



# Epping Forest District Council

## **AUDIT & GOVERNANCE COMMITTEE** **Thursday 30th November 2023**

You are invited to attend the next meeting of **Audit & Governance Committee**, which will be held at:

**Council Chamber - Civic Offices**  
on **Thursday 30th November 2023 at 7.00 pm**

**Georgina Blakemore**  
Chief Executive

**Democratic Services Officer:** Laura Kirman  
Tel: 01992 564243 Email:  
democraticservices@eppingforestdc.gov.uk

**Members:** Councillors P Bolton (Chairman), T Matthews, B Vaz, M Owen  
and J M Whitehouse

Independent Member: Mr A Jarvis

### **1. WEBCASTING INTRODUCTION**

This meeting will be recorded. The Chairman will read the following announcement:

*"I would like to remind everyone present that this meeting will be recorded to the internet and will be capable of repeated viewing.*

*If you are seated in the lower public seating area then it is likely that the recording cameras will capture your image and this will result in the possibility that your image will become part of the broadcast.*

*This may infringe your human and data protection rights and if you wish to avoid this then you should move to the upper public gallery.*

*Could I please also remind Members to activate their microphones before speaking".*

### **2. APOLOGIES FOR ABSENCE**

To be announced at the meeting.

Please use the Members Portal webpage to report non-attendance at meetings  
[https://eppingforestdc-self.achieveservice.com/service/Member Contact](https://eppingforestdc-self.achieveservice.com/service/Member>Contact) to ensure

your query is properly logged.

Alternatively, you can access the Members portal from the front page of the Council’s website, at the bottom under ‘Contact Us’ <https://www.eppingforestdc.gov.uk/your-council/members-portal/>

**3. DECLARATIONS OF INTEREST**

To declare interests in any item on the agenda for the meeting of the Committee.

**4. MINUTES (Pages 4 - 10)**

To confirm the minutes of the meeting of the Committee held on 27 July 2023.

**5. MATTERS ARISING**

To consider any matters arising from the minutes of the previous meeting of the Committee.

**6. AUDIT & GOVERNANCE COMMITTEE - WORK PROGRAMME (Page 11)**

To consider the attached work programme for the Committee for 2022/23.

**7. RISK MANAGEMENT (Pages 12 - 29)**

(Strategic Director Corporate and Section 151 Officer) To consider and comment on the risk management report.

**8. INTERNAL AUDIT PROGRESS REPORT (Pages 30 - 77)**

(Chief Internal Auditor) To consider and comment on the Internal Audit Progress Report.

**9. TREASURY MANAGEMENT QUARTER 2 UPDATE 2023/24 (Pages 78 - 92)**

To note the Treasury Management Quarter 2 Update 2023/24.

**10. ANY OTHER BUSINESS**

Section 100B(4)(b) of the Local Government Act 1972 requires that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

**11. EXCLUSION OF PUBLIC AND PRESS**

Exclusion:

To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item No	Subject	Exempt Information
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		<b>Paragraph Number</b>
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Background Papers:

Article 17 of the Constitution (Access to Information) define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

- (a) disclose any facts or matters on which the report or an important part of the report is based; and
- (b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information and in respect of executive reports, the advice of any political advisor.

The Council will make available for public inspection one copy of each of the documents on the list of background papers for four years after the date of the meeting. Inspection of background papers can be arranged by contacting either the Responsible Officer or the Democratic Services Officer for the particular item.

# Agenda Item 4

## EPPING FOREST DISTRICT COUNCIL AUDIT & GOVERNANCE COMMITTEE MEETING MINUTES

Thursday 27 July 2023, 7.00 pm – 8.35 pm  
Council Chamber - Civic Offices

<b>Members Present:</b>	Councillors P Bolton (Chairman) M Owen, B Vaz and J M Whitehouse
<b>Other Councillors:</b>	Councillors J Philip
<b>Apologies:</b>	Councillor(s) T Matthews
<b>Officers In Attendance:</b>	Christopher Hartgrove (Interim Chief Financial Officer), Andrew Small (Strategic Director, Corporate and Section 151 Officer), Sarah Marsh (Chief Internal Auditor), Martin Crowe (Corporate Fraud Team Manager), Gary Woodhall (Team Manager - Democratic & Electoral Services) and Pat Seager (Chairman's Officer)
<b>Officers In Attendance (Virtually):</b>	Vivienne Messenger (Democratic Services Officer) Julia Berry, Mandy Fuller and Sheena Adrian (Finance Officers)

