



# Uttlesford District Council

Chief Executive: John Mitchell

## Performance and Audit

**Date:** Thursday, 19 November 2015  
**Time:** 19:30  
**Venue:** Committee Room  
**Address:** Council Offices, London Road, Saffron Walden, CB11 4ER

**Members:** Councillors G Barker, M Foley, J Freeman, J Gordon, D Jones, N Hargreaves, T Knight, B Light, J Loughlin and E Oliver (Chairman).

### Public Speaking

At the start of the meeting there will be an opportunity of up to 15 minutes for members of the public to ask questions and make statements subject to having given two working days prior notice.

## AGENDA PART 1

### Open to Public and Press

- |   |   |         |
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The agenda is split into two parts. Most of the business is dealt with in Part 1 which is open to the public. Part II includes items which may be discussed in the absence of the press or public, as they deal with information which is personal or sensitive for some other reason. You will be asked to leave the meeting before Part II items are discussed.

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**PERFORMANCE AND AUDIT COMMITTEE MEETING held at COUNCIL OFFICES LONDON ROAD SAFFRON WALDEN on 24 September 2015 at 7.30pm**

Present: Councillor E Oliver – Chairman  
Councillors G Barker, M Foley, J Freeman, N Hargreaves and B Light.

Also present: Councillor H Rolfe – Leader and Jo Wardle - EY.

Officers in attendance: J Mitchell (Chief Executive), R Auty (Assistant Director – Corporate Services), C Canbolat (Specialist Accountant), R Dobson (Principal Democratic and Electoral Services Officer), A Knight (Assistant Director – Finance) and A Webb (Director of Finance and Corporate Services).

**PA12 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Gordon, Knight, Jones and Loughlin. Apologies were also received from Debbie Hanson of EY and from the Executive Member for Finance, Councillor Howell.

**PA13 MINUTES OF THE MEETING HELD ON 30 JULY 2015**

The minutes of the meeting held on 30 July 2015 were received and signed by the Chairman as a correct record.

**PA14 MATTERS ARISING**

**i) Minute PA4 – annual governance statement**

The Assistant Director – Corporate Services said the Internal Audit Manager would update members on the action point for inclusion of table format for showing information in the annual governance statement regarding allegations of breaches of the code of conduct.

**ii) Minute PA5 - statement of accounts**

The Assistant Director – Finance said the statement of accounts now omitted the joint parking partnership partner table and contained additional narrative, so it only reflected what was happening within Uttlesford, and was now more representative.

**iii) Minute PA10 – fly tipping**

The Assistant Director – Corporate Services said the last prosecution for fly tipping had been on 5 August 2014. The enforcement team were currently investigating a case that could lead to a prosecution. Enforcement would act where there was evidence, but it was very difficult to take action if there was none. In 2013 -14 there were 36 incidents of fly tipping; in 2014 -15 there were 45 and in the current year to date there had already been 34.

PA15

## **AUDIT RESULTS REPORT 2014/15**

Jo Wardle presented EY's audit results report for the year 2014/15. She said the report gave an unqualified opinion on the financial statements and concluded that the Council had made appropriate arrangements to secure value for money. The report confirmed to the National Audit Office that the Council was below the specified audit threshold of £350 million. The audit certificate had been issued.

Regarding the audit risk, Jo Wardle said EY had, in accordance with the audit plan, looked at capital expenditure from the perspective of the audit risk of manipulation of accounting records. The auditors had not found any items where management had tried to manipulate items. There were a few items in capital expenditure which had been coded inappropriately to housing repairs but it was clear this error was not manipulative, and the items were not significant.

Jo Wardle said there had been reduced materiality in areas which might be politically sensitive and she would refer to these in more detail. With respect to value for money, the auditors had identified a risk area which was the Council's dependence on the new homes bonus. This authority was not alone in being in that position. The auditors had concluded that the current Medium Term Financial Strategy took account of this and that there were reasonably high levels of reserves should the new homes bonus be withdrawn.

Regarding EY's fees, the audit had been kept to within the fee, but there was an additional report to come, which would need to be taken into account.

Jo Wardle drew attention to a number of small adjustments to the figures to add more explanation, but none of these impacted on the bottom line.

There was a small item regarding cash in transit and the cash flow statement, and an unresolved balancing item.

Councillor Foley asked a question about the cash in transit item.

Jo Wardle explained the unresolved cash flow amount was very similar to one which was unresolved last year. The cash in transit figure which was a historical error identified as likely to have been an uncompleted step in bank reconciliation.

The Assistant Director – Finance said officers had validated the item back to 2009/10 and were confident it was a double-count. The transaction had remained on the general ledger, but would be adjusted out this year.

The Chairman said it was intriguing that the cash flow item had been resolved but seemed to have been caused by an error within the CIPFA toolkit.

The Assistant Director – Finance said the error was not solely attributable to the toolkit, as it was very difficult to isolate actual cash flow from many notional accounts. The reason for the error had been identified by the diligence of the Specialist Accountant.

There being no further questions, the Chairman thanked the Assistant Director – Finance and the finance team for the excellent work they had done, which he said had also been completed in good time.

PA16

## **STATEMENT OF ACCOUNTS 2014-15**

The Committee considered the report of the Director of Finance and Corporate Services.

The Assistant Director – Finance highlighted a number of minor corrections which had been made since the report had first been circulated with the agenda pack. The updated copies of the Statement of Accounts had been circulated immediately prior to the meeting. The changes included minor alterations to the wording of the narrative. For the sake of clarity, it was noted that the parking partnership information had been included in the previously circulated accounts. This change was the removal of the North Essex Parking Partnership table so that the statement of accounts now only included the data for this authority, and not for the rest of the partnership.

The Assistant Director – Finance drew members' attention to the Letter of Representation at Appendix A of the report, which confirmed the Council had fulfilled its responsibilities. The letter included a summary of the three unadjusted audit differences which had been identified, and which the Council considered immaterial to the financial statements taken as a whole. She asked the Committee to approve the draft Letter of Representation as attached to the report and the Statement of Accounts as amended.

Councillor Hargreaves asked whether the expected rate of return of 14% for pension scheme assets and liabilities would continue to be expected in the future.

The Assistant Director – Finance said the figures had been supplied by the actuary for the pension fund.

Councillor Hargreaves asked about the increase in pension fund liabilities, and whether information was set out regarding a plan for reducing the deficiency.

The Assistant Director – Finance said an increase in liabilities was very complicated and therefore the information was directly supplied by the Essex Pension Fund figures. However further information on yield could be supplied to members on request.

Councillor Hargreaves referred to the collection fund. He asked whether the figure of £3,840,000 was still to be collected in respect of business rates. If so, should it be included in Sundry Debtors?

The Assistant Director – Finance explained the collection fund represented not only this authority, but all precepting authorities; furthermore the fund was broken down across different areas.

Councillor G Barker declared a non-pecuniary interest in that his wife Councillor S Barker was a member of the Essex County Council Pension Steering Committee. He held a dispensation from the Assistant Chief Executive – Legal in respect of this interest.

Councillor G Barker said the Essex Pension Fund had last year received a good rating in comparative surveys. He asked a question about the approach taken in the use of brackets in the report to denote negative or surplus figures.

The Assistant Director – Finance said all surpluses should be bracketed and all deficits non-bracketed.

RESOLVED to

- a) approve the Letter of Representation as attached to the report.
- b) approve the audited 2014/15 Statement of Accounts as presented to the Committee.

The Leader congratulated the finance officers for another unqualified set of accounts.

The Chairman thanked Jo Wardle for the work she and EY had done.

PA17

## **QUARTER 1 PERFORMANCE 2015/16**

The Committee considered a report presenting the Q1 results for all quarterly-reported Key Performance Indicators and Performance Indicators.

The Assistant Director Corporate Services said he would first respond to questions asked at the last meeting. Regarding a request to collect information on reports submitted under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (“RIDDOR”) a summary of those regulations was available for members. The information set out circumstances in which an accident had to be reported to the Health and Safety Executive.



Regarding the time being taken to supply residents with replacement bins, the Assistant Director Corporate Services said an additional staff member had been deployed to bin deliveries and it was hoped that the deliveries backlog would be cleared within the next five weeks.

Councillor Foley said he had been contacted by residents who had now received their bins.

The Assistant Director Corporate Services then referred to the report. He drew members' attention to several points, in particular KPI 03 (Percentage of Non-domestic Rates collected), which, as described in the notes, showed the collection rate was down this quarter. This was due to two of the biggest ratepayers in the district (Stansted Airport and Diamond Hangar) having had a split in their rateable value assessment which had pushed their first payment instalment to July 2015. However by the end of quarter 4 this would have righted itself.

Regarding PI 14a (Homelessness: number of people presenting as homeless), the Assistant Director Corporate Services reminded members there had been questions at the previous meeting asked about this indicator. It was up to the Committee whether it should continue to be included. The data was already presented to the Housing Board. In order to include the date in the risk assessment management system it was included in the form of a performance indicator, but figures for how many people presented as homeless were not themselves an indicator of performance. Discussions with the Housing service had taken place regarding these performance indicators, and the conclusion reached that it would be for the Committee to decide whether it wished to continue receiving the data.

The Assistant Director Corporate Services said the next Key Performance Indicator, KPI 14b (the number of cases where positive intervention by the Council prevented homelessness), was of more interest to this Committee in terms of risk assessment.

PA18

## **QUARTER 1 CORPORATE RISK REGISTER 2014/15**

The Committee considered a report presenting the Corporate Risk Register as at the end of quarter 1 2014/15.

The Assistant Director Corporate Services said this report related to the Council's new corporate risk register which had been approved by the Council in February 2015. It identified the key risks associated with delivering the Council's main strategic objectives. It had been amended to include a new corporate risk concerning the current refugee crisis.

In response to a question by Councillor Light about risk 15-CR12 (Range of services provided by the council is too broad), the Chief Executive said there were significant events occurring, one of which was the government's autumn statement; another was the move to devolution; and in contrast to the wider economy, the salaries this authority could offer to employees reflected

austerity levels. For these reasons it was difficult to attract recruits and Council would need to keep under review the services it provided. Many councils outsourced such services, and options for the future for this authority's role in providing its current services would need to be considered.

Councillor Light asked about any steps already taken to identify such services for review.

The Chief Executive said this exercise would be one for the whole council, after the autumn statement, over the next 18 months. There were no specific services identified at present.

The meeting ended at 8.15pm.

### **ACTION POINTS**

Minute PA14	The Internal Audit Manager to update members on the action point for inclusion of table format for showing information in the annual governance statement regarding allegations of breaches of the code of conduct.
Minute PA16	Information on the Essex Pension Fund yield to be supplied to members on request.

**Committee:** Performance and Audit Committee  
**Date:** 19 November 2015  
**Title:** Annual Audit Letter 2014/15  
**Author:** EY

**Agenda Item**

**4**

Item for  
information

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## **Summary**

1. The Annual Audit Letter summarises the key findings from the 2014/15 audit and was sent to all members in October via the Members' Bulletin.

## **Recommendations**

2. The committee notes the report.



# Uttlesford District Council

Annual Audit Letter for the year ended 31 March 2015

October 2015

Ernst & Young LLP







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1 October 2015

Dear Members

## **Annual Audit Letter 2014-15**

The purpose of this annual audit letter is to communicate the key issues arising from our work to the Members and external stakeholders, including members of the public.

