

# **GOVERNANCE AND AUDIT SCRUTINY COMMITTEE AGENDA**

**Thursday, 22<sup>nd</sup> July 2021 at 7.15pm**

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

This meeting is open to the public - This meeting will be available to view via the Council's  
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**Members of the Governance and Audit Scrutiny Committee are requested to attend  
this meeting to transact the business set out in the Agenda.**

**Membership:-**

Councillor P Euesden	Councillor R van Dulken (Chairman)
Councillor D Hume	Councillor T Walsh
Councillor H Johnson (Vice Chairman)	Councillor D White
Councillor D Mann	Councillor Mrs L Walters
Councillor Miss V Santomauro	

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.

A WRIGHT  
Chief Executive

## **INFORMATION FOR MEMBER – 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 wishing to participate are requested to register by contacting the Governance and Members Team on 01376 552525 or email [governance@braintree.gov.uk](mailto:governance@braintree.gov.uk) **by midday on the second working day** before the day of the Committee meeting. For example, if the Committee meeting is due to be held 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 for Public Question Time if they are received after the registration deadline.

All questions or statements should be concise and should be able to be read within 3 minutes allotted for each question/statement.

The Chairman of the Committee has discretion to extend the time allocated for public question time and to amend the order in which questions/statements are presented to the Committee.

### **Public Attendance at Meetings:**

Public attendance is welcomed but is subject to restrictions due to the Council's arrangements for keeping Causeway House COVID secure and visitors' safe.

Public attendance is limited and will be on first come first served basis with priority given to Public Registered Speakers. In order to maintain safe distances, the Council may have to refuse entry to members of the public. The Public will not be able to sit in the Council Chamber, but will be permitted to observe the meeting from a public gallery through a large screen. Alternatively, the Council meetings are webcast and are available via the Council's YouTube Channel and can be viewed by the public as a live broadcast or as a recording following the meeting.

Public speakers and public attendees are required to attend on their own, and where possible only one representative of any community group, family household or Company should attend.

Members of the public intending to come to Causeway House to observe a meeting are recommended to watch the meeting via the webcast or to contact the Governance and Members team to reserve a seat within the public gallery.

### **Health and Safety/COVID:**

Causeway House is a Covid secure building and arrangements are in place to ensure that all visitors are kept safe. Visitors are requested to follow all instructions displayed at Causeway House or given by Officers during the course of their attendance. All visitors will be required to wear a mask or face covering, unless an exemption applies.

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

**Documents:** Agendas, Reports, Minutes and Public Question Time questions and statements can be accessed via [www.braintree.gov.uk](http://www.braintree.gov.uk)

**Data Processing:**

For further information on how the Council processes data, please see the Council's Privacy Policy. [https://www.braintree.gov.uk/info/200136/access\\_to\\_information/376/privacy\\_policy](https://www.braintree.gov.uk/info/200136/access_to_information/376/privacy_policy)

**Mobile Phones:**

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

**Webcast and Audio Recording:**

Please note that this meeting will be webcast . You can view webcasts for up to 6 months after the meeting using this link: <http://braintree.public-i.tv/core/portal/home>. The Meeting will also be broadcast via the Council's YouTube Channel.

**Comments and Suggestions:**

We welcome comments to make our services as efficient and effective as possible. If you have any suggestions regarding the meeting you have attended, you can send these to [governance@braintree.gov.uk](mailto:governance@braintree.gov.uk)

## **PUBLIC SESSION**

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### **1 Apologies for Absence**

### **2 Declaration of Interests - Scrutiny Committee**

1. To declare the existence and nature of any interests relating to items on the agenda having regard to the Code of Conduct for Members and having taken appropriate advice (where necessary) before the meeting.
2. To declare the existence and nature of any instruction given by or on behalf of a political group to any Councillor who is a member of that group as to how that Councillor shall speak or vote on any matter before the Committee or the application or threat to apply any sanction by the group in respect of that Councillor should he/she speak or vote on any particular matter.

### **3 Minutes of the Previous Meeting**

To approve as a correct record the minutes of the meeting of the Governance and Audit Scrutiny Committee (formerly the Corporate Governance Group) held on 3<sup>rd</sup> March 2021 and 1<sup>st</sup> April 2021 (copies previously circulated).

### **4 Public Question Time**

(See paragraph above)

### **5 Manor Street Audit Progress Report**

**6 - 14**

There is a Confidential Appendix for this report which is exempt from publication of the public agenda in accordance with Paragraph 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). The meeting of the Governance and Audit Scrutiny Committee will move into private session if Members wish to refer to any information set out within the Confidential Appendix.

### **6 Key Financial Indicators - 31<sup>st</sup> May 2021**

**15 - 24**

### **7 Internal Audit Update Including Progress Against Audit Plan 2020 2021 and 2021 2022**

**25 - 43**

### **8 Internal Audit Annual Report**

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### **9 Draft Internal Audit Plan 2020 21**

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<b>10</b>	<b>Internal Audit Charter 2021 22</b>	<b>71 - 83</b>
<b>11</b>	<b>Outcome of the Housing Benefit Subsidy 2019 20 Certification Work</b>	<b>84 - 104</b>
<b>12</b>	<b>Detail of the latest review and update of the Council's Strategic Risk Register</b>	<b>105 - 134</b>
<b>13</b>	<b>Treasury Management Annual Report 2020-21</b>	<b>135 - 146</b>
<b>14</b>	<b>Local Code of Corporate Governance and the Annual Governance Statement for 2020 21</b>	<b>147- 174</b>
<b>15</b>	<b>Exclusion of the Public and Press</b>	
	To agree the exclusion of the public and press for the consideration of any Items for the reasons set out in Part 1 of Schedule 12(A) of the Local Government Act 1972.	

## **PRIVATE SESSION**

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<b>16</b>	<b>Manor Street Audit Progress Report</b>	<b>175 - 205</b>
	Discussion of the Confidential Appendix to the public report, Manor Street Audit Progress Report - Agenda Item 5 (pages 6 to 14 of the Agenda)	

<b>Report Title:</b> Manor Street Regeneration Project: Action Plan Progress Report	
<b>Report to:</b> Governance and Audit Scrutiny Committee	
<b>Date:</b> 22 <sup>nd</sup> July 2021	<b>For:</b> Recommendation
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Dominic Collins, Corporate Director of Growth	
<b>Enquiries to:</b> Dominic Collins, Corporate Director of Growth	

### **Confidential Appendix**

This report has a confidential appendix which is not for publication as it includes exempt information falling within paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

## **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 Scrutiny Committee, being the Committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.
- 1.2 This report provides Members with an update of progress on management actions and improvements in the internal control, risk management, project management and governance environment relating to the management of major projects, reflecting the learning arising from the Manor Street project review.

## **2. Recommendations**

- 2.1 Committee note the Elucidate report as attached as a Confidential Appendix and the associated action plan as attached in Appendix 2.

## **3. Summary of Issues**

- 3.1 The Manor Street Regeneration Project has a lengthy history within BDC, with the final project having been approved by Cabinet on the 14<sup>th</sup> May 2018 and Full Council on the 4<sup>th</sup> June 2018. Subsequent to the open tender process to find a delivery partner to deliver the final project, it became clear that the original cost estimates for the project and therefore budget provision made to deliver the Manor Street project, were not

sufficient to take the project to delivery. This resulted in recommendations being made to Cabinet on the 9<sup>th</sup> September 2019 and Full Council on the 7<sup>th</sup> October 2019 to recognise the increased project cost and agree to the associated increased budget requirement.

- 3.2 Subsequent to the cost increase of the Manor Street project coming to light, senior officers commissioned an audit report to assess what lessons could be learned from the project, for use on future projects. Completed by Elucidate Consulting Limited in May 2020, the audit report offered several conclusions as to how the original cost assumptions had been made, why they were less than the costs identified through the open development partner tender process, and made several recommendations as to what lessons could be learned and future actions taken to mitigate such issues re-occurring in other projects in the future.
- 3.3 The key conclusions offered and recommendations made by Elucidate have been highlighted to the committee before (at 29<sup>th</sup> October 2020 meeting of the Corporate Governance Group). They include the following areas:
  - 3.3.1 Procurement of Consultants: There was a lack of documentation justifying an appointment via a framework, recommendation was for single tender actions or appointments from a framework to be authorised by two officers and documentation to be held.
  - 3.3.2 Cost Plan Assumptions: recommended consultants detail all assumptions made in developing cost plans, and formal challenge of financial data is conducted.
  - 3.3.3 Inflation / Future Price Movements: The cost plan made no allowance for future price movements, recommendation was to determine Council policy on whether inflation factor to be included in Council projects with long lead time and duration.
  - 3.3.4 Review of Tender Documents: tender adjustments for provisional sums indicated a degree of ambiguity in the tender documents, recommended that tender documents prepared by consultants are reviewed by the project team to ensure they are clear, fit for purpose, and reflect Council requirements.
  - 3.3.5 Documentation & Standardisation of Project processes: recommended the reports to Senior Management team include risk registers, issues, decision logs, assumptions and dependencies.
  - 3.3.6 Gateway Review arrangements: recommended Gateway review processes are established to confirm if the project can progress to the next stage.

- 3.3.7 Recording decisions and supporting documentation: recommended supporting reports and documentation are required to support all uses of the Corporate seal and decisions made under delegated authority, and all project decisions recorded in the decisions log for presentation to the Project Board.
- 3.3.8 Documentation of Roles & Responsibilities: recommended roles and responsibilities are defined and documented, with a formal Terms of Reference for each Project Board (setting out the standard documents the Board is to receive, and the meeting frequency).
- 3.3.9 Stakeholder Communications: recommended projects include a formal communication plan for stakeholder engagement.
- 3.3.10 SMART outcome and Benefit tracking: recommended project benefits are clearly defined (ideally SMART), and benefit tracking arrangements implemented and reported to each Project Board.
- 3.3.11 Monitoring Supplier and Consultant expenditure: recommended Finance and Procurement Teams consider feasibility of monitoring spend by consultants across all projects.
- 3.3.12 Lease Obligations and Risks: recommended specific lease related risks are detailed, assessed and recorded in the project risk register.
- 3.3.13 Late completion and Cost overrun risks: recommended the risks of late completion and costs exceeding the contract sum are added to the Project Risk Register.
- 3.3.14 Covid-19 risk: recommended the risks of late completion and additional costs relating to C-19 are determined for the construction contract and lease, and reflected in the Risk Register.
- 3.4 An action plan, responding to the recommended actions identified in the Elucidate report, was completed in October 2020 and was agreed by Management Board in November 2020. The action plan is attached to this report and shows that all of the recommendations offered in the Elucidate report have been taken forward and acted upon, with actions either having been completed or ongoing where relevant (e.g. the use of new practices and processes).
- 3.5 The key actions of the Action Plan focus on:
  - 3.5.1 Financial oversight;
  - 3.5.2 Governance processes, and;



### 3.5.3 Project management processes.

3.6 The actions taken in response to the Elucidate report have placed the authority in a much stronger position in designing projects and ensuring the accuracy of their cost assumptions, governance arrangements and general project management processes.

3.7 The delivery of the action plan as attached to this report will help the Council to deliver the following Corporate Objectives:

3.7.1 A high performing organisation that delivers excellent and value for money services;

3.7.2 Delivering better outcomes for residents and businesses and reducing costs to taxpayers.

## 4. Options

4.1 This report and the associated action plan are offered for noting by the Governance and Audit Scrutiny Committee.

## 5. Financial Implications

5.1 There are no financial implications that arise directly from this report.

## 6. List of Appendices

6.1 Confidential Appendix.

6.2 Manor Street Regeneration Project Audit Action Plan.

## 7. Background Papers

7.1 Papers relating to the Manor Street project can be found as follows: agenda and minutes of Cabinet meetings on the 9<sup>th</sup> June 2011, 30<sup>th</sup> November 2015, 18<sup>th</sup> July 2016, 14<sup>th</sup> May 2018, 9<sup>th</sup> September 2019.

7.2 Corporate Governance Group agenda, 29<sup>th</sup> October 2020.

**Overarching responsibility for drafting and delivery of Action Plan**

- Corporate Director of Growth, on behalf of Management Board

	RECOMMENDATION FROM ELUCIDATE REPORT	DIRECTORATE / AREA RESPONSIBLE FOR ACTION	MANAGEMENT RESPONSE AND ACTIONS TAKEN	DEL. STATUS
01 – High	<p>Single tender action or direct appointment from a framework is formally documented and authorized by two officers.</p> <p>Documentation to include:</p> <ul style="list-style-type: none"> <li>• Rationale for the appointment without competition;</li> <li>• Rationale for the firm selected and alternative providers considered / why they were excluded;</li> <li>• The experience of the proposed team; and</li> <li>• How the appointment ensures the Council obtains value for money.</li> </ul>	<p>Finance:</p> <ul style="list-style-type: none"> <li>- Senior Procurement Consultant</li> <li>- Head of Finance</li> </ul> <p>Governance:</p> <ul style="list-style-type: none"> <li>- Head of Governance and Monitoring Officer</li> </ul>	<p>The following process is now agreed and in place:</p> <ol style="list-style-type: none"> <li>a) Discussion required with Procurement Team regarding the requirements and the proposed framework;</li> <li>b) Procurement request form now in place for completion by requesting officer detailing reasons for approach and any relevant project issues;</li> <li>c) Request form together with comments from Procurement presented to Section 151 Officer or Deputy for sign-off.</li> </ol> <p>The Procurement Strategy is to be reviewed and updated (planned for 2021/22 financial year). New Contract Procedure Rules includes requirement for all procurements in excess of £25,000 to be discussed with Procurement Team (will ensure requirement to publish electronically is met).</p> <p>The above is Included within the recent Constitution Review programme, new Constitution and Code of Governance approved by full Council on 19 April 2021. The new Code of Governance includes a new CPR, which has been redrafted as the Councils Procurement Procedure Rules.</p> <p>As part of the full Constitution and Governance review, a full scheme of delegations has been brought back into the Constitution. This sets out clearly any financial limits assigned to Officers in terms of Contract sign off, and is linked to the Councils Procurement Procedure Rules and the Councils Financial Procedure Rules, and will ensure the relevant governance process is followed from the early concept stage of a project through to contract award and sealing/signing of the Contracts.</p>	
02 - High	<p>Consultants are formally requested to detail all assumptions made in developing cost plans, including the source and validation of the source data. The Council's finance team are involved to provide</p>	<p>Finance:</p> <ul style="list-style-type: none"> <li>- Senior Procurement Consultant</li> <li>- Head of Finance</li> </ul>	<p>Information on assumptions from consultants now requested as standard by teams and required and flagged at tender stage of procurement process.</p> <p>Challenge of assumptions by Finance &amp; Procurement Teams as part of Project Teams and Assurance approach (as per item 5 below).</p>	

	a formal challenge of the financial data at key stage of the project plan, ideally as part of any Gateway review process	Strategic Investment: - Head of Strategic Investment	Above processes and Introduction of Gateway Review Process now included as part of new Project and Programme Assurance processes, including Project Team approach; every Strategic Investment Project Team now includes a member of Finance team as standard.	
03 - Medium	A policy decision is made on whether all Council projects include an inflation factor or costs in long lead time and long duration projects	Finance: - Senior Procurement Consultant - Accountants  Strategic Investment: - Head of Strategic Investment	Estimated Project Budget will in future include provision/allowance for inflation and to be agreed with Finance Team as part of Project Team challenge. Inflation also now included in new Investment Tool template of assumed costs. Also to be included in tender scope documentation.  To be assured through Project Team approach and Project and Programme Assurance processes (as per item 5 below)	
04 - High	Tender documents prepared by consultants are reviewed by an appropriate member of the project team to ensure they are fit for purpose, reflect the Council's or other stakeholders' requirements and are clear and concise. Such reviews would be reported to the Project Board.	Finance: - Senior Procurement Consultant  Strategic Investment: - Head of Strategic Investment	Tender documents prepared by consultants will be reviewed by the Procurement Team prior to tender process being run by the Procurement Team. Finance team to also review as part of Project Team and will advise Project and Programme Assurance Board as to status (as per item 5 below).	
05 - High	The Senior Management Team receive regular reports on progress to further develop Portfolio, Programme and Project Management - Risk Registers, Action, Issues, Decisions (RAID) logs are included in standard documentation along with assumption and dependencies recording	Strategic Investment: - Head of Strategic Investment	Project and programme management processes have been fundamentally reviewed by the Corporate Director and Head of Strategic Investment.  Initially this has been completed against a P3M3 approach. A bespoke Project and Programme Assurance process has now been developed across the Strategic Investment programme which includes individual Project Teams led by Project Managers from within the Strategic Investment Team (with membership drawn from across the authority) that includes an officer from Finance. Project Managers for each project are responsible for project information reports (called project 'healthcards') which they update regularly, including project schedule, budget, resources, risks, issues and financials. These updates feed into a programme dashboard that is reported to the Project and Programme Assurance Board (Chaired by the Corporate Director for Growth) monthly and to	

			Management Board (including the Chief Executive, all Corporate Directors and Monitoring Officer) quarterly. Whilst Cabinet Members are also updated at their monthly Portfolio Briefings, significant projects are also now reported to the Joint Executive Committee (JET) on a quarterly basis through the Investment and Development Programme.	
06 - High	A formal Gateway review process is established as part of the overall Project Governance framework being developed and documented	Strategic Investment: - Head of Strategic Investment	Gateways are now included within the above Project and Programme Assurance process. Projects are initially proposed to the Project and Programme Assurance Board to enter the programme; a project manager is then identified to convene a project team which develops the project through a business case methodology to return to the Project and Programme Assurance Board (and via Management Board as required) for any required feasibility funding, returning again for agreement to progress to final business case which is then reported to Cabinet either through the Project and Programme Assurance Board and Management Board, Cabinet, Members Portfolio Briefings and/or JET depending on project pace and governance requirements.	
07 - High	Supporting reports and documentation are required to support all uses of the Corporate seal and also decisions made under delegated authority. All project decisions need to be recorded in the decisions log and this is presented to each project Board meeting	Governance: - Head of Governance  Strategic Investment: - Head of Strategic Investment	<p>A sealing authorisation form (owned by the Governance team) has been developed, which requires the submitting officer to clearly identify the authority under which the sealing is being undertaken.</p> <p>This will then be held in a central register. The Contracts register is also being reviewed as part of the wider Governance Review in order to ensure that a copy of the contract is held centrally in electronic form for future access.</p> <p>All Cabinet Reports are also now required to include, where possible, a start to finish overview of the project and the programme to be undertaken, ensuring that all necessary delegations and approvals are obtained in a timely manner in the one Cabinet decision, supporting the understanding of the project as a whole.</p> <p>In addition, the refreshed Project and Programme Assurance process now includes a track of decisions made per project which is available to the Project and Programme Assurance Board/Management Board.</p>	
08 - High	Project Governance and Project Team roles and responsibilities are defined and documented, along with	Strategic Investment:	Project Teams, led by Project Managers from the Strategic Investment team, are responsible for identifying roles and responsibilities on	

	a formal Terms of Reference for each Project Board. The Project Board Terms of Reference also needs to set out the standard documents the Board will received at each meeting and the frequency of the meetings	- Head of Strategic Investment	each project at the development of business case stage. The Project and Programme Assurance Board receives monthly updates on each project as per the completion of the project healthcards (referenced above in item 5) which are then also reported to Management Board on a quarterly basis.	
09 - Medium	All projects should have a formal communication plan on how, how often and in what methods each stakeholder group will be engaged with throughout the lifetime of the project	Strategic Investment: - Head of Strategic Investment	Project Teams remain together for the life of a project ensuring that internal BDC stakeholders remain in touch with the project as it develops. The Project Manager is now clearly responsible for ensuring the Project Team continues to be engaged, which is itself tested through the monthly Project and Programme Assurance Board meetings.	
10 - High	All projects benefits must be clearly defined, ideally SMART ones so that outcomes and success can be measured. Formally benefit tracking arrangements need to be implemented for each project and detailed in standard documentation. Benefits realisation needs to be formally report to each Project Board meeting	Strategic Investment: - Head of Strategic Investment	SMART targets will be, as a matter of course, included in Cabinet Reports detailing the expected benefits to be realised from a project. These benefits are now tracked as part of the Project and Programme Assurance Board reporting process.	
11 - Low	The Finance and Procurement teams consider if it is appropriate and feasible to monitor spend by consultant across all projects on a quarterly basis	Finance: - Accountants	Finance team now monitor cumulative spend by consultant on a quarterly basis and report to Management Board.	
12 - High	The specific risk related to the Travelodge lease are detailed, assessed and recorded in the project Risk Register	Strategic Investment: - Head of Strategic Investment  Governance: - Head of Governance and Monitoring Officer	Travelodge project risks now included in the project delivery (construction) element of the risk register  The Project team (via the legal team) have commissioned a full legal review of the Travelodge contract to understand full lifetime impact of contract. This has been completed with any further identified risks added to the project risk register.	
13 - High	The risks of late completion and costs exceeding the contract sum are added to the Project Risk Register	Strategic Investment: - Head of Strategic Investment	This element is now included in the project risk register	
14 - High	The risks and implication of late completion and additional costs for Covid19	Strategic Investment:	This element is now included in project risk register.	

Manor Street Audit Review Action Plan (Final)

	restrictions for the Keir contract are ascertained and also the related obligations and costs related to the Travelodge lease are determined and these are then reflected in the Risk Register as appropriate	- Head of Strategic Investment	Whilst construction progress on the Manor Street site has continued relatively unaffected by Covid19, UK Power Networks delayed their onsite work quoting Covid19 as an issue, which caused a 5 weeks delay. This has now been absorbed into the delivery programme and relevant additional costs have been costed within the projects existing budget.	
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<b>Report Title:</b> To receive a suite of the Council's Key Financial Indicators as at 31 <sup>st</sup> May 2021	
<b>Report to:</b> Governance and Audit Scrutiny Committee	
<b>Date:</b> 22 <sup>nd</sup> July 2021	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Trevor Wilson	
<b>Enquiries to:</b> Trevor Wilson, Head of Finance.( <a href="mailto:trevor.wilson@braintree.gov.uk">trevor.wilson@braintree.gov.uk</a> )	

## **1. Purpose of the Report**

- 1.1 To receive a suite of the key financial indicators of the Council for the first two months of the current financial year. 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 accept the report of the Key Financial Indicators as at 31<sup>st</sup> May 2021.

## **3. Summary of Issues**

- 3.1 The attached schedule (Appendix A) of key financial indicators provides details of performance recorded for the financial year to 31<sup>st</sup> May 2021.
- 3.2 Commentary:
- 3.2.1 The net General Fund revenue budget for the year is £15.432m. The anticipated position as at 31<sup>st</sup> May was for a net income of £751,000, the actual net income recorded was £738,000, representing a small negative variance of £13,000.
- 3.2.2 Assessments of the financial impact of Covid on the Council continue to be requested on a monthly basis by the Government. The latest return (14<sup>th</sup>) was submitted on 25<sup>th</sup> June, and for this it was estimated that for the period up to end of May was additional expenditure of £173,000 and a reduction in income of £126,000, with an anticipated impact for the year of additional expenditure of £0.761m and reduced income of £0.958m. The Government has provided £0.686m of Emergency funding to the Council for this year, £177,000 of Contain Outbreak funding and is also providing a compensation scheme for losses from sales, fees and charges for the first three months of the year. An application for compensation for the period April to June will be submitted in due course.
- 3.2.3 Accountants are currently finalising work with service managers on the first quarter (end of June) information to assess the impact of the COVID-19

pandemic and to predict the Council's financial outturn position for the year. The outcome of this will be included in the Quarterly Performance report which will be received by the Cabinet on 13<sup>th</sup> September 2021.

- 3.2.4 The total budget for Salaries for the year is £19.582million. Expenditure on salaries for the year to the end of May was £3.070m. This compares to a profiled budget of £3.145m. The positive variance of £75,000 is after allowing for £50,000 of the Efficiency Factor (£300,000 for the year).
- 3.2.5 The budget for the year for rental income received from commercial and industrial properties is £2.905m, which consists of 218 leases, and is net of an allowance for voids of £52,380. The actual value of rents invoiced to the end of May is £0.805m against a profiled budget of £0.795m. All properties were occupied as at 31<sup>st</sup> May.
- 3.2.6 Expenditure on capital projects, to the end of May, was £2.23m against the updated Capital Programme of £37.714m, which includes estimated expenditure on: Manor Street Development of £13.047m; Enterprise Centre at Horizon 120 of £11.054m; Horizon 120 of £4.25m; I-Construct of £1.506m; and Pedestrianisation of Braintree town centre of £0.746m. The main schemes on which expenditure has been incurred are: Manor Street Development (£0.52m), Horizon 120 (£1.09m) and I-Construct (£0.222m).
- 3.2.7 The total Council Tax collectable debit for the year is £101.65m. The collection rate as at the end of May is 20.56% (£20.9m collected), which compares to a rate of 20.2% for the same period last year.
- 3.2.8 The total Business Rates (National Non-Domestic Rates) collectable debit for the year is £29.98m. The collection rate as at the end of May is 19.41% (£5.82m collected), which compares to a rate of 16.61% for the same period last year. The amount collectable is lower than in pre-pandemic years due to the continuation of the Government's Expanded Retail and Nursery rate relief schemes having been awarded with a total current value of £16.234m. This amount will however reduce as these 100% reliefs are for April to June only after which the discount reduces to 66% for the remainder of the year.
- 3.2.9 A total of 85 write-offs of Council Tax, with a value of £15,171 have been authorised in the year to 31<sup>st</sup> May: 4 in respect of the current year and 81 in respect of previous financial years.
- 3.2.10 A total of 8 write-offs of Business Rates, with a net value of £4,594, have been authorised in the year to 31<sup>st</sup> May: 2 in respect of the current year and 6 in respect of previous financial years.
- 3.2.11 The amount of sundry debts owed to the Council, i.e. monies other than for Council Tax and NNDR, was £3.12m, of which £1.601m was in respect of Housing Benefit overpayments. Payment plans are agreed and range from payment within 14 days and payments by instalments throughout the year to plans determined under Regulations (prescribed maximum amount that can be received from a debtor's benefit award).



3.2.12 The rate of return achieved on investment of the Council's balances and funds in the year to-date is 0.03%. This return was achieved on an average amount invested of £30.76m and relates solely to monies placed with banks, building societies, other local authorities, the Debt Management Office and in Money Market Funds.

3.2.13 Dividend received/declared in the year to 31<sup>st</sup> May is £12,000, an annualised return of 0.7%. The market values of these pooled funds show an unrealised net surplus in the principal sum of £1.983m as at 31<sup>st</sup> May 2021. The total invested in pooled funds; equity, property and multi-asset funds, was £19m at the end of May. These investments are placed in the knowledge that their capital values will be subject to volatility but overall their trend has been positive over the medium term (i.e. over a minimum of 3 years).

3.2.14 Detail of the Council's investments of surplus monies, totalling £50.35m, as at 31<sup>st</sup> May 2021, is provided at Appendix B.

#### **4. Options**

To receive and ask questions as appropriate on the Key Financial Indicators as at 31<sup>st</sup> May 2021, contained in the appendices to this report.

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

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

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

There are no specific legal implications arising out of this report at this time.

#### **7. Other Implications**

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

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

8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual

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

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

## **9. List of Appendices**

Appendix A – Key Financial Indicators (including Revenue, Capital and Taxation collection) for the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> May 2021.

Appendix B – Treasury Management – Details of the Council's investments for the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> May 2021.

## **10. Background Papers**

None.

## Key Financial Indicators at 31st May 2021

## APPENDIX A

	Full Year Budget 2021/22	Actual 31 May 2021	Profile to 31 May 2021	Variance from Profile	
	£'000	£'000	£'000	£'000	%
<b><u>General Fund - Expenditure</u></b>					
Salaries	19,582	3,070	3,145	-75	-2.4%
Other Controllable Expenditure	41,468	5,618	5,568	50	0.9%
<b><u>General Fund - Income</u></b>					
Commercial & Industrial Property - Rental Income	-2,905	-805	-795	-10	1.3%
Other Controllable Income	-42,713	-8,621	-8,669	48	-0.6%
<b>General Fund - Net Revenue (Controllable)</b>	<b>15,432</b>	<b>-738</b>	<b>-751</b>	<b>13</b>	<b>-1.7%</b>
<b>Capital Programme</b>	<b>37,714</b>	<b>2,230</b>			

	Full Year Target	Actual 31 May 2021	Actual 31 May 2020	Variance
Council Tax collection in year - %	98.30%	20.56%	20.20%	0.36%
Council Tax collection - income collected for year - £m	£101.65	£20.90	£19.72	£1.18
Write-offs in year - £'000		£1	£1	£0
Write-offs in year - number		4	18	-14
Write-offs all years £'000		£15	£10	£5
Write-offs all years - number		85	93	-8
Business Rates collection in year - %	98.60%	19.41%	16.61%	2.80%
Business Rates collected for year - £m	£29.98	£5.82	£4.53	£1.29
Write-offs in year - £'000		£2	£0	£2
Write-offs in year - number		2	1	1
Write-offs all years - £'000		£5	£7	-£2
Write-offs all years - number		8	7	1
Creditors - payment of invoices within 30 days of receipt	99.25%	98.07%	98.19%	-0.12%

Debtors - Balance Outstanding	31-Mar-19	31-Mar-20	31-Mar-21	31-May-21
	£'000	£'000	£'000	£'000
Service Level Agreement charges - principally Tabor Academy and residents of Twin Oaks, Stisted	190	181	182	186
Capital Projects	-	-	-	-
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	12	12	109	30
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	43	60	71	71
Development & Environment	485	284	420	284
Finance	91	92	102	77
Leisure	189	122	2	37
Operations	953	1,076	1,312	790
Housing	51	65	43	44
Sub-Total - excluding Hsg. Benefits	2,014	1,892	2,241	1,519
Housing Benefits	1,719	1,673	1,613	1,601
Total	3,733	3,565	3,854	3,120

**Key Financial Indicators at 31st May 2021****APPENDIX A**

Profile by Recovery Stage:				
Invoice	2,109	1,914	2,088	1,134
Reminder	421	648	791	876
Pre-legal	366	104	145	237
Enforcement Agent	354	328	184	185
Tracing Agent	-	3	2	2
Charging Order	31	30	22	22
Attachment to Benefits/Earnings	452	538	622	664
Total	<b>3,733</b>	<b>3,565</b>	<b>3,854</b>	<b>3,120</b>
Write offs (debits and credits) in year - value - £000	£5.1	£7.7	£0.6	£2.8
Write-offs in year - number	140	114	141	16

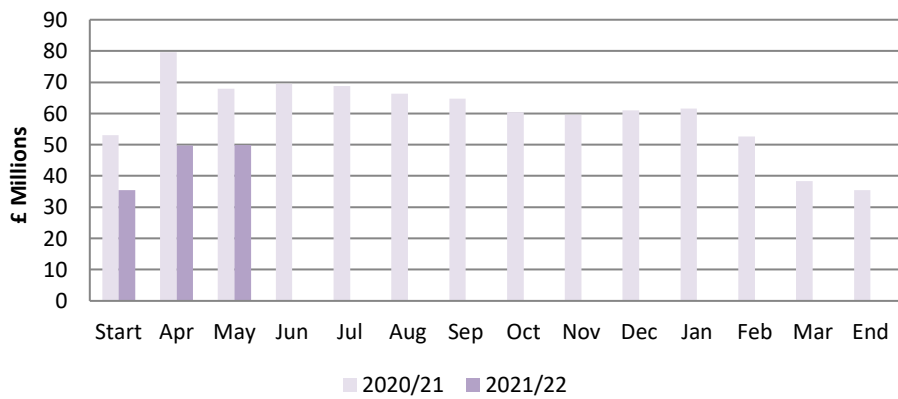
**Progress on achieving Efficiency Savings Targets**

The amount of the Efficiency Savings target included in the budget for 2021/22 is a net amount of £300,000. The underspend on salaries of £75,000, recorded above, is after offsetting £50,000 of the target.