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**A RECORDING OF THIS [MEETING](#) IS AVAILABLE FOR REPEATED VIEWING**

### 1 WEBCASTING INTRODUCTION

The Democratic & Electoral Services Team Manager made a short address to remind everyone present that the meeting would be broadcast live to the internet, and would be capable of repeated viewing, which could infringe their human and data protection rights.

### 2 ELECTION OF CHAIRMAN AND VICE-CHAIRMAN

The Democratic & Electoral Services Team Manager invited nominations from the Committee for the roles of Chairman and Vice-Chairman for the forthcoming municipal year.

**Resolved:**

- (1) That Cllr P Bolton be elected Chairman of the Audit & Governance Committee for the 2023/24 municipal year; and
- (2) That T Jarvis be elected Vice-Chairman of the Audit & Governance Committee for the 2023/24 municipal year.

### 3 DECLARATIONS OF INTEREST

There were no declarations of interest made pursuant to the Council's Members' Code of Conduct.

### 4 MINUTES

**RESOLVED:**

- (1) That the minutes of the meeting held on 20 March 2023 be taken as read and signed by the Chairman as a correct record.

## 5 MATTERS ARISING

There were no matters arising from the minutes of the previous meeting which warranted further discussion.

## 6 AUDIT & GOVERNANCE COMMITTEE - WORK PROGRAMME

The Committee noted its Work Programme for 2023/24.

## 7 AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2022/23

S Marsh, the Chief Internal Auditor, presented the Audit & Governance Committee Annual Report for 2022/23, which aimed to show that the Committee had supported the Council in maintaining a high standard of corporate governance. It was a recommendation of the Chartered Institute of Public Finance and Accountancy (CIPFA) that the Committee should report an assessment of its performance to the Council on an annual basis, and the Committee was requested to agree that the report should be referred to the Council for approval.

S Marsh reported that the Committee had undertaken a review of its effectiveness at a workshop in March 2023. The result of the review was that the Committee could demonstrate compliance with recommended best practice, however there were four minor areas for improvement identified and an action plan to address these had been drawn up.

The report also reviewed the Committee's Terms of reference and its compliance with the guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2022. Minor changes had been suggested and the Committee was requested to agree these changes and refer them to the Council for final approval.

### **Resolved:**

- (1) That the Annual Report of the Audit and Governance Committee for 2022/23 be agreed and referred to the Council for approval;
- (2) That the proposed changes to the Committee's Terms of Reference be agreed and referred to the Council for final approval; and
- (3) That the review of the effectiveness of the Audit and Governance Committee be noted, alongside the resulting Action Plan.

## 8 RISK MANAGEMENT

The Section 151 Officer, A Small, presented the Risk Management report.

The Committee was requested to review and comment on the current Corporate Risk Register, suggest new risks for inclusion on the Register or changes to the scoring of the existing risks. In addition, the Committee was also requested to review the current Risk Management Policy and Strategy, which set out the Council's approach to risk management, including the consistent and robust identification, evaluation and management of opportunities and risks across the Council, prior to its referral to the Cabinet for approval.

The Committee expressed some concerns about the financial risks listed in the Register, due to problems experienced in past years and the sharing of the Council's top two Financial Officers with Colchester City Council. The Finance Portfolio Holder reassured the Committee that the Council undertook significant analysis prior to agreeing the sharing of the two Officers

concerned, and that significant benefits would arise for the Council from this arrangement. A Small added that he still had statutory obligations to the Council, and that the arrangement with Colchester City Council was for six months before it was reviewed. Recruitment and retention was a challenge for Finance Teams and the arrangement should not be seen in a negative light.

For risk COMP001, A Small stated that its scoring had increased due to there being issues with historical record keeping for which the Regulator could issue fines. For risk SUS001, it had been ascertained that the Council might not achieve its 2030 target and action plans had been drawn up accordingly. The increased score for this risk would elevate the issue within the Council. In respect of the Further Actions listed in section 7 of the Risk Management Policy and Strategy, A Small explained that the new Risk Management Action Group would take responsibility for actioning these.

