



# Uttlesford District Council

Chief Executive: Dawn French

## Performance and Audit

**Date:** Tuesday, 15 November 2016  
**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, S Harris, D Jones, N Hargreaves, B Light, E Oliver (Chairman) and E Parr.

### 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 notice by 12 noon two working days before the meeting.

## AGENDA PART 1

### Open to Public and Press

- 1 Apologies for absence and declarations of interest**  
To receive any apologies for absence and declarations of interest.
- 2 Minutes of previous meeting** 5 - 10  
To consider the minutes of the meeting held on 28 July 2016.
- 3 Matters arising**  
To consider any matters arising from the Minutes.
- 4 Annual Audit Letter 2015-16** 11 - 34  
To consider the Annual Audit letter 2015-16.

<b>5</b>	<b>Annual Audit and Certification Fees 2016-17</b> To consider the Annual Audit and Certification Fees 2016-17.	35 - 40
<b>6</b>	<b>Audit Committee Briefing</b> To consider EY's Audit Committee briefing.	41 - 54
<b>7</b>	<b>Appointment of External Auditors</b> To consider the appointment of external auditors.	55 - 58
<b>8</b>	<b>Procurement update</b> To consider an update on procurement.	59 - 80
<b>9</b>	<b>Health and Safety update</b> To consider an update on Health and Safety.	81 - 92
<b>10</b>	<b>Internal Audit Charter 2016-2018 (draft)</b> To consider the Internal Audit Charter 2016-18.	93 - 116
<b>11</b>	<b>Internal Audit Progress Report 16 July 2016 to 31 October 2016</b> To consider the internal Audit Progress Report.	117 - 126
<b>12</b>	<b>Local Plan Costs 2015-16</b> To consider the Local Plan costs.	127 - 128
<b>13</b>	<b>Performance Q2 2016-17</b> To consider the Performance for Quarter 2 of 2016-17.	129 - 140
<b>14</b>	<b>Corporate Risk Register Q2 2016-17</b> To consider the Corporate Risk Register Q2 2016-17.	141 - 152
<b>15</b>	<b>Any other items which the Chairman considers to be urgent</b> To consider any items which the Chairman considers to be urgent.	

## **MEETINGS AND THE PUBLIC**

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Members of the public and representatives of parish and town councils are permitted to speak or ask questions at any of these meetings. You will need to register with the Democratic Services Officer by midday two working days before the meeting.

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.

Agenda and Minutes are available in alternative formats and/or languages. For more information please call 01799 510510.

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**PERFORMANCE AND AUDIT COMMITTEE held at COUNCIL OFFICES  
LONDON ROAD SAFFRON WALDEN at 7.30pm on 28 JULY 2016**

Present: Councillor E Oliver (Chairman)  
Councillors D Jones, N Hargreaves and B Light.

Officers in attendance: R Auty (Assistant Director Corporate Services), S Bronson (Audit Manager), M Cox (Democratic Services Officer), A Knight (Assistant Director – Finance) and A Webb (Director of Finance and Corporate Services).

Also Present: Councillor S Howell (Cabinet Member for Finance and Administration), Councillor H Rolfe (Leader), Mark Hodgson (Executive Director - EY) and J Wardle (Audit Manager - EY).

PA13 **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Councillor Gordon.

PA14 **MINUTES**

The minutes of the meeting held on 19 May 2016 were received and signed by the Chairman as a correct record.

PA15 **MATTERS ARISING**

The committee considered the action points from the last meeting.

**Local Plan Expenditure** – The Director of Finance and Corporate Services said he would report the figure for Local Plan expenditure to the September meeting, once the accounts had been fully audited.

**Revenue and Benefits Account** – Councillor Hargreaves said he had not yet met with the External Audit Manager but would raise the relevant points during the meeting.

**Q4 Performance – missed bins** – The missed bins figures had been shown this quarter as an absolute number. However it was not yet possible to provide reliable data by route.

**Q4 Performance – validation process** – Councillor Hargreaves said he had exchanged several emails with the Support and Business Manager to discuss the current reporting mechanism and had suggested possible improvements to the process.

PA16

## **AUDIT RESULTS**

Mark Hodgson, Executive Director (EY) presented the main findings of the 2015/16 Audit. He was pleased to report that UDC had again achieved unqualified opinions on the Financial Statements and Value for Money Statement and had completed the accounts by the 31 July deadline.

He said the outstanding areas of work had been addressed, so the accounts could be approved and the Certificate issued at tonight's meeting.

The necessary assurances had been gained in respect of the risks identified in the planning phase of the Audit. The audit differences of £0.546m had been corrected within the revised financial statements.

The committee noted the issues that the council had chosen not to amend in the 2015/16 accounts. These were (i) cash in transit – an unresolved balance of £58k due to an historical error (ii) An error on the HRA account of £6,286 (extrapolated to £160k) charged to capital rather than to revenue. Both these issues would be resolved at the 2016/17 year-end closedown process.

In relation to Value for Money, the Audit found that the council had proper arrangements in place to secure economy, efficiency and effectiveness.

The overall conclusion was that the Audit had not identified any weakness in the council's arrangements.

The Committee NOTED the report and congratulated officers for their work in achieving these results.

PA17

## **STATEMENT OF ACCOUNTS 2015/16**

*Councillor Jones declared a non-pecuniary interest in this item as a member of ECC pension scheme.*

The committee received the Statement of Accounts 2015/16, which presented the financial results for the year and summarised the position of the council as at 31 March 2016. It was considered in the context of the findings presented in the Audit Results. The statement included the minor amendments suggested by EY prior to the meeting.

Councillor Hargreaves asked a number of questions. He noted that the pension deficiency had stabilised after previous significant increases. He was informed that this was the result of recent actuary assessments of life expectancy together with an increase in the bond yield, but this was a fluid situation, which was subject to change.

He asked about the risk for the repayment of the £88m HRA loan following the imposition of the 1% rent reduction over the next 4 years. The Director of Finance and Corporate Services said the loan was reviewed on an ongoing

basis with advice from Arling Close. The loan could be re-profiled and adjusted if necessary.

He said the figures in relation to Business Rates on the income and expenditure account were misleading as it didn't show the Government reduction. The Assistant Director Finance said the figures were required to be presented in this form, but next year she could include a narrative to explain the actual income retained by UDC..

Councillor Light asked whether the decision to leave the European Union would impact on the council's finances. The Director of Finance and Corporate Services said he would be holding a member workshop in the autumn to explain the various unknowns now facing the council post Brexit.

Member asked questions about the council's decision to establish Aspire (SPV). It was explained that the £1.882m overspend in 2015/16 had been transferred to the Strategic Initiatives Fund but no money had yet been transferred to Aspire. A member workshop to discuss this issue was planned for the Autumn.

The Leader thanked the Finance team and EY for their first class work in producing these accounts.

#### RESOLVED TO

- 1 Approve the Letter of Representation as attached to this report.
- 2 Approve the audited 2015/16 Statement of Accounts as presented with this report.

The Chairman signed the Statement of Accounts and the Executive Director EY signed the Audit Option.

#### PA18 **INTERNAL AUDIT PROGRESS REPORT**

The Internal Audit Manager reported on the work undertaken by Internal Audit since the last report to the Committee.

#### PA19 **Q1 PERFORMANCE 2016-17**

The Assistant Director Corporate Services presented the report on the Key Performance Indicators (KPIs) and Performance Indicators (PIs) for quarter 1 2016/17. It included changes agreed by the committee at the last meeting to include the missed bins figures as an absolute number and to remove the RIDDOR indicator, which would be replaced with a more detailed health and safety report from quarter 2. The committee noted there was an improvement in the time taken to process homeless applications after the Assistant Director Corporate Services highlighted these figures, which are normally reported and discussed elsewhere.

**KPI 03 – percentage of non-domestic rates collected.** This indicator was below target due to the late payment by one large business. In answer to Members' concerns it was confirmed that the situation was being kept under review and the necessary action would be taken.

**KPI08 – Average re-let time in days** It was noted that the housing re-let time was still below target, due mainly to the poor performance by a contractor, but this was currently being reviewed.

**KPI15 (a) number of return visits to collect bins that have been missed on the first visit.** The Assistant Director Corporate Services put the figures into context, explaining that there were about 30 missed bins a day from a total of 18,000.

Councillor Jones asked whether it was mainly the Council or the residents at fault. The Assistant Director said it was often issues of unfamiliarity with the rounds that caused problems but he would ask Street Services if they could provide a more detailed explanation of the common causes of missed bins..

PA20

## **CHAIRMAN'S URGENT ITEMS**

The Chairman invited Cllr Light to speak about Aspire

Cllr Light said she was concerned at the use of public money for this project, particularly with the current economic uncertainty. However, to assist with the successful development of the project she suggested that the council should consider appointing to the Board, non- executive directors who had experience in this field.

The Leader said it had been recommended that the senior members of the Board should be council officers and he was happy with the Governance proposed. However the suggestion of non- executive directors was an interesting idea and he agreed to investigate this further.

The meeting ended at 8.40pm.



## **ACTION POINTS**

Minute PA15 Matters arising	The Director of Finance and Corporate Services to report the figure for Local Plan expenditure to the September meeting
Minute PA10 Quarter 4 performance Indicator	The Assistant Director Corporate Services to ask the Street Services Operation Manager to provide information to Cllr Jones about the common causes of missed bins
Minute PA20 Urgent items	The Leader to consider the idea of Non- Executive Directors for the Board of Aspire



**Committee:** Performance and Audit Committee  
**Date:** 15 November 2016  
**Title:** Annual Audit Letter 2015/16  
**Author:** EY

**Agenda Item**

**4**

Item for  
information

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## **Summary**

The Annual Audit Letter summarises the key findings from the 2015/16 audit.

## **Recommendations**

1. The committee notes the report.



# Uttlesford District Council

Annual Audit Letter for the year ended 31 March 2016

18 October 2016

Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between 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 ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (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.

A hand holding a pen writing on a document in an office setting with a calculator and a laptop.

## Executive Summary

## Executive Summary

We are required to issue an annual audit letter to Uttlesford District Council (the Council) following completion of our audit procedures for the year ended 31 March 2016.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.



Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 21 July 2016.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 28 July 2016.

In January 2017 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken. We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Mark Hodgson  
Executive Director  
For and on behalf of Ernst & Young LLP

Purpose



## Purpose

### The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to the 28 July 2016 Performance and Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

## Responsibilities

### Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. 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 putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with the Audit Plan that we issued to the Performance and audit Committee on 11 February 2016 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2015/16 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

# Financial Statement Audit

## Financial Statement Audit

### Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it 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 National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 28 July 2016.

Our detailed findings were reported to the 28 July 2016 Performance and Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that 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.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</p> <p>We reviewed accounting estimates for evidence of management bias; and we evaluated the business rationale for any significant unusual transactions.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business</p>

Significant Risk	Conclusion
<p><b>Risk of fraud in revenue and expenditure recognition</b></p> <p>Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation. We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end.</p> <p>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 therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.</p>	<p>We have tested revenue recognition and cut off as part of income and expenditure testing and have not identified any issues with the classification or recognition of expenditure.</p> <p>Our testing did identify expenditure which had been inappropriately capitalised. This expenditure did not meet the relevant accounting requirements to be capitalised, and should have been disclosed as revenue (housing repairs). However, the level of misstatement was not material (£0.16 million).</p> <p>The coding of work between capital and revenue is still an area that needs continued focus and robust review.</p>
Other Risks	Conclusion
<p><b>Provision for Business Rates Appeals</b></p> <p>In 2013/14 the Council was required to calculate a provision for business rate appeals for the first time. We found that the council had developed an appropriate methodology for the estimate once they had included the need for consideration of future appeals not yet lodged. This methodology needed to be reassessed to ensure that the assumptions made remain appropriate to prepare a reliable estimate.</p>	<p>We reviewed the Council’s provision for business rate appeals to ensure that it had been calculated on a reasonable basis in line with the required accounting standard (IAS 37) and that the assumptions underlying the estimate are reasonable and are supported by appropriate evidence. In addition, we also carried out testing to gain assurance that the list of properties provided for was complete. We have no matters to report.</p>
<p><b>Property Asset Valuations</b></p> <p>Due to the complexity in accounting for property, plant and equipment, the cyclical approach to valuations, and the material values involved, there is a higher risk that asset valuations contain material misstatements.</p>	<p>We have gained sufficient assurance over the property, plant and equipment valuations and disclosures. Aside from the issue mentioned above regarding the inappropriate capitalisation of revenue expenditure, we have no other matters to report.</p>

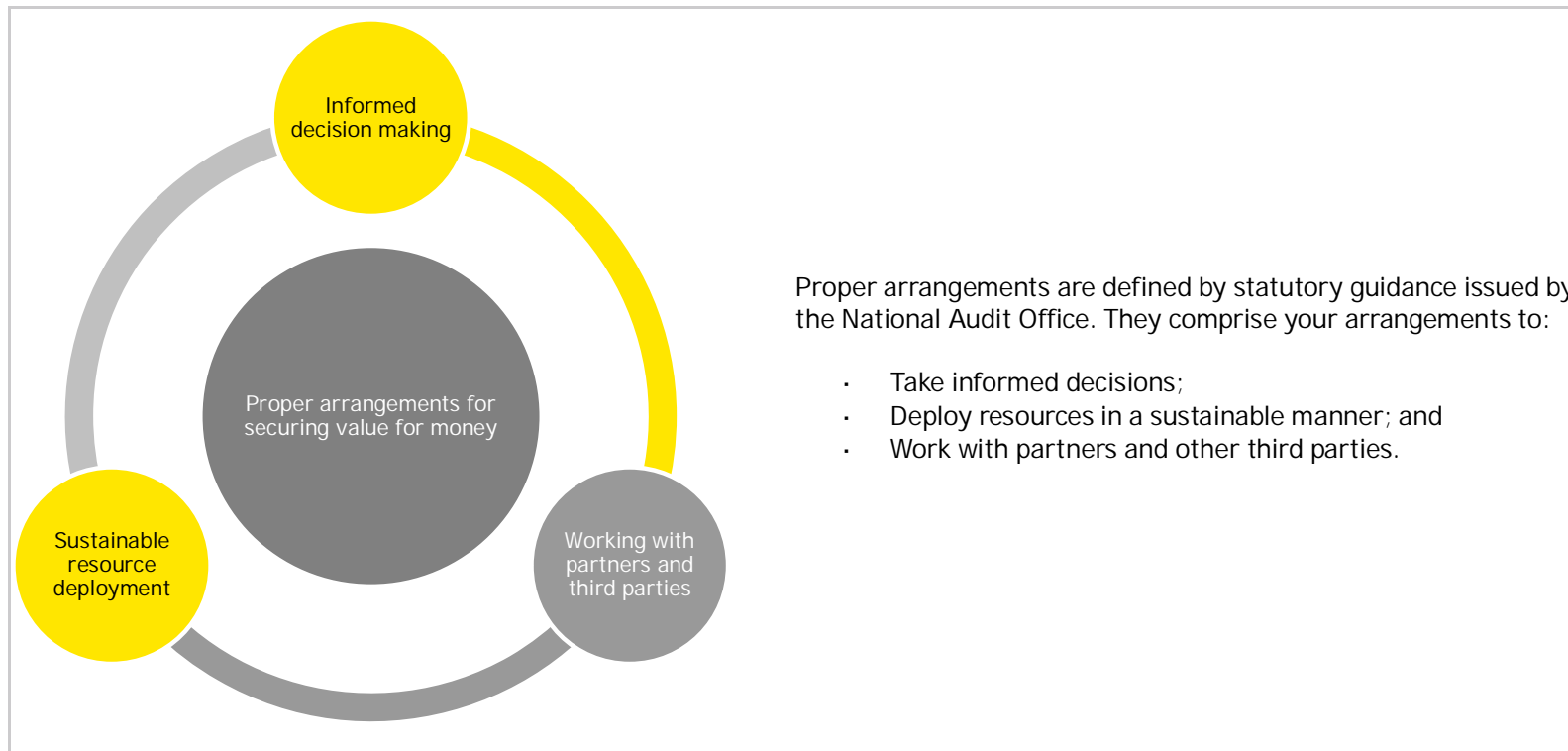
A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with some showing their edges and others showing their faces. The lighting is warm, highlighting the metallic texture and the embossed details on the coins. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Value for Money'.

Value for Money



## Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.



We issued an unqualified value for money conclusion on 28 July 2016.

Our audit planning did not identify any significant risks in relation to these criteria, and the completion of our audit did not identify any significant matters in relation to the Council's arrangements.



## Other Reporting Issues

## Other Reporting Issues

### 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.

### Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

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

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2015/16 financial statements from members of the public.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 28 July 2016. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We have not identified any issues with testing of payroll controls.

We have adopted a fully substantive approach for other key processes and have therefore not tested the operation of controls.

A close-up photograph of a person's hands holding binoculars to their eyes. The person's face is partially visible in the background, looking through the lenses. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Focused on your future".

Focused on your  
future

## Focused on your future

Area	Issue	Impact
EU referendum	<p>Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&amp;P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. For entities in the public sector, there is likely to be an impact on investment property valuations if confidence in the wider UK property market falls; and the valuation of defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact of these issues, but there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.</p>	<p>Many of the issues and challenges that face the UK public sector will continue to exist, not least because continued pressure on public finances will need responding to. Additionally it may well be that the challenges are increased if the expected economic impacts of the referendum and loss of EU grants outweigh the benefits of not having to contribute to the EU and require even more innovative solutions.</p> <p>We are committed to supporting our clients through this period, and help identify the opportunities that will also arise. We will engage with you on the concerns and questions you may have, provide our insight at key points along the path, and provide any papers and analysis of the impact of the referendum on the Government and Public Sector market.</p>
Special purpose Vehicle (SPV)	<p>At the Cabinet meeting in December 2015, it was agreed in principle to establish a Special Purpose Vehicle (SPV). This would be a wholly owned subsidiary of the Council to develop a range of commercial opportunities. In May 2016 the Cabinet was asked to approve the establishment of a holding company and three subsidiaries:</p> <ul style="list-style-type: none"> <li>• Aspire Holdings (UDC) Ltd</li> <li>• Aspire Rentals Ltd</li> <li>• Aspire Land Agreements Ltd</li> <li>• Aspire Property Services Ltd.</li> </ul>	<p>The setting up of a Council owned company requires the Council to consider legal powers, contracting arrangements, governance structures, risk management, financial modelling, accounting and tax implications.</p> <p>We will continue to work with the Director of Finance and Corporate Services to assess the implications for the audit and the necessary accounting requirements.</p>

Appendix A

## Audit Fees

## Appendix A Audit Fees

Our fee for 2015/16 is in line with the scale fee set by the PSAA and reported in our 2015/16 annual fee letter.

Description	Final Fee 2015/16 £'s	Planned Fee 2015/16 £'s	Scale Fee 2015/16 £'s
Total Audit Fee – Code work	52,916	52,916	52,916
Total Audit Fee – Certification of claims and returns	Note 1	22,808	22,808

Note 1 - Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA. Our actual fee will be determined on completion of the Housing Benefit subsidy claim, due by 30 November 2016.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.



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ED None

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**Committee:** Performance and Audit Committee  
**Date:** 15 November 2016  
**Title:** Annual Audit and Certification Fees  
2016/17  
**Author:** EY

**Agenda Item**

**5**

Item for  
information

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## **Summary**

1. The following letter confirms the audit and certification work for 2016/17.

## **Recommendations**

2. The committee notes the report.



Adrian Webb  
Director of Finance and Corporate Services  
Uttlesford District Council  
Council Offices  
London Road  
Saffron Walden  
Essex  
CB11 4ER

29 March 2016

Ref: GPS/UDC/16/17/Fee  
Direct line: 01223394590  
Email: mhodgson@uk.ey.com

Dear Adrian

## **Annual Audit and Certification Fees 2016/17**

We are writing to confirm the audit and certification work that we propose to undertake for the 2016/17 financial year at Uttlesford DC.

