (additional 2 days / week on 12-month contract whilst the permanent post holder is on a career break) – contract pending 07/23
- Housing Apprentice – contract pending 07/23
- The Homelessness & Rough Sleeping Strategy (2018-2023) is currently under review to develop an Action Plan with increased focus on homelessness prevention.
- Additional resources available via the Homelessness Prevention Grant top up of £194k (grant conditions apply) – research is currently being undertaken to determine how best to utilise these additional resources.
- Maximise use of available funding through Homes for Ukraine and Asylum Dispersal schemes

**Risk 7. Return on Investments**

The Council is not able to optimise its return on its financial or property investments or suffers financial loss.

**Risk Owner:** Corporate Director (SB) **Cabinet Member Owner:** Cllr Kevin Bowers

**Corporate Priority:** Delivering and Innovating

RISK SCORE	Likelihood	Impact	Risk Score	Risk Appetite
<b>Inherent Risk Rating</b>	High	Critical		Cautious
<b>Residual Risk Rating</b>	Low	Significant		
<b>Direction of Travel</b>				
<b>Risk Cause(s)</b>			<b>Risk Consequence(s)</b>	
<ul style="list-style-type: none"> <li>- Economic &amp; financial market conditions impacting on investment returns and market values.</li> <li>- Cost of living crisis and potential impact on commercial property tenants</li> <li>- Liquidity requirements of the Council are subject to forecast future incoming / outgoing revenue and capital cashflows.</li> <li>- Increased exposure to property and reliance on rental income for the base budget through expansion of portfolio by the strategic investment programme.</li> <li>- Change in property trends reducing demand for certain property types from prospective tenants.</li> <li>- Tightening regulatory framework from HM Treasury/ Department for Levelling Up, Housing &amp; Communities (DLUHC) and the Chartered Institute of Public Finance and Accountancy (CIPFA).</li> <li>- DLUHC do not extend statutory regulations that mean changes in fair value of pooled funds is accounted for through unusable reserves protecting the General Fund revenue account from volatile changes in market values beyond 31.3.25.</li> <li>- Significant lease arrangement for Mayland House due to expire Jan 2028</li> </ul>			<ul style="list-style-type: none"> <li>- Reduction or loss of income impacting on the General Fund revenue account resulting in unplanned savings or changes to services.</li> <li>- Impairment loss from failure of a counterparty to a financial investment which needs be met from the General Fund.</li> <li>- Requirement to take back management of property assets and look for alternative tenant.</li> <li>- Forced renewal of lease terms from tenants entering Creditor Voluntary Arrangement.</li> <li>- Property cannot be re-let without significant expenditure or not at all.</li> <li>- Divestment of funds resulting in loss of principal invested.</li> <li>- Suspension of trading in funds due to market conditions preventing the Council to access funds.</li> <li>- Adverse impact on the Council's reputation.</li> <li>- Alternative investments do not provide comparative returns leading to income shortfall against budget/ MTFS.</li> <li>- Changes in the fair value of pooled funds are required to be taken into account for budgeting &amp; council tax setting purposes leading to increased volatility and uncertainty in financial planning</li> </ul>	
<b>Current Controls:</b>				
<ul style="list-style-type: none"> <li>- Capital and Investment Strategy and Treasury Management Strategy are in place in accordance with CIPFA Codes of Practice and Government Statutory Guidance</li> <li>- Treasury Management Practices (TMPs) that set out how the Council manages the inherent risks within its treasury management activities on day-to-day basis.</li> </ul>				

- Expert advice procured through contract with Arlingclose to provide advice on treasury management including credit worthiness advice and monitoring of the Council's pooled fund investments.
- Treasury Management reserve
- Maintenance of short-term (daily) and medium/ long-term cashflow forecasts to manage daily liquidity and projection of future investment balances available or requirements for borrowing (including conversion of internal borrowing to external debt).
- Portfolio diversification and limits on investment types of investment, duration, and counterparties.
- Pro-active asset management of the commercial property portfolio & lease/ tenant arrangements.