**Resolved:**

- (1) That the current Corporate Risk Register be noted and referred to the Cabinet for approval; and
- (2) That the Risk Management Policy and Strategy be noted and referred to the Cabinet for approval.

## **9 ANNUAL REPORT OF THE CHIEF INTERNAL AUDITOR**

The Chief Internal Auditor, S March, presented the Annual Report of the Chief Internal Auditor. The report was presented in support of the Internal Audit opinion on the adequacy of the Council's internal control environment and provided a summary of the work undertaken by Internal Audit for 2022/23. The Accounts and Audit Regulations 2015 included a requirement for the Council to carry out an annual review of the effectiveness of its system of internal audit as part of the wider review of the effectiveness of the system of governance.

S Marsh reported that, based upon the results of work undertaken during the year it was the Chief Internal Auditor's overall opinion that the Council had adequate and effective governance, risk management arrangements and control processes. Where there had been significant issues, these had been accepted by Management and promptly corrected.

**Resolved:**

- (1) That the Annual Report of the Chief Internal Auditor for 2022/23 and the assurance level given be noted; and
- (2) That, for the 12 months ended 31 March 2023, the Council had operated adequate and effective governance, risk management arrangements and control processes.

## **10 CORPORATE FRAUD TEAM ANNUAL SUMMARY 2022/23**

The Corporate Fraud Team Manager, M Crowe, presented the Corporate Fraud Annual Summary for 2022/23, which summarised the key achievements of the Corporate Fraud Team for the year.

M Crowe reported that 111 investigations were undertaken during the year, of which 45 had a form of fraud detected or proven. This represented a 4% increase on 2021/22. Social Housing fraud, including Right to Buy applications, was the category with the most success throughout the year but other notable examples of fraud were highlighted for the Committee. This

included sub-letting, which could be difficult to detect but the measures were in place to identify sub-letting; including the “Cheat in your Street” initiative.

**Resolved:**

- (1) That Corporate Fraud Team Annual Summary for 2022/23 be noted.

**11 CORPORATE FRAUD TEAM PLAN 2023 / 24**

The Corporate Fraud Team Manager, M Crowe, presented the Corporate Fraud Team Plan for 2023/24, which highlighted the focus and approach of the Corporate Fraud Team for the coming municipal year. As per their Terms of Reference, the Committee had a role in ensuring anti-fraud arrangements were in place and were requested to approve the Plan.

**Resolved:**

- (1) That the Corporate Fraud Team Plan for 2023/24 be approved.

**12 ANNUAL GOVERNANCE STATEMENT 2022/23**

The Chief Internal Auditor, S Marsh, presented the Annual Governance Statement for 2022/23.

The Committee were reminded that the Council’s Statutory Statement of Accounts had to be prepared in accordance with the Accounts and Audit Regulations 2015. Within the Regulations, and in accordance with defined ‘proper practice’, there was a mandatory requirement to publish an Annual Governance Statement (AGS). The production of an AGS enabled the Council to use the review process positively and proactively to deliver assurance about governance arrangements within the Council to stakeholders, and to develop better arrangements where the review found areas in need of improvement. The process involved a comparison of achievements against the principles set out in the Council’s Local Code of Governance and supported an intention and commitment to provide good governance. S Marsh highlighted the table within the report that outlined the seven areas for improvement or monitoring during 2023/24.

**Resolved:**

- (1) That the draft Annual Governance Statement for 2022/23 be agreed.

**13 INTERNAL AUDIT MONITORING REPORT JUNE 2023**

The Chief Internal Auditor, S Marsh, presented the Internal Audit Monitoring report for the period up to June 2023. This report updated the Committee on the work completed by the Internal Audit and Corporate Fraud Teams since the last meeting of the Committee in March 2023, as well as the current position regarding overdue Audit report recommendations.

T Jarvis voiced his concern with the overdue Audit report recommendation regarding Active Directory Management, which was originally issued in December 2020. S Marsh explained that the ICT Team was progressing this and the remaining five servers should be de-commissioned by the end of July 2023.