### **Indicative audit fee**

For the 2016/17 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements
- Value for money conclusion
- Whole of Government accounts.

For Uttlesford District Council our indicative fee is set at the scale fee level. This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year
- Officers meeting the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;

- Appropriate quality of documentation is provided by the Council;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2015/16, our audit planning process for 2016/17 will continue as the year progresses. Our fees will be reviewed and updated as necessary, within the parameters of our contract.

**Certification fee**

The PSAA has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on actual 2014/15 benefit certification fees, and incorporating a 25 per cent reduction.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2016/17 relates to work on the housing benefit subsidy claim for the year ended 31 March 2017. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2015/16 benefit certification work, and to reflect any further changes in the certification arrangements.

**Summary of fees**

	Indicative fee 2016/17 £'s	Planned fee 2015/16 £'s	Actual fee 2014/15 £'s
Total Code audit fee	52,916	52,916	70,555
Certification of housing benefit subsidy claim	19,427	22,808	25,903

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

**Billing**

The indicative audit fee will be billed in 4 quarterly instalments.

### Audit plan

Our plan will be issued in the January to March 2017 period. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with you, as the Director of Finance, and if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

### Audit team

The key members of the audit team for the 2016/17 financial year are:

Mark Hodgson  
**Executive Director**

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Tel: 01223 394590

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**Manager**

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We are committed to providing you with a high quality service. 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, please contact me. 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.

Yours faithfully



Mark Hodgson  
Executive Director  
For and on behalf of Ernst & Young LLP

cc. Mr Oliver Chair of the Audit Committee





**Committee:** Performance and Audit Committee  
**Date:** 15 November 2016  
**Title:** Audit Committee Briefing  
**Author:** EY

**Agenda Item**

**6**

Item for  
information

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## **Summary**

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

## **Recommendations**

2. The committee notes the report.



# Local government audit committee briefing

## Contents at a glance

### Government and economic news

### Accounting, auditing and governance

### Regulation news

### 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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## EU Referendum

24 June saw the outcome of the referendum concerning the United Kingdom's membership of the European Union. The result was a narrow decision to leave, precipitating the resignation of David Cameron as Prime Minister, and the appointment of Theresa May. David Davis (Secretary of State for Exiting the EU) has been tasked with negotiating the UK's exit from the EU.

EY recognises that our clients will be planning to navigate what lies ahead. As a firm, we have been considering the consequences of both possible outcomes both for ourselves and for our clients.

Some considerations for local authorities include:

- ▶ Local authorities and LEPs are central to driving the growth of the economy in supporting the balance of payments in their localities. There will be a high level of uncertainty for businesses to invest and recruitment following the immediate impact of Brexit
- ▶ There may be an impact on migration. Migration is always an issue for Local Authorities who are usually the end point for housing and location of migrants to the UK as well as employing large numbers in social care
- ▶ Where the workforce of a local authority is made up of significant numbers of staff from EU member countries their working rights post Brexit may be impacted

- ▶ Business rates revenue may reduce if companies that were planning to set up in the UK now choose to set up in an EU member country instead

If you have any questions arising from the referendum result, please don't hesitate to contact your engagement manager.

## Off-Payroll working in the public sector: update

As noted in the previous briefing (March 2016) changes have been proposed to the way that individuals who are contracted to work for local authorities by another company pay their tax. Currently, the obligation rests with the intermediary company who is responsible for assessing whether their engagements are subject to IR35 and accounting for PAYE and NIC. From 6 April, this responsibility, and the liability for paying the correct tax will be shifted to the public sector body which pays the company.

In order to simplify this and increase the likelihood of compliance, the Government has suggested that workers are automatically considered to fall within the scope of the new rules if there is the right to personal service and the engager decides, or has the right to decide how the work should be done. In addition, for more complex cases, an online tool will be provided to help engagers in determining whether or not IR35 applies to a particular engagement. In practice, this will require local authorities to collect more personal data from workers who have been contracted via an intermediary company.



## Government and economic news

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### Election data

The government published their Open Government National Action Plan in May 2016. In addition to twelve other commitments designed to improve the transparency of the current government, there is a pledge to develop a common data standard for the reporting of election results throughout the UK. This move is being led by the Local Government Association, and aims to support electoral administrators to adopt this common standard in order to reduce errors and wasted time in aggregating election results.

This is a developing initiative which will require some local authorities to take part in a pilot programme, after which local authorities will be encouraged to take up the process in the 2017 local elections.

### Government lending to local authorities

Changes to the way that the central government will lend money to local authorities are currently being consulted on. Following the devolution of borrowing powers in 2004, local authorities take the lead in identifying projects for which they require funding and assessing how much they can afford to borrow, meaning that the decision-making body Public Works Loan Board is no longer required.

The government have suggested the transferral of powers from the now obsolete PWLB to HM Treasury to increase the efficiency of lending to local authorities and ensure more accountability to ministers.



# Accounting, auditing and governance

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## Whole of Government Accounts (2014/15)

The National Audit Office (NAO) has issued a report on the state of the Whole of Government Accounts (WGA) which was released in May 2016. Covering the financial year 2014-15, the annual accounts show that net expenditure has grown from £145.7bn to £152bn. This is in contrast to the government's own fiscal measure, as reported in the National Accounts, which states the deficit as having decreased from £71bn to £57bn.

The increase in net expenditure has been attributed to the decommissioning in the oil, gas and nuclear fields, increases in net interest on pension scheme liabilities and the impact of the triple lock policy on state pensions.

Government expenditure on wages experienced a small increase, from £148.2bn to £148.3bn, in spite of government job losses totalling 20,346. The government also experienced a slight increase in revenue from £652.9bn to £659.3bn, largely attributable to the increases in value added tax.

It should be noted however, that the NAO signalled there were shortfalls in the reporting from a number of departments and organisations.

## Government Internal Audit Agency Corporate Plan 2016-17

The Government Internal Audit Agency (GIAA) released their Corporate Plan in May 2016, highlighting their increasing scope in Central Government audit. The GIAA is targeting increased investment in the Agency in order to improve the level of service they provide, as well as providing audit advice across the central government which best targets their needs.

By bringing together several departmental audit functions in their first year of existence, the Agency reached its target of becoming responsible for 50% of central government internal audit.

The GIAA will seek to increase this percentage, and has also set the objective of improving Cost Effectiveness by 15%.

Through the establishment of the Internal Audit Framework, the GIAA is continuing to utilise collective buying power to secure access to private sector resources, in order to leverage a specialist service. This allows individual departments to receive auditing services at a lower cost than when they had to seek contracts on a single department basis.

Although the GIAA's priorities remain HM Treasury and the MoD, current customers include six sub-departments encompassed in the Department for Communities and Local Government.

## New Highways Network Asset Code of Practice

CIPFA consulted on a Code of Practice on the Highways Network Asset (HNA Code) to replace the Transport Infrastructure Code of Practice in late March/early April this year. Following that process proposed revisions to the consultation draft are to be taken to CIPFA/LASAAC for approval.

CIPFA have announced that the HNA Code will be published in August 2016. Following on from that publication CIPFA will subsequently issue HNA Guidance Notes and HNA Accounting Guidance. These documents will supersede all previously issued Codes and guidance and will therefore be the definitive approach that authorities must follow and auditors will audit to.



# Accounting, auditing and governance

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## DREAM approach to Highways Network Asset

The introduction of Depreciated Replacement Cost accounting for the Highways Network Asset (HNA) in 2016/17 is a major task for both authorities and their external auditors. By following the DREAM approach set out below we believe the task will run smoother.

**Document highways systems:** almost all highways and engineering IT inventory information has not been subject to audit and lack detailed procedure manuals/notes. Full documentation of the key core data systems should be completed as one of the initial tasks that an authority carries out.

**Reports and reconciliations:** assess the information requirements of the task and whether the existing systems can produce the required reports and reconciliations or will new reports and reconciliations be needed? Identify any corrective action required.

**Evidential based:** the quality of the inventory is key to the change. So as well as documentation of inventory systems, establish how you will evidentially prove that the inventory is complete and the named assets exist. This includes key asset dimensions. However, before engaging expensive external contractors to do this consider all the processes that you currently have in place that actually do this ranging from routine cyclical inspections to independent system reviews. Use this to identify areas where 'top-up' work is required.

**Audit:** early and regular engagement with both internal audit (IA) and external audit (EA) is a key determinant of successful implementation. IA can assist in establishing documentation procedures and can carry out system audits of those systems. Sharing your proposals with EA in advance will reduce the risk of abortive work. Decisions on what work you actually do are a matter for the authority, but the EA will provide comments on proposed approaches.

**Materiality:** this is a key concept both to the authority as the accounts are stated to include all material items and EA who audit to a calculated materiality level. Materiality has both quantitative and qualitative aspects. In simple terms the quantitative identifies the level at which consideration needs to be given to whether omission of an item or inclusion of an error requires correction. The qualitative level is where a professional judgement is made as to whether correction of that item would influence decisions of the users of the accounts.

As the HNA is to be classed as a single asset the materiality is based upon the total value and not the constituent parts. Due to the importance of this amount discussions around the level at which the authority is considering setting it at should take place with EA at an early stage to ensure that this will not lead to problems in the audit process.

For further information please consult with your audit team.



## Regulation news

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### Financial sustainability

The NAO published a report on 15 June which examined the financial sustainability of local authorities, given that government funding has been reduced since 2010 and a previous report by the NAO found that local authority revenue income fell by 25.2% in real terms from 2010-11 to 2015-16.

The report focuses on three areas of risk and opportunity for local authorities in the current climate: their ability to service debt costs from revenue; their ability to ensure adequate investment in local authority assets; and the government's ability to balance local autonomy and national oversight.

It concludes that although the fall in revenue income has placed pressure on local authorities, their capital programmes have not been under the same pressure. Despite prudent action by local authorities to minimise the cost of debt servicing, this accounts for a significant part of revenue spending: 9.9% on average in single tier and county councils. This in turn has an impact on the ability of local authorities to adequately maintain and invest in core assets.

The NAO offers several recommendations for the Department for Communities and Local Government: the most crucial of which is that the Department should improve its understanding of capital expenditure and resourcing issues and work with CIPFA to review the current capital framework in order to promote decision making which is more appropriately adjusted to consider the long term given expected financial pressures.

### Ofsted social care annual report 2016

Her Majesty's Chief Inspector has recently published his annual report into social care, seeking to provide a clear representation of state of the system in the UK. Currently, a quarter of local services are deemed inadequate. The key message of the report is that this inadequate provision is not the result of a lack of funding, size nor deprivation of the area, rather a shortage of quality leadership within the social care sector. The report highlights examples of where excellent leadership in local authorities has resulted in the quality of care significantly improving, leaving those authorities without such leadership behind.

The report also points towards the importance of local political leadership as a key driver of success, and shows how the best-performing local authorities have been aided by political actors with an active and positive attitude towards social care. It concludes that it is the behaviour of these politicians, twinned with strong leadership from managers which gives staff more confidence, resulting in a higher overall level of care.

A further area for improvement noted is that of training of staff. The report notes the high commitment of those working in the sector, but recognises that often staff are not given the adequate training opportunities to deal with the complex and ranging problems with which they are faced.





## Key questions for the audit committee

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### **What questions should the Audit Committee be asking itself?**

What actions are being taken to consider the impact of the UK's decision to leave the European Union?

Have we considered the increase in personal data collection which we will be responsible for as a result of changes to off-payroll working?

Are we prepared to undergo a review of our processes for reporting election results?

Have we considered how the increasing scope of the Governmental Internal Audit Agency could impact on local government audits in the future?

Have we considered the impact of the new highway network asset code of practice and the impact on our local authority?

Have we given consideration to the need to minimise revenue spend on debt servicing and maximise revenue spend on assets?



## Find out more

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### **EU Referendum**

For more news about the EU referendum result and its implications: <http://www.ey.com/UK/en/Issues/Business-environment/EU-Referendum>

### **Off-Payroll working in the public sector: update**

See the full EY report at: [http://www.ey.com/Publication/vwLUAssets/EY-tax-news-2016-05-31-07/\\$FILE/EY-tax-news-2016-05-31-07.pdf](http://www.ey.com/Publication/vwLUAssets/EY-tax-news-2016-05-31-07/$FILE/EY-tax-news-2016-05-31-07.pdf)

### **Election data**

See the full action plan at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/522781/UK\\_Open\\_Government\\_National\\_Action\\_Plan\\_2016-18.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/522781/UK_Open_Government_National_Action_Plan_2016-18.pdf)

### **Government lending to local authorities**

See the government announcement at: <https://www.gov.uk/government/news/government-takes-next-step-to-modernise-the-governance-of-lending-to-local-authorities>

### **Whole of Government Accounts (2014/15)**

See the NAO's analysis of the Whole of Government Accounts at: <https://www.nao.org.uk/highlights/whole-of-government-accounts/>

### **Government Internal Audit Agency Corporate Plan 2016-17**

Read the GIAA's Corporate Plan – visit: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/526224/GIAA\\_Corporate\\_Plan\\_2016-17\\_\\_final\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/526224/GIAA_Corporate_Plan_2016-17__final_.pdf)

### **Financial sustainability**

Find the full report the NAO at: <https://www.nao.org.uk/wp-content/uploads/2016/06/Financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing.pdf>

### **Ofsted social care annual report 2016**

Read the full report at: <https://www.gov.uk/government/publications/ofsted-social-care-annual-report-2016>







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**Committee: Performance & Audit**

**Agenda Item**

**Date: 15<sup>th</sup> November 2016**

**7**

**Title: Appointment of External Auditor**

**Author: Angela Knight  
Assistant Director – Resources**

Item for decision

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## **Summary**

The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England.

In response to the consultation on the new appointment arrangement, the LGA successfully lobbied for Councils to be able to opt in to a Sector Led Body appointed by the Secretary of State. Public Sector Audit Appointments (PSAA) were successful in securing the procurement framework as the Appointing Person.

The transitional arrangements for local government bodies ceases after the 2017/18 audit and under the new arrangements of the act authorities are required to either;

1. Opt in to a Sector Led Body, Public Sector Audit Appointments (PSAA).
2. To establish an auditor panel and conduct our own procurement exercise.
3. Explore the establishment of local joint procurement arrangements with neighbouring authorities.

It is likely that a sector-wide procurement conducted by PSAA will produce better outcomes for the Council on both quality and cost than any procurement we undertook ourselves or with a limited number of partners.

Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement.

Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt-in must be made by Full Council.

## **Recommendations**

- Performance and Audit Committee to recommend to Full Council that the Council opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

**Financial Implications**

If PSAA is not used additional resource will be needed to establish an auditor panel and conduct our own procurement. Until either option for procurement is completed it would not be possible to ascertain additional financial implications for audit fees for 2018/19, although it is anticipated that any increase will be minimised through using PSAA.

**Background Papers**

- [Procurement and Appointment of Auditors](#)
- [PSAA Prospectus and FAQ](#)

**Impact**

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**

1. As part of closing the Audit Commission the Government novated external audit contracts to PSAA on 1 April 2015. The audits were due to expire following conclusion of the audits of the 2016/17 accounts, but could be extended for a period of up to three years by PSAA, subject to approval from the Department for Communities and Local Government.
2. In October 2015 the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the contracts for a period of one year. This meant that for the audit of the 2018/19 accounts it would be necessary for authorities to either undertake their own procurement or to opt in to the appointed person regime.
3. There was a degree of uncertainty around the appointed person regime until July 2016 when PSAA were specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person)



Regulations 2015. The appointing person is sometimes referred to as the sector-led body and PSAA has wide support across most of local government. PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission and is a company owned by the Local Government Association's Improvement and Development Agency (IDeA).

4. The date by which authorities will need to opt in to the appointing person arrangements is not yet finalised. However, it is anticipated that invitations to opt in will be issued in December 2016.
5. The main advantages of using PSAA are set out in its prospectus (link provided under background papers) and are copied below; these can also be viewed as the disadvantages if the Council was to decide to undertake its own procurement under either option 2 or 3.
  - Assure timely auditor appointments
  - Manage independence of auditors
  - Secure highly competitive prices
  - Save on procurement costs
  - Save time and effort needed on auditor panels
  - Focus on audit quality
  - Operate on a not for profit basis and distribute any surplus funds to scheme members

## Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Successful appointment not achieved to timescales	2	4	Early consideration of preferred option/approach

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 & Audit**

**Agenda Item**

**Date: 15<sup>th</sup> November 2016**

**8**

**Title: Procurement Arrangements**

**Author: Cristine Oakey, Procurement Manager**

Item for information

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### **Summary**

At the last meeting of Performance and Audit (19<sup>th</sup> May 2016), Members requested a report on procurement activity be brought to the Committee on a six monthly basis.

This report provides an update on procurement activity for the first six months of the current financial year (i.e. April – September 2016)

The report provides information on two specific areas requested

- A) Contracts awarded over the value at which they are required to be tendered (£50,000) and
- B) Instances where requests for exceptions to Contract Procedure Rules have been requested

### **Recommendations**

The Committee notes the content of the report

### **Financial Implications**

There are no financial implications associated with this report

### **Background Papers**

Procurement Strategy 2016/17 (Appendix A)

### **Impact**

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

### A) Contracts awarded over the value at which they are required to be tendered (£50,000)

Four new major contracts have been awarded since the start of the financial year. Each has been awarded having been tendered in accordance with Contract Procedure Rules.

The approach taken to the procurement of each contract is considered on an individual basis and documented in a detailed acquisition plan. Whilst the Council's approach is to make use of National frameworks where suitable, this is not always the case and the strategy includes a review of both the legal and commercial suitability. The contract for Servicing and Repair of Heating and Water Systems was tendered by the Council (in accordance with EU legislation given the contract is over the threshold value of £164,176) to allow the current contractor who is providing the service very well, the opportunity to bid for the new contract. This was also the case for the small engineering works, whilst the contracts for the replacement vehicles and water monitoring were tendered under national framework arrangements.

#### 1. Water Monitoring & Treatment (Legionella Control).

This contract was awarded on 19<sup>th</sup> May 2016 to Northumbrian Water Group for a period of four years with an optional two year extension. The estimated value over the life of contract is £58,287.84, bringing a projected saving of £271,712.16 against the current budget provision of £55,000 per annum.

#### 2. Servicing & Repair Heating and Hot Water Systems. This contract includes

- All Landlord Gas Safety Checks & Certificates
- Servicing, Maintenance & Repairs to Domestic Systems
- Servicing, Maintenance & Repairs to Commercial Plant & Equipment.

This contract was awarded on 7<sup>th</sup> June 2016 to Aaron Services Limited for a period of five years with an optional five year extension. The estimated value is £222,163.15 per annum. This represents a saving of over 40% against the current budget provision (the saving estimated to be £152,336.85 per annum or over £1.5m over the life of the contract) where the budget was set at £374,500 (£330,000 for domestic and £44,500 for commercial work).

### 3. Small Engineering Works (Civil Engineering)

This contract was awarded to J Breheny commencing 1<sup>st</sup> August 2016 for a period of four years with an optional two year extension. The total cost is expected to be in the region of £150,000 per annum, however savings are difficult to quantify as costs are taken from a number of budgets.

### 4. Vehicle Replacement Programme

Two contracts were awarded 15<sup>th</sup> July 2016. Two new sweepers being purchased from Abel Schmidt and two new refuse freighters from Dennis Eagle.

Savings of over 7.5% on a budget of £541,000 were achieved.

Contracts for three vehicles were not awarded as the costs were not considered to represent value for money and these were purchased separately.