**EFFECTIVENESS OF CONTROLS:** Completely effective

**Additional Actions Required**

**Corporate Director (SB) and S151 Officer**

- Continue to develop the Capital and Treasury Management Strategy in line with evolving regulatory and professional code requirements.
- Consider implications and options for the potential removal of statutory regulations on accounting for changes in fair value of pooled fund investments. This to consider current and future investments, including whether volatility and risk can be managed without detriment to service delivery and sustainability, while complying with proper accounting practices.

**Corporate Director (DC)**

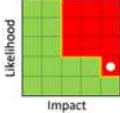
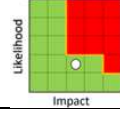

- Commission a new Asset Management Strategy – funding allocated in the 2024-25
- To seek agreement on recommended outcomes from Mayland House review.
- Continue to review major leases within the portfolio and consider future options/ scenarios.

**Risk 8. Emergency Planning**

The Council is unable to respond to an emergency as required under the Civil Contingencies Act 2004

**Risk Owner:** Corporate Director (CR)      **Cabinet Member Owner:** Cllr Graham Butland

**Corporate Priorities:** Supporting Our Communities

RISK SCORE		Likelihood	Impact	Risk Score	Risk Appetite
<b>Inherent Risk Rating</b>	Low likelihood	Catastrophic Impact		<b>Averse</b>	
<b>Residual Risk Rating</b>	Low likelihood	Significant impact			
<b>Direction of Travel</b>					
<b>Risk Cause(s)</b>			<b>Risk Consequence(s)</b>		
<ul style="list-style-type: none"> <li>- Emergency event both response and recovery</li> <li>- New roles and legislative powers that require enactment and management</li> <li>- Braintree District Council has responsibilities under the Civil Contingencies Act (CCA) 2004 as a Category 1 responder: to plan for and respond to major emergencies working alongside the blue light services. Part 1 of CCA 2004 places legal obligations on emergency services and local authorities to assess the risk of, and plan and exercise for emergencies as well as undertake business continuity management.</li> <li>- BDC does not have the resources to respond effectively to the Emergency and continue to deliver services.</li> <li>- The COVID pandemic has added an extra dimension as it cannot be responded to in the same way as previous emergency planning issues. This is due to the long-term nature and progression of the pandemic.</li> </ul>			<p><b>District Wide</b></p> <ul style="list-style-type: none"> <li>- Possible loss of life or serious harm or injury to residents and/or staff.</li> <li>- Loss of physical assets e.g., premises.</li> <li>- Ineffective response to an incident causes extended disruption.</li> <li>- Vulnerable residents at risk through lack of core service delivery.</li> <li>- Delays/perceived shortfall in Council's response in recovery phase.</li> </ul> <p><b>Council</b></p> <ul style="list-style-type: none"> <li>- Lack of preparedness results in the inability to identify and deliver key/critical services e.g., benefits, refuse collection, homelessness applications, food inspections, etc.</li> <li>- Increased short term demand for services e.g., housing - alternative accommodation, repairs, waste team clean-up operation.</li> <li>- Major impact on reputation if the Council is perceived to not provide an adequate response.</li> <li>- Council facing Public Inquiry – risk of cost, reputation and public trust.</li> <li>- Priorities and projects are not delivered.</li> <li>- Being found wanting at public inquiry.</li> </ul>		
<b>Current Controls:</b>					
<ul style="list-style-type: none"> <li>- A robust, peer reviewed Emergency Plan and Recovery Plan have been developed.</li> <li>- The new Recovery Plan improves the Council's ability to support the community following an incident.</li> <li>- Communications &amp; Media plan.</li> <li>- A Members' Protocol has been produced setting out guidance for Members during an emergency.</li> <li>- Mutual Aid agreements are in place between authorities and BDC is strengthening its procedures to receive Mutual Aid with a revised Memorandum of Understanding.</li> <li>- Each service has to planned and tested procedures for resilience to unexpected and potentially long-term challenges.</li> <li>- Pandemic Flu Plan agreed.</li> <li>- Regular review of our response and adaptation of response if required.</li> </ul>					