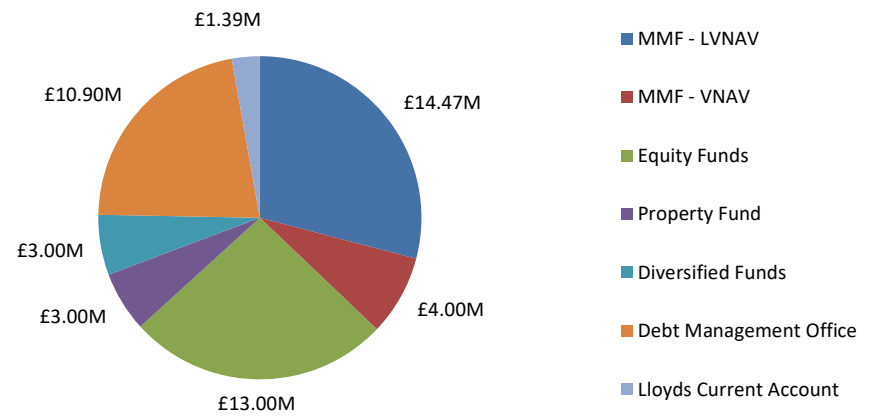
## Treasury Management Monitor - May 2021

Appendix B

**Average Cash Balances Managed**

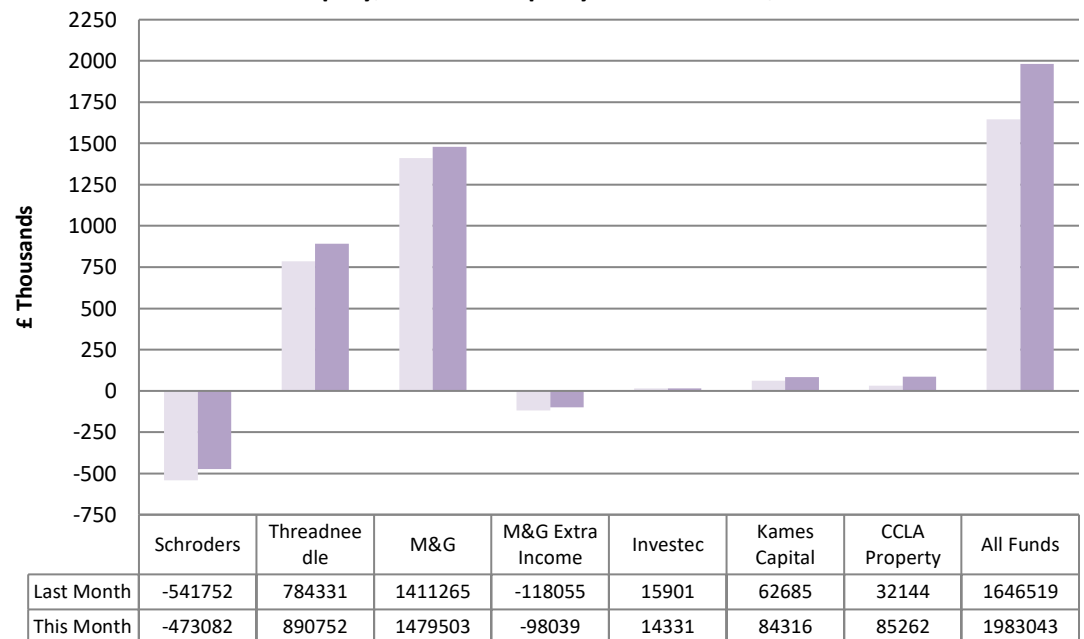


**Average Invested to end of Period**



	Investment Activity			
	This Month Made	Sold	Cumulative Made	Sold
	£m	£m	£m	£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	0.0	0.0	0.0	0.0
MMF - VNAV	2.0	-2.0	9.0	-4.0
<b>Sub-Total</b>	<b>2.0</b>	<b>-2.0</b>	<b>9.0</b>	<b>-4.0</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	0.0
Debt Mgt Office	9.5	-10.0	38.0	-28.5
Local Authorities	0.0	0.0	0.0	0.0
<b>Sub-Total</b>	<b>9.5</b>	<b>-10.0</b>	<b>38.0</b>	<b>-28.5</b>
Lloyds Bank PLC	0.7	0.0	0.4	0.0
<b>Sub-Total</b>	<b>0.7</b>	<b>0.0</b>	<b>0.4</b>	<b>0.0</b>
<b>Total</b>	<b>12.2</b>	<b>-12.0</b>	<b>47.4</b>	<b>-32.5</b>

**Equity, Multi & Property Funds FV Gain/ Loss**



### Commentary

Average sum invested in the month £49.81m (Last year £67.96m)

Average sum invested for the year to date £49.76m (Last year £73.68m)

Actual sum invested at the end of the period £50.35m (Last year £66.81m)

Interest secured on instant access accounts, fixed deposits, and MMFs at the end of the period £1745 a return of 0.03% [Annual Updated Budget £23k]

Note: 3mth Libid 0.01% 6mth LIBID 0.06%

Dividends earned (declared) on equity, property and diversified funds to the end of the period £12k [Annual Budget £686k]

Unrealised gain/ -loss at end of period for equity, property and diversified funds is a net £1983k a change of £337k from last month

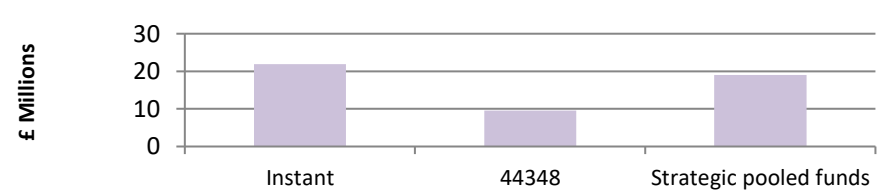
### INVESTMENT HOLDINGS AT END OF PERIOD

COUNTERPARTY	Type	Principal	Start	Maturity	Yield
DEBT MANAGEMENT OFFIC FIXED		2000000	06/05/2021	09/06/2021	0.01%
DEBT MANAGEMENT OFFIC FIXED		4500000	19/05/2021	09/06/2021	0.01%
DEBT MANAGEMENT OFFIC FIXED		3000000	19/05/2021	21/06/2021	0.01%
LLOYDS BANK	CALL A/C	2854000	31/05/2021	01/06/2021	0.00%
DEUTSCHE	MMF	0			0.00%
GOLDMAN SACHS	MMF	0			0.00%
CCLA PUBLIC DEPOSIT	MMF	5000000	31/05/2021	01/06/2021	Variable
FEDERATED PRIME	MMF	5000000	31/05/2021	01/06/2021	Variable
ABERDEEN STANDARD	MMF	5000000	31/05/2021	01/06/2021	Variable

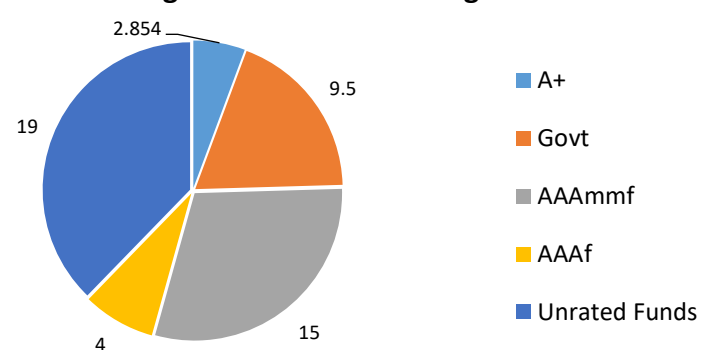
### EXTERNAL FUND INVESTMENTS

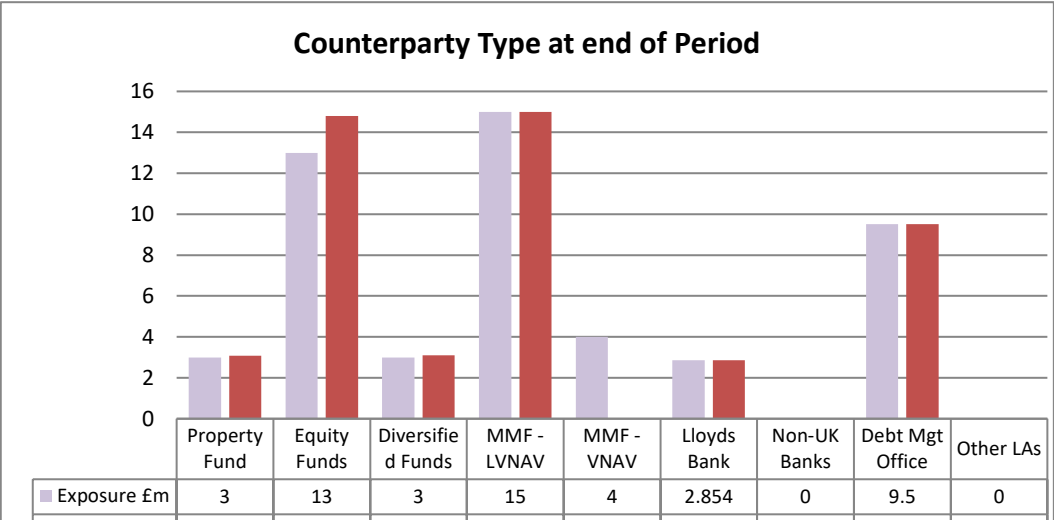
SHRODERS INCOME MAX.	EQUITY	2500000		Variable
THREADNEEDLE UK EQUITY	EQUITY	5000000		Variable
M&G GLOBAL DIVIDEND	EQUITY	2500000		Variable
M&G EXTRA INCOME	EQUITY	3000000		Variable
KAMES CAPITAL	MULTI	2000000		Variable
INVESTEC	MULTI	1000000		Variable
CCLA – LAMIT PROPERTY	PROPERTY	3000000		Variable
ROYAL LONDON CASH PLUS	MMF-VNAV	4000000		Variable

**Maturity Profile at end of Period**



**Credit Rating of Investment Holdings**

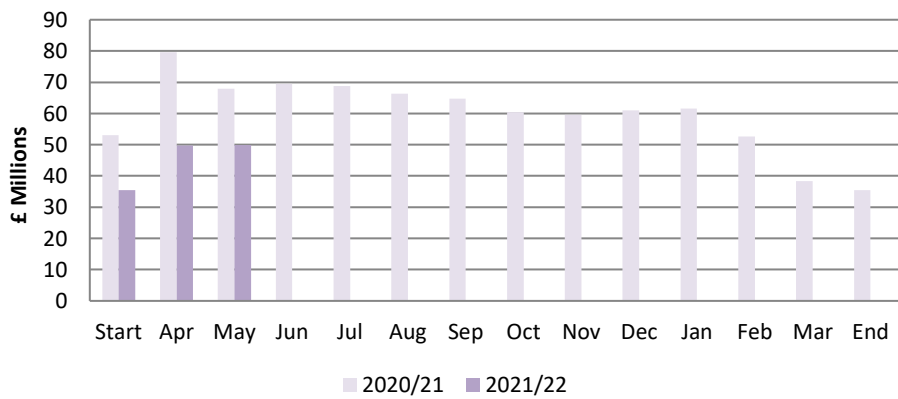




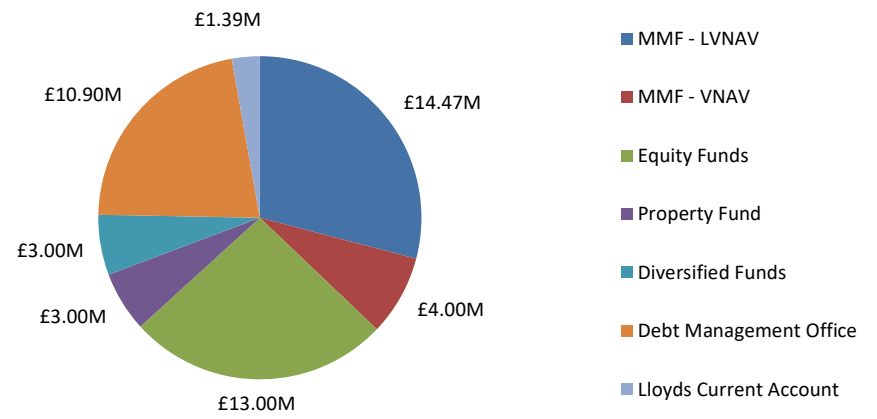
## Treasury Management Monitor - May 2021

Appendix B

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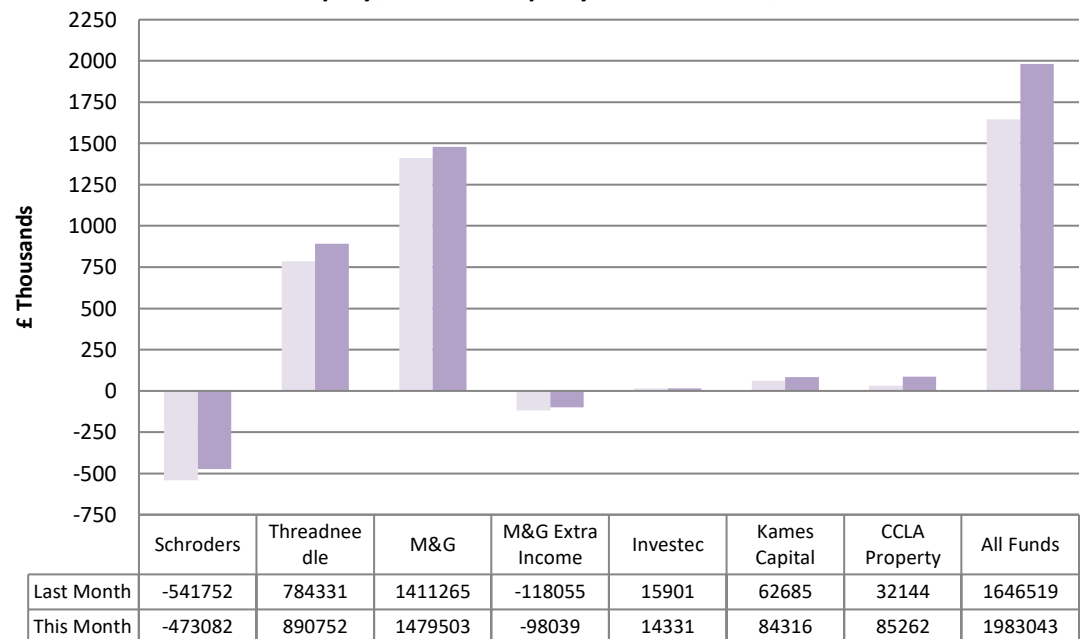


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Equity, Multi & Property Funds FV Gain/ Loss



### Commentary

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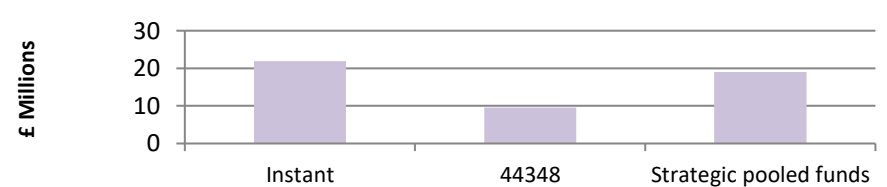
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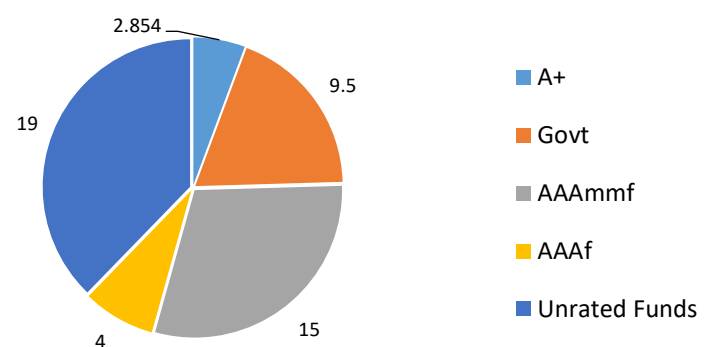
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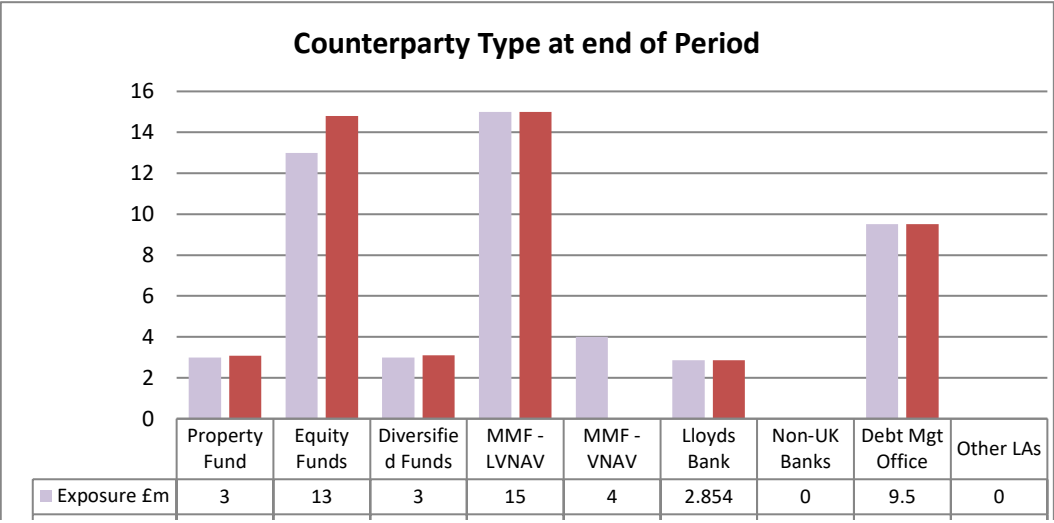
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Maturity Profile at end of Period



Credit Rating of Investment Holdings







<b>Internal Audit Update, Including Progress Against Audit Plans 2020/21 and 2021/22</b>		<b>Agenda No: 7</b>
<b>Portfolio</b>	<b>Finance and Corporate Transformation</b>	
<b>Corporate Outcome:</b>	<b>A high performing organisation that delivers excellent and value for money services</b>	
<b>Report presented by:</b>	<b>Angela Mitchell, Audit, Insurance and Fraud Manager</b>	
<b>Report prepared by:</b>	<b>Angela Mitchell, Audit, Insurance and Fraud Manager</b>	
<b>Background Papers:</b>		<b>Public Report: Yes</b>
None.		<b>Key Decision: No</b>
<b>Executive Summary:</b>		
<p>The Internal Audit Plan for 2020/21 was approved by the Corporate Governance Group on 23<sup>rd</sup> July 2020, and the 2021/22 Internal Audit Plan will be presented to the Governance and Audit Scrutiny Committee on 22<sup>nd</sup> July 2021. This report provide Members with an update on progress and performance against planned work and any other matters affecting the provision of the Internal Audit Service.</p> <p>The report also provides an update on progress against the External Quality Assessment Action Plan and the outcome of the Internal Audit Service self-assessment against the Local Government Application Note reflecting the Public Sector Internal Audit Standards.</p> <p>The report also provides an update on Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) applications made by the Authority.</p>		
<b>Recommended Decision:</b>		
Members note the progress and performance against the Internal Audit Plans 2020/21 and 2021/22.		
<b>Purpose of Decision:</b>		
The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit activity to report functionally to the Governance and Audit Scrutiny Committee, being the committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.		

This report provides an update on Internal Audit activity, and progress and performance against the approved Internal Audit Plan in accordance with the Governance and Audit Scrutiny Committee role and the requirements of the PSIAS.

**Any Corporate implications in relation to the following should be explained in detail.**

<b>Financial:</b>	None.
<b>Legal:</b>	None.
<b>Safeguarding:</b>	None.
<b>Equalities/Diversity:</b>	None.
<b>Customer Impact:</b>	None.
<b>Environment and Climate Change:</b>	None.
<b>Consultation/Community Engagement:</b>	None.
<b>Risks:</b>	None.
<b>Officer Contact:</b>	Angela Mitchell
<b>Designation:</b>	Audit, Insurance and Fraud Manager
<b>Ext. No:</b>	2821
<b>E-mail:</b>	Angie.mitchell@braintree.gov.uk

## 1. INTRODUCTION

This report identifies progress against planned work, the outcome of audits completed since the last report to the Governance and Audit Scrutiny Committee, and other work completed.

## 2. PROGRESS AGAINST THE INTERNAL AUDIT PLAN 2020/21

The progress against the 2020/21 Internal Audit Plan is detailed in **Appendix 1**.

The following audits have been completed since the last progress report to the Governance and Audit Scrutiny Committee (29 October 2020). **Appendix 3** provides a summary of the outcomes of these audits:

- Manor Street (Contract Management – Major Contracts) – **Limited Assurance** (detailed update in separate report)
- Online Payments System – **Significant Assurance**
- Business Grants – **Significant Assurance**
- Housing Application Document Verification – **Limited Assurance**
- Use and Distribution of Vouchers – vouchers no longer used
- Contract Management – **Significant Assurance**
- Commercial Rents – **Significant Assurance**
- Risk Management – **Significant Assurance**
- Information Management – **Significant Assurance**
- Information Technology Governance – **Full Assurance**
- Culture & Ethics – **Full Assurance**
- GDPR Document Retention – **Significant Assurance**
- PCI DSS Compliance – **Limited Assurance** – Actions now completed
- Capital Sales & Purchases and Related Contracts – **Full Assurance**
- Climate Change – **Significant Assurance**
- Vending Machines – **Significant Assurance**

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

- The scope of activity required to support the Council's Covid-19 response, including advice and consultancy on changes to processes and controls
- Audit staff have conducted investigations in conjunction with other services and HR staff
- A significant proportion of the Audit Manager's time is spent on Insurance work, and some time also spent on Fraud work. In 2020/21 the insurance related work included the re-tender of the insurance broker contract and all insurance covers, and the Asset Valuation contract - these procurement exercises required significant resource input.
- Additional ad hoc advice and consultancy services have been provided in the areas summarised in Appendix 1.

There was also ongoing work relating to the review of a major contract (conducted by an external consultant to elicit learning to support effective management of and decision making for future projects) including provision of additional related information for the Council's External Auditor.

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 Governance and Audit Scrutiny Committee.

### **3. PROGRESS AGAINST THE INTERNAL AUDIT PLAN 2021/22**

The progress against 2021/22 Internal Audit Plan is detailed in **Appendix 2**.

The following audits have been completed, **Appendix 3** provides a summary of the outcomes of these audits:

- Business Rates Refunds – **Full Assurance**
- PCI DSS Compliance – follow up confirmed self-assessment now complete

### **4. REGULATION OF INVESTIGATORY POWERS ACT (RIPA) and INVESTIGATORY POWERS ACT (IPA) APPLICATIONS**

There were no RIPA / IPA applications in 2020/21 or to the date of producing this report.

### **5. PROGRESS AGAINST THE EXTERNAL QUALITY ASSESSMENT ACTION PLAN**

The outcome of the External Quality Assessment of the Audit function against the Public Sector Internal Audit Standards (PSIAS) was reported to the Governance Committee on 12 April 2018. This assessment concluded the Council '*Partially Conforms*' to the PSIAS, and 22 recommendations, 10 suggestions and 4 observations were made by the assessor to support the Council in its journey to '*Generally Conforms*'.

Of the 22 recommendations:

- **18 have been completed**
  - relating to the Audit Charter; Annual Report (2); the Audit Insurance & Fraud Manager post; staff training and development; alignment of the Internal Audit Plan to Council risks and strategies (2); engagement of Senior Management in the Audit Planning process; reporting results of self-assessments against the PSIAS; quality assessments and reporting compliance (2); performance measures; risk based audit planning aligned to corporate priorities (2); Terms of Reference for audit assignments; reporting audit assignments (2); duration & scope of routine audits.
- **3 are generally complete:**
  - Reference is made in 2 recommendations to reporting to the Corporate Management Team, this is achieved via reporting to the Corporate Director (Resources) and the Head of Finance, rather than directly to the Management Team as a whole.
  - The assessor recommended inclusion of: governance and ethical objectives, service delivery, performance, and achievement of the Council's objectives in the scope of all audits – these areas have been

included in audit scoping, and are included where appropriate but audits will not all include all suggested areas.

- **1 is in progress:**

- Audit Manual – staff are provided with training, guidance, and templates. The incorporation into a wider audit manual is in progress

Of the 10 suggestions:

- **7 have been completed** – relating to the Audit Insurance & Fraud Manager meeting with the Chair of the Governance and Audit Scrutiny Committee; Audit Manager access to the Audit Committee Chair is included in the revised Committee Terms of Reference, reallocation of non-audit responsibilities; including reference to the annual Public Sector Networks compliance audit in the annual opinion; statement of conformance to the PSIAS in the annual report; classification of audits within the Audit Plan; statement on delivery of the Audit service.
- **2 are in progress** – Staff currently make declarations of compliance with principles, code of ethics, standards and Nolan principles via Audit reports, and individual declarations for auditors are being developed. A review of the document retention policy is also in progress
- **1 is not expected to be taken forward** – the Senior Auditor is not seeking to obtain the CIA qualification, but is supported with relevant training (the Trainee Auditor is currently studying for the CIA qualification).

And of the 4 Observations:

- **Use of Computer Assisted Audit Techniques (CAATs) for continuous auditing** – computer analysis is used where appropriate, and existing technology offers a wide range of functions, but dedicated software has not been purchased at this time.
- **Audit Management system** – Options were reviewed, but we are assessing the opportunities offered by the implementation of Sharepoint to determine whether a separate system is still appropriate.
- **Buying in specialist IT Audit Services** – potential suppliers identified, but many audits are capable of completion by general auditors, and sources of third party specialist assurance are also reviewed. Specialist Internal Audit services are procured if/when required, and have been procured for other areas of audit work.
- **Proactive approach to change and audit team involvement in change projects** – team does provide ad hoc support and guidance with change (such as has been the case in respect of the Council's response to the Covid-19 pandemic), and consultancy work is reported to the Governance and Audit Scrutiny Committee.

## **6. SELF-ASSESSMENT AGAINST THE LOCAL GOVERNMENT APPLICATION NOTE (LGAN) (REFLECTING PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS))**

5.1. A full self-assessment of compliance against the LGAN checklist (incorporating requirements from the PSIAS and the LGAN) has been completed. The assessment covers:

- **Mission** of Internal Audit
- **Definition** of Internal Auditing

- **Core Principles** (integrity, competence and due professional care, objectivity and independence, alignment with corporate strategies objectives and risks, position (status) and resourcing, quality and continuous improvement, communication, assurance, future focus, promotes improvement)
- **Code of Ethics** (including integrity, objectivity, confidentiality, competency, and the Seven Principles of Public Life)
- **Attribute Standards** (including purpose authority and responsibility, independence and objectivity, and Quality Assurance & Improvement Programme)
- **Performance Standards** (including managing the internal audit activity, nature of work, engagement planning, engagement performance, communicating results, monitoring progress, and communicating acceptance of risk)

5.2. The completion of the assessment questionnaire determines whether the internal audit activity conforms, partially conforms, or fails to conform with the requirements of the PSIAS and the LGAN. My assessment is that the **Braintree DC Internal Audit function Generally Conforms** with these requirements, the action plan below sets out arrangements for further development:

PSIAS / LGAN	Description	Further Action
<i>Demonstration</i> of Core principles	The Service performs work with honesty, diligence and responsibility, observes the law, is not knowingly party to illegal activity or discreditable acts, respects and contributes to legitimate and ethical organisational aims. This is reinforced in training and assessed in Audit Manager review of work.	Further <i>demonstration</i> would be achieved through use of a <b>declaration</b> signed by staff acknowledging compliance with these requirements This declaration will be introduced in 2021/22 See below re Audit Manual
Organisational Independence – reporting and management arrangements	Guidance suggests Chief Audit Executive (CAE) independence must be safeguarded by ensuring their remuneration/performance assessment is not inappropriately influenced by those subject to audit, this could be achieved by feedback from the Board/Chief Exec.	<b>Feedback</b> would be the most practical approach, arrangements to be determined in conjunction with the Head of Finance (2021/22)
Proficiency and Due Professional Care	Guidance promotes use of Computer Assisted Audit Techniques. Computer analysis is conducted and the Council engages in wider data matching exercises, but CAATS will be reviewed.	To review options for <b>CAATS</b> use (2021/22)
Policies and Procedures to guide the internal audit activity	The function has a range of policies and procedures, checklists and pro-forma documents to guide the audit process, and training and experienced staff. The information is being drawn together in the form of a manual, this is in progress	<b>Audit Manual</b> to be completed, to include review of retention of audit records (2021/22)

Risk Management – Fraud Risk Assessment	Fraud risks are considered and fraud updates provided to Senior Management / Committee on Fraud risks and prevention / detection activity	<b>Fraud Risk Assessment</b> against <i>CIPFA Code of Practice on Managing the Risk of Fraud &amp; Corruption</i> (2021/22)
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## **APPENDIX 1 – PROGRESS AGAINST THE 2020/21 INTERNAL AUDIT PLAN**

This Appendix summarises the work completed in respect of the 2020/21 Internal Audit Plan (approved by the Corporate Governance Group in July 2020).

	<b>Audit Priority</b>		<b>Current Status</b>	<b>Date Report to Governance &amp; Audit Scrutiny</b>
<b>2020/21 Internal Audit Plan – All Audits</b>				
1	Core Financial Systems – Back to Basics reviews - Debtors - General Ledger - Investments	1	Completed Completed Completed	29 October 2020 14 January 2021 14 January 2021
2	Payments & Procurement	1	Completed	29 October 2020
3	Contract Management – Major Contracts (Manor Street)	1	Completed & ongoing	22 July 2021
4	Online Payments System	2	Completed	22 July 2021
5	Corporate Credit Cards	2	Audit deferred to 2022/23	
6	Contract Procedure Rules & Financial Regulations	2	Audit deferred to 2022/23	
7	Building Control Financial Processes	2	Completed	29 October 2020
8	Debtors Recovery	2	Completed	29 October 2020 Note 1
9	BACS system	3	Audit deferred to 2021/22	
10	Business Grants	1	Completed & Ongoing	22 July 2021 Note 2
11	Joint Delivery Bodies	2	Reviews of selected partnerships included in 2021/22 Plan	
12	Housing Application Document Verification	1	Completed	22 July 2021
13	Health & Wellbeing Grants	2	Completed	29 October 2020
14	Use & Distribution of Vouchers	2	Completed	22 July 2021
15	Contract Management	1	Completed	22 July 2021
16	Landlord Safety Checks	2	Audit deferred to 2021/22	
17	Organisational Learning	3	2021/22 Projects audit to include Post Implementation Reviews, and 2021/22 audit of Project realisation of benefits to include lessons learned	
18	Pest Control	3	Audit deferred to 2021/22	
19	Commercial Rents	2	Completed	22 July 2021
20	Risk Management	1	Completed	22 July 2021
21	Business Resilience	2	Audit deferred to 2021/22	
22	Information Management	1	Completed	22 July 2021
23	Publishing Statutory Decisions	1	Completed	29 October 2020
24	Cyber Security	1	Completed	14 January 2021
25	Information Technology Governance	2	Completed	22 July 2021
26	Culture & Ethics	2	Completed	22 July 2021
27	GDPR – Document Retention	2	Completed	22 July 2021
28	PCI DSS Compliance	2	Completed	22 July 2021
29	Uniform – Street Scene Protection Scheme	3	Uniform Audit in 2021/22 plan	
30	Performance Management	3	Completed	29 October 2020



31	Manor Street Review	1	(Follow up of implementation) Deferred to 2021/22	
32	Capital Sales & Purchase and Related Contracts	1	Completed	22 July 2021
33	Strategic Investment	2	Audit deferred to 2021/22	
34	Climate Change	2	Completed	22 July 2021
35	Annual Governance Statement		Annual Audit opinion contributes to AGS. Further work scheduled in 2021/22	
	Vending Machines (additional audit)		Completed	22 July 2021

### **ADDITIONAL WORK COMPLETED**

Since the last report to the Governance and Audit Scrutiny Committee the function has provided ad hoc advice and guidance in a number of areas, including the following. No assurance levels are assigned to this work:

- Review of data matches arising from the NFI Data Matching exercises
- Further updates to system access to support the Track and Trace scheme
- Baseline personnel security standard checks (DWP requirement for system access)
- Advice regarding Community Grant and evidence of spend
- Advice on scope of Footpath Condition and Inspection Protocol
- Advice on driving licence validity
- Advice relating to promotion of available grant funding
- Advice on authorisation levels and staff conflicts of interest
- Advice relating to leased cars
- Investigation work in respect of staff matters

#### **Notes:**

**Note 1: Debtors and Debtor Recovery** – work combined into one audit and reported to CGG in October 2020, additional work on Invoicing is included in 2021/22 Audit Plan

**Note 2: Business Grants** – summary of Business Grants was included in Fraud update report to Corporate Governance Group 14 January 2021. Internal Audit Support / fraud check work is ongoing, and is also included in the 2021/22 Internal Audit Plan.

## **APPENDIX 2 – PROGRESS AGAINST THE 2021/22 INTERNAL AUDIT PLAN**

This Appendix summarises the work completed in respect of the 2021/22 Internal Audit Plan (presented to the Governance and Audit Scrutiny Committee on 22<sup>nd</sup> July 2021).