During the acquisition stage, our needs are reviewed – both the contract conditions and the specifications, in conjunction with the internal clients. This challenge process has contributed to the significant savings on the Water Monitoring Contract and the Heating Servicing Contract although neither was awarded on price alone. The criteria for evaluating tenders for the Watering Monitoring contract was set at 60% in respect of quality and 40% on price and the Heating Servicing Contract was set at 40% in respect of quality and 60% on price.

The contract for the appointment of the Main Contractor for re-development of Hatherley Court has not been made, as the costs were over budget and not deemed to provide value for money. The contract is currently in the process of being re-tendered.

Negotiations have taken place with providers where contracts have entered their final year of the initial term with a view to agreeing extension options. These relate to Kitchen Replacements and External Painting & Repairs. Having been satisfied with performance these have been extended. In one instance an uplift in costs was agreed and in the other, the application was declined.

Whilst contracts below £50,000 may be agreed under delegated powers by departments, there have been increasing requests for assistance in negotiating contract terms to remove onerous requirements and apportion risk in a more even manner between the parties. Whilst placing additional pressures on the service, it is good to see greater understanding across the organisation of the need to consider these issues before contracting with providers.

**B) Instances where requests for exceptions to Contract Procedure Rules have been requested**

- Five exception requests have been made and are detailed in Appendix B
- Three applications were for Housing, one for IT (for software for Committee Section) and the other for Asset Management.

**Risk Analysis**

Risk	Likelihood	Impact	Mitigating actions
That the council does not ensure value for money through its procurement activities	1 – The council has robust contract procedure rules in place, and a Procurement Strategy is approved by Members annually	2- There may be some risk that if procurement rules are not followed the council may not realise best value through its contracts	The current structures and processes that are in place give sound reassurance that the council is receiving value for money through its contracts

- 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.

## Appendix A – Procurement Strategy

The Procurement Strategy is reviewed annually and provides an update on work completed during the previous financial year as well as setting out the programme of work for the new financial year,

General guidelines in relation to procurement are set out in the Council’s Contract Procedure Rules. There are specific requirements that quotations or tenders be obtained where the value of the contract falls into the following bands :

Up to £10,000	Deputy Chief Officers have discretion regarding the obtaining of quotations (including the number of quotes obtained and how they are obtained). It is advisable to obtain at least two comparable prices. Officers shall obtain at least one quotation from a local <sup>1</sup> company wherever possible	During 2015/16, 3,080 orders were raised in this category <sup>2</sup> .
Up to £50,000	A minimum of three written quotations shall be obtained. Officers shall obtain at least one quotation from a local <sup>1</sup> company wherever possible	During 2015/16, 70 orders were raised in this category, one of which was a “mini-tender” and three of were subject to an exception request approved in accordance with Contracts Procedure Rules.
Over £50,000	Offers will be invited by tender as follows  <i>Contracts for the supply of Goods or Services</i> Up to £164,176 – UK Only Over £164,176 – European Tender  <i>Contracts for Works or Concessions<sup>3</sup></i> Up to £4.1m – UK Only Over £4.1m – European Tender	During 2015/16, 12 new contracts were let in this category.  Tenders (or “mini-tenders”) were undertaken in ten instances and two were subject to exception requests approved in accordance with Contracts Procedure Rules.  Full details of the contracts are set out on pages 5-9

■ \_\_\_\_\_  
<sup>1</sup> “local” shall mean within 20 miles radius of either Great Dunmow or Saffron Walden

<sup>2</sup> Purchase orders are not used in all instances and therefore the exact number is difficult to determine with accuracy. It has been identified as an action for 2016/17 to increase use of the ordering system across the authority.

<sup>3</sup> New legislation introduced April 2016 that applies where the authority awards a concession (ie where the contractor stands to gain financially from the award. Examples include the operation of leisure centres, running of café’s, toll roads, solar pv installations)

## **Appendix A – Procurement Strategy**

The values have been reviewed and there is no proposal to amend the thresholds, these came into force on 18 April 2016. These values are reviewed every two years and are next due in January 2018.

The Council's preferred option when developing the approach to the acquisition of contracts is to use national frameworks where possible. These have been used in some instances during 2015/16 (see table overleaf for more details). This allows us to benefit from economies of scale and to award contracts above threshold values without further need to tender in Europe, although there is still a need to carry out further competition in the form of a "mini-tender". It is recommended that this approach, which forms part of the acquisition plan for each contract, continues. This stage also considers the relative importance of cost v quality when evaluating tenders – it is rare that contracts over £50,000 are awarded simply on cost alone.



## Appendix A – Procurement Strategy

### Review of 2015/16

The Procurement Strategy for 2015/16 was approved by Cabinet in May 2015.

The plan included three initiatives –

- Letting contracts set out in the work plan for the year
- Providing support for colleagues implementing new working practices as a result of the implementation of “E-Buy” (the order module of the financial information system) and
- Reviewing processes and template documents – particularly to ensure they are compliant with the Public Contracts Regulations 2015

Nine contracts on the work plan have been awarded along with a further eight that were not planned. A further ten contracts from the work plan are in progress along with a further two that were not planned. Details are set out overleaf. Work will continue on the remaining contracts and are included in the work plan for 2016/17.

Support for colleagues using the ordering system continues. A significant upgrade of the system in March has gone smoothly and although there have been some minor issues the use of the system is now being used more readily.

The review of processes and templates has been completed, but remain under constant review in the changing environment.

It is pleasing to report that Procurement and the process of awarding contracts was subject to an internal audit in February 2016 and found to be providing effective systems and controls – an opinion of “substantial” was awarded..

## Appendix A – Procurement Strategy

Requirements	Value	Housing	Corporate	Update
Electrical Rewiring	£3.3m (based on £650,000/yr)	✓		A five year contract awarded to Oakray, commencing 1 <sup>st</sup> April 2016. The award followed a tender undertaken by the Procurement Department
Photovoltaic Panels on Workshop and Museum Store	£60,000		✓	A contract awarded to Playfords The award followed the approval of an exception request given the changes introduced to the Feed-in Tariff by the Government at short notice
Housing Development at Catons Lane – Appointment of Main Contractor	£866,759	✓		A contract awarded to Court Homes The award followed a tender undertaken by the Procurement Department
Power Supplies	£588,000 (based on £147,000/yr).	✓	✓	A four year contract awarded to Npower commencing on 1 October 2016. The award is part of a larger framework arrangement whereby the Council benefits from aggregation under the framework let by LASER (a specialist division of Kent County Council) who, acting on behalf of a significant number of Authorities, trade on the commodities markets (the framework is estimated to be worth £900m)
Gas Supplies	£612,000 (based on £153,000/yr).	✓	✓	A four year contract awarded to Total commencing on 1 October 2016. The award is part of a larger framework arrangement whereby the Council benefits from aggregation under the framework let by LASER (a specialist division of Kent County Council) who, acting on behalf of a significant number of Authorities, trade on the commodities markets (the framework

Requirements	Value	Housing	Corporate	Update
External Wall Insulation (under Energy Efficiency Improvement Schemes)	£380,000	✓		<p>A contract awarded to Foster Property Maintenance to supply and install external wall insulation to approximately 60 domestic properties has been concluded. The contract attracted external funding reducing the final figure payable by the Council.</p> <p>The award followed a tender undertaken by the Procurement Department</p>
Managed Telecoms	£860,000 (based on £172,410/yr)		✓	<p>A five year contract awarded to AdEPT commencing 15<sup>th</sup> December 2015</p> <p>The award followed further competition under a Crown Commercial Services framework.</p>
Treasury / Investment Advice	£45,450 (bringing total to £95,450)		✓	<p>A three year extension to the current contract with Arlingclose commencing 1 January 2016</p> <p>The award followed satisfactory reviews with the client and provider and the approval of an Exception Request.</p>
Window Replacement Programme	£198,800 (bringing total to £1.06m)	✓		<p>A two year extension to the current contract with Wrekin Windows commencing 1 April 2016</p> <p>Following satisfactory reviews with the client and provider, the option to extend the contract has been exercised.</p>

## Appendix A – Procurement Strategy

*New Contracts not included in the original programme for the year but which have been undertaken:*

Requirements	Value	Housing	Corporate	Update
Saffron Walden Castle – Repairs to West & North Curtain Wall	£300,000		✓	<p>A contract awarded to Bakers of Danbury Ltd.</p> <p>An external Architect was engaged by the service to undertake the tendering process for this and a proposal was received to appoint a contractor A number of issues were identified regarding the process and following discussions with the Procurement Manager and Chief Officers it was recommended that the contract should not be awarded and it was subsequently withdrawn. Historic England are supporting the project with a grant of £300,000 that required the contractor to be on site by the end of the financial year. Discussions between procurement, chief officers and the Architects took place and the contract was re-tendered meeting all legislative requirements and those set out in Contracts Procedure Rules.</p>
Consultant for works in connection with the Local Plan – Retail Impact Assessment	£33,000		✓	<p>A contract awarded to Savills to update the Retail Impact Assessment carried out previously.</p> <p>The re-appointment was made following the submission and approval of an exception request.</p>
Consultant for works in connection with the Local Plan – Employment Land Review	£19,068		✓	<p>A contract awarded to Aecom.</p> <p>The award followed further competition under an ESPO framework for Consultants</p>
Consultant for works in connection with the Local Plan – Transport	£62,193		✓	<p>A contract awarded to WYG</p>

Consultant				The award followed further competition under an ESPO framework for Consultants
Requirements	Value	Housing	Corporate	Update
Consultant – Legal Advice for the creation of SPV	£15,000		✓	A contract awarded to Pinsent Masons  The award was made as a “direct award” under the terms of the Government Procurement Services framework for Legal Services.
Utilities – Management of Void Properties	Approx. £9,000	✓		A contract awarded to British Gas  The appointment was made following the submission and approval of an exception request
Waste Transfer Station	£113,000		✓	A contract awarded to Essex County Council  The appointment was made following the submission and approval of an exception request.  The Council have been in dialogue with Essex County Council for some time regarding the intention to use the new waste transfer station being built at Great Dunmow. The contract (being over £50,000) must be tendered or an exception submitted for approval. Using the Teckal exception set out in the Public Contracts Regulations, the same principle was applied (given the Conditions could be met) and the exception approved.
Supply and Installation of Solar PV to Housing Stock	Fully funded by third party	✓		A contract awarded to AMP (Solar) UK Ltd  The award was made under the terms of the Alliance Homes framework Although under significant time pressures due to Government changes in funding, an appointment was made which resulted in the installation of Solar PV to almost 300 properties. Some contractual issues remain outstanding and the project team will continue to work to remedy these.

Requirements	Value	Housing	Corporate	Update
Back record conversion - planning files converted to microfilm	Up to £60,000		✓	A contract awarded to Stor-a-File Ltd  The award was made as a “direct award” under the terms of an ESPO framework arrangement
Supply & Installation of Replacement windows to second floor of London Road Council Office Building	£57,410		✓	A contract awarded to Haslemere Windows  The award followed further competition under an LHC Window Replacement framework arrangement
Appointment of Consultant to provide support on the creation of Garden Developments	£18,000		✓	A contract awarded to Garden City Developments CIC  The appointment was made following the submission and approval of an exception request.
The supply and installation of air handling units in the Civic Suite of London Road Council Office Building	£47,100		✓	A contract awarded to Oakray Ltd  The appointment was made following the submission and approval of an exception request.

## **Appendix A – Procurement Strategy**

### **Ambitions & Priorities for 2016/17**

There are two pieces of work to be included as a priority in 2016/17 from external sources.

The requirements of The Modern Slavery Act introduced in 2015 will be addressed during the financial year. The Act sets out requirements for commercial organisations with a turnover above £36m to publish a statement about slavery and human trafficking in their supply chains.

The Council will make use of this information in selecting and monitoring our suppliers but may also elect to provide a statement of our own.

As the Act seeks to improve working conditions, the Procurement Department will take the lead on this initiative.

The Public Contracts Regulations introduced in 2015 require us to trade electronically by 2018. Work should commence during 2016/17, in conjunction with the IT department to consider new ways of working and options to deliver them

The procurement of fourteen contracts are already underway – these should be completed during the year. A further ten have been identified on the succession planning or from capital bids.

A programme of improvement is also to be implemented to further progress the use of the purchase order system, with a view to reducing the number of invoices processed manually outside of the ordering system – giving greater accountability and monitoring and will aid in streamlining working practices.

The Procurement Officer, appointed in June 2015 will be supported to progress to membership of the Chartered Institute of Purchasing & Supply.

## Appendix A – Procurement Strategy

### Work Plan for 2016/17

Procurement of new Contracts already in progress -

Requirements	Budget	Housing	Corporate	Update
Water Monitoring & Treatment (Legionella Control)	£55,000/yr.	✓	✓	This contract is due to be awarded shortly. Further competition under a national framework has been undertaken and is currently in the evaluation stage
Lifts & Stair lifts	£32,000/yr.	✓	✓	An on-going arrangement with the incumbent provider is being continued given the statutory duties on the Council to carry out the works. The service has not been tendered as planned but significant progress has been made to collate the asset list.  Initial investigations of some national frameworks are not promising although we are aware of some recently awarded arrangements and will keep this under review up to the point of issuing tenders.
Servicing & Repair Heating and Hot Water Systems  Including  All Landlord Gas Safety Checks & Certificates  Servicing, Maintenance & Repairs to Domestic Systems	£330,000	✓	✓	This contract is due to be awarded shortly. An on-going arrangement with the incumbent provider is being continued given the statutory duties on the Council to carry out the works whilst procurement of a new contract is underway.  A notice was published in the Official Journal of the European Union and tenders invited under an open procedure.  Tender submissions are currently being evaluated.



Servicing, Maintenance & Repairs to Commercial Plant & Equipment	£44,500			Subject to the mandatory standstill period and there being no legal challenge, the contract is expected to commence on 6 <sup>th</sup> June
Small Engineering Works (Civil Engineering)	£120,000	✓	✓	Tender Documents are currently being prepared and tenders will be invited for a new contract to commence in July.
Photocopiers in Reprographics	£68,000/yr		✓	These contracts have all expired but rather than simply re-procure new contracts, the opportunity to carry out a complete review of how the services are provided will be taken. Procurement of contracts will commence shortly and Initial scoping suggests that the procurement will follow a “competitive dialogue” procedure seeking innovative ideas from the market to suggest ways to streamline working practices and deliver savings. Competitive dialogue can be very effective but is resource intensive and will need to be managed and planned well to achieve the best outcome. In the interim, current contracts are being extended on a quarterly basis
MFD's			✓	
Mailing / Franking Machine	£34,000/yr		✓	
Culvert Trash Screen	£40,000	✓		
Asbestos Surveys	£80,000	✓		An on-going arrangement with the incumbent provider is being continued given the statutory duties on the Council to carry out the works. The service is on the programme of work for 2015/16.
Asbestos Removal	Not known	✓		Removal works carried out as part of capital works do not have a separate budget so are difficult to predict, however it has been a significant area of expenditure. A new approach to this is being considered with a view to streamlining work particularly in void

				properties
Housing Sheltered Scheme –  Appointment of Main Contractor for demolition and re-development of Reynolds Court	£6.5m	✓		<p>Following the recommendations of the Employers Agent (Henry Riley), the Council have conducted a two stage tender commencing in February 2015 with the release of an OJEU Notice, for the appointment of the main contractor. The main contractor – Lovell Partnership – has been appointed and is currently working on stage two, working with the project team to complete detailed designs and inviting tenders from sub-contractors in order to arrive at the final, fixed contract price.</p> <p>Difficulties are being experienced in obtaining pricing given the buoyant state of the construction market at present and whilst firm prices should have now been achieved they are either not complete or not considered competitive enough to bring the scheme in on budget.</p> <p>The project team continue to work through the difficulties, in the meantime have released several discrete pieces of work so that some progress on site can be made without having a detrimental effect on either the completion date or external funding.</p>
Housing Sheltered Scheme  Appointment of Main Contractor for re-development of Hatherley Court	£1.6m	✓		<p>A domestic tender for the appointment of a main contractor. Following the recommendations of the Employers Agent (Oxbury), the Council have conducted a two stage tender for the appointment of the main contractor.</p> <p>The main contractor – Thomas Sinden – has been appointed and is currently working on stage two, working with the project team to complete detailed designs and inviting tenders from sub-contractors in order to arrive at the final, fixed contract price.</p>

Vehicle Replacement Programme	£847,000	✓	✓	Invitations have been issued to invite offers for the supply of nine new vehicles. Previously purchased as single requirements, they have been aggregated into one piece of work, streamlining the procurement process and aiming to improve prices by aggregating the value of the contract. Tenders are due back in mid-May, and will include driver evaluation and the inclusion of revenue costs (such as fuel economy and servicing costs) as well as the acquisition cost (a move towards “whole life cycle” costs).
New Depot at Great Dunmow	£1.5m		✓	A consultant has been appointed to locate a suitable site for the new depot and negotiations are continuing. Once the land has been purchased and needs identified, procurement of buildings and/or equipment may commence.
London Road Building Works	£190,000		✓	The schedule of works is based on the stock condition survey carried out 3 years ago. Either a framework or a domestic tender is likely to be suitable for these works.

New Contracts to be Procured

Requirements	Budget	Housing	Corporate	Update
Energy Bureau	£11,000/yr	✓	✓	This contract expires in December 2016. Succession planning will commence in September 2016

External Painting & Repairs	£200,000/yr	✓		This contract expires in March 2017. Succession planning will commence in September 2016.
Payroll Services	£25,600/yr		✓	This contract expires in September 2017. Due to issues with the current levels of service, succession planning has already commenced and tender documents are being prepared to include the provision of new HR software.
Insurance	£438,660/yr		✓	These contracts expire in September 2016, although there is an option to extend by a further two years. Succession planning will commence in June.
ICT Software for Revenues & Benefits	£29,440/yr		✓	This contract expires in December 2016. Succession planning will commence in June 2016
Telecare – Upgrades & Servicing	£6,000/yr	✓		This contract expires in March 2017. Succession planning will commence in October 2016.
Domestic Boiler Installations	£570,000/yr	✓		This contract expires in March 2017. Succession planning will commence in June 2016
Household Wheelie Bins	£70,000		✓	A standing General Fund Capital scheme, the financial year 16/17 has an increase from £40k to £70k which is then sustained until 2019/20. Whilst usually a call-off under a framework, a review of our approach may be beneficial
London Road & Museum Buildings	£119,000 & £52,000		✓	Potentially small value contracts as opposed to one single contract, advice and support will be provided to the budget manager for

				these capital allocations for 2016/17
Housing Sheltered Scheme Appointment of Main Contractor for re-development of Walden Place	£800,000	✓		A new capital project for redevelopment of Walden Place.