- Training delivered: senior/tactical training, recovery training, loggist training, rest centre training; and communications training.
- Peer reviewed training programme for staff involved at all levels, volunteers-tactical-strategic.
- New starters have a requirement to assist in emergencies detailed in their role profiles.
- Active responses were progressed using command structures for COVID Ukraine, storms, Sudanese evacuation, fire and public disorder events.
- Senior Staff underwent Multi Agency Gold Incident Command (MAGIC) training in 22/23.
- Corporate Recovery Plan approved and adopted in 2022

EFFECTIVENESS OF CONTROLS: **partially effective**

#### **Additional Actions Required**

- Bi-yearly review of Emergency Plan.
- Bi-yearly review of Communications and Media Plan.
- Review of Flood Plan and Severe Weather Plan diarised for 2023
- Rest Centres plan – run an annual exercise.
- Continue to deliver training programme
- Dialogue with partner organisations.
- Services need to demonstrate the capability and capacity to manage excessive additional demand due the Council's responsibility for response and recovery under the CCA 2004, Housing Act. Local Government Act and other relevant legislation.
- Bi-yearly review of Recovery Plan.
- Testing of dual emergency response – Exercise deferred due to the pandemic, now planned for 2023/24.

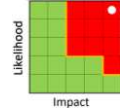
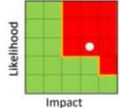


**Risk 9: Information Management and Cyber Security**

Increased use of technology and larger volumes of information stored increases the impact of cyber security threats including ability to deliver key services, enforcement, unable to collect money / pay money, unable to share data with partners, vulnerable to cyber-attack or data breach incident

**Risk Owner:** Corporate Directors (CR and SB)      **Cabinet Member Owner:** Cllr Kevin Bowers

**Corporate Priorities:** Effective management of information and cyber risks is essential to enable delivery of **all priorities**

RISK SCORE	Likelihood	Impact	Risk Score	Risk Appetite
<b>Inherent Risk Rating</b>	A – Very High Likelihood	I – Catastrophic		<b>Cautious</b>
<b>Residual Risk Rating</b>	C – Significant	II – Critical		

**Direction of Travel**



**Risk Cause(s)**

Cyber-attack, Distributed Denial of Service, Phishing, Ransomware, Security / Data Breaches are all triggers that need mitigation to prevent potential loss of information and ability to deliver services.

The Council has been responsive to technology and has used it to shape the way services are delivered, to drive efficiency and improve productivity.

With the increased use of technology and larger amounts of information stored comes an increase of the impact created through cyber security threats.

Increased use of technology and increased amounts of information stored also increases the likelihood of data being incorrectly handled by employees.

Increased reliance on technology, including remote working tools since more staff have been working from home.

**Risk Consequence(s)**

Loss of ability to deliver service/degradation in service.

Loss of reputation.

Enforcement from Information Commissioner’s Office with potentially significant fines and reputational damage.

Inability to collect/payout money to customers.

Inability to share customer data with partners.

The Council cannot meet its requirements under the Data Protection legislation.

The Council is not able to adequately manage its information, which would then prevent it from being able to carry out services effectively.

Unplanned financial cost to the Council.

Potential losses/damage to residents/service users/employees whose data is incorrectly handled

**Current Controls:**

- Information security policies – regularly reviewed and updated.
- External auditing and challenge on a regular basis against policies and systems as well as regular external penetration testing with action plans created.
- Regular review of technical infrastructure, including firewalls, hardware and software.
- Public Services Network (PSN) compliance.
- Training/education in cyber security and information security for employees including Learning Management System mandatory courses.
- Regular meetings of local, regional and national cyber-security groups to review all aspects of cyber-security.

- Regular engagement with the National Cyber Security Centre and use of cyber protection tools and services.
- Regular meta-compliance checks for all employees and members.
- Controls in place around the use of technology to work virtually and collaboratively.
- Latest versions and security patches to be maintained for all software / operating systems.