	<b>Audit Priority</b>		<b>Current Status</b>	<b>Date Report to Governance &amp; Audit Scrutiny</b>
<b>2021/22 Internal Audit Plan – All Audits</b>				
1	Core Financial Systems – Back to Basic Reviews - Business Rates Refunds	1	Part Completed (re Business Rates Refunds)	22 July 2021
2	Payroll Shared Service	1		
3	Managers Self Service	2		
4	Procurement / P2P E-Procurement System	2	In progress	
5	North Essex Parking Partnership	2		
6	BACS System	2	In Progress	
7	Corporate Credit Cards	2	In Progress	
8	Debtors Invoicing	3	In Progress	
9	LCTS Document Verification	3		
10	Business Support Grants	1		
11	North Essex Economic Board Partnership	2		
12	European Regional Development Funds	2		
13	Uniform System Security	2		
14	Disabled Facilities Grants / Major Housing Grants	2	In progress	
15	Landlord Safety Checks	1	In Progress	
16	Plant & Vehicle Workshop	2		
17	Unit 4 Fuel System	2		
18	Commercial Waste	2		
19	Agency Supply Contract	2		
20	Safe Recruitment	2		
21	Pest Control	3		
22	Affordable Housing & Homelessness	2		
23	Accuracy of Housing Application Processing	2		
24	Projects Realisation of Benefits	2		
25	Commercial Rents	3		
26	Risk Management	1		
27	Business Resilience	2	In Progress	
28	Information Management	1	In Progress	
29	Cyber Security	1		
30	Social Media	2		
31	Culture & Ethics	2		
32	Homeworking – Security of Data	2		
33	IT Inventory	2		
34	Performance Management	3		
35	Major Projects – General	1		

36	Major Project – in Depth Review	1		
37	Strategic Investment	2		
38	Climate Change	2		
39	Annual Governance Statement	1		
40	Follow Up Limited Assurance Reports: - Contract Management (2019/20) - Manor Street (2019/20) - Housing Application Document Verification (2019/20) - Contract Management – Major Contracts (2020/21) - PCI DSS Compliance (2020/21)	2	- - - - - Completed	     22 July 2021

### APPENDIX 3 – OUTCOME OF AUDITS COMPLETED SINCE THE PREVIOUS REPORT TO GOVERNANCE COMMITTEE (29 October 2020)

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>Contract Management – Major Contracts</b>  <b>(Manor Street)</b>  <b>Limited Assurance</b>	<p>The Contract Management – Major Contracts audit was scheduled to review the existence and effectiveness of project management controls. These controls were reviewed as part of the Manor Street project audit. Updates on the outcome of the Manor Street project audit were provided to the Corporate Governance Group in July 2020 and October 2020, including a summary of the reported areas of improvement. Management have agreed actions to resolve the areas identified, and the management response and actions implemented are the subject of a separate report to the Governance and Audit Scrutiny Committee.</p> <p>Further Internal Audit work is planned in 2021/22 to confirm implementation of agreed recommendations identified in the Manor Street project review, and also to review controls and compliance with requirements in other significant projects.</p> <p>A separate audit of Contract Management – Major Contracts (reported to the Corporate Governance Group in July 2020) resulted in a Significant Assurance assessment</p>				
<b>Online Payments System</b>  <b>Significant Assurance</b>	<ul style="list-style-type: none"> <li>- Testing of the online booking system</li> <li>- Service provision via online booking system</li> <li>- Integration with the Pay.net system for payment allocation</li> <li>- Consistent bookings and payments following introduction of system</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>- The supplier testing plan, including live system testing, was completed and issues identified were resolved by the supplier</li> <li>- The system is integrated with the card payment system and transactions are properly posted</li> </ul> <p>The system is being rolled out to additional areas</p>	<ul style="list-style-type: none"> <li>- Finance and service staff to be included in system testing to ensure correct processing of payments prior to going live</li> </ul>	Medium	ICT & Facilities Manager  September 2021

<b>Business Grants</b>  <b>Significant Assurance</b>	<ul style="list-style-type: none"> <li>- Application forms completed</li> <li>- Appropriate checks conducted</li> <li>- Grants paid correctly</li> <li>- Grants recovered where fraudulent application identified</li> <li>- Grant paid in appropriate timescale</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>- Various checks were conducted on applications, and any requiring further investigation were reviewed by the Recovery and Revenues Manager</li> <li>- Grants were paid promptly to the correct rate account payer</li> <li>- Grant applications not meeting the required criteria were not paid</li> <li>- Applicants sign to acknowledge that if presenting false records they will be prosecuted and grant will be required to be repaid</li> </ul>	Maintain records where grant not paid and reason for non-payment	High	Recovery & revenues Manager  June 2021
<b>Housing Application Document Verification</b>  <b>Limited Assurance</b>	<p>Follow up of 2019/20 audit high priority recommendations:</p> <ul style="list-style-type: none"> <li>- Update verification and references protocol to ensure original documents are checked</li> <li>- Ensure the checks are made on original documents</li> <li>- Update procedures to include protocols on the reporting mechanism for false documents</li> </ul> <p>The review identified ongoing weaknesses in the review of documents as a result of Covid-19, the Audit team is working with Housing staff to implement alternative means of gaining assurance as to authenticity of ID, a further follow up is scheduled.</p>				
<b>Contract Management</b>  <b>Significant Assurance</b>	<ul style="list-style-type: none"> <li>- Clarity and adoption of the Council's contract management approach and protocols</li> <li>- Contract management training</li> <li>- Ensure contract management conducted in line with defined protocols</li> <li>- Contracts register is up to date</li> </ul>	<p>The report noted progress in a number of areas, and additional work is planned:</p> <ul style="list-style-type: none"> <li>- A contract / service review document has been prepared and was being rolled out to services</li> <li>- Contract management training was scheduled (some delay due to Covid-19)</li> <li>- A contracts register has been developed by the Commercial Manager and Procurement Team</li> <li>- For a sample tested, payments made were in accordance with the agreed tender</li> </ul>	Continue the implementation of the Contract/Service review template to all contracts, develop the contract management training for all relevant officers including the managing of risks within each contract	High	Commercial Manager  April 2021

		<ul style="list-style-type: none"> <li>- Risks were considered as part of the tender but risk registers were not always maintained during the contract term</li> </ul>			
<b>Commercial Rents</b>  <b>Significant Assurance</b>	<ul style="list-style-type: none"> <li>- Rent reviews conducted in timely manner</li> <li>- Correct rent is charged</li> <li>- Rent deposit protocols are in place and deposit received in accordance with protocols</li> <li>- Protocols exist to deal with non-payment of rent</li> <li>- Rental income is reconciled to provide adequate management information to support investment decisions</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>- Rent reviews by Asset Management followed standardised processes. Where reviews commenced after the agreement had ended, they were appropriately backdated</li> <li>- Credit checks are conducted prior to new leases, rent deposits are taken, and rental income accorded with the terms of the lease</li> <li>- Aged debt monitoring was carried out, and recovery processes followed where necessary</li> <li>- An accountant completes income reconciliations and the Asset Management team review budget information</li> </ul>	Ensure the Uniform system has system flags to highlight upcoming rent reviews due	High	Head of Asset Management  April 2021
<b>Risk Management</b>  <b>Significant Assurance</b>	<p>Follow up of 2018/19 Audit recommendations, this identified the following:</p> <ul style="list-style-type: none"> <li>- The Risk Management policy was last updated in 2006, and requires review (Medium priority)</li> <li>- The Risk Management policy should be added to the staff intranet to improve accessibility (Medium)</li> <li>- The scope and content of the Strategic Risk Register has been subject to review (and is the subject of a separate report to the Governance &amp; Audit Scrutiny Committee)</li> <li>- Operational Risk Registers are reviewed at least annually as part of the Business Planning process</li> </ul> <p>Further work is planned to review Risk Management arrangements</p>				
<b>Information Management</b>	<ul style="list-style-type: none"> <li>- Lawful processing of special category (sensitive) data</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>- Secure programmes are used for sharing Payroll data between authorities, and staff can update their</li> </ul>	<ul style="list-style-type: none"> <li>- Staff to be reminded to not store documents with GDPR relevant data</li> </ul>	Medium	Head of Governance  July 2021

<b>Significant Assurance</b>	<ul style="list-style-type: none"> <li>- Security, use and processing of data held by the share Payroll service</li> <li>- Nature of and access to data held on the General drive</li> <li>- GDPR accountability across the Council</li> <li>- Staff training</li> </ul>	<p>own details. GDPR data sent externally is password protected and the data subject's identify confirmed prior to sending</p> <ul style="list-style-type: none"> <li>- Payroll special category data is processed lawfully</li> <li>- The move to Sharepoint will drive services to review and reduce the amount of data held</li> </ul>	<p>in the General drive without additional security, to review folders and secure or transfer any personal information, and any folders not reviewed should be removed and deleted after an appropriate period</p> <ul style="list-style-type: none"> <li>- Staff who have not achieved the required score on GDPR training should retake the training. Paper based training to be introduced for those staff who require it, and refresher training should be implemented for all staff</li> </ul>		
<b>Information Technology Governance</b>  <b>Full Assurance</b>	<ul style="list-style-type: none"> <li>- Senior Management have a clear and current strategic vision for Information Technology</li> <li>- Vision is aligned to strategic objectives</li> <li>- Vision clarifies how IT supports and enables delivery of strategic objectives</li> </ul>	<p>The Council has a digital strategy providing a clear strategic vision for IT, and the vision aligns to strategic objectives. There is an explanation of how aims for each theme in the strategy will be achieved.</p> <p>The IT team maintains Annual business plans and meets with the cabinet portfolio holder to review projects and performance, and business plans are linked to corporate priorities</p>	<p>There were no required actions arising from this review</p>	<p>N/A</p>	<p>N/A</p>

<b>Culture &amp; Ethics</b>  <b>Full Assurance</b>	<ul style="list-style-type: none"> <li>- Appropriate ethical policies exist, are up to date, and accessible by staff</li> <li>- Defined culture exists and is embedded</li> <li>- Organisational culture and ethics are monitored</li> </ul>	<p>Culture is defined through the people strategy, PRIDE values and the tone at the top. Values are embedded from recruitment and induction, through performance reviews and employee recognition schemes.</p> <p>The Council has a number of strategies which promote ethical behaviour and are available to staff.</p> <p>Culture and ethics are monitored locally via the performance management system, and organisationally through monitoring of complaints, trends, staff related measures (such as sickness and turnover), and staff surveys</p>	<p>There were no required actions arising from this review</p>	<p>N/A</p>	<p>N/A</p>
<b>GDPR Document Retention</b>  <b>Significant Assurance</b>	<ul style="list-style-type: none"> <li>- Document retention policies exist and are maintained with processes to identify documents requiring review</li> <li>- Documents are disposed of in line with the document retention policies</li> <li>- Corporate guidance exists for secure transportation and storage of documents</li> <li>- Documents are stored securely prior to disposal</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>- New homeworking policy provides guidance on security of documents away from the office</li> <li>- Information Management Code of Practice requires secure storage of documents containing personal information, with restricted access</li> <li>- The Council's data retention policy is currently being revised</li> <li>- Most teams do not have a backlog of historic paperwork, those that do are working to reduce it</li> <li>- Most teams with GDPR relevant paper documents have a retention policy or Privacy notice, and a process to review and dispose of documents</li> </ul>	<ul style="list-style-type: none"> <li>- Services without a documented retention policy to implement one</li> <li>- Services with a privacy notice or retention policy to review it and confirm it is complete and up to date, and continue to review regularly</li> <li>- Cupboards used to store personal information should be lockable and staff ensure they are locked in accordance with Corporate requirements</li> </ul>	<p>Medium</p>	<p>Head of Governance</p> <p>September 2021</p>



<b>PCI DSS</b>  <b>Limited Assurance</b>  <b>Actions now complete, therefore direction of travel is to Full Assurance</b>	<ul style="list-style-type: none"> <li>- Card payment system is PCI compliant</li> <li>- Council self-assessment of compliance</li> <li>- Information storage is compliant</li> <li>- Card payments taken manually are compliant</li> </ul>	<b>Areas of good practice:</b> <ul style="list-style-type: none"> <li>- The system largely used for card payments is PCI DSS compliant</li> </ul>	<ul style="list-style-type: none"> <li>- PCI DSS self-assessment questionnaire D is completed annually</li> </ul>	High	Finance Manager / ICT Technical Services Manager  Self-Assessment questionnaire was completed prior to conclusion of the audit
<b>Capital Sales &amp; Purchase, and Related Contracts</b>  <b>Full Assurance</b>	<ul style="list-style-type: none"> <li>- Recording of, and corporate awareness of decisions</li> <li>- Decisions are made by those with appropriate authority</li> <li>- Approved or rejected decisions are recorded and published</li> <li>- Maintenance of records of contracts</li> </ul>	<b>Areas of good practice</b> <ul style="list-style-type: none"> <li>- For the sample reviewed, records were maintained by the originating department and the Governance team</li> <li>- Decisions were approved by the appropriate committee where necessary or by the responsible cabinet Member</li> <li>- Records of delegated decisions and committee approval are available to view on the Council's website</li> <li>- Transactions involving capital sales and purchases are held electronically by the Finance team and included in the Council's financial statements</li> </ul>	There were no required actions arising from this review	N/A	N/A
<b>Climate Change</b>  <b>Significant Assurance</b>	<ul style="list-style-type: none"> <li>- Climate change action plan completed in accordance with agreed timescales</li> <li>- Public perception is enhanced by</li> </ul>	<b>Areas of good practice:</b> <ul style="list-style-type: none"> <li>- Council's Climate Change Working Group and supporting Officer Working Group work enabled Cabinet and Full Council to consider the Climate Change Strategy and Action Plan</li> </ul>	Completion of the Climate Change Strategy and Action Plan	Medium	Sustainability Manager  February 2021

	<p>implementation of the action plan</p> <ul style="list-style-type: none"> <li>- Council delivers on the targets identified</li> <li>- Department working practices align with the action plan</li> <li>- Sustainable policies are kept up to date and accurate information is provided</li> </ul>	<ul style="list-style-type: none"> <li>- The staff Eco Group has identified and implemented recycling initiatives</li> </ul> <p>The new strategy and action plan will require challenge and review to ensure the Council meets it's objectives</p>			<i>The Climate Change Strategy is currently subject to public consultation</i>
<p><b>Vending Machines</b></p> <p><b>Significant Assurance</b></p>	<ul style="list-style-type: none"> <li>- Vending machine key usage is monitored</li> <li>- Periodic machine readings are recorded to enable reconciliation</li> <li>- Petty cash requests for machine top up are subject to appropriate controls, including receipts, limits on value of top up, and issue to authorised personnel</li> <li>- Records identify which staff have vending machine keys</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>- There is a £20 limit for all petty cash requests</li> <li>- Machine readings are taken before and after meetings</li> </ul>	<ul style="list-style-type: none"> <li>- Identify staff with a vending machine key, and provide list to cashiers to enable them to restrict payment of associated claims to listed personnel</li> </ul>	Medium	<p>ICT &amp; Facilities Manager</p> <p>June 2021</p>
<p><b>Business Rates Refunds</b></p> <p><b>Full Assurance</b></p>	<ul style="list-style-type: none"> <li>- Refunds only made where due and claim form received</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>- Bank details are verified to direct debit information, and forms include mandatory fields on bank account information</li> </ul>	There were no required actions arising from this review	N/A	N/A

	<ul style="list-style-type: none"><li>- Bank details are checked before refund is processed</li><li>- Refunds are correctly authorised</li><li>- Returned BACS payments are investigated</li><li>- Adequate division of duties exists</li></ul>	<ul style="list-style-type: none"><li>- Refunds are only processed where a credit balance exists and no further adjustments required</li><li>- BACS payment authorisation is independent Revenues officers</li><li>- BACS payments are via AUDDIS which verifies the sort code and bank account number at the time of input</li></ul>																	
<b>Use and Distribution of Vouchers</b>	This was a follow up review to confirm appropriate controls had been implemented, the service confirmed that vouchers are no longer used																		
<p><b><u>Key:</u></b> For the scope of objectives subject to review during the audit:</p> <table><tr><td><i>Full Assurance</i></td><td><i>Internal controls meet acceptable standards and are consistently applied.</i></td></tr><tr><td><i>Significant Assurance</i></td><td><i>Reasonable, but not absolute, assurance that adequate risk management and controls are in place.</i></td></tr><tr><td><i>Limited Assurance</i></td><td><i>Significant assurance that the internal control framework meets minimum acceptable standards.</i></td></tr><tr><td><i>No Assurance</i></td><td><i>Some weaknesses or inconsistent application in control means some risks are not adequately mitigated.</i></td></tr><tr><td></td><td><i>Internal control framework does not meet minimum acceptable standard.</i></td></tr><tr><td></td><td><i>Weaknesses or inconsistent application of controls means some risks are not mitigated and require significant improvement</i></td></tr><tr><td></td><td><i>The internal control framework does not meet the minimum acceptable standards and no assurance can be given</i></td></tr></table>						<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>
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<b>Internal Audit Annual Report 2020/21</b>		<b>Agenda No: 8</b>
<b>Portfolio</b>	<b>Finance and Corporate Transformation</b>	
<b>Corporate Outcome:</b>	<b>A high performing organisation that delivers excellent and value for money services</b>	
<b>Report presented by:</b>	<b>Angela Mitchell, Audit Insurance and Fraud Manager</b>	
<b>Report prepared by:</b>	<b>Angela Mitchell, Audit Insurance and Fraud Manager</b>	
<b>Background Papers:</b>		<b>Public Report: Yes</b>
None.		<b>Key Decision: No</b>
<b>Executive Summary:</b>		
<p>The Public Sector Internal Audit Standards requires the Head of Internal Audit to deliver an annual internal audit report and opinion that can be used by the organisation to inform its Annual Governance Statement. The annual audit opinion must conclude on the overall adequacy and effectiveness of the organisation's control framework of governance, risk management and control during the year.</p> <p>The Head of Internal Audit annual opinion provides a conclusion on the overall adequacy and effectiveness of the organisation's control framework of governance, risk management and control during the year 2020/21.</p> <p>The Annual Report from the Audit Insurance &amp; Fraud Manager is attached, the conclusion from the 2020/21 work is that the Councils systems of internal control and the internal control environment provide reasonable assurance over key business processes and financial systems.</p>		
<b>Recommended Decision:</b>		
To accept the Internal Audit Annual Report for 2020/21.		
<b>Purpose of Decision:</b>		
To accept the Internal Audit Annual Report for 2020/21 in support of the Annual Governance Statement.		

<b>Any Corporate implications in relation to the following should be explained in detail.</b>	
<b>Financial:</b>	None.
<b>Legal:</b>	None.
<b>Safeguarding:</b>	None.
<b>Equalities/Diversity:</b>	None.
<b>Customer Impact:</b>	None.
<b>Environment and Climate Change:</b>	None.
<b>Consultation/Community Engagement:</b>	None.
<b>Risks:</b>	To comply with the Public Sector Internal Audit Standards.
<b>Officer Contact:</b>	Angela Mitchell
<b>Designation:</b>	Audit, Insurance and Fraud Manager
<b>Ext. No:</b>	2821
<b>E-mail:</b>	Angmi@braintree.gov.uk

# **INTERNAL AUDIT**

## **ANNUAL REPORT 2020/21**

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## 1. PURPOSE

- 1.1. This is the annual report of the Audit Insurance & Fraud Manager (AIFM) as required by the Public Sector Internal Audit Standards (PSIAS) for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021.
- 1.2. The report includes the AIFM annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion is based on:
  - The work carried out by Internal Audit during the year
  - Assurances provided by independent external sources
- 1.3. The report provides information on:
  - The delivery of the Internal Audit Plan;
  - Audit reports issued and issues of concern;
  - Implementation of agreed actions;
  - Internal Audit Performance; and
  - The quality assessment and improvement programme

## 2. BACKGROUND

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

### 3. THE ROLE OF INTERNAL AUDIT

- 3.1. The PSIAS define the role of Internal Audit as:  
*An independent Internal Audit is an independent, objective, assurance and consulting activity designed to add value to and improve an organisation's operations.*  
*It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*
- 3.2. The AIFM reports functionally to the Head of Finance and the Governance and Audit Scrutiny Committee. The Audit Charter formally defines the purpose, authority and responsibility of Internal Audit.
- 3.3. The AIFM had had no constraints placed upon her, and no impairments to independence and objectivity, in respect of: determining the overall audit coverage and access to Council systems, operations, records and officers; the audit methodology applied; the scope of Internal Audit work, performance of that work and communication of the results including proposing actions for improvement and forming opinions on individual audit reports issued.
- 3.4. Internal Audit provides a combination of assurance activity (assessing the design and effectiveness of systems and processes) and consulting activity (guidance and advice for the development of those systems and processes). The assurance opinion is based on:
- Delivery of internal audit work and written reports from internal audit activity completed in the course of the year (audit work is planned to give sufficient assurance on the management of key risks)
  - Observations from consultancy / advisory support
  - Results of follow up work (to assess implementation of prior year recommendations)
  - Notable changes to the Council's ambitions, processes, management structure and use of technology
  - Review of assurance from other assurance providers
  - Quality and performance of the Internal Audit Service and degree of compliance with the PSIAS.

### 4. OTHER ASSURANCE PROVIDERS

- 4.1. Assurances are also taken from the following sources:
- **Service Leadership and Management:** Council Managers are the first line of defence and responsible for ensuring business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Managers are also responsible for ensuring there is a sound system of control which includes arrangements for managing risk. They are required to escalate key governance concerns or weaknesses as they occur.
  - **Corporate Oversight Functions:** responsible for developing and designing governance and risk processes, and providing oversight, including:
    - Policies and procedures to guide and advise services (eg. Risk Management Policy)



- Ensuring services are compliant and meeting defined organisational requirements
- Statutory Officer opinions over the governance of the Authority (Head of Paid Service, S151 Officer, and Monitoring Officer)

## 5. OVERALL OPINION

### **Audit Opinion: Generally Adequate, with some improvement required**

I am satisfied that adequate work has been undertaken to draw a reasonable conclusion on the adequacy and effectiveness of the Council's arrangements. Based upon work undertaken and review of statements from external assurance providers, *it is my opinion that the Council's systems for internal control, risk management and governance as at 31 March 2021 generally provide adequate assurance that key business processes and financial systems accord with proper practice, although some improvements are required to address areas of weakness and non-compliance which may put achievement of some objectives at risk.*

Twenty audit reviews conducted in 2020/21 resulted in a 'Full or Substantial' assurance opinion. One review was assessed as 'Limited Assurance' at the time of the audit fieldwork but prompt action was taken by the service to address the issues identified.

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

The Council's response to Covid-19 since March 2020 has led to inevitable changes to processes and procedures, which may impact on the usual control framework and may increase the Council's exposure to risk, loss and fraud. Internal Audit coverage was impacted by the need to provide support in other areas, however Internal Audit continued to operate and provide assurance and advice as required during this period, and the 2021/22 Internal Audit plan will reflect potential risk areas.

**Angela Mitchell**  
**Audit Insurance & Fraud Manager**  
 11 July 2021

- 5.1. The Head of Audit Annual Report provides the Governance and Audit Scrutiny Committee with an opinion for inclusion in the Annual Governance Statement (AGS). The overall opinion for 2020/21 is that the internal control environment is *generally adequate, with improvement required in some areas*. If significant changes occur to the internal control environment prior to the Committee approving the AGS the Governance and Audit Scrutiny Committee will be informed.
- 5.2. Limitations to the Annual Opinion:
  - 5.2.1. Assurance can never be absolute. The audit opinion reflects the AIFM's view on the current state of the internal control environment and the effectiveness

of the current systems of internal control across the Council on the basis of the audit work conducted. There may be weaknesses in the systems of internal control that we are not aware of because they did not form part of our programme of work or were not brought to our attention. Not every Council activity or risk will be subject to audit coverage in any one year, this report provides further narrative on the scope of our work.

5.2.2. Whilst much of the 2020/21 planned work is complete (or substantially complete) the changes and workload arising from Covid-19 experienced by both the Audit Insurance & Fraud team and our colleagues across the Council, has affected final completion of some reviews. Where appropriate, work not completed in 2020/21 will be carried forward to the 2021/22 Internal Audit Plan.

5.3. In preparing the Internal Audit Plan for 2020/21, managers were consulted to determine any planned reviews by external organisations from which assurance could be obtained on the operation of the internal control environment and systems of internal control. We noted the following sources of assurance:

- The statutory external audit of accounts and grant certification work. The External Audit work for 2019/20 is currently in progress. (The External Auditor Annual Completion Report for 2018/19, presented to the Corporate Governance Group on 24 October 2019, gave an unmodified audit opinion on the financial statements and use of resources)
- Reviews by the Council's Commercial Manager supporting the Council's approach to contract management
- Oversight of Investments by advisors, External Audit and Members
- Strategic Information Governance Group oversight of information management
- PSN Connection Compliance (annual assessment)
- Driver Vehicle Standards Agency inspection reports
- We also considered the work of other internal oversight and review functions, including:
  - Risk Management oversight and reporting
  - Performance management
  - Financial performance management and reporting

5.4. The PSIAS require that where the 'Chief Audit Executive' (Audit Manager for Braintree District Council) has responsibility for matters beyond internal auditing, that these are periodically highlighted to the Board (Governance and Audit Scrutiny Committee for Braintree DC) for review. The Audit Manager also has functional responsibility for Insurance and Fraud, and has adopted appropriate safeguards as defined in the Internal Audit Charter.

## 6. DELIVERY OF THE 2020/21 INTERNAL AUDIT PLAN

6.1. The 2020/21 Internal Audit Plan related audit work to the Council's Strategic Risks and Corporate priorities, and was developed following consultation with the Chief Executive, Directors and Heads of Service, and also a wider risk assessment of relevant factors to determine audit needs. The Audits were prioritised and an outline scope recorded.

- 6.2. During 2020/21 the following staffing changes and other activities affected the resources available for completion of the 2020/21 Planned work:
- The AIFM continues to respond to the action plan arising from the External Quality Assessment of Internal Audit (undertaken in December 2017), to ensure the work and outputs accord with the requirements of the Public Sector Internal Audit Standards, including developing the team approach and procedures such as relating to audit planning and reporting arrangements. This development is ongoing.
  - The AIFM guides staff and Members on the role and approach of Internal Audit.
  - The AIFM's time was allocated to other management responsibilities including Insurance & Fraud. The Insurance aspect of the role is significant and resources were allocated to the broker tender, insurances tender, asset valuation tender, arranging new covers, and claims handling.
  - Audit resources were spent on unplanned investigation work.
  - The Audit Team have provided corporate support in areas outside the normal remit of Internal Audit, and consultancy and advice in a number of areas to support colleagues across the Council.
  - The Trainee Auditor has continued studies via an Apprenticeship, he recently achieved Certified Internal Auditor status and is currently studying towards the Chartered Internal Auditor qualification.
  - The impact of Covid-19 on the corporate workload made completion of 2020/21 Planned audits challenging, however the Council has continued to respond to the pandemic in an agile and effective way.
- 6.3. Audit work in respect of the 2020/21 Internal Audit Plan was conducted with due regard to the relative priority of audits. Audits conducted in 2020/21 generally resulted in either a Full or Substantial assurance rating and as a consequence of subsequent actions and wider risk mitigation there are no areas of concern within those reviews that require to be brought to the attention of the Governance and Audit Scrutiny Committee.
- 6.4. One of the 2020/21 audits was assessed at the time of the audit as a Limited Assurance outcome, however the issues identified were promptly resolved:
- PCI DSS: The review identified the self-assessment questionnaire had not been completed however this was confirmed as completed prior to conclusion of the audit, resulting in a direction of travel to Full Assurance
- 6.5. The reports completed for 2020/21 were as follows (audit outcomes are notified to the Governance and Audit Scrutiny Committee as audits are completed). Assurance levels are for the scope of work performed:

No: Recommendations:	High Priority	Medium Priority	Low Priority
<b>FULL ASSURANCE (no high / medium priority recommendations)</b>			
Financial Systems – General Ledger			
Financial Systems – Cashiers			
Financial Systems – Investments			
Building Control Financial Processes			
Information Technology Governance			
Culture & Ethics			

Capital Sales, Purchases and Related Contracts			
<b>SUBSTANTIAL ASSURANCE</b>			
Financial Systems – Debtors / Recovery	-	2	-
Payments & Procurement	-	1	-
Online Payments System	-	1	-
Business Grants	1	-	-
Health & Wellbeing Grants	-	1	-
Contract Management	1	-	-
Commercial Rent	1	-	-
Information Management	-	2	-
Publishing Statutory Decisions	-	1	-
Cyber Security	-	1	-
GDPR – Document Retention	-	3	-
Climate Change	-	2	-
Vending Machine (follow up)		1	1
<b>LIMITED ASSURANCE</b>			
PCI DSS Compliance	1	-	-
<b>Additional Work was completed in the following areas, no assurance level assigned</b>			
Use & Distribution of Vouchers			
Administer NFI Data Matching Exercise and review matches			
Personnel security standard checks (DWP requirement for system access)			
Follow Up reviews (implementation of previous audit recommendations)			
Various ad hoc consultancy and advice			
Investigation work in respect of staffing matters			
<b>Some work also performed in the following areas - no opinion assigned, further work is scheduled in 2021/22</b>			
Corporate Credit Cards			
BACS System			
Business Resilience			

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

- 6.6. The 2020/21 work also included follow up of previous Limited Assurance reports:
- **Manor Street Project:** the review identified areas of improvement in controls and project governance, the management response is to be reported to the Governance & Audit Scrutiny Committee in July 2021;
  - **Contract Management:** actions to improve completion of appropriate documentation, and completeness of records, have been agreed and are in the process of being implemented;
  - **Housing Application Document Verification:** actions to improve procedures were agreed, the Internal Audit team is currently working with the service to explore alternative means of gaining assurance on validity of documents and applications.
- 6.7. Audits in the 2020/21 Internal Audit Plan which were not completed have been reviewed as part of the 2021/22 Internal Audit Planning process, and where appropriate included in the 2021/22 Plan.

## 7. INTERNAL AUDIT PERFORMANCE

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

- Delivery of the 'Head of Internal Audit' Annual Opinion, including statement on compliance with the Public Sector Internal Audit Standards (PSIAS)
- Proportion of Strategic Risks Over Which Assurance is Provided
- Implementation of Agreed Actions
- Stakeholder engagement

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

- *The coverage of audit work performed in 2020/21 is identified in Section 6 above*
- *The Head of Audit (Audit Insurance & Fraud Manager) is a Chartered Internal Auditor with over 27 years experience in Internal Audit gained across a number of Public Bodies*
- *The Senior Auditor has over 32 years experience in Internal Audit at Braintree District Council*
- *The Trainee Internal Auditor commenced employment in Internal Audit in 2019 and has achieved the Certified Internal Auditor qualification*
- *The function's annual opinion is delivered to the Governance and Audit Scrutiny Committee in July 2021 (deferred from the April 2021 meeting)*
- *See below re Quality Assurance & Improvement Programme re statement on compliance with the PSIAS*

7.3. **Proportion of Strategic Risks Over Which Assurance is Provided:** The 2020/21 Internal Audit Plan identified audit priorities relating to each Strategic Risk, and also linked audits to Corporate priorities.

- *Audits and other work were performed across **all** Strategic risks and Corporate priorities - the Audit Plan identifies the scope of coverage for each. Some further audit work was commenced in 2020/21 and is included in the 2021/22 Internal Audit Plan to enable completion*

7.4. **Implementation of Agreed Actions:** High and Medium priority recommendations are subject to follow up work by Internal Audit. For audits where the agreed completion date has elapsed, we have confirmed recommendations have been implemented. Follow up work is ongoing, we recognise that the Covid-19 Pandemic has led to other service priorities across the Council and that implementation of some recommendations will be delayed as a result.

- *Of the **2 High priority recommendations** made in 2018/19*
  - o *2 are complete*
- *Of the **26 Medium priority recommendations** made in 2018/19*
  - o *20 - have been confirmed as completed*

- *For the Leased Car audit (4 recommendations) we understand revised protocols are in the final stages of drafting and are to be presented to Management Board for approval*
- *For the Risk Management audit (2 recommendations), actions were dependent on a review of the risk management strategy which is pending, however processes do exist for the review and monitoring of strategic and operational risks*
- ***Of the 21 High priority recommendations made in 2019/20:***
  - *5 are complete*
  - *11 relate to Manor Street and are the subject of a separate report*
  - *1 is in progress*
  - *1 is pending confirmation from the service*
  - *3 are outstanding, we are working with the service to explore alternative means of addressing the identified weakness*
- ***Of the 14 Medium priority recommendations made in 2019/20:***
  - *9 are complete*
  - *3 are in progress*
  - *2 relate to the Manor Street review and are the subject of a separate report*
- ***Of the 4 High priority recommendations made in 2020/21:***
  - *1 is complete*
  - *3 are pending confirmation of status*
- ***Of the 15 Medium priority recommendations made in 2020/21:***
  - *3 are complete*
  - *7 are not yet due*
  - *2 are in progress*
  - *4 are not implemented or pending confirmation of status*

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

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

## 8. QUALITY ASSURANCE & IMPROVEMENT PROGRAMME (QAIP)

8.1. The PSIAS require an annual self-assessment against the PSIAS to be performed at least annually, and an external assessment to be conducted at



least once in every 5 years, and for a commentary on compliance with the PSIAS to be included within the Annual Report.