## Appendix B – Exception Requests

Details	Estimated Value of Contract		Client Department	Contract Awarded to	Reason for Exception Request	Expiry Date
	£10,000 to £50,000 (Quotations)	£50,000 to EU Threshold (Tenders)				
Heating & Hot Water Systems: Servicing, Maintenance & Repair		£70,609.00	Housing Repairs	Oakray	Delay in the re Procurement process. Cover required for approximately three months with the incumbent provider	1st July 2016
Saffron Walden Castle, Phase 2 Repairs to the East & South Curtain Walls		£210,579	Corporate Team	Bakers of Danbury	Request to waive the requirement to tender the contract on the basis that Bakers of Danbury have carried out Phase 1 and are still on site. This will also give continuity in the finish of the soft capping works which is to be carried out during Oct/Nov. As the contract is subject to grant provision from Historic England who have been extremely complimentary about the works already completed, this approach is also likely to increase the	April 2017

					support of the grant application.	
IT Software – Committee (Decision) Management System	£31,010.00		ICT	Modern.Gov	Request to waive requirement for three quotations. Only two providers on the market. This provider offers better functionality	01 August 2019
Redevelopment of Hatherley Court  (Re-Tender)		£1,737,076.00	Housing	TBC	In anticipation of the original tender being over budget. To avoid unnecessary delays in administering a new tender process, the previous unsuccessful bidders are invited to re-tender rather than advertise in accordance with Contract Procedure Rules.	N/A
Redevelopment of Reynolds Court - Performance Bond		£7.2m	Housing	Lovell Partnerships	Upon the recommendation provided by the appointed consultants, Henry Riley, a LABC Building Warranty and a LABC Contractor Insolvency Cover have been arranged in lieu of a Performance Bond.	01 July 2028





**Committee: Performance and Audit**

**Agenda Item**

**Date: 15 November 2016**

**9**

**Title: Health and Safety update**

**Author: David Cottrell**

Item for information

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### Summary

1. This report summarises health and safety statistics and activity for the council. It was previously agreed by the committee that such reports would be presented regularly. Because this report is the first of its type, it covers a three year period, from 2014 to 2016, and includes statistical information on accident trends within services areas and information on relevant accident reduction work.

### Recommendations

2. None

### Financial Implications

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

### Background Papers

4. None

### Impact

- 5.

Communication/Consultation	Regular communication with staff about health and safety issues, including personal communication and visibility exercises, on site safety clinics, monthly tool box talks, learning exercises and a quarterly newsletter
Community Safety	Health and safety awareness and training improves the safety of the community when in contact with our staff
Equalities	None
Health and Safety	Effective policies and procedures have improved health and safety in the council
Human Rights/Legal	Ineffective health and safety on the

Implications	workplace could lead to serious legal implications
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	Health and safety is an essential part of the workplace

## Situation

6. This report covers Corporate Health and Safety for Uttlesford District Council. It includes statistical information on accident trends within services areas and information on relevant accident reduction work.
7. This report covers the last 3 years - 2014 to 2016. Please note these figures are gathered from the safety year which runs for the duration of the calendar year (1<sup>st</sup> Jan to 31<sup>st</sup> Dec) and not the financial year (1<sup>st</sup> April to 31<sup>st</sup> March).
8. The statistical information relates to accidents, near misses, aggressive incidents, road collisions and events involving members of the public.
9. An accident is an unplanned and uncontrolled event which leads to an injury or damage to property.
10. Accidents fall into one of three categories: accidents resulting in injury and work absence for over 7 days (RIDDOR); accidents resulting in injury with work absence of less than 7 days and accidents resulting in injury (minor) or damage to property, with no work absence resulting.
11. All RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations), injuries resulting in over 7 days' work absence are reportable to the Health and Safety Executive (HSE). There are other categories of RIDDOR reportable to the HSE such as explosions, gas safe and industrial diseases.
12. A near miss is an unplanned and uncontrolled event which on that occasion did not lead to an injury or damage to property, but could have.
13. UDC records all accidents, dangerous occurrences and safety events affecting the council, its employees, all volunteers, our contractors and all members of the public who have either become injured on our premises or have become injured as a result of any UDC work activity carried out on or off of our premises.
14. Last year (2015) following a rise in road traffic collisions, it was decided to record road collisions separately as part of our accident recording process. This is reflected in the 2016 statistics. Please note that most of our road collisions are minor in nature.
15. In 2014, UDC recorded 71 entries in the accident book. In 2015 this figure was 73 entries. By 18 October 2016 the council was at 52 entries and an end of year figure of around 70 is projected.

16. Street Services is the highest risk area with slips, trips and falls being the most common type of accident, followed by manual handling. Appendix 1 gives full statistical information for accident book entries 2014 to 2016 (18<sup>th</sup> October 2016).
17. In the second half of 2015 and first half of 2016, a number of steps were taken to reduce the risks within Street Services. These included revisiting the driving at work policy coupled with robust accident investigation, as well as toolbox talks and directed training.
18. We also improved the quality of the Toe Tec work-provided footwear which now has mandatory ankle support (we banned workplace Toe Tec trainers and shoes), and introduced specific manual handling training and focussed toolbox safety talks.
19. The evidence demonstrates this approach has worked well as in 2016 there has been a marked reduction in accidents and road collisions within Street Services, as indeed seen across the whole of the council. Appendix 2 contains information relating to slip, trip and fall statistics within Street Services for last four years
20. Overall, although accident reporting numbers are still about the same as last year, the severity and in particular accidents resulting in work absence have been reduced.
21. This is considered to be positive because in any organisation serious accidents and injuries will generally be reported; but often lesser or no injury accidents, including near misses, are not. Reporting levels are up within the council as a result of a two year near miss campaign and concerted effort by Health and Safety. Staff are encouraged to report any and all minor accidents and near misses.
22. This has resulted in the increased accident reporting demonstrated in the accident statistics but also a marked decrease and decline of work place absence, which is encouraging. .
23. Two years ago all safety training was brought back in house and delivered by qualified and accredited trainers within the council's Safety Team. This has resulted in a considerable saving to the council on essential safety training and includes asbestos awareness, manual handling, team lifting, working at height, stress awareness, conflict resolution, health and safety for supervisors and safer driving at work. More than 200 employees and volunteers have been trained since this scheme was introduced. Appendix 3 shows the savings made.
24. Appendix 4 gives a breakdown of accidents and near misses by service area for the last three years.

## Risk Analysis

25.

Risk	Likelihood	Impact	Mitigating actions
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Low risk to health and safety within the current format	2	2	Continuation of an effective and efficient Health and Safety regime
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1 = Little or no risk or impact

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

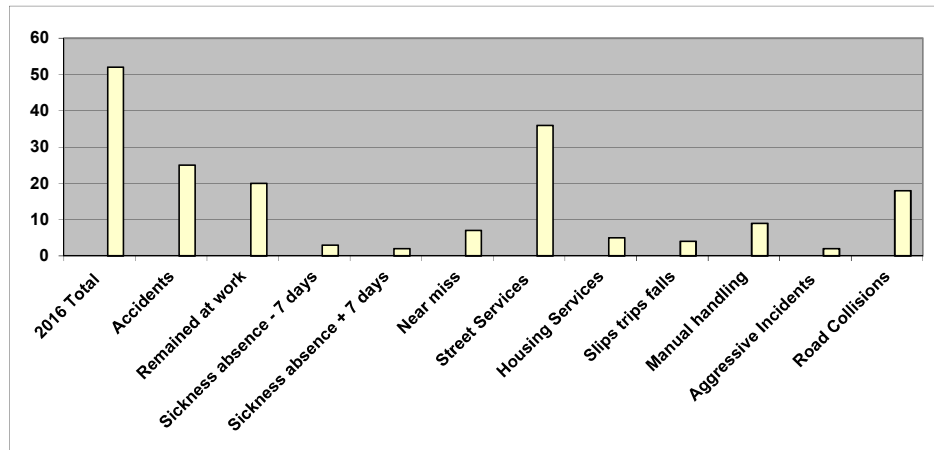
3 = Significant risk or impact – action required

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

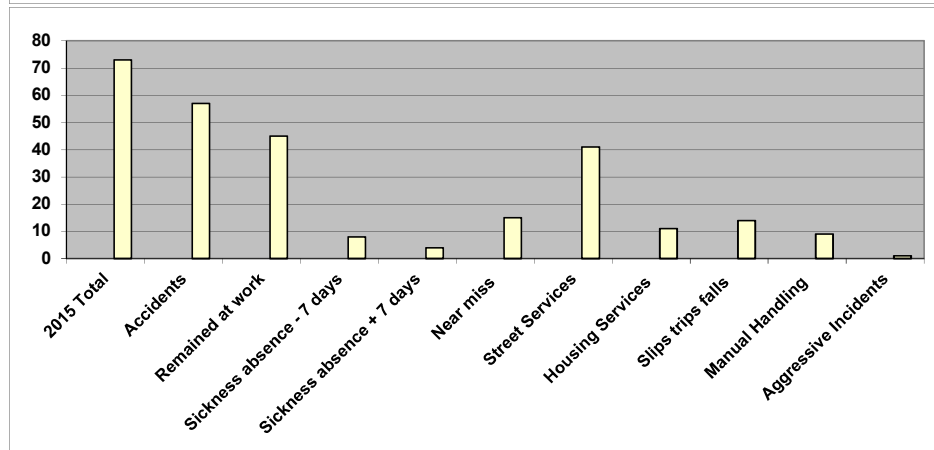


Appendix 1

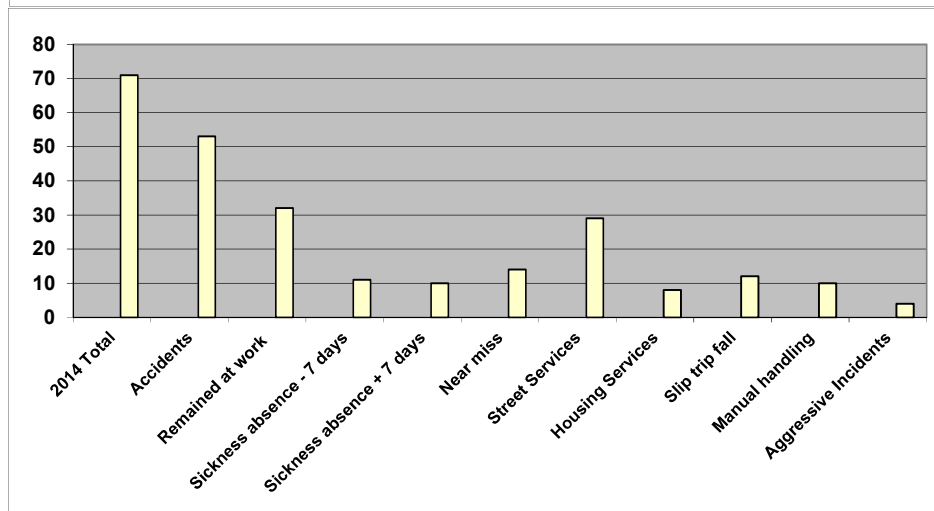
<b>2016 Total</b>	52
Accidents	25
Remained at work	20
Sickness absence - 7 days	3
Sickness absence + 7 days	2
Near miss	7
Street Services	36
Housing Services	5
Slips trips falls	4
Manual handling	9
Aggressive Incidents	2
Road Collisions	18
<b>RTC not previously seperated in stats</b>	
<b>STATS CORRECT TO 18/10/2016</b>	



<b>2015 Total</b>	73
Accidents	57
Remained at work	45
Sickness absence - 7 days	8
Sickness absence + 7 days	4
Near miss	15
Street Services	41
Housing Services	11
Slips trips falls	14
Manual Handling	9
Aggressive Incidents	1

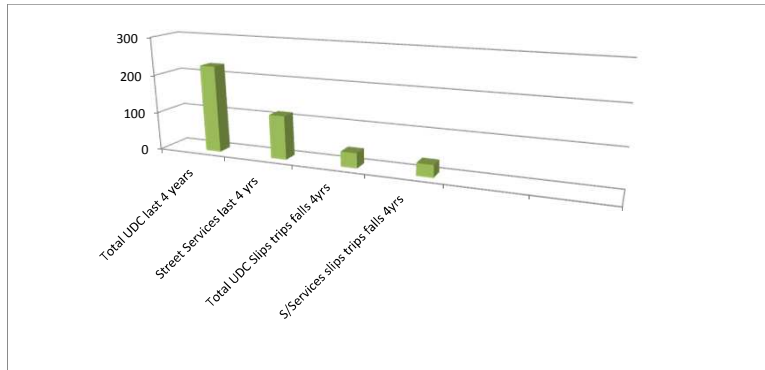


<b>2014 Total</b>	71
Accidents	53
Remained at work	32
Sickness absence - 7 days	11
Sickness absence + 7 days	10
Near miss	14
Street Services	29
Housing Services	8
Slip trip fall	12
Manual handling	10
Aggressive Incidents	4

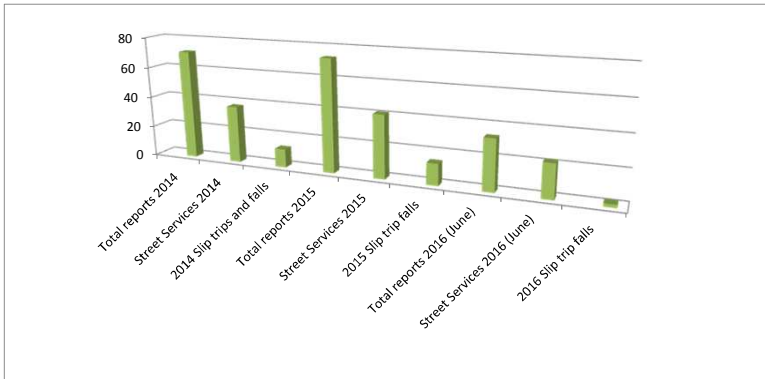




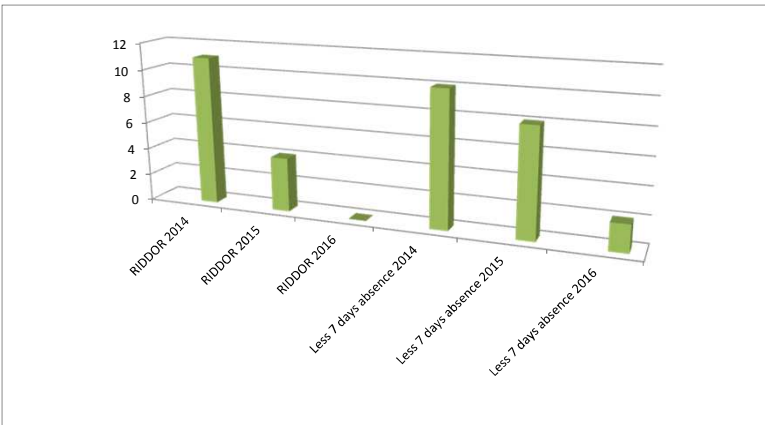
UDC last 4 years	228
Street Services last 4 yrs	114
Total UDC Slips trips falls 4yrs	39
S/Services slips trips falls 4yrs	32



Total reports 2014	71
Street Services 2014	37
2014 Slip trips and falls	12
Total reports 2015	73
Street Services 2015	41
2015 Slip trip falls	14
Total reports 2016 (June)	33
Street Services 2016 (June)	22
2016 Slip trip falls	2



RIDDOR 2014	11
RIDDOR 2015	4
RIDDOR 2016	0
Less 7 days absence 2014	10
Less 7 days absence 2015	8
Less 7 days absence 2016	2







### Appendix 3

#### Health and safety training costs

By delivering in house training the following savings can be estimated:

Since 2015 more than 200 members of staff have received accredited training. The details are as follows: courses are based on lower end of the training market face to face delivery. On line training is available and cheaper if outsourced, however the quality is mostly not as good as face to face learning where questions can be asked with all the advantages of group learning and experience.

2015/16 courses delivered are as follows -

#### **Manual handling**

40 students (Courses vary between £300 to £450 per 5 students trained\*) =  
Saving of £2400 to £3600

#### **Working at height**

40 students (Courses vary again between £300 to £450 per 5 students trained\*) =  
Saving of £2400 to £3600

#### **Asbestos awareness**

40 students (courses vary between £300 to £450 per 5 students trained\*) =  
Saving of £2400 to £3600

#### **Health and Safety at Work level 2**

5 students (courses vary between, £300 - £450 per person\*) =  
Saving of £1500 to £2250

#### **Conflict awareness training**

62 students (courses vary between £300 to £450 per 5 students trained\*) =  
Saving of £3720 to £5580

**Saving in training costs in 2015/16 to UDC of between £ 12420 and £18630**

#### **Course being delivered in New Year**

##### Safer driving at work

60 – 100 Students expected (courses vary between £300 to £450 per 5 students trained\*) =  
Projected additional savings of between lowest of £3600 to highest of £9000 by 31<sup>st</sup> March 2016

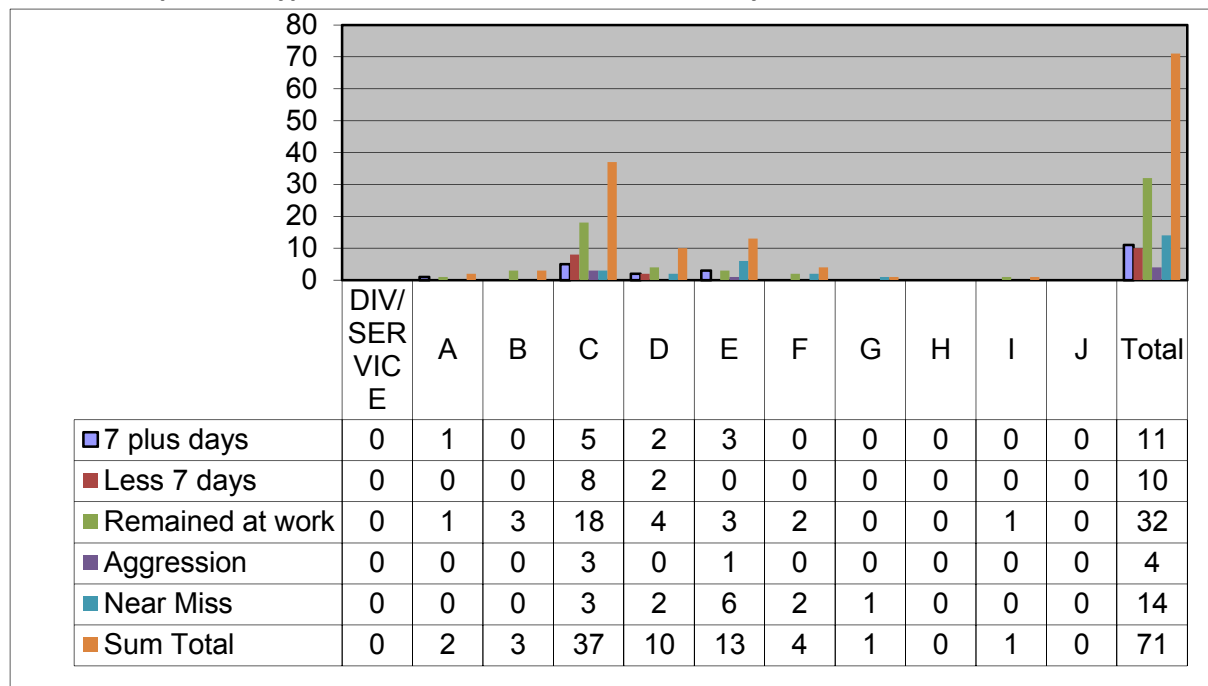
\*All courses above are worked out as costing between £60 and £90 per head