We have already reported the detailed findings from our audit work in our 2014-15 annual results report presented to the 24 September 2015 Audit and Performance Committee, representing those charged with governance. We do not repeat those findings here.

The matters reported here are those we consider most significant for Uttlesford District Council.

We would like to take this opportunity to thank officers for their assistance during the course of our work.

Yours faithfully

Debbie Hanson  
Director  
For and on behalf of Ernst & Young LLP  
Enc.

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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014-15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the accountable officer of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission.

The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



## 1. Executive summary

Our 2014-15 audit work was undertaken in accordance with our Audit Plan issued in March 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements, and on the consistency of other information published with them
- reviewing and reporting by exception on the Council's AGS
- forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statement of Uttlesford District Council for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland)	On 25 September 2015 we issued an unqualified audit opinion on the Council's financial statements
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources	On 25 September 2015 we issued an unqualified value for money conclusion
Report to the National Audit Office on the accuracy of the consolidation pack the Council needs to prepare for the Whole of Government Accounts	The Council is below the specified audit threshold of £350 million. Therefore we did not perform any audit procedures on the consolidation pack.
Consider the completeness of disclosures on the Council's AGS, identify any inconsistencies with other information which we know about from our work and consider whether it complies with CIPFA/ SOLACE guidance	No issues to report
Consider whether we should make a report in the public interest on any matter coming to our notice in the course of the audit	No issues to report
Determine whether we need to take any other action in relation to our responsibilities under the Audit Commission Act	No issues to report

***As a result of the above we have also:***

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Issued a report to those charged with governance of the Council communicating the significant findings from our audit.

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Our Audit Results Report was presented to the Audit and Performance committee on 24 September 2015.

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Issued a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

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We issued our certificate on 25 September 2015.

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In December 2015, we will also issue a report to those charged with governance of the Council summarising the certification (of grant claims and returns) work we have undertaken.

## 2. Key findings

### 2.1 Financial statement audit

The Council's Statement of Accounts is an important tool to show both how the Council has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 25 September 2015.

Our detailed findings were reported to the 24 September Performance and Audit Committee.

In our view, the quality of the process for producing the accounts, including the supporting working papers was generally good.

We identified a small numbers of amendments the majority of which were amended in the audited accounts. There were no items that were material individually or in total to the accounts.

The main issues identified as part of our audit were:

#### **Significant risk 1: Risk of management override**

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

For local authorities, the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.

We designed and performed appropriate audit procedures to obtain reasonable assurance that the financial statements as a whole are free of material misstatement.

#### **Findings:**

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- ▶ We did not identify any material misstatements, evidence of management bias or significant unusual transactions in our testing of journals and estimates.
  - ▶ Our testing to identify any expenditure which had been inappropriately capitalised did identify expenditure (although not material) which should have been more appropriately disclosed as revenue (housing repairs). The coding of work between capital and revenue is an area that needs continued focus and robust review.
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We have no other matters to report.

### 2.2 Value for money conclusion

As part of our work we must also conclude whether the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014-15 value for money conclusion was based on two criteria. We consider whether the Council had proper arrangements in place for:

- ▶ securing financial resilience, and

- ▶ challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 25 September 2015.

We noted the following as part of our audit:

#### **Arrangements to secure financial resilience: significant risk**

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We identified a significant risk in relation to the Council's arrangements to secure financial resilience, in relation to the level of reliance placed on funding from the New Homes Bonus (NHB) in the Council's medium term financial strategy (MTFS).

To address this risk, we undertook a more detailed review of the Council's MTFS and the key assumptions within this, including those related to the use of NHB. We also looked at the level and planned use of reserves and the Council's track record in delivering previous budgets and savings plans.

#### **Findings:**

The Council has a strong track record of delivering its budget and planned savings and the MTFS issued in February 2015, projects planned surpluses totalling £3.3 million over the three years from 2015-16 to 2017-18. However, these surpluses are based on the assumption that the Council will continue to receive significant levels of NHB funding and that this funding will continue to be used to support ongoing revenue service spend rather than one off items. From our review of the MTFS and discussion with officers, we concluded that The Council clearly recognises the risks in relation to the uncertainty of future Government funding and in particular the NHB, and has modelled the impact of reductions in this funding.

From 2010, a small corporate team was set up to secure the savings needed by the MTFS. The work streams managed by this team have been successful to date, with cumulative annual savings of around £2.7 million delivered by the end of 2014-15.

The Council holds adequate levels of general fund reserves. At the end of 2015, the level of general fund balances was £10.2 million. Of this £5 million is ring fenced, and a further £5.5 million is allocated for future year costs or against specific services. This leaves £2.0 million uncommitted or unallocated which can be used to meet unexpected costs or pressures or to support items of one off spend. This is in addition to the working balance of £1.2 million, which is in line with the minimum level recommended by the Director of Finance.

The MTFS recognises that there is more to do to meet the future financial challenges. There is inherent volatility in the MTFS which necessarily includes a number of key assumptions and projections, in particular in relation to the risks highlighted for the post 2016-17 period. The Council must therefore continue with its efforts to identify potential savings to ensure it is well placed to meet future challenges.

On the basis of our work we have undertaken we have concluded that the Council's arrangements to secure financial resilience are adequate.

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## **2.3 Whole of Government Accounts**

We performed the procedures required by the National Audit Office. The Council is below the specified audit threshold of £350 million and therefore we were not required to audit the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

## **2.4 Annual Governance Statement**

We are required to consider the completeness of disclosures in the Council's AGS, identify any inconsistencies with the other information which we know about from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

## 2.5 Objections received

We did not receive any objections to the 2014-15 financial statements from members of the public.

## 2.6 Other powers and duties

We did not identify any issues during our audit that required us to use powers under the Audit Commission Act 1998, including reporting in the public interest.

## 2.7 Independence

We communicated our assessment of independence to the Audit and Performance committee on 24 September. In our professional judgement the firm is independent and the objectivity of the audit engagement director and audit staff has not been compromised within the meaning of regulatory and professional requirements

## 2.8 Certification of grant claims and returns

We have not yet completed our work on the certification of the claims and returns. We will issue our Annual Certification report for 2014-15 in December 2015.

### 3. Control themes and observations

As part of our work, we obtained enough understanding of internal control to plan our audit and determine the nature, timing and extent of testing performed. We have not tested the individual system controls of the Council as we have adopted a fully substantive approach to our audit.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to tell the Council about any significant deficiencies in internal control we find during our audit.

We did not identify any significant deficiencies in the design of an internal control that might result in a material misstatement in the Council's financial statements.

## 4 Looking ahead

There are a number of changes in accounting and auditing requirements that could have a significant impact on the Council's arrangements for the production of its financial statements. We have outlined what we think are two of the main challenges below.

Description	Impact
<p><b>Highways Network Asset (formerly Transport Infrastructure Assets):</b></p> <p>The Invitation to Comment on the Code of Accounting Practice for 2016-17 sets out the requirements to account for Highways Network Asset under Depreciated Replacement Cost. This is a change from the existing requirement to account for these assets under Depreciated Historic Cost. This change is to be effective from 1 April 2016.</p> <p>This requirement is not only applicable to highways authorities, but to any local government bodies that have assets which fall into the definition. This could include, for example, footways and cycle ways, housing revenue accounts (HRA) infrastructure, unadopted roads on industrial or HRA estates, and street furniture.</p> <p>This may be a material change of accounting policy for the Council. It could also require changes to existing asset management systems and valuation procedures.</p>	<p>The Council should consider whether it holds any assets that would be classified as highways network assets and, if so, whether they have the necessary information to implement the changes in accounting for these assets from 1 April 2016.</p> <p>If the impact of this change in accounting policy is material, the Council would also need to restate the balances for these assets as at 1 April 2015.</p>
<p><b>Earlier deadline for production and audit of the financial statements from 2017-18</b></p> <p>The Accounts and Audit Regulations 2015 were laid before Parliament in February 2015. A key change in the regulations is that from the 2017-18 financial year the timetable for the preparation and approval of accounts will be brought forward.</p> <p>As a result, the Council will need to produce draft accounts by 31 May and these accounts will need to be audited by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>The Council is aware of this challenge and the need to start planning for the impact of these changes. This will necessarily include review of the processes for the production and audit of the accounts, including areas such as the production of estimates, particularly in relation to pensions and the valuation of assets, and the year end closure processes.</p>

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**Committee:** Performance and Audit Committee  
**Date:** 19 November 2015  
**Title:** Confirmation of final audit fee 2014/15  
**Author:** EY

**Agenda Item**

**5**

Item for  
information

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## **Summary**

1. The following letter confirms the final audit fee for 2014/15.

## **Recommendations**

2. The committee notes the report.



Adrian Webb  
Director of Corporate Services  
Uttlesford District Council  
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3 November 2015

Ref: 14 UDC SFV NDR& PPE

Direct line: 07974 006715

Email: dhanson@uk.ey.com

Dear Adrian

### Uttlesford Council - 2014/15 Confirmation of final audit fee

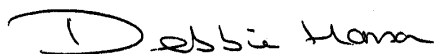
We issued our formal 'Annual Audit Letter' on the 1 October 2015, to formally report the outcome from our work in respect of the 2014/15 audit year. Within this report, we did not include details of the final audit fees. We are therefore writing to you to confirm that our actual fee was in line with the agreed scale fee for the main audit work. We have not yet completed our work on the Council's Housing Benefit Claim and will report the fee for this separately in our Certification of Claims and Returns Annual Report, which we expect to issue by January 2015.

The final scale fee in respect of the 2014/15 audit is set out in the table below.

	2014-15	2014-15
	Final fee	Scale fee reported in the Audit Plan
Audit Code Scale Fee	£70,554	£70,554

I would be grateful if this letter could be included within the agenda for the next Audit and Performance Committee, as we are required to report the final audit fee to 'those charged with governance' of the Council.

Yours sincerely



Debbie Hanson  
Director  
Ernst & Young LLP



**Committee:** Performance and Audit Committee  
**Date:** 19 November 2015  
**Title:** Audit Committee Briefing  
**Author:** EY

**Agenda Item**

**6**

Item for  
information

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## **Summary**

1. The following document is a briefing for audit committees from EY..

## **Recommendations**

2. The committee notes the report.



# Local government audit committee briefing

## Contents at a glance

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### Accounting, auditing and governance

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### Key questions for the audit committee

### Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business.

This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



## Government and economic news

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### EY item club summer 2015 forecast

In its latest forecast, the EY Item Club highlights the continuing impact on the UK economy of world events, with those in Greece and China being of particular concern. Despite this, domestic demand remains buoyant and activity has increased since winter. They forecast GDP growth of 2.7% for this year and next, and inflation, as measured by CPI, well below target.

The latest data shows consumer expenditure remaining strong, and set to continue into next year, with the strong pound and weak commodity prices keeping inflation low. With manufacturing 'stuck in the slow lane', the economy is seen to be becoming increasingly unbalanced. The forecast goes on to predict that interest rates are unlikely to move above 3% until 2019.

Commenting on the Summer Budget, the Club sees the new surplus target as very challenging, meaning a significant increase in household taxes and a massive squeeze on welfare payments. It comments that, if the public sector is to move from heavy deficit into surplus, the private and overseas sectors must move in the opposite direction. As it sees households as being reluctant to move further into deficit, it will be up to companies to increase investment and exports to make the Budget strategy work. Alternatively, to swing the balance of payments and government accounts back into surplus, growth and imports will have to slow down.

