



Uttlesford District Council

Chief Executive: Dawn French

Governance, Audit and Performance Committee

Date: Thursday, 27th September, 2018

Time: 7.30 pm

Venue: Committee Room - Council Offices, London Road, Saffron Walden,
Essex CB11 4ER

Chairman: Councillor E Oliver

Members: Councillors G Barker, J Davey, J Gordon, N Hargreaves, S Harris,
D Jones (Vice-Chair), G LeCount, B Light and G Sell

Substitutes: Councillors A Anjum, A Dean, J Freeman and M Lemon

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. A time limit of 3 minutes is allowed for each speaker. Please refer to further information overleaf.

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 the Previous Meeting

5 - 10

To consider the minutes of the previous meeting.

3 Annual Audit Letter 2017/18

11 - 36

To consider the Annual Audit Letter 2017/18.

4 Internal Audit Strategy and Work Programme 2018/19 37 - 52

To consider the Internal Audit Strategy and Work Programme 2018/19.

5 Internal Audit Progress Report 01 May - 31 August 2018 53 - 60

To consider the Internal Audit Progress Report 01 May - 31 August 2018.

6 General Data Protection Regulation (GDPR) Compliance Progress Report - 27 September 2018 61 - 64

To consider the General Data Protection Regulation (GDPR) Compliance Progress Report.

7 PFI Overview 65 - 74

To consider the report on the PFI overview.

8 Ombudsman Annual Review 2017/18 75 - 84

To consider the Ombudsman Annual Review 2017/18.

9 Report of the Aspire Directors 85 - 88

To consider the report from the directors of Aspire.

10 Voting by Ballot at Council Meetings 89 - 94

To consider the report on voting by ballot at Council meetings.

11 Local Plan Costs 2017/18

To consider the report on Local Plan costs.

MEETINGS AND THE PUBLIC

Members of the public are welcome to attend any of the Council's Cabinet or Committee meetings and listen to the debate. All agendas, reports and minutes can be viewed on the Council's website www.uttlesford.gov.uk. For background papers in relation to this meeting please contact committee@uttlesford.gov.uk or phone 01799 510548/369.

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 I 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.

Facilities for people with disabilities

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Agenda Item 2

GOVERNANCE, AUDIT AND PERFORMANCE COMMITTEE held at COMMITTEE ROOM - COUNCIL OFFICES, LONDON ROAD, SAFFRON WALDEN, ESSEX CB11 4ER, on THURSDAY, 26 JULY 2018 at 7.30 pm

Present: Councillor E Oliver (Chairman)
Councillors G Barker, J Davey, J Gordon, N Hargreaves,
D Jones, G LeCount, B Light and G Sell

Officers in attendance: D French (Chief Executive),
R Auty (Assistant Director - Corporate Services), S Bronson (Audit Manager), N Brown (Development Manager), R Dobson (Democratic and Electoral Services Manager), P Evans (Leisure and Performance Manager), B Ferguson (Democratic Services Officer), G Glenday (Assistant Director – Planning), A Howells (Support and Business Manager), A Knight (Assistant Director – Resources) and A Webb (Director - Finance and Corporate Services).

Also Present: Councillors S Howell (Cabinet Member for Finance and Administration) and H Rolfe (Leader of the Council); M Hodgson (Executive Director - EY) and M Russell (Audit Manager – EY).

GAP14 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Councillor Jones declared a non-pecuniary interest as a member of the Essex Pension Fund.

GAP15 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 17 May 2018 were received and signed by the Chairman as a correct record.

GAP16 AUDIT RESULTS REPORT 2017-18

Mark Hodgson, Executive Director (EY) summarised the findings of the 2017/18 Audit to the committee.

Two adjustments were highlighted in the 'Audit Differences' section of the report. The first related to the Essex Pension Fund asset value, where EY had identified the actual asset valuation was £111 million greater than estimated; the Actuary reissued the valuation report at the end of May. This was not an error by the council, but a restatement of the valuations by the Actuary and was outside the Council's control. The Council's share of this increase was £1.26million.

The second adjustment related to Aspire and the group accounts, where it had been found that an element of the stamp duty land tax of £1.3 million, was misstated between the CIES and balance sheet.

Members were informed that the way in which the Council calculated depreciation of its dwellings was incorrect, and whilst it was not a problem for this year's accounts, the methodology should be changed for future audits.

In response to a Member question relating to Aspire, the Director – Finance and Corporate Services said a dedicated report would be brought to GAP in September detailing Aspire and its accounts as a standalone entity.

Mr Hodgson thanked the Director – Finance and Corporate Services, the Assistant Director – Resources and the Finance Manager for their help in ensuring a smooth and successful audit.

GAP17 STATEMENT OF ACCOUNTS 2017-18

The committee considered the Statement of Accounts for 2017/18.

In response to a question from Councillor Sell, the Director – Finance and Corporate Services said the £15,000 figure allocated to economic development was only one source of funding and further resources were available as it was part of the Council's wider economic strategy.

Councillor Rolfe said the Council's economic development strategy had been agreed by Cabinet and the strategy could be circulated to all Members.

Councillor LeCount asked why the cost of officer remuneration had increased in the past year.

The Chief Executive said the Council had approved the increase as part of the budget in February. The increase was to address a discrepancy of under payment to Assistant Directors and the cost would be a one off.

RESOLVED to:

- a) Approve the Letter of Representation attached to the report as Appendix A.
- b) Approve the audited 2017/18 Statement of Accounts as presented with the report.

The Chairman said this was the last year the accounts would be audited by EY and he thanked them for all of their work in the past years.

The accounts were signed and Mr Hodgson and Mr Russell left the meeting.

GAP18 INTERNAL AUDIT ANNUAL REPORT AND OPINION 2017/18

The Audit Manager reported on the work undertaken by Internal Audit during 2017/18 and provided an opinion on the Council's control environment.

In response to a Member question, the Audit Manager said the recommendations made in audit reports were followed up and monitored to ensure implementation was achieved, as per the continuing audit of Street Services.

Responding to a question relating to the Leisure - PFI, the Director – Finance and Corporate Services said a report on the subject would be coming to GAP in September.

Councillor Sell asked whether the lack of resources available to the Audit team was having an impact on the team's capability to take on necessary work.

The Audit Manager said the team were managing but she was looking at bringing in officers from other Local Authorities to assist with the workload.

The Committee noted the content of the report.

GAP19 GENERAL DATA PROTECTION REGULATION (GDPR) COMPLIANCE PROGRESS REPORT

The Audit Manager provided an update on the GDPR compliance project, following the introduction of the regulation on 25 May 2018. She said the project was in place and the team was finalising work that had been ongoing since the project began.

Members were told the GDPR Project Team had agreed to continue to meet for the next six months but had revised the composition of the team, as only Senior Managers from service areas that processed the highest volume of personal data would now attend.

The Audit Manager said the Council was in a good position to deal with Data Subject Access requests, although it had only received one since GDPR was brought into force. However, seven minor data breaches had occurred which had created a large amount of work for the team.

Councillor Light requested that the GDPR e-module be resent to all Members.

The Chief Executive thanked the Audit Manager and her team for their hard work and for putting the Council in a strong position to deal with GDPR.

The Committee noted the content of the report.

GAP20 COMMUNITY GOVERNANCE REVIEW 2018

The Democratic and Electoral Services Manager presented the report on the Community Governance Review for 2018. She said there was a need to progress a review of parish boundaries and electoral arrangements in relation to the parishes of Little Easton and the Dunmow North ward of great Dunmow; and to deal with the request in relation to the electoral arrangements in Aythorpe

Roding. The Council, as principal authority, had a duty to ensure that community governance for these areas under review reflected the identities and interests of the local community, and that community governance was effective and convenient.

Members considered the report and there was agreement with the recommended terms of reference and timetable of the review.

RESOLVED to approve the terms of reference and timetable of a limited community governance review as set out in Appendices 1 and 2, including scheduling of an extraordinary meeting of the committee to enable the review to be concluded before publication of the revised register of electors.

GAP21 **PLANNING PEER REVIEW ACTION PLAN**

The Assistant Director – Planning informed Members that in February 2018 the Planning Service underwent a peer review carried out by consultants from The Planning Officer’s Society. To implement the recommendations of the review an action plan had been produced, covering areas such as performance, which sought the Committee’s approval. He said the plan was a working document and he welcomed comments from Members.

Councillor Sell asked whether the recommendations and content of the peer review were accepted by staff working in the Planning Service.

The Development Manager said the Service itself had invited the peer review and the team had embraced the process. The conclusion of the peer review had met expectations and there had been no surprise findings.

Councillor Hargreaves highlighted the peer review recommendation to restrict public speaking at Committee meetings.

The Development Manager said there were no plans to review speaking arrangements and not every recommendation outlined in the review would be implemented.

Councillor Hargreaves said the consultation undertaken during the review was limited as no ‘end users’ of the Planning Service had been consulted.

Members and Officers discussed the use of technology and the concept of ‘smarter working’ practices that could be implemented to improve the Service, such as a better website to encourage ‘self-help’ and to reduce the burden on the Duty Officer; streamlining the report writing process; and efficient enforcement practice.

Councillor Howell said the review was for Members as well as officers and he highlighted the number of major applications that had been refused by the Planning Committee only for the decision to be overturned at appeal.

The Development Manager echoed the concerns raised by Cllr Howell. He highlighted the risk and consequences of designation from a significant proportion of all major applications resulting in allowed appeals. He said it only took a few overturned applications leading to allowed appeals for designation to occur.

RESOLVED to approve the Planning Service Action Plan summary, as appended to this report.

GAP22 **QUARTER 1 KPI AND PI PERFORMANCE REPORT**

The Leisure and Performance Manager presented outturn data for all KPIs and PIs for Quarter 1 (1 April – 30 June) for 2018/19. She said the overall picture was positive and the majority of indicators had met their specific targets.