- *An External Quality Assessment (EQA) against the PSIAS was conducted in December 2017 and reported to the Governance Committee in April 2018*
- *Self-assessment against the EQA Action Plan and the PSIAS Local Government Application Note is conducted at least annually and the results reported to the Governance and Audit Scrutiny Committee. The Internal Audit function continues to develop approaches in accordance with best practice and the PSIAS. An update on implementation of the Action Plan arising from the EQA is included in the Internal Audit Progress Report to the Governance and Audit Scrutiny Committee in July 2021*
- *During 2020/21 the internal audit function continued to develop in line with best practice.*
- *The internal audit function has complied with the definition of Internal Audit (see paragraph 3.1 above)*
- *The internal audit function has complied with the Code of Ethics (see paragraph 2.4 above)*
- *The internal audit function generally conforms with the PSIAS and the Local Government Application Note.*

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

- *Team outputs are reviewed by the AIFM, or the Senior Auditor in her absence, including: Terms of Reference, Working Papers, and the Audit Report. A review sheet is completed with commentary on the results of the review. The AIFM has experienced a high insurance workload, and as such there has been some delay in review of some audit documentation.*
- *The team engages in continuous improvement activity to ensure a consistent and up to date approach is adopted. Guidance is provided to staff by the AIFM, and staff periodically attend other organised topical training events and read Internal Audit professional publications, and the Trainee Auditor achieved Certified Internal Auditor status in 2020/21 and is currently studying for the Chartered Internal Auditor qualification. In addition the team maintains active engagement with other Essex Internal Audit functions through the Essex Audit Group, although group meetings were less frequent in 2020/21.*

8.3. A review of fraud related corporate policies and procedures identified a number which require review to ensure they continue to meet requirements. These were reported to the Governance and Audit Scrutiny Committee in January 2021. In 2020/21 the following Policies were reviewed and presented to the Governance and Audit Scrutiny Committee:

- *Regulation of Investigatory Powers Act 2000 (RIPA) & the Investigatory Powers Act 2016 (IPA) Policy - July 2020*
- *Anti-Money Laundering Policy & Guidance – October 2020*
- *Use of Social Networking Sites for Investigations – January 2021*

## 9. GOVERNANCE AND AUDIT SCRUTINY COMMITTEE

- 9.1. The work of Internal Audit is reported regularly to Members via the Governance and Audit Scrutiny Committee, this provides Members with an opportunity to review and monitor the Internal Audit team outputs, and gain assurance that the function is fulfilling its statutory obligations. The reporting to the Governance and Audit Scrutiny Committee is an integral component of corporate governance.
- 9.2. Internal Audit reporting to the Governance and Audit Scrutiny Committee includes the following:
- The Internal Audit Plan, including the process for determining the Audit Plan
  - Progress of audit work and performance against the plan, including outputs from audit work
  - The results of reviews of Compliance with the Public Sector Internal Audit standards
  - The Head of Audit Annual Opinion
  - Any matters of concern will be reported as they arise

## 10. DEFINITIONS

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

RECOMMENDATION PRIORITY	
<b>High</b>	Can have a significant impact on operational performance so essential to provide satisfactory control of serious risk.
<b>Medium</b>	Can have a moderate impact on operational performance so important to provide satisfactory control of risk
<b>Low</b>	Minor impact on operational performance but offers improvement to internal control

**Internal Control Environment:**



Comprises the systems of governance, risk management and internal control. The key elements of an organisation's control environment include:

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

**Angela Mitchell, Audit, Insurance & Fraud Manager**  
**11<sup>th</sup> July 2021**

Draft Internal Audit Plan 2021/22		Agenda No: 9
Portfolio	Finance and Corporate Transformation	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Angela Mitchell, Audit Insurance and Fraud Manager	
Report prepared by:	Angela Mitchell, Audit Insurance and Fraud Manager	
Background Papers:	Public Report: Yes	
None.	Key Decision: No	
Executive Summary:		
<p>The purpose of this report is to present the Draft Internal Audit Plan for 2021/22 to the Governance and Audit Scrutiny Committee for consideration and approval.</p> <p>The Internal Audit Plan builds on the previous year’s work and is based on the corporate risks facing the Council and linked to the Council’s Corporate priorities. Delivery of the Plan is dependent on resources, and on changing audit needs which may arise during the year. Progress against the Audit Plan and additional work completed will be reported to future meetings of the Governance and Audit Scrutiny Committee.</p> <p>A copy of the draft Internal Audit Plan for 2021/22 is attached (Appendix 1).</p>		
Recommended Decision:		
<p>Members endorse the Internal Audit Plan process and draft Internal Audit Plan for 2021/2022.</p>		
Purpose of Decision:		
<p>The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit activity to report functionally to the Governance and Audit Scrutiny Committee, being the committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.</p> <p>Members are requested to endorse the draft 2021/22 Internal Audit Plan which has been prepared in accordance with the Accounts and Audit Regulations 2015 (Section 5), requiring an effective internal audit of risk management, control and governance processes taking into account the Public Sector Internal Audit Standards and guidance.</p>		

**Any Corporate implications in relation to the following should be explained in detail.**

<b>Financial:</b>	None.
<b>Legal:</b>	None.
<b>Safeguarding:</b>	None.
<b>Equalities/Diversity:</b>	None.
<b>Customer Impact:</b>	None.
<b>Environment and Climate Change:</b>	None.
<b>Consultation/Community Engagement:</b>	None.
<b>Risks:</b>	None.
<b>Officer Contact:</b>	Angela Mitchell
<b>Designation:</b>	Audit, Insurance and Fraud Manager
<b>Ext. No:</b>	2821
<b>E-mail:</b>	Angie.mitchell@braintree.gov.uk

## **1. INTERNAL AUDIT PLAN 2021/22 - INTRODUCTION**

Public Sector Internal Auditing Standards (PSIAS) require Internal Audit to produce a risk based Internal Audit Plan which:

- Gives 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;
- Uses existing sources of assurance where possible; and
- Demonstrates how internal audit work is linked to the Council's objectives and significant risks, and therefore provide relevant assurance

The PSIAS also require the Audit Committee (Governance and Audit Scrutiny Committee) to approve but not direct the Audit Plan, the Committee may challenge whether the plan is sufficient and adequately focussed, particularly given the plan's purpose to provide the Committee (as those charged with governance) 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.

### **1.1. INTERNAL AUDIT PLANNING PROCESS**

The proposed Internal Audit Plan 2021/22 relates audit work to the Council's corporate risks and strategic priorities. Delivery is dependent on resources and planned work is prioritised to ensure resources 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 delivery of priority planned work this will be communicated to Senior Management and the Governance and Audit Scrutiny Committee.

The Plan has been developed following meetings with most Senior Managers and Directors to discuss their services and key objectives and risks, the feedback from these meetings informed a wider risk assessment that prioritised 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, inherent 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.

The Plan includes other activities that, whilst not audits, are chargeable to the audit plan as they are integral to its delivery, these activities include audit planning, reporting to Members and other audit management tasks such as reviewing the

audit charter. The plan is flexible and responsive to changing corporate needs. The draft Internal Audit Plan is attached at **Appendix 1** to this report.

## DRAFT INTERNAL AUDIT PLAN 2021/22

Ref	Audit Title	Outline Scope	Priority *	Review Type	Links to Corporate Priorities	Audit Sponsor
<b>Risk 1 Medium Term Financial Strategy:</b> Resource shortfall and savings not achieved, arising from impact of the pandemic and economic conditions on residents and businesses, Government funding changes, planned savings not achievable, incorrect financial assumptions, reduced Business Rates income, and financial impact of legislation						
1	Core Financial Systems – Back to Basics Reviews	<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>The Council's response to Covid-19 has resulted in some changes to controls and the way the Council operates, we will continue conducting 'Back to Basics' reviews in key areas to ensure basic controls and oversight arrangements are maintained, and will review a selection of transactions from the pandemic period</i></p>	1	Assurance / Financial Management	Delivering & Innovating	Head of Finance
2	Payroll Shared Service	Review of controls relating to operation of payroll service for partner authorities	1	Assurance / Financial Management	Delivering & Innovating	Head of Finance
3	Managers Self Service	Review arrangements for authorisation of staff expense claims to ensure adequate management review prior to claim approval	2	Assurance / Financial Management	Delivering & Innovating	Head of Finance
4	Procurement / P2P E-Procurement System	Review management of procurement fraud risks Review supporting records for bulk orders to ensure adequate controls, authorisation of expenditure, and maintenance of records of expenditure	2	Assurance / Financial Management / Fraud	Delivering & Innovating	Head of Finance
5	North Essex Parking Partnership	Review NEPP arrangements for cash collection and counting, and ensure reconciliations of income expected and banked are completed. Liaise with lead authority (Colchester Borough Council) to obtain available assurance	2	Assurance / Financial Management	Delivering & Innovating	Head of Operations / Head of Finance
6	BACS system	Review of authorisations and approval routes to ensure permissions are appropriate and segregation of duties exists	2	Assurance / Financial Management	Delivering & Innovating	Head of Finance

\* Priority:

1 – These audits are key for delivery of Chief Audit Executive opinion for 2021/22 (this opinion contributes to the Council's Annual Governance Statement)

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

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

## DRAFT INTERNAL AUDIT PLAN 2021/22

Ref	Audit Title	Outline Scope	Priority *	Review Type	Links to Corporate Priorities	Audit Sponsor
7	Corporate Credit Cards	Review authorisation of card holders and card users, user agreements, expenditure review, reconciliation, challenge	2	Assurance / Compliance / Financial Management	Delivering & Innovating	Head of Finance
8	Debtors Invoicing	Ensure reconciliation is conducted of reports and Invoices for benefit overpayments to confirm all invoices raised	3	Assurance / Financial Management	Delivering & innovating	Head of Finance
9	LCTS document verification	Review arrangements for ID verification, ensuring robust procedures exist, and staff knowledge of protocols for reporting false (or suspected false) documents	3	Assurance / Financial Management	Delivering & Innovating	Head of Finance

### Risk 2 Economic Development:

Planned District economic growth not achieved, arising from lack of investment in infrastructure, wide scale redundancy or lack of economic bounce back in sectors linked to Covid-19, insufficient support for businesses, skills gaps, and macroeconomic uncertainty

10	Business Support Grants	Review of Post payment assurance checks on grant eligibility	1	Compliance / Fraud / Financial Management	Promoting Prosperity	Head of Finance
11	Leisure Provision Contract	Review arrangements for challenge of business plan and contractual performance targets, ensure monitoring against targets, and ensure accurate and up to date information provided to support decision making	1	Assurance / Governance / Financial Management	Supporting our Communities	Head of Environment, Leisure & Health
12	North Essex Economic Board Partnership	High level review of governance arrangements	2	Assurance / Governance	Promoting Prosperity / Delivering & Innovating	Head of Planning & Economic Development
13	European Regional Development Funds	Review of information supporting bids, and procurement arrangements	2	Assurance / Financial Management / Procurement	Connecting People & Places / Promoting Prosperity	Head of Planning & Economic Development

*In addition to the above audit, there are links to the work of Strategic Investment in creating business growth, these reviews are listed separately*

### Risk 3 Planning:

\* Priority:

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

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

## DRAFT INTERNAL AUDIT PLAN 2021/22

Ref	Audit Title	Outline Scope	Priority *	Review Type	Links to Corporate Priorities	Audit Sponsor
Until the Local Plan is adopted it provides only limited weight in decision making. Changed Government Policy increased the number of homes which the Council must deliver, the Council must demonstrate a deliverable 5 year supply of housing land, and changed Government policy on Planning may impact the Local Plan and Development Management						
14	Uniform System Security	Review service processes for ensuring system access rights to edit are assigned only to appropriate persons / fields, and establish if exception reporting identifies enables post decision changes.	2	Assurance / People & Asset Management	Connecting People & Places / Promoting Prosperity	Head of Planning & Economic Development
<b>Risk 4 Community Resilience:</b> Community does not have resilience to support itself, leading to increased demand for Council and other Public Sector services, exacerbated by reduced Government funding, increased unemployment and increased poverty						
15	Disabled Facilities Grants / Major Housing Grants	Review controls for the issue of grants, including financial controls over the allocation of funds and checks on payments made, and compliance with grant conditions	2	Assurance / Commissioning & Procurement	Supporting Our Communities	Head of Environment, Leisure & Health / Head of Finance
<b>Risk 5 Service and Project Delivery:</b> Service and project delivery failure arising from inadequate capability and capacity, system availability or loss of corporate memory. Resulting in errors, reduced controls, breaches of procedures, disengaged staff, reduced customer satisfaction, or reputational damage						
16	Landlord Safety Checks	Defined requirements, process for ensuring checks are conducted, defects are resolved, and records maintained	1	Compliance / Assurance / Risk & Performance Management	Connecting People & Places, Supporting Our Communities	Corporate Director
17	Plant & Vehicle Workshop	Assess adequacy of arrangements for stocks and inventory (including stock security and storage, procedures, segregation of duties, accounting for receipts to / issues from stock, and stock checks). Assess arrangements for measuring and reporting performance statistics, and adequacy of the Council's response Assess assurance gained from DVSA inspection reports, and response to any issues identified in reports	2	Assurance / Performance Management	Delivering & Innovating	Corporate Director / Head of Operations

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**DRAFT INTERNAL AUDIT PLAN 2021/22**

Ref	Audit Title	Outline Scope	Priority *	Review Type	Links to Corporate Priorities	Audit Sponsor
18	Unit 4 Fuel system	Review of the set-up of system and monitoring arrangements to give comfort of correlation between fuel usage and vehicle profile	2	Assurance / Fraud (Financial Management) / People & Asset Management	Delivering & Innovating	Head of Operations
19	Commercial Waste	Assess adequacy of protocols to detect & prevent fraud relating to handling of commercial waste	2	Assurance / Fraud (Financial Management)	Delivering & Innovating / Enhancing Our Environment	Head of Operations
20	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	2	Assurance / People Management	Delivering & Innovating	Head of Operations
21	Safe Recruitment	Ensure compliance with safe recruitment protocols is maintained for virtual recruitment	2	Assurance / People & Asset Management	Delivering & Innovating	Human Resources and Organisational Development & Learning Manager
22	Pest Control	Overview of set up of 'My Account' including data accuracy and security, and fraud risks	3	Assurance	Delivering & innovating / Enhancing Our Environment	Head of Environment
<b>Risk 6 Affordable Housing and Homelessness</b> Affordable housing needs not met, arising from lack of new sites for development, higher requirements, developer resistance, increased costs and Government Planning permission policy, resulting in increased demand on (and cost of) temporary accommodation, withdrawal of housing associations from supported housing schemes, inability to provide suitable supported accommodation for larger families and under 35's, and increase in homelessness presentations						
23	Affordable Housing & Homelessness	Review of temporary accommodation accounting & reconciliation, and Government returns & reclaims	2	Assurance / Financial Management	Connecting People & Places / Supporting Our Communities	Head of Housing & Community Services

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## DRAFT INTERNAL AUDIT PLAN 2021/22

Ref	Audit Title	Outline Scope	Priority *	Review Type	Links to Corporate Priorities	Audit Sponsor
24	Accuracy of Housing Application Processing	Compliance with allocations policy	2	Compliance / Performance Management	Connecting People & Places / Supporting Our Communities	Head of Housing & Community Services
<b>Risk 7 Return on Investments:</b> Loss of investment principle or interest, or loss of rental income and increased costs (such as unoccupied business rates) arising from failure of investment counterparty, tenant ceasing trading, collapse of equity market, or loss of access to PWLB loans						
25	Projects Realisation of Benefits	Review of completed projects to assess extent to which project managers have demonstrated business case benefits realised and any lessons learned	2	Assurance / Programme & Project Management	Delivering & innovating	Corporate Director
26	Commercial Rent	Review rent deferral (providing rent holidays)	2	Assurance / Financial Management	Delivering & Innovating / Promoting Prosperity	Corporate Director
<b>Risk 8 Emergency Planning</b> Inadequate civil contingency arrangements leading to failure to respond appropriately to a major incident or civil emergency, or inability to deliver key / critical services, arising from inadequate preparation, plans or trained staff						
27	Risk Management	Overview of corporate risk management framework and risk maturity, ensuring risk management processes support and align with Council priorities and strategic objectives, and response to risks identified aligns with the defined risk appetite Review of sample of risks to assess existence and effectiveness of mitigating controls	1	Risk management	Delivering & Innovating	Corporate Director / Head of Finance
28	Business Resilience	Review of reliance on key staff identified through Business Continuity arrangements	2	Assurance / Risk Management	Delivering & Innovating / Supporting Our Communities	Head of Environment Leisure & Health
<b>Risk 9 Information Management and Cyber Security</b> Loss of ability to deliver services, or inability to protect personal and sensitive customer data arising from inadequate information management and vulnerability to Cyber attack						

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**DRAFT INTERNAL AUDIT PLAN 2021/22**

Ref	Audit Title	Outline Scope	Priority *	Review Type	Links to Corporate Priorities	Audit Sponsor
29	Information Management	Review of compliance against key GDPR requirements for Economic Development & Planning Policy databases. ( <i>Audit deferred from the 2020/21 audit at the request of the Head of Planning &amp; Economic Development</i> ) Ongoing support to Corporate Strategic Information Governance Group	1	Governance / Compliance/ IT / Alternative source of assurance	Delivering & Innovating	Head of Governance
30	Cyber Security	Identify arrangements for ensuring penetration testing is conducted, and ensure risks associated with any unsupported software are managed. Review current compliance with PSN requirements	1	Governance/ IT, alternative source of assurance	Delivering & Innovating	Corporate Director
31	Social Media	Review Social Media Strategy & Procedures including how risks are managed, security access arrangements, communication controls and monitoring of social media accounts	2	Governance / Assurance / Information Management	Delivering & Innovating / Connecting People & Places	Marketing & Communications Manager
32	Culture & Ethics	High level review to ensure desired corporate values and conduct have been agreed and adequately communicated, and culture related risks are identified and monitored. <i>EQA recommendation to include this area in the Audit Plan</i>	2	High level / Culture & Ethics / Governance	Delivering & innovating	Head of Governance
33	Homeworking – security of data	Review of data security implications of homeworking, ensuring adequate guidance, staff knowledge, and checks	2	Assurance / People and Information Management	Delivering & innovating	Corporate Director / Head of Governance
34	IT Inventory	Review arrangements for retrieval of ICT equipment from leavers, temporary staff / consultants, and Members Review arrangements for IT inventory records and checks in light of increased homeworking	2	Assurance / People and Information Management	Delivering & Innovating	ICT & Facilities Manager
35	Performance Management	Sample check of performance indicators to review relevance of measures, robustness of data collation and accuracy of presentation of results	3	Assurance / Performance Management	various	Head of Finance

**Risk 10 Strategic Investment**

Expected Financial return not realised from projects or District Investment Strategy targets not delivered, arising from lack of investment in infrastructure, inability to secure borrowing, house price / commercial rent deflation, refusal of planning consent or lack of stakeholder engagement

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**DRAFT INTERNAL AUDIT PLAN 2021/22**

Ref	Audit Title	Outline Scope	Priority *	Review Type	Links to Corporate Priorities	Audit Sponsor
36	Major Projects - general	<ul style="list-style-type: none"> <li>Review decision making processes / assessment of viability to determine which projects are moved to delivery phase.</li> <li>Ensure project management processes includes regular review of viability of current projects</li> <li>Review decision making processes for current projects</li> <li>Ensure Project Post Implementation Reviews are conducted of concluded projects, and outcomes inform corporate learning</li> <li>Review effectiveness of project document controls (including signing / retention of key project documents)</li> <li>Where consultants are appointed, assess on-boarding process to ensure they operate in accordance with corporate protocols</li> </ul>	1	Assurance / Programme & project Management	Connecting people & Places / Promoting Prosperity / Delivering innovation	Corporate Director / Heads of Finance & Governance
37	Major project – in depth review	Lessons learned from the project, including relating to decision making and appointment / oversight of contractor and contract documentation. (Project selection to be agreed)	1	Assurance / Programme & project Management	Connecting People & Places / Promoting Prosperity / Delivering & Innovating	Corporate Directors / Head of Finance / Head of Governance
38	Strategic Investment	Identify fraud risks for Strategic Growth and assess against protocols	2	Assurance / Fraud / Programme & project Management	Promoting Prosperity / Delivering & Innovating	Corporate Director / Head of Strategic Investment
<b>Risk 11 – Climate Change</b> The Council has declared a climate emergency with an aim to make the Council's activities, as far as practical, carbon neutral by 2030						
39	Climate Change	Process for determining strategy and project governance & decision making	2	Assurance / Governance	Enhancing Our Environment / Delivering & Innovating / Supporting Our Communities	Head of Environment Leisure & Health
<b>Other Planned Work</b>						

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**DRAFT INTERNAL AUDIT PLAN 2021/22**

Ref	Audit Title	Outline Scope	Priority *	Review Type	Links to Corporate Priorities	Audit Sponsor
40	Annual Governance Statement	Obtain evidence from Services to support their assessments of controls in support of the AGS	1	Assurance / Governance	Delivering & Innovating	Head of Finance
41	Follow Up Reviews	We will follow up all Limited Assurance reports and review evidence of implementation of high and medium priority recommendations from previous year <ul style="list-style-type: none"> <li>- <b>Contract Management</b> (2019/20)</li> <li>- <b>Manor Street</b> (2019/20)</li> <li>- <b>Housing Application Document Verification</b> (2019/20)</li> <li>- <b>Contract Management – Major Contracts</b> (2020/21)</li> <li>- <b>PCI DSS Compliance</b> (2020/21)</li> </ul>	2	Follow Up	Various	Various
42	Additional work	Additional work arising during the year will be accepted where relevant to the provision of the opinion over corporate governance, risk or internal control, and to corporate priorities or strategic risks	N/A	various	Various	various
<b>Other Activity Chargeable to the Audit Plan</b>						
	Audit Planning	To develop the 2021/22 Internal Audit Plan				Head of Finance
	Report to the Governance & Audit Scrutiny Committee	To prepare reports required by the Governance and Audit Scrutiny Committee throughout 2021/22				Head of Finance
	Audit Management	To undertake required Audit Management activity including quality assurance and continuous improvement processes, and to review and update where necessary the Audit Charter and strategy				Head of Finance

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## DRAFT INTERNAL AUDIT PLAN 2021/22

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

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

### STRATEGIC PLANNING – ITEMS FOR CONSIDERATION FOR THE INTERNAL AUDIT PLAN 2022/23

The areas will be reviewed during planning for 2022/23:

- **Constitution / Financial Regulations / Contract Procedure Rules / Procurement Rules** – review of compliance with rules, including assessment of arrangements for ensuring knowledge of and adherence to by all staff and contractors/ consultants. Audit deferred for training and new Constitution to be embedded
- **Partnerships / Joint Delivery Bodies** - High level review of governance arrangements, communication & decision making framework, and management of partnership risks
- **Health & Safety Framework** - High level review of corporate monitoring and oversight arrangement, policies and guidance, risk assessments
- **Asset Management Strategy** – review of strategy assumptions
- **Town Hall income** – adequacy of arrangements for collection, banking and recording
- **Developer Contributions / S106** – communications between services to ensure contributions are obtained and spend managed
- **Leased Car scheme** - Council obligations & scheme guidance, scheme costs & benchmarking terms, subsidy rates, P11D, mileage, repayment of loan
- **Elections** - Review of governance, and authorisation for / evidence of spend and reconciliation
- **Authorised Signatories** - Review arrangements for governance and oversight, and ensure authorisations are up to date and limits are consistent with the Council's Constitution
- **Policy Management** - Review arrangements for ensuring policies are maintained & updated, Equality Impact Assessments are completed, and Data Protection Impact Assessments are completed
- **Information Security** - Review arrangements for assessing compliance with Information Security policy
- **Use of Mobile Devices** - Review of policy & user awareness, access authentication & transmission protocols, monitoring arrangements, and ensure reconciliation of invoices to inventory and contract
- **Flood Risk Management** - Ensure clarity of roles and responsibilities, and effective engagement with the ECC (Lead Local Flood Authority) and other organisations to manage respective responsibilities over the risk of surface water flooding
- **Fraud Risks - NDR / CT** – identify fraud risk areas and review against monitoring

*\* Priority:*

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Internal Audit Charter – 2021/22		Agenda No: 10
Portfolio	Finance and Corporate Transformation	
Corporate Outcome:	A high performing organisation that delivers excellent and value for money services	
Report presented by:	Angela Mitchell, Audit, Insurance & Fraud Manager	
Report prepared by:	Angela Mitchell, Audit, Insurance & Fraud Manager	
Background Papers:		Public Report: Yes
Public Sector Internal Audit Standards (PSIAS)		Key Decision: No
Executive Summary:		
<p>The Public Sector Internal Audit Standards (PSIAS) came into effect on 1<sup>st</sup> April 2013 and were revised March 2017, these standards form the proper practices for Internal Audit required by the Accounts and Audit Regulations 2015.</p> <p>The PSIAS require an Audit Charter to be in place which will be reviewed periodically and presented to the Governance and Audit Scrutiny Committee for approval.</p> <p>This Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function.</p> <p>The Internal Audit Charter has been updated, including to reflect the revised Committee structure and scheduling of the next External Quality Assessment, and reflects requirements of the PSIAS.</p>		
Recommended Decision:		
To approve the updated Internal Audit Charter		
Purpose of Decision:		
To ensure that there is an Internal Audit Charter which complies with the Public Service Internal Audit Standards.		

**Any Corporate implications in relation to the following should be explained in detail.**

<b>Financial:</b>	None.
<b>Legal:</b>	<p>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 <i>Public Sector Internal Auditing Standards or guidance</i>’</p> <p>The PSIAS require an Audit Charter to be in place, reviewed periodically and presented to the Governance and Audit Scrutiny Committee (being the body charged with oversight of the organisation’s governance arrangements) for approval.</p>
<b>Safeguarding:</b>	None.
<b>Equalities/Diversity:</b>	None.
<b>Customer Impact:</b>	None.
<b>Environment and Climate Change:</b>	None.
<b>Consultation/Community Engagement:</b>	None.
<b>Risks:</b>	None.
<b>Officer Contact:</b>	Angela Mitchell
<b>Designation:</b>	Audit, Insurance & Fraud Manager
<b>Ext. No:</b>	2821
<b>E-mail:</b>	Angie.mitchell@braintree.gov.uk





# INTERNAL AUDIT CHARTER

2021/22

# Braintree District Council Internal Audit Charter

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# INTERNAL AUDIT CHARTER

## 1. Introduction

The purpose, authority, and responsibility of the Internal Audit activity must be formally defined in an Internal Audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

The Internal Audit Charter establishes Internal Audit's position within Braintree District Council, including the Chief Audit Executive's reporting lines, authorisation to access to records, staff and physical properties relevant to the performance of engagements, and also defines the scope of Internal Audit activities. It is also a reference point for measuring the effectiveness of Internal Audit.

The Charter will be reviewed annually and presented to the Governance and Audit Scrutiny Committee for approval.

## 2. Purpose and Mission

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of the Internal Audit function is to provide independent, objective assurance and consulting services to the Council to add value and improve the Council's operations.

The Internal Audit mission is to *Enhance and protect organisational value by providing risk based and objective assurance, advice and insight.*

Internal Audit helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. The Council's response to Internal Audit activity should also lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

## 3. Standards and Statutory Requirements

The Accounts and Audit (England) Regulations 2015 require the Council to ensure it has a sound system of internal control which:

- Facilitates effective exercise of its functions and achievement of its aims and objectives
- Ensures effective financial and operational management
- Includes effective arrangements for risk management
- Requires review of effectiveness of Controls, AGS, and Statement of Accounts, by a Committee or Full Council

Section 5 of the Accounts & Audit Regulations refers specifically to Internal Audit:

- A relevant authority 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*

Section 151 of the Local Government Act 1972 also states that “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”. The Corporate Director is the Council's S151 Officer.

The CIPFA Statement of the Role of Chief Financial Officer in Local Government also states that the Chief Financial Officer must:

- Ensure an effective Internal Audit function is resourced and maintained
- Ensure that the authority has put in place effective arrangements for Internal Audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom.

The Public Sector Internal Audit Standards (PSIAS) defines core principles, adoption of which enables the Audit function to be effective, and also provides additional Practice Advisories, Practice Guides and Position Papers to support Auditors in their role.

In addition to the PSIAS, the Internal Audit section will operate in accordance with mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the:

- Core Principles for the Professional Practice of Internal Auditing
- Code of Ethics
- International Standards for the Professional Practice of Internal Auditing
- Definition of Internal Auditing

The Audit Manager will report periodically regarding conformance to standards and requirements. (See also 13. *Quality Assurance and Improvement Programme* below)

## 4. Definitions

For the purposes of this charter, the following definitions apply:

Board	The governance committee charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At Braintree District Council this shall mean the Governance and Audit Scrutiny Committee.
Senior Management	Those responsible for the leadership and direction of the Council. At Braintree DC this shall mean the Chief Executive, and the Management Team including Corporate Directors and Heads of Service. The Corporate Director (Finance) is also the S151 Officer.

Chief Audit Executive	The Chief Audit Executive (CAE) is the person tasked with directly managing the Internal Audit function. At Braintree DC this role is performed by the Audit Insurance & Fraud Manager.
Consulting Activities	Internal Audit advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary
Standards	Public Sector Internal Audit Standards (PSIAS), and the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing

## 5. Professionalism & Ethics

Compliance with the Code of Ethics is mandatory, this code includes the following Principles relevant to the profession and practice of Internal Auditing:

### **Integrity:**

- The integrity of auditors establishes trust and thus provides the basis for reliance on their judgement

### **Objectivity:**

- Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined
- Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements

### **Confidentiality:**

- Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so

### **Competency:**

- Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services

All records, documentation and information accessed in the course of undertaking internal audit duties shall be used solely for the conduct of internal audit activities. The Internal Audit Manager and individual audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during their audit work

## 6. Authority

The Audit Manager reports functionally to the Governance and Audit Scrutiny Committee, and organisationally to the Head of Finance, and also has access to Corporate Directors and the Chief Executive who carry the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

Where considered necessary to the proper discharge of Internal Audit function, the Audit Manager has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Governance and Audit Scrutiny Committee). The Audit Manager will communicate and interact directly with the Governance and Audit Scrutiny Committee as appropriate.

To establish, maintain and assure that Braintree District Council's Internal Audit section has sufficient authority to fulfil its duties, the Governance and Audit Scrutiny Committee will:

- Approve the Internal Audit Charter
- Approve the risk-based audit plan
- Approve Internal Audit's strategy and resource plan
- Receive communications from the Audit Manager on Internal Audit's performance relative to its plan and the results of the quality assurance programme, and other matters, such as significant findings and/or emerging risks.
- Make appropriate enquiries of management and the Audit Manager to determine whether there is inappropriate scope or resource limitations

The authority of internal audit is set out in the Council's Financial Procedure Rules. There are no limits to Internal Audit's right of access to Braintree DC premises, property, documents and assets, and auditors may receive from any Council officer, agent or contractor appointed by the Council such information and explanations which it considers necessary for the purpose of the audit and to fulfil its responsibilities. In addition the Governance and Audit Scrutiny Committee authorises internal audit to:

- Allocate resources, set frequencies, select subjects, determine scope of work and apply techniques required to accomplish audit objectives and issue reports
- Obtain assistance from the appropriate personnel within the District Council and other specialised services in order to complete engagements

## 7. Scope of Internal Audit Activity

The scope of internal audit encompasses, but is not limited to the objective examination of evidence for the purpose of providing independent assessment to the Governance and Audit Scrutiny Committee, management and other parties such as External Audit on the adequacy and effectiveness of governance, risk management and control processes for Braintree District Council. This extends to any services provided through partnership arrangements or external providers.

A range of internal audit services are provided to form the annual opinion. The approach is determined by the Audit Manager giving consideration to the assurance required, the significance of the objectives under review, inherent risks, and the level of confidence that controls are operating as intended. Internal audit assessments include evaluation of whether:

- Risks relating to the achievement of Braintree District Council's strategic objectives are appropriately identified and managed;
- Actions of Officers, Directors, employees and contractors are in compliance with Council policies, procedures, applicable laws, regulations and governance standards;
- Results of operations or programmes are consistent with established goals & objectives;
- Business systems and process are carried out effectively and efficiently, and whether there is opportunity for performance improvement;
- Established processes and systems enable compliance with the policies, procedures, laws and regulations that could significantly impact the Council;
- Information and the means used to identify, measure, analyse, classify and report such information are reliable and have integrity;
- Resources and assets are acquired economically, used efficiently and protected adequately.

Internal Audit may also perform consulting activities (providing independent advice and guidance on governance, risk management and control issues) as appropriate for the organisation, and may evaluate specific operations at the request of the Governance and Audit Scrutiny Committee or management, for example in respect of major projects and in the development of new systems and processes.

## 8. Independence & Objectivity

Internal Audit must be free from interference in determining the scope of activity, performing work and communicating results, and shall be free to review any aspect of service delivery, finance or governance irrespective of whether those arrangements are provided directly or indirectly (via partnerships, contracts or any other business arrangement)

The Internal Audit function is organisationally situated within the Financial Services department. The Audit Manager reports to the Head of Finance who in turn reports to the Corporate Director (S151 Officer). The Audit Manager has a right of access to the Management Board, Chief Executive and Members.

The Audit Manager is responsible for ensuring Internal Audit remains free from conditions that threaten the ability of Auditors to carry out their responsibilities in an unbiased manner, including matter of audit selection, scope, procedures, frequency, timing and report content. If the Audit Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Where Audit staff have roles and/or responsibilities that fall outside the scope of Internal Audit, safeguards will be established to limit impairments to independence or objectivity. Internal Auditors, including the Audit Manager will:

- Disclose any impairment of independence or objectivity in fact or appearance, to appropriate parties
- Exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

Internal Auditor staff do perform some non-audit operational functions:

- The Audit Manager is also operationally responsible for the Insurance and Fraud functions. Responsibility for these operational areas is recognised by senior management and the Governance and Audit Scrutiny Committee. The Audit Manager is not involved in audit reviews of these areas and to maintain independence will accept any recommendations arising from independent reviews. In addition, the Council employs the services of a broker to advise on the scope of cover and insurance arrangements, and in 2019/20 the Insurance function was subject to review by an independent Productivity Expert, the outcome of which was reported directly to senior management.
- The Senior Auditor performs the following non-audit operational activities, and will therefore not perform any audit in these areas:
  - Provides ad hoc support for Barclaycard administration (the Corporate Director / S151 Officer and Head of Finance are the primary administrators)
  - DWP/CIS System user administration (supporting Benefit team System Administrators to provide resilience – as changes require approval of a second administrator)
- The Senior Auditor and Trainee Auditor perform the following non-audit operational activities and will therefore not perform any audit in this area:
  - Equifax passwords user administration (this system is used by both Fraud and Benefits staff)
  - Maintain records of gifts and hospitality, authorised signatories and declarations of interest
- The Senior Auditor was formerly responsible for the following functions which were transferred to other services in 2020/21. *In line with requirements of the PSIAS he will not conduct reviews in this area until at least one year has passed since transfer:*
  - Responsibility for the issue and recording of door card access for the Council building was transferred to the IT Team.
  - Responsibility for the EPay BACS user administration was transferred to the Accountancy team in 2020/21 (when the system, reverted to a cloud based system)

Internal Auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Auditors will have no direct operational responsibility or authority over any of the activities they audit and therefore will not:

- implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment
- Assess operations for which they had responsibility within the previous year (with the exception of follow ups)



The Audit Manager will confirm to the Governance and Audit Scrutiny Committee, at least annually:

- The organisational independence of Internal Audit
- Any interference and related implications in determining the scope of Internal Auditing, performing work and/or communicating result

## 9. Reporting

### Assignment Reporting:

Terms of Reference are agreed for each assignment, and a report is produced on completion of the assignment, including management responses to specific findings and recommendations. Heads of Service / Managers are responsible for providing prompt response to recommendations and for ensuring agreed recommendations are implemented in the timescales agreed with the auditor.