**Resolved:**

- (1) That the summary of the work of the Internal Audit and Corporate Fraud Teams for the period March to June 2023 be noted.

**14 TREASURY MANAGEMENT OUTTURN REPORT 2022/23**

The interim Chief Financial Officer, C Hartgrove, presented the Treasury Management Outturn report for 2022/23.

The Committee was reminded that the Council's Treasury Management Strategy (including Investment Strategy) for 2022/23 was considered by the Committee at its meeting on 17 January 2022 and was subsequently agreed by Council on 24 February 2022. In accordance with CIPFA's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) and generally accepted good practice, the Treasury Management Outturn for 2022/23 had set out the Council's actual Treasury Management activity for 2022/23, including the year-end position contained in the Council's (draft) Statement of Accounts for 2022/23.

C Hartgrove explained that the Outturn had set the external context for 2022/23 by exploring the Economic Background, Financial Markets and Credit Ratings; this included the well-documented inflation spike and spiralling interest rates. The Borrowing and Investment position for Epping Forest District Council as at 31st March 2023 showed the following:

- Borrowing – external borrowing had marginally increased by £12.6 million (from £269.0 million to £281.6 million) during the period April 2022 to March 2023; and
- Investments – there was a decrease in investments of £4.6 million (from £18.7 million to £14.1 million) during the same period.

C Hartgrove highlighted that the CIPFA Code also covered all the financial assets of the Council, as well as other nonfinancial assets which the Council held, primarily for financial return. The Outturn therefore also considered the Council's Commercial Property Portfolio, which delivered Net Income of £8.447million in 2022/23 and continued to be a key part of the Council's strategy to minimise Council Tax increases. The Outturn had concluded by considering compliance with the Council's adopted Treasury Management indicators, and compliance was achieved in all areas.

C Hartgrove reported that the Council's borrowing from other local authorities had reduced due to the rise in interest rates, and the fact that it was more prudent to borrow from the Public Works Loan Board. The Council's Section 151 Officer, A Small, added that of the Council's long term borrowing was underwritten by asset disposal and/or Council Tax income. The processes that the Council had in place were to ensure that the Council was taking responsible risks and that any borrowing was affordable.

**Resolved:**

- (1) That the Treasury Management Outturn report for 2022/23 be noted.

**15 DRAFT STATEMENT OF ACCOUNTS 2022/23**

The Council's Section 151 Officer, A Small, presented the draft Statement of Accounts for 2022/23.

A Small reported that the Statement of Accounts were prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('the Code') and were based on International Financial Reporting Standards (IFRSs). The Statement was also required to give a "true and fair view" of the Council's financial position as at 31 March 2023, and the income and expenditure for the year then ended. This had showed that the Council had accrued a deficit of £1.286million, but this had been predicted earlier in the financial year.



A Small stated that the inspection period for the financial year ending 31 March 2023 was due to commence on 1 June 2023 and run for a period of 30 working days from this date. However, it had not been possible for the Council to commence the inspection period as, in line with most councils nationally, Epping Forest District Council continued to experience major audit delays and the Statement of Accounts for 2020/21 had not yet been finalised or audited. However, in the interests of transparency, the Council had published an uncertified draft Statement of Accounts for 2022/23 on the Council website on 2 June 2023, which the Committee was asked to note.

The Committee noted that the Council had previously struggled to produce a full statement of accounts and, given the auditing issues, praised the Finance Team. In response to questions from the Committee, C Hartgrove stated that the Council's deficit had been met from accumulated reserves as the Council could only borrow for capital not revenue purposes. In addition, the Investment properties had also made a loss over the course of the year.

**Resolved:**

- (1) That the draft Statement of Accounts for 2022/23 be noted, prior to the completion of the external audit process.

**16 TREASURY MANAGEMENT QUARTER 1 UPDATE 2023-24**

The interim Chief Financial Officer, C Hartgrove, presented the Treasury Management update report for quarter 1 of 2023/24.