**EFFECTIVENESS OF CONTROLS: partially effective**

**Additional Actions Required**

**Corporate Director (SB and CR)**

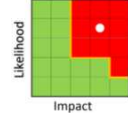
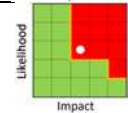

- Continued review of cyber security arrangements.
- Continue to raise awareness of information management and cyber security issues for all staff and members.
- Targeted training following phishing campaigns.
- End of life hardware replaced as and when necessary.
- Continue to keep abreast of cyber security issues and ensure that these are factored into BDC response.
- Obtain certification for Cyber Essentials and Cyber Essentials+

**Risk 10: Major Capital Programme**

Delays in delivery of the Capital Programme will affect corporate priorities outlined in the annual and business plans, impacting scheduled timelines, leading to missed objectives and potentially hindering the overall success of strategic initiatives

**Risk Owner:** Corporate Director (DC)      **Cabinet Member Owner:** Cllr Kevin Bowers

**Corporate Priorities:** Promoting Prosperity / Connecting People and Places

RISK SCORE	Likelihood	Impact	Risk Score	Risk Appetite
<b>Inherent Risk Rating</b>	<b>High</b>	<b>Critical</b>		<b>Cautious</b>
<b>Residual Risk Rating</b>	<b>Significant</b>	<b>Significant</b>		
<b>Direction of Travel</b>				
<b>Risk Cause(s)</b>			<b>Risk Consequence(s)</b>	
<p><b><u>Economic / Political:</u></b></p> <ul style="list-style-type: none"> <li>- Macro-economic conditions with high inflation, and rising interest rates and cost of borrowing, changing political emphasis, availability of skilled resource and national and international market conditions (e.g. construction supply chains)</li> <li>- Inability to secure prudential borrowing at preferential interest rates and the impact of the government's changes to PWLB accessibility removes potential capital funding route.</li> <li>- Capital investments are subject to variations in market conditions occurring during development of projects / business cases and between business case sign off and project delivery/completion, impacting cost, time taken and viability of projects</li> <li>- Prolonged period (&gt;six months) of house price deflation.</li> <li>- Prolonged period (&gt;12 months) of commercial rent deflation.</li> <li>- Higher inflation increases construction costs.</li> <li>- Regulatory changes on Minimum Revenue Provision increasing revenue financing costs</li> <li>- Rising yield expectations by institutional investors &amp; rising construction costs</li> <li>- Movement in market conditions.</li> </ul> <p><b><u>Project Management</u></b></p> <ul style="list-style-type: none"> <li>- Failure and delays in securing planning consent on development projects.</li> <li>- Lack of robust project management could lead to inconsistent decision making, failure to agree and deliver priorities, under-utilisation of finite resources, weak cost control, over-reliance on external advice without proper challenge or consideration of the brief/scope/purpose</li> <li>- Failure to clarify and agree core project and/or programme objectives, Critical Success Factors (CSFs) or Key performance Indicators (KPIs).</li> </ul>			<p><b><u>Economic Growth</u></b></p> <ul style="list-style-type: none"> <li>- Inhibited delivery of Local Plan housing requirements and associated healthcare, community, and town centre facilities</li> <li>- Businesses/jobs may relocate outside of District and lead to fewer new businesses/jobs being created and falling Gross Value Added (GVA) in the district.</li> <li>- Depressed land values</li> </ul> <p><b><u>Project Delivery</u></b></p> <ul style="list-style-type: none"> <li>- Dilution of support for programme / funding from other partners or government may not be available to support the action plan priorities.</li> <li>- Project failure or delay due to lack of stakeholder engagement.</li> <li>- Projects undeliverable due to refusal of planning consent</li> </ul> <p><b><u>Return on Investments / Income</u></b></p> <ul style="list-style-type: none"> <li>- Impact on the business case stated financial viability and sustainability of projects (including impacts on commercial rents and operational costs)</li> <li>- Unplanned and/or abortive expenditure.</li> <li>- Approved schemes already in development may not achieve required financial return.</li> <li>- Interest charges have to be charged to revenue rather than capitalized against projects.</li> </ul>	