Internal Audit will follow up implementation of high and medium priority recommendations.

### Senior Management / Governance and Audit Scrutiny Committee Reporting:

The Audit Manager reports periodically on:

- Internal Audit's purpose, authority and responsibility
- Internal Audit's plan and performance relative to the plan
- Internal Audit's conformance with the IIA Code of Ethics and Standards, and action plans to address any significant conformance issues
- Significant risk exposure and control issues including fraud risks, governance issues and other matters requiring the attention of the Governance and Audit Scrutiny Committee
- Results of audit engagements or other activities, including opportunities for improving governance, risk management and control processes.
- Any response to risk by management that may be unacceptable to the Council

The Audit Insurance & Fraud Manager is also responsible for delivery of an annual audit opinion and report that can be used to inform the Council's Governance Statement, the annual opinion will conclude on this overall adequacy and effectiveness of the Council's framework of governance, risk management and control, based on

- The internal audit work carried out
- Follow up on the implementation of high and medium priority recommendations
- Any significant governance issues (as reported within the Council's Annual Governance Statement)
- The annual review of effectiveness of Internal audit (see QAIP)

### Annual Governance Statement:

The Audit Manager's annual overall opinion on the Council's internal; control environment, risk management arrangements and governance framework supports the Council's Annual Governance Statement

## 10. Resources

The Corporate Director (S151 Officer) and Head of Finance will provide the Audit Manager with the resource necessary to fulfil the Council requirements and expectations for a robust and adequately scoped Internal Audit opinion. The Audit Manager will, at least annually, submit to Senior Management and the Governance and Audit Scrutiny Committee an Internal Audit Plan for review and approval, the plan will take into account the requirement to produce an annual Internal Audit Opinion and the assurance framework, and will be developed based on a prioritisation of potential audit activities. Significant matters affecting delivery of the plan will be discussed with senior management and the Governance and Audit Scrutiny Committee. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

The Audit Manager is responsible for delivery of the plan and will ensure the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience. The level and nature of resources required to deliver an adequate level of coverage of the Internal Audit Plan will be determined with due consideration to the content and complexity of audits and auditor experience. Any significant imbalance and proposed solutions will be reported to senior management and the Governance and Audit Scrutiny Committee.

Internal audit services are provided by staff employed directly by the Council, additional resources are achieved by working with partners or external contractors.

## 11. Fraud and Corruption

Internal 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.

The Council's Constitution requires Heads of Service and Corporate Directors to immediately notify the Corporate Director (Finance) and Monitoring Officer immediately of any circumstances which may suggest the possibility of financial irregularity. The Audit Manager will determine the audit response to allegations on the basis of risk, and the Council's Disciplinary Rules and Procedure will be applied as appropriate.

The Council's Counter Fraud Strategy and the Fraud Corruption and Dishonesty Policy confirm these arrangements.

## 12. Relationship with External Audit and Other Assurance Activities

Internal Audit will establish and maintain an open relationship with the external auditor and any other assurance provider, and will plan work to ensure adequate coverage and to minimise duplication of the assurance effort. External Audit will have unrestricted access to all Internal Audit strategies, plans, working papers and reports.

## 13. Quality Assurance & Improvement Programme (QAIP)

The Chartered Institute of Internal Auditors has defined mandatory Core Principles, which taken as a whole articulate internal audit effectiveness. For an internal audit function to be considered effective and achieve its mission, all Principles must be present and operating effectively. The Core Principles are:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive and future-focussed
- Promotes organisational improvement

Internal Audit will maintain a QAIP which covers all aspects of the Internal Audit activity. The programme will include an evaluation of Internal Audit's conformance with the Principles, the Standards, and an evaluation of whether Internal Auditors apply the IIA's Code of Ethics (see 5. *Professionalism and Ethics* above). The programme will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.

The programme includes:

- An annual internal self-assessment of conformance with the Public Sector Internal Audit Standards (including the Principles, Standards and Code of Ethics). The results of this assessment will be communicated to senior management and the Governance and Audit Scrutiny Committee.
- An External Quality Assessment (EQA) will be conducted at least once in every 5 years and may be a full external assessment or a self-assessment with validation by a qualified independent assessor. The results of this assessment will also be communicated to senior management and the Governance and Audit Scrutiny Committee. The last assessment was December 2017 (report to the Governance Committee in April 2018), the next EQA will be commissioned in 2022/23.
- The Audit Manager defines the Internal Audit approach and conducts assignment reviews to ensure consistent application of the standards

Instances of non-conformance with the Standards will be included in the annual Internal Audit report. If there is significant non-conformance this will be included in the Council's Annual Governance Statement.

Angela Mitchell  
Audit, Insurance & Fraud Manager  
July 2021

<b>Report Title:</b> Outcome of the Housing Benefit Subsidy 2019/20 certification work undertaken by the Council's external auditors	
<b>Report to:</b> Governance and Audit Scrutiny Committee	
<b>Date:</b> 22 <sup>nd</sup> July 2021	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Trevor Wilson, Head of Finance	
<b>Enquiries to:</b> Trevor Wilson, Head of Finance (trevor.wilson@braintree.gov.uk)	

## **1. Purpose of the Report**

- 1.1 To receive the Certification Letter and Report on the Council's Housing Benefit Subsidy claim for 2019/20, produced by our external auditors, BDO LLP. The report summarises the results of the work carried out by BDO LLP and contains the consequential changes required to the final Housing Benefit Subsidy Claim for 2019/20.

## **2. Recommendation**

- 2.1 To receive and note the Certification Letter and Report on the Council's Housing Benefit Subsidy claim for 2019/20 that was sent to the Department for Work and Pensions by our external auditors, BDO LLP.

## **3. Summary of Issues**

A copy of the letter and report produced by BDO LLP is attached at Appendix A.

Local Authorities responsible for managing housing benefits are able to claim subsidies in reimbursement of the cost of these benefits from Central Government. From 1<sup>st</sup> April 2015, the duty to make arrangements for the certification of relevant claims and returns was placed on individual authorities by the Secretary of State for Communities and Local Government.

As the Council has an existing contract with BDO LLP for the audit of the Council's annual accounts, which involves a review of the Housing Benefit Subsidy claim for the purpose of assessing the value of the claim included in the accounts, it was agreed to engage BDO LLP to undertake the certification work of the annual claim as required by the Department for Work and Pensions (DWP).

BDO LLP has followed methodology determined by the DWP. The Housing Benefit Subsidy certification report, required by the DWP, details the errors identified by testing, additional testing conducted, and the impact on the provisional Subsidy claim sent by the Council.

The net impact of the adjustments required, as a result of errors identified during testing by the auditors, to the final claim submitted to the DWP was an increase in the amount claimed of £77.

	<b>Initial claim submitted</b>	<b>Claim after external audit</b>	<b>Change</b>
Rent Rebates	£7,477	£7,553	£76
Rent Allowances	£28,086,296	£28,086,297	£1
Total Subsidy claimed	£28,429,465	£28,429,542	£77

As a consequence of the errors reported to the DWP a letter of assurance was requested that the Council would be taking steps to ensure the errors were not repeated in the future. On 10<sup>th</sup> June 2021, the Revenues and Benefits Manager, sent a letter confirming that additional resources have been put in place to ensure that as far as is possible, all cases are assessed correctly. This includes 100% accuracy checking currently in place, additional staff training and supporting guidance for staff covering the elements of the claim that were found to have been treated incorrectly .

The actual certification fees for 2019/20 were £13,783.75. This is an increase of £1,273.75 over the planned fee (of £12,500) and reflects the need for extended testing and associated support fees. The additional fee has been agreed with Officers.

#### **4. Options**

The certification letter and report and impact on the Council's Housing Benefit Subsidy claim for 2019/20 are to be received and noted by the Committee.

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

The additional cost of the audit certification work was met within the overall finance budget for 2019/20 and the additional subsidy due of £77 has been accounted for in the 2020/21 accounts.

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

The Council has met its obligation to the DWP to have the annual Housing Benefit Subsidy claim certified by an appropriate professional financial organisation.

#### **7. Other Implications**

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

#### **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
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 8.3 The Equality Impact Assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

## **9. List of Appendices**

- 9.1 Copy of the Housing Benefit (Subsidy) Assurance Process 2019/20 Module 6 DWP Reporting Framework Instruction (Applicable to England only) Reporting accountants' report for the Housing Benefit Subsidy claim form MPF720A, year ended 31<sup>st</sup> March 2020.

## **10. Background Papers**

Housing Benefit Subsidy 2019/20 working papers and system reports used to complete the claim.

**Housing Benefit (Subsidy) Assurance Process 2019/20 Module 6 DWP Reporting Framework Instruction (Applicable to England only) Reporting accountants' report for the Housing Benefit Subsidy claim form MPF720A, year ended 31 March 2020**

**To: Housing Benefit Unit, Housing Delivery Division, DWP Business Finance & Housing Delivery Directorate, Room B120D, Warbreck House, Blackpool, Lancashire FY2 0UZ.**

**And: The Section 151 Officer of Braintree District Council, Section 151 Officer.**

This report is produced in accordance with the terms of our engagement letter with the Braintree District Council dated 6 January 2021 and the standardised engagement terms in Appendix 2 of HBAP Module 1 2019/20 issued by the Department for Work and Pensions (DWP) for the purpose of reporting to the Section 151 Officer of Braintree District Council and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on form MPF720A dated 13 May 2020.

This report should not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by the standardised engagement terms), without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the local authority and the DWP, we acknowledge that the local authority and/or the DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of Local Authority and the DWP as described in the DWP HBAP reporting framework instruction 2020.

This report should not therefore be regarded as suitable to be used or relied by any other party for any purpose or in any context. Any party other than the Local Authority and the DWP which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

**Respective responsibilities of the Local Authority and the reporting accountant**

We conducted our engagement in accordance with HBAP Modules 1 and 6 2019/20 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

The Section 151 Officer of the Local Authority has responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. The section 151 Officer is also responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any officer of the Local Authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP.

### **Our approach**

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A 2019/20 dated 13 May 2020 by the Deputy Section 151 Officer. The Section 151 Officer remains solely responsible for the completion of the MPF720A and the Deputy Section 151 Officer is the signatory on the local authority's certificate on claim form MPF720A.

Our engagement was carried out in accordance with the DWP reporting framework instruction which has been prepared in accordance with the *International Standard on Related (ISRS) 4400, Engagement to perform agreed-upon-procedures regarding financial information*. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's form MPF720A dated 13 May 2020, and to report the results of those procedures to the Local Authority and the DWP.

The results of these are reported on in appendices A, B, C and D.

### **Inherent limitations**

The procedures specified in DWP's HBAP Reporting framework instruction does not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the local authority's claim for Housing Benefit subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures or had we performed an audit or review of the local authority's claim for Housing Benefit subsidy on form MPF720A in accordance with generally accepted auditing or review standards, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's



form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

This engagement will not be treated as having any effect on our separate duties and responsibilities as the external auditor of the Local Authority's financial statements. Our audit work on the financial statements of the Local Authority is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. Our audit report on the Local Authority's financial statements is made solely to the Local Authority's members, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work was undertaken so that we might state to the Local Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Local Authority and the Local Authority's members, as a body, for our audit work, for our audit reports, or for the opinions we have formed in respect of that audit.

## **Summary of HBAP report**

### **Summary of Initial Testing**

In accordance with HBAP modules an initial sample of cases was completed for all general expenditure cells. We have re-performed a sample of the Local Authority's testing and confirm the tests we have carried out concur with the Local Authority's results:

Cell 011      Non HRA Rent Rebate Incorrect calculation of rent

Initial Testing of Cell 011 identified 1 claim where the Local Authority has incorrectly calculated rent resulting in an underpayment of benefit. The Authority identified all Cell 011 cases and has tested each claim.

Cell 055      HRA rent rebate

The Council does not have any HRA rent rebate cases.

Cell 094      Rent Allowance Change of address

Initial testing of Cell 094 identified that the Local Authority had applied a change of address from the incorrect date resulting in an overstatement of benefit. Additional testing of 40 cases was completed for this error.

Cell 094 Rent Allowance Carer moving in

Initial testing of Cell 094 identified that the Council had incorrectly added a carer who had moved into the property to the claim from the date the carer the moved in and

not the Monday following, leading to an understatement in the applicable amounts. As this has led to an understatement of benefit subsidy, and would do so in all cases, no further testing has been performed.

#### Cell 214 Rent Allowance Modified scheme pre-1973 war pension disregard

Initial testing of Cell 214 identified that the Council had incorrectly applied a pre-1973 war pension disregard. This was the only case the Council had with a pre-1973 war pension, and therefore this error is isolated.

#### Cell 214 Rent Allowance Prior period underpayments

Initial testing of Cell 214 identified that the Council had incorrectly paid a prior period underpayment when it should have been netted against an overpayment recorded in the prior period. This was the only modified scheme rent allowance case the Council had with a prior period underpayment paid in 2019/20 and therefore this error is isolated.

### **Completion of Modules**

The Specific Test Requirements set out in Module 1 Appendix 3 have been completed, including testing required by Modules 2 and 5 as detailed below.

#### Completion of Module 2

We have completed the module 2 uprating checklist and no issues were identified.

#### Completion of Module 5

We have completed the questionnaire for the appropriate software supplier and no issues were identified.

### **Summary of testing arising from Cumulative Assurance Knowledge and Experience**

In line with the requirements of HBAP Modules we have undertaken CAKE testing based upon the preceding HBAP report. Where appropriate the Authority has completed testing of the sub populations for:

Rent allowances Cell 094 overpaid Benefit earned income calculation error

Rent Allowances Cell 094 overpaid Benefit tax credit calculation error

Rent allowance Cell 094 Benefit start dates

Rent Allowances Cell 094 Benefit end dates

## Rent Allowances Cell 094 Over-occupation deductions

We have re-performed a sample of the Authority's testing and confirm the tests we have carried out concur with the Authority's results. These results are outlined in the appropriate appendix.

The following CAKE tests have returned no errors and are considered as closed:

## Rent Allowances Cell 094 Over-occupation deductions

### **Summary paragraph/ending of letter**

For the form MPF720A dated 13 May 2020 for the year ended 31 March 2020 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the following results set out in Appendix A, B, C and D).

Firm of accountants BDO LLP

Office London

Contact details (person, phone and email) Steve Bladen, +44(0)20 3860 6563, [steve.bladen@bdo.co.uk](mailto:steve.bladen@bdo.co.uk)

Signature / stamp.....

Date.....

## Appendix A Exceptions/errors found

### Cell 094 Overpaid benefit – Earned Income calculation error

Cell 094: Rent allowances total expenditure

Cell Total: £28,591,645

Cell Total £3,874,272 – sub population

Cell Population: 6,648 cases

Cell Population: 1,040 cases – sub population

Headline Cell: £28,591,645

In 2016/17, 2017/18 and 2018/19 it was identified that the Local Authority had incorrectly calculated earned income resulting in an overpayment of benefit. During our initial testing, 1 case (value £1,871) where the assessment was based on earned income were tested and no errors were identified.

However given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases where an assessment in the subsidy period was based upon earned income was tested. This additional testing identified:

- 9 cases which resulted in an overpayment of housing benefit to a total of £1,710 in 2019/20 due to miscalculating the claimant's earned income. The errors ranged from £9 to £678.
- 5 cases which had resulted in an underpayment of housing benefit to a total of £153 in 2019/20 due to miscalculating the claimants earned income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.
- 4 cases where the claimant's earned income had been incorrectly input, but it had no impact on the benefit paid.

There were 3 cases which included an overpayment in one period of the claim and an underpayment in another period.

This is the fourth year that this error has been identified in the HBAP Report.

The following table is based on these findings:

<b>Sample</b>	<b>Movement / brief note of error:</b>	<b>Original cell total: sub population (claims with earning)</b>	<b>Sample error:</b>	<b>Sample value:</b>	<b>Percentage error rate (to three decimal places)</b>	<b>Cell adjustment:</b>
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV X CT]
<b>Initial sample – 1 case</b>	Incorrect Income Calculation	£28,591,645	£0	£1,871		
<b>CAKE sample – 40 cases</b>	Incorrect Income Calculation	£3,874,272	£1,710	£164,179		
<b>Combined sample - 41 cases</b>	Incorrect Income Calculation	£3,874,272	£1,710	£166,050	1.030%	£39,905
<b>Corresponding adjustment:</b>	Cell 102 is overstated	£3,874,272	£1,436	£166,050	0.865%	-£33,513
<b>Corresponding adjustment:</b>	Cell 103 is overstated	£3,874,272	£271	£166,050	0.163%	-£6,315
<b>Corresponding adjustment:</b>	Cell 114 is overstated	£3,874,272	£3	£166,050	0.002%	-£77
<b>Total corresponding adjustment</b>	Total understatement of Cell 113					£39,905

## **Cell 094 Start Dates**

**Cell 094: Rent allowances total expenditure**

**Cell Total: £28,591,645**

**Cell Total £2,609,348 – sub population**

**Cell Population: 6,648 cases**

**Cell Population: 861 cases – sub population**

**Headline Cell: £28,591,645**

In 2018/19 it was identified that the Local Authority had applied the incorrect start date to a benefit case resulting in an underpayment of benefit. During our initial testing, 2 cases (value £9,318) which had started during the year were tested and no errors were identified.

However given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases where an assessment in the subsidy period was based upon earned income was tested. This additional testing identified:

1 case which resulted in an overpayment of housing benefit to a total of £184 in 2019/20 due to applying an incorrect start date.

2 cases which had resulted in an underpayment of housing benefit to a total of £537 in 2019/20 due to applying an incorrect start date. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments (or nil impact) identified do not affect and have not, therefore, been classified as errors for subsidy extrapolation purposes.

This is the fourth year that this error has been identified in the HBAP Report.

The following table is based on these findings:

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV X CT]
<b>Initial sample – 2 cases</b>	Incorrect Start Date	£28,591,645	£0	£9,318		
<b>Additional testing sample – 40 cases</b>	Incorrect Start Date	£2,609,348	£184	£60,183		
<b>Combined sample - 42 cases</b>	Incorrect Start Date	<b>£2,609,348</b>	<b>£184</b>	<b>£69,501</b>	<b>0.26%</b>	<b>£6,784</b>
Corresponding adjustment:	Combined sample - Cell 102 is overstated	£2,609,348	£184	£69,501	<b>0.26%</b>	<b>£(6,784)</b>
	Combined sample - Cell 113 is understated					<b>£6,784</b>

**Cell 094 End Dates****Cell 094: Rent allowances total expenditure****Cell Total: £28,591,645****Cell Total £3,968,364 – sub population****Cell Population: 6,648 cases****Cell Population: 1,349 cases – sub population****Headline Cell: £28,591,645**

In 2018/19 it was identified that the Local Authority had applied the incorrect end date to 9 benefit cases resulting in an underpayment of benefit in 8 cases and an overpayment of benefit in 1 case. During our initial testing, 3 cases (value £25,465) which had ended during the year were tested. Initial Testing showed 1 claim (value: £5,209) had an end date applied incorrectly that resulted in an overpayment of £186.

Given the nature of the population and the errors found, an additional sample of 40 cases which had ended during the year was tested. This additional testing identified 3 cases which had resulted in an underpayment of housing benefit to a total of £537 in 2019/20 due to applying the incorrect end date. £174 of this underpayment would have been included in 2020/21 if paid, as the end date incorrectly recorded was in 2019/20, but the end date which should have been applied was in 2020/21. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments (or nil impact) identified do not affect and have not, therefore, been classified as errors for subsidy extrapolation purposes.

This is the third year that this error has been identified in the HBAP Report.

The following table is based on these findings:



Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV X CT]
<b>Initial sample – 3 cases</b>	Incorrect End Date	£28,591,645	£0	£25,465		
<b>Additional testing sample – 40 cases</b>	Incorrect End Date	£3,968,364	£186	£43,927		
<b>Combined sample - 43 cases</b>	Incorrect End Date	<b>£3,968,364</b>	<b>£186</b>	<b>£69,392</b>	<b>0.27%</b>	<b>£10,715</b>
Corresponding adjustment:	Combined sample - Cell 102 is overstated	£3,968,364	£169	£69,392	<b>0.24%</b>	<b>£(9,524)</b>
Corresponding adjustment:	Combined sample - Cell 103 is overstated	£3,968,364	£17	£69,392	<b>0.03%</b>	<b>£(1,191)</b>
	Combined sample - Cell 113 is understated					<b>£10,715</b>



**Cell 094 Overpaid benefit – Tax credits calculation error**  
**Cell 094: Rent allowances total expenditure**  
**Cell Total: £28,591,645**  
**Cell Total £3,675,884 – sub population**  
**Cell Population: 6,648 cases**  
**Cell Population: 1,051 cases – sub population**  
**Headline Cell: £28,591,645**

In 2017/18 and 2018/19 it was identified that the Local Authority has incorrectly calculated tax credit income resulting in an underpayment of benefit. During our initial testing, 2 cases (value £1,883) where the assessment was based on tax credit income were tested and no errors were identified.

However given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases where an assessment in the subsidy period was based upon earned income was tested. This additional testing identified:

2 cases which resulted in an overpayment of housing benefit to a total of £24 in 2019/20 due to incorrect application of tax credit income. The errors ranged from £3 to £20.80.

As a result of the additional testing it was discovered that a period in which tax credit income was correctly applied was an overpayment in full as a result of an incorrect end date being applied to the claim. This is detailed in appendix B.

3 cases which had resulted in an underpayment of housing benefit to a total of £215 in 2019/20 due to miscalculating the claimants earned income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

This is the third year that this error has been identified in the HBAP Report.

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV X CT]
<b>Initial sample – 2 cases</b>	Incorrect Tax Credit Income Calculation	£28,591,645	£0	£1,883		
<b>CAKE sample – 40 cases</b>	Incorrect Tax Credit Income Calculation	£3,675,884	£24	£145,039		
<b>Combined sample - 42 cases</b>	Incorrect Tax Credit Income Calculation	£3,675,884	£24	£146,922	0.02%	£735
<b>Corresponding adjustment:</b>	Cell 103 is overstated	£3,675,884	£24	£146,922	0.02%	-£735
<b>Total corresponding adjustment</b>	Total understatement of Cell 113					£735

## **Appendix B Observations**

### **Cell 011: Non-HRA Rent Rebates – Rent liability**

**Cell Total £7,786**

**Cell Population 10**

**Headline Cell £7,786**

#### **Underpaid benefit**

Initial Testing showed 1 claim (value: £745) where the rent liability had been applied incorrectly, resulting in an understatement of cell 011 by £23.48, an understatement of cell 014 by £19.52, and an overstatement of cell 028 by £3.96.

However given the nature of the population and the errors found in the claim, the rent liability on all non-HRA rent rebate cases was tested. This additional testing identified no further errors.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayments that could be identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes.

### **Cell 094 – Rent Allowance – Severe disability premium**

**Cell Total: £28,591,645**

**Cell Population: 6,648 cases**

**Headline Cell: £28,591,645**

#### **Underpaid benefit**

Initial Testing showed 1 claim (value: £4,166) where a change in the household, resulting in the removal of the severe disability premium from the claim, has been applied from the incorrect date, resulting in an overstatement of cell 094 by £23.08, and an understatement of cell 102 by £23.08. The error arose due to the Council applying a new member of the household from the date they moved in rather than the Monday following.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes. Because this error will always result in an underpayment of benefit, additional testing has not been undertaken.

### **Cell 094 Overpaid benefit – Tax Credit Income error additional issue**

As a result of the additional testing on Cell 94 tax credit income it was discovered that a period in which tax credit income was correctly applied was an overpayment in full as a result of an incorrect end date being applied to the claim. Cell 103 is over stated by £859.77 and Cell 113 is understated by the same amount.

## **Appendix C: Amendments to the claim form MPF720A**

### **Cell 011 Non-HRA Rent Rebates Manual Adjustments**

**Cell 012 Expenditure up to the lower of the one bedroom self-contained LHA rate and the upper limit**

**Cell Total: £218**

**Cell Total £218 – sub population**

**Cell Population: 1 case**

**Cell Population: 1 case – sub population**

Initial Testing of Non-HRA rent rebate manual adjustments identified that the Local Authority had applied the split between Cell 012 and Cell 013 incorrectly when posting a manual adjustment. This is the only case in Cell 012.

Cell 012 was found to be understated by £76.26 and Cell 013 was overstated by the same amount.

Cells 012 and 013 have been amended on form MPF720a dated 29 January 2021.

### **Cell 214 Rent Allowance Modified Scheme Pre-1973 War Pension Disregard**

**Cell 214 Rent Allowance Modified Scheme**

**Cell Total: £14,974**

**Cell Total £4,915 – sub population**

**Cell Population: 8 cases**

**Cell Population: 1 case – sub population**

Initial Testing of Cell 214 identified that the Local Authority has incorrectly calculated pre-1973 war pension disregard resulting in an overstatement of cell 214. The Authority identified this to be the only pre-1973 war pension claim in Cell 214.

Cell 214 was found to be overstated by £40.53 and Cell 102 was understated by the same amount.

Cells 214, 094 and 102 have been amended on form MPF720a dated 29 January 2021.

### **Cell 214 Rent Allowance Modified Scheme Prior period underpayments**

**Cell 214 Rent Allowance Modified Scheme**

**Cell Total: £14,974**

**Cell Total £2,652 – sub population**

**Cell Population: 8 cases**

**Cell Population: 2 cases – sub population**

Initial Testing of Cell 214 identified that the Local Authority has incorrectly paid out a prior period underpayment when it should have been netted against a prior period overpayment. Given the nature of the population and the errors found in the claim, the Council would ordinarily need to check all modified scheme prior period underpayment cases for similar issues. However, there

was only one further case, and this had already been tested in the initial testing with no error identified in this respect. No further testing therefore required.

Cell 214 was found to be overstated by £0.05 and Cell 102 was understated by the same amount.

Cells 214, 094 and 102 have been amended on form MPF720a dated 29 January 2021.

## Appendix D Additional issues

There are no additional issues to report.



<b>Report Title:</b> Detail of the latest review and update of the Council's Strategic Risk Register	
<b>Report to:</b> Governance and Audit Scrutiny Committee	
<b>Date:</b> 22 <sup>nd</sup> July 2021	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Trevor Wilson, Head of Finance	
<b>Enquiries to:</b> Trevor Wilson, Head of Finance (trevor.wilson@braintree.gov.uk)	

## **1. Purpose of the Report**

- 1.1 The report provides detail of the review and updating of the Council's Strategic Risk Register for the Council as agreed by the Cabinet at its meeting on 12<sup>th</sup> July 2021.
- 1.2 The Register details the risks which have potential to impact on the delivery of the Corporate Strategy over the medium-term. In addition to the Register being formally reviewed bi-annually, by Members as part of the Member Development evening programme and Management Board, Management Board also ensures that the Register continues to be current by reviewing and updating the strategic risks, as necessary during the course of the year.
- 1.3 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.

## **2. Recommendation**

- 2.1 Members are asked to note and endorse the Strategic Risk Register and the Action Plans for managing the high rated risks.

## **3. Summary of Issues**

- 3.1 At the Member Development evening, on 27<sup>th</sup> May 2021, Members considered each of the existing eleven risks in the Register: reviewing the vulnerability, triggers and consequences and also the risk rating.
- 3.2 Amendments to the narrative were debated and were agreed as appropriate by the relevant Cabinet Member. The current Risk Rating for each risk was also discussed and amendments were determined by vote.
- 3.3 The number of risks above the Risk Tolerance Line (See Appendix 1) and therefore requiring active management have been reduced from eleven to ten;

as a consequence of the rating reduction agreed for the Service and Project Delivery risk.

- 3.4 A summary of the risk ratings made at the reviews are shown in the table below:

<b>Risk Rating</b>	<b>Sept. 2020</b>	<b>May 2021</b>
<b>B2</b> ( <i>High likelihood/ Critical impact</i> )	3	3
<b>C1</b> ( <i>Significant likelihood/ Catastrophic impact</i> )	1	1
<b>C2</b> ( <i>Significant likelihood/ Critical impact</i> )	7	6
<b>D2</b> ( <i>Low likelihood/ Critical impact</i> )	0	1
<b>Total number of risks on Strategic Register</b>	11	<b>11</b>

- 3.5 Management Action Plans for managing each of the ten risks above the risk tolerance line are owned and maintained by the relevant Corporate Director. Details of the risks together with the Management Action Plans are provided in Appendix 1. This ensures that each of the risks are owned and managed appropriately throughout the life of the risk.

#### **4. Options**

- 4.1 This report invites Members of the Governance and Audit Scrutiny Committee Cabinet to review the updated Register as determined at the Member Development Evening on 27th May 2021 and subsequently agreed by Cabinet on 12<sup>th</sup> July 2021. However, the Committee may determine that amendments to the Register are suggested as part of their consideration. Any suggested amendments to the Register would be referred to the Cabinet for consideration.

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

- 5.1 Risks and associated management action plans concerning the Council's finances are highlighted in risks 1 (Medium-Term Financial Strategy), 7 (Return on Investments) and 10 (Strategic Investment).

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

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

#### **7. Other Implications**

- 7.1 Climate control issues, Safeguarding, Customer impacts are identified under specific risks included in within the Register.

## **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
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 8.3 The Council's processes and approach to equalities and diversity are well developed and are not regarded as a risk. Where appropriate, each project arising out of the management of a risk will consider an Equality Impact Assessment.

## **9. List of Appendices**

- 9.1 Appendix 1 - Schedule of the Strategic Risk Register, including an outline for each risk of the vulnerability, triggers and consequences, together with a risk rating; a Management Action Plan for each risk categorised above the Risk Tolerance Line; and a summary table of the ratings of the risks.

## **10. Background Papers**

- 10.1 Strategic Risk report to Cabinet – Agenda item 7a of meeting held on 12<sup>th</sup> July 2021.