The following KPI was discussed by Members:

KPI 08 - Average re-let time in days (General Needs only)

Councillor Jones highlighted KPI 08 and asked why this indicator had not been hitting its target for some time. He said the Council could consider selling 'hard to let' properties on the open market and use the revenue to procure more suitable properties for the Council's housing stock. He also asked whether the situation with the asbestos contractor had exacerbated the problem.

The Leisure and Performance Manager said the asbestos contractor had been changed recently and the Council were in talks with the new provider to improve timings. In regard to 'hard to let' properties, people had a choice to decline when offered a property and this had inevitably resulted in properties deemed as undesirable taking longer to re-let.

The Leisure and Performance Manager said a report could be brought to a future Committee meeting to provide information on the issue of re-letting Council properties.

The Chairman said he would welcome a report on the subject.

The meeting ended at 9.20pm.

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Agenda Item 3

Committee: Governance, Audit and Performance
Committee

Date:

Thursday, 27
September 2018

Title: Annual Audit Letter 2017/18

**Report
Author:** EY

Summary

1. The Annual Audit Letter summarises the key findings from the 2017/18 audit.

Recommendations

2. None

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Uttlesford District Council

Annual Audit Letter for the year
ended 31 March 2018

29 August 2018

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better
working world

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.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 (updated 23 February 2017)' 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.



01

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 2018.

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 2018 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 £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Executive Summary (cont'd)

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 18 July 2018.
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 26 July 2018.

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In December 2018 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

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP



02 Purpose and Responsibilities



Purpose and Responsibilities

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 2017/18 Audit Results Report to the 26 July 2018 Governance, Audit & Performance 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 of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the audit planning report that we issued on 26 January 2018 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 2017/18 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 the 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 £500 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

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

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



03

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 26 July 2018.

Our detailed findings were reported to the 26 July 2018 Governance, Audit & Performance Committee.

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

Significant Risk

Risk of management override of control

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.

ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

We are also required to identify specific additional risks of management override. The specific additional risk identified is with regards to manipulation of accounting estimates with the estimates most likely to be subject to management override of controls being non routine income and expenditure accruals and provisions and specifically the Non Domestic Rates (NDR) appeals Provision.

We identify and respond to this fraud risk on every audit engagement.

Conclusion

We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.

We considered the accounting estimates most susceptible to bias as to their reasonableness.

We evaluated the business rationale for any significant unusual transactions.

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 have not identified any management bias in accounting estimates.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Risk of fraud in revenue and expenditure recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.</p>	<p>We obtained a breakdown of capital additions in the year, and reviewed these to identify any items that could be revenue in nature.</p> <p>We designed journal procedures to identify any manual adjustment journal types moving amounts from revenue to capital codes. We then tested a sample of capital expenditure to supporting documentation to ensure that the capital/revenue split was reasonable.</p> <p>Our testing has not identified any material misstatements from revenue and expenditure recognition.</p> <p>Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.</p>



Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings	Conclusion
<p>Valuation of Land and Buildings</p> <p>Property, Plant and Equipment represents a material balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet. This is carried out by an expert valuer and is based on a number of complex assumptions.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>Following full consideration of their work, we have placed reliance on the Council's valuation expert.</p> <p>Our testing did not identify any material misstatements from inappropriate judgements being applied to the property valuation estimates.</p> <p>The work performed by the valuer was based on reasonable assumptions that we were able to corroborate through our sample testing.</p> <p>Our consideration of the annual cycle of valuations did not identify any issues with the implemented plan or with the movement on assets not revalued in year.</p> <p>Our audit work did not identify any issues with the accounting treatment for valuations.</p>
<p>Pension Liability - IAS 19</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.</p> <p>Accounting for this scheme involves significant estimation and judgement.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the work required with no issues identified.</p> <p>Our audit procedures highlighted a difference between the estimated Fund Asset valuation at the 31 March 2018 and the actual valuation of £111 million. The Authority's share of this difference is £1.26 million. The Pension Fund Actuary has subsequently provided an updated IAS19 report, which incorporated this updated information, and Authority has used this latest report to correctly amend the revised financial statements.</p> <p>We have not identified any other issues with the accounting entries and disclosures made within the financial statements.</p>

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.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £1.01 million (2016/17: £0.95 million), which is 2% of gross expenditure on provision of services reported in the accounts.</p> <p>We consider gross expenditure on provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	We agreed with the Governance, Audit & Performance Committee that we would report to the Committee all audit differences in excess of £52,000 (2016/17: £47,000)

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: reduced materiality level of £5,000 applied in line with bandings disclosed.
- ▶ Related party transactions and members allowances: reduced materiality level applied equal to the reporting threshold.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

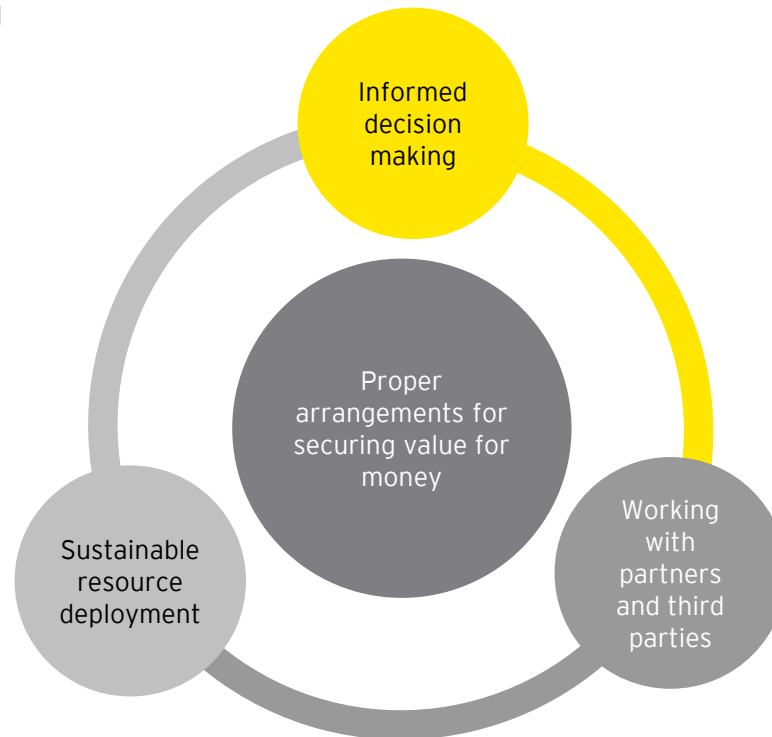


04 Value for Money

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.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



We did not identify any significant risks in relation to these arrangements.

We have performed the procedures outlined in our audit planning report. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 26 July 2018.



05

Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £500 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 2017/18 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 Governance, Audit & Performance Committee on 26 July 2018. 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 adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Governance, Audit & Performance Committee.



06

Data Analytics



Use of Data Analytics in the Audit

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- ▶ Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2017/18, our use of these analysers in the authority's audit included testing journal entries to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our Audit Plan.



07

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> ▶ Reclassify existing financial instrument assets ▶ Re-measure and recalculate potential impairments of those assets; and ▶ Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> ▶ Leases; ▶ Financial instruments; ▶ Insurance contracts; and ▶ For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The Council will need to consider the impact of this on their own group accounts when that trading company is consolidated.</p>



Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>



08 Audit Fees

Audit Fees

Our fee for 2017/18 is in line with the scale fee set by the PSAA and reported in our 16 July 2018 Audit Results Report.

Description	Final Fee 2017/18 £'s	Planned Fee 2017/18 £'s	Scale Fee 2017/18 £'s	Final Fee 2016/17 £'s
Total Audit Fee - Code work	TBC - Note 1	52,916 - Note 1	52,916	52,916
Total Audit Fee - Certification of claims and returns	TBC - Note 2	22,808 - Note 2	22,808	19,427

Note 1 - Code work

The final fee will include additional audit costs associated with the additional work performed around the group accounting of the new investment in the subsidiary, Aspire. At the planning stage of the audit (Audit Plan), and as reported within our Audit Results Report, we expect the additional fee to be in the £3,000 - 5,000 range. This additional fee will be discussed with management and is then subject to approval by the PSAA Ltd. We will report separately once the approval process is complete.

Note 2 - Housing Benefit fee

The final fee for the certification of claims and returns will be confirmed upon completion by the 30 November deadline. We will report the final fee in our annual certification report.

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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Agenda Item 4

Committee: Governance, Audit and Performance Committee
Title: Internal Audit Strategy and Work Programme 2018/19
Report Author: Sheila Bronson, Audit Manager
sbronson@uttlesford.gov.uk
Date: Thursday, 27 September 2018

Summary

1. The Council has arrangements in place to ensure risks to the Council achieving its objectives are identified and managed. This report informs Members of the review and updating of the Internal Audit Strategy and Work Programme 2018/19.

Recommendations

2. That Members approve the revised Internal Audit Strategy and Work Programme 2018/19.

Financial Implications

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

Background Papers

4. None.

Impact

- 5.

Communication/Consultation	The Internal Audit Work Programme 2018/19 and the Internal Audit Strategic Programme 2018/19 referred to in this report have been agreed with Corporate Management Team, Senior Management Team at its meetings in March and April 2018 and with The Governance, Audit and Performance Committee at its May 2018 meeting
Community Safety	none
Equalities	none

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

Situation

6. The work of Uttlesford District Council's (UDC) Internal Audit is governed by the UK Public Sector Internal Audit Standards 2017 (PSIAS) which comprise of the definition of internal auditing, a Code of Ethics for internal auditors working in the public sector and the Standards themselves. The PSIAS are mandatory for all internal auditors working in the UK public sector.
7. 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 be incorporated 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.
8. The Internal Audit Strategy and Work Work Programme 2018/19 in the Appendix to this report details the production of the Internal Audit Strategic and Work Programmes for the current year.