### National living wage

In the recent Budget the Chancellor announced that, from April 2016 workers aged over 25 will be entitled to a National Living Wage significantly higher than the current minimum wage of £6.50 which applies to those aged over 21. Those entitled to the 'living wage', will get £7.20 and that will rise to at least £9 an hour by 2020. This is expected to boost the income of approximately six million workers, covering all full and part-time workers, and those in public and private sectors. Whilst the government announced changes in corporation and employment taxes which it said would offset the additional costs to employers, the former will not apply in the public sector, and many comments have been made about the significant impact on employers from bodies such as the Local Government Association and the UK Homecare Association. The EY Item Club (in its Summer Forecast) commented that **"The Chancellor has effectively passed the prime responsibility for supporting low income working people over to employers and this poses a clear risk to hours and employment"**.





## Government and economic news

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All bodies will need to carefully consider the impact of the changes on their finances in the short and medium term. The impact is not liable to be limited to the additional employment costs of those employees currently on the minimum wage, but include:

- ▶ Employment costs relating to employees currently earning above minimum wage but below the National Living Wage
- ▶ Pressure on supplier contract prices arising from their increased costs (particularly in relatively low paid sectors such as care)

Whilst the increase is to be phased over a number of years, there will be a potential impact from 2015/16.

### Creating a better care system

A new report by EY, commissioned by the Local Government Association, suggests the development of a new sustainable health and social care system, backed by establishment of a £1.3 billion a year transformation fund until 2019/20. It states that the fund should focus on keeping people independent and preventing complex and long-term conditions, and should be supported by:

- ▶ A pooled health and social care budget
- ▶ Devolved powers for health
- ▶ Reformed incentives

It outlines four key areas of focus as follows:

- ▶ **Put people in control** – including expanding integrated personal commissioning across health and care, increasing the number of personal health and care budgets by 250,000 in the next five years
- ▶ **Integrate and devolve commissioning powers** – including greater local control and freedom over pooled budgets to better respond to local needs and outcomes and allow local innovation
- ▶ **Fund services adequately and in an aligned way** – including aligning social care and health funding settlements over a five year period
- ▶ **Free the system from national constraints** – including replacing the tariff in the NHS with capitated accounting and payment mechanisms



## Accounting, auditing and governance

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### The 2016/17 code of practice on local authority accounting in the United Kingdom: Invitation to Comment (ITC)

Each year CIPFA issue various Invitations to Comment (ITCs), setting out the proposed changes to the Code of Practice (the Code) for the following financial year and requests responses to the specific proposals. This year the ITC also requests comments on standards that are not expected to lead to changes within the Code until later years. The ITC this year has a closing date for responses of 9 October 2015.

The main changes proposed in the ITC are set out below:

#### Highways network asset

This proposal introduces the requirements for the measurement of this asset at Depreciated Replacement Cost (DRC) from 2016/17 onwards. In the ITC, CIPFA/LASAAC proposes, for the first time, that the separately identified items in the Transport Infrastructure Assets Code are classed as one asset for financial reporting purposes. It is proposed that Highways Network Asset is a separate class of asset and will be shown separately in the balance sheet.

This change is fully retrospective and will require:

- ▶ A third balance sheet as at 1 April 2014
- ▶ Fully restated comparatives for 2015/16

The ITC also confirms that an annual condition survey will be required.

As outlined in the June 2015 Audit Committee Briefing, this change will have major implications for highway authorities and non-highway authorities who have material transport infrastructure assets. We have already run a number of successful workshops for accountants and engineers at highway authorities during the summer to discuss how this fundamental change will impact on the accounts closedown and audit. As a result we will be running additional separate events for highway and non-highway authorities going forward.

#### Review of accounting and reporting by pension funds

This review coincides with the publication of Financial Reports of Pension Schemes: A Statement of Recommended Practice (2015). The ITC:

- ▶ Proposes minor changes to the Fund Account and to the Net Assets Statement to improve presentation and mirror the updated SORP
- ▶ Adapts the reporting requirements of IFRS 13 to include fair value disclosure requirements for pension fund investments in the 2016/17 Code
- ▶ Recognises that under IAS 26, three options as to how to disclose the actuarial present value of promised retirement benefits are allowed and seeks views on the option to use
- ▶ Sets out a new recommended disclosure for transaction costs

#### Narrow scope amendments

These are amendments to International Financial Reporting Standards (IFRS), largely around clarification of individual standards.



# Accounting, auditing and governance

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## **The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 (English Authorities)**

The ITC updates the specific references within the Code to reflect these legislative changes. In addition it:

- ▶ Considers that a full interpretation of section 3.1 of the Code will fully meet the requirements to produce a Narrative Report
- ▶ Highlights the additional guidance provided to enable the requirement that the Narrative Report **“must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year”**

## **Telling the story: consultation on improving the presentation of local authority financial statements**

The financial statements are a vital part of the accountability framework of local authorities. CIPFA/LASAAC considers it vital that the user can relate the information contained within the financial statements to the funding the local authority receives and the promises made about how money will be spent.

Over the past couple of years CIPFA/LASAAC has been developing an approach to both streamline the financial statements and improve accessibility to users. The two publications *Financial Statements; A Good Practice Guide for Local Authorities* and the updated *How to Tell the Story*, have both sought to remove clutter from the financial statements and focus on material items.

The next stage was seen to be how to adapt the IFRS based accounts to improve the accessibility of information for the lay user with the benefits and improvements in reporting that IFRS has brought being retained.

The Invitation to Comment (ITC) sets out the recommended proposals for change, seeking views on whether they are considered to be the preferable option. The key strands of the proposal are that:

- ▶ To allow local authorities to report on the same basis they are organised by rather than in an analysis set out by Service Reporting Code of Practice (SeRCOP)
- ▶ To introduce a new Funding Analysis as part of the narrative report which provides a direct reconciliation between the way local authorities are funded and budget and the CIES in a way that is accessible to the lay-reader

It is important to note that the Service Reporting Code of Practice (SeRCOP) analysis used for Government returns will continue. Thus the revised approach will not, at this stage, lead to a single financial reporting regime.

The ITC also seeks views on the timing of the proposed changes and the practical effect of introducing this change in financial reporting on authorities. The closing date for responses is 9 October 2015.



# Accounting, auditing and governance

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## EY digital innovation programme

In the digital age organisations are expected to be innovative and tech savvy to support the way they deliver services. As well as making services more accessible, embracing digital offers cost saving potential, and enables organisations to be forward thinking, faster and fitter.

EY has launched a Digital Innovation Programme, a new awards initiative designed to recognise and celebrate digital innovation in health and social care. Its aim is to help share best practice, and recognise and celebrate the patients, carers and citizens who, through their innovative use of digital platforms, have made a positive difference to society.

It is linked to the EY Startup Challenge which is an intensive six-week innovation programme focused on accelerating technological solutions for tomorrow's business problems. Participants will receive:

- ▶ Mentoring and coaching
- ▶ Access to the EY firm and client network
- ▶ Training and support workshops
- ▶ An understanding of how to access funding

Nominations close in November 2015 and the programme culminates in a national recognition ceremony in June 2016. More details can be found at <http://www.ey.com/UK/en/Industries/Government---Public-Sector/EY-Digital-Innovation-Programme>.

## Cap on public sector exit payments: consultation

The government announced in May that it intended to end six figure exit payments for public sector workers.

Exit payments help to unlock substantial reductions in staff costs in the medium to longer term and help authorities to meet the challenge of reduced funding available. However, given the scale of the costs associated with exit payments it is vital that they offer value for money to the taxpayer.

The government already has in place, for 2016, legislation to prevent highly paid individuals who return to the public sector within 12 months of exit from retaining their full exit payment.

Following on from this the government believes that it is right to ensure that public sector workers do not receive disproportionately large exit payments in the first instance. In particular the government is concerned about the number of public sector workers who are receiving exit payments of six figures. In 2013-14 alone, nearly 2,000 public sector employees received exit payments costing more than £100,000.

The government has proposed to introduce a cap of £95,000 on the total value of exit payments and HM Treasury launched a consultation on the proposed cap which ended in August 2015.

The current proposal has indicated that compensation payments in respect of death or injury attributable to the employment, serious ill health and ill health retirement will not be in the scope of the cap.



## Regulation news

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### PSAA annual regulatory compliance and quality report

Public Sector Audit Appointments (PSAA) have released their Quality Review Programme annual reports for the 2014/15 audit season. There are individual reports on the seven principal audit firms and an overall summary report that compares all firms. The two main categories auditors are monitored for are audit quality and regulatory compliance.

PSAA have used a Red, Amber, Green (RAG) system throughout their reports. EY were one of two firms that received Green for the combined regulatory compliance and audit quality performance rating with the remaining five audit firms receiving an Amber rating.

For the second year in a row EY have received the highest Audit Quality score improving from 2.49 in 2014 to 2.55 in 2015 compared to a 2015 average of 2.19. Similarly for the financial statement audit work EY topped the table with a score of 2.36 compared to an average of 2.07.

As well as obtaining Green ratings for the two above categories, EY received a Green rating for Whole of Government Accounts work, VFM Conclusion work, Housing Benefit work, Regulatory Compliance, and Client Satisfaction.

The PSAA report on EY states:

**“The firm is meeting our standards for overall audit quality and our regulatory compliance requirements. The firm has maintained its performance against the regulatory compliance indicators since last year, with all but one of the 2014-15 regulatory compliance indicators scored as green. The firm’s overall weighted audit quality score has increased from last year and the satisfaction survey results show that audited bodies are satisfied with the performance of EY as their auditor.”**

Based on this review, PSAA state:

**“We are satisfied that the risks of audit failure remain low; that all firms are meeting PSAA’s regulatory requirements; and that all firms are continuing to produce work to an acceptable standard.”**

### Auditors’ work on value for money arrangements

The Local Audit and Accountability Act 2014 provided the Comptroller and Auditor General with the power to issue guidance to auditors which may explain or supplement the provisions of the Code of Audit Practice. This was a role previously undertaken by the Audit Commission.



## Regulation news

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This guidance is issued in the form of Auditor Guidance Notes (AGNs) and the 2014 Act requires auditors to comply with this guidance.

The NAO is currently consulting on a draft AGN regarding auditors' work on value for money arrangements. The consultation closes 30 September 2015 in advance of the guidance being issued in November 2015. EY and other audit suppliers are currently coordinating their responses to the draft guidance which would apply to audits from 2015/16 onwards.

### **A short guide to the NAO's work on local authorities**

The NAO is publishing a suite of short guides relating to each government department and some cross-government issues. Although the main purpose of these guides is to assist House of Commons Select Committees, the guide on local authorities provides a useful overview for elected members. It includes arrangements for funding, major recent developments, the pressures faced by local authorities, and developments that are on the horizon.

### **Care Act first-phase reforms: local experience of implementation**

Under its powers in the Local Audit and Accountability Act 2014, the Comptroller and Auditor General has published a report concerning the Care Act.

The Care Act 2014 puts new legal responsibilities on local authorities in England and requires them to cooperate with local partners to meet them. The NAO have previously reported that only a fraction of care is publicly funded, with the majority of support and care being provided by unpaid family, friends and neighbours. Many adults pay for all or a proportion of their care. Despite this, adult social care continues to be one of the biggest areas of spending for many local authorities. For 2014/15, the NAO estimates that net spend on adult social care in 2014-15 for local authorities is £14.4 billion.