## STRATEGIC RISK PROFILE

Braintree District Council – reviewed at Member Development evening 27<sup>th</sup> May 2021

LIKELIHOOD ↑	A				
	B			1,2, 3	
	C			4, 6, 7, 9, 10, 11	8
	D			5	
	E				
	F				
		IV	III	II	I
		IMPACT →			

## APPENDIX 1

### KEY:

#### Likelihood:

- A – Very High
- B – High
- C – Significant
- D – Low
- E – Very Low
- F – Almost impossible

#### Impact:

- I – Catastrophic
- II – Critical
- III – Marginal
- IV – Negligible

## Strategic Risk Register including Management Action Plans (where appropriate)

### Medium-Term Financial Strategy – 1

Risk Rating: **B2** (B2 February 2021 – updated for inclusion in Council MTFS report – February 2021)

Management Board Owner – Corporate Director (CF)

Vulnerability	Trigger	Consequence
<p>The Council is unable to set a balanced Budget for the ensuing year and have a deliverable Financial Strategy over the Medium-Term.</p> <p>Local authorities' finances have been adversely impacted by the Covid-19 pandemic and although the Government has provided emergency funding in 2020/21 and 2021/22 the Council has recognised that it may need to use its balances to meet any shortfall in 2021/22. The impact on income levels across services in 2020/21 and how these may recover over the short and medium terms are extremely difficult to determine.</p> <p>The pandemic has also impacted on residents and businesses in the District and on their ability to meet council tax and business rate liabilities, which in turn impacts on the finances of the precepting authorities.</p> <p>The Government has been proposing fundamental change to Local Government funding: planning to introduce 75% Business Rates Retention and implement the outcomes of the Fair Funding Review and the Spending Review. Although originally planned for 2020/21 this has been delayed again until 2022/23 with the Funding Settlement for 2021/22 being for a single year and based on rolling forward the 2020/21 settlement.</p> <p>The Government had previously announced that the New Homes Bonus (NHB) scheme was to be reviewed but this has also been postponed until 2022/23.</p>	<ul style="list-style-type: none"> <li>• Circumstances change rendering planned cost reductions/additional income unachievable</li> <li>• Other financial assumptions prove incorrect. Including significant income budgets not being achieved e.g. interest receivable on the investments in equity, multi-asset and property funds.</li> <li>• Other organisations which provide significant contributions to the Council face their own funding pressures and may require greater reductions than expected.</li> <li>• Economic conditions and market fluctuations cause changes at or before contract renewal.</li> <li>• Capital receipts not received as planned and capital resources insufficient to finance capital programme.</li> <li>• Business rates collected less than expected due for example to appeals being greater than the provision made.</li> <li>• Business Rates baseline reset for 2022/23, as determined by the Fair Funding Review, does not enable the Council to retain business rates growth achieved prior to reset (estimate of £1.49m in 2021/22).</li> <li>• Future Spending Reviews and Autumn Statement(s) require further savings.</li> <li>• The current Environment Bill consultation identifies changes that will be required to Council Services which is likely to have a financial impact. At this stage it is not clear how this will be funded.</li> </ul>	<ul style="list-style-type: none"> <li>• Shortfall in resources both in year and following years.</li> <li>• Financial savings are not achieved; balances used more than planned.</li> <li>• Priorities and projects are not delivered.</li> <li>• Cuts necessary to services</li> <li>• Rushed decisions to find other savings</li> <li>• Staff unsettled and de-motivated.</li> <li>• Assets not fit for purpose</li> <li>• Satisfaction levels with the Council fall</li> <li>• Corporate Director (Finance) the designated Section 151 officer, issues a Section 114 notice that it appears to them that the expenditure of the Council incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Robust budget review and setting process involving Management Board and Cabinet Members developed over a number of years</p> <p>Unallocated balance significantly exceeds minimum level of £1.5m - estimated £5.4m as at 31<sup>st</sup> March 2021.</p> <p>Earmarked reserves to meet potential fluctuations: Estimated Business Rate Retention reserve and Treasury Management.</p> <p>Regular Budgetary Control and monitoring processes.</p> <p>Council policy to use New Homes Bonus to fund infrastructure project delivery and affordable homes.</p> <p>Strategy to increase income including investments (e.g. commercial property and solar panels) to achieve improved rate of return over the medium-term.</p> <p>Monitoring of investment counter-parties and returns on investments by Arlingclose, Treasury Advisors.</p>	<p>Close monitoring of cashflow, budgeted expenditure and income levels, including council tax and business rates, during the pandemic.</p> <p>A clear strategy on meeting the projected funding shortfall estimated in the MTFS over the medium-term.</p> <p>Monitor financial viability of key contract partners and commercial property tenants.</p> <p>Participate in consultation as proposals for the new 75% Business Rates Retention scheme and the Fair Funding Review are published.</p> <p>Monitor the disposal of assets against planned timescale for receipt of sale proceeds.</p> <p>Continue work on development of financial resilience indicators.</p>	Corporate Director (CF)	<p>Cost reductions and income delivered on time and as budgeted.</p> <p>Setting a balanced base budget and having plans to meet funding shortfalls in subsequent years of MTFS.</p> <p>Service and performance levels delivered as planned.</p> <p>Collection rates of council tax and business rates achieve targets.</p> <p>Budget variations reported in timely manner with explanation and action plan, as appropriate.</p>	Monthly	<p>Dec. 2021 – Provisional funding settlement for 2022/23 announced by Gov't</p> <p>Feb. 2022 – Full Council sets council tax and budgets for 2022/23</p>	<p>Budget and MTFS provide a balanced base budget for 2021/22 with council tax frozen at £184.68 (Band D) and a withdrawal from balances of £320k.</p> <p>For planning purposes council tax increases in future years are at the core referendum threshold of 2% for 2022/23 onwards.</p> <p>Planned approach to addressing the estimated shortfalls in 2021/22 to 2024/25.</p> <p>An Investment and Development Programme Steering Group established to consider all potential investments.</p> <p>Investment Evaluation Tool used to assess all investment opportunities.</p>

## Economic Development – 2

Risk rating: **B2** (B2 September 2020)

Management Board Owner – Corporate Director (DC)

Vulnerability	Trigger	Consequence
<p>The Council has identified Economic Growth as a key Corporate priority for the District as set out in the Corporate Strategy.</p> <p>The impact of COVID-19 on the economy of the district has been substantial. However its long term impact is not yet fully understood as support schemes such as furlough are still in operation. The long-term impact of Covid on how people work (eg commuting, working from home, setting up new businesses) is not yet clear and this could have both a negative impact and be an opportunity for the District.</p> <p>The Plan for Growth was agreed by Cabinet in 2017 These include infrastructure, business support and skills development projects. These will need to be reviewed in light of the change in circumstances</p> <p>Most of the priorities in the action plan require work with partners who may or may not have the same level of commitment to a project as BDC</p> <p>Funding from other partners or government may not be available to support the action plan priorities</p> <p>UK departure from the EU may have a long term impact on the economy and business decision making.</p>	<p>Lack of investment in infrastructure prevents business growth and job creation.</p> <p>Widescale redundancies linked to particular sectors or businesses due to the impacts of Covid 19</p> <p>Economic bounce back from Covid 19 is not as strong as is being forecast</p> <p>Shortage of required skills to meet the need of businesses in the District</p> <p>Businesses are not provided with the support necessary to maximise opportunities for growth and development</p> <p>Amount of business rates collected reduced</p> <p>Increasing unemployment rate in the District</p> <p>Decreasing opportunities for education, training and apprenticeships</p> <p>Local Plan Section 2 being delayed or being found unsound by the Planning Inspector and needing to be withdrawn.</p>	<ul style="list-style-type: none"> <li>• Reduction in jobs</li> <li>• Fewer business operating in the District</li> <li>• Fewer new businesses being created</li> <li>• Jobs left unfilled due to lack of skilled employees</li> <li>• Disinvestment by existing businesses</li> <li>• Less investment in infrastructure</li> <li>• Empty premises and lack of visitors to town centres</li> <li>• Businesses feel disengaged and cannot access support networks</li> <li>• Falling productivity rates in the District</li> <li>• Falling Gross Value Added (GVA) in the District</li> <li>• Loss of revenue / growth in business rates</li> <li>• Rising unemployment rates</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>BDC COVID-19 Recovery Plan includes an Economic Recovery plan, led by the portfolio holder and Corporate Director, in partnership with key stakeholders.</p> <p>Strong working relationship with stakeholders, education providers and partner local authorities on projects, priorities and strategies.</p> <p>District Plan for Growth being reviewed to set clear economic priorities over 1 year and 5 year periods.</p> <p>Braintree Education and Skills board has been established and is progressing projects</p> <p>Braintree Town Centre Partnership has been established</p> <p>Investment in key infrastructure priorities to secure match funding</p> <p>Strategic Business Engagement Strategy approved by members and is being implemented.</p> <p>Strong engagement with local businesses.</p>	<p>Continuing to develop our relationship with key stakeholders to ensure shared goals and priorities are met</p> <p>Marketing and promotion of BDC/Partner business support services.</p> <p>Effective implementation of skills projects agreed by the Education and Skills Board</p> <p>Continue to provide appropriate levels of support to the Town Centre Partnership and other business led groups.</p> <p>Continue to source local and national funding sources which could provide grants for key projects</p> <p>Continuous review of business engagement programme to ensure it is meeting the requirements of businesses.</p>	Corporate Director (DC)	<p>Creation of new jobs</p> <p>New Business start-ups</p> <p>Business growth in the District</p> <p>Inward Investment in the District</p> <p>Investment into District infrastructure</p> <p>Unemployment rate</p> <p>Business funding opportunities explored</p> <p>Empty commercial premises</p> <p>Readership of the Business Bulletin and other social media posts.</p> <p>Number of Apprenticeships</p>	Quarterly		<p>Education and skills board has engagement from schools colleges and employers</p> <p>Subscribers to the business newsletter and facebook page have substantial increased</p> <p>Funding for infrastructure has been secured from ECC and Highways England and funding for skills projects has been secured through ECC.</p> <p>Young Entrepreneurs Programme has been launched.</p> <p>Provided more than 10,700 Business Support Grants to businesses in the District on behalf of the Gov't.</p> <p>Awarded 100% Business Rate Relief to over 880 businesses on behalf of the Gov't in 2020/21 and first quarter of 2021/22.</p> <p>New ShopLocal ShopSafe campaign launched to encourage people to use local businesses as they reopen</p>



Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Braintree District tourism website launched alongside partnership forum</p> <p>The North Essex Economic Board has agreed a strategy and funding has been secured to deliver projects</p>		Corporate Director (DC)		Quarterly		Funding secured to deliver an agreed action plan with partners from the North Essex Economic Board to support skills, inward investment and business support.

### Planning – 3

Risk Ratings: **B2** (B2 September 2020)

Management Board Owner – Corporate Director (DC)

Vulnerability	Trigger	Consequence
<p>Braintree District Council adopted its Local Plan section 1 in February 2021 and is expected to hold hearing sessions into the Local Plan Section 2 in July 2021. Until that date the policies and allocations within the Local Plan section 2 only provides limited weight in decision making.</p> <p>Government policy on housing need has changed since the last Local Plan was adopted and the Council is now in a position where it must deliver a substantially higher number of homes. There is a requirement on the Council to show a deliverable 5 year supply of housing land at this new higher target and to pass a new Housing Delivery Test. At present the Council has a 5 year housing supply but this is yet to be tested.</p> <p>The Government White Paper (and subsequent inclusion in the May 2021 Queens Speech) on the future of Planning sets out a completely revised planning system for the country. This has the potential to impact both on the development of the next Local Plan but also on the remit and function of the Development Management team.</p>	<p>Local Plan Section 2 being delayed or being found unsound by the Planning Inspector and needing to be withdrawn.</p> <p>Government changes to national policies, guidance or methodologies which have implications for Plan or decision making.</p> <p>Land owners submitting speculative planning applications.</p> <p>Planning Inspectors concluding that the local authority does not have a 5 year housing supply.</p> <p>Failure of the Council to pass the Housing Delivery Test when results are published each November.</p>	<ul style="list-style-type: none"><li>• Further delays to the Local Plan process if further changes or evidence are required.</li><li>• Council may need to produce a new Local Plan</li><li>• Council may have to approve planning applications on sites outside of those proposed in the existing or draft Local Plan which would result in development which conflicts with the agreed spatial strategy</li><li>• The Council failing to meet its requirements for housing need, including the needs for affordable housing.</li><li>• Infrastructure requirements of new developments may not be sufficiently met.</li><li>• Loss of appeals on planning applications for development on unallocated sites outside of development boundaries.</li><li>• A presumption in favour of sustainable development may need to be implemented if the Council substantially failed the Housing Delivery Test.</li><li>• The Council failing to meet its requirements for economic development land.</li></ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Based on the indicative timetable it is hoped that the Plan will be fully adopted by the end of 2021.</p> <p>Strong communications Plan with all information published on the website and communicated to residents and stakeholders through social media, traditional media and leaflets delivered directly to all households at key points.</p> <p>Strong working relationship with major developers on key housing/commercial sites in the District.</p> <p>Good working relationships with key stakeholders in the District.</p> <p>The Planning teams are now fully staffed which will ensure the planning teams are able to deal with the increase in the number, scale and complexity of planning applications.</p>	<p>Project Plan and risk record for the Local Plan continually kept under review and updated as required.</p> <p>Matters for information and decision continue to be reported to the relevant committee or Full Council.</p> <p>Continued communication on the next steps of the Local Plan process and on key planning applications and appeals.</p> <p>Continue to hold regular meetings with developers, partners and key stakeholders.</p> <p>Internal resources kept under review to ensure they are fit for purpose.</p>	Corporate Director	<p>Local Plan adoption</p> <p>Outcome of appeal decisions relating to non-allocated sites.</p> <p>Outcome of the Housing Delivery Test</p> <p>Development Management Performance Data</p>	Quarterly	Autumn 2020	<p>Work is underway to prepare any updated evidence necessary for the section 2 examination.</p> <p>Press releases and regular bulletins issued throughout and at key points in the process.</p> <p>The Development Management team have cleared the vast majority of the backlog of planning applications which were received during lock down.</p> <p>Approval from Full Council was secured in December 2020 for a new Scheme of Delegation which will assist the Development Management team in processing a greater proportion of planning applications under delegated powers.</p>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>The Development Management Improvement Plan has implemented a series of improvements and efficiencies to the DM service.</p> <p>The Council was nominated twice for the RTPi East Planning Excellence awards and for a National RTPi award.</p>	<p>Officers will maintain a watching brief on the governments proposed changes to the Plan making system through professional networks in order to assess the impact on the district and to consider whether any lobbying or other positions should be considered in response.</p>					

## Community Resilience – 4

Risk Rating: **C2** (C2 September 2020)

Management Board Owners – Corporate Director (CR)

Vulnerability	Trigger	Consequence
<p>The community may not have the resilience to support itself and requires significant intervention. People are not able to support themselves, and inequalities prevent people from having the opportunities to live a good quality life.</p> <p>There are a number of deprived areas in the district with children in poverty, health inequalities, lack of skills and higher unemployment. This has been exacerbated as the impact of the pandemic begins to manifest.</p> <p>This, combined with the impact of welfare changes and the potential loss of significant roles in specific economic sectors, could have a further impact on those who are struggling financially.</p> <p>Mental and Emotional Health and Wellbeing decreases and there are an increasing number of people who suffer from mental health issues.</p> <p>Domestic Abuse charities report increased calls relating to domestic abuse. The new Domestic Abuse Act 2021 includes new duties for Councils.</p> <p>There is a growing population of older people, within the district and nationally, a proportion of whom will require public services.</p> <p>Local Housing Allowance (LHA) rates have now increased, bringing them back into line with the 30th percentile rent for each property size. While this is welcome, it will impact on people close or at the Benefit Cap level. It also increases the cost of new homes let at 'Affordable Rent' levels.</p>	<p>Demand for services from the Council and other public sector organisations increases which exceed our capacity to meet.</p> <p>Funding from the government to support duties reduces/ceases.</p> <p>The impact of higher unemployment and/or reduced hours of employment is not yet clear but is likely to impact on many Council services.</p>	<ul style="list-style-type: none"><li>• Potential increase in people seeking the Council's assistance with problems.</li><li>• Reduction in community confidence</li><li>• Increased demand for temporary accommodation due to homelessness.</li><li>• Increased demands on the Council's Services.</li><li>• Increased health inequalities.</li><li>• Increase in number of households in fuel poverty and increase in number of children in poverty.</li><li>• People feel more socially isolated and lonely</li><li>• People have an increased risk of suffering from physical or mental health issues</li><li>• Charities are less able to support communities and there are less volunteers</li><li>• Requests for Discretionary Housing Payments and/or Exceptional Hardship Fund payments exceed resources allocated.</li></ul>

Vulnerability	Trigger	Consequence
<p>Charities have been affected financially and through restrictions around volunteers are unable to continue in the role that they have been in supporting communities. Informal volunteering is likely to have increased during the pandemic as people supported on another.</p> <p>Some people will have lost confidence and feel unable to go out shopping or to meet other people, decreasing their independence and increasing their social isolation and loneliness.</p> <p>People do not take opportunities to live an active lifestyle and are more susceptible to physical and mental health issues as a result.</p> <p>There is an increase in different views of the national and local response to COVID, which results in reduced community confidence and less people abiding by the guidelines.</p> <p>DHP allocations for 2021-22 have been reduced for a large number of authorities, including BDC which has seen a reduction of approx. 40% from the 2020-21 allocation to £170,315.</p>		

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Community Recovery Workstream a key theme in the COVID recovery plan. This is being led by two portfolio holders and the Corporate Director.</p> <p>Action plan covers: Housing People Communities Health</p> <p>Work with Braintree Halstead and Witham Citizens Advice and; Eastlight Community Housing; Dept. for Work and Pensions to assist those affected by the welfare changes.</p> <p>Supporting residents to be healthy and live well working with a range of partners through the Livewell Boards and the Health and Wellbeing Panel.</p>	<p>Ensure continued work with the Health and Wellbeing Panel and other partners to identify and respond to community needs.</p> <p>Regularly update on the Community Recovery Workstream through the Recovery Co-ordination Group which reports into Cabinet.</p> <p>Regular reviews of the impact the welfare changes are having on those affected by reforms and work with key partners.</p> <p>Support Community 360 to provide assistance to charities and community groups across the district.</p>	Corporate Director	<p>Services able to meet the increased demand for services.</p> <p>Community confidence and resilience measures remains stable</p> <p>Customer satisfaction with their quality of life and place to live remains stable</p> <p>Funding sufficient to support those residents in extreme financial difficulties with council tax and/or rent.</p> <p>Increased number of residents in employment.</p>	Quarterly		<p>Community Recovery Action Plan.</p> <p>Actions underway:</p> <ul style="list-style-type: none"> <li>Community Employment Support Officer appointed.</li> <li>Schools engagement to help support students returning.</li> <li>Successful bids for Funding via Next Steps Accommodation Programme to help those rough sleeping</li> <li>Community Hub Support set up to those residents who are clinically extremely vulnerable.</li> <li>LiveWell</li> <li>Mental Health Forum</li> </ul> <p>Corporate response to COVID, strong framework and links to Essex Resilience Forum.</p> <p>Community grants:- BDC's Councillors' Community Grant Fund Programme continues in 21/22.</p> <p>BDC Grant Funding continues to be provided to Community360 to help support the voluntary sector and also the Braintree, Halstead, Witham Citizen's Advice to provide advice.</p>

						<p>The Braintree District and Eastlight Community Fund provides grants totaling approx. £100,000 annually to projects that help improve health and well-being, increase aspirations and opportunities, or develop skills through training.</p>
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## Service and Project Delivery – 5

Risk Rating: **D2** (C2 September 2020)

Management Board Owner – Corporate Director (CF)

Vulnerability	Trigger	Consequence
<p>Reduced resources impact on the Council's ability to deliver good quality services. Service delivery and resilience requires a well-managed and motivated workforce with the capacity and capability to deliver. With an aging workforce the Council has recognised the important challenges around workforce planning and talent management for the future.</p> <p>Health &amp; Safety - Breach in processes/ procedures leading to a health and safety or security incident (including an act of terrorism).</p> <p>Service delivery is heavily reliant on the availability of systems. Increase in home working results in increased reliance on computer systems and remote access as well as virtual meeting technology to deliver services and projects.</p> <p>The Council has approved a number of significant projects. It is essential that there is the capability and capacity available to deliver.</p>	<p>Key people leave or are unavailable for work (small teams or specialist areas are most vulnerable).</p> <p>Competitive recruitment markets particularly in relation to the growth agenda.</p> <p>Major incident.</p> <p>Computerised systems unavailable for use for a prolonged period.</p>	<ul style="list-style-type: none"><li>• The organisation is stretched too far and resulting in service delivery failure</li><li>• Mistakes made and corners cut</li><li>• Customer satisfaction falls</li><li>• Employees are disengaged and demotivated.</li><li>• Loss of good people.</li><li>• Increased key person dependency</li><li>• Loss of corporate memory</li><li>• Failure to deliver Council's priorities and Annual Plan</li><li>• Remaining staff fail to cope</li><li>• Change programmes difficult to implement</li><li>• Actual or potential injury or loss of life.</li><li>• Financial loss / impact on value of assets;</li><li>• Reputational damage</li><li>• Data loss</li></ul>

## Affordable Housing and Homelessness – 6

Risk rating: **C2** (C2 September 2020)

Management Board Owner – Corporate Directors (DC & CR)

Vulnerability	Trigger	Consequence
<p><b>Affordable Housing</b> As Eastlight has developed many of the sites in its ownership, we are increasingly reliant on market delivery of new homes to facilitate affordable housing provision. In the short-term (this year and next) delivery of new affordable housing is likely to be very good but a downturn in the market could present a serious challenge.</p> <p>We rely heavily on mainstream new development and in the past few years have negotiated for a really significant supply of new affordable homes.</p> <p><b>Homelessness</b> The Homelessness Reduction Act 2017(HRA) came into force in April 2018, it means the Council needs to assist more people, at an earlier stage if they are facing homelessness. The Housing Team was restructured and new staffing appointments made, a further two new appointments will be made in 21/22. Funding resources are in place, but unclear what demands will be on the service given the unprecedented situation as a result of the pandemic.</p> <p>The impact of homelessness is being managed locally but relies on continuing funding of support services by Essex County Council. Compared to many other Essex LAs, we have good local provision, so any review of resources is likely to take resources away from the District.</p> <p><b>Evictions</b> – On 12 May 21 the Government announced further support for renters with longer notice periods. There will be four month notice periods for most tenants until at least until the end of September. At some stage an increase in evictions is expected.</p>	<p>Market downturn.</p> <p>Government intervenes to require higher proportions of starter homes or other reduced-cost tenures.</p> <p>Developers push back on the number of affordable homes required on developments.</p> <p>Cost of housing (labour and materials) rises making them unaffordable</p> <p>Government policy on planning permissions and reducing red tape may reduce our supply of affordable housing on new sites under new policies. It is also likely to lead to more office-to-flats conversions (Permitted Development Rights)</p> <p>Increase in homelessness presentations and households joining the Housing Register due to economic impact of the pandemic.</p>	<ul style="list-style-type: none"> <li>• Affordable housing needs not met</li> <li>• Homeless households remain longer in temporary accommodation as fewer rented homes become available for letting through 'Gateway to Homechoice' choice based lettings scheme</li> <li>• Cost to the Council of providing temporary accommodation increase</li> <li>• Young people/key workers leave the district</li> <li>• Some housing associations withdraw from higher-risk accommodation, such as supported housing schemes</li> <li>• Inability to find suitable affordable accommodation for larger families</li> <li>• Unable to provide supported housing in particular for under 35's, who will not receive enough benefit to cover the rent for self-contained accommodation.</li> <li>• Increased workload &amp; staff and temporary accommodation costs to manage increased demand for services.</li> <li>• Difficulty recruiting experienced / suitable staff as demand for such staff increases</li> </ul>

Vulnerability	Trigger	Consequence
<p>We may also see a reduction in the number of private rented sector properties being advertised for re-let as owners seek to capitalise while the market is buoyant and because of concerns about the potential for future lockdowns and another period of evictions being put on hold. The Queen's Speech also confirmed the Government's intention to reform s21 (no fault) notices.</p>	<p>If support funding was reduced or different access arrangements to supported housing schemes it could impact adversely on residents and increase costs to the Council.</p>	

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>New Housing Strategy adopted in 2016/17</p> <p>New Homelessness and Rough Sleeping Strategy adopted in 2018/19</p> <p>Work with a range of housing associations to ensure that we can meet the varied needs of local residents and make sure we do not miss out on affordable housing opportunities.</p> <p>Underwriting schemes and purchase of land for affordable housing developments as opportunity and finance allow.</p> <p>Working with other providers.</p> <p>Participating fully in work of 'Essex Prevents'; joint working with ECC to agree how we can prevent homelessness.</p> <p>Successful bid for 'Next Steps' funding for short and longer term accommodation costs associated with rough sleepers.</p> <p>Continued close working with Planning Policy and Development Management colleagues to support delivery of affordable homes.</p>	<p>Housing Research and Development Team continues to look for innovative ways of increasing affordable housing with developers and Registered Social Landlords.</p> <p>Use of Stat Nav toolkit to help identify need across the District.</p> <p>Build working relationships with developers to deliver affordable housing through S.106 agreements, supported by the Development Management team and policies contained within the Local Plan.</p> <p>Continue to review and implement actions in the Homelessness Strategy. This includes working with a wide range of partners including 'The Braintree District Homelessness Prevention Partnership'</p> <p>Review the Homelessness and Rough Sleeping Strategy by March 22.</p>	Corporate Director	<p>Local target for an average 100 dwellings per annum over a four year period.</p> <p>Maintaining a manageable number of temporary accommodation placements (under 50 at any one time)</p>	Quarterly		<p>Regular meetings with all housing associations with local development programmes.</p> <p>Stat Nav data updated each year.</p> <p>250 New Affordable Homes Completions expected in 21/22, but likely to be more.</p> <p>Authority delegated to Cabinet Members for Housing and Finance and Performance Management to agree acquisitions and funding commitments within the overall affordable housing budget in order to allow timely decisions to be taken and prevent opportunities being lost.</p> <p>Negotiations continue with a housing provider to secure 6 units of accommodation with support for rough sleepers/those at risk of rough sleeping. Anticipate on-stream by end June 2021.</p> <p>New Mental Health Navigator working with the Housing Teams in Braintree DC and Epping Forest DC to help support those at risk of rough sleeping. A one year partnership project with Essex CC and Essex Partnership University Trust.</p>

## Return on Investments – 7

Risk Rating: **C2** (C2 September 2020)

Management Board Owner – Corporate Director (CF)

Vulnerability	Trigger	Consequence
<p>The Council has an Investment Strategy which seeks to optimise use of available resources that includes investment in property, housing and other assets as well as investing surplus monies with financial institutions to achieve a reasonable rate of return and support the Council's revenue account.</p> <p>The security of the money invested is paramount but the Investment Strategy distinguishes between the investment of monies available only in the short-term due to cashflow requirements and monies (core funds) which are available for investment over the medium to long-term.</p> <p>In recent years the Council has increased its property portfolio where return on investment has been attractive and the quality of the tenant and the tenancy term has been good.</p> <p>The impact of the Covid-19 pandemic on the economic climate on financial institutions makes the selection of: a strong counterparty with which to invest, the selection of an asset, to purchase, and the tenant, to occupy and rent property, even more crucial.</p> <p>HM Treasury is concerned about the increase in investment in commercial property by local authorities and has recently issued notice that local authorities will not be able to access borrowing from the PWLB if it is deemed to be for 'investment for yield'.</p>	<p>Failure of investment counterparty.</p> <p>Tenant ceases trading leading to void period and requirement to find a new tenant.</p> <p>Collapse in the equity market at a time when the Council needs to release money by selling the pooled funds.</p> <p>Funds are needed to be recalled at short notice.</p> <p>The purpose of borrowing from the PWLB is determined to be 'invest for yield'.</p>	<ul style="list-style-type: none"><li>• Loss of the principal sum and / or interest due on investments of surplus monies</li><li>• Loss of rental income and increased costs (e.g. unoccupied business rates)</li><li>• Impact on the Council's revenue account requiring unplanned service cuts and / or use of balances</li><li>• Loss of access to loans from the PWLB: incurring penalty costs if repayment required and replacement borrowing from other sources likely to be at higher cost.</li><li>• Decline in Council reputation</li></ul>

Actions/controls already in place	Required action/ management control	Responsibility for action	Critical success factors and KPI's	Review frequency	Key dates	Progress to date
<p>A Treasury Management Strategy is agreed annually by Council. A Mid-year and an end-of-year report on performance against the TMS are received by the Governance and Audit Scrutiny Committee and by Full Council.</p> <p>The Council has set a limit of £25million on the amount of funds to be invested in pooled funds (equities and property) with the aim of achieving higher rates of return and capital growth over the medium term (3 to 5 years).</p> <p>The Council has engaged Arlingclose as Treasury Management advisor – providing advice on and monitoring of investment counter parties and advice on borrowing requirements.</p> <p>Treasury Management Earmarked Reserve created from above budget investment returns achieved over past years to help manage fluctuations in returns in future years. Balance of reserve as at March 2020 was £1.27million.</p>	<p>Review impact and implications, on the Council's investment and capital programmes, of HM Treasury changes to criteria to access loans from the PWLB.</p> <p>Monitor the financial and trading position of key tenants leasing Council property.</p>	Corporate Director		Monthly		<p>An Investment and Development Programme Steering Group responsible for advising on and monitoring the Investment Strategy; the group replaced the Strategic Investment Group.</p> <p>Monthly valuation report on the pooled funds received from Arlingclose, Treasury Advisors.</p>

**Risk: Emergency Planning – 8**Risk Rating: **C1** (C1 September 2020)

Management Board Owner – Corporate Director (CR)

<b>Vulnerability</b>	<b>Trigger</b>	<b>Consequence</b>
<p>Braintree District Council has responsibilities under the Civil Contingencies Act (CCA) 2004a 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, plan and exercise for emergencies as well as undertake business continuity management. An approved Recovery Plan would improve the Council's ability to support the community following an incident.</p> <p>BDC does not have the resources to respond effectively to the Emergency and deliver services.</p> <p>BDC are not resilient to continue to operate services through Business Continuity Planning. The lack of an approved Corporate BC Policy and agreed list of critical services leaves the council in a vulnerable position.</p> <p>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.</p>	<p>Emergency event both response and recovery</p> <p>New roles and legislative powers that require enactment and management</p>	<p>District Wide</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>Council</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>

Actions/controls already in place	Required action/ management control	Responsibility for action	Critical success factors and KPI's	Review frequency	Key dates	Progress to date
<p>A robust, peer reviewed Emergency Plan has been developed.</p> <p>Communications &amp; Media plan</p> <p>A Members Protocol has been produced setting out guidance for Members during an emergency.</p> <p>Mutual Aid – agreements are in place between authorities BDC is strengthening its procedures to receive Mutual Aid;</p> <p>Each service has to be resilient, through planned and tested procedures, to unexpected and potentially long term challenges.</p> <p>Pandemic Flu Plan agreed</p> <p>Active management of the current COVID response at organisational and Essex Resilience Forum levels.</p> <p>Regular review of our response and adaptation of response if required</p>	<p>Bi-yearly review of Emergency Plan</p> <p>Bi-yearly review of Communications and Media Plan</p> <p>Rest Centres plan – run an annual exercise</p> <p>Continue to deliver training programme</p> <p>Dialogue with partner organisations</p> <p>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.</p> <p>Following Covid responses update Recovery Plan.</p>	<p>Corporate Director</p>	<p>Service and performance levels delivered as planned.</p>	<p>Annual</p>		<p>Training delivered: senior/tactical training, recovery training, loggist training, rest centre training; communications training</p> <p>Peer reviewed training programme for staff involved at all levels, volunteers-tactical-strategic</p> <p>New starters will have a requirement to assist in emergencies detailed in their role profiles.</p> <p>Testing of dual emergency response – Exercise July 2020</p> <p>Active response in progress using command structures to COVID.</p>



**Risk: Information Management and Cyber Security – 9**Risk Rating – **C2** (C2 September 2020)

Management Board Owner – Corporate Director (CF and CR)

Vulnerability	Trigger	Consequence
<p>The Council has been responsive to technology and has used it to shape the way services are delivered, to drive efficiency and improve productivity.</p> <p>With the increased use of technology and larger amounts of information stored comes an increase of the impact created through cyber security threats.</p> <p>It is essential that customer's information, much of which is sensitive, is kept safe and that the Council ensures business continuity through strong management of its information and systems.</p> <p>The impact of changes in Data Protection legislation potentially impacts our ability to carry out services effectively and creates significant extra work for staff.</p> <p>The exit from the European Union, may impact on Data Protection legislation and the ability of the Council and its partners to manage and transfer personal data.</p> <p>Increased reliance on technology, including remote working tools since more staff have been working from home.</p> <p>More staff and members are meeting virtually, introducing a new type of cyber security vulnerability.</p>	<p>Cyber attack Hacking Distributed Denial of service Phishing/Spear Phishing Ransomware Emerging threats</p> <p>Information Security or Data Breach incident</p> <p>Loss of computer systems</p> <p>Loss of access to physical or digital information through emergency incident</p> <p>Staff do not manage data effectively</p>	<ul style="list-style-type: none"><li>• Loss of ability to deliver service/degradation in service</li><li>• Loss of reputation</li><li>• Enforcement from Information Commissioner's Office with a potentially significant fines and reputational damage</li><li>• Inability to collect/payout money to customers</li><li>• Inability to share customer data with partners</li><li>• The Council cannot meet its requirements under the Data Protection legislation</li><li>• The Council is not able to adequately manage its information, which would then prevent it from being able to carry out services effectively.</li><li>• Unplanned financial cost to the Council.</li></ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Information security policies – regularly reviewed and updated</p> <p>External auditing and challenge on a regular basis against policies and systems as well as regular external penetration testing with action plans created</p> <p>Regular review of technical infrastructure, including firewalls, hardware and software</p> <p>PSN Compliance</p> <p>Training/education in cyber security for users</p> <p>6-weekly meeting of cyber-security sub-group to review all aspects of cyber-security</p> <p>Regular meta-compliance checks for all employees and members</p> <p>Project Plan to deliver and ensure ongoing management of Data Protection legislation.</p> <p>Controls in place around the implementation of virtual meetings software and clear guidance for staff and members</p>	<p>Continued review of cyber security arrangements</p> <p>Raise awareness of information management and cyber security issues for all staff and members</p> <p>Review resourcing requirements around data protection and information management</p> <p>Targeted training</p> <p>Induction courses for new entrants</p> <p>Software kept up to date</p> <p>End of life hardware replaced as and when necessary</p> <p>Continue to keep abreast of cyber security issues and ensure that these are factored into BDC response.</p>	Corporate Director	<p>Up to date Reviews</p> <p>Year on year improvements</p> <p>Number of articles published/ seminars delivered</p> <p>Training demand met</p> <p>New entrants on induction within 2 weeks of joining</p>	Quarterly		<p>Project Plan to ensure ongoing management of Data Protection legislation.</p> <p>PSN compliance up to date 2021</p> <p>Regular attendance at Cyber Security summits/meetings at national level</p> <p>Online training available for all staff and part of the induction process</p> <p>Programme of updates in place for all software, hardware and infrastructure</p> <p>Regular vulnerability checks and internal and external penetration testing</p>

## Strategic Investment - 10

Risk rating **C2** (C2 September 2020)

Management Board Owner – Corporate Director (DC)