Risk Analysis

9.

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

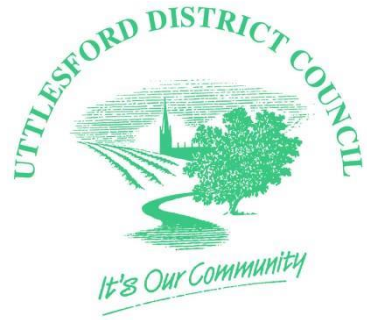
1 = Little or no risk or impact

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.

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Internal Audit STRATEGY and WORK PROGRAMME 2018/19

August 2018

INTERNAL AUDIT STRATEGY 2018/19

CONTENTS

- 1. Introduction**
- 2. Internal Audit Resources 2018/19**
- 3. Internal Audit Strategic Programme 2018/19**
- 4. Internal Audit Work Programme 2018/19**
- 5. Types of Audits**
- 6. Audit Reports & Recommendations**
- 7. Reporting to CMT and Members**

Appendix
Assurance Opinion Criteria and Risk Level Definitions

1 Introduction

Background

- 1.1 The work of Uttlesford District Council’s Internal Audit is governed by the UK Public Sector Internal Audit Standards 2017 (PSIAS) which comprise of the definition of internal auditing, a Code of Ethics for internal auditors working in the public sector and the Standards themselves. The PSIAS are mandatory for all internal auditors working in the UK public sector.
- 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 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.
- 1.4 The annual Internal Audit Strategy provides details on the production of the Internal Audit Strategic and Work Programmes for the current financial year.

2. Internal Audit Resources 2018/19

- 2.1 Internal Audit is provided by the Council’s in-house team, comprising of the Internal Audit Manager and two Internal Auditors (1.67FTE).
- 2.2 From 01 August 2017, the Internal Audit Manager was seconded for twelve months to lead the Council’s GDPR Project Team, this secondment has been extended for a further three months until 31 October 2018. To ensure that the Internal Audit service would be able continue to give the level of assurance required, the part-time auditor post was increased to a full time post from 01 August 2017 to 31 July 2018.
- 2.3 The Internal Audit resource for 2018/19 is:

	01/03/18 – 31/07/18	01/08/18 – 31/10/18	31/10/18 – 31/03/19
Internal Audit Manager	0.20 FTE	0.20 FTE	FT
Internal Auditor	FT	FT	FT
Internal Auditor	FT	0.67 FTE	0.67 FTE

- 2.4 Staff absence due to sickness has had a major impact on the Internal Audit service in 2018/19. The figures given in the calculations for the Internal Audit Work Programme in section 4 are based on the expected days available for audit work with the resource detailed in paragraph 2.3 above. Additional external resource may be brought in to ensure delivery of the Audit Work Programme by 31 March 2019.
- 2.5 Special investigations and unplanned work also have high impact on Internal Audit resources. Any special investigation and unplanned work requests will be individually assessed and potentially outsourced if it is considered there is inadequate audit resource available to undertake the work.
- 2.3 Giving one-off advice to departments on a range of control issues and allowing further time on audits where further testing is required also adds to the pressure on resources. If extended unplanned work is deemed to be necessary, then resource levels and the impact on the Audit Work Programme and the Strategic Programme will be taken into consideration.
- 2.4 To be able to provide an acceptable level of assurance on the Council's management of its operational risks, controls and governance; priority will be given to Risk Level 4 and 3 work over any other work on the Audit Work Programme if the provisional audit or productive non-audit days are exceeded.

3. Internal Audit Strategic Programme 2018/19

- 3.1 The Internal Audit Strategic Programme details all potential audit areas at both corporate and service area levels of the Council and forms the starting point for the annual audit planning process.
- 3.2 In April 2018, the Internal Audit Strategic Programme was reviewed in conjunction with the Corporate Management Team (CMT) to ensure that it remained up to date and continues to take account of emerging risks and service developments ensuring the focus of Internal Audit work remains relevant to the Council's vision and current priorities. The Internal Audit Strategic Programme was presented to the Governance, Audit & Performance Audit (GAP) Committee at its May 2018 meeting.

Risk Assessment

- 3.3 Each potential audit area identified in the Internal Audit Strategic Programme is subject to an audit needs risk assessment taking into consideration:
- The Council's Corporate Plan objectives and the Corporate Plan Delivery Plan and Service Plans;
 - The Corporate Risk Register;

- Key Performance Indicators and Performance Indicators;
- Key Financial audits;
- Interest to Internal Audit – e.g. the level of past audit opinions; recommendations made; recommendations implemented; fraud risks; volume, value and complexities of transactions etc.;
- Specifically requested Directorate & Service high risk areas or services following consultation with CMT;
- Audits carried forward from the previous year’s Audit Programme and any overdue audits from the Strategic Programme;
- Weaknesses identified in the Annual Governance Statement;
- Issues raised by the GAP Committee;
- Audit resource availability.

3.4 Risk levels are determined according to the Council’s corporate method of risk scoring, assessing the potential risks to the Council if audit is not carried out:

- Risk Level **4** - Matters that are considered **fundamental** that require immediate attention and priority action;
- Risk Level **3** - Matters that are considered **significant** that should be addressed within six months;
- Risk Level **2** - Matters that are considered **important** that should be addressed within twelve months;
- Risk Level **1** - Matters that merit attention and would improve overall control.

3.5 The audit needs risk assessment will influence the frequency of audit review and the estimated resource requirements to meet the expectation that all potential audit areas will be audited at least once over a five year period.

4. Internal Audit Work Programme 2018/19

Planning

4.1 The Internal Audit Work Programme for 2018/19 is a rolling programme of planned audit work expected to be undertaken during 2018/19 and is subject to regular review and updating at strategic points throughout the year:

- May 2018 to determine the proposed audit work for quarters 1 and 2 of the new financial year;
- October 2018 to determine proposed audit work for quarters 3 and 4 of the financial year taking into account the available and additional Internal Audit resource required to ensure delivery of the Internal Audit Work Programme 2018/19 and
 - To consider emerging risks and service developments;
 - To ensure the focus of Internal Audit work remains relevant to the Council's vision and current priorities;
 - To be robust enough to be able to provide an opinion on the Council's control environment in 2018/19 the Internal Audit Annual Report and Opinion
- January 2018 – to determine the scope of audit work to be undertaken during the remainder of the financial year
- at any other relevant point during the year

4.2 In order to preserve the independence of Internal Audit, the final risk assessment and selection of areas for inclusion in the Audit Work Programme rests with the Internal Audit Manager.

4.3 Agreement was given to the initial Internal Audit Work Programme for 2018/19 by CMT and GAP Committee Members in May 2018. The Audit Work Programme defines the area and approximate duration of each audit based on risk assessment, time spent in previous audits, previous problems encountered and the level and skill of staff involved.

4.4 Audit resources are matched to the areas to be audited and any audits that will not be covered will be brought to the attention of the Section 151 Officer, CMT and Members.

4.5 The 2018/19 Internal Audit Work Programme is risk based as far as is possible, our auditing priorities for 2018/19 are:

1. Corporate Plan & Corporate Plan Delivery and Service Plan actions and Corporate Risk Registers.
2. Key Financials Audits.
3. Other areas considered high risk by the Internal Audit Manager.

4. Specifically requested Directorate & Service High risk areas or services following consultation with the Corporate Management Team and Members.
5. Audits carried forward from the 2017/18 programme and any overdue audits from the 2018/19 Strategic Programme.

4.6 Internal Audit provides independent assurance on the Council's control framework for inclusion in the Annual Governance Statement; therefore the priority for the Internal Audit Service must be to carry out and achieve the planned work as contained in the Audit Work Programme.

4.7 The 2018/19 Internal Audit Work Programme has allocated 295 days for all potential audit work

Key Financial Audits

4.8 Key Financial Audits are the statutory audits Internal Audit are required to undertake and are audited on a three year auditing cycle; key financial areas will generally being audited every third year unless circumstances dictate otherwise.

4.9 Following the May 2018 review of the Audit Work Programme, there are 7 Key Financial Audits scheduled for audit work in 2018/19. The Audit Programme has 60 audit days provisionally set aside for Key Financial Audits:

KEY FINANCIAL AUDITS	provisional audit days
HR & Payroll (combined)	15
Budgets	5
Cash & Bank	5
Contracts & Procurement	10
Creditors	10
Housing Rents	10
Income Fees & Charges	5
TOTAL provisional audit days	60

4.10 The Section 151 Officer and Assistant Director of Resources will be consulted on Terms of Reference for all Key Financial Audits.

Corporate Audits

4.11 Following the May 2018 review of the Audit Work Programme, there are 4 Corporate Audits scheduled for work in 2018/19. The Audit Programme has 50 audit days provisionally set aside for Corporate Audits:

CORPORATE AUDITS	provisional audit days
Corporate Counter Fraud	5
Corporate Equality & Diversity	35
Corporate Health & Safety	10
TOTAL provisional audit days	50

Other Audits

4.12 Following the May 2018 review of the Internal Audit Work Programme for 2018/19, there are 18 Other Audits scheduled for audit work in 2018/19. The Audit Programme has 185 audit days provisionally set aside for these Other Audits:

OTHER AUDITS	provisional audit days
Museum	5
Democratic Services	10
Legal Services	10
Community Safety	10
Environmental Health - Enforcement	15
Disabled Facilities Grants	10
Empty Homes & Private Sector Housing	10
Property Services - Planned Maintenance	15
Property Services - Stock & Voids	5
Property Services - Stores	10
ICT Security	10
Building Control Service and Fees	10
Planning - Development Management, Support & Advice	10
Economic Development Service - business parks & communities	10
Economic Development Service - Stansted Airport & LSP economic growth, jobs & prosperity	10
Planning - Enforcement	15
Planning - Neighbourhood Plans	10
Trade Waste and Income Generating Services	10
TOTAL provisional audit days	185

Productive Non-Audit Days

4.13 Productive audit time is also taken up by various non-specific audit work which includes:

- **Residual Audit Work** – to ensure timely completion of any residual 2017/18 audits.
- **Follow-up Work** – to ensure that critical and important recommendations have been implemented.