<p><b>Infrastructure</b></p> <ul style="list-style-type: none"> <li>- Lack of investment in infrastructure acts as a barrier to required housing growth and reduces opportunities for businesses to grow.</li> </ul> <p><b>Partners:</b></p> <ul style="list-style-type: none"> <li>- Many investment opportunities require work with partners and suppliers who may or may not have the same level of commitment to a project as BDC.</li> </ul> <p><b>Competition</b></p> <ul style="list-style-type: none"> <li>- Competition from large commercial development plans in neighbouring districts.</li> </ul>	<ul style="list-style-type: none"> <li>- Revenue costs of projects developed but aborted not charged to capital and fall upon Council's revenue budget.</li> </ul> <p><u>Other:</u></p> <ul style="list-style-type: none"> <li>- Loss of revenue growth in Council Tax and Business Rates.</li> <li>- Public perception of Council spending and lack of effective control.</li> <li>- Failure to sell/lease newly developed properties.</li> </ul>
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**Current Controls:**

- Feasibility reserve approved and ring-fenced.
- All investment opportunities rely on cost/value advice provided by expert third party specialists in support of business case development.
- All investment opportunities appraised via investment tool and/ or HMT Green Book appraisals.
- Strong working relationship with Essex County Council, NHS, the South-East Local Enterprise Partnership (LEP), Homes England on major projects and key priorities to support delivery and potential funding routes.
- Project engagement across relevant BDC teams (including Asset Management, Finance, Legal, Operations, Planning and Procurement) to ensure early engagement on scheme development to ensure end product delivers on objectives and is fit-for-purpose.
- Procurement of appropriate architects, cost and planning consultants secured for each scheme.
- Business case development with specialist external advice.
- Robust programme assurance processes and extensive management information and reporting outputs.
- Strong emphasis on project documentation, tools and techniques.
- Highly developed budget monitoring processes in partnership with the Finance department.
- Effective contract management processes.

**EFFECTIVENESS OF CONTROLS: Partially Effective**

**Additional Actions Required**

**Corporate Director (DC)**

<ul style="list-style-type: none"> <li>- Monitoring of costs and spend is in place</li> </ul>	<ul style="list-style-type: none"> <li>- Use of expert third parties to provide comprehensive cost estimates and advice of market trends is in place.</li> </ul>
<ul style="list-style-type: none"> <li>- Consistent modelling to agreed financial parameters is in place</li> </ul>	<ul style="list-style-type: none"> <li>- Increased networking and promotion of BDC's investment aspirations with key external stakeholders and potential funders. Continue to source local and national funding resources which could provide grants for key projects is in place</li> </ul>
<ul style="list-style-type: none"> <li>- Implementation of timely, high-quality marketing strategies for all development projects is in place</li> </ul>	<ul style="list-style-type: none"> <li>- Early engagement with Planning Team and judicious use of the pre-application process is in place</li> </ul>
<ul style="list-style-type: none"> <li>- Increase organisational "maturity" and embed rigorous and consistently applied project and programme processes and reporting is in place</li> </ul>	<ul style="list-style-type: none"> <li>- Regular review of approved parameters and hurdle rates is in place</li> </ul>
<ul style="list-style-type: none"> <li>- Weighted NPV measure to reflect non-financial priorities is in place</li> </ul>	<ul style="list-style-type: none"> <li>- Independent evaluation of business case is in place</li> </ul>

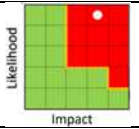
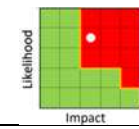

**Risk 11. Climate Change**

The Council has declared a climate emergency with an aim to make the Council's activities, as far as practical, carbon neutral by 2030 – risk of failure to deliver targets.