The Committee was reminded that, in accordance with CIPFA's Treasury Management in the Public Services: Code of Practice (the CIPFA Code 2021 Edition) and generally accepted good practice, the Treasury Management Quarter 1 Update for 2023/24 had set out the Council's actual Treasury Management activity for the first three months (Quarter 1) of 2023/24 (i.e., April to June 2023). The report began by setting the external context by exploring the Economic Background, Financial Markets and Credit Ratings, including the sharp rise in UK interest rates, which reflected the Bank of England's response to stubborn inflation within the economy.

C Hartgrove outlined the Borrowing and Investment position for the Council as at 30 June 2023, which showed the following:

- Borrowing – external borrowing increased by £5.2 million (from £281.6 million to £286.8million) during the period April to June 2023; and
- Investments – there was a marginal increase in investments of £0.6 million (from £14.1million to £14.7 million) during the same period.

C Hartgrove stated that Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) included within the definition of investments, all such assets held partially or wholly for financial return. The report therefore also considered the Service and Commercial Investments held by the Council, which included:

- Qualis and Home Assistance service loans (combined value of £43.482 million as at 30 June 2023);
- Commercial Property (Balance Sheet value of £148.483 million as at 31 March 2023); and a
- Qualis Investment Loan (value of £30.0 million as at 30 June 2023).

C Hartgrove added that the report concluded by considering compliance with CIPFA's Treasury Management Code and the Treasury Management Strategy for 2023/24, including Prudential and Other adopted indicators; full compliance was achieved in all reportable indicators for Quarter 1.

In response to a question from the Committee, A Small confirmed that all of the loans taken out by Qualis were backed by assets, and the quarterly Qualis Monitoring Reports to the Cabinet gave more detail on this.

**Resolved:**

- (1) That the Treasury Management Update report for Quarter 1 of 2023/24 be noted.

**CHAIRMAN**

## **Audit & Governance Committee Work Programme 2023/24**

### **29 June 2023- delayed until 27 July 2023**

- *Annual Report of the Chief Internal Auditor 2022/23*
- *Draft Annual Governance Statement 2022/23*
- *Audit and Governance Committee Annual Report 2022/23*
- *Corporate Fraud Team Strategy 2023/24 and 2022/23 Year End Report*
- *Internal Audit Progress Report*
- *Risk Management Report*
- *Treasury Management Outturn Report 2022/23*

### **30 November 2023**

- Internal Audit Progress Report
- Risk Management Report
- Review of the Anti-Fraud and Corruption Strategy (incorporated into the Internal Audit Progress Report)
- Treasury Management Mid-Year Report 2023/24
- Review of Code of Corporate Governance -
- Review of the Internal Audit Charter
- Review of the Whistleblowing Policy

### **16 February 2024**

- Treasury Management Strategy (including investment Strategy) 2023/24
- Capital Strategy 2023/24
- Internal Audit Progress Report.
- Risk Management Report

### **28 March 2024**

- Risk Management Report
- Internal Audit Progress Report
- Internal Audit Strategy and Audit Plan 2024/25
- Corporate Fraud Team Strategy 2024/25

**Note: External Audit Reports will be incorporated into the work programme**

# Agenda Item 7

## **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference:**

**Date of meeting:** **30 November  
2023**

**Portfolio:** Finance and Economic Development

**Subject:** Risk Management

**Responsible Officer:** Andrew Small ([asmall@eppingforestdc.gov.uk](mailto:asmall@eppingforestdc.gov.uk))

**Democratic Services Officer:** L Kirman ([democraticservices@eppingforestdc.gov.uk](mailto:democraticservices@eppingforestdc.gov.uk))

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### **Recommendations/Decisions Required:**

- (1) To consider the current risk register and refer to Cabinet for approval.

### **Executive Summary:**

This report gives the Audit and Governance Committee the opportunity to comment on and suggest new risks for inclusion on the Corporate Risk Register or changes to the scoring of existing risks and refer to Cabinet for approval.

### **Reasons for Proposed Decision:**














To enhance the Council's risk management framework.

### **Other Options for Action:**

None. Formal responsibility for making recommendations to Cabinet on risk management issues lies with the Audit and Governance Committee. Members may suggest new risks for inclusion or changes to the scoring of existing risks.