**Total estimated saving from 2015 to end 2016 - £16020 lowest to £27630 highest\***

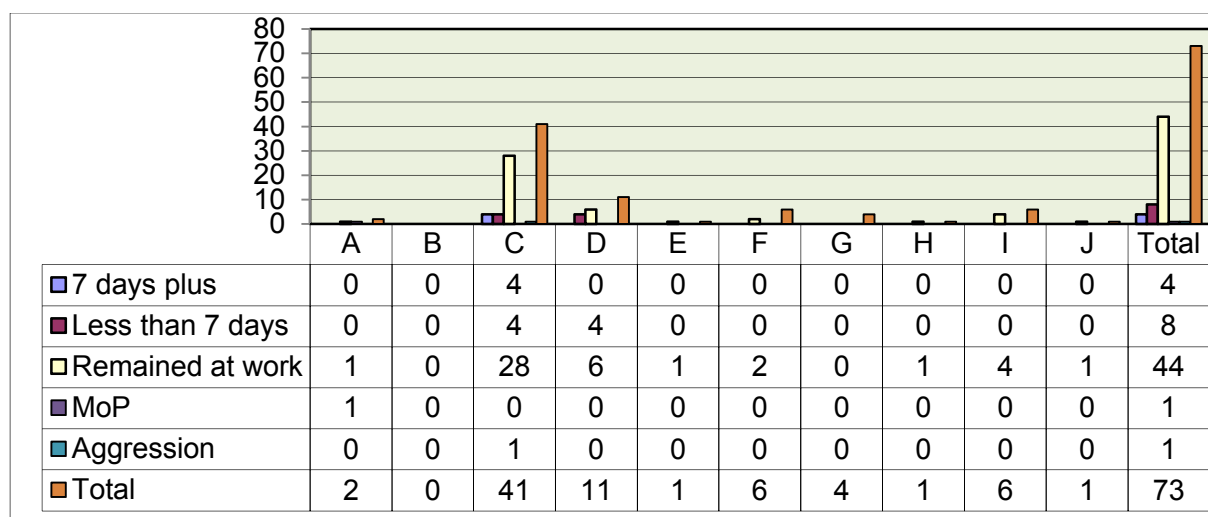


**APPENDIX 4 - SERVICE AREA BREAKDOWN -**

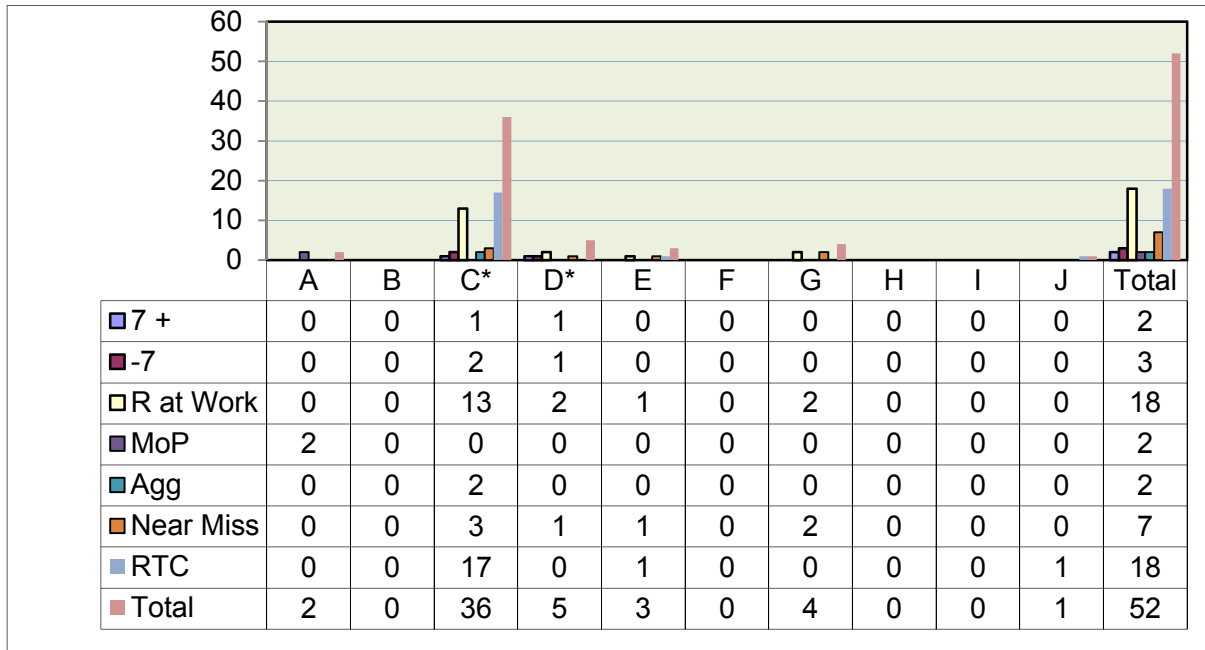
**2014 – 71 reports all types in accident book – Below shows by service area**



**2015 – 73 reports all types in accident book – below shows by service area**



**2016 (18/10/2016) – 52 reports all types in accident book – below shows by service area**



**Key to above -**

<b>Service Areas</b>	
Non Employees	<b>A</b>
Environmental Health	<b>B</b>
Street Services	<b>C*</b>
Housing Services	<b>D*</b>
Corporate Services	<b>E</b>
Planning + Building	<b>F</b>
Finance Rev + Benefits	<b>G</b>
Licensing	<b>H</b>
Community Partnership	<b>I</b>
Legal and Enforcement	<b>J</b>

**Committee:** Performance & Audit Committee

**Agenda Item**

**Date:** 15 November 2016

**10**

**Title:** Internal Audit Charter 2016-2018

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

Item for approval

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## Summary

This report informs Members of the review and updating of the Internal Audit Charter.

## Recommendations

That Members approve the revised Internal Audit Charter 2016-2018.

## Financial Implications

1. None. There are no costs associated with the recommendations in this report.

## Background Papers

2. None.

## Impact

- 3.

Communication/Consultation	Internal Audit Charter 2016-2018 has been approved by the Council's Corporate Management Team at its meeting 21 October 2016
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none
Sustainability	none
Ward-specific impacts	none
Workforce/Workplace	none

## Situation

4. With effect from 1 April 2013, the work of Uttlesford District Council's (UDC) Internal Audit is governed by the UK Public Sector Internal Audit Standards (PSIAS) which have replaced the CIPFA Code of Practice for Internal Audit in the UK. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:
  - Definition of Internal Auditing;
  - Code of Ethics, and
  - International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).
5. The PSIAS are mandatory for all internal auditors working in the UK public sector.
6. The PSIAS require an Internal Audit Charter to be periodically reviewed and presented to senior management and the board for approval.
7. The Internal Audit Charter 2016-2018 has replaced the Internal Audit Charter (February 2015) The revisions are:
  - Updated throughout to remove references to the Assistant Chief Executive to reflect to current Corporate Management Team composition;
  - New paragraph 1.4 to detail review and updating of charter;
  - Paragraph 1.5 updated legislation;
  - Paragraph 2.7 updated to reflect current reporting lines;
  - Paragraphs 4.2 and 4.4 updated to reflect the re-introduction of Corporate Audits;
  - Paragraph 8.1 updated guidance.
8. The Internal Audit Charter 2016-2018 is presented to this Committee for approval.

## Risk Analysis

9.

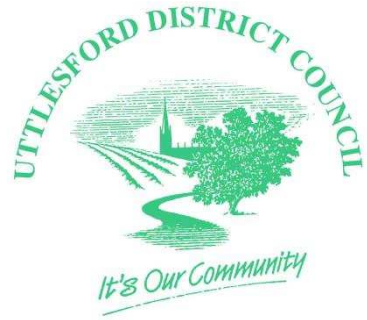
Risk	Likelihood	Impact	Mitigating actions
Adverse External comment if the Internal Audit Charter does not comply with the PSIAS.	1 Internal Audit function is an integral part of the Council	2 Statutory requirement, adverse External Auditor Report	Regular review of Charter

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.



# **Internal Audit CHARTER 2016-18**

**November 2016**

# **INTERNAL AUDIT CHARTER**

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- 6. Internal Audit Team**
- 7. Performance Management**
- 8. Governance and Strategic Framework**
- 9. Review of Effectiveness of Internal Audit**

## **Appendices**

- A. Internal Audit Reporting Protocols**
- B. Internal Audit Assurance Opinion Criteria and Risk Level Definitions**



# 1 Introduction

## Background

1.1 With effect from 1 April 2013, the work of Uttlesford District Council's (UDC) Internal Audit is governed by the UK Public Sector Internal Audit Standards (PSIAS) which have replaced the CIPFA Code of Practice for Internal Audit in the UK. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing
- Code of Ethics, and
- International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).

Additional requirements and interpretations for the UK public sector have been inserted in such a way as to preserve the integrity of the text of the mandatory elements of the IPPF. The PSIAS are mandatory for all internal auditors working in the UK public sector. The PSIAS were reviewed in April 2016.

1.2 Internal Audit is defined in the PSIAS as follows:

“Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

1.3 The PSIAS require an Internal Audit Charter to be approved by the Board in order to define Internal Audit's purpose, authority and responsibility. This Charter establishes Internal Audit's position within the council and reporting lines, authorises access to records, personnel and physical property relevant to the performance of audit work, and defines the scope of Internal Audit activities.

1.4 The PSIAS require an Internal Audit Charter to be periodically reviewed and presented to senior management and the board for approval. The Internal Audit Charter will be reviewed and updated every two years or earlier as required.

## Legislation and Guidance

1.5 Section 5 (1) of the Accounts and Audit Regulations 2015 states that “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. The UDC Internal Audit discharges the above responsibilities by conducting an objective and independent appraisal of all of the council's activities, financial and otherwise.

1.6 The practice of Internal Audit is governed by the PSIAS. Internal Audit is also governed by the policies, procedures, rules and regulations established within UDC. These include schemes of delegation; financial regulations; conditions of service;

counter fraud and corruption policies; procedures and HR policies. Internal Audit takes due cognisance of external bodies, including the Chartered Institute of Internal Auditors (CIIA), CIPFA, external audit, local government bodies, together with all legislation affecting the service provided by Internal Audit.

- 1.7 The PSIAS contain a Code of Ethics which is mandatory for all internal auditors in the public sector. In addition, individual staff within the Internal Audit team are also required to adhere to the Codes of Ethics of their professional bodies where appropriate. Internal Audit staff will be reminded of the need to comply with the Code on an annual basis.

#### **Definition**

- 1.8 The PSIAS require that the Internal Audit Charter defines the terms “Board” and “Senior Management” in relation to the work of Internal Audit. For the purposes of UDC Internal Audit work:

UDC’s Full Council has designated its **Performance & Audit Committee** as the **Board** for the purposes of UK Public Sector Internal Audit Standards (PSIAS) and delegated all the functions of the Board under those Standards to the Committee.

**Senior Management** is defined as the members of the **Corporate Management Team (CMT)** i.e. the Chief Executive, Directors and Assistant Directors.

- 1.9 The PSIAS also refer to the **Chief Audit Executive** which in UDC is deemed to be the **Internal Audit Manager**.
- 1.10 The Internal Audit Manager is responsible for the effective review of all aspects of governance, risk and internal control throughout the full range of the Authority’s activities. However, the existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

#### **Customers**

- 1.11 The customers of Internal Audit effectively comprise all those who expect assurance to be provided on the adequacy of the control environment and the processes which support the protection of public funds. These customers include:
- The residents of Uttlesford District;
  - Other UDC Service Users;
  - Local Tax Payers;
  - Central Government;
  - Members and Cabinet;

- Head of Paid Service, Section 151 Officer and Monitoring Officer;
- Senior Management and Staff;
- Performance & Audit Committee;
- Partners;
- External Auditor.

## 2. Aims and Objectives

### Principal Objectives

- 2.1 The UDC Internal Audit Service aims to contribute to the Corporate Objective of setting a high example by exemplary corporate governance and standards.
- 2.2 The principal objectives of UDC Internal Audit are to:
- Deliver an Internal Audit Annual Report and Opinion that can be used by the council to inform its Annual Governance Statement (AGS);
  - Independently review and appraise systems of control throughout the council;
  - Ascertain the extent of compliance with procedures, policies, regulations and legislation;
  - Provide reassurance to management that their agreed policies are being carried out effectively;
  - Facilitate good practice in managing risks;
  - Provide advice and input into any significant system or procedural developments;
  - Recommend improvements in control, performance and productivity in achieving corporate objectives;
  - Review and challenge the economy, efficiency and effectiveness of processes and systems within the council;
  - Work in liaison with the external auditors;
  - Review controls to prevent and detect fraud;
  - Lead and promote the counter fraud culture within the council;

- Comply with the PSIAS and other relevant guidelines and professional practice.

- 2.3 Internal Audit is neither an extension of nor a substitute for good management. Although Internal Audit can advise management on risk and control issues, it is the duty of management to operate adequate systems of internal control and risk management.
- 2.4 Internal Audit will carry out a continuous audit of all of the council's services by objectively examining, evaluating and reporting upon the adequacy of risk management and internal control. In doing so ensuring there is proper, economic, efficient and effective use of council resources.
- 2.5 The annual Internal Audit Opinion focuses on the overall adequacy and effectiveness of the council's framework of governance, risk management and control. This is the 'assurance' role for Internal Audit.
- 2.6 Internal Audit also provides an independent and objective consultancy service, which is advisory in nature and generally performed at the specific request of service management. The aim of the consultancy service is to help line management improve the council's risk management, governance and internal control. This is the 'consultancy' role for Internal Audit and contributes towards the overall opinion. Such consultancy work will only be undertaken where resources permit without impacting on the annual assurance process. In line with the PSIAS, approval will be sought from the Performance & Audit Committee before any significant unplanned consultancy work is accepted.

### **Achieving our Objectives**

- 2.7 To meet the above objectives, the UDC Internal Audit function has been established as an independent team. The Internal Audit Manager reports directly to the Section 151 Officer. Direct reporting lines for the Internal Audit Manager are also established with the Chief Executive and the Chair of the Performance & Audit as considered necessary. The Internal Audit Manager also has unrestricted access to Members (including the Leader of the Council), Directors, Assistant Directors and all Authority officers.
- 2.8 The Internal Audit Manager is also responsible for managing and co-ordinating the council's involvement in the National Fraud Initiative (NFI).
- 2.9 Internal Audit work is undertaken in accordance with the annual Internal Audit Work Programme which sets out the proposed programme of audit work for each financial year. This Internal Audit Work Programme is approved by CMT and the Performance & Audit Committee in February each year and reported to the Committee in summary via progress reports at each ordinary meeting.

### **Independence, Access and Remit**

- 2.10 Internal Audit is independent of all the activities of the council to ensure it is able to appraise the council's governance, risks and internal control systems in the impartial and unbiased manner that is essential to the proper conduct of audits.
- 2.11 To ensure this independence and in order to undertake its function effectively, Internal Audit has unrestricted access to all of the council's staff; records (whether manual or computerised); cash and property; and may enter UDC property or land to obtain any information or explanations required.
- 2.12 Such access is granted on demand, need not be subject to prior notice and also extends to partner organisations working on behalf of UDC where this has been agreed within relevant contractual arrangements in order to review, appraise and report on:
- The adequacy and effectiveness of the systems of financial, operational and management controls and as they are practiced in relation to the risks to be addressed;
  - The extent to which the assets and interests are acquired economically, used efficiently, accounted for and are safeguarded from loss arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that adequate business continuity plans exist;
  - The suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;
  - The integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss;
  - The follow up action taken to remedy weaknesses identified by Internal Audit;
  - The operation of the council's Corporate Governance arrangements.
- 2.13 To promote independence and objectivity, Internal Audit neither 'owns' a system under audit nor is given any operational responsibilities within the line management structure or responsibility for any aspect of work subject to audit.
- 2.14 Where Internal Audit staff have a perceived or real conflict of interest in undertaking a piece of work; this will be managed through the Internal Audit management process. Staff are required to inform the Internal Audit Manager or the Section 151 Officer of any relationships or financial interests in any council activity subject to audit. All Internal Audit staff are required to make an Annual Declaration of Interests and Acknowledgement of their Ethical responsibilities.
- 2.15 Within the context of the above, the remit of Internal Audit at a corporate level will include audits in the following areas:

- Key Financial systems – covering all the key financial systems and providing support to the external audit work;
- Major projects and procurement – contracts and procurement processes, commissioning, project management, post implementation appraisals;
- Asset management – effective management of properties and property related risks;
- Corporate Governance – Internal Audit will make an independent assessment of the assurances being provided from within the governance structures established within UDC and co-ordinate the preparation of the council's Annual Governance Statement;
- Performance Management – evaluation of the processes by which the council assesses, reports monitors and manages its performance;
- Risk Management – evaluation of processes by which the council assesses, reports, monitors and manages its risk;
- Information Management – including data protection, freedom of information, records management and information security;
- Information and Communications Technology – including information technology (IT) strategy and physical IT controls;
- Partnership working – both new and existing arrangements, focusing on governance, controls, risk management and performance management;
- Equality & Diversity and Access to Services – evaluation of the council's strategies, policies procedures and systems and its compliance with Equality and Human Rights regulations;
- Business Continuity Planning – at corporate & service level;
- Health and safety – central and service based risks.

### **3. Audit Planning**

3.1 The PSIAS require that there must be a risk-based internal audit plan that takes into account the requirement to produce an annual internal audit opinion and assurance framework. It must incorporate in or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.

### **Internal Audit Strategic Programme**

- 3.2 The Internal Audit Strategic Programme details all potential audit areas at both corporate and service area levels within UDC and forms the starting point for the annual audit planning process.
- 3.3 All areas identified in the Strategic Programme are subject to an audit needs risk assessment to identify their risk level based on a number of risk factors including materiality, third party sensitivity and potential fraud risk. This will influence the frequency of audits and the estimated resource requirements to ensure that all potential audit areas will be audited.
- 3.4 The Internal Audit Strategic Programme is reviewed annually in conjunction with CMT to ensure that it remains up to date and continues to take account of emerging risks and service developments and that the focus of Internal Audit work remains relevant to the council's Plan and current priorities.

### **Annual Internal Audit Work Programme**

- 3.5 The annual Internal Audit Work Programme sets out the audit work programme at the beginning of each financial year. It is a rolling programme of planned audit work that is expected to be undertaken during the financial year and is subject to regular review and updating at strategic points throughout the year.
- 3.6 The Internal Audit Work Programme is risk based as far as is possible, the auditing priorities are determined from a number of sources including:
- The corporate, strategic and directorate risk registers, aligned with the corporate objectives set out in the council's Corporate Plan, to identify areas of high strategic and operational risk;
  - The Internal Audit Strategic Programme identifying audit areas of highest risk, the date the audit review was last undertaken and the frequency thereof;
  - Any other areas considered high risk by the Internal Audit Manager;
  - Specifically requested Directorate & Service high risk areas or services following consultation with the CMT;
  - Audits carried forward from the previous years' Audit Programme and any overdue audits from the Strategic Programme;
  - Weaknesses identified in the Annual Governance Statement;
  - Issues raised by the Performance & Audit Committee;
  - Audit resource availability.

- 3.7 In order to preserve the independence of Internal Audit the final risk assessment and selection of areas for inclusion in the Internal Audit Work Programme rests with the Internal Audit Manager.
- 3.8 Further details on the production of the Internal Audit Strategic and Work Programmes are given in the annual Internal Audit Strategy.

#### **Other Information Sources**

- 3.9 Awareness of national issues is maintained through subscription to internet resources such as CIPFA's Technical Information Service. In addition there is liaison with external audit and networking with other local authority audit teams specifically through the Essex; Cambridgeshire; London and Midlands Audit Groups. These audit groups have regular meetings and active e-mailing networks to discuss topical issues, emerging risks and progress specific initiatives and sharing of audit planning methodology and points of practice.

#### **Reviewing the Programme**

- 3.10 The initial Internal Audit Work Programme for the upcoming financial year is approved by CMT and the Performance & Audit Committee in February of each year. Details of reviews and updating of the Programme are included in the Internal Audit Progress Reports to the Performance & Audit Committee.
- 3.11 The Internal Audit Work Programme is subject to regular review and updating at strategic points throughout the year:
- Early April to determine the proposed audit work for quarters 1 & 2 of the new financial year;
  - At the end of June to determine proposed audit work for quarters 2 and 3 of the financial year;
  - At the end of September to determine proposed audit work for quarters 3 and 4 of the financial year;
  - At any other relevant point during the year.