- **Irregularity Provision** – to include the provision of an independent investigation service on internal matters and 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; provision of advice on general control issues etc.
- **Committee and Member related work** – to include Committee Report preparation, liaison meetings with the GAP Committee Chair and other Members and dealing with Members' queries.
- **Contribution to Corporate Management** – to include Internal Audit Manager time spent on Disciplinary and Grievance Investigations; to include the Internal Audit Manager and Internal Auditor time spent on corporate projects and working groups;
- **Fraud Related work** – to include the Internal Audit Manager's National Fraud Initiative Key Contact responsibilities, fraud risk assessments and anti-fraud and corruption awareness work, internal data matching exercises.

Unplanned Work

4.17 Unplanned work will be assessed and if judged high priority, carried out in preference to items in the Audit Work Programme in accordance with the following criteria:

- The risks if the work is not carried out and
- The impact on the Internal Audit Work Programme.

4.18 If judged medium to low priority it will be appraised at in the next Audit Work Programme review and considered for possible inclusion in the 2019/20 Audit Work Programme.

5. Types of Audits

5.1 The audit needs risk assessment gives an indication of the level of risk. The Internal Audit Manager uses her judgement to assess the approximate amount of time to allocate to each area on the audit plan based on previous time spent, resources available etc. Although potential days have been given against audits, lean auditing methodology helps us to reduce the actual time taken on an audit by focussing where possible on the highest risk areas and controls.

- 5.2 At the start of each audit assignment, we will undertake a planning, evaluation and assessment process to decide the level or type of audit fieldwork that needs to be undertaken. Prior to Terms of Reference being issued for the audit, we will evaluate all of the information gathered through the planning stage and at that point we will decide on the type of audit to be undertaken:
- **Standard Audit** - concentrating on the potential risk areas identified at the audit planning stage or
 - **Audit Review** - to be the first option where it's known no major changes have occurred. This can be tailored to specific areas of concern or offered if limited ad hoc audit work is requested and may incorporate some method of self-assessment and include a level of direct Auditee involvement.
- 5.3 Terms of Reference are copied to Members of the GAP Committee.
- 5.4 Regular review and assessment is an integral part of lean auditing methodology; where field work identifies further testing is required an audit type can be amended. If additional work leads to the time allocated being exceeded and the Internal Audit Manager considers that this work is required, extended time may be taken out of consultancy and general advice unplanned time.

6. Audit Reports & Recommendations

- 6.1. Reporting protocols will be as described in the Internal Audit Charter

Recommendations

- 6.2 All Internal Audit recommendations have a risk level given to them. This is determined according to the Council's corporate method of risk scoring, assessing the potential risks to the service and/or the Council if the recommendation is not implemented within the agreed timescale. Risk levels definitions are presented in Appendix A.
- 6.3 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.
- 6.4 Final Reports will record the Internal Audit opinion and overall comment on the effectiveness of the service area audited. The Internal Audit opinion criteria are presented in the Appendix to this document.

- 6.5 All Final Reports are copied to Members of the GAP Committee and posted on the intranet.
- 6.6 Implementation of all recommendations is monitored by Internal Audit through Pentana which automatically generates a reminder e-mail to managers as a recommendation approaches its agreed implementation date.
- 6.7 Follow-up action will be as described in the Audit Charter.

7. Reporting to CMT and Members

Internal Audit Progress Reports to Members

- 7.1 During 2018/19 the Internal Audit Manager will present regular Progress Reports to CMT and the Governance, Audit & Performance Committee which will include:
- Details of the work completed by Internal Audit since the last report to the Committee;
 - Performance against the Internal Audit Work Programme 2018/19;
 - Details of any recommendations not implemented within the agreed timescale.

The Internal Audit Annual Report and Opinion

- 7.2 The Internal Audit Manager will report in July 2019 to CMT and the GAP Committee on the audit opinions of all audits completed during 2018/19 and an give an overall audit opinion on the Council's control environment for the year in the Internal Audit Annual Report and Opinion 2018/19.
- 7.3 The Internal Audit Annual Report and Opinion will be used by the Council to inform its Annual Governance Statement 2018/19 which will accompany the 2018/19 Annual Statement of Accounts.

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
Substantial	Good effective management of risk; no significant recommendations arising.	4	0	2
Satisfactory	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
Limited	Unsatisfactory identification of deficiencies in the control framework compromising the overall management of risks demanding immediate attention.	12	4	8
Little	Major controls have failed and/or major errors have been detected	Over 12	Over 4	Over 8

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INTERNAL AUDIT RISK LEVEL DEFINITIONS

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

Agenda Item 5

Committee: Governance, Audit and Performance Committee

Date:

Thursday, 27
September 2018

Title: Internal Audit Progress Report
01 May - 31 August 2018

Report Author: Sheila Bronson, Audit Manager
sbronson@uttlesford.gov.uk

Summary

1. To report to the Governance, Audit & Performance Committee details of work undertaken by Internal Audit since the last report to the Committee on 17 May 2018 and to provide an update on implemented and outstanding internal audit recommendations

Recommendations

2. That the Internal Audit Progress Report 01 May to 31 August 2018 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 2017/18 and 2018/19 referred to in this report have been approved by the Corporate Management Team and endorsed by the Governance, Audit & Performance 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 Governance, Audit & Performance Committee at its meeting 08 February 2018;
 - ii. Performance against the Internal Audit Work Programme 2017/18;
 - iii. Performance against the Internal Audit Work Programme 2018/19;
 - iv. Details of risk level 3 and 4 highest priority recommendations implemented since the last report to Members;
 - v. Details of any recommendations not implemented within the agreed timescale.

Work Undertaken by Internal Audit 01 May to 31 August 2018

7. Since the last report to the Committee:
- i. Between 01 May to 31 August 2018, 3 audits from the 2017/18 audit programme were completed and final reports issued with a total of 7 recommendations made;
 - ii. All final audit reports issued have been copied to Governance, Audit & Performance Committee Members and are available on the Council's Intranet. A summary of final reports issued is presented at Appendix A (i);
 - iii. The audit of Council Tax from the 2017/18 audit programme is still to be completed due to unplanned resource issues. It is expected this audit will be completed by 31 October 2018;
 - iv. Between 01 May to 31 August 2018 work has started on 7 audits from the Internal Audit Work Programme 2018/19. Progress on the 2018/19 programme is presented at Appendix A (ii);

Recommendations Implemented 01 May to 31 August 2018

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

Recommendations Not Implemented by due date at 31 August 2018

9. As of 31 August 2018, there are no recommendations reported in Pentana as not being implemented in accordance with their agreed due dates

Risk Analysis

10.

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.

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FINAL & INTERIM REPORTS ISSUED 01 May to 31 August 2018

ref	2017/18 Audits	Risk	Revised potential days	Final Report Issued	2017/18 Days Taken	Recommendations Made					Audit Opinion
						No.	Risk Level				
						total	4	3	2	1	
01C	Corporate Commercial Enterprise & Investment	4	15	12/06/18	13.82	0	0	0	0	0	substantial
02C	Corporate Governance & Ethical Culture	3	15	12/06/18	17.35	2	0	0	2	0	substantial
23O	Planning - Car Parking & NEPP	2	10	09/05/18	5.66	5	0	3	2	0	limited
						7	0	3	4	0	

PROGRESS ON THE AUDIT PROGRAMME 2018/19

Internal Audit Programme 2018/19										
ref	Audit	2018/19 days	qtr	IA Risk 2018/19	Started	Draft	Final	Days Taken	Status	Comment
01C	Corporate Counter Fraud	5	1	2				0.00		
02C	Corporate Equality & Diversity	35	1	4	04/04/18	24/08/18		35.63	interim draft	
03C	Corporate Health & Safety	10	3	4				0.00		
04KF	HR & Payroll (combined)	15	2	4				0.00		
05KF	Budgets	5		3				0.00		
06KF	Cash & Bank	5		3				0.00		
07KF	Contracts & Procurement	10		3				0.00		
08KF	Creditors	10		4				0.00		
09KF	Housing Rents	10	2	3	02/08/18	31/08/18		9.21	draft	
10KF	Income Fees & Charges	5	1	3	26/07/18			4.65	testing	
11O	Museum	5	1	2				0.00		
12O	Democratic Services	10	2	3				0.00		
13O	Legal Services	10	1	4	20/04/18			1.49	planning	
14O	Community Safety	10		3				0.00		

PROGRESS ON THE AUDIT PROGRAMME 2018/19

150	Environmental Health - Enforcement	15	2	3	28/08/18			4.82	planning	
160	Disabled Facilities Grants	10	4	3				0.00		
170	Empty Homes & Private Sector Housing	10	4	3				0.00		
180	Property Services - Planned Maintenance	15		3				0.00		
190	Property Services - Stock & Voids	5	2	4				0.00		
200	Property Services – Stores	10	2	3				0.00		
210	ICT Security	10	4	3				0.00		
220	Building Control Service and Fees	10	3	3				0.00		
230	Planning - Development Management, Support & Advice	10		3				0.00		
240	Economic Development Service - business parks & communities	10	3	2				0.00		
250	Economic Development Service - Stansted Airport & LSP economic growth, jobs & prosperity	10	3	2				0.00		
260	Planning – Enforcement	15	1	3	19/04/18	30/07/18		9.41	draft	
270	Planning - Neighbourhood Plans	10		3				0.00		
280	Trade Waste and Income Generating Services	10	1 & 3	4	23/04/18			3.07	testing	
TOTAL AUDIT DAYS		295						68.29		

LEVEL 3 AND 4 RECOMMENDATIONS IMPLEMENTED 01 May to 31 August 2018

Code & Title	Description	Risk Level	Managed By	Due Date	Completed
1718 150 Leisure PFI 02	It is recommended that: a) Spot checks are made of Performance and Availability Payment Mechanism (Paymech) deductions received as shown on the monthly Operational report to ensure the correct figures are used and verified against updated backup documents in conjunction with the PFI Contract b) additional information such as measured periods and rectification periods are included in the Payment Mechanism report received from Linteum.	3	Assistant Director of Corporate Services / Leisure & Performance Manager	31/07/18	26/07/18

Agenda Item 6

Committee: Governance, Audit and Performance Committee

Date:

Thursday, 27
September 2018

Title: General Data Protection Regulation (GDPR)
Compliance Progress Report 27 September
2018

Report Author: Sheila Bronson, Audit Manager
sbronson@uttlesford.gov.uk

Summary

1. To provide an update to the Governance, Audit & Performance Committee details of work being undertaken by the Council's towards compliance with the EU General Data Protection Regulation (GDPR) and the UK's Data Protection Act 2018 (DPA 2018) which come into force on 25 May 2018

Recommendations

2. That the General Data Protection Regulation (GDPR) Compliance Progress Report be noted.

Financial Implications

3. None

Background Papers

4. None

Impact

- 5.