This further report follows the NAO's report on central government's approach to the Care Act First-phase reforms, and provides examples from local case study areas which show how different authorities are addressing risks arising from uncertainty in demand from carers and self-funders.



## Key questions for the audit committee

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### **What questions should the Audit Committee ask itself?**

Has the authority considered the impact (both direct and indirect) on its finances of the National Living Wage?

Are there any patients, carers or citizens that we wish to nominate for the EY Digital Innovation Programme?

Are we aware of our responsibilities under the Care Act 2014, and have we considered what changes we may need to make in order to fulfil our responsibilities whilst maintaining affordability?



## Find out more

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### **EY item club summer 2015 forecast**

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

### **National living wage**

Sources include:

BBC – <http://www.bbc.co.uk/news/uk-politics-33437115>

Local Government Association – [http://www.local.gov.uk/web/guest/media-releases/-/journal\\_content/56/10180/7386419/NEWS](http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/7386419/NEWS)

UK Homecare Association – <http://www.ukhca.co.uk/downloads.aspx?ID=473>

### **Creating a better care system**

Find out more details and a copy of the report at [http://www.local.gov.uk/web/guest/publications-list/-/journal\\_content/56/10180/7350693/PUBLICATION](http://www.local.gov.uk/web/guest/publications-list/-/journal_content/56/10180/7350693/PUBLICATION)

### **2016/17 code of practice ITC**

For details about the CIPFA Invitation to Comment on the 2016/17 Code of Practice, see <http://www.cipfa.org/policy-and-guidance/consultations/201617-code-of-practice-on-local-authority-accounting-in-the-united-kingdom-invitation-to-comment>

### **'Telling the Story' ITC**

More information about CIPFA's consultation on 'Telling the Story' can be found at <http://www.cipfa.org/policy-and-guidance/consultations/telling-the-story-improving-the-presentation-of-local-authority-financial-statements>

### **EY digital innovation programme**

Details of the programme and how to nominate can be found at <http://www.ey.com/UK/en/Industries/Government---Public-Sector/EY-Digital-Innovation-Programme>

### **Cap on public sector exit payments: consultation**

The details of the Government's consultation on capping public sector exit payments can be found at <https://www.gov.uk/government/consultations/consultation-on-a-public-sector-exit-payment-cap/consultation-on-a-public-sector-exit-payment-cap>

### **PSAA annual regulatory compliance and quality report**

The PSAA's Audit Quality webpage can be found at <http://www.psa.co.uk/audit-quality/>, the annual Regulatory Compliance and Quality Review Programme report is at <http://www.psa.co.uk/wp-content/uploads/2015/07/Annual-Regulatory-Compliance-and-Quality-Review-Programme-2015-Final.pdf>, and the report specific to EY is at <http://www.psa.co.uk/wp-content/uploads/2015/07/EY-2014-15-Annual-Regulatory-Compliance-and-Quality-Report-Final.pdf>

### **Auditors' work on VfM arrangements**

The consultation document is available at <http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf>

### **A short guide to the NAO's work on local authorities**

To access the interactive guide see <http://www.nao.org.uk/wp-content/uploads/2015/08/A-Short-Guide-to-the-NAOs-work-on-local-authorities2.pdf>

### **Care Act first-phase reform**

The full report is available at <http://www.nao.org.uk/report/care-act-first-phase-reforms-local-experience-of-implementation/>





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**Committee:** Performance & Audit Committee

**Agenda Item**

**Date:** 19 November 2015

**7**

**Title:** Internal Audit Progress Report,  
18 July to 06 November 2015

**Author:** Sheila Bronson, Internal Audit Manager  
01799 510610

Item for Information

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### Summary

1. To report to the Performance & Audit Committee details of work undertaken by Internal Audit since the last report to the Performance & Audit Committee on 30 July 2015 and to provide an update on implemented and outstanding internal audit recommendations.

### Recommendations

2. That the Internal Audit Progress Report (18 July to 06 November 2015) be noted

### Financial Implications

3. None. There are no costs associated with the recommendations.

### Background Papers

4. None

### Impact

- 5.

Communication/Consultation	The Internal Audit Work 2015/16 referred to in this report has been approved by the Corporate Management Team and endorsed by the Performance & Audit Committee.
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none

Sustainability	none
Ward-specific impacts	none
Workforce/Workplace	none

**Situation**

6. The purpose of this report is to provide management and members with:
- i) Details of the work completed by Internal Audit since the last report to the Performance and Audit Committee at its meeting 30 July 2015;
  - ii) Performance against the Internal Audit Work Programme 2015/16;
  - iii) Details of risk level 3 and 4 highest priority recommendations implemented since the last report to Members;
  - iv) Details of any recommendations not implemented within the agreed timescale.

**Work Undertaken by Internal Audit 18 July to 06 November 2015**

- 7. Between 18 July to 06 November 2015, 8 audits from the 2015/16 Internal Audit Work Programme were completed and 7 final reports issued with a total of 16 recommendations made. The final audit reports for 7 audits have been copied to Performance & Audit Committee members and are available on the Council’s Intranet. A summary of 2015/16 final reports issued is presented at Appendix A(i).
- 8. Corporate Governance audit work for 2015/16 has been restricted to the production of the Annual Governance Statement published with the Statement of Accounts in September 2015; therefore no other final report has been issued for this audit.
- 9. Between 18 July to 06 November 2015 work has started on 8 audits from the 2015/16 Audit Programme; progress on the 2015/16 programme is presented at Appendix A(ii).

**Audit Work Programme 2015/16**

- 10. The Internal Audit Work Programme is a rolling programme of audit work expected to be undertaken during 2015/16 and, in accordance with the Internal Audit Strategy, was reviewed and updated in October 2015 to identify the scope of audit work to be undertaken in quarter 3 of 2015/16.
- 11. The initial key financial audit work currently being undertaken is the review and updating of systems flowcharts; for the majority of key financial audits any further audit work will depend on additional risk areas being identified at this

initial review stage. A further review of the Internal Audit Work Programme will be undertaken during December 2015 to determine the audit work to be undertaken during the final quarter of 2015/16.

12. As of 06 November 2015, work has been undertaken on 20 out of the 38 planned audits, of these:

- i) 9 audits have been completed and Final Reports issued
- ii) 2 audits are at draft report stage
- iii) 9 audits are currently work in progress

**Recommendations Implemented 18 July to 06 November 2015**

13. There is 1 level 3 recommendation which has been implemented in this period; a summary is presented at Appendix A (iii).

**Recommendations Not Implemented by due date at 06 November 2015**

14. As of 06 November 2015, there are no recommendations reported in Covalent as not being implemented in accordance with their agreed due dates.

**Risk Analysis**

15.

Risk	Likelihood	Impact	Mitigating actions
The issues highlighted in the internal audit reports are not acted upon	1 Action is already being taken towards the implementation of the recommendations contained in the reports.	2 There would be varying levels of impact from non-implementation of recommendations given the significance of the control risks identified.	Internal audit reports are followed up to ensure compliance.  There are escalation procedures in the event of non compliance

- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.



<b>FINAL REPORTS ISSUED</b>	<b>18 July to 06 November 2015</b>
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ref	Audit 2015/16	2015/16 potential days	IA Risk assessment 2015/16	Final Report Issued	Days Taken	Recommendations Made					Audit Opinion
						No.	Risk Level				
						total	4	3	2	1	
09 KF	Income, Fees & Charges	5	2	26/08/15	6	1	0	0	1	0	substantial
19 O	Community Health & Fitness	10	2	20/07/15	8	1	0	0	1	0	substantial
27 O	Housing Right to Buy	10	2	16/09/15	11	5	0	1	4	0	adequate
28 O	Housing Stock & Voids	12	3	16/09/15	11	2	0	0	2	0	substantial
31 O	Information Management & Security	15	3	14/08/15	18	4	0	2	2	0	adequate
34 O	Section 106 Obligations	10	2	20/08/15	9	3	0	0	2	1	substantial
37 O	Risk Management	10	2	06/08/15	10	0	0	0	0	0	substantial
20 O	Corporate Governance & AGS	10	3	24/09/15	4	n/a					AGS work only; no audit final report issued
						<b>16</b>	<b>0</b>	<b>3</b>	<b>12</b>	<b>1</b>	
						total	4	3	2	1	

Internal Audit Programme 2015/16 - Reviewed October 2015										
ref	Audit	2015/16 potential days	qtr	IA Risk 2015/16	Started	Draft	Final	Days Taken	Status	Comment
01 KF	Budgets	5	2	2				0		
02 KF	Cash & Bank	10	1	3	23/06/15			8	testing	
03 KF	Contracts & Procurement	10	2	4	06/08/15			4	planning	
04 KF	Council Tax	3	3	3	15/10/15			2		
05 KF	Creditors	5	4	3				0		
06 KF	Fraud (non-corporate)	10	3	3				0		
07 KF	Housing Benefits and LCTS	10	4	3				0		
08 KF	Housing Rents	10	4	3				0		
09 KF	Income, Fees & Charges	5	2	2	07/07/15	21/07/15	26/08/15	6	final	
10 KF	Main Accounting Systems	3	4	3				0		
11 KF	NNDR	3	3	3	15/10/15			2		
12 KF	Payroll	3	2	3	15/10/15			1		
13 KF	Recovery	5	4	3				0		
14 KF	Taxation	2	3	2	15/10/15			0		
15 KF	Asset Management	p		1				0		
16 KF	Treasury Management	p		1				0		
17 O	Business Continuity	10	3	3	17/04/15			1	planning	
18 O	Communication	15	2	3	10/07/15			15	testing	
19 O	Community Health & Fitness	10	1	2	01/05/15	09/07/15	20/07/15	8	final	
20 O	Corporate Governance & AGS	10	1	3	19/05/15	12/06/15	24/09/15	4	final	
21 O	Elections	10	4	3				0		
22 O	Electoral Registration	10	4	3				0		
23 O	Env Health - Imported Food Controls	12	1	3	27/04/15	07/07/15	09/07/15	14	final	
24 O	Homelessness	10	3	3				0		
25 O	Housing Allocations	10	3	3				0		
26 O	Housing Repairs Service	15	2	4	24/07/15	15/10/15		14	draft	
27 O	Housing Right to Buy	10	1	2	02/06/15	10/07/15	16/09/15	11	final	



28 O	Housing Stock & Voids	12	1	3	14/04/15	24/06/15	16/09/15	11	final		
29 O	Housing Stores	15	2	4	27/07/15	15/10/15		15	draft		
30 O	ICT	10	3	3				0			
31 O	Information Management & Security	15	1	3	06/04/15	22/05/15	14/08/15	18	final		
32 O	Members' Allowances & Expenses	10	4	3				0			
33 O	Partnerships	15	4	3				0			
34 O	Section 106 Obligations	10	1	2	17/06/15	06/08/15	20/08/15	9	final		
35 O	Street Services - Fleet & Fuel Mgt	25	2	4	20/07/15			30	testing		
36 O	Street Services - Trade Waste	10	3	3				0			
37 O	Risk Management	10	1	2	17/06/15	10/07/15	06/08/15	10	final		
38 O	Performance Management	10	4	2				0			
39 O	Equality & Diversity	5	3	4				0			
40 O	Car Parking Partnership (NEPP)	5	3	3				0			
41 O	Enforcement	p		2				0			
42 O	Facilities Management	p		2				0			
43 O	Grants & External Funding received	p		3				0			
44 O	HR	p		3				0			
45 O	Insurance	p		3				0			
46 O	Licensing	p		3				0			
47 O	Museum	p		3				0			
<b>TOTAL AUDIT DAYS</b>		<b>325</b>	<b>Potential days</b>					<b>183</b>	<b>Days taken to date</b>		

Level 3 or Level 4 RECOMMENDATIONS IMPLEMENTED				18 July to 06 November 2015	
Code & Title	Description	Risk Level	Managed By	Due Date	Completed
1516 270 HOUSING RIGHT to BUY 01	It is recommended that a) the website is reviewed and updates forwarded to the website team to include revised information on qualifying years and discounts and links to update the revised RTB1 application form b) arrangements should be made as soon as possible for replacement revised RTB1 applications form to be made available in both hard copy and electronic (download) format	3	Assistant Director Housing & Environment	16-Sep-15	16-Sep-15

**Committee: Performance & Audit Committee**

**Agenda Item**

**Date: 19 November 2015**

**8**

**Title: Internal Audit Counter Fraud & Corruption Work**

**Author: Sheila Bronson  
Internal Audit Manager  
01799 510610**

Item for information

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## Summary

1. The purpose of this report is to update members on the counter fraud and corruption work undertaken by the council's Internal Audit section since the last report to the Performance & Audit Committee on 20 November 2014

## Recommendations

2. The Committee is requested to note this report.

## Financial Implications

3. There are no direct financial implications.

## Background Papers

None

## Impact

- 4.