#### **Non-specific Audit Time**

- 3.12 The Internal Audit Work Programme includes non-specific audit time allocated for:
- Residual Audit Work – to ensure timely completion of any residual previous year's audits;
  - Follow-up Work – to ensure that recommendations have been implemented;
  - Irregularity Provision – to include the provision of an independent investigation service on internal matters that require investigative and evidence gathering



skills. Also to review controls post investigation as part of the core audit function;

- Consultancy and General Advice - to allow for changes in priorities and issues that arise during the year; extensions to reviews where further testing may be required because of control weaknesses; advice on general control issues and Financial Regulation requests etc.;
- Committee and Member related work – to include Committee Report preparation, liaison meetings with Performance & Audit Committee Chair and other Members and dealing with Member queries;
- Contribution to Corporate Management – to include the Internal Auditor time spent on corporate projects and working groups;
- Fraud Related work – to include National Fraud Initiative (NFI) Key Contact responsibilities and counter fraud and corruption awareness work.

## **4. Basis of Forming and Evidencing the Audit Opinion**

### **Audit Approach**

- 4.1 Internal Audit is responsible for providing an annual opinion on the internal control environment for the Council as a whole. A risk based approach is taken with individual audit reviews embracing operational and management controls and the wider business risks. This allows an opinion to be expressed on risk identification and exposure and the adequacy of systems in place to manage those risks.

### **Key Financial and Other audit work**

- 4.2 The annual Internal Audit Work Programme governs each year's activity and, to enable the work to be planned and delivered effectively, audit coverage is prioritised and categorised between

- Key Financial
- Corporate
- Other

- 4.3 Key Financial audit work relates to those areas where Internal Audit review or support will generally add greatest value to the organisation. The audits within this category will be given highest priority in the event of competing demands for Internal Audit resources.

- 4.4 Corporate audit work relates to those areas where the overall responsibility lies at corporate rather than service level

4.5 Other audit work complements the work from the key financial and corporate programmes and ensures an adequate level of Internal Audit review each year throughout the council's services. Whilst the individual reviews are initially agreed with the service Directors and Assistant Directors at the start of each year, it is also accepted that should the need arise audit work may be directed towards other emerging risks or investigations as required. Overall levels of input will remain broadly as agreed which means that the levels of assurance work are aligned with the initial levels of risk identified. This approach enables a wide range of coverage for a formal audit opinion to be formed.

### **Audit Reporting**

4.6 At the completion of each audit a report is produced for management with recommendations for improvement where considered appropriate; such recommendations are agreed with management together with accountability for action and timescales for completion. The Internal Audit Reporting Protocols are presented in Appendix A.

4.7 For each report issued, the recommendations are categorised as risk 1 to 4, with 4 being the highest risk and each report relating to planned audit work contains an opinion on the level of assurance of internal controls operating within the area being audited, ranging from "substantial" to "little". The Internal Audit Assurance Opinion Criteria and Risk Level Definitions are presented in Appendix B.

### **Monitoring**

4.8 The progress of the Internal Audit Work Programme is monitored on an on-going basis through:

- Monthly meetings between the Internal Audit Manager and the Section 151 Officer;
- Periodic meetings with CMT;
- Internal Audit Progress Reports to the Performance & Audit Committee;
- Periodic meetings with external audit.

This ensures that audit coverage will be sufficient to ensure an overall opinion can be given on the control environment.

### **Recommendations**

4.9 All audit recommendations are monitored by Internal Audit using Covalent which records all recommendations made and their status at any given time. Covalent also sends automated trigger e-mails to managers as a management action approaches its implementation date. Audit recommendations are followed up on an on-going basis with status reports included in the regular Internal Audit reports prepared for the Performance & Audit Committee, specifically to highlight any significant actions which

have not been completed within agreed timescales. Audit recommendations are also subject to follow up as part of a rolling programme of review and as a matter of course are followed up at the next audit.

### **Audit Opinion**

- 4.10 The annual assessment of the council's overall internal control environment is based on the collective view of all the opinions and outcomes of all audit work undertaken during the course of each year. A full summary is included in the Internal Audit Annual Report and Opinion presented to the Performance & Audit Committee. The annual opinion then forms part of the review of the effectiveness of the Council's governance framework and is included in the Annual Governance Statement.

### **External Auditor**

- 4.11 In the performance of their work the External Auditor expects to be able to review the Internal Audit work on key financial systems and its assessment of system controls. Internal Audit aims to maintain a good working relationship with the external auditors, regular liaison meetings are held between Internal and External Audit managers. The External Audit Manager receives copies of Final Reports and Terms of Reference for all completed internal audits.

## **5. Outcomes**

- 5.1 The main outcomes from the work of Internal Audit are:

- The delivery of the annual Internal Audit Work Programme, taking into account necessary changes for unplanned work and revised priorities in the context of new emerging risks and requests for investigations into specific issues;
- The issue of audit reports at the conclusion of each audit;
- The follow up of progress on implementation of agreed audit recommendations;
- The provision of regular reports to the Performance & Audit Committee summarising the audit work completed since the previous meeting and the key issues and conclusions derived from that work in terms of the control environment and management of risks;
- The provision of an Internal Audit Annual Report and Opinion on the effectiveness of the overall control environment presented to the Performance & Audit Committee which will also be included in the Annual Governance Statement which accompanies the Annual Statement of Accounts for the Authority;
- The investigation of referrals of cases of suspected financial irregularity, fraud or corruption;

- The provision of ad hoc advice on control and governance issues.

## 6. Internal Audit Team

- 6.1 The size of the Internal Audit team required is evaluated from the Internal Audit Strategic Programme and is subject to review and consideration by the Internal Audit Manager in liaison with CMT and the Performance & Audit Committee to ensure it remains adequate to deliver an effective service and an annual opinion. Regular updates to the Performance & Audit Committee are provided through the Internal Audit Progress reports.
- 6.2 The current level of resource of:
- Internal Audit Manager – full-time
  - 1 Internal Auditor - full-time
  - 1 Internal Auditor - part-time, 0.7 FTE

is considered adequate to ensure delivery of the basic Annual Audit Programme needed to provide the necessary assurance on the effectiveness of the systems of internal control.

- 6.3 The Internal Audit section includes a range of qualified, part-qualified and trainee staff. The PSIAS require that the Internal Audit Manager must hold a relevant professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced. The current Internal Audit Manager holds both the CMIIA and PIIA (Chartered Institute of Internal Auditors UK & Ireland) and the QIAL and CIA (Global IIA) qualifications and has been in the present role since 2007.
- 6.4 Although the annual Internal Audit Work Audit Programme sets out the potential number of audit days allocated for each year; the working arrangements provide for a flexible approach between clients whereby audit days or expertise can be transferred depending upon any additional work that may be required.
- 6.5 All audits are performed by staff with qualifications and experience appropriate to the work undertaken and Internal Audit's quality control procedures require some supervisory input into all work by the Internal Audit Manager.
- 6.6 Individual members of the Internal Audit team have a personal responsibility to undertake a programme of continuing professional development to maintain and develop their competence. This will be achieved through professional training, attendance at ad-hoc seminars and in-house training courses. Training needs are

assessed on an on-going basis and are formally reviewed at least annually as part of the council's U-Perform process.

## **7. Performance Management**

7.1 The performance of the Internal Audit function is measured through the use and monitoring of performance indicators some of which are reported to CMT and the Performance & Audit Committee in the Internal Audit Progress Report and the Internal Audit Annual Report and Opinion.

7.2 Feedback on Internal Audit is requested from audit clients through Post Audit Questionnaires (PAQ) issued at the end of each audit assignment. This enables Internal Audit to identify and respond to any specific performance issues promptly to ensure efficiency and effectiveness is maintained, as well as ensuring the needs and expectations of clients are fully considered on an on-going basis.

### **Performance Indicators**

7.3 There are Internal Audit performance indicators which are monitored weekly by the Internal Audit Manager and are the basis of some of the objectives set for the Internal Audit Team in their U-Perform appraisals. The indicators are:

- %age of audits completed within the allocated time;
- %age of planned audits completed to Draft report stage;
- %age of planned audits completed to Final report stage;
- %age of time spent on productive audit and non-specific audit work;
- %age of customer satisfaction from PAQs returned.

7.4 Some of these indicators are compared periodically with data from the Essex and Midlands Audit Groups.

## **8. Governance and Strategic Framework**

8.1 Each local government body operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. The corporate governance framework published by CIPFA in 2016 "Delivering Good Governance in Local Government" defines the principles that should underpin the governance of each local government body. It provides a structure to help authorities with their own approach to governance and contains six core principles focusing on:

- The purpose of the authority and on the outcomes for the community, and creating and implementing a vision for the local area;

- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
- Developing the capacity of officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

8.2 The framework is intended to be followed as best practice for developing and maintaining a local code of corporate governance and for discharging responsibility for the proper conduct of public business, and this is summarised within the Annual Governance Statement (AGS). Time is included in the annual Internal Audit Work Programme to evaluate the effectiveness of the governance arrangements on an annual basis and independently challenge the assurances which underpin the AGS.

## **9. Review of Effectiveness of Internal Audit**

- 9.1 The Internal Audit Annual Report and Opinion provides an overview of the work and performance of Internal Audit throughout each year. This report provides an assurance of the effectiveness of the Internal Audit service during the year.
- 9.2 Details of work performed by Internal Audit during the year are summarised in the progress reports to the Performance & Audit Committee, thereby providing an on-going view of the effectiveness of the overall internal control environment and also providing the Members with an opportunity to challenge both the audit process and relevant officers in relation to specific issues identified within service areas.
- 9.3 Internal Audit complete an annual self-assessment against the PSIAS for approval by Section 151 Officer from which areas of non-conformance are addressed in the Internal Audit Quality Assurance & Improvement Programme (QAIP). The results of this annual self-assessment and progress against the QAIP are reported to the Performance & Audit Committee in the Internal Audit Annual Report and Opinion.
- 9.4 The PSIAS require an external assessment of Internal Audit every five years. Whilst the PSIAS are not prescriptive in terms of how this should be fulfilled, CIPFA guidance indicates that external assessments can be in the form of a full external assessment, or a self-assessment with independent external validation. Furthermore, an independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being part of, or under the control of, the

organisation to which the internal audit activity belongs. In addition it is recommended that the Internal Audit Manager must agree the scope and process of external assessments with the Section 151 Officer and the Chair of the Performance & Audit Committee as well as with the external assessor or assessment team.

# INTERNAL AUDIT REPORTING PROTOCOLS

## 1. Chief & Main Auditees

- 1.1 The Chief Auditee will be the member of the Corporate Management Team to whom the head of the service area being audited reports.
- 1.2 The Main Auditee will be the service manager with direct operational responsibility for the area being audited.

## 2. Terms of Reference

- 2.1 The Terms of Reference for an audit will be agreed with the Chief and Main auditees.
- 2.2 The Section 151 Officer will be consulted on the Terms of Reference of all Key Financial audits.
- 2.3 Once agreed, a copy of the Terms of Reference will be sent to Members of the Performance & Audit Committee

## 3. Audit Progression

- 3.1 Internal Audit will carry out reviews and evaluations as an audit progresses. At any time during an audit, testing may identify that it would be more effective and efficient to:
  - Stop audit field work at a given point;
  - Consider issuing an interim report with recommendations and agreed realistic implementation time (to a max of 6 months) and
  - Return once the interim recommendations have been implemented to complete the audit.

## 4. Findings & Recommendations

- 4.1 Internal Audit will hold informal discussions with Chief and Main auditees of our findings & evaluation and proposed recommendations & management actions. All non-confidential or sensitive working papers will be made available on request to auditees. Management will be advised of examples of good practice; exceptional working etc. where identified during the audit and confirmation of these will be given by e-mail to managers and staff on request.



## 5. Draft Report and Management Action Plan

- 5.1 Within 5 days of completion of our audit fieldwork, a draft report with recommendations and management actions will be circulated to auditees for final agreement and comment; assignment of management action responsibilities and expected implementation date for each recommendation.
- 5.2 It is Internal Audit's expectation to reach agreement at the draft report stage with auditees on recommendations, management actions and implementation dates. However, it is for management to determine whether or not to accept the Internal Audit recommendations and to recognise and accept the implications of not taking action. Management must formally respond giving reasons for their decisions which will be recorded on the Final Report and be reported to the Performance & Audit Committee.
- 5.3 Draft Report and completed Management Action Plan is to be returned to Internal Audit within 10 working days of issue.

## 6. Final Report

- 6.1 The Final Report will record only:
  - The Internal Audit Opinion;
  - The overall comment on the effectiveness of the audited service;
  - The Management Action Plan detailing recommendations and their risk ratings, agreed management action and implementation dates.
- 6.2 The Final Report will be sent to the Chief Auditee for overall agreement and signature.
- 6.3 The Final Report will be issued to the Chief Auditee and copied for information to the Chief Executive; the Monitoring Officer; The Section 151 Officer; the Director of Public Services; the Main Auditee and other staff as appropriate.
- 6.4 A copy of each Final Report issued will be sent to Members of the Performance & Audit Committee and posted on the intranet.
- 6.5 Implementation of all recommendations is monitored by Internal Audit through Covalent which automatically generates reminder e-mail to managers as a recommendation approaches its agreed implementation date.
- 6.6 A Post Audit Questionnaire will be sent to the Chief Auditee and other relevant officers for completion and return to the Internal Audit Manager.

## 7. Escalation Procedures

- 7.1 To ensure the timely issue of a Final Report for an audit, a reminder will be sent to the Chief Auditee on the 10<sup>th</sup> working day following the issue of a Draft Final Report & Management Action Plan if it has not already been returned to Internal Audit.
- 7.2 If a Draft Final Report & Management Action Plan remains outstanding, further reminders will be sent every 5 working days via the Director for the service concerned.
- 7.3 Any Persistent outstanding Draft Final Report & Management Action Plan will be reported to the Section 151 Officer, CMT and Performance & Audit Committee in the next reporting cycle.
- 7.4 Internal Audit will follow up all the recommendations on the Management Action Plan to ascertain the extent to which agreed actions are actually implemented.
- 7.5 Recommendations will be followed up prior to meetings of the Performance & Audit Committee and are also subject to followed up as part of a rolling programme of review from the earlier of 6 months after the issue of the Final Report or 1 month after the latest implementation date of action.
- 7.6 Progress on implementation of recommendations is reported to Members at each meeting of the Performance & Audit Committee.

## 8. Key Target Dates

The key target dates associated with reporting are summarised below:

Target date	Key task
On completion of audit fieldwork	Findings & evaluation and proposed recommendations & management actions discussed with auditees.
Within <b>5</b> working days of completing audit fieldwork	Draft report circulated to auditees for management agreement on actions, assigned responsibilities and implementation dates.
Within <b>10</b> working days of issuing the Draft Final Report and Management Action Plan	Management Action Plan with agree actions, assigned responsibilities and implementation dates returned to Internal Audit.
Within <b>1</b> working day of the return to Internal Audit of Draft Report	Final Report issued to Chief Auditee for signature.
Within <b>1</b> working day of the return to Internal Audit of signed Final Report	Final Report issued.
The earlier of <b>6</b> months after the issue of the Final Report or <b>1</b> month after the latest implementation date of action	Follow-up action on Management Action Plan recommendations

## INTERNAL AUDIT ASSURANCE OPINION CRITERIA

Opinion	Definition	Maximum recommendations overall	Maximum number of level 4 PLUS level 3 recommendations	Maximum number of level 2 recommendations
<b>Substantial</b>	Good effective management of risk; no significant recommendations arising.	4	0	2
<b>Satisfactory</b>	Sound satisfactory management of risk; identification of some elements of the control framework that merit attention; Marginal identification of deficiencies in the control framework that result in some risks not being managed effectively and must be addressed.	8	2	6
<b>Limited</b>	Unsatisfactory identification of deficiencies in the control framework compromising the overall management of risks demanding immediate attention.	12	4	8
<b>Little</b>	Major controls have failed and/or major errors have been detected	Over 12	Over 4	Over 8

## INTERNAL AUDIT RISK LEVEL DEFINITIONS

Risk Level	Action timescale	Description
<b>4</b>	<b>Immediate</b>	Matters that are considered <b>fundamental</b> that require immediate attention and priority action
<b>3</b>	Within <b>6 months</b>	Matters that are considered <b>significant</b> that should be addressed within six months.
<b>2</b>	Within <b>12 months</b>	Matters that are considered <b>important</b> that should be addressed within twelve months.
<b>1</b>	None defined	Matters that merit attention and would improve overall control



**Committee: PERFORMANCE & AUDIT COMMITTEE**

**Agenda Item**

**Date: 15 November 2016**

**11**

**Title: Internal Audit Progress Report,  
16 July to 31 October 2016**

**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 Committee on 28 July 2016 and to provide an update on implemented and outstanding internal audit recommendations.

## Recommendations

2. That the Internal Audit Progress Report (16 July to 31 October 2016) 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 Programme 2016/17 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 28 July 2016;
  - ii) Performance against the Internal Audit Work Programme 2016/17;
  - 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 16 July to 31 October 2016**

7. Between 16 July to 31 October 2016, 4 audits from the 2016/17 audit programme were completed and 3 final reports issued with a total of 6 recommendations made. All final audit reports issued have been copied to Performance & Audit Committee Members and are available on the Council's Intranet. A summary of 2016/17 final reports issued is presented at Appendix A(i);
8. Corporate Governance audit work for 2016/17 has been restricted to the production of the Annual Governance Statement published with the Statement of Accounts in July 2016; therefore no other final report has been issued for this audit.
9. As reported to Members at the previous meeting on 28 July 2016, there was 1 remaining audit from the 2015/16 audit programme to be completed, the audit of Street Services - Fleet & Fuel Management and Transport Maintenance. The final report for this audit was issued 04 August 2016 and copied to Performance & Audit Committee Members. A summary of the final report is presented at Appendix A (i).
10. Between 16 July to 31 October 2016 work has started on 10 audits from the 2016/17 Audit Programme; progress on the 2016/17 programme is presented at Appendix A (ii).

### **Audit Work Programme 2016/17**

11. The Internal Audit Work Programme is a rolling programme of the audit work expected to be undertaken during 2016/17 and, in accordance with the Internal Audit Strategy, was reviewed and updated in October 2016 to identify the scope of audit work to be undertaken during the remainder of 2016/17.

12. The audit programme has been revised to take into account auditee timing requests, audit resource issues and unplanned investigations work which has reduced the number of anticipated audit days available from 01 October 2016 to 31 March 2017 from 155 to 135.

13. To be able to provide meaningful year-end assurance, the revised programme should allow us to:

i) Complete work on the following audit:

- Asset Management
- Business Continuity
- Customer Service Centre
- Elections
- Electoral Registration
- Grants & External Funding Received
- Housing & Health - Community Health
- Insurance
- Museum
- Partnerships
- Payroll
- Recovery

ii) Commence and completed work on the following audits:

- Cash & Bank (Follow-up work)
- Corporate Health & Safety
- Facilities Management
- Fleet & Fuel Management (Follow-up work)
- Fraud
- Housing – Stock and Voids
- Income, Fees & Charges
- Members' Allowances & Expenses
- NNDR
- Value for Money

iii) Retain the following as provisional audits for 2016/17:

- Budgets
- Car Parking Partnership
- Conservation & Trees
- Grants & Awards (made)
- Housing & Health - Environmental Health - Food Safety & Infectious Disease Control
- Housing & Health - Equality & Diversity incl Access to Services
- Housing & Health - Services for Older People
- Local Land Charges
- Mailroom & Reprographics
- Planning - Housing Strategy
- Planning – Local Plan
- Street Services - Income Generating Services & Asset Management

iv) Carry forward to 2017/18 or later the following previously provisional audits

- Creditors
- Economic Development Service
- LCTS
- Housing Rents
- Housing & Health – Allocations
- Housing & Health – Homelessness
- HR
- Legal Services
- Leisure – Day Centres
- Leisure – PFI

14. The revised programme has been agreed with CMT at its meeting on 21 October 2016 and is presented in Appendix A(ii).

15. As of 31 October 2016, work has been undertaken on 18 out of the revised 26 planned and 12 provisional audits, of these:

- i) 5 audits have been completed and Final Reports issued
- ii) 2 audits are at draft report stage
- iii) 11 audits are currently work in progress

#### **Recommendations Implemented 16 July to 31 October 2016**

16. There are 5 risk level 3 & level 4 recommendations which have been implemented in this period; a summary is presented at Appendix A (iii).