Communication/Consultation	An officer Project Team has been set up with representation from all departments
Community Safety	none
Equalities	None direct, although the need to protect sensitive personal data may be more significant for groups with one or more protected characteristics.
Health and Safety	none

Human Rights/Legal Implications	The Council is under a legal obligation to comply with the terms of the GDPR and DPA 2018 from 25 May 2018. Penalties can be imposed, and reputational damage suffered, if it does not. Non-compliance may also lead to an infringement of the rights of individuals, in particular their “Article 8” right to respect for their private life and home.
Sustainability	none
Ward-specific impacts	none
Workforce/Workplace	All Council employees need to be aware of data protection requirements and to carry out their work in a compliant manner. This is particularly important for employees who have access to sensitive personal information about members of the public

Situation

6. The EU General Data Protection Regulation (GDPR) and the UK’s Data Protection Act 2018 (DPA 2108) came into force on 25 May 2018.
7. GDPR and DPA 2018 have replaced the Data Protection Act 1998.
8. The Council established a GDPR Project Team to undertake a programme of work to review the actions needed to work towards the Council’s compliance with GDPR and DPA 2018 at 25 May 2018 and continuing compliance thereafter.
9. Two temporary posts (12 months) were created to oversee the GDPR compliance work; with the Internal Audit Manager appointed on secondment as GDPR Lead Officer from 01 August 2017 (the secondment has been extended to 31 October 2018) and a GDPR Compliance Officer in post from 13 November 2017.

Work Programme

10. The GDPR Project Plan included the actions needed to address the twelve steps identified by the Information Commissioner that organisations should take to ensure GDPR compliance
11. The GDPR Project Team with its revised membership of core Senior Managers will meet regularly until the end of December 2018 to review progress on the Project Plan; regular updates are also reported to the Corporate and Senior Management Teams. At the July meeting of the GDPR Project Team, Data Breaches; Subject Access Requests and Training were also reviewed.

12. A GDPR Compliance Progress Report will continue to be brought to future meetings of this committee during the lifetime of the GDPR Project. A copy of the current Project Plan is available to Members on request.

Progress to date

13. As of 25 May 2018, 48 out of the 54 tasks on the Project Plan had been completed; work is in progress on the remaining 6 tasks.

14. On-going compliance work from 25 May 2018 includes work on contract variations and data sharing agreements; further work on data held on systems; compilation of the Council's Information Asset Register & Record of Processing Activities and review and updating of the Council's Retention Policy and Schedules.

15. A compulsory GDPR training programme for all staff has been implemented and the programme of GDPR awareness for staff continues through the GDPR intranet page and news-letters.

16. Arrangements have been made for all UDC Councillors to have access to the Local Government Association's GDPR training course for councillors, although uptake has been limited to date.

17. Under the GDPR, it is mandatory for the Council as a public authority to appoint a Data Protection Officer (DPO). The GDPR specify the designation, position and tasks of the DPO along with the necessary level of expert knowledge. The GDPR Working Party 29 (WP29) Guidance recommends certain qualities and expertise that form a baseline that all appointed DPOs should meet:

- Expertise in National and European data protection laws and practices, including an in-depth understanding of the GDPR;
- Understanding of the processing operations carried out;
- Understanding of information technologies and data security;
- Knowledge of the business sector and the organisation;
- Ability to promote a data protection culture within the organisation.

and, depending on the nature of the processing operations and the activities and size of the organisation, the following resources should be provided to the DPO:

- Active support of the DPO function by senior management;
- Sufficient time for the DPO to fulfil their tasks;
- Adequate support in terms of financial resources, infrastructure (premises, facilities, equipment) and staff where appropriate;
- Official communication of the designation of the DPO to all staff;
- Access to other services within the organisation so that DPOs can receive essential support, input or information from those other services;
- Continuous training.

18. Officers are considering permanent DPO arrangements after 31 October 2018 when the current arrangement of the Audit Manager as appointed interim DPO

working with the GDPR Compliance Officer on day to day DPO tasks will cease.

Risk Analysis

19.

Risk	Likelihood	Impact	Mitigating actions
The Information Commissioner can impose sanctions on the Council if it fails to show its compliance with GDPR from 25 May 2018	1 The Council did not achieve full compliance by 25 May 2018, however it can demonstrate the work it has undertaken towards full compliance	3 Data breaches due to non-compliance will be subject to sanctions varying in severity from warnings, reprimands, corrective orders to fines of up to €20m	Action is being taken to towards ensuring the Council is in a position to demonstrate continuing GDPR Compliance from 25 May 2018

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:	Governance, Audit and Performance	Date:	27 th September 2018
Title:	Leisure Private Finance Initiative (PFI)		
Report Author:	Paula Evans, Leisure and Performance Manager pevans@uttlesford.gov.uk 01799 510636		

Summary

1. This report provides members with an overview of the arrangements with regards to the Leisure PFI contract that UDC holds. It is intended to provide information regarding the history of the contract, the current structure and management arrangements along with future ambitions and considerations with regards to ensuring the contract continues to provide value for money to both leisure centre users and the Authority.

Recommendations

2. That members review the information contained in this report and refer any additional queries they may have to council officers present at the meeting.

Financial Implications

3. Significant. The Leisure PFI is the largest General Fund contract that the Council has entered into to date. This is based more on the term of the contract than the value as explained in section 6 below.

Background Papers

4. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.
 - Uttlesford Leisure PFI contractual documentation
 - National Audit Office – Review of the VFM assessment process for PFI
 - Outline Business Case – PFI Scheme to Provide Sports and Leisure Facilities in Uttlesford (Sept 1998)
 - UDC PFI Board minutes (June 1999 – Sept 2003)
 - UDC Community and Leisure Committee minutes (from Sept 2003 – 2005)
 - UDC Community and Housing - Scrutiny 1 Committee minutes (from Sept 2003 – 2005)

Impact

5.

Communication/Consultation	Contract governance and compliance processes have been established to ensure all necessary communication and consultation requirements within the contract structure are met. The project parties meet regularly in order to ensure effective governance (see section 10).
Community Safety	None
Equalities	None
Health and Safety	Health and Safety processes and reporting are embedded in the governance of the contract and are regularly reviewed (including independent audit).
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Situation

6. **Background** - It is understood that the Uttlesford Leisure PFI contract ("Contract") was one of the first leisure PFIs to be introduced in the UK under the then Labour government, with the Contract coming into effect on 30 May 2002. The Contract is a 32 year contract with an expiry date of August 2035.

The Contract includes the design, construction/refurbishment, finance, maintenance and operation of three leisure centres (the Lord Butler Leisure Centre in Saffron Walden which was refurbished pursuant to the Contract; and the Helena Romanes Leisure Centre in Great Dunmow and the Romeera Leisure Centre in Stansted Mountfitchet were built pursuant to the Contract). Construction completed in August 2003, at which point the operational services period commenced. The total Unitary Charge is £36.2m over the project life (2002 to 2035), based on actual indexation to date and forecasts to contract expiry. The Council's Unitary Charge under the contract is paid monthly (see section 9 below).

Prior to the PFI Contract the council had outsourced its leisure services provision through a private company, DC Leisure. At this time the council only had full responsibility for the Lord Butler Leisure Centre in Saffron Walden. Both the Helena Romanes Leisure Centre in Great Dunmow and the Romeera Leisure Centre in Stansted Mountfitchet were built as part of the PFI Contract.

7. **Responsibilities** - The contract has been overseen and managed by officers with responsibility for community and leisure activities within the council since its inception in 2002. However, none of the officers involved with the initiation and implementation of the Contract still work at the Authority. The most recent change in responsibility was in January 2016 when the role of the Leisure and Performance Manager was created as part of the re-structure of the Partnerships service area. This role sits within the Corporate Services Directorate and reports to the Assistant Director, Corporate Services. The Community Development Officer within the Leisure and Performance Team currently provides administration support to the Contract.

The Leisure and Performance Manager, as the Authority Representative under the Contract, has been given full responsibility to act on behalf of the Authority for all purposes of the Contract, including agreeing change requests. Any such requests that could potentially have a financial impact on the Unitary Charge are discussed and agreed with the Assistant Director – Resources and/or the Authority’s Section 151 Officer prior to approval.

The client management of leisure and sports centres is delegated to the Chief Executive, as is set out in the Council’s constitution. The Contract falls within the responsibilities of Cllr Ranger as Portfolio Holder for Communities and Partnerships.