### **Report:**

1. The corporate risk register has been reviewed and updated by the Senior Leadership Team to reflect the current position and is attached at appendix 1.
2. The risk register was subsequently presented to the Corporate Governance Group (which includes the Chief Executive and the Section 151 Officer in its membership) for review and challenge.
3. Members are asked to consider the attached updated Corporate Risk Register (Appendix 1) to determine whether the risks listed are scored appropriately and whether there are any additional risks that should be included.
4. The table below outlines the direction of travel for each risk since it was updated in June 2023.

New risk reference	Risk	Residual risk score Jun 2023	Residual risk score Oct 2023	Direction of Travel
HRA 001	Increase in demand from homeless increasing financial need	16	12	
HRA 002	Building/regeneration programme	16	12	
ECDEV 001	Economic Development	4	4	
CORSER 001	Data/information breach	12	12	
CORSER 002	Lack of and/or inadequate Business Continuity Plans	16	16	
ICT 001	Cyber security (previously titled Risk of a cyber security incident)	16	16	
SUS 001	Climate Change (previously titled Failure to achieve carbon emissions targets)	20	16	
CONT 001	Failure of waste contractor/ service	16	16	
COMP 001	Compliance with social housing regulation	15	15	
FIN 001	Delivering a Balanced Budget and Sustainable Medium-Term Financial Plan	10	15	
FIN 002	Ensuring the continued financial viability of Qualis	12	12	
FIN 003	Maintaining and improving VFM (value for money)	12	12	
PEOPLE 001	Future proofing the workforce	12	12	

**Scrutiny Comments:**

**Resource Implications:**

None

**Legal and Governance Implications:**

Risk Management is an important part of the Council's overall governance arrangements.

**Safer, Cleaner and Greener Implications:**

None

**Consultation / Scrutiny Undertaken:**

The Senior Leadership Team and Corporate Governance Group have reviewed the corporate risk register.

**Background Papers:**

CIPFA audit committees – practical guidance for Local Authorities and Police 2018 edition

**Risk Management:**

If the Corporate Risk Register was not regularly reviewed and updated, a risk that threatened the achievement of corporate objectives might either not be managed or be managed inappropriately. In addition, new or emerging risks which could threaten achievement of the Council's corporate objectives would not be considered.

**Equality:**

An Equality Impact Assessment was carried out and there was no significant impact.

# Corporate Risk Register- November 2023


Summary Position November 2023

Page 15	LIKELIHOOD	Almost Certain	5					
		Highly Likely	4				CORSER002 ICT001 CONT001 SUS001	
		Possible	3				HRA001 HRA002 CORSER001 FIN002 FIN003 PEOPLE001	COMP001 FIN001
		Unlikely	2		ECDEV001			
		Negligible	1					
				1	2	3	4	5
		Negligible	Low	Medium	High	Very High		
<b>IMPACT</b>								

## Key


- CORSER002- Business continuity arrangements
- ICT001- Cyber security
- CONT001 -Failure of waste contractor/service
- HRA001- Increase in demand from homeless increasing financial need
- HRA002-House building/regeneration programme
- SUS001- Climate change (previously titled Failure to achieve carbon emissions targets)
- COMP001-Compliance with social housing regulations
- CORSER001-Data/ information breach
- FIN002- Ensuring the continued financial viability of Qualis.
- FIN003- Maintaining and improving VFM.
- ECDEV001- Economic Development
- FIN001- Delivering a balanced budget and sustainable Medium-Term Financial Plan (MTFP)
- PEOPLE001 – Future proofing the workforce