#### **Recommendations Not Implemented by due date at 31 October 2016**

17. As of 31 October 2016, there are no recommendations currently reported in Covalent as not implemented in accordance with their agreed due dates.

#### **Risk Analysis**

18.

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.



**FINAL REPORTS ISSUED** **16 July - 31 October 2016**

ref	Audit 2016/17	Potential days	Risk	Final Report Issued	Days Taken	Recommendations Made					Audit Opinion
						No.	Risk Level				
						total	4	3	2	1	
12 KF	Treasury Management	5	3	02/08/16	5.77	0	0	0	0	0	substantial
14 O	Business Continuity	10	4	28/10/16	10.50	3	0	1	2	0	satisfactory
44 O	Performance Management	15	3	12/09/16	13.50	3	0	1	2	0	satisfactory
17 O	Corporate Governance & AGS	5	4	28/07/16	3.72						AGS work only; no audit final report issued
						6	0	2	4	0	
						total	4	3	2	1	

ref	Audit 2015/16	Potential days	Risk	Final Report Issued	Days Taken	Recommendations Made					Audit Opinion
						No.	Risk Level				
						total	4	3	2	1	
35 O	Street Services - Fleet & Fuel Management and Transport Maintenance	30	4	04/08/16	29.90	14	0	6	7	1	little

**PROGRESS ON THE AUDIT PROGRAMME 2016/17**

Internal Audit Programme 2016/17 – April 2016										
ref	Audit	2016/17 potential days	qtr	IA Risk 2016/ 17	Started	Draft	Final	Days Taken	Status	Comment
<b>01 KF</b>	<b>Asset Management</b>	<b>10</b>	<b>3</b>	<b>3</b>	<b>24/10/16</b>			<b>1.08</b>	<b>planning</b>	
<b>02 KF</b>	Budgets	provisional		1				0.00		
<b>03 KF</b>	Cash & Bank	1	3	4				<b>0.03</b>		
<b>04 KF</b>	Creditors	c/f		2				0.00		carried forward
<b>05 KF</b>	<b>Fraud (non-corporate)</b>	<b>15</b>	<b>4</b>	<b>3</b>	<b>18/07/16</b>			<b>1.49</b>	<b>planning</b>	
<b>06 KF</b>	Housing Benefits and LCTS	c/f		2				0.00		carried forward
<b>07 KF</b>	Housing Rents	c/f		2				0.00		carried forward
<b>08 KF</b>	Income, Fees & Charges	10	3	3				0.00		
<b>09 KF</b>	<b>NNDR</b>	<b>10</b>	<b>2</b>	<b>3</b>	<b>31/08/16</b>			<b>1.01</b>	<b>planning</b>	
<b>10 KF</b>	<b>Payroll</b>	<b>15</b>	<b>1</b>	<b>4</b>	<b>18/05/16</b>	<b>24/08/16</b>		<b>17.66</b>	<b>draft</b>	
<b>11 KF</b>	<b>Recovery</b>	<b>20</b>	<b>1</b>	<b>3</b>	<b>22/06/16</b>			<b>14.49</b>	<b>testing</b>	
<b>12 KF</b>	<b>Treasury Management</b>	<b>5</b>	<b>1</b>	<b>3</b>	<b>22/06/16</b>	<b>18/07/16</b>	<b>02/08/16</b>	<b>5.77</b>	<b>final</b>	
<b>13 KF</b>	Value for Money	10	4	4				0.00		
<b>14 O</b>	<b>Business Continuity</b>	<b>10</b>	<b>2</b>	<b>4</b>	<b>19/04/16</b>	<b>05/09/16</b>	<b>28/10/16</b>	<b>10.50</b>	<b>final</b>	
<b>15 O</b>	Car Parking Partnership (NEPP)	provisional		3				0.00		
<b>16 O</b>	Conservation & Trees	provisional		2				0.00		
<b>17 O</b>	<b>Corporate Governance &amp; AGS</b>	<b>5</b>	<b>1</b>	<b>4</b>	<b>05/04/16</b>	<b>04/05/16</b>	<b>28/07/16</b>	<b>3.72</b>	<b>final</b>	
<b>18 O</b>	<b>Customer Service Centre</b>	<b>10</b>	<b>1</b>	<b>3</b>	<b>05/08/16</b>			<b>13.78</b>	<b>testing</b>	
<b>19 O</b>	Economic Development Service	c/f		2				0.00		carried forward
<b>20 O</b>	Elections	10	2	3	30/08/16			6.08	testing	
<b>21 O</b>	Electoral Registration	10	2	3	30/08/16			4.97	testing	
<b>22 O</b>	<b>Enforcement</b>	<b>10</b>	<b>1</b>	<b>2</b>	<b>25/04/16</b>	<b>27/06/16</b>	<b>12/07/16</b>	<b>11.26</b>	<b>final</b>	
<b>23 O</b>	Facilities Management	10	4	2				0.00		
<b>24 O</b>	Grants & Awards (made)	provisional		4				0.00		
<b>25 O</b>	Grants & External Funding received	10	2	4	18/07/16			6.80	planning	
<b>26 O</b>	H&H - Allocations	c/f		2				0.00		carried forward
<b>27 O</b>	<b>H&amp;H - Community Health</b>	<b>10</b>	<b>3</b>	<b>3</b>	<b>20/04/16</b>			<b>3.39</b>	<b>planning</b>	
<b>28 O</b>	H&H - Env Health - Food Safety	provisional		3				0.00		

**PROGRESS ON THE AUDIT PROGRAMME 2016/17**

ref	Audit	2016/17 potential days	qtr	IA Risk 2016/17	Started	Draft	Final	Days Taken	Status	Comment
29 O	H&H - Equality & Diversity	provisional		4				0.00		
30 O	Corporate Health & Safety	10	3	3				0.00		
31 O	H&H - Homelessness	c/f		2				0.00		
32 O	H&H - Services for Older People	provisional		3				0.00		
33 O	H&H - Stock & Voids	5	3	3				0.00		
34 O	HR	c/f		2				0.00		
35 O	<b>Insurance</b>	<b>10</b>	<b>3</b>	<b>4</b>	<b>29/07/16</b>	<b>05/19/16</b>		<b>8.67</b>	<b>draft</b>	
36 O	Legal Services	c/f		3				0.00		
37 O	Leisure - Day Centres	c/f		3				0.00		
38 O	Leisure - PFI	c/f		3				0.00		
39 O	Local Land Charges	provisional		3				0.00		
40 O	Mailroom & Reprographics	provisional		3				0.00		
41 O	Members' Allowances & Expenses	10	3	4				0.00		
42 O	<b>Museum</b>	<b>10</b>	<b>2</b>	<b>3</b>	<b>17/08/16</b>			<b>3.21</b>	<b>planning</b>	
43 O	<b>Partnerships</b>	<b>10</b>	<b>2</b>	<b>4</b>	<b>10/08/16</b>			<b>3.28</b>	<b>planning</b>	
44 O	<b>Performance Management</b>	<b>15</b>	<b>1</b>	<b>3</b>	<b>04/05/16</b>	<b>27/07/16</b>	<b>12/09/16</b>	<b>13.50</b>	<b>final</b>	
45 O	Planning - Housing Strategy	provisional		4				0.00		
46 O	Planning - Local Plan	provisional		3				0.00		
47 O	SS - Fuel Management	5	4	3				0.00		
48 O	SS - Income Generating Services	provisional		4				0.00		
<b>TOTAL AUDIT DAYS</b>		<b>256</b>								

## LEVEL 3 &amp; 4 RECOMMENDATIONS IMPLEMENTED 16 July - 31 October 2016

Code & Title	Description	Risk Level	Managed By	Due Date	Completed
1415 KF06 Creditors 01	It is recommended that a system of monitoring is in place to ensure consistent usage of the E-Buy RSS module and to discourage the use of purchase order reference outside of the RSS module.	3	A/Dir Finance	31-Jul-16	31-Jul-16
1516 05KF Creditors	It is recommended that:  . All services are reminded that it is their responsibility to ensure invoices are authorised for payment within 30 days from receipt of goods/services or invoice: . A method of Communication is in place to inform and to establish reasons to : 1) Instances of significant variance on default timescales; 2) Significant timescale variance between invoice date and the Council's receipt date.	3	A/Dir Finance	30-Sep-16	30-Sep-16
1516 26O Housing Repairs Service 02	It is recommended that:  a) An exercise is carried out to investigate whether previous years outstanding credit notes have been fully recovered.  b) Recommendation reiterated from Audit 2012/13 that:  A process is in place to monitor credit notes received as well as to ensure its communication to the Post Inspection Surveyor. This should allow the records to be completed on discrepancies raised and enables a follow up of any outstanding credit due to the Council.	3	A/Dir Housing & Health	31-Jul-16	31-Jul-16

**LEVEL 3 & 4 RECOMMENDATIONS IMPLEMENTED 16 July - 31 October 2016**

Code & Title	Description	Risk Level	Managed By	Due Date	Completed
1516 350 Street Services - Fuel & Fleet Management & Transport Maintenance 07	It is recommended that all staff issued with Fuel Cards are informed or reminded not to claim loyalty points and to only purchase fuel at specified suppliers' filling stations.	3	Director of Finance & Corporate Service; Director of Public Services	31-Oct-16	04-Aug-16
1617 440 Performance Management 01	It is recommended that: -  a) Officers are reminded that when providing and inputting data for service indicator reporting they should ensure: -  . The numerator and denominator for the arithmetic calculations are correctly input onto Covalent.  . The performance reporting should be evidenced with verifiable supporting documents and uploaded onto Covalent.  b) Activating Officers ensure source data to the calculation is reliable, accurate and complete.	3	Leisure & Performance Manager	30-Sep-16	30-Sep-16



**Committee:** Performance and Audit

**Agenda Item**

**Date:** 15 November 2016

**12**

**Title:** Local Plan costs 2015/16

**Author:** Adrian Webb

Item for Note

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### Summary

1. At the 19 May 2016 meeting of this Committee a request was made for a report summarising the 2015/16 costs of the local plan. It was agreed that the report would be provided once the accounts had been approved.
2. The accounts were approved on 28 July and this is the first meeting of the Committee since that date.

### Recommendations

- None

### Financial Implications

- None. This is a summary of the spend in 2015/16 only.

### Background Papers

None

### Impact

Communication/Consultation	Once discussed at this Committee it is intended to circulate the report to all Members
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	This affected all Wards of the Council
Workforce/Workplace	None

## Situation

3. This report summarises the 2015/16 cost of the local plan. The expenditure is set out below in the same format as that used when publishing the cost of the withdrawn local plan.

	2015/16 Budget		2015/16 Actual	
	£'000	£'000	£'000	£'000
Employee Expenses	101		145	
Travel Expenses	2		2	
Supplies and Services - Consultancy	72		177	
Supplies and Services - other	1		1	
<b>Direct Expenditure</b>		<b>176</b>		<b>325</b>
Reimbursements	0		-23	
<b>Direct Income</b>		<b>0</b>		<b>-23</b>
Internal Charges - Management	32		36	
- Specialist Services	10		8	
- Central Support	7		5	
- Accommodation	7		8	
- Administration	15		16	
<b>Indirect Expenditure</b>		<b>71</b>		<b>73</b>
Internal Charges - Income	-27		-21	
<b>Indirect Income</b>		<b>-27</b>		<b>-21</b>
<b>TOTAL</b>		<b>220</b>		<b>354</b>

4. It should be noted that the budget was set in October 2014 for approval in February 2015. The budget is therefore based on the work needed to continue to support a plan as it is adopted. As transpired this was not the direction of travel and new studies had to be undertaken at additional cost.
5. The employee expenses include the use of agency staff.
6. Although there was an overspend against budget there was no draw down made from the Planning Reserve as there were underspends in other areas of the directorate.



**Committee:** Performance and Audit

**Agenda Item**

**Date:** 15 November 2016

**13**

**Title:** Quarter 2 Performance 2016/17

**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-reported key performance indicators and performance indicators, plus the half-yearly performance indicators.

## Recommendations

2. None

## Financial Implications

3. There are no financial implications 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. Appendix A presents Quarter 2 performance against the 2016/17 targets agreed at Performance and Audit Committee in May.
- 7. Short term and long term trend arrows have now been added to the report. The short term trend compares performance between the current quarter and previous quarter. The long term trend compares the current quarter to an average of the previous four quarters.

**Risk Analysis**

8.

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.

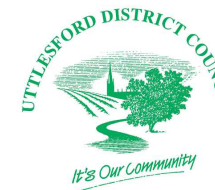
- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.



# 2016/17 Quarter 2 KPIs and PIs CMT Report

Report Authors: Tülay Norton and Paula Evans

Generated on: 17 October 2016
























































**Key:** \* Cumulatively monitored      **Max** Aim to maximise performance  
 # Quarterly targets profiled      **Min** Aim to minimise performance

SHORT TERM TREND (compares current quarter with previous quarter performance)		LONG TERM TREND (compares current quarter with previous four quarters average performance)	
	The value of this PI has improved in the short term		The value of this PI has improved in the long term
	The value of this PI has worsened in the short term		The value of this PI has worsened in the long term
	The value of this PI has not changed in the short term		The value of this PI has not changed in the long term

## Key Performance Indicators (KPIs)

Directorate: CORPORATE SERVICES								
PI Code & Short Name	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17	Q2 2016/17	Short Term Trend	Long Term Trend	Latest Note
<b>KPI 01</b> Percentage of supplier invoices paid within 30 days of receipt by the Council (Max)	98.33%	96.67%	98.89%	95.00%	<b>87.22%</b>			<b>Q2 2016/17 Numerator:</b> 157 <b>Denominator:</b> 180. Annual Leave has resulted in a delay in invoices being approved and processed this quarter. This issue could be minimised if more invoices were processed on E-Buy (the purchase ordering system) as approval is given at the ordering stage rather than on receipt of the invoice.
	96.00%	96.00%	96.00%	97.00%	97.00%			





















PI Code & Short Name	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17	Q2 2016/17	Short Term Trend	Long Term Trend	Latest Note		
<b>KPI 02</b> Customer satisfaction with services (Max)	79%	N/A	79%	N/A	<b>76%</b>			<b>H1 2016/17</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 24% nominal (24.42% actual). Satisfaction levels for many services including Building Control, Business Rates, and Council Housing - Homelessness, Council Housing - Rent and Council Housing - Sheltered Housing have improved since the previous panel survey in spring 2016. During the same period there has been a decline in satisfaction with Council Housing - Adaptations, Land Charges and Flytipping.		
			76%		76%					76%
	76%		76%		76%					
<b>KPI 03</b> Percentage of Non-domestic Rates Collected (Max) *	52.58%	80.02%	97.34%	29.15%	<b>56.39%</b>			<b>Q2 2016/17 Numerator:</b> 25,910,339.03 <b>Denominator:</b> 45,949,515.27 = 56.39%. Due to non-payment of Business Rates by one of the Council's largest rate payers the current target has not been met. Proceedings are currently being actioned to recover the outstanding liability due.		
										
	57.00%	85.00%	98.00%	30.18%	58.50%					
<b>KPI 04</b> Accuracy of processing - HB/CTB claims (Max)	99.78%	99.26%	99.77%	99.55%	<b>100.00%</b>			<b>Q2 2016/17</b> 361 claims checked. No financial errors identified giving an accuracy rate of 100% for QTR2.		
										
	98.00%	98.00%	98.00%	98.00%	98.00%					
<b>KPI 05</b> Percentage of Council Tax collected (Max) *	58.57%	86.94%	99.17%	30.19%	<b>58.39%</b>			<b>Q2 2016/17 Numerator:</b> 31,959,180.83 <b>Denominator:</b> 54,733,696.79 = 58.39%. Council Tax collection has slipped marginally against target but will catch up by end of year this is due to customer payment instalments being offered for 10 and 12 months (previously only 10 Month option available).		
										
	57.00%	85.00%	98.00%	30.18%	58.50%					



PI Code & Short Name	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17	Q2 2016/17	Short Term Trend	Long Term Trend	Latest Note
<b>KPI 06 (a)</b> Time taken to process Housing Benefit/Council Tax Benefit new claims (Days) (Min)	19.9	24.5	23.8	23.4	<b>19.9</b>			<b>Q2 2016/17</b> 195 new claims to Housing Benefit (HB) were processed taking a total of 3,351 days. There were also 247 new claims to Local Council Tax Support (LCTS) taking 5,448 days. This is a total of 442 new claims taking 8,799 days; an average of 19.91 days. The reason for good performance this quarter is reflective of the fact the service area operated with a full quota of trained staff.
								
	24.0	24.0	24.0	24.0	24.0			
<b>KPI 06 (b)</b> Time taken to process Housing Benefit/Council Tax Benefit change events (Min)	8.8	8.2	5.6	5.9	<b>5.6</b>			<b>Q2 2016/17</b> 3,070 changes in circumstance to Housing Benefit (HB) were processed taking a total of 18,735 days. There were also 3,284 changes in circumstance to Local Council Tax Support (LCTS) taking 16,966 days. This is a total of 6,354 changes taking 35,701 days; an average of 5.62 days. The reason for good performance this quarter is reflective of the fact the service area operated with a full quota of trained staff.
								
	8.0	8.0	8.0	9.0	9.0			
<b>KPI 07 (a)</b> Average number of days lost per employee through short-term sickness absence (Min) *	1.78	3.07	4.24	1.41	<b>2.78</b>			<b>Q2 2016/17 Numerator:</b> 479 <b>Denominator:</b> 351 = 1.37 days lost due to sickness for this quarter. <b>Cumulative Numerator:</b> 981 <b>Denominator:</b> 353.5 = 2.78 days per member of staff for the year to date.
								
	3.50	5.25	7.00	1.75	3.50			
<b>KPI 07 (b)</b> Average number of days lost per employee through long-term sickness absence (Min)	58.00	29.00	35.50	46.80	<b>37.80</b>			<b>Q2 2016/17 Numerator:</b> 189 <b>Denominator:</b> 5 = average of 37.8 days off work for the five long term sick cases this quarter. Four have now returned to work, with one remaining off work under a fit note.
								