Day-to-day management of the Contract is overseen by:

- the Council’s Performance and Leisure Manager;
- the SPV (Linteum (Uttlesford) Limited) General Manager; and
- Leisure Operator (1Life Management Solutions Ltd)

Uttlesford Leisure Contract Manager

Further details can be found in section 8 below and the contract structure detailed in Appendix A.

8. **Structure** – The contractual structure for the PFI project is complex but not untypical; there are several bodies that form part of the core infrastructure through which governance of the Contract is monitored and assured. Details of the full structure and contracting parties can be seen in Appendix A.

In summary:

- the Concession Agreement between the Authority and Linteum (Uttlesford) Limited (the “SPV” or “Linteum”) governs the design, construction/refurbishment, finance, maintenance and operation of the centres and, during the operation phase, determines the provision of the leisure service through Linteum on behalf of the Authority. Linteum

sub-contract the day-to-day management of the project to Pario Limited (a specialist PFI management service provider).

- Linteum sub-contract the operation of all three leisure centres (flowing down Linteum’s obligations under the Concession Agreement) to an Industrial and Provident Society (“IPS”);
- The IPS sub-contract the operation of the centres to a lifestyle and management solutions company, 1Life Management Solutions Ltd (“1Life”);
- 1Life sub-contract the hard facilities management and maintenance of the centres to a maintenance services provider, Emcor Facilities Services Ltd (“Emcor”).

As two of the centres are situated on school premises, Great Dunmow and Stansted, there are various additional management and lease agreements within the structure between the school Governors, the Authority (UDC), Essex County Council and Linteum, as appropriate.

All three centres support the Authority’s key objectives and priorities by providing various sports, leisure and well-being facilities and activities to a wide-ranging demographic within the district.

All of the centres offer a sports hall, fitness suite, Crèche, outdoor floodlit multi-use games area and group training studio. In addition Saffron Walden and Great Dunmow offer a 25m swimming pool (with a teaching pool at SW), a sports injury clinic and café facilities. There is also a full-size floodlit multi-purpose Astro Turf games area at Great Dunmow.

One of 1Life’s contractual obligations is to provide a GP Referral scheme. In addition to this scheme they also offer Specialist classes (pulmonary, stroke, cardiac rehab and neuro) at all three sites and have recently introduced a weekly children’s Inclusion Club.

Overall usage figures show a 3% increase year-on-year over the last two years:

Year	Lord Butler, SW	Helena Romanes, GD	Romeera, Stansted	Totals
2017/18	334,038	255,577	52,805	642,420
2016/17	332,239	236,680	55,883	624,802

9. **Finances** – As stated in section 6 of this report the current overall Unitary Charge is £36.2m over the life of the project (subject to annual indexation - RPIx). The annual Unitary Charge for the current Contract Year is just over £1m and is paid monthly by UDC to Linteum.

The Authority receive an annual rental income (operator rental payment) from 1Life of approximately £140k (fixed sum increased by RPI each year) plus an additional annual grant payment of just under £450k from the Ministry of Housing, Communities and Local Government (formerly the Department for Communities and Local Government). The purpose of this grant is to provide local authorities with ongoing revenue support for their PFI projects.

Although predominantly self-monitored by Linteum and its subcontractors through a number of prescribed service outputs and the contractual Payment Mechanism, the Authority has the ability to make financial deductions from the Unitary Charge if Linteum does not achieve certain contractually agreed levels of performance or availability.

In addition, the Authority benefits from an annual profit share payment made by 1Life. This is identified as an 'Average Operator Profit' and is determined by calculating the average operator (1Life) profit on the Uttlesford project for the current concession year and the prior two concession years. An incremental scale is used to determine the amount of profit share to be received as shown below:

% Share to Authority	Average Operator Profit (Indexed)
5%	£0 - £200,000
10%	£200,001 - £250,000
15%	£250,001 - £300,000
20%	£300,001 - £500,000
25%	Any sum greater than £500,000

Profit share for the 2017/18 year (April 2017 – April 2018) is yet to be determined and agreed but 1Life are indicating that there has been a significant net profit increase for the year.

10. **Governance** – Since taking on responsibility for the PFI, the Leisure and Performance Manager has worked closely with Linteum/Pario and the 1Life Uttlesford Contract Manager to improve governance of the contract.

In 2016 a full review of the reporting requirements of the contract was completed by Linteum/Pario. As a result of this a number of meeting forums, and new reporting formats were introduced to improve management and monitoring, while ensuring the contractual obligations of all parties continue to be met.

These meetings/reports have enabled all parties to re-confirm their understanding of their contractual obligations and working relationships within the contract structure, ensure all responsibilities are being met and where they aren't discuss and progress solutions and corrective actions and lastly, confirm the contract is providing value for money for the Authority.

The meetings, their frequency and their remit are as follows:

Meeting	Frequency	Representation	Objective(s)
Operational Liaison Meetings	Monthly	UDC 1Life Emcor Linteum/Pario	Review of operational performance (including Payment Mechanism) via monthly Operational Report
IPS Meeting	Quarterly	1Life Linteum/Pario IPS	On-going review of contractual obligations
Sub-contractors meeting	Quarterly	1Life Emcor Linteum/Pario	On-going review of contractual obligations
Principals Meeting	Quarterly	UDC 1Life Emcor Pario Linteum Board IPS	On-going review of contractual obligations and informal escalation of issues
Board Meeting	Quarterly	Linteum Board	On-going review of contractual obligations
Health & Safety Meeting	Annual	UDC 1Life Pario Linteum Board	Review of all H&S data and assessments

11. **Health & Safety** – All parties within the contract, the Authority, Linteum, 1Life and Emcor adopt a proactive approach to Health and Safety reporting, monitoring and corrective action. Linteum engage an independent Health and Safety advisor (Quadriga Health & Safety Ltd) that undertakes annual audits, whilst 1Life also conduct regular internal Health and Safety audits. As detailed above, the project holds annual Health and Safety meetings to review all H&S information and matters arising.

The number of accidents/incidents reported are comparable with other Authority leisure projects.

12. **Improvements** – It is recognised by all project parties that there are further contractual service delivery and governance improvements that can be made within the PFI contract. These include further tightening of the management and monitoring of contractual controls and obligations, continued improvement of governance and reporting processes and the formal reporting of key performance indicators associated with the Contract.

The Authority continues to actively work with Linteum and 1Life to make sure these improvements are identified and implemented thus ensuring the PFI contract is realising value for money, while adopting good industry practice.

13. **The Future** – As the Contract draws closer to the end of its term, the Authority will need to consider how the provision of leisure facilities will be managed in the future (post 2032).

In the meantime, the Authority is actively working with school representatives to ensure the provision of sports activities and facilities meets the demands of an increasing local school-age population. The Leisure and Performance Manager also works closely with the Communities Manager and their Health and Well-Being team to explore and develop opportunities for joint working on health and well-being events and activities.

Risk Analysis

14.

Risk	Likelihood	Impact	Mitigating actions
If the council does not manage the PFI contract effectively due to a lack of partnership working with 1Life then this may lead to a loss of reputation for both the council as the contract owner and 1Life as the leisure operator	2	2	Monthly contract monitoring with Linteum/1Life and quarterly reviews with senior officers/managers as per governance controls in contract
If the PFI leisure contract does not provide value for money due to ineffective contract management then there may be a negative impact on the investment made by the council	2	3	Monthly contract monitoring with Linteum/1Life and quarterly reviews with senior officers/managers as per governance controls in contract

1 = Little or no risk or impact

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

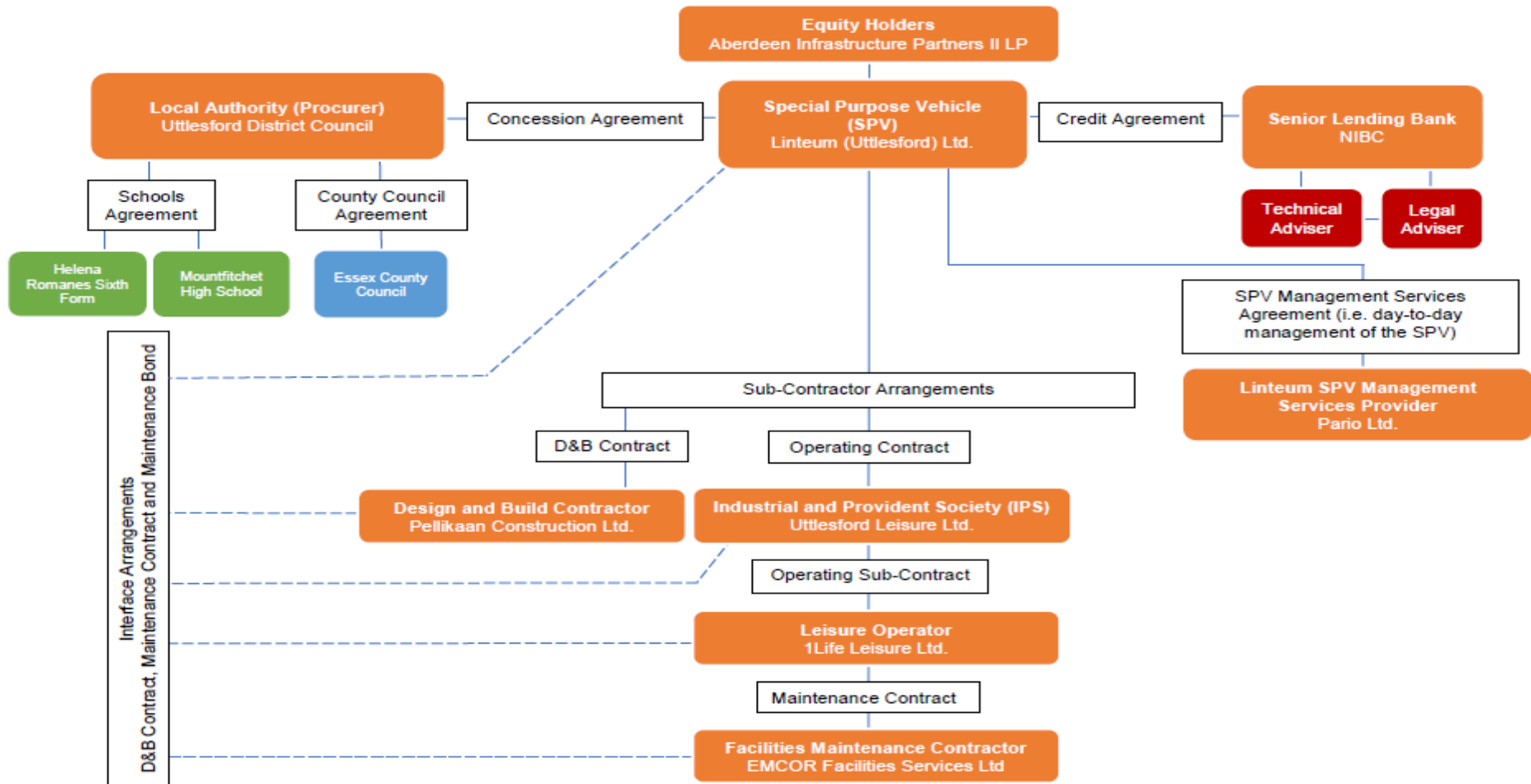
3 = Significant risk or impact – action required