Vulnerability	Trigger	Consequence
<p>The District Investment Strategy targets capital investments to support infrastructure improvements, with particular emphasis on: improved healthcare facilities, enhanced town centres, increased employment and business opportunities, improved highways infrastructure.</p> <p>Investment intervention is required to support planned housing and population growth in the District.</p> <p>Capital investments must make a positive financial return for BDC. This will increasingly need to consider revenue return as well as capital return.</p> <p>Most of the identified investment opportunities require work with partners who may or may not have the same level of commitment to a project as BDC.</p> <p>Funding from other partners or government may not be available to support the action plan priorities.</p> <p>UK's exit from the EU, COVID and other macroeconomic uncertainties may adversely affect BDC's ability to deliver financially viable capital investments: for example, increased construction costs, house price deflation, and commercial rent deflation.</p> <p>Failure to secure planning consent on development projects.</p> <p>Inadequate systems and processes lead to inconsistent decision making, failure to agree and stick to priorities, under- utilisation of finite resources, weak cost control, over-reliance on external advice without proper challenge or consideration of the brief/scope/purpose.</p> <p>Insufficient stakeholder management.</p>	<p>Lack of investment in infrastructure acts as a barrier to required housing growth and reduces opportunities for businesses to grow.</p> <p>Inability to secure prudential borrowing at preferential interest rates and the impact of the government's recent changes to PWLB accessibility removes potential capital funding route.</p> <p>Prolonged period (&gt;six months) of house price deflation.</p> <p>Prolonged period (&gt;12 months) of commercial rent deflation.</p> <p>Above inflation increase in construction costs.</p> <p>Projects undeliverable due to refusal of planning consent.</p> <p>Failure to sell/lease newly developed properties.</p> <p>Failure to clarify and agree core project and/or programme objectives, Critical Success Factors (CSF) or KPIs.</p> <p>Project failure or delay due to lack of stakeholder engagement.</p> <p>131 of 205</p>	<ul style="list-style-type: none"><li>• Lack of infrastructure could inhibit delivery of Local Plan housing numbers</li><li>• Approved schemes already in development may not achieve required financial return</li><li>• Potential for existing businesses/jobs relocating outside of District</li><li>• Fewer new businesses/jobs being created</li><li>• Falling Gross Value Added (GVA) in the District</li><li>• Loss of revenue growth in Council Tax and Business Rates</li><li>• Expectations raised and disappointed</li><li>• Unplanned and/or abortive expenditure</li><li>• Dilution of political support for programme</li><li>• Public perception of Council spending and lack of effective control</li><li>• Interest charges have to be charged to revenue rather than capitalized against the project</li></ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>District Investment reserve approved and ring-fenced.</p> <p>All investment opportunities rely on cost/value advice provided by expert third party specialists and the impact of the government's recent changes to PWLB accessibility removes potential capital funding route.</p> <p>All investment opportunities appraised via industry-standard informed investment tool.</p> <p>Strong working relationship with Essex County Council, Haven Gateway, the South East Local Enterprise Partnership (LEP), Homes England on major projects and key priorities</p> <p>Engagement with relevant BDC teams (including Asset Management, Finance, Legal, Operations, Planning and Procurement) to ensure early engagement on scheme development to ensure end product is lettable and fit-for-purpose.</p> <p>Procurement of appropriate architects and planning consultants for each scheme.</p>	<p>Continual monitoring of costs and spend.</p> <p>Continued use of expert third parties to provide comprehensive cost estimates and advice of market trends.</p> <p>Consistent modelling to agreed financial parameters.</p> <p>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.</p> <p>Implementation of timely, high-quality marketing strategies for all development projects.</p> <p>Early engagement with Planning Team and judicious use of the pre-application process.</p> <p>Increase organisational "maturity" and embed rigorous and consistently applied project and programme processes and reporting.</p> <p>Regular review of approved parameters and hurdle rates.</p> <p>Weighted NPV measure to reflect non-financial priorities</p>	<p>Chief Executive Corporate Director (DC)</p>	<p>Delivery of all projects approved via District Investment Strategy</p> <p>Delivery of all projects to budget and approved financial return</p> <p>Delivery of all projects to budget and approved financial return</p> <p>Leverage of third party funding to support BDC capital projects</p> <p>New Business start-ups</p> <p>Sale/letting of new properties at approved levels and to approved timescales.</p> <p>Achievement of detailed planning consent first time, every time.</p> <p>CSF's &amp; KPI's: Jobs created; Spend in local economy; Business rates generated.</p>	<p>Quarterly</p>		<p>Consistent presentation of detailed costs to all BDC approval bodies. Joint-working with Finance Team to model financial impact of all opportunities.</p> <p>Procurement of expert commercial and property agents to advise on achievable values, marketing and sales rates.</p> <p>Manor Street, I-construct and Horizon 120 projects progressing according to schedule.</p> <p>Horizon 120 –Local Development Order agreed and project progressing.</p> <p>Significant funding allocated via LEP for Horizon 120 Enterprise Centre.</p>

## Climate Change – 11

Risk Rating: **C2** (C2 September 2020)

Management Board Owner – Corporate Director (CR)

Vulnerability	Trigger	Consequence
<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 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.</p> <p>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. 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>Increase in mean temperature</p> <p>Decrease in air quality</p> <p>Depletion of key resources including water</p> <p>Severe weather event(s) including drought, floods and gales.</p> <p>Failure to deliver 2030 carbon neutral target</p>	<ul style="list-style-type: none"> <li>• Failure to maintain/deliver services and an increased cost of delivering services</li> <li>• Increased financial costs for Council (due to insurance excesses/ pressures on service delivery)</li> <li>• Reduction in resilience of the organisation</li> <li>• Reputation of Council damaged through failure to deliver services.</li> <li>• Failure to give local community leadership in preparing for climate change.</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Climate Local Strategy 2014 to 2018 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.</p> <p>A Climate Change working group has been established. An action plan is to be developed to ensure all Council functions and decision making is in line with the shift to carbon neutral by 2030.</p> <p>Emergency Plan considers climate related risks and our response to this type of emergency.</p> <p>The draft Climate Local Strategy has a number of actions in place to support the community to adapt to climate change.</p> <p>Business Continuity plan for the organisation to respond to risks</p>	<p>The draft Climate Strategy currently in engagement process.</p> <p>Continue to review Emergency Plan to consider emerging climate related issues and risks.</p> <p>Business Continuity plan is being reviewed to specifically consider climate risks.</p> <p>Implement the outcomes from the Environment Bill – Expected early 2022</p>	<p>Corporate Director</p> <p>Sustainability Manager</p> <p>Sustainability Manager</p>	<p>New Climate Strategy and received by Council</p> <p>Publish Action Plan</p> <p>Delivery of objectives of Climate Change Strategy</p>	Annual review	<p>Feb 2021</p> <p>Sept 2021</p> <p>Sept 2021</p>	<p>Completed actions from the Climate Local Action Plan 2014 – 2018. Further details on achievement available</p> <p>Declared Climate Emergency July 2019</p> <p>Climate Change Working Group in place representing the Council, Businesses and Residents with academic support to develop the next Climate Local Strategy</p> <p>Annual Emergency Planning desktop exercise, concerning severe weather, for BDC</p> <p>Officer group established to encourage waste reduction by staff and at council premises.</p>

<b>Report Title:</b> Treasury Management Annual Report 2020/21	
<b>Report to:</b> Governance and Audit Scrutiny Committee	
<b>Date:</b> 22 <sup>nd</sup> July 2021	<b>For:</b> Recommendation
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Phil Myers, Financial Services Manager	
<b>Enquiries to:</b> Phil Myers, Financial Services Manager	

## **1. Purpose of the Report**

- 1.1 To provide the Committee opportunity to review the draft Treasury Management Annual Report for 2020/21 and, if appropriate, to recommend any changes or to provide comments before the report is considered by Full Council.

## **2. Recommendations**

- 2.1 To recommend submission of the Treasury Management Annual Report for 2020/21 to Full Council.

## **3. Summary of Issues**

- 3.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve a treasury management strategy prior to the commencement of the financial year; receive at least one mid-year report; and then receive an annual report after the financial year-end.
- 3.2 The Treasury Management Strategy for 2020/21 was approved by Full Council at its meeting held on 17 February 2020. A mid-year report was considered by the Corporate Governance Group on 29 October 2020. The annual report for the 2020/21 financial year is attached as **Appendix 1**.
- 3.3 The recommendation set out in this report will help the Council to demonstrate that it is achieving its corporate objectives of being a high performing organisation that delivers excellent and value for money services; and is delivering better outcomes for residents and businesses and reducing costs to taxpayers.

## **4. Options**

- 4.1 The Committee may suggest changes to the draft annual report and/ or provide comments which the Cabinet Member for Finance & Corporate

Transformation can take into account when presenting the final report to Full Council.

## **5. Next Steps**

- 5.1 The final annual report will be submitted to Full Council at its meeting on 11<sup>th</sup> October 2021.

## **6. Financial Implications**

- 6.1 There are no new financial implications arising from this report as the budget position has already been reflected in the provisional financial outturn for 2020/21. The treasury management position reported in the annual report will form the basis for updating the capital and investment strategy for 2021/22 and developing proposals for the 2022/23 budget and update to the Medium-Term Financial Strategy.

## **7. Legal Implications**

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

## **8. Other Implications**

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

## **9. Equality and Diversity Implications**

- 9.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 9.3 The Equality Impact Assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

## **10. List of Appendices**



10.1 Appendix 1 – Treasury Management Annual Report 2020/21.

**11. Background Papers**

None.

## APPENDIX 1 - TREASURY MANAGEMENT ANNUAL REPORT 2020-21

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### 1. Introduction

- 1.1 Treasury management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code), which requires the approval of a treasury management strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.2 The Treasury Management Strategy for 2020/21 was approved by Full Council at its meeting held on 17 February 2020. The Authority has invested substantial sums of money and continues to hold legacy borrowing and is therefore exposed to financial risks. The successful identification, monitoring and control of risk remains central to the treasury management strategy.

### 2. External Context

- 2.1 **Economic background:** The coronavirus pandemic dominated 2020/21, leading to almost the entire world being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.
- 2.2 Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31 March.
- 2.3 Some of the uncertainties around Brexit were addressed as a trade deal was finally agreed with the European Union.
- 2.4 Inflation remained low over the 12 month period. The annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.7% year/year (1.0% expected).
- 2.5 **Financial markets:** Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-

crisis peak on the back of outperformance by a small number of technology stocks. The Financial Times Stock Exchange (FTSE) indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they both remained lower than their pre-pandemic levels.

- 2.6 Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.
- 2.7 The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.
- 2.7 1-month, 3-month and 12-month Sterling Overnight Index Average (SONIA) bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.
- 2.8 **Credit review:** After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels. Moody's downgraded the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK institutions, banks and local government.
- 2.9 The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted from lockdowns and restrictions. The institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

### 3. **Local Context**

- 3.1 On 31 March 2021, the Authority had net cash and investments of £38.110m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing

Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in the table below.

**Table: Resources available for investment at 31 March 2021**

		<b>31-Mar-21</b>
		<b>£000</b>
	Usable reserves	48,107
	Working capital & other balances	5,840
<b>a</b>	<b>Reserves &amp; working capital</b>	<b>53,947</b>
	Borrowing Capital Financing Requirement	21,837
	Less actual external borrowing	6,000
<b>b</b>	<b>Equals internal borrowing</b>	<b>15,837</b>
<b>a – b</b>	<b>Resources available for investment</b>	<b>38,110</b>

- 3.2 Borrowing and investments were kept below their underlying levels, referred to as internal borrowing, which reduces overall risk and interest costs. The level of internal borrowing increased in the year by a net £11.214m, primarily due to capital spend on Horizon 120 infrastructure works. This use of internal resources is expected to be reversed as serviced land plots at this site are sold.
- 3.3 The treasury management position at 31 March 2021 and the change during the year is shown in the table below.

**Table: Treasury Management Summary**

	<b>31-Mar-20</b>	<b>2020/21</b>	<b>31-Mar-21</b>
	<b>Balance</b>	<b>Movement</b>	<b>Balance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Borrowing</b>	<b>6,000</b>	<b>-</b>	<b>6,000</b>
Pooled Fund Investments	19,000	-	19,000
Short-Term Investments	33,500	-19,500	14,000
Restricted cash	-	3,071	3,071
Cash and Cash Equivalents	-191	2,230	2,039
<b>Total Investments<sup>1</sup></b>	<b>52,309</b>	<b>-14,199</b>	<b>38,110</b>
<b>Net Cash &amp; Investments</b>	<b>46,309</b>	<b>-14,199</b>	<b>32,110</b>
<sup>1</sup> Excludes changes in market value of pooled fund investments			

- 3.4 Restricted cash represents funds that were received from the sale of serviced land plots at Horizon 120 and for which a proportion was required to be placed into escrow pending completion by the Authority of certain infrastructure works. It is currently expected that this money will be released in the first half of the 2021/22 financial year.

#### **4. Borrowing Update**

- 4.1 In November 2020 the Public Works Loan Board (PWLB) published its response to the consultation on 'Future Lending Terms'. From 26 November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing.
- 4.2 As part of the borrowing process authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 Officer.
- 4.3 Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, and refinancing or treasury management.
- 4.4 Whilst market alternatives may be available for authorities with or without access to the PWLB, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.
- 4.5 The Authority is currently reviewing its potential future capital investment proposals in light of these changes.

#### **5. Borrowing strategy**

- 5.1 Borrowing remained unchanged in the year at £6m comprising two £3m loans on Lender Option, Borrower Option (LOBO) terms, both with 21 years remaining until maturity. The average rate of interest on this borrowing is 4.70% per annum.
- 5.2 With short-term interest rates remaining much lower than long-term rates, it was considered more cost effective in the near term to use internal resources to meet the Authority's increasing borrowing requirement (as measured by the CFR).
- 5.3 The current lender of the LOBO loans did not exercise their options during the year. A review of these loans is currently being undertaken to assess the potential opportunity for seeking a negotiated early repayment/ refinancing.

#### **6. Other Debt Activity**

- 6.1 Annual repayments of finance lease liabilities were made totalling £0.28m

leaving £1.962m outstanding on these leases at 31 March 2021, which will be paid in subsequent years.

## 7. Treasury Investment Activity

7.1 During the year significant sums were received from central government which was used to support small and medium businesses during the coronavirus pandemic, through various grant schemes. Pending disbursement of this funding, it was primarily managed through the Debt Management Office Account Facility to ensure security of the funds concerned. The majority of this funding had been paid out by the end of March 2021.

7.2 Investment balances ranged between £33.615m and £94.722m, with an average amount invested across the year of £62.573m. At 31 March 2021 the investment position was as shown in the table below:

**Table: Investment Position 31 March 2021**

	31 Mar 2020	2020/21 movement		31 Mar 2021	31 Mar 2021	31 Mar 2021
	Balance	Made	Matured	Balance	Yield	WAM <sup>1</sup>
	£000	£000	£000	£000	%	days
<b><u>Pooled Funds<sup>2</sup>:</u></b>						
Equity	13,000	-	-	13,000	3.99%	T+3/4d
Diversified	3,000	-	-	3,000	4.15%	T+3d
Property	3,000	-	-	3,000	4.40%	90d
<b>Sub-total</b>	<b>19,000</b>	<b>-</b>	<b>-</b>	<b>19,000</b>	<b>4.08%</b>	
<b><u>Short-term Investments</u></b>						
Other local authorities	13,000	-	(13,000)	-	-	-
Debt Management Office	2,500	844,000	(836,500)	-	-	-
MMF <sup>3</sup> (low volatility)	14,000	21,500	(25,500)	10,000	0.03%	On-call
MMF (variable)	4,000	-	-	4,000	0.01%	T+2d
<b>Sub-total</b>	<b>33,500</b>	<b>855,500</b>	<b>(875,000)</b>	<b>14,000</b>	<b>0.02%</b>	
Restricted cash	-			3,071		Conditional
Cash at bank	(191)			2,039		On-call
<b>Total</b>	<b>52,309</b>			<b>38,110</b>	<b>2.36%</b>	

<sup>1</sup> Weighted average maturity – T+ indicates settlement days after transaction day

<sup>2</sup> Sum invested excluding any change in market values

<sup>3</sup> Money Market Funds

7.3 By the end of the financial year, the overall amount of cash and investments had reduced by over £14m from that held at 31 March 2020, which is largely a consequence of the accelerating level of spend on the capital programme (over £31m in 2020/21) as significant projects such as Horizon 120 and the Manor Street regeneration scheme are now in their main phases of development.

7.4 Both the CIPFA Code and government guidance require funds to be invested prudently, and to have regard to security and liquidity, before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk

of incurring losses from defaults and the risk of receiving unsuitably low investment income.

- 7.5 Continued downward pressure on short-dated cash rates brought net returns on money market funds (MMF) close to zero even after some managers temporarily lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain positive net yields, but the possibility cannot be ruled out.
- 7.6 Deposit rates with the Debt Management Account Deposit Facility (DMADF) have continued to fall and are now largely around zero.
- 7.7 The progression of risk and return metrics for the Authority's investments are shown in the following extracts from quarterly investment benchmarking:

**Table: Investment Benchmarking**

Period end	Credit Rating <sup>1</sup>	Bail-in exposure <sup>1</sup>	WAM <sup>1</sup> (days)	Pooled funds volatility	Income return %	Total return <sup>2</sup> %
31.03.20	AA-	49%	44	20.0%	1.97%	-3.85%
30.06.20	AA-	47%	29	20.0%	1.41%	-1.66%
30.09.20	AA-	47%	18	22.0%	1.32%	-2.67%
31.12.20	A+	65%	8	20.0%	1.43%	-1.14%
<b>31.03.21</b>	<b>A+</b>	<b>100%</b>	<b>1</b>	<b>11.8%</b>	<b>2.61%</b>	<b>14.14%</b>
Similar LAs	A+	65%	40	3.3%	1.38%	3.93%
All clients	A+	63%	14	4.4%	0.90%	2.26%

Source: Arlingclose quarterly benchmarking

<sup>1</sup> Relates to internally managed investments

<sup>2</sup> Income plus change in market value of pooled funds

- 7.8 **Externally Managed Pooled Funds:** £19m of the Authority's investments are invested in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generate income which is used to support services in year.
- 7.9 The Authority is invested in bond, equity, multi-asset and property funds. During the initial phase of the pandemic in March 2020, the sharp falls in corporate bond and equity markets had a negative impact on the value of the Council's pooled fund holdings. Since then there has been an improvement in market sentiment, particularly in the latter quarter of the year, and which is reflected in an increase over the year in capital values of almost £3.5m, giving an unrealised gain at 31 March 2021 of £1.222m.
- 7.10 Similar to many other property funds, dealing (i.e. buying or selling units) in the CCLA Local Authorities' Property Fund was suspended by the fund in March

2020 and lifted in September. There was also a change to redemption terms; from September 2020 investors are required to give at least 90 calendar days' notice.

- 7.11 As pooled funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium-long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down; but with the confidence that over a three-five-year period total returns will exceed cash interest rates.
- 7.12 Following the cut in Bank rate from 0.75% to 0.10% in March 2020, returns from cash and short-dated money market investments reduced, although some mitigation was achieved from the loans arranged by the Authority with local authorities prior to the start of the financial year. Income from most of the Authority's managed pooled funds was lower as dividend and income distribution was dependent on company earnings in a very challenging and uncertain trading environment, as well as the enforced cuts or deferral required by regulatory authorities. The overall income return from pooled funds was 91 basis points lower than that achieved in 2019/20, with the largest falls being experienced in UK focused funds. The income return from the M&G global fund, however, was actually higher in 2020/21 by 24 basis points.

## 8. **Budgetary Performance**

- 8.1 Interest paid on borrowing amounted to £282,000, with a further £99,056 of interest paid on finance leases. These costs were within the revenue budgets approved.
- 8.2 The following table shows the investment income generated for the year against budget:

**Table: Investment Income 2020-21**

	2020/21 Budget			2020/21 Actual		
	Average invested	Income	Yield	Average invested	Income	Yield
	£000	£000	%	£000	£000	%
Pooled Funds	20,000	890	4.45%	19,000	775	4.08%
Short-term investments	26,133	196	0.75%	43,573	113	0.26%
<b>Total</b>	<b>46.133</b>	<b>1,086</b>	<b>2.35%</b>	<b>62,573</b>	<b>888</b>	<b>1.42%</b>

- 8.3 The above table shows that income was lower than budget by £198,000. Cash invested was much higher than originally anticipated which was largely due to government COVID-19 funds being passported through the Authority.



8.4 Whilst the original budget anticipated an increase in the amount invested in pooled funds, a proposed addition of £1m into a new fund was put on hold due to the increased volatility in markets at the outbreak of the pandemic. The scope to increase the amount invested continues to be kept under review.

8.5 A treasury management reserve is maintained which can be used to offset potential financial risks from treasury activities. There was no change in the balance of the reserve in 2020/21 which stood at £1.272m at 31 March 2021; however, the budget for 2021/22 was approved with £350,000 of this reserve being used to offset the reduced estimate of investment income. The need to use this reserve will be reviewed during the course of 2021/22 as actual returns for the year are monitored.

## 9. **Compliance**

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

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

**Table: Compliance against debt limits**

	2020/21	31-Mar-21	2020/21	2020/21	
	Maximum	Actual	Operational	Authorised	Complied
			Boundary	Limit	
	£m	£m	£m	£m	
Borrowing	6.000	6.000			
Finance Lease	2.180	1.962			
<b>Total Debt</b>	<b>8.180</b>	<b>7.962</b>	<b>30.000</b>	<b>50.000</b>	√

9.3 Whilst internal resources have been used to meet the increased borrowing requirement (as measured by the CFR), had this been matched by new external borrowing instead, this would have pushed debt levels up by £15.837m and a revised total at 31 March 2021 of £23.799m, which remains within the above limits.

**Table: Compliance with Investment Limits**

	2020/21	31-Mar-21	2020/21	Complied
	Max	Max	Limit	
	£m	£m	£m	
Any AAA rated money market fund	5	5	5	√
Loans to any single UK local authority	3	-	5	√
Any unrated pooled fund	5	5	5	√
Aggregate unrated pooled funds	19	19	25	√

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

**Table: Day-to-day banking balance**

	2020/21	2020/21	2020/21	31-Mar-21
	Min	Max	Weighted	Actual
			Average	
Objective:	£m	£m	£m	£m
Aim not to have > £1.5m at any time	0.037	16.691	1.182	2.471
No of days <= £1.5m			294	
As % of days in the year			81%	

- 9.5 The number of days where the day-to-day bank balance was maintained at or below £1.5m was higher than that in 2019/20 (185days or 51%). The maximum amount that was held reflected an exception on 21 September. On that day a planned deposit with the Debt Management Office had to be delayed until the following day due to problems with the Lloyds commercial banking system. By the time this was resolved it was after the dealing cut-off time.
- 9.6 Whilst limits were set on the principal sums invested for periods longer than a year to control exposure to the risk of incurring losses by seeking early repayment of investments, no such investments were made in the year.

## **10. Other**

- 10.1 **CIPFA consultations:** In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These followed the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes.
- 10.2 In the Prudential Code the key area being addressed is the statement that "local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed".
- 10.3 Proposed changes to the Treasury Management Code include requiring job specifications and "knowledge and skills" schedules for treasury management roles to be included in the Treasury Management Practices (TMP) document and formally reviewed; a specific treasury management committee for local authorities opting up to professional client status under the Markets in Financial Instruments Directive (MiFID II); and a new TMP 13 on Environmental, Social and Governance Risk Management.

<b>Report Title:</b> To approve the Local Code of Corporate Governance and the Annual Governance Statement for 2020/21	
<b>Report to:</b> Governance and Audit Scrutiny Committee	
<b>Date:</b> 22 <sup>nd</sup> July 2021	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Trevor Wilson, Head of Finance	
<b>Enquiries to:</b> Trevor Wilson, Head of Finance (trevor.wilson@braintree.gov.uk)	

## **1. Purpose of the Report**

- 1.1 To evidence that the Council has conducted a review of the effectiveness of its system of internal control for 2020/21, ensure that the Annual Governance Statement for 2020/21 is correct and in order for the Leader of the Council and the Chief Executive to sign.

## **2. Recommendations**

- 2.1 The Committee is asked to:
- a) Approve the updated Local Code of Corporate Governance as detailed in Appendix A; and
  - b) Approve the 2020/21 Annual Governance Statement as set out at Appendix B, prior to it being signed by the Chief Executive and the Leader of the Council.
  - c) Give delegated authority to the Corporate Director (Finance) to make any required amendments to the Annual Governance Statement prior to its submission with the Statement of Accounts.

## **3. Summary of Issues**

- 3.1 The annual review of the Council's governance, risk management and internal control arrangements has been undertaken to support the production of the Annual Governance Statement (the Statement) for 2020/21.
- 3.2 This review includes the established information and assurance gathering processes to ensure that the published Annual Governance Statement is correct as well as a review of the Council's Governance framework against a best practice framework devised by CIPFA/SOLACE.
- 3.3 The aim of the review process is to ensure that the Council has effective governance, risk management and internal control processes in place to assist with accountability and delivery of objectives. Any shortfalls identified in these arrangements through the review process are included as action points for the coming year.

3.4 The review process includes:

- Obtaining assurance from Senior Managers, who report to a member of the Management Board, that key control systems have operated effectively within their areas of responsibility throughout the year
- Reviewing the Council's governance framework against the best practice framework devised by CIPFA/SOLACE
- Annual update of the Local Code of Corporate Governance: current version was agreed by the Governance Committee on 24<sup>th</sup> April 2019.
- Reviewing all External Audit and Inspection reports and Internal Audit reports.

3.5 The published Annual Governance Statement is required to detail the governance and control framework in place in the Council during 2020/21 and up to the date of publication of the Statement. Where arrangements are not in line with best practice or are not working effectively, this should be recorded in the Statement together with action plans for improvement.

3.6 The COVID-19 pandemic has impacted on governance issues and so has been captured within the draft Annual Governance Statement.

**The Annual Governance Statement**

3.7 The process of preparing the Annual Governance Statement should itself add value to the corporate governance and internal control framework of the Council. The Statement is required to be approved by the end of July and should also be up-to-date at the time of publication. The best practice framework provides guidance on what the Statement should contain, including:

- an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance ;
- reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the Cabinet, the Governance and Audit Scrutiny Committee, internal audit and others as appropriate;
- an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework;
- an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
- reference to how issues raised in the previous year's annual governance statement have been resolved;

- a conclusion – a commitment to monitoring implementation as part of the next annual review.

3.8 Following the annual review the proposed updated Local Code of Corporate Governance is included at Appendix A. A draft of the Annual Governance Statement is included at Appendix B for Member's consideration.

#### **4. Options**

4.1 This report invites Governance and Audit Scrutiny Committee to approve the Annual Governance Statement for 2020/21. However, the Committee may determine that amendments are required to the Statement as part of their consideration. Those amendments will be incorporated into the Statement, as appropriate.

#### **5. Next Steps**

5.1 The Annual Governance Statement is expected to be up-to-date at the time of publication of the Statement of Accounts, so it should account for significant events that could affect the assessment of the Council's governance arrangements that might occur from April 2021 onwards.

5.2 At the time of writing this report the External Auditor, BDO LLP, is still to conclude the audit and issue the Annual Audit Letter for 2019/20. This will need to be reflected in the Annual Governance Statement for 2020/21, it therefore recommended that delegated authority be given to the Corporate Director (Finance) to make any required amendments to the Annual Governance Statement to the Annual Governance Statement prior to its submission with the Statement of Accounts.

#### **6. Financial Implications**

6.1 There are no financial implications arising through the preparation and publication of the Annual Governance Statement.

#### **7. Legal Implications**

7.1 Meets requirement to undertake an annual review of the Council's Governance arrangements (Regulation 6(1) of the Accounts and Audit Regulations 2015) as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021.

#### **8. Other Implications**

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

#### **9. Equality and Diversity Implications**

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

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 9.3 Various aspects of the Annual Governance Statement are directly relevant to diversity and social inclusion. Examples include arrangements to consult with and encourage the participation of all sections of the community, communications with stakeholders and the requirement for services to be provided in accordance with equality policies.

## **10. List of Appendices**

- 10.1 The proposed updated Local Code of Corporate Governance is included at Appendix A.
- 10.2 A draft of the Annual Governance Statement is included at Appendix B.

## **11. Background Papers**

- 11.1 'Delivering Good Governance in Local Government – Framework' published by CIPFA and SOLACE 2016.

Braintree DC Local Code of Corporate Governance agreed by Governance Committee on 23<sup>rd</sup> July 2020.



# Braintree District Council

## Local Code of Corporate Governance

### INTRODUCTION

The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) defines governance as follows:

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

The International Framework also states that:

*“To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times, consistent with the requirements of legislation and government policies, avoiding self-interest and, if necessary, overriding a perceived organisational interest. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders”.*

### GOOD CORPORATE GOVERNANCE

Braintree District Council is committed to achieving good corporate governance and this Local Code describes how the Council intends to achieve this in an open and explicit way. The local code is based upon the CIPFA SOLACE framework “Delivering Good Governance in Local Government” (April 2016) which replaced the document published in 2007. As laid out in the guidance it *“is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities”*. Consequently the local Code has been written to reflect the Council’s own structure, functions, and the governance arrangements in existence.

*The local code is based on the following 7 principles, the first 2 of which underpin the remaining 5 with the overall aim of “**Achieving the intended outcomes while acting in the public interest at all times**”.*

The principles are as follows:

Acting in the public interest requires a commitment to and effective arrangements for:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement

In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Many of the requirements of the code are included in the Council's Constitution and the Council's key strategies and policies.

[Council Constitution](#)

[Key Corporate Strategy documents](#)

### **MONITORING AND REVIEW**

In order to assist with complying with the Accounts and Audit (Coronavirus) Amendment Regulations 2021 which require the annual production of an Annual Governance Statement, this Code will be reviewed as a minimum every two years or when there are changes to the Governance Standards.

Also, the Head of Governance in conjunction with the Head of Finance will take an overview of the Code on a regular basis and monitor the progress made by the Authority on compliance by reviewing that the policies, procedures and working practices reflect best practice.

The review includes an assessment as to the effectiveness of the processes contained within the Code. This includes annual assessments such as the Head of Internal Audit's Annual Report and the External Auditor's Annual Letter.

The outcome of this review is reported in the Annual Governance Statement.

The following details how the Council meets the core principles and the systems, policies and procedures it has in place to support this.



Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
<p><b>Rationale:</b> Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved.</p> <p>In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<p><b>Braintree District Council's commitment to achieving good governance is demonstrated below:</b></p> <p><b>Behaving with integrity</b></p> <ul style="list-style-type: none"> <li>• Developed a Code of Conduct for Members to ensure that high standards of conduct are maintained.</li> <li>• Established a procedure outlining arrangements for breaches of the Member Code of Conduct.</li> <li>• The Governance and Audit Scrutiny Committee has an overall view of conduct issues with a Standards Sub Committee established and appointments made, which is called as and when required.</li> <li>• An Officer Code of Conduct that sets down standards of behaviour and conduct the Council expects of its employees. Reference is made to the Code on the Induction Checklist.</li> <li>• Standard decision making reporting format to ensure that all those responsible for taking decisions have the necessary information on which to do so.</li> <li>• An employee policy for acceptance of gifts and hospitality.</li> <li>• Registers of Members' interests and records of gifts and hospitality are published on the Council's website.</li> <li>• Members' declarations of interests are a standing item on all agendas. Minutes show declarations of interest were sought and appropriate declarations made.</li> <li>• Members appointed to represent the Council on Outside Bodies are expected to provide a report to Council on an annual basis.</li> <li>• A Corporate Complaints Policy is published on the Council's website.</li> <li>• A Whistleblowing Policy is in place.</li> <li>• Statement of Core Values and Behaviours available to staff and Members on the Council's intranet 'The Beehive'.</li> </ul> <p><b>Demonstrating strong commitment to ethical values</b></p> <ul style="list-style-type: none"> <li>• A Constitution which sets out delegations of the Cabinet, committees and senior officers, and the decision making process to be applied. It also emphasises that the Council will act within the law.</li> <li>• Terms of Reference that exists for all committees and decision making meetings.</li> <li>• Contract Procedure Rules emphasise the expectation for partners and contractors to act with integrity and in compliance with ethical standards expected by the Council.</li> <li>• Many Council staff are also subject to the ethics of their professional body.</li> </ul> <p><b>Respecting the rule of law</b></p>

	<ul style="list-style-type: none"> <li>• The Constitution identifies the Head of Governance as the Council's Monitoring Officer and sets out the role of the Monitoring Officer.</li> <li>• An Anti-Fraud &amp; Corruption Strategy which is supported by an Anti-Money Laundering Policy, Information Security Policy &amp; Codes of Practice and Whistleblowing Policy. There is a fraud hotline for employees and customers to report irregularity and fraud.</li> </ul>
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### Core Principle B: Ensuring openness and comprehensive stakeholder engagement

<p><b>Rationale:</b> Local government is run for the public good; organisations therefore should ensure openness in their activities.</p> <p>Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>	<p><b>Braintree District Council's commitment to achieving good governance is demonstrated below:</b></p> <p><b>Openness</b></p> <ul style="list-style-type: none"> <li>• A Publication Scheme that describes the kinds of information available and provides guidance about how to access personal information and submit a Freedom of Information request. Publication Scheme and links are published on the website: <a href="#">Publication Scheme</a></li> <li>• Adoption of a standard reporting format in relation to committee reports.</li> <li>• Corporate Implications are included, as appropriate, in the standard report format which helps ensure that the decisions taken consider a range of potential impacts/risks. Where appropriate background papers are cited in the standard report format.</li> <li>• Agendas, reports and minutes are published on the Council's website. Meetings are open to the public unless in the case of exempt items.</li> <li>• Agendas include a set period for Public Question Time.</li> <li>• Dates for submitting, publishing and distributing timely reports are set and adhered to.</li> <li>• The Corporate Strategy sets out the priorities and strategic direction for the Council.</li> <li>• Web casts of Council and Cabinet meetings on the Council's website.</li> <li>• The Annual Statement of Accounts is published annually prior to external audit and post audit. <a href="#">Statement of Accounts</a></li> </ul> <p><b>Engaging comprehensively with institutional stakeholders</b></p> <ul style="list-style-type: none"> <li>• Adopted a Channel Strategy which sets out ways in which the Council will use a variety of channels to deliver services to, and interact with, customers.</li> <li>• The Council has signed a Local Compact for joint working with the voluntary and community sectors in the district.</li> </ul> <p><b>Engaging stakeholders effectively including individual citizens and service users</b></p> <ul style="list-style-type: none"> <li>• The Council seeks the views from individuals, organisations and businesses on a range of topics. The</li> </ul>
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	<p>Council has a People's Panel. Links to current consultations are published on the website: <a href="#">Consultations</a></p> <ul style="list-style-type: none"> <li>• Consultation activity is reviewed annually to evaluate how well each consultation exercise meets its planned objectives. Consultation across the Council is increasingly managed using a calendar of planned activities.</li> <li>• The Council has arrangements to engage with all sections of the community including hard to reach groups.</li> <li>• Use of social media to increase interaction and engagement with customers: Social Media Policy and links at <a href="#">Social Media</a></li> <li>• Satisfaction surveys are undertaken regularly both centrally and by services.</li> <li>• Contact publication – communicates the Council's vision and priorities and is published once per year and is sent to all households in the District.</li> <li>• e-mail newsletters incorporating news, information and events are sent on an ad hoc basis to those residents requesting this service.</li> </ul>
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### Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefit

<p><b>Rationale:</b> The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources.</p> <p>Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<p><b>Braintree District Council's commitment to achieving good governance is demonstrated below:</b></p> <p><b>Defining Outcomes</b></p> <ul style="list-style-type: none"> <li>• The Corporate Strategy and Annual Plan set out the Council's vision and priorities together with its aims and actions.</li> <li>• Medium-Term Financial Strategy covering a rolling four-year period is agreed annually.</li> <li>• Annual Business Plans form a key part of delivering the Council's overall vision.</li> <li>• Management Board, Cabinet and the Performance Management Scrutiny Committee receive performance monitoring reports at regular intervals.</li> </ul> <p><b>Sustainable economic, social and environmental benefits</b></p> <ul style="list-style-type: none"> <li>• Climate Local Strategy which sets out our objectives and a framework for local action on climate change and energy.</li> <li>• The Council declared, in July 2019, a "Climate Emergency" with an aim to make Braintree District Council activities, as far as practical, carbon neutral by 2030. A Climate Change working group was established to develop an action plan to ensure all Council functions and decision making is in line with the shift to carbon neutral by 2030.</li> <li>• Corporate Implications are included, as appropriate, in the standard report format which helps ensure that the decisions taken consider a range of potential impacts/risks.</li> </ul>
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	<p>Where appropriate background papers are cited in the standard report format.</p> <ul style="list-style-type: none"> <li>• Asset Management Plan – the Council has a wide range of land and property assets used in the delivery of services and to support the corporate priorities.</li> <li>• A business case framework is used for projects.</li> </ul>
<b>Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	
<p><b>Rationale:</b> Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action).</p> <p>Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved.</p> <p>They need robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.</p>	<p><b>Braintree District Council's commitment to achieving good governance is demonstrated below:</b></p> <p><b>Determining interventions</b></p> <ul style="list-style-type: none"> <li>• A financial planning process that determines level of resources to achieve Council priorities and outcomes and meet statutory duties.</li> <li>• The format of decision making reports to ensure that all relevant information is considered such as analysis of options, resource implications and consultation feedback. Options are clearly defined and analysed to ensure decisions are based on the best possible information.</li> </ul> <p><b>Planning interventions</b></p> <ul style="list-style-type: none"> <li>• Corporate Strategy covers four-year period. An Annual Plan (due to the impact of the Covid pandemic has been extended to cover 18 month periods of April 2020 to September 2021 and October 2021 to March 2023) details the agreed projects and initiatives to deliver each of the priorities of the Corporate Strategy in the forthcoming period, as well as details of how we plan to measure progress against these objectives</li> <li>• Business Plans for each service area, these include clear identification of objectives and targets, reflect Corporate Strategy priorities and include the identification of risks to meeting the objectives. They are updated annually (due to the impact of the Covid pandemic this frequency has been revised to 18 month periods of April 2020 to September 2021 and October 2021 to March 2023) and incorporate the financial plans for the period ahead for the service areas.</li> <li>• The Medium-Term Financial Strategy, Workforce Plan, Asset Management Plan and Capital Programme identify how resources are aligned to priorities.</li> <li>• Risks associated with partnership and joint working arrangements are identified and recorded in the risk register.</li> <li>• Financial management and reporting processes that enable regular and timely reporting to budget-holders, Management Board, Cabinet and the Performance Management Scrutiny Committee.</li> <li>• Key performance indicators and key actions are determined annually and monitored via the Pentana Performance Management system.</li> </ul>

	<ul style="list-style-type: none"> <li>• Annual work programmes developed by the Community Governance Scrutiny Committee and the Partnership Development Scrutiny Committee.</li> <li>• Flexible working arrangements to enable the Council to respond to unplanned events as evidenced throughout the 2020/21 financial year in response to the Covid pandemic.</li> </ul> <p><b>Optimising achievement of intended outcomes</b></p> <ul style="list-style-type: none"> <li>• The annual budget is prepared in line with agreed priorities and the Medium-Term Financial Strategy. The Council publishes its Financial Strategy annually to set an indicative four year financial plan to fit the longer term strategic vision as well as a detailed one year budget. This is intended to include realistic estimates of revenue and capital – expenditure and income.</li> </ul>
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## Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

<p><b>Rationale:</b> Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods.</p> <p>A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members.</p> <p>Leadership in local government is strengthened by the participation of</p>	<p><b>Braintree District Council's commitment to achieving good governance is demonstrated below:</b></p> <p><b>Developing the entity's capacity</b></p> <ul style="list-style-type: none"> <li>• The Council has a Workforce Development Plan including an action plan.</li> <li>• Mechanisms established for staff engagement, for example, staff focus group.</li> <li>• The Council actively promotes the benefits of partnerships and collaborative working to enhance capacity. Current examples include Payroll/HR system and procurement services.</li> </ul> <p><b>Developing the capability of the entity's leadership and other individuals</b></p> <ul style="list-style-type: none"> <li>• A Protocol on Member/Officer Relations that assists both Members and officers achieve good working relationships in the conduct of Council business.</li> <li>• A Scheme of Delegation that is reviewed in light of legal and organisational changes.</li> <li>• A Constitution that sets out financial management arrangements through the Financial Regulations and Contract Procedure Rules.</li> <li>• Revisions and updates to the Constitution are agreed by Full Council having been considered by the Governance and Audit Scrutiny Committee.</li> <li>• Annual Member Development programme is managed by a member Training &amp; Development Group. Members are updated on legal and policy changes etc. as required.</li> <li>• Mandatory Induction programmes for all employees.</li> <li>• Developed a scheme of key management competencies and expected values and behaviours which support the Council's core values.</li> </ul>
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## APPENDIX A

people with many different types of backgrounds, reflecting the structure and diversity of communities.	<ul style="list-style-type: none"><li>• Employee management framework which holds staff to account through performance reviews which identify training or development needs as required s (although these reviews were suspended in 2020/21 due to the pressures arising from the pandemic).</li><li>• Apprenticeship Programme offering training, skills and experience in Local government.</li><li>• Health and Safety policies designed to protect and enhance the welfare of staff are actively promoted and monitored.</li></ul>
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## Core Principle F: Managing risks and performance through robust internal control and strong public financial management

<p><b>Rationale:</b> Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services.</p> <p>Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.</p> <p>A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.</p> <p>It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires</p>	<p><b>Braintree District Council's commitment to achieving good governance is demonstrated below:</b></p> <p><b>Managing risk</b></p> <ul style="list-style-type: none"> <li>• Risk management arrangements that are embedded across all service areas and help inform decision making.</li> <li>• The Council's Risk Management Policy requires that consideration of risk is embedded in all key management processes. These include policy and decision-making, service delivery planning, project and change management, revenue and capital budget management and partnership working.</li> <li>• Strategic risks are reviewed at least once per annum and are detailed in the Corporate Risk Register.</li> <li>• A Risk Register of operational risks is drawn together from the risks identified annually by Heads of Service as part of the business planning process in February/March.</li> <li>• The Cabinet approves the Corporate Risk Register and the Governance and Audit Scrutiny Committee oversees the effectiveness of risk management arrangements and provides assurance to the Council in this respect.</li> <li>• Management Action Plans are provided for those risks which have a high risk rating and include details of the responsible officer.</li> </ul> <p><b>Managing performance</b></p> <ul style="list-style-type: none"> <li>• Management Board, Cabinet and the Performance Management Scrutiny Committee receive performance monitoring reports at regular intervals.</li> <li>• Key performance indicators and key actions are determined annually and monitored via the Pentana Performance Management system.</li> <li>• Reports and minutes and decisions under member consideration are published on the website and are available in hard copy in a variety of formats on request.</li> <li>• The decision-making process is scrutinised by the Performance Management Scrutiny Committee which has the power to call-in decisions. Specific meetings of the Performance Management Scrutiny Committee are held in November and then January for Members (in public) to scrutinise the proposed Budget and Medium-Term Financial Strategy.</li> <li>• Some policy development work is undertaken by two Member groups: Community Governance Scrutiny and Partnership Development Scrutiny Committees.</li> <li>• Agenda, minutes of scrutiny meetings and any associated reports with recommendations to the Cabinet are published on the Council's website.</li> <li>• Contract Procedure Rules and Financial Regulations set out the Council's arrangements and ensure that processes continue to operate consistently.</li> </ul>
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<p>repeated public commitment from those in authority.</p>	<ul style="list-style-type: none"> <li>• An effective internal audit service is resourced and maintained and works to the Public Sector Internal Audit Standards. Internal Audit prepares and delivers a risk based audit plan in line with international auditing standards which is kept under review to reflect changing priorities and emerging risks.</li> </ul> <p><b>Robust internal control</b></p> <ul style="list-style-type: none"> <li>• An annual report is produced by Internal Audit which provides an opinion on the Council's control environment, and a self-assessment of its arrangements against the public sector internal audit standards and CIPFA's guide to the role of the Head of Internal Audit.</li> <li>• Counter Fraud Strategy which is subject to review and is approved by the Governance and Audit Scrutiny Committee.</li> <li>• Annual Governance Statement (AGS) that provides a summary of how the Council is meeting the principles of good governance. The AGS is subject to review by the Governance and Audit Scrutiny Committee.</li> <li>• The Governance and Audit Scrutiny Committee, which is independent of Cabinet, oversees the management of governance issues, internal controls and risk management reporting. Its performance is subject to annual self-assessment.</li> <li>• The Governance and Audit Scrutiny Committee's Terms of Reference are reviewed and revised to reflect professional bodies' expectations and best practice.</li> <li>• Training is provided to Governance and Audit Scrutiny Committee Members on areas relevant to their role.</li> <li>• There are frameworks in place in relation to child and adult safeguarding.</li> <li>• The council is subject to External Audit and inspection regimes which require action plans that are assigned to officers.</li> </ul> <p><b>Managing data</b></p> <ul style="list-style-type: none"> <li>• The Council's Information Security Policy and Codes of Practice provide guidance on the arrangements that must be in place to ensure personal data is kept protected and secure.</li> <li>• The Governance and Audit Scrutiny Committee receives detail of compliance with the Information Security policy in the Audit, Insurance and Fraud Manager's annual report.</li> <li>• The Data Quality Policy sets out the Council's approach to data quality in relation to non-financial performance data to ensure that high standards are clearly set, achieved and maintained. <a href="#">Data Quality Policy</a></li> <li>• Effective information sharing is undertaken in accordance with the General Data Protection Regulation.</li> <li>• Data subjects are informed why their personal information is being collected and how it will be processed (including when shared with other bodies) through the Council's overall Privacy Notices published on our website and</li> </ul>
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	<p>individual Privacy Statements on forms, in booklets etc.  <a href="#">Privacy Policy</a></p> <ul style="list-style-type: none"> <li>• Information Sharing Agreements, are reviewed on a regular basis, are in place to document the sharing of information.</li> <li>• Data verification and validation processes are integrated within systems and processes.</li> <li>• Public Services Network (PSN) Code of Connection.</li> </ul> <p><b>Strong public financial management</b></p> <ul style="list-style-type: none"> <li>• Compliance with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2015).</li> <li>• Contract Procedure Rules and Financial Regulations set out the Council's arrangements and ensure that processes continue to operate consistently.</li> <li>• Medium-Term Financial Strategy covering a four-year period reviewed and updated annually.</li> <li>• The financial position is reported quarterly to Cabinet and the Performance Management Scrutiny Committee.</li> </ul>
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### Core Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

<p><b>Rationale:</b>  Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner.</p> <p>Both external and internal audit contribute to effective accountability.</p>	<p><b>Braintree District Council's commitment to achieving good governance is demonstrated below:</b></p> <p><b>Implementing good practice in transparency</b></p> <ul style="list-style-type: none"> <li>• Agendas, reports and minutes are published on the Council's website.</li> <li>• Details of Council spending with suppliers, value in excess of £250, are published monthly on the Council's website. A register of the Council's contracts is also available on the Council's website.</li> <li>• Details of senior managers' remuneration and Member's allowances and expenses are published annually in the Council's Statement of Accounts. <a href="#">Statements of Accounts</a></li> </ul> <p><b>Implementing good practices in reporting</b></p> <ul style="list-style-type: none"> <li>• Annual Financial Statements are compiled, published to timetable and included on the Council's website.</li> <li>• Annual Governance Statement produced.</li> <li>• Standard template for committee reports requires an executive summary in addition to the detailed report.</li> </ul> <p><b>Assurance and effective accountability</b></p> <ul style="list-style-type: none"> <li>• The Annual Governance Statement sets out the Council's governance framework and the results of the annual review of the effectiveness of the Council's arrangements. Areas for improvement are included, as necessary.</li> <li>• An effective internal audit service is resourced and maintained. The Service has direct access to members and provides assurance on governance arrangements via an annual report containing an opinion on the Council's internal control arrangements.</li> </ul>
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## APPENDIX A

	<ul style="list-style-type: none"><li>• External Audit provides an annual opinion on the Council's financial statements and arrangements for securing Value for Money.</li><li>• The Council actively welcomes peer challenge, reviews and inspections from regulatory bodies.</li><li>• The respective roles of officers and associated responsibilities are set out in the Constitution.</li></ul>
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## **1. Council responsibility for Good Governance**

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

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

The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021, require the Council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement (AGS) reporting on the review with the Statement of Accounts. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2021 have also changed the accounting timetable, extending the deadline for the draft accounts to 31<sup>st</sup> July 2021 and the final audited accounts to 30<sup>th</sup> September 2021

## **2. The Council's Governance Framework**

The Council's governance arrangements have been significantly impacted by the coronavirus pandemic during 2020/21. Response and Recovery Plans have been established and the Council has put in place robust and effective measures for managing these impacts including:

- Taking an active role in the Essex Local Resilience Forum (LRF) contributing to the wider LRF response and recovery programmes.
- Establishing clear roles and responsibilities with the Council's Cabinet, who are the recovery sponsors, and the Management Board, meeting specifically as a response and recovery programme group (Gold Command) to review and guide the delivery of the action plans derived from the strategic priorities set out in the recovery plan.
- Continuing to support community response and recovery through funding and bringing together community partners on a regular basis.
- Working with its strategic partners to support testing and vaccination centres in operation within the District.
- Identifying priorities and work streams and fully assessing and regularly reviewing the impacts and mitigating actions.

The Chief Executive was authorised under urgency powers to take urgent decisions following consultation with the Leader of the Council and the relevant portfolio holder in respect of executive matters and the Chairman (or Vice Chairman) of Council or the relevant committee in respect of non-executive functions. Decisions taken by the Chief Executive included items that had been due for consideration at the meeting of

Full Council on 23<sup>rd</sup> March 2020, which was subsequently cancelled. Decisions also related to the impact of Covid-19. All decisions were reported to Full Council on 1<sup>st</sup> June 2020.

Local authorities in England were granted new powers to hold public meetings virtually by using video or telephone conferencing technology from 4<sup>th</sup> April 2020. From the end of April 2020, virtual meetings were instigated to ensure transparency and good governance and to allow access to the public and press via the Council's YouTube Channel. This came to an end in May 2021. Regulations which allowed local authorities to meet remotely during the Covid-19 pandemic do not apply to meetings after 6<sup>th</sup> May 2021.

Key Council services, including all statutory services, continued during lockdown although some processes were amended to allow for remote working, for example the payment of supplier invoices. Whilst some services were paused, for example Community Transport, some new activities were undertaken, such as distribution of the government's Covid-19 related business grants by the Revenues and Economic Development Teams, Test and Trace payments by the Housing Benefits Team and the provision of Covid-19 regulatory advice to businesses by the Environmental Health Team.

### **3. The Council's Governance Framework**

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

Key elements of the Council's Governance Framework are:

- The **Constitution** which sets out how the Council operates and how it makes decisions. The Constitution details the process through which the Council is able to make decisions efficiently, transparently and accountably. The statutory Monitoring Officer undertakes a review of the Constitution annually to ensure the Council's arrangements remain compliant with legislative requirements and is fit for purpose in supporting the Council's Corporate Strategy.
- The **Corporate Strategy** which sets out the vision and priorities for the Braintree District. The Strategy for the four-year period 2020 to 2024 was recommended for approval by the Cabinet on 9<sup>th</sup> March 2020 and was formally adopted by the Chief Executive as a delegated decision under the urgency provisions on 8<sup>th</sup> April 2020 (a consequence of the cancellation of Full Council meeting scheduled for 20<sup>th</sup> April 2020 due to the Coronavirus pandemic). An Annual Plan details the agreed projects and initiatives to deliver each of the priorities of the Corporate Strategy in the forthcoming year, as well as details of how the Council plan to measure progress against these objectives.

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

The Coronavirus pandemic and social distancing requirements have necessitated some interim amendments to processes and controls in response to an increase in remote working and access to meetings. These are being delivered in a controlled manner with appropriate advice to managers regarding the risk of error and fraud. The crisis has required the Council to be innovative and flexible in releasing funds in a swift and controlled way. Interim processes have been put in place to maximise the benefits to residents and businesses. Crises like this will inevitably attract individuals who see the opportunity for fraud. Service managers responsible for services potentially exposed to the risk of fraud have received information on the various forms it may take. Interim processes are designed with this particular risk in mind.

The Council's Local Code of Corporate Governance was approved by the Corporate Governance Group (now the Governance and Audit Scrutiny Committee) on 23<sup>rd</sup> July 2020 and is based on the guidance provided by the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) "Delivering Good Governance in Local Government – a Framework" (April 2016). It is subject to annual review and the revisions will be considered for approval by the Governance and Audit Scrutiny Committee on 22<sup>nd</sup> July 2021.

The key components of the Local Code of Corporate Governance are:

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

- The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in the Council's Constitution, Schemes of Delegation and Financial Regulations which are regularly reviewed and revised where appropriate.
- Codes of Conduct are in place for elected members and officers to make sure that public business is conducted with fairness and integrity, which define the high ethical values and standards of behaviour expected.
- The Monitoring Officer is responsible for ensuring that the Council operates within the law and that decisions are administered correctly.
- Corporate complaints policy agreed and published on the Council's website.

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

- Council meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality. Unless confidential, decisions made by Council, the Executive (Cabinet/Cabinet Members) or other Committees are documented in the public domain.
- The Council has systems in place to ensure that decisions taken by officers are published in accordance with legislative requirements.
- A standard decision-making report format is used to ensure the decision maker is presented with all of the information necessary to inform the decision, including outcomes of consultation and issues identified in the 'Corporate Implications' template.
- The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with residents and service users.

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

- The Council sets out the vision and priorities for the Braintree District in its Corporate Strategy. The Strategy is based on: public opinion about what is important in the district; issues which Members know to be of importance; data and research into key issues which affect quality of life; and issues of national importance which need to be implemented at a local level.
- The 'Corporate Implications' template used in the decision making process considers risks and impacts for individuals and communities; safeguarding; and other legal or governance matters to ensure that fair access to service is not adversely affected.
- The Council's Performance Management Framework.

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

- Corporate Strategy covers a four-year period. An Annual Plan details the agreed projects and initiatives to deliver each of the priorities of the Corporate Strategy in the forthcoming year, as well as details of how the Council plan to measure progress against these objectives.
- In determining how services and other courses of action should be planned and delivered, the Council has well-established engagement frameworks with internal and external stakeholders which are undertaken at a strategic, service and individual level.
- The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of residents as stated in the Council's Corporate Strategy, values and priorities.

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

- The Chief Executive (as the designated role of Head of Paid Service) is responsible and accountable to the Council for all aspects of management

including promoting sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.

- Annual Performance Reviews of all staff ensure performance is managed, and development needs for each member of staff are identified and monitored. For the Chief Executive and Corporate Directors, performance reviews are carried out by a panel of Members which include the Leader and/or appropriate Cabinet members and the Chairman of the Performance Management Board.
- There is a Member Induction and Member Development programme in place which includes specialist training for Members with specific committee roles such as licensing and planning.

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

- The Council has a Risk Management Policy and approach including robust systems of identification, evaluation and control of risks which threaten the Council's ability to meet its objectives to deliver services to the public.
- The Chief Finance Officer (the Section 151 officer) is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.
- The Council's system of internal financial control is based on a framework of Financial Regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability.
- The Council has a proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably.
- A Medium-Term Financial Strategy and plans for revenue (4-year) and capital (4-year) based on corporate priorities are developed by the Cabinet and supported by the Management Board, and presented for approval by Council in February each year.
- Revenue and Capital Budget Monitoring reports are presented to the Cabinet on a regular basis for monitoring and control purposes including the annual outturn.

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

- The Audit, Insurance and Fraud Manager provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is carried out by an in-house Internal Audit team in conformance with the Public Sector Internal Audit Standards.
- The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies. The Governance and Audit Scrutiny Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.
- The Council's scrutiny arrangements are well established and provide challenge and review and promote service improvement.

#### **4. Review of Effectiveness of the Governance Framework**

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

The review of effectiveness is informed by the work of the senior managers within the council who have responsibility for the development and maintenance of the governance environment, the audit manager's annual report, and by comments made by the external auditors and other review agencies and inspectorates.

Both in-year and year-end review processes have taken place.

a. Key in-year review mechanisms include:

- The Cabinet is responsible for monitoring overall financial performance and receives comprehensive reports on a quarterly basis. Budgetary reports provided details of income and expenditure against profile together with a prediction of the financial position at the year-end. Key Performance Indicators and progress of projects are also included in the quarterly reports. The Budgetary reports also included details of the additional expenditure and reduced income due to the pandemic together with details of the funding streams provided from Central Government to help address the impact on the Council's finances.
- Report by the Corporate Director (Section 151 Officer) on the robustness of the budget and the adequacy of balances.
- The work programme of the Performance Management Board included reviews of the Medium Term Financial Strategy and Budget Proposals for 2021/22 and commenced a scrutiny review into the Commercialisation of Braintree Council Services.
- The work programmes of the two Development Scrutiny Committees: the Community Committee met on two occasions concluding scrutiny reviews into vaccinations and community woodlands and commenced a review of cycling and walking in the Braintree District; and the Partnership Committee met on four occasions and received the Annual Report of the Braintree District Community Safety Partnership 2019/20, concluded a review into leisure provision across the District – access to sport, and commenced a review of enforcement procedures at the Council.
- A small number of complaints were raised under the Member Code of Conduct and these have been reviewed in line with the Council's processes by the Monitoring Officer. The issues raised are particular to their circumstances and do not reflect a wider or systemic issue within the Council and are not regarded as significant governance issues within the meaning of the Annual Governance Statement. There were no complaints referred to the Standards Sub Committee during the year.



- The Governance and Audit Scrutiny Committee provided independent assurance to the Council in relation to the effectiveness of the risk management framework and internal control environment. The Committee met three times during the year and received regular reports on risk management, internal control and governance matters.
- The Governance and Audit Scrutiny Committee also met on a further four occasions during the year to consider a review of the Council's Constitution, suggesting amendments and making comment for consideration prior to the final approval of the Constitution at Full Council on 1<sup>st</sup> April 2021. A further meeting was held to consider the Local Government Association Draft Model Code of Conduct and to develop the Council's response to the consultation questions.
- The Council's Internal Audit Charter, as required under the Public Sector Internal Audit Standards, was reviewed and updated by the Governance and Audit Scrutiny Committee on 22<sup>nd</sup> July 2021.
- Internal Audit, as an independent and objective assurance service to the management of the Council, completed a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangements. The effectiveness of Internal Audit and its conformance with the Public Sector Internal Audit Standards was externally assessed during 2017/18. The initial outcome was that it partially conforms to the Standards and an action plan was agreed to deliver improvement and achieve conformance. Significant progress against the action plan has been made and reported to the Governance and Audit Scrutiny Committee.
- The External Auditor, BDO LLP, reviewed the Council's arrangements for:
  - Preparing accounts in compliance with statutory and other relevant requirements
  - Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
  - Managing performance to secure economy, efficiency and effectiveness in the use of resources

The results of the review for 2019/20 and the Annual Audit Letter are currently outstanding.

- A positive Annual Audit Letter for 2018/19 was received from the External Auditor, BDO LLP, with no significant issues to be raised with Members, key stakeholders or members of the public.
- The Council's strategic risk register was reviewed by Management Board in July/August 2020 and by Members in May 2021. The strategic risk register, together with details of Management Board's action plans to manage those strategic risks which have a high risk rating, was agreed by Cabinet on 7<sup>th</sup> September 2020 and 12<sup>th</sup> July 2021, respectively.
- External inspections during the year and in the period up to completion of the audit of the Statement of Accounts included:
  - On 20<sup>th</sup> April 2021, the Health and Safety Executive (HSE) attended Causeway House on an unannounced inspection to ensure the Council's operations were in accord with the Covid-19 restrictions in place at that time. A further unannounced

inspection was also made to the Town Hall on 23<sup>rd</sup> June 2021. Both inspections found that the Council's working arrangements were satisfactory and in accordance with the restrictions.

- On 24<sup>th</sup> June 2021, the Driver and Vehicle Standards Agency (DVSA) carried out an unannounced inspection of the Council's Transport Service. DVSA officers inspected 6 vehicles for roadworthiness and the following day the vehicle files of 6 different vehicles were reviewed for compliance with the Council's Operator's Licence. The Council was deemed to be a fully satisfactory operator and there were no recommendations or actions to be addressed.
- The Council's Cyber Security capability was assessed by an external certificated company, Hytec. The Council successfully retained its Cyber Essentials grading.
- PSN (Public Service Network) compliant for 2021/22.
- The company, Siteimprove, was engaged during the year to measure the Council's website accessibility. Prior to the new website launch in November 2020, the accessibility score was 67.4 out of 100. After the launch the score was 83.7 out of 100.
- Local Government and Social Care Ombudsman: In 2020/21 the Ombudsman, in response to the pandemic, put in place arrangements to allow for their services to continue; however this had an impact on the time taken for the Ombudsman to consider and determine complaints. In 2020/21 the Ombudsman received a total of 10 matters. Of those matters the Ombudsman has considered, no complaints were upheld against the Council. There are 3 matters awaiting decision. The substantive area of complaint was parties being aggrieved by the decision of the Local Planning Authority in respect of Planning Applications.

b. The year-end review of the governance arrangements and the control environment included:

- Signed Service Assurance Statements from senior managers, who report to a member of the Management Board, that key elements of the control framework were in place during the year in their areas of responsibility.
- The Audit, Insurance and Fraud Manager's Annual Report for 2020/21 was considered by the Governance and Audit Scrutiny Committee on 22<sup>nd</sup> July 2021. The conclusion was that 'the Council's systems for internal control, risk management and governance as at 31<sup>st</sup> March 2021 generally provide adequate assurance that key business processes and financial systems accord with proper practice, although some improvements are required to address areas of weakness and non-compliance which may put achievement of some objectives at risk'.
- The Council's Local Code of Corporate Governance has been reviewed and updated for 2020/21 by the Governance and Audit Scrutiny Committee on 22<sup>nd</sup> July 2021.

The previous year's Annual Governance Statement identified that focus would be placed on the following significant governance issues during 2020/21:

Governance Issues identified for 2020/21	Action taken to date
<p>The nature of the Council's business activities means there are ongoing information governance risks, including cyber security and IT network security, which continue to require careful management. The continuing need to improve services and enhance customer access to those services means that integration, optimisation and security of the use of data held and managed by Council departments continues to be of paramount importance.</p>	<p>Internal audit reviews conducted in 2020/21 concluded:  Information Management – <b>Significant</b> Assurance  Information Technology Governance – <b>Full</b> Assurance  General Data Protection Regulation (GDPR) Document Retention – <b>Significant</b> Assurance  Payment Card Industry Data Security Standard (PCI DSS) Compliance – <b>Limited</b> Assurance – Actions now completed</p> <p>With effect from July 2021, the Council has changed its Microsoft licensing to provide more secure methods for protecting access to devices and for managing the data held on them to prevent loss/theft. This is critical where mobile working is involved and where people use their personal devices (tablets and smartphones) to access council information and emails.</p>
<p>The overriding scale, complexity and challenge of the Council's investment programme demands management rigour in ensuring continuous, strong and effective governance.</p>	<p>New Constitution and Code of Governance approved by full Council on 19<sup>th</sup> April 2021. The new Code of Governance includes the Council's Procurement Procedure Rules.</p> <p>As part of the full Constitution and Governance review, a full scheme of delegations has been brought back into the Constitution. This sets out clearly any financial limits assigned to Officers in terms of Contract sign off, and is linked to the Council's Procurement Procedure Rules and the Council's Financial Procedure Rules, and will ensure the relevant governance process is followed from the early concept stage of a project through to contract award and sealing/signing of the contracts.</p> <p>Staff training on the new Constitution is planned for September 2021.</p>

## **5. Assurance Statement**

Despite coronavirus, this Annual Governance Statement demonstrates that the Council's governance arrangements have remained fit for purpose, even when flexed, for example, by invoking the Council's emergency powers and holding Cabinet, Council and committee meetings virtually. There has been no significant detriment on the Council's ability to deliver its services.

The review, as detailed above, provides good overall assurance of the Council's system of internal control and that the arrangements are fit for purpose in accordance with the governance framework.

## **6. Governance Issues**

Specific opportunities for improvement in governance and internal controls identified as part of the assurance processes have been addressed, or are included, in action plans for the relevant managers.

There has been a significant impact on Council services of the coronavirus pandemic from March 2020. The Council activated its Emergency Response Plan and the Council's Gold and Silver emergency command structure to coordinate a response to ensure that resources were prioritised to support those most in need.

Despite the challenges, the Council has maintained consistent essential services for residents, whilst adapting to provide alternative virtual services wherever possible. The Council's strong collaborative approach has been effective at achieving a unified response, working with key partners in the NHS, police and voluntary and community sectors. The response to the crisis has added assurance to the effectiveness of the Council's business continuity plans, communications strategy and governance arrangements.

The risks moving forward have been detailed in the Areas of Significant Change.

## **7. Areas of Significant Change**

The Council also faces a number of areas of significant change that will require consideration and action as appropriate in 2021/22 and the medium-term. Significant issues identified include:

### **Impact of Coronavirus pandemic on council services 2021/22**

- The Coronavirus Act (2020) allowed authorities to conduct meetings and take decisions in ways other than face to face so that decisions could be made to maintain good governance, principles of openness and accountability. Virtual meetings were instigated to ensure transparency and good governance whilst also facilitating extensive access to the public and press. Despite councils wishing to continue these in 2021/22, emergency legislation is not to be extended beyond 7<sup>th</sup> May 2021. As restrictions will not have been fully lifted at this date, the Council will have to plan carefully for how to hold meetings in person.

- Additional demands were made on IT systems and staff with most office-based staff continuing to work remotely throughout 2020/21. Changes to ways of working will need careful management as lockdown continues to ease in 2021/22.
- For 2021/22, there will be a focus on ensuring that audit work not completed in 2020/21 due to the Covid-19 pandemic is prioritised, where this is still appropriate. However, the overall plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks are reviewed over a three to five year audit cycle. The impact of the pandemic was routinely considered throughout the year. There will be a review of the control framework, compliance, policies and procedures, operating in 2020/21, to see what impact the changes necessitated during the pandemic had on both risk and efficiency. Audit work will also focus on the recovery processes and review those areas, such as the distribution of Covid-19 grants, where risks have unavoidably increased.

#### **Other governance risks for 2021/22**

- A highlighted risk last year was the continued financial uncertainty regarding government funding of local government. The government have again delayed the review of relative needs and resources and the implementation of the 75% business rates retention scheme to allow councils to focus on meeting the public health challenge posed by the pandemic. However, there is still a risk due to the uncertainty of the government funding of local government which creates a challenge in terms of budget setting and medium term financial planning.
- The Climate Emergency is a major focus for the Council, working in partnership with stakeholders, partners, staff and residents to tackle the effects of global warming. The Council is due to consider a Climate Emergency Strategy in autumn 2021 setting out how the council will become carbon neutral by 2030.
- Financial Management Code review. CIPFA's Financial Management Code 2019 was introduced in 2020/21. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. An assessment will be undertaken to ensure the Council can demonstrate compliance with the Code; if there are deficiencies, an action plan will be developed to address these.
- The pandemic saw a temporary increase in universal credit, which is set to finish in September 2021. If there is no managed or gradual transition to the lower rates of universal credit, post pandemic, this will create direct and indirect financial pressures on the Council through increased demand for all services by those affected by the changes and council tax collection may worsen.

## **8. Conclusion**

The Council has been hugely impacted by the Covid-19 pandemic. Governance arrangements have been tested in 2020/21 but have been found to be robust and resilient. Recognising that the pandemic will continue to bring substantial risks to the council in 2021/22, will be an ongoing review of the financial ramifications as well as the impact on procedures and processes.

The Council is satisfied that appropriate governance arrangements are in place. We propose over the coming year to take steps to address the matters identified above to further enhance our governance arrangements in these challenging times

Graham Butland  
Leader of the Council

Andy Wright  
Chief Executive