	45.00	45.00	45.00	45.00	45.00			

PI Code & Short Name	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17	Q2 2016/17	Short Term Trend	Long Term Trend	Latest Note
<b>KPI 16</b> Rent collected as percentage of rent owed (including arrears b/f) (Max) *	94.39%	95.64%	97.29%	90.56%	<b>95.50%</b>			<b>Q2 2016/17 Numerator:</b> £3,837,430.57 <b>Denominator:</b> £4,199,521.55 (91.38%) <b>Cumulative Numerator:</b> £7,647,869.38 <b>Denominator:</b> £8,008,682.49 = 95.50%. This PI has exceeded the target due to the rigorous approach to rent collection and regular checking by the Arrears Officer that tenants in arrears are keeping to agreements made.
	93.55%	94.55%	96.50%	89.00%	94.05%			
<b>KPI 17</b> Local Council Tax Support Collection Rate (Max)	New KPI for 2016/17			23.73%	<b>49.38%</b>			<b>Q2 2016/17 Numerator:</b> £337,116.74 (net receipts) <b>Denominator:</b> £682,699.49 (total net liability) = 49.38%.
				21.25%	42.50%			

**Directorate: PUBLIC SERVICES**






















PI Code & Short Name	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17	Q2 2016/17	Short Term Trend	Long Term Trend	Latest Note
<b>KPI 08</b> Average re-let time in days (General Needs only)	26	16	27	27.5	<b>22</b>			<b>Q2 2016/17</b> We have made a reasonable improvement from the last quarter, but Outturn is still below target. This is still due to the external contractor not performing to accepted levels. The council is claiming liquidated damages and performance levels are now being addressed through regular core meetings. This has shown to be effective and we would hope to be on target for Q3.
	12	12	12	20	20			






















PI Code & Short Name	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17	Q2 2016/17	Short Term Trend	Long Term Trend	Latest Note
<b>KPI 11</b> Processing of planning applications: Major applications (within 13 weeks or including any agreed extension of time) (Max)	90.00%	82.35%	81.82%	70.00%	<b>44.44%</b>	↓	↓	<b>Q2 2016/17 Numerator: 4 Denominator: 9 = 44.44%. Cumulative Numerator: 10 Denominator: 17 = 58.82%.</b> Target for quarter not achieved, one major off meeting target. Possibly down to batch clearance of some longstanding major Section 106s. Annual cumulative target still on track.
								
	60.00%	60.00%	60.00%	60.00%	60.00%			
<b>KPI 12</b> Processing of planning applications: Minor applications (within 8 weeks or including any agreed extension of time) (Max)	79.09%	85.86%	90.43%	80.00%	<b>78.49%</b>	↓	↓	<b>Q2 2016/17 Numerator: 73 Denominator: 93 = 78.49% Cumulative Numerator: 144 Denominator: 183 = 78.69%.</b> Just shy of target of 80% due to some minor operational issues, need to ensure that operationally work smarter to achieve target. Well exceeding government target of 65%.
								
	80.00%	80.00%	80.00%	80.00%	80.00%			
<b>KPI 13</b> Processing of planning applications: Other applications (within 8 weeks or including any agreed extension of time) (Max)	92.48%	92.13%	87.44%	89.26%	<b>87.21%</b>	↓	↓	<b>Q2 2016/17 Numerator: 259 Denominator: 297 = 87.21% Cumulative Numerator: 492 Denominator: 557 = 88.33%.</b> Target exceeded.
								
	82.00%	82.00%	82.00%	82.00%	82.00%			
<b>KPI 14</b> Percentage of household waste sent for reuse, recycling and composting (LAA) (Max)	52.34%	50.91%	48.48%	51.91%	<b>52.39%</b>	↑	↑	<b>Q2 2016/17</b> Final value will only be available in November when the complete information will be available from all of our recycling customers. The result given is an estimate based on July and August actuals and an estimate for September. Performance this quarter appears consistent with same quarter last year.
								
	56.77%	53.04%	51.63%	51.00%	55.00%			

PI Code & Short Name	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17	Q2 2016/17	Short Term Trend	Long Term Trend	Latest Note
<b>KPI 15 (a)</b> Number of return visits to collect bins that have been missed on the first visit (Min)	New KPI for 2016/17			1,616	<b>1,123</b>	↑	↑	<b>Q2 2016/17</b> 1,123 missed bins out of 929,994 total number of collections (This is number of properties - currently 35,769 - multiplied by 2 to account for the number of collections made from each property, multiplied by 13 weeks in the quarter). Good quarter considering the high level of breakdowns and increased sickness absence. We are now reporting actuals instead of per 100,000 properties as recommended by members. <b>Collection rate for Q2 2016/17 is 99.88%.</b>
								
				936	936			










## Performance Indicators (PIs)












Directorate: CHIEF EXECUTIVE								
PI Code & Short Name	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17	Q2 2016/17	Short Term Trend	Long Term Trend	Latest Note
<b>PI 06</b> Percentage of standard searches carried out in 10 working days (Max)	100%	100%	100%	100%	99.6%			<b>Q2 2016/17 Numerator:</b> 250 <b>Denominator:</b> 251. The Law Society changed the CON29 effective 04.07.2016. The system did not generate the searches properly so we were not able to complete them.
								
	100%	100%	100%	100%	100%			
<b>PI 21</b> Percentage of minutes from meetings made available to the public within 10 working days (Max)	89%	85%	96%	85%	84%			<b>Q2 2016/17 Numerator:</b> 21 <b>Denominator:</b> 25 Exceptions were due to work pressures in the section associated with the canvass and the Dunmow planning referendum plus one member of staff leaving towards the end of the quarter.
								
	95%	95%	95%	95%	95%			
Directorate: CORPORATE SERVICES								
PI Code & Short Name	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17	Q2 2016/17	Short Term Trend	Long Term Trend	Latest Note
<b>PI 02</b> Average time (Days) to pay supplier invoices (Min)	12.1	12.4	13.0	13.3	15.7			<b>Q2 2016/17 Numerator:</b> 2,819 <b>Denominator:</b> 180. Performance deteriorated further during the quarter from 13.3 to 15.7 payment days, with 7% of invoices sampled. Although fewer invoices were processed 23 of these, (13%) were paid beyond 30 days, due to annual leave impacting approval of invoice. This issue could be minimised if more invoices were processed on E-Buy (the purchase ordering system) as approval is given at the ordering stage rather than on receipt of the invoice.
								
	12.0	12.0	12.0	11.0	11.0			

PI Code & Short Name	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17	Q2 2016/17	Short Term Trend	Long Term Trend	Latest Note
<b>PI 03</b> Percentage of sundry debt income overdue (debts over 90 days old not subject to a payment agreement) (Min)	2.9%	.0%	2.1%	3.4%	<b>2.6%</b>			<b>Q2 2016/17</b> As at 3 October 2016, total outstanding sundry debt was £298,529.09 of which £7,741.40 was over 90 days old and not subject to a payment agreement. 2.6%.
								
	4.5%	4.5%	4.5%	4.0%	4.0%			
<b>PI 20</b> Percentage of IT help Desk calls resolved within target (Max)	97.18%	97.84%	97.46%	97.93%	<b>99.32%</b>			<b>Q2 2016/17</b> 1,466 calls raised 1,456 resolved on time 99.32%
								
	93.00%	93.00%	93.00%	95.00%	95.00%			
<b>PI 22</b> Museum users: Total visitors to the museum building and on-site events (Max) #	4,457	2,951	3,793	3,369	<b>2,979</b>			<b>Q2 2016/17</b> Visitor numbers about 25% below target. Main outreach programme events have been off-site therefore contributing to user figures but not to on-site visitors. Lack of Learning Officer and Schoolroom to attract more schools and activities has also had been a factor, and improvement will be largely dependent on re-instatement of this post, together with longer-term museum developments, subject to funding.
								
	4,000	3,100	3,500	3,200	4,000			

**Directorate: PUBLIC SERVICES**

PI Code & Short Name	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17	Q2 2016/17	Short Term Trend	Long Term Trend	Latest Note
<b>PI 16</b> Number of households living in temporary accommodation (CI 19 & NI 156) (Min)	22	17	22	21	<b>13</b>			<b>Q2 2016/17</b> Snapshot as at 30 Sept 2016, total: 13 Council owned = 11. Emergency B&B / shared accommodation placements = 2. Within target.
								
	17	17	17	14	14			

PI Code & Short Name	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17	Q2 2016/17	Short Term Trend	Long Term Trend	Latest Note
<b>PI 24a</b> Planning appeals allowed for major applications (Min)	100.0%	.0%	.0%	66.7%	<b>0%</b>			<b>Q2 2016/17 Numerator: 0 Denominator: 2 = 0%. Cumulative Numerator: 2 Denominator: 5 = 40%. Target achieved.</b>
	30.0%	30.0%	30.0%	30.0%	30.0%			
<b>PI 24b</b> Planning appeals allowed for minor applications (Min)	50.0%	.0%	12.5%	23.1%	<b>50.0%</b>			<b>Q2 2016/17 Numerator: 6 Denominator: 12 = 50%. Cumulative Numerator: 9 Denominator: 25 = 36%. Number of allowed appeals exceeded in quarter. So trends in appeal decision being addressed within team. Annual target being archived.</b>
	45.0%	45.0%	45.0%	45.0%	45.0%			
<b>PI 24c</b> Planning appeals allowed for other applications (Min)	66.7%	25.0%	16.7%	50.0%	<b>50.0%</b>			<b>Q2 2016/17 Numerator: 2 Denominator: 4 = 50%. Cumulative Numerator: 5 Denominator: 10 = 50%. Target not being met in quarter, some trends with Inspector decisions that need to be resolved within teams.</b>
	45.0%	45.0%	45.0%	45.0%	45.0%			
<b>PI 24d</b> Appeals allowed for enforcement notices (Min)	.0%	.0%	66.7%	.0%	<b>.0%</b>			<b>Q2 2016/17 No appeals decisions this quarter.</b>
	30.0%	30.0%	30.0%	30.0%	<b>30.0%</b>			
<b>PI 30</b> Percentage planning applications validated within 5 days (Max)	98%	99%	99%	98%	<b>99%</b>			<b>Q2 2016/17 Numerator 414 Denominator 417 = 99.28%. Cumulative Numerator: 840 Denominator: 852 = 98.59%.</b>
	90%	90%	90%	90%	90%			

PI Code & Short Name	Q2 2015/16	Q3 2015/16	Q4 2015/16	Q1 2016/17	Q2 2016/17	Short Term Trend	Long Term Trend	Latest Note
<b>PI 40</b> Number of subscribers to garden waste collection service (Max)	5,100	5,110	5,041	5,700	<b>6,100</b>			<b>Q2 2016/17</b> Good increase and uptake on last quarter, well above target.
								
	5,320	5,360	5,400	5,425	5,450			
<b>PI 41</b> Percentage of routine food hygiene premises inspections completed within the quarter (Max)	New PI for 2016/17			88%	<b>100%</b>			<b>Q2 2016/17</b> Regular performance meetings held across the quarter specifically focusing on inspection targets. These meetings supplement 1-2-1 and full team meetings.
								
				95%	95%			

**Committee:** Performance and Audit

**Agenda Item**

**Date:** 15 November 2016

**14**

**Title:** Quarter 2 Corporate Risk Register 2016/17

**Author:** Richard Auty, Assistant Director Corporate Services      Item for information

### Summary

1. This report presents the Corporate Risk Register as at the end of quarter 2 2016/17. The report also provides an overview of changes to the council's risk management processes due to be implemented at the beginning of 2017/18.

### 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. Appendix A is the council's Corporate Risk Register. It continues the approach of identifying the key risks associated with delivering the council's main strategic objectives.
7. From April 2017 there will be several changes to the way the council monitors its key strategic risks. It has been a number of years since processes were reviewed.
8. The main changes, which members will see reflected in risk reports for the 2017/18 year onwards are as follows:
9. The council's risk registers will look at opportunities as well as threats in determining the risks it faces. Risks are uncertainties that may impact on the success of the council in delivering its aims and objectives. The effect of these uncertainties can be a positive event or action that will enhance the organisation's ability to achieve its objectives (an opportunity) or a negative event or action that will adversely affect the organisation's ability to achieve (a threat).
10. The Corporate Risk Register will take a wider view of the key threats and opportunities facing the council, with a broader scope than the current Corporate Plan-based approach. The Corporate Risk Register will contain those risks which are of critical concern; therefore members may expect to see fewer risks than at present but with more detail about each.
11. Risks will be classified under one or more categories, allowing easier identification of the nature of threats and opportunities facing the council. The categories are:
  - Service/Project Effectiveness
  - Health and Safety
  - Reputation
  - Financial/Economic
  - Physical/Environmental
  - Compliance/Legislative/Political
12. Risk tolerance levels will also be redefined. The risk tolerance level is the acceptable level of risk for the council depending on the type of risk. For example, the council may be willing to tolerate a greater level of risk in matters relating to its reputation, acknowledging that sometimes it must make unpopular decisions, than in matters relating to legislation or the safety of the public and its employees.

13. A new risk management policy will sit alongside the new risk registers. The policy will include guidance on defining, scoping and scoring risks.
14. The possibility of organising training sessions for senior officers and committee members is being investigated.

## Risk Analysis

15.

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.  Changes to the council's approach will create an even more effective risk management framework.

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.

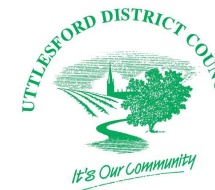








# Corporate & Strategic Risk Register 2016-17 - Quarter 2






Report Author: Paula Evans






Generated on: 7<sup>th</sup> November 2016









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
<b>CORPORATE RISKS</b>												
<b>16-CR 01</b> 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	3	3	9		3	1	<b>The New Homes Bonus (NHB) announcement has been delayed. The pause in the local plan process may also lead to loss of NHB in 2017/18</b>	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
<b>16-CR 02</b> 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	3	3	9		2	3	<b>The New Homes Bonus (NHB) announcement has been delayed. The pause in the local plan process may also lead to loss of NHB in 2017/18</b>	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
<b>16-CR 03</b> 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	<b>LSP Annual Assembly held in Q3 focused on social isolation as a key cross cutting theme in considering the range of Living Well issues.</b>	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 determines the LSP agenda and takes responsibility for outcomes	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
<b>16-CR 04</b> Local Plan	Failure to meet objectively assessed housing need and identify suitable deliverable sites	3	2	3	3	9		3	2	<b>At beginning of Q3, testing of OAN and suitable deliverable sites undertaken leading to pause in local plan preparation process to enable further work.</b>	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
<b>16-CR 05</b> External contracts	Contracts with third parties do not benefit the Council & Community financially	3	2	3	2	6		3	1	<b>Contract management meetings with Viridor confirm satisfactory performance. Roalco performance has generally improved following meetings, but some KPIs still not being achieved. Negotiations continue over performance bond.</b>	Robust evaluation of contract bids. Once new contracts in place, proactive monitoring of contracts to ensure appropriate implementation.	Roger Harborough
<b>16-CR 06</b> The Council does not demonstrate how consultation responses have been taken into account	The Council does not demonstrate how consultation responses have been taken into account when formulating policy	3	3	3	3	9		3	1	<b>No further progress on Member review of the issue.</b>	A project team of Senior Managers has 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	Roger Harborough
<b>16-CR 07</b> 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	<b>New Equalities Scheme approved for consultation purposes and consultation conducted. Member training is being organised. Staff survey responses confirm 69% think that the council provides a healthy and safe working environment.</b>	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	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
<b>16-CR 08</b> Little money available for Highways improvements	Highways Panel unable to deliver expectations owing to ECC financial constraints	2	3	2	3	6		2	3	<b>Funding agreed for part of the 2017-18 programme. There was still some scope to review the programme and make adjustments.</b>	Targeted improvements in district due to local member involvement in Highways Panel/Locality Board	Roger Harborough
<b>16-CR 09</b> 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	1	3		3	1	<b>Business rates incentive scheme has successfully attracted inward investment. Supported Town Teams have been successful in raising profile of their respective offers through promotional activity attracting national publicity.</b>	Implement the economic strategy in conjunction with local business representatives, West Essex partners and allocate budget to support this work	Roger Harborough
<b>16-CR 10</b> 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	<b>LCTS scheme for 2017/18 has now concluded the consultation phase and Members will decide the scheme at Council on 8 December 2016</b>	Resource and implement the Council's annual Local Council Tax Support Policy	Adrian Webb
<b>16-CR 11</b> Partner organisations unable to provide sufficient resources	Partner organisations unable to provide sufficient resources in times of austerity to implement new strategies	3	4	3	3	9		3	2	<b>Peer review to take place in Q3</b>	New arrangements with partner authorities will need to be increasingly challenged and focused on prioritised needs and value for money	Roger Harborough
<b>16-CR 12</b> 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	<b>Peer review to take place in Q3</b>	As resources diminish the Council will need to regularly review its' priorities and its' form and function as a provider of commissioner services	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
<b>16-CR 13</b> Shared service delivery model	Partner organisations unable or unwilling to sign-up to shared service delivery model	2	3	2	2	4		2	2	<b>The Council withdrew from discussions around the proposed Building Control partnership. Options will be actively investigated as opportunities arise.</b>	Continue to work with those organisations who already share UDC assets i.e. ECC. Parish Councils and voluntary sector	Adrian Webb
<b>16-CR 14</b> Neighbourhood plans	Local communities do not have adequate resources to develop neighbourhood plans	2	3	2	2	4		2	2	<b>Gt Dunmow NP endorsed in referendum by large majority and will now be adopted as part of the development plan. Other NPs in progress, including Felsted, Great &amp; Little Chesterford, Newport, Radwinter, Saffron Walden, Stansted, Stebbing, Takeley and Thaxted.</b>	Strategic Initiative Fund allocation to fund resources to support communities in preparing plans and getting them adopted	Roger Harborough
<b>16-CR 15</b> 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	2	6		3	2	<b>Current programme complete. About 300 homes still without EWI. Eco 2 programme announced for 2017/18, which will include EWI funding.</b>	Pursue external funding opportunities for external wall insulation programme; smart procurement	Roger Harborough
<b>16-CR 16</b> Potential breaches of planning control	Council is not made aware of potential breaches of planning control	2	2	2	1	2		2	1	<b>New dedicated planning enforcement team established with Development Management Team under Planning Enforcement Team Leader</b>	Parish councils act as an important communications channel for reporting potential breaches, and this function is encouraged	Roger Harborough (Sonia Williams)
<b>16-CR 17</b> Improving heritage assets	Aspirations outstrip available resources to improve heritage assets	2	3	2	3	6		2	3	<b>Current programme of work on Saffron Walden castle completed with HE grant support.</b>	Pursue external funding opportunities	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
<b>16-CR 18</b> 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	<b>Discussions about Combined Authority for Essex have made no substantive progress. Essex authorities are preparing Growth and Infrastructure Strategy.</b>	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
<b>16-CR 19</b> 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	<b>Pre-application discussions commenced on new arrivals hall for Stansted. Pre-application discussions anticipated on variation of 35 mppa condition.</b>	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
<b>STRATEGIC RISKS</b>												
<b>16-SR 01</b> Disruption of Council business	Disruption of council business caused by: loss of building, widespread staff absence, extreme weather conditions	3	2	3	3	9		3	2	<b>There has been a BC audit this year, as a result, there is need for an overall corporate strategy which needs to be developed, plus a need for 'champions' within the corporation to be responsible for departmental plans. Once this is completed and critical functions/services identified, a business impact analysis will be carried out ahead of their individual plans being written or updated as required. The EPO will then be able to co-ordinate the testing and validation of the plans.</b>	Ensure that 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	Tony Cobden (Lisa Lipscombe)

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<b>16-SR 02</b> 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	<b>The EPO represents both the district council and the upper tier county council at the MAG emergency planning meetings. Plans are up to date and communications good between both parties.</b>	Ensure that emergency plans are in place and that there is regular liaison with airport operator and engagement in emergency planning activities	Tony Cobden (Lisa Lipscombe)
<b>16-SR 03</b> 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	<b>One refugee family settled in Uttlesford in council housing stock with multi agency support. No further arrivals expected until Q4 in 2017.</b>	Council will work with other agencies to coordinate community response.	Roger Harborough
<b>16-SR 04</b> Greater Essex devolution	See below for sub-risks:											
<b>16-SR 04 (a)</b> 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 opportunities for the District's social, environmental and amenity infrastructure	3	3	3	1	3		1	1	<b>Prospects for Essex Combined Authority have diminished because of Government expectation of a directly elected mayor.</b>	The Council joins the Combined Authority	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
<b>16-SR 04 (b)</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	1	3		1	1	<b>Prospects for Essex Combined Authority have diminished because of Government expectation of a directly elected mayor.</b>	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	Roger Harborough

Risk Status	
	Alert
	Warning
	OK