Communication/Consultation	none
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none
Sustainability	none
Ward-specific impacts	none
Workforce/Workplace	none

## **Situation**

5. From 01 April 2010, Internal Audit assumed responsibility for promoting the council's anti-fraud and corruption policies and our objective is to raise internal and external awareness of fraud and corruption and of the various actions that the council is taking to prevent, identify and counteract it. These include the Internal Audit Manager chairing of the Counter Fraud Working Group (CFWG), Fraud & Bribery Risk Assessments, revision of the Council's Corporate Anti-Fraud & Corruption Strategy and Policies, co-ordination of the Council's National Fraud Initiative (NFI) data matching exercises.

## **External Initiatives**

6. A number of initiatives to assist local authorities in their counter fraud activities have been launched; the most applicable of these for this authority have been 'Protecting the Public Purse' published annually by the Audit Commission based on mandatory fraud data submitted by local authorities and Fighting Fraud Locally Strategy published most recently by the National Fraud Authority (now part of the CIPFA Counter Fraud Centre).
7. The Audit Commission ceased to exist from 01 April 2015 which resulted in two separate fraud data surveys being sent to local authorities in April / May 2015, one from the CIPFA Counter Fraud Centre and one from The European Institute for Combatting Corruption and Fraud (TEICCAF).
8. CIPFA Counter Fraud Centre is expected to publish a new Fighting Fraud Locally Strategy in December 2015.
9. TEICCAF has recently published Protecting the English Public Purse 2015 which they expect will be an annual publication with summaries of fraud data submitted by English local authorities.

## **Counter Fraud Working Group**

10. The council's Counter Fraud Working Group (CFWG) meets quarterly and at its June meeting included a presentation from a representative from the CIPFA Counter Fraud Centre. A copy of the CFWG Terms of Reference and meeting minutes will be made available to members on request.
11. The Internal Audit Manager has co-ordinated the revision and updating of the council's Counter Fraud Strategy and Policies which were published in April 2015 and are available on the new Counter Fraud & Corruption pages on the council's website.
12. Electronic training in Fraud Awareness, Money Laundering and Whistleblowing Policy is being introduced as part of the induction training for all new members of staff and is being rolled out as refresher training for all other staff.

## Fraud Risk Assessment 2016

13. A Fraud Risk Assessment using the checklists from the Protecting the Public Purse publications was carried out by the Internal Audit Manager from which recommendations and a management action plan for CMT were put in place. Progress towards implementation of the recommendations was reviewed with CMT in November 2014 and February 2015 and reported to the Counter Fraud Working Group.
14. The Internal Audit Manager will shortly be undertaking a new Fraud Risk Assessment exercise with CMT; the outcomes will be reported to the Counter Fraud Working Group and made available to members on request.

## National Fraud Initiative (NFI)

15. From 01 April 2015, the Cabinet Office has taken on responsibility for the National Fraud Initiative (NFI) from the Audit Commission. This is a data matching exercise which compares information held by around 1,300 organisations including councils, the police, hospitals and nearly 100 private companies to identify potentially fraudulent claims, errors and overpayments for investigation by participating organisations. All district councils are required to participate, each council appointing a NFI Key Contact responsible for coordinating and monitoring the overall exercise within their council and providing feedback on its outcome.
16. The Internal Audit Manager is the Council's NFI Key Contact and has responsibility for coordinating the 2014/15 NFI exercise which commenced in October 2014 from which 367 potential fraud data matches have been made available to councils for checking and investigation. To date checks have been completed on 346 matches (94%) and 4 frauds (valued at £15,840) identified.
17. A separate annual Council Tax to Electoral Register data matching exercise is also carried out. In the 2014 exercise there were 375 potential fraud data matches made available to councils for checking and investigation. To date checks have been completed on 338 matches (90%) and 1 claimant error (valued at £1,664) identified.
18. Data for the 2015 Council Tax to Electoral Register exercise is due to be submitted shortly.

## Risk Analysis

19.

Risk	Likelihood	Impact	Mitigating actions
Financial and reputational risk to the Council if it fails to actively	2 = Some risk if public and staff unaware of anti-fraud	3 = Significant risk of financial loss / penalties and	Participation in NFI Initiatives Corporate Counter Fraud & Corruption

commit to an anti-fraud and corruption strategy	and corruption commitment	reputation	Strategy and Policies
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1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

**Committee:** Performance and Audit

**Agenda Item**

**Date:** 19 November 2015

**9**

**Title:** Quarter 2 Performance 2015/16

**Author:** Richard Auty, Assistant Director Corporate Services

Item for information

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### Summary

1. This report presents the Q2 results for all quarterly and bi-annual Key Performance Indicators and Performance Indicators.

### Recommendations

2. None

### Financial Implications

3. None. There are no costs associated with this report.

### Background Papers

4. None

### Impact

- 5.

Communication/Consultation	None
Community Safety	None
Equalities	None beyond service improvement on the equality and diversity performance indicators
Health and Safety	None beyond service improvement on the health and safety performance indicators
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

## Situation

6. Attached as Appendix A are the Key Performance Indicators (KPIs) and Performance Indicators (PIs) for Quarter 2 of 2015/16 (1 July to 30 September).
7. With regard to KPI 15 (Number of return visits to collect missed bins) paragraphs 8 to 21 of this report comprise an update from Roger Harborough, Director of Public Services.
8. There has been a sustained trend since Q3 in 2014/15 of slippage in the number of bins missed per 100,000 collections made. Whilst 377 bins represents a very small proportion, the trend clearly needs to be arrested.
9. The outturn for the quarter reflects a combination of factors, which have also been responsible to varying degrees for the target being missed in previous quarters.
10. There has been an unplanned shortage of staff resources in Q2. It is the time of year when there is less resilience because of annual leave commitments, but we had two LCV drivers on long term sickness absence. Short term sickness levels were also high this quarter. The service is dependent on a relatively small number of drivers because of its efficient design, and a shortfall in driver availability has a disproportionate effect on service delivery. There are two main courses of action to mitigate the impact: Drivers can be reallocated from other roles to domestic waste and recycling collection, and agency resources can be sourced. However in Q2, we were constrained by the growth in demand in 2015/16 compared to 2014/15 for the paid for kerbside garden waste collection service, and difficulties at times in our agency partners being able to provide any suitable drivers. The need to try and make up resource levels from agency staff also resulted in significant reliance on people without familiarity with rounds. This poses an inherent risk of impact on performance.
11. A number of vehicle breakdowns have also had an impact upon this figure. The 32 tonne collection vehicles which are the mainstay of the service are now three years old and are beginning to require more attention. Despite planned maintenance, breakdowns have been experienced, and this impacts on the resources available for collections.
12. As performance drops, a cycle can set in. Where a collection vehicle falls behind schedule or does not complete a round and supplementary resources are brought in to support the crew, there is a risk that lack of coordination results in gaps in service. Supervisors' role is to try and avoid such problems but they need accurate and timely information from drivers as to the situation. Performance problems result in crews becoming stressed or demotivated and taking short term sickness absence, compounding difficulties.
13. Changes to the collection system were phased in from Q2. Shuttle arrangements ceased and the number of collection rounds was increased from six to nine. The routes needed time to settle in. The change was introduced to



allow drivers to take responsibility for their own vehicles (as they no longer needed to switch vehicles during the day when the collection vehicle became fully laden). We have observed a reduction in damage, and vehicles are kept in a better condition.

14. The following action plans are being implemented to reduce the number of missed bins:
15. Communication between all staff has been increased through regular monthly team meetings, tool box talks, operations monitoring and UPerforms. A decrease in the number of missed bins has been observed in recent weeks, and, where bins are missed, the local target for return visits to make a collection within the 48 hours of a bin being missed will be achieved.
16. Local procedures have been discussed with staff and implemented. They state that crews must return to re-attempt collections in any areas where access was blocked, the same day; and crews are responsible for returning to collect missed bins which were on their round. In addition, supervisors are now monitoring a hotspot list for any property that has been missed on two consecutive weeks.
17. Sickness absence management procedures are actively being deployed to support staff back to work as soon as they are fit. Where appropriate, sickness absence improvement plans have been agreed to address patterns of short term absence.
18. We have reviewed our procurement arrangements for agency staff and are now working with companies who are better able to service our needs.
19. We have addressed a reoccurring problem with brake shoe wear warning indicators, caused by corrosion of components. We are by working with the truck manufacturer and incorporating replacement of the part into routine maintenance before warning lights are displayed.
20. We are reviewing our capital programme to mitigate the potential impact of the main collection fleet all aging at the same time, by re-phasing planned replacement. We are also planning a more diverse mix of vehicles to give more resilience and flexibility. This has been informed by the experience of operating the single pass collection system for three years and the scope to fine tune the necessary resources.
21. We are starting an ongoing programme to train up loaders with the relevant potential as drivers. They will then be able to apply for driver posts as vacancies arise, or drive on a casual basis as daily circumstances require.
22. With regard to KPI 06b (Time taken to process Housing Benefit/Council tax Benefit change events), in addition to the brief explanation given in the KPI table, the following information in paragraphs 23 to 28 has been supplied by Caroline Saych, Benefits Manager.