## Corporate Risk Register- November 2023


RISK REF (ID)	RISK (IF-THEN) - (one line snapshot)	INHERENT LIKELIHOOD	INHERENT IMPACT	INHERENT RISK SCORE	MITIGATION CURRENT CONTROLS	RESIDUAL LIKELIHOOD	RESIDUAL IMPACT	RESIDUAL RISK SCORE	FURTHER ACTIONS REQUIRED	RISK OWNER (Officer & PFH)	COMPLETE OR NEXT REVIEW DATE	STATUS OPEN/ CLOSED
						TREATMENT STATUS	DIRECTION OF TRAVEL	ACTION OWNER			ACTION DATE	
HRA001	Increase in numbers of homeless households and lack of supply of suitable accommodation could result in adverse financial impact directly affecting the general fund.	5	4	20	<ol style="list-style-type: none"> <li>1. Senior officers authorise all placements.</li> <li>2. Entered into a block booking arrangement with a local provider at a reduced cost.</li> <li>3. Building our own stock.</li> <li>4. New provision other social housing providers.</li> <li>5. Taskforce of key staff in place to improve collection rates of charges</li> </ol>	3	4	12		Interim Service Director Housing & Property	Jan 24	OPEN
	<b>CAUSE - EFFECT (detail narrative)</b>					TREAT						
	<p>Oct-23</p> <p>We have seen an unprecedented increase in households becoming homeless due to national factors (cost of living and the implications of the Domestic Abuse Act). There is a possible additional risk of increasing numbers locally from the bridging hotels (2 in the district) if they are made to leave without arrangements for rehousing elsewhere being in place.</p>								<ol style="list-style-type: none"> <li>1) Project to improve tenancy sustainment in the private rented sector has been included in the Service Plan for 2023/4. The purpose being to prevent homelessness at an earlier stage.</li> <li>2) Review the effectiveness of current support to people experiencing domestic abuse and our ability to prevent homelessness.</li> <li>3) Investigating an Essex wide solution.</li> <li>4) Exploring with Qualis whether they can assist with TA provision.</li> </ol>		(All) EG	Dec 23




## Corporate Risk Register- November 2023

RISK REF (ID)	RISK (IF-THEN) - (one line snapshot)	INHERENT LIKELIHOOD	INHERENT IMPACT	INHERENT RISK SCORE	MITIGATION CURRENT CONTROLS	RESIDUAL LIKELIHOOD	RESIDUAL IMPACT	RESIDUAL RISK SCORE	FURTHER ACTIONS REQUIRED	RISK OWNER (Officer & PFH)	COMPLETE OR NEXT REVIEW DATE	STATUS OPEN/ CLOSED
						TREATMENT STATUS	DIRECTION OF TRAVEL	ACTION OWNER			ACTION DATE	
HRA002	Inability to provide adequate new build social housing would result in not meeting the Council's housing targets.	5	4	20	<ol style="list-style-type: none"> <li>1. Programme-wide risk management schedule is in place.</li> <li>2. Robust assessment of contractors' ability to undertake role.</li> <li>3. Ensure contractors are sufficiently insured.</li> <li>4. Include provisions in contracts to deal with poor performance/failure of contract.</li> <li>5. Project management of all schemes to ensure effective delivery of the schemes is in place.</li> <li>6. Involve Planning staff at early stages and throughout.</li> <li>7. Provide robust feasibility studies.</li> </ol>	3	4	12	<ol style="list-style-type: none"> <li>1. Implementation of sequel to manage cashflows for the schemes. Business case prepared.</li> <li>2. Monitoring the Phase 5 schemes against the business plan budget, given huge build cost increases and planning is being submitted.</li> <li>3. Seeking further collaborative working with Qualis and other partners for consideration of joint ventures and other contract mechanisms.</li> <li>4. Further consideration to the Local Plan for development opportunities.</li> <li>5. Review of HRA business plan including development schemes underway. Close monitoring of expenditure required.</li> <li>6. HRA business plan review underway Q3 2023/24 including consideration of development schemes underway</li> </ol>	Interim Service Director Housing & Property	Jan 24	OPEN
CURRENT REVIEW DATE	<b>CAUSE – EFFECT (detail narrative)</b>					TREAT				(All) RH	Dec 23	
Oct -23	<p>If the Council fails to implement an asset management strategy to include regeneration, retrofit of existing properties and/or development of new builds for social housing the Council will not be equipped to deal with increased demand for social housing.</p> <p>This will result in adverse financial impact for the Council with pressures for temporary accommodation failure of service delivery and reputational damage.</p>											