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

APPENDIX ONE

March 2018

Linteum (Uttlesford) Ltd. PFI Contractual Diagram



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Committee: Governance, Audit and Performance Committee

Date:

Thursday, 27
September 2018

Title: Ombudsman Annual Review 2017/18,
Governance, Audit and Performance
Committee

Report Author: Dawn French, Chief Executive
dfrench@uttlesford.gov.uk
Tel: 01799 510400

Summary

1. The annual review letter has been received from the Local Government Ombudsman summarising the complaints relating to the Council's services dealt with by the Ombudsman's office for the year ended 31 March 2018.
2. This report also details the complaints and compliments received by the council.

Recommendations

3. To note the contents of the Ombudsman's annual review letter and the position with regards to complaints and compliments for the year ended 31 March 2018.

Financial Implications

4. There are no financial implications arising from this report. There were no instances where the Ombudsman awarded compensation to complainants.

Background Papers

5. The papers referred to by the author in the preparation of this report are mentioned in the body of the report and are already published.

Impact

- 6.

Communication/Consultation	Review reports are published on the Council's and the Ombudsman's websites
Community Safety	N/A
Equalities	N/A
Health and Safety	N/A

Human Rights/Legal Implications	Residents and users of the Council's services are able to complain to the Ombudsman about the handling of complaints where the complainant is dissatisfied with the service or response received, within time limits
Sustainability	N/A
Ward-specific impacts	All wards
Workforce/Workplace	N/A

Situation

7. The Council's annual review letter has been received from the Local Government Ombudsman attached at Appendix A. It lists nine complaints received and seven cases in which a decision has been made.
8. In five cases the complaint was referred back for local resolution, in most of these cases the complaints were considered premature and referred back to the Council to complete the internal complaints procedure. One case was closed after initial enquiries and advice was given in one case. There were no upheld complaints for the period.
9. This is a typical pattern of complaint investigation by the Ombudsman and there is nothing particularly unusual or that stands out. The previous review letter for 2016/17 covered 11 complaints of which five were closed after initial enquiries; one complaint was classified incomplete and could not be investigated; two were referred back for local resolution; in two cases local advice was given and in one case the complaint was upheld.
10. Attached at Appendix B is a summary of complaints received by the Council during the 2017/18 period to enable a contrast to be drawn between the number of overall complaints referred for internal investigation and the number then referred onwards for investigation by the Ombudsman.
11. These complaints are reviewed quarterly by the Council's Corporate Management Team in order to identify and share lessons. However the small number received each quarter can make it difficult to identify trends
12. It is acknowledged that the number recorded as 'complaints' does not represent the genuine level of complaints received by the Council. Issues of dissatisfaction raised directly with service are often resolved without being formally recorded. Therefore it is reasonable to assume the recorded complaints, reflect 'stage 2' complaints where the matter has been escalated to the service manager.
13. Similarly the level of recorded compliments will be an under representation of the numerous occasions residents and customers recognise the excellent work of our staff.

14. Compliments are also reviewed and shared at all the regular staff briefings, where examples of staff 'going the extra mile' are showcased and staff more publicly recognised.

Risk Analysis

15.

Risk	Likelihood	Impact	Mitigating actions
1 – full investigation of complaints referred to the Ombudsman is always undertaken	2 – in cases where fault has been found it might be necessary to provide a remedy to satisfy the complainant and in some cases changes to internal procedures followed by service areas	2 – where a change of process is required to meet a recommendation from the Ombudsman it may have some impact on service provision	As recommended by the Ombudsman – sometimes a review of internal practices may be required if significant failings in service provision are identified

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.

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18 July 2018

By email

Dawn French
Chief Executive
Uttlesford District Council

Dear Dawn French,

Annual Review letter 2018

I write to you with our annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman (LGSCO) about your authority for the year ended 31 March 2018. The enclosed tables present the number of complaints and enquiries received about your authority and the decisions we made during the period. I hope this information will prove helpful in assessing your authority's performance in handling complaints.

Complaint statistics

In providing these statistics, I would stress that the volume of complaints does not, in itself, indicate the quality of the council's performance. High volumes of complaints can be a sign of an open, learning organisation, as well as sometimes being an early warning of wider problems. Low complaint volumes can be a worrying sign that an organisation is not alive to user feedback, rather than always being an indicator that all is well. So, I would encourage you to use these figures as the start of a conversation, rather than an absolute measure of corporate health. One of the most significant statistics attached is the number of upheld complaints. This shows how frequently we find fault with the council when we investigate. Equally importantly, we also give a figure for the number of cases where we decided your authority had offered a satisfactory remedy during the local complaints process. Both figures provide important insights.

I want to emphasise the statistics in this letter reflect the data we hold, and may not necessarily align with the data your authority holds. For example, our numbers include enquiries from people we signpost back to the authority, some of whom may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website, alongside an annual review of local government complaints. The aim of this is to be transparent and provide information that aids the scrutiny of local services.

Future development of annual review letters

Last year, we highlighted our plans to move away from a simplistic focus on complaint volumes and instead turn focus onto the lessons that can be learned and the wider improvements we can achieve through our recommendations to improve services for the many. We have produced a new corporate strategy for 2018-21 which commits us to more comprehensively publish information about the outcomes of our investigations and the occasions our recommendations result in improvements to local services.

We will be providing this broader range of data for the first time in next year's letters, as well as creating an interactive map of local authority performance on our website. We believe this will lead to improved transparency of our work, as well as providing increased recognition to the improvements councils have agreed to make following our interventions. We will therefore be seeking views from councils on the future format of our annual letters early next year.

Supporting local scrutiny

One of the purposes of our annual letters to councils is to help ensure learning from complaints informs scrutiny at the local level. Sharing the learning from our investigations and supporting the democratic scrutiny of public services continues to be one of our key priorities. We have created a dedicated section of our website which contains a host of information to help scrutiny committees and councillors to hold their authority to account – complaints data, decision statements, public interest reports, focus reports and scrutiny questions. This can be found at www.lgo.org.uk/scrutiny I would be grateful if you could encourage your elected members and scrutiny committees to make use of these resources.

Learning from complaints to improve services

We share the issues we see in our investigations to help councils learn from the issues others have experienced and avoid making the same mistakes. We do this through the reports and other resources we publish. Over the last year, we have seen examples of councils adopting a positive attitude towards complaints and working constructively with us to remedy injustices and take on board the learning from our cases. In one great example, a county council has seized the opportunity to entirely redesign how its occupational therapists work with all of its districts, to improve partnership working and increase transparency for the public. This originated from a single complaint. This is the sort of culture we all benefit from – one that takes the learning from complaints and uses it to improve services.

Complaint handling training

We have a well-established and successful training programme supporting local authorities and independent care providers to help improve local complaint handling. In 2017-18 we delivered 58 courses, training more than 800 people. We also set up a network of council link officers to promote and share best practice in complaint handling, and hosted a series of seminars for that group. To find out more visit www.lgo.org.uk/training.

Yours sincerely,



Michael King
Local Government and Social Care Ombudsman
Chair, Commission for Local Administration in England

Local Authority Report: Uttlesford District Council
For the Period Ending: 31/03/2018

For further information on how to interpret our statistics, please visit our website:
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	0	0	0	2	1	1	5	0	9

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Decisions made

				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
0	1	5	1	0	0	0%	7

Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.
 The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

Complaints Remedied

by LGO	Satisfactorily by Authority before LGO Involvement
0	0

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Appendix B

2017/18 COMPLAINTS	Q1 Total Complaints	Number upheld	Q2 Total Complaints	Number upheld	Q3 Total Complaints	Number upheld	Q4 Total Complaints	Number upheld
Benefits	4	1	7	2	1		4	2
Corporate Services							1	
Council Tax & Recovery	3		1				2	
Electoral Services								
Environmental Health	3		4				1	
Housing	6	1	6	2	5		7	3
Legal								
Parking								
Planning (*)	5	1	12	1	11		7	5
Street Services	9	6	14	2	16		47**	8
	30	9	44	7	33	0	69	18

2017/18 COMPLIMENTS	Q1	Q2	Q3	Q4
Benefits	2			1
Corporate Services		2	1	3
Council Tax & Recovery	1	1		
Electoral Services	1			
Environmental Health		2	4	9
Housing	1	1	8	8
Legal				
Parking				
Planning			1	2
Street Services	5	3	6	21
	10	9	20	44

Note:

(*) Planning: whilst 35 complaints is a large number analysis by CMT does not identify any particular trends

(**) Quarter 4: significant increase in complaints is due to the suspension of the refuse collection service during periods of inclement weather.