23. In Q2 there were 2,899 Housing Benefit changes of circumstance taking a total of 28,837 days. There were also 3,116 Local Council Tax Support changes taking 24,317 days. Totals equate to 6,015 changes of circumstance taking 53,154 days; a rounded average of 8.8 days.
24. The reason for the increase in the average number of days taken to process changes in circumstance is due to the Department For Works and Pensions (DWP) Real Time Information (RTI) project. Without the inclusion of RTI, our average number of days taken would be calculated as 5,918 changes taking 42,649 days; a rounded average of 7.21 days.
25. In response to Local Authority concerns regarding the lack of additional upfront funding for the new additional RTI burden, in 2014 the DWP announced a grace period of four weeks from the point RTI information is received before any resulting HB overpayment should be treated as Local Authority error.
26. This amendment to standard processes helped Uttlesford to minimise any negative subsidy impact by enabling the department to continue to target everyday changes in circumstance that carry a greater financial risk of subsidy loss from initial date of notification.
27. Although RTI negatively affected Uttlesford ability to meet the Q2 KPI 06b target, the RTI project assisted in the successful achievement of the DWP's Fraud and Error Reduction Incentive Scheme (FERIS) target. To date £67,500 of Housing Benefit (HB) expenditure has been removed from forecasted expenditure. The DWP have recognised Uttlesford achievement in this area and awarded an incentive payment of £5,603. This payment is being reinvested to identify further potential fraud and error in current caseload and the benefits department currently have an agency member of staff working solely on the RTI project.
28. Although both the RTI and FERIS projects affect Uttlesford ability to work within the average KPI 06b target, both projects are deemed to be viable opportunities to identify and reduce fraud and error in future caseload.

## Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
That performance indicators will not meet quarterly/ annual targets	2 – The majority of Performance Indicators perform on or above target	3 – In some areas the risk of not meeting targets could impact on areas such as customer satisfaction and statutory adherence to government led requirements	Performance is monitored by CMT and the committee on a quarterly basis.  Inclusion of five quarters of data helps identify trends.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

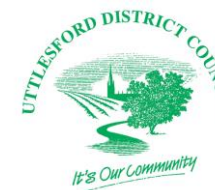
3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

## 2015/16 Quarter 2 KPI & PI Data Report

Report Author: Tülay Norton

Generated on: 03 November 2015



PI Status	
	This PI is more than 10% below target.
	This PI is between 0.01 and 10% below target.
	This PI is on target.

Example indicator	
50%	This is the latest result
	This is the status
50%	This is the target.



















\* Cumulatively monitored















# Quarterly targets for these indicators have been profiled

## Key Performance Indicators


























### Directorate Corporate Services
















PI Code & Short Name	Q2 2014/15	Q3 2014/15	Q4 2014/15	Q1 2015/16	Q2 2015/16	Latest Note
KPI 01 % of supplier invoices paid within 30 days of receipt by the Council (Max)	94.44%	95.56%	95.56%	100.00%	98.33%	<b>Q2 2015/16 Numerator: 177 Denominator: 180 = 98.33%.</b> Performance dipped slightly during Q2, with 98% of invoices sampled paid within 30 days, (100% prior Quarter), however historically, Q2 results typically reflect seasonal fluctuation, (2013/4=92%, 2014/5=94%).
	95.00%	95.00%	95.00%	96.00%	96.00%	

PI Code & Short Name	Q2 2014/15	Q3 2014/15	Q4 2014/15	Q1 2015/16	Q2 2015/16	Latest Note
KPI 02 Customer satisfaction with services (Max)	78%	N/A	76%	N/A	79%	<p><b>H1 2015/16</b> The satisfaction rate represents the total average satisfaction of a range of services from those panel members who expressed an opinion. The comparative average dissatisfaction rate was 21% nominal (21.39% actual). Satisfaction levels for many services including Committee Information – public meetings and elected councillors, Elections/Electoral Services, Council Housing Adaptations and Council Housing – Homelessness, as well as Planning Advice, Planning Applications and Planning Enforcement have improved since the previous panel survey in spring 2015. During the same period there has been a decline in satisfaction with the Animal Warden, Council Housing – Rent, Council Housing – Tenant Liaison and Pest Control services. The most marked drop was in Council Housing - Repairs which tumbled 9.61% from 77.61% to 68.00% during this period.</p>
						
	76%		76%		76%	
KPI 03 Percentage of Non-domestic Rates Collected (Max) *	58.34%	86.76%	99.44%	25.70%	52.58%	<p><b>Q2 2015/16 Numerator</b> : 23,273,557.77 <b>Denominator:</b> 44,261,317.71 = 52.58%. Collection rate is down in this quarter. This is due to one of the biggest ratepayers in the district ( Stansted Airport and Diamond Hangar) having a further split in their rateable value assessment which has pushed their instalment plan back to November 2015. This further assessment split continues to skew the collection rate but by the end of quarter four this will have righted itself.</p>
						
	56.00%	88.00%	98.00%	29.00%	57.00%	
KPI 04 Accuracy of processing - HB/CTB claims (Max)	99.38%	98.57%	98.58%	99.78%	99.78%	<p><b>Q2 2015/16</b> 460 claims checked. 1 financial error identified giving an accuracy of 99.78%.</p>
						
	98.00%	98.00%	98.00%	98.00%	98.00%	
KPI 05 % of Council Tax collected (Max) *	58.51%	86.95%	98.86%	30.33%	58.57%	<p><b>Q2 2015/16 Numerator</b> : 30,262,251.50 <b>Denominator:</b> 51,672,859.01 = 58.57% collection rate is slightly up in this quarter. A good performance.</p>
						
	57.00%	87.00%	98.00%	29.00%	57.00%	

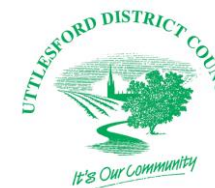
PI Code & Short Name	Q2 2014/15	Q3 2014/15	Q4 2014/15	Q1 2015/16	Q2 2015/16	Latest Note
KPI 06a Time taken to process Housing Benefit/Council Tax Benefit new claims (Min)	24.0	21.8	22.2	21.4	19.9	<b>Q2 2015/16</b> This quarter there were 179 Housing Benefit new claims taking 3039 days to process. There were also 249 new claims to Local Council Tax Support taking 5492 days to process. This is a total of 428 claims taking 8531 days to process; a rounded average time to process of 19.93 days.
						
	22.0	22.0	22.0	24.0	24.0	
KPI 06b Time taken to process Housing Benefit/Council Tax Benefit change events (Min)	6.3	6.5	7.1	8.7	8.8	<b>Q2 2015/16</b> In Q2 there were 6,015 changes of circumstance taking 53,154 days; a rounded average of 8.8 days. The increase is due to the DWP project for Real Time Information (RTI), without this extra work we would have been below the 8 days target by 0.8 days. The project work has positive outcomes and enables UDC to minimise any negative subsidy impact on HB overpayment and has enabled us to qualify for extra funding via the DWP's Fraud and Error Reduction Incentive Scheme (FERIS).
						
	8.0	8.0	8.0	8.0	8.0	
KPI 07a Average number of days lost per employee through short-term sickness absence (Min)	New KPI for 2015/16			0.80	1.78	<b>Q2 2015/16 Numerator:</b> 335 <b>Denominator:</b> 356 = 0.94 days lost due to sickness for this quarter. <b>Cumulative Numerator:</b> 623.5 <b>Denominator:</b> 350.5 = 1.78 days per member of staff for the year to date.
						
				1.75	3.50	
KPI 07b Average number of days lost per employee through long-term sickness absence (Min)	New KPI for 2015/16			0.00	58.00	<b>Q2 2015/16 Numerator:</b> 175 <b>Denominator:</b> 3 = average of 58 days off work for the three long term sick cases this quarter. One employee is now back in work, one back in work on phased return, one on fit note post-operation.
						
				45.00	45.00	

**Directorate** Public Services

PI Code & Short Name	Q2 2014/15	Q3 2014/15	Q4 2014/15	Q1 2015/16	Q2 2015/16	Latest Note
KPI 08 (GNPI 36) Average re-let time in days (General Needs only)	16	12	18	19	26	<b>Q2 2015/16 Numerator:</b> 365 <b>Denominator:</b> 14. Average re-let times have risen again this quarter. Due to the unpredictable higher number of voids, in particular those that are classed as major, there have been issues resourcing the works both internally and externally. Last minute refusals also adversely affect re-let times. Void data is currently being analysed and all relevant service areas continue to work together to ensure re-let time is kept to a minimum and within set targets for each void.
						
	18	18	18	12	12	
KPI 09 Number of accidents that are reportable under RIDDOR (Min)	0	1	1	0	1	<b>Q2 2015/16</b> One RIDDOR reported in September 2015. Street Services Operative hurt back while lifting. Had received relevant training. Only minor injury but off over 7 days so HSE informed. Trend is significantly down on last years RIDDORS which is very positive, accident levels are approximately the same, which indicates that the work place has become safer with less serious injuries at work. The majority of reported accidents at work have no work absence attached to it.
						
	0	0	0	0	0	
KPI 11 Processing of planning applications: Major applications (within 13 weeks or including any agreed extension of time) (Max)	66.67%	52.94%	80.00%	91.67%	90.00%	<b>Q2 2015/16 Numerator:</b> 9 <b>Denominator:</b> 10 = 90%. <b>Cumulative Numerator:</b> 20 <b>Denominator:</b> 22 = 90.91%. Target exceeded.
						
	60.00%	60.00%	60.00%	60.00%	60.00%	
KPI 12 Processing of planning applications: Minor applications (within 8 weeks or including any agreed extension of time) (Max)	81.25%	87.74%	83.75%	83.53%	79.09%	<b>Q2 2015/16 Numerator:</b> 87 <b>Denominator:</b> 110 = 79.09%. <b>Cumulative Numerator:</b> 158 <b>Denominator:</b> 195 = 81.03%. While the target for the quarter has just been missed overall the cumulative target remains 'green'. Additional focus on the minor applications has been put in place.
						
	80.00%	80.00%	80.00%	80.00%	80.00%	
KPI 13 Processing of planning applications: Other applications (within 8 weeks or including any agreed extension of time) (Max)	89.93%	94.60%	93.75%	91.30%	92.48%	<b>Q2 2015/16 Numerator:</b> 295 <b>Denominator:</b> 319 = 92.48%. <b>Cumulative Numerator:</b> 547 <b>Denominator:</b> 595 = 91.93%.
						
	82.00%	82.00%	82.00%	82.00%	82.00%	

PI Code & Short Name	Q2 2014/15	Q3 2014/15	Q4 2014/15	Q1 2015/16	Q2 2015/16	Latest Note
KPI 14 Percentage of household waste sent for reuse, recycling and composting (LAA) (Max)	55.10%	51.48%	49.93%	52.78%	52.34%	<b>Q2 2015/16 Numerator:</b> 3909.97 tonnes (recycled and composted) <b>Denominator:</b> 7469.90 tonnes (total domestic waste arising)
						
	58.01%	53.88%	51.05%	52.96%	56.77%	
KPI 15 Number of return visits to collect bins that have been missed on the first visit (per 100,000 collections) (Min)	128	79	118	177	319	<b>Q2 2015/16 Numerator:</b> 3041 (missed bins) <b>Denominator:</b> 954,000 (collections) x 100,000 = 319. Sickness levels have been high this quarter, and this combined with annual leave has resulted in a lot of agency staff being used which has contributed to this figure. A number of vehicle breakdowns have also had an impact upon this figure. (However, the collection rate for the quarter was still 99.68%).
						
	40	40	40	40	40	
KPI 16 Rent collected as percentage of rent owed (including arrears b/f) (Max) *	93.36%	95.58%	96.60%	90.21%	94.39%	<b>Q2 2015/16 Numerator:</b> £3,806,951.88 <b>Denominator:</b> £4,304,959.81 (88.43%). <b>Cumulative Numerator:</b> £7,680,275.00 <b>Denominator:</b> £8,136,769.84 = 94.39%. This PI remains on target.
						