## Corporate Risk Register- November 2023

RISK REF (ID)	RISK (IF-THEN) - (one line snapshot)	INHERENT LIKELIHOOD	INHERENT IMPACT	INHERENT RISK SCORE	MITIGATION CURRENT CONTROLS	RESIDUAL LIKELIHOOD	RESIDUAL IMPACT	RESIDUAL RISK SCORE	FURTHER ACTIONS REQUIRED	RISK OWNER (Officer & PFH)	COMPLETE OR NEXT REVIEW DATE	STATUS OPEN/ CLOSED	
						TREATMENT STATUS					DIRECTION OF TRAVEL		ACTION OWNER
ECDEV001	A failure to deliver projects linked to the council's UK Shared Prosperity Fund (UKSPF) bid, mean that the council will miss out on the benefits linked to £1 million worth of external funding.	4	5	20	1) Strategic Partnerships specialist/Economic Lead responsible for overseeing delivery of various business support programmes to be delivered through economic development team.  2) A full-time officer is working on ensuring that other departments accessing the funds are aware of all the expectations around deploying these.  3) This full-time officer is also responsible for organising quarterly and six-monthly reports back to the UK Government around delivery.  4) Dedicated account manager working with economic development team is aware of key requirements regarding financial returns to government.  5) A process has been set up between the economic development team and the legal and procurement teams, to ensure all contracts for projects are reviewed before sign off.	2	2	4	<ul style="list-style-type: none"> <li>Present to Strategic Leadership Team on the delivery plan.</li> <li>Deliver 2023 programmes, which include the procuring of several business support programmes alongside the completion of the Ninefields Playground which is partially funded through the UKSPF.</li> <li>Conduct quarterly and six-monthly reports highlighting outcomes and outputs associated with UKSPF projects.</li> <li>Understand status of Rural England Prosperity Fund which would bring an added £450,000 worth of extra funding into play in tangent with the existing UK Shared Prosperity Fund programme. Bid submitted but no confirmation of award yet.</li> <li>Continue to build communications channels with neighbouring authorities to understand any changes in UK Government reporting requirements and areas for joint delivery.</li> </ul>	Local Strategic Partnership Manager	Jan 24	OPEN	
	<b>CAUSE - EFFECT (detail narrative)</b>												
	i) A lack of staff resource to coordinate the programmes, means that the council is unable to report adequately back to the UK Government on the use of funds.  ii) A failure to follow UK Government legal and procurement rules risks the delivery of UKSPF projects.  iii) A failure to attend to marketing and communications rules linked to the programme leads to risk of the UK Government withdrawing funding support.					TREAT						DH (all)	Jan 24


## Corporate Risk Register- November 2023

RISK REF (ID)	RISK (IF-THEN) - (one line snapshot)	INHERENT LIKELIHOOD	INHERENT IMPACT	INHERENT RISK SCORE	MITIGATION CURRENT CONTROLS	RESIDUAL LIKELIHOOD	RESIDUAL IMPACT	RESIDUAL RISK SCORE	FURTHER ACTIONS REQUIRED	RISK OWNER (Officer & PFH)	COMPLETE OR NEXT REVIEW DATE	STATUS OPEN/ CLOSED
						TREATMENT STATUS	DIRECTION OF TRAVEL	ACTION OWNER			ACTION DATE	
<b>CORSER001</b>	Risk of data held by the Council ends up in inappropriate hands.	4	4	16	1) The Council continues to have a designated SIRO, Data Protection Officer, and FOI Officer. 2) A Strategic Information Governance Group and an Information Asset Owner Group are in place and meet quarterly to monitor breaches and learn lessons where needed. 3) The Information Governance Group 23/24 work programme is in place and is being prioritised and subject to ongoing review by the SIRO, Chief Auditor and DPO quarterly. 4) GDPR & Cyber security e-learning training on Litmos was provided during 2022. Cyber Security - 92.3% completion and GDPR 73.6% completion. People Team review employees who have not undertaken the training. Automated reports are sent to managers. 5) Training is underway with SLT, started on 30 January 2023 is ongoing until March 2024. Quarterly sessions in place for 2023. 6) ICT information Governance policy review completed. 7) Align electronic data to retention and disposal policy. Data cleanse project launch summer 2023 initially focussing on F drives. 8) Microsoft Tenant Audit completed.	3	4	12	1) FOI infographic eLearning on Litmos along with raising awareness communication and data governance will be rolled out during