**Risk Owner:** Cherie Root

**Cabinet Member Owner:** Cllr Tom Cunningham

**Corporate Priorities:** Enhancing Our Environment

RISK SCORE		Likelihood	Impact	Risk Score	Risk Appetite
<b>Inherent Risk Rating</b>	Very High	Critical			<b>Cautious</b>
<b>Residual Risk Rating</b>	High	Significant			
<b>Direction of Travel</b>					
<b>Risk Cause(s)</b>				<b>Risk Consequence(s)</b>	
<p>'Climate change' refers to changes in the earth's climate that are caused by increasing levels of greenhouse gases such as carbon dioxide (CO<sub>2</sub>) in the atmosphere.</p> <p>Climate change adaptation describes measures that can be put into place to help us adapt to the changes in our climate that are now inevitable. These changes range from increased temperatures and drought conditions to extreme weather events such as intense periods of rainfall and subsequent flash flooding.</p> <p>The Council has declared a "Climate Emergency" with an aim to make Braintree District Council activities, as far as practical, carbon neutral by 2030.</p> <p>Climate change will impact council services, from the buildings that we manage through to open spaces and our role in emergency planning, as well as impacting on Braintree district residents, particularly those who are most vulnerable.</p> <p>The services provided by the Council are reliant on access to all parts of the district by our vehicles and the ability of staff to travel to their place of work. This is combined with the potential increasing and changing demand for services including parks and landscapes, environmental health, community support, health and wellbeing, building control etc</p> <p>.The scale and degree of change required to meet net zero will require significant resources which the District Council will not be able to provide on its own. It will require a coordinated response from partners including Government to meet the challenge.</p> <p>Key Identified Triggers:-</p> <ul style="list-style-type: none"> <li>• Increase in mean temperature</li> <li>• Decrease in air quality</li> </ul>				<p>Failure to maintain/deliver services and an increased cost of delivering services</p> <p>Increased financial costs for Council (due to insurance excesses/ pressures on service delivery)</p> <p>Future Capital investment needed in alternative fuel infrastructure and vehicles</p> <p>Reduction in resilience of the organisation</p> <p>Reputation of Council damaged through failure to deliver services.</p> <p>Failure to give local community leadership in preparing for climate change.</p>	

- Depletion of key resources including water
- Severe weather event(s) including drought, floods and gales.
- Failure to deliver 2030 carbon neutral target

#### **Current Controls:**

- Climate Local Strategy 2021 - 2030 in place and a number of actions being undertaken to reduce negative impact on climate from council services and assets as well as encouraging residents and businesses to reduce their impact on the climate.
- A Climate Change working group has been established. An action plan has been developed to ensure all Council functions and decision making is in line with the shift to carbon neutral by 2030.
- Emergency Plan considers climate related risks and our response to this type of emergency.
- The Climate Local Strategy has a number of actions in place to support the community to adapt to climate change.

Business Continuity plans are essential for the Council to be able to respond to the effect of climate change on our estate and our staff which impacts our services.

#### **Progress to Date**

- Business Continuity plan for the organisation to respond to risks
- Joint working with ECC who are also tackling Climate Change.
- Completed actions from the Climate Local Action Plan 2014 – 2018 (Feb 2021). Further details on achievement available
- Declared Climate Emergency July 2019
- Climate Change Working Group in place representing the Council, Businesses and Residents with academic support to develop the next Climate Local Strategy
- 2-year Emergency Planning desktop exercise, concerning severe weather / emergency events, for BDC
- Officer Climate Group established to encourage engagement.
- Oct 22 Full Council approval of monitoring plan and key targets
- Internal Climate Delivery Board established bringing all Senior Project Leads together to the strategy and deliver actions on the Climate Action Plan
- Full Council Update in May 23
- Annual Reporting template developed pending release of BEIS Carbon figures in Autumn 23

#### **EFFECTIVENESS OF CONTROLS: partially effective**

#### **Additional Actions Required**

- Climate Strategy has now been adopted.
- Continue to review Emergency Plan to consider emerging climate related issues and risks.
- Implement the outcomes from the Environment Act.
- Climate Actions Performance reporting will be via Pentana system. Management Board to monitor outcomes and targets
- Annual performance report to be submitted
- Monitoring of Success Factors and KPIs – Annual Review
- Delivery of objectives of Climate Change Strategy and agree associated overarching KPIs
- Carbon reporting (Dept. for Energy Security and Net Zero for district) and internal report for Council emission

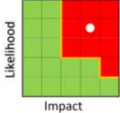
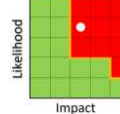
**Risk 12. Landscape Services**

Tree related risks are rising as a result of more building, a growing population, and increasing impacts of weather events. The Council, as a tree owner, has a legal duty of care to take reasonable measures to avoid foreseeable injury or harm to property. Staff capacity to manage the risk is limited. This risk is linked to Risk 11 (Climate Change) as trees make a significant contribution to climate change resilience.