	93.55%	94.55%	96.50%	88.50%	93.55%	

## Performance Indicators



### Directorate Chief Executive

PI Code & Short Name	Q2 2014/15	Q3 2014/15	Q4 2014/15	Q1 2015/16	Q2 2015/16	Latest Note
PI 06 % of standard searches carried out in 10 working days (Max)	99.59%	99.68%	100%	100%	100%	<b>Q2 2015/16 Numerator:</b> 451 <b>Denominator:</b> 451. Despite system upgrade causing some problems and a team member now working reduced hours; the team managed to maintained good performance.
	100%	100%	100%	100%	100%	
PI 21 % of minutes from meetings made available to the public within 10 working days (Max)	95%	96%	100%	94%	89%	<b>Q2 2015/16 Numerator:</b> 16 <b>Denominator:</b> 18. This quarter's performance was off target as for one meeting the comments from the lead officer were not received before the minutes' author went on annual leave. For the other meeting, it was an extraordinary meeting called during a busy period for electoral services as canvassing activity taking up time during a two week period when democratic services was also very busy due to scheduled meetings taking place.
	95%	95%	95%	95%	95%	
PI 39 Number of written customer complaints against leisure centre usage (Min)	0	1	1	2	2	<b>Q2 2015/16</b> One complaint at Great Dunmow LC dealt with. Complaint at Lord Butler Fitness & LC being monitored. The complaints are hygiene and noise related.
	2	2	2	2	2	













































**Directorate Corporate Services**

PI Code & Short Name	Q2 2014/15	Q3 2014/15	Q4 2014/15	Q1 2015/16	Q2 2015/16	Latest Note
PI 02 Average time to pay supplier invoices (Min)	14.4	13.9	13.4	11.5	12.1	<b>Q2 2015/6 Numerator: 2,185 Denominator: 180 = 12.14.</b> Slight increase in Q2 results, (YTD <1%), as three of the invoices, (2%) sampled fell outside target. However comparison with prior year continues to show improvement.
	12.0	12.0	12.0	12.0	12.0	
PI 03 % of sundry debt income overdue (debts over 90 days old not subject to a payment agreement) (Min)	4.1%	4.5%	.8%	.3%	2.9%	<b>Q2 2015/16</b> As at 1 October 2015, total outstanding sundry debt was £427,134.88 of which £12,339.94 was over 90 days old and not subject to a payment agreement. 2.9%.
	5.0%	5.0%	5.0%	4.5%	4.5%	
PI 20 % of IT help Desk calls resolved within target (Max)	98.88%	97.42%	96.05%	97.34%	97.18%	<b>Q2 2015/16</b> 2,020 calls, 1,963 resolved within SLA
	90.00%	90.00%	90.00%	93.00%	93.00%	
PI 22 Museum users: Total visitors to the museum building and on-site events (Max) #	4,205	3,095	3,232	4,925	4,457	<b>Q2 2015/16</b> Target exceeded by 11.4% thanks to strong performance of holiday activity programme and new community exhibition opening at end of August, assisted by Heritage Open Days weekend in September. Cumulative 9,382
	4,000	3,300	3,500	3,400	4,000	

**Directorate Public Services**

PI Code & Short Name	Q2 2014/15	Q3 2014/15	Q4 2014/15	Q1 2015/16	Q2 2015/16	Latest Note
PI 14a Homelessness: Number of people presenting as homeless (Min) *	30	29	23	26	53	<b>Q2 2015/16</b> Presentations have been up slightly this quarter. The service remains busy and it is only through prevention work that this figure is not more than 3 above target.
	25	25	25	25	50	
PI 14b The number of cases where positive intervention by	9	11	11	6	18	<b>Q2 2015/16</b> Prevention work has been up this quarter due to the hard work of the housing options team, however it still

PI Code & Short Name	Q2 2014/15	Q3 2014/15	Q4 2014/15	Q1 2015/16	Q2 2015/16	Latest Note
the Council has prevented homelessness (Max) *	35	35	35	25	50	remains extremely difficult to identify suitable, affordable, alternative housing options to many of the clients seen by the team.
PI 16 Number of households living in temporary accommodation (CI 19 & NI 156) (Min)	13	16	20	19	22	<b>Q2 2015/16</b> 22 in temporary accommodation = 14 in council accommodation, 6 in emergency bed and breakfast and 2 in other shared accommodation.
						
PI 17 Number of service users who are supported to establish and maintain independent living	15	15	15	17	17	<b>Q2 2015/16</b> 372 sheltered tenants + 836 lifeline users = 1208 clients helped to live independently. The number of sheltered tenants has fallen due to the continuation of the programme to redevelop sheltered sites and the need to leave properties void whilst this work is carried out. Out of the sheltered stock of 405 there are only 7 properties vacant that are available for re-letting and these are currently going through the normal void processes. The number of lifeline users has increased by 8 this quarter. Work continues to promote the service including presentations at all the Safer Living events recently held in the districts Day Centres.
	1,211	1,213	1,221	1,213	1,208	
						
PI 19 Percentage of accidents that are investigated within 10 working days of the accident (Max)	1,300	1,300	1,300	1,250	1,250	<b>Q2 2015/16</b> All accidents investigated within 10 working days.
	100%	93%	93%	100%	100%	
						
PI 24a Planning appeals allowed for major applications (Min)	100%	100%	100%	100%	100%	<b>Q2 2015/16 Numerator: 1 Denominator: 1 = 100%. Cumulative Numerator: 2 Denominator: 5 = 40%. Single major allowed. Too small a numerator to judge trends.</b>
	50.0%	.0%	.0%	25.0%	100.0%	
						
PI 24b Planning appeals allowed for minor applications (Min)	30.0%	30.0%	30.0%	30.0%	30.0%	<b>Q2 2015/16 Numerator: 2 Denominator: 4 = 50%. Cumulative Numerator: 4 Denominator: 9 = 44.4%. Quarterly target not achieved but cumulative performance on target.</b>
	7.7%	20.0%	6.3%	33.0%	50.0%	
						
PI 24c Planning appeals allowed for other applications (Min)	45.0%	45.0%	45.0%	45.0%	45.0%	<b>Q2 2015/16 Numerator: 2 Denominator: 3 = 66.7%. Cumulative Numerator: 4 Denominator: 8 = 50%. Too</b>
	25.0%	.0%	.0%	.0%	66.7%	
						

PI Code & Short Name	Q2 2014/15	Q3 2014/15	Q4 2014/15	Q1 2015/16	Q2 2015/16	Latest Note
	45.0%	45.0%	45.0%	45.0%	45.0%	small sample to judge trends. Loss of some conservation appeals; need to take more pragmatic approach.
PI 24d Appeals allowed for enforcement notices (Min)	100.0%	100.0%	.0%	.0%	.0%	<b>Q2 2015/16 Numerator: 0 Denominator: 3 = 0%.</b> Cumulative Numerator 2 Denominator 8 = 25%. Target achieved.
						
	30.0%	30.0%	30.0%	30.0%	30.0%	
PI 30 % planning applications validated within 5 days (Max)	100%	98%	98%	99%	98%	<b>Q2 2015/16 Numerator: 411 Denominator: 418 = 98.33%. Cumulative Numerator: 930 Denominator: 940 = 98.94%.</b> There have been a couple of instances this month where payment has been made to cashiers and this hasn't filtered through to the team. This has meant that a couple have had to be backdated on their validation date.
						
	90%	90%	90%	90%	90%	
PI 40 Number of subscribers to garden waste collection service (Max)	New PI 2015/16			5,100	5,100	<b>Q2 2015/16</b> The increase in the number of service subscribers in Q2 did not increase at all over Q1, which is surprising. It is anticipated that the customer base will still grow but this will not be evident until 2016/17.
						
				5,050	5,320	



**Committee:** Performance and Audit

**Agenda Item**

**Date:** 19 November 2015

**10**

**Title:** Quarter 2 Corporate Risk Register 2015/16

**Author:** Richard Auty, Assistant Director Corporate Services

Item for information

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### Summary

1. This report presents the Corporate Risk Register as at the end of quarter 2 2015/16.

### Recommendations

2. None

### Financial Implications

3. There are no financial implications associated with this report.

### Background Papers

4. None

### Impact

- 5.

Communication/Consultation	The Risk Register is discussed and updated by the Corporate Management Team at least quarterly.
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

## Situation

6. This is the council's 2015/16 Corporate Risk Register as approved by Full Council in February alongside the Corporate Plan. It continues the approach of identifying the key risks associated with delivering the council's main strategic objectives.
7. Appendix A shows which risks have been amended between Quarter 1 and Quarter 2.
8. Since the committee reviewed the Risk Register at the end of Quarter 1, two new strategic risks have been identified around devolution. These can be found at the end of the register (Appendix B).

## Risk Analysis

9.

Risk	Likelihood	Impact	Mitigating actions
That the council does not effectively monitor the risks it faces in delivering its corporate aims and objectives	1 – The register was created, and regularly monitored, by the Corporate Management Team	3 – If mitigating actions are not identified and acted upon, then there could be serious consequences for the delivery of services	Each corporate action and associated risk is owned by a member of the Corporate Management Team. Colleagues provide challenge and discussion regularly to ensure steps are being taken to reduce the likelihood and/or impact of those risks.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

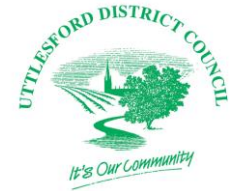
## Corporate & Strategic Risks 2015/16 Changes Quarter 1 to Quarter 2

Risk Code & Title	Q1 Risk Impact	Q1 Risk Likelihood	Q1 Risk Score	Q2 Risk Impact	Q2 Risk Likelihood	Q2 Risk Score	Revised Mitigating Action
15-CR 03 Decisions made by the LSP do not inform Council Policy	3	2	6	2	2	4	No change
15-CR 11 Partner organisations unable to provide sufficient resources	2	4	8	3	3	9	No change
15-CR 18 Partners' agendas (for economic prosperity) are not aligned	2	2	4	3	2	6	No change
15-CR 19 Aspirations of airport owners conflict with the council's views	3	1	3	3	2	6	No change

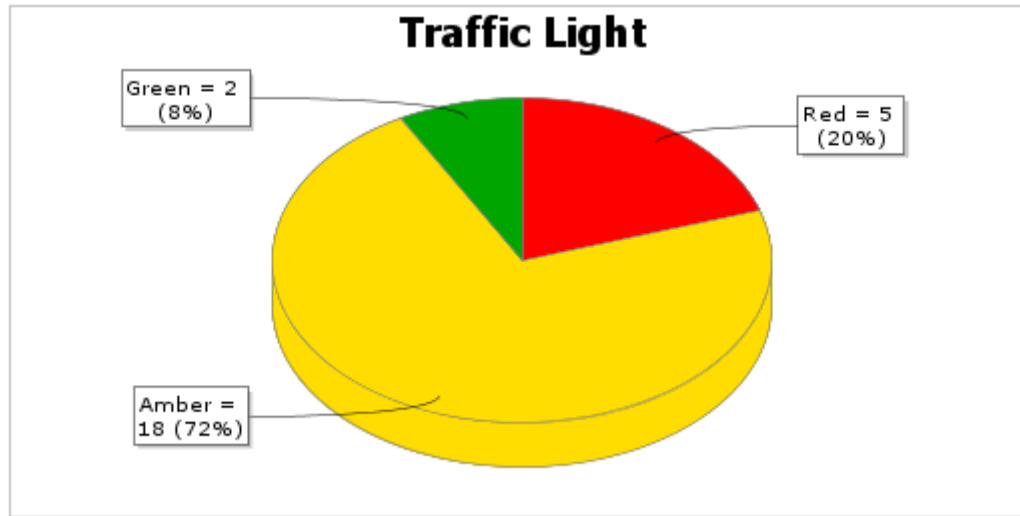






# Corporate & Strategic Risk Register 2015-16 - Quarter 2







**Report Type:** Risks Report  
**Report Author:** Debra Admin\_Collins  
**Generated on:** 05 November 2015










Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
15-CR 01 Insufficient progress against savings	The council does not make sufficient progress against savings targets identified in the MTFS to achieve the necessary savings.	2	1	1	1	1		3	1	There are no savings targets identified in the current MTFS. Savings targets, if any, will be decided following the Autumn Spending Review	A Corporate Team was established in 2010. Savings to date exceed £2.5m. The team addresses quality issues as well as trying to achieve savings.	Adrian Webb



Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
15-CR 02 External factors impact negatively on Council's finances	External factors, such as the reforms to local government finance, negatively impact on Council's finances	2	3	2	2	4		2	3	Recent budget affects the HRA and has a negative but manageable impact on the service. Autumn Spending Review will outline changes to funding of the General Fund	Work with local and government to understand and implement post general election changes to core external funding such as New Homes Bonus and Business Rates Retention	Adrian Webb
15-CR 03 Decisions made by the LSP do not inform Council Policy	The Council staffs and hosts the LSP but decisions made by the LSP do not inform Council Policy	3	3	3	2	6		2	2	The first round of workstream meetings following the abolition of the Board by the Leader has yet to conclude. However, a closer working relationship between council staff and the workstreams is already emerging.	Review the effectiveness and value for money of our engagement with partners, the voluntary sector and the community. Continue to review the working of the LSP to ensure it meets the needs of the council, its partners and the community rather than just itself. Ensure that LSP matters are championed by Cabinet members so that the Council	John Mitchell



Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
											determines the LSP agenda and takes responsibility for outcomes	
15-CR 04 Local Plan	Failure to meet objectively assessed housing need and identify suitable deliverable sites	3	2	3	2	6		3	2	SHMA published. Issues and options consultation planned to start October. Programme of DtC meetings programmed with authorities not involved in the Cooperation for Sustainable Development Board.	Complete SHMA, carry out Duty to Cooperate process with authorities across the housing market area, neighbouring councils and strategic bodies and issue new call for sites. New member working group established to steer process.	Roger Harborough
15-CR 05 External contracts	Contracts with third parties do not benefit the Council & Community financially	3	2	3	2	6		3	1	Negotiations with responsive repairs contractor for the performance bond required by the contract are progressing	Robust evaluation of contract bids. Once new contracts in place, proactive monitoring of contracts to ensure appropriate implementation	Roger Harborough
15-CR 06 The Council does not demonstrate	The Council does not demonstrate how	3	3	3	2	6		3	1	At the time of writing the task group had yet to	A project team of Senior Managers has	John Mitchell

Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
how consultation responses have been taken into account	consultation responses have been taken into account when formulating policy									meet. Subject to urgency not being a priority this is satisfactory progress.	worked on this and will arrange a Members' workshop when the new Council is elected, with a view to rationalising consultation exercises to gain the maximum benefit	
15-CR 07 Failure to embed sound Equality & Diversity, H&S & Corporate Governance principles	Failure to embed sound equality & diversity, health & safety and corporate governance principles throughout the authority, which would make it difficult to then promote these ideals to the community	3	1	3	1	3		3	1	The Council is developing its action plan on the single equality duty in partnership with SCambs DC. Training for new and existing parish, town and district members on the code of conduct is taking place and extensive information on health and safety is set out on the Council's intranet which is linked to targeted training	The Health & Safety officer previously shared with Harlow DC is now a full-time UDC employee. Regular training and updates are given to all relevant staff and the Council continues its partnership arrangements with South Cambs DC regarding equality and diversity	John Mitchell



Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
15-CR 08 Little money available for Highways improvements	Highways Panel unable to deliver expectations owing to ECC financial constraints	2	3	2	3	6		2	3	The budget for 2015/16 has been fully allocated. For the remainder of the financial year ECC would continue with work on surveys and assessments for potential schemes in the pipeline	Targeted improvements in district due to local member involvement in Highways Panel/Locality Board	Roger Harborough
15-CR 09 Inability to implement the economic strategy	Inability to implement the economic strategy which could lead to a failure to support existing businesses and attract new investment	3	1	3	2	6		3	1	Broadband options proving difficult to progress due to unresponsiveness of some third parties.	Implement the economic strategy in conjunction with local business representatives, West Essex partners and allocate budget to support this work	Roger Harborough
15-CR 10 Adverse impact from reform of council tax benefits	The reform of council tax benefits will adversely impact some people currently in receipt of benefits	2	2	2	2	4		2	2	July budget has reduced benefit entitlement which may have a negative but manageable impact on the council LCTS scheme	Resource and implement the Council's annual Local Council Tax Support Policy	Adrian Webb
15-CR 11 Partner organisations unable to provide	Partner organisations unable to provide sufficient	3	4	3	3	9		3	2	The Autumn Spending Review is likely to diminish the	New arrangements with partner authorities will need to	John Mitchell




Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
sufficient resources	resources in times of austerity to implement new strategies									resources available to partner organisations	be increasingly challenged and focused on prioritised needs and value for money	
15-CR 12 Range of services provided by the Council is too broad	Range of services provided by the Council is too broad to allow necessary focus	4	4	4	4	16		4	2	The Autumn Spending Review is likely to diminish the resources available to partner organisations . Devolution to Greater Essex is gathering pace and a commitment will be expected in early 2016	As resources diminish the Council will need to regularly review its' priorities and its' form and function as a provider of commissioner services	John Mitchell
15-CR 13 Shared service delivery model	Partner organisations unable or unwilling to sign-up to shared service delivery model	2	3	2	2	4		2	2	ECC vacated the top floor and also no longer promote UDC as a wedding venue. Thaxted CIC has proven to be a great success	Continue to work with those organisations who already share UDC assets ie ECC. Parish Councils and voluntary sector	Adrian Webb
15-CR 14 Neighbourhood plans	Local communities do not have adequate resources to develop neighbourhood plans	2	3	2	2	4		2	2	Great and Little Chesterford Neighbourhood Plan area designated. Stansted	Strategic Initiative Fund allocation to fund resources to support	Roger Harborough


Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
	d plans									Neighbourhood Plan area designated.	communities in preparing plans and getting them adopted	
15-CR 15 Eco programme deadlines cannot be met and grant funding becomes unavailable	Changes to government eco programme mean deadlines cannot be met and grant funding becomes unavailable	3	3	3	3	9		3	3	Large programme of externally funded PV solar panel installations on housing stock may be feasible provided cost implications for the HRA associated with roof maintenance/renewal post installation can be mitigated. Currently under negotiation. Would need to meet FIT changes tight deadlines.	Pursue external funding opportunities for external wall insulation programme; smart procurement	Roger Harborough
15-CR 16 Potential breaches of planning control	Council is not made aware of potential breaches of planning control	2	2	2	2	4		2	1	Given the size of the district and the available resources the enforcement team is almost entirely reactive and depends upon reports being received from the public	Parish councils act as an important communications channel for reporting potential breaches, and this function is encouraged	Michael Perry





Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
15-CR 17 Improving heritage assets	Aspirations outstrip available resources to improve heritage assets	2	3	2	3	6		2	3	Discussions taking place about Tilty Mill with owner and Heritage England	Pursue external funding opportunities	Roger Harborough
15-CR 18 Partners' agendas (for economic prosperity) are not aligned	All partners' agendas (for economic prosperity) are not aligned and what is delivered for the wider area is not in the best interest of the Uttlesford district	2	2	3	2	6		2	2	Devolution deal discussions with government proceeding following submission of expression of interest signed by 15 Leaders of Greater Essex councils on 4 September. Impact will depend on outcome of those negotiations, its endorsement by each authority and the governance arrangements of a Combined Authority/ delegation arrangements to growth corridor groupings of authorities.	Engage strongly in LSCC, West Essex Alliance (and through West Essex Alliance seek to influence the Greater Essex Business Board and SELEP), GCGP LEP and Essex Integrated Growth Forum to promote Uttlesford's interests	Roger Harborough



Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
15-CR 19 Aspirations of airport owners conflict with the council's views	Aspirations of airport owners conflict with the council's views on appropriate development and with community interests	3	3	3	2	6		3	2	No further developments. Inclusion of Northside in EZ bid did not progress.	Seek to influence the airports policy of the new Government informed by the Davies Commission final report recommendations. Work with the airport owners to agree environmental impact mitigation measures, particularly the surface access strategy	Roger Harborough
15-SR 01 Disruption of Council business	Disruption of council business caused by: loss of building, widespread staff absence, extreme weather conditions	3	2	3	2	6		3	2	Assistant Director Corporate Services has volunteered to develop new business continuity plan templates and is working with the Emergency Planning officer for Epping Forest DC on this project	Ensure emergency plans are in place to provide frontline services. Maintain regular engagement in emergency planning activities, close liaison with county council and regular communication with residents. Ensure relevant HR policies are in place and understood	Michael Perry

Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
15-SR 02 Major emergency at the airport	Major emergency at the airport e.g. due to plane crash, terrorism etc.	2	1	2	1	2		2	1	A joint emergency planning exercise with Stansted Airport is scheduled for November	Ensure that emergency plans are in place and that there is regular liaison with airport operator and engagement in emergency planning activities	Michael Perry
15-SR 03 Refugee crisis	Public expectation that the council will be sole provider of accommodation for refugees. Risk of insufficient accommodation or displacement of people on housing waiting list.	2	2	2	2	4		1	2	Latest Government advice is that families will be allocated housing before they are evacuated. Upper tier authorities are expected to take the lead.	Council will work with other agencies to coordinate community response.	John Mitchell
15-SR 04 Greater Essex devolution	See below for sub-risks											John Mitchell
15-SR 04 (a) UDC fails to sign up to devolution	The Council fails to sign up to the devolution deal, becoming overlooked by the Combined Authority and resulting in loss of influence and investment	3	3	3	3	9		1	1	The proposal is still evolving but commitment is anticipated in January 2016	The Council joins the Combined Authority	John Mitchell

Risk Code & Title	Risk Description	Original Risk Impact	Original Risk Likelihood	Current Impact	Current Likelihood	Current Risk Score	Current Risk Traffic Light Icon	Target Risk Impact	Target Risk Likelihood	Latest Note	Mitigating Actions	Managed By
	opportunities for the District's social, environmental and amenity infrastructure											
15-SR 04 (b) Loss of sovereignty and control	In joining the Combined Authority the Council over time loses sovereignty and control of its strategic growth policies and becomes an agency of the Combined Authority	3	2	3	2	6		1	1	The proposal is still evolving but commitment is anticipated in January 2016	Ensure that the Council is fully aware of the consequences before committing to the Combined Authority. Accept that in a world of diminishing resources some change in local governance is both desirable and inevitable	John Mitchell

Risk Status	
	Alert
	High Risk
	Warning
	OK