In the same period there was also a rise in the number of compliments whereby members of the public praised the Street Services team and a number of these also praised the Communications Team for their efforts.

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The Board of Aspire (CRP) Limited

Report to Governance Audit and Performance Committee

27 September 2018

Introduction

The company Aspire (CRP) Ltd (company number 10515074) was incorporated as a wholly owned subsidiary of Uttlesford District Council on 7 December 2016 with three Directors being appointed, all of whom are employees of Uttlesford District Council. The directors are

- Nicola Wittman
- Richard Auty
- Adrian Webb

Following an interview process on 10 July 2017 Cabinet appointed two Non-Executive Directors to serve on the board of Aspire (CRP) Ltd to support the Directors. The two Non-Executive Directors are

- Mary Lines MBE – a significant amount of public sector experience through her time leading the Essex Probation Service
- Alan Jones – a very successful businessman and entrepreneur

In November 2017 two of the Directors and the two Non-Executive Directors undertook and completed the Non-Executive Directors' Association one day training course.

As a Board we have met on four occasions to help steer the company through its early stages. At each meeting we discuss items specific to the company and we also review the upcoming papers for the Chesterford Park (GP) Ltd Board Meeting.

Chesterford Park (GP) Ltd is the company that owns the Park and in which Aspire (CRP) Ltd has a 50% share.

The Board has appointed Grant Thornton as tax advisors and BDO as auditors. One of the first pieces of work was to request Grant Thornton to undertake a review of the tax position of Aspire (CRP) Ltd to ensure we were optimising our tax position. We are pleased to report that the review identified no issues and reaffirmed the advice given by Hogan Lovells as part of the purchase process.

Performance

At the first Board meeting the Non-Executive Directors were given a presentation by the Directors of how the purchase of Chesterford Research Park came about, the assumptions made and the forecast for income and expenditure through the year. Set out below is the account for the year 15 May 2017 – 14 May 2018

Income		£	£	£
	One-off			
	Main UDC Loan	47,250,000		
	Bridging Loan	60,000		
	Building 60 Loan pt1	223,000		
	Released Escrow funds	837,000		
			48,370,000	
	On-going			
	Q1 (7/13ths of a full quarter)	269,689		
	Q2	502,596		
	Q3	541,006		
	Q4	478,014		
			1,791,305	
	Total Income			50,161,305
	Expenditure			
	One-off			
	Completion price	45,000,000		
	Stamp Duty	1,985,756		
	Q2 running costs	312,752		
	Capital costs Building 60	223,000		
	Bridging Loan repayment with interest	61,828		
	Purchase legal costs	254,534		
			47,837,870	
	On-going			
	Main loan interest payment to UDC	1,890,000		
	Interest payment on building 60 loan	9,287		
	UDC staff time repayment	41,667		
	Chairman's Dinner tickets	202		
	Bank charges	224		
	Tax Advisers	30,733		
			1,972,112	
	Total Expenditure			49,809,982
	Retained by Aspire (CRP) Ltd			351,323

The first year includes a number of one-offs which can be excluded from the forecast on-going. The Non-Executive Directors have seen the original financial modelling that was presented to the Council as part of the purchase process and can comment on a number of the forecasts

- That the company would receive income of £2m. In the 46 weeks of income that made up this year the income received at each quarter totalled £1,791,305 which when extrapolated gives a full year forecast of £2,025,000 which is as forecast.
- The Council would receive income from the loan at 4% totalling £1,890,000 and we can confirm that this sum was paid on the due date to the Council.
- The Council would receive recompense from the company for the time spent on company business by the Directors. We can confirm that the sum of £41,667 was paid to the Council at year end.

In addition, the Council received as forecast £837,000 from one of the park tenants. This money was held in Escrow for the fit out of Building 300. The fit out did not happen and in accordance with the time scales the money was released back into the general account. This income has meant the company was able to refund the Council the legal costs associated with the purchase.

At the end of the first twelve months the company has retained the sum of £351,323 which the Directors believe is sufficient to enable continued operation.

After taking into account the cost of borrowing, the Council in the year ending 31 March 2018 made a surplus of £1,427,000 from its investment in Aspire (CRP) Limited (46 weeks).

The Future

The account for the year ended 31 March 2018 has been prepared and has been audited by BDO in the late summer and then submitted to Companies House before the September deadline.

The Directors and Non-Executive Directors continue to work together to bring forward new tenants to the park and therefore additional income to the Council.

The Board understands the Council continues to look for other investment opportunities and the Non-Executive Directors would welcome the opportunity to be involved in giving guidance, advice and support in evaluating suitable opportunities as they arise.

Alan Jones
Non-Executive Director
Chairperson

Mary Lines MBE
Non-Executive Director

Adrian Webb
Director

Nicola Wittman
Director

Richard Auty
Director

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Committee: Governance, Audit and Performance Committee

Date:

Thursday, 27
September 2018

Title: Voting by Ballot at Council Meetings

Report Author: Simon Pugh, Assistant Director - Governance and Legal

spugh@uttlesford.gov.uk

Summary

1. The Council's constitution allows an option for votes to be taken by way of ballot rather than by way of a show of hands. With a ballot, members write their vote on a piece of paper the way in which they voted is not disclosed. A vote by ballot may be requested by five members, but is overridden by a request from one member for a recorded vote.
2. At its meeting on 17 May 2018 the Committee resolved:
"for the Assistant Director – Governance and Legal Services to submit a further report to the Committee proposing changes to the Constitution to provide for contested appointments made by the Council to be decided by way of ballot."
3. The report discusses the issues and proposes the changes to the Constitution set out in the Appendix.

Recommendations

4. That the Committee recommends to Council the proposed changes to the Constitution set out in the Appendix to the report which provide for contested appointments made by the Council to be decided by way of ballot.

Financial Implications

5. None.

Background Papers

6. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report:

Report to GAP Committee meeting on 17 May 2018
The Council's Constitution

Impact

- 7.

Communication/Consultation	The issue has been considered at the GAP Committee meeting held on 17 May 2018
Community Safety	None.
Equalities	None direct. Appointment by ballot might be seen as a less confrontational process, which might encourage candidates who would otherwise be put off by a public vote.
Health and Safety	None.
Human Rights/Legal Implications	There is no legal obstacle to the implementation of the report's recommendation.
Sustainability	None.
Ward-specific impacts	None.
Workforce/Workplace	None.

Situation

8. As explained above, on 17 May 2018 the Committee asked for a report proposing changes to the Constitution to provide for contested appointments by full Council to be made by way of ballot rather than show of hands. The changes highlighted in the Appendix by way of tracked changes would accomplish this.
9. The Constitution currently provides for appointments to be made by a show of hands unless a vote by ballot is requested by five members. However, a request for a ballot by five members may be overridden by one member asking for a recorded vote.
10. The changes proposed in the Appendix apply only to appointments and not to other matters for Council decision.
11. It needs to be kept in mind that a member can require how they voted to be recorded in the minutes. If there is a secret ballot, one will have to trust the statement of a member as to how they voted. If all the members voting for or against on an appointment demanded that the minute shows how they voted, then this would undermine the secrecy of a ballot.
12. The report to the meeting on 17 May sets out the issues in more detail. The attention of members is drawn particularly to the issues raised in paragraph 9 and to comments from Cllr Hargreaves set out in paragraph 10.

Risk Analysis

- 13.

Risk	Likelihood	Impact	Mitigating actions
There is no obvious risk in adopting this proposal.			

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

RULE 14 VOTING

14.1 Majority

Unless this Constitution provides otherwise, any matter will be decided by a simple majority of those members voting and present in the room at the time the question was put.

14.2 Chairman's casting vote

If there are equal numbers of votes for and against, the Chairman will have a second or casting vote. There will be no restriction on how the Chairman chooses to exercise a casting vote.

14.3 Show of hands

Save for voting on budget votes as defined in Rule 14.7 unless a ballot or recorded vote is demanded under Rules 14.4 and 14.5, the Chairman will take the vote by show of hands, or if there is no dissent, by the affirmation of the meeting.

14.4 Ballots

The vote will take place by ballot if five members present at the meeting demand it. The Chairman will announce the numerical result of the ballot immediately the result is known.

14.5 Recorded vote

If any member present at the meeting demand it, the names for and against the motion or amendment or abstaining from voting will be taken down in writing and entered into the minutes. A demand for a recorded vote will override a demand for a ballot.

14.6 Right to require individual vote to be recorded

Where any member requests it immediately after the vote is taken, their vote will be so recorded in the minutes to show whether they voted for or against the motion or abstained from voting.

14.7 Voting at budget decision meeting

14.7.1 For the purposes of this rule a "budget decision meeting" is a meeting of the Council which makes a calculation (whether originally or by way of substitute) in accordance with any of sections 31A (calculation of council tax requirement), 31B

(calculation of basic amount of council tax),34 to 35 (additional calculations where special items relate to part only of the district), 36 (calculation of tax for different valuation bands),36A (substitute calculations) and 52ZF (duty to make substitute calculations where a proposal to increase council tax will require a referendum) of the Local Government Finance Act 1992 and includes a meeting where making the calculation was included as an item of business on the agenda for that meeting and a “budget vote” is a vote upon any such calculation.

14.7.2 Immediately after any budget vote is taken at a budget decision meeting there must be recorded in the minutes of the proceedings of that meeting the names of the persons who cast a vote for the decision or against the decision or who abstained from voting.

14.8 Voting on appointments

14.8.1 If more than one person is nominated for any position to be filled, the vote on the appointment shall be conducted by way of a ballot and Rules 14.3, 14.4 and 14.5 shall not apply.

14.8.2 If there are more than two people nominated for any position to be filled and there is not a clear majority of votes in favour of one person, then the name of the person with the least number of votes will be taken off the list and a new vote taken. The process will continue until there is a majority of votes for one person.

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