**Risk Owner:** Corporate Director (DC)

**Cabinet Member Owner:** Cllr Spray

**Link to Corporate Priorities:** Enhancing our environment / Delivering and innovating

RISK SCORE	Likelihood	Impact	Risk Score	Risk Appetite
<b>Inherent Risk Rating</b>	High	Critical		<b>Averse</b>
<b>Residual Risk Rating</b>	High	Significant		
<b>Direction of Travel</b>			N/A - New Risk (January 2024)	
<b>Risk Cause(s)</b>			<b>Risk Consequence(s)</b>	
<p>The Council's tree stock is considerable (approx. 11,838). Due to climate change, wetter winter months and longer periods of drought during summer months, there is greater potential for tree failure across the year.</p> <p>There have been several storm events over the last two years, Storm Eunice (Feb 22), Storm Ciarán (Nov 23), and most recently Storm Henk (Jan 24). The risk of further storm events increases the risk of tree failure (physical breakage).</p> <p>Ongoing staff shortages within the Landscape Services team means limited proactive surveys have been conducted of tree stocks on land owned by the Council, whilst reactive work has been prioritised. The last remaining permanent Tree and Landscape Officer left the Council at the end of 2023, Interim Arboricultural Officers have been appointed on temporary contracts to support the critical business functions of the team, whilst permanent replacements are being sought.</p> <p>During this time of resource constraint, the Council's tree management software has not been kept up to date for surveys undertaken, and for trees which have been felled or new trees planted.</p>			<p><u>Risks to persons or property:</u> The HSE reports that UK deaths from falling trees or branches is low, (approximately 6 per year), however substantial fines may be imposed where deaths and injury are foreseeable. Recent storms have resulted in tree damage to property in the Braintree District. Proactive inspection protocols (zoned according to assessed risk) are necessary to comply with legislative duties and mitigate risk and impact on persons and property and resultant fines. Consultation as part of the response to planning applications will reduce the likelihood of future impacts on residents.</p> <p><u>Insurance Liability and Premium:</u> The Council is receiving an increase in insurance claims associated with trees and vegetation, impacting affected residents and the Council. Reduction of claim likelihood and ability to defend claims relies on tree risk management activity. The Council has not been in a position to fully defend all tree related claims.</p> <p>The Council's Liability insurer has imposed an increase in premium as a direct result of the need to evidence that adequate surveying and management regimes are in place.</p> <p><u>Other:</u> Further financial, legal, and reputational impacts arise from tree related incidents.</p>	
<b>Current Controls:</b>				
<ul style="list-style-type: none"> <li>Interim qualified, experienced and knowledgeable Arboricultural Officers appointed, although contracts are temporary, these staff have improved the response to customers and insurance claims.</li> </ul>				

- Interim resource used as far as possible to undertake as much surveying of Council tree stock as possible, and to promptly action required works identified.

**EFFECTIVENESS OF CONTROLS: Partially Effective (given current interim resource)**

**Additional Actions Required**

**Corporate Director (DC)**

- Complete the Landscape Services restructure and recruit to vacant posts. (Proposals for additional budget to be considered by Full Council in February 2024). Structure to reflect resource required for appropriate system of ongoing proactive inspection and response, and contribution to Planning consultation.
- Adoption of formal tree management policy encompassing risk profiling and zoning to guide proactive inspection protocols and assess the impact and likelihood of failure.
- Liaise with procurement to put in place a new framework for the use of contractors, to undertake surveying work, and to undertake works to trees. Commissioning proactive tree works en bloc is expected to be more cost effective than reactive tree works.
- Identify system requirements for maintenance of tree records and undertake a review of the Council's tree management software (ARBORtrack) to assess whether it is fit for purpose / review other available systems. Ensure data capture is accurate, so database can be used as evidence for the Council's Insurance team.
- Develop network of and engagement with volunteer District Tree Wardens to enhance local knowledge of arising issues.
- Continue work as part of the Council's Climate Change activity to ensure a coordinated response to tree planting and management, and in the assessment of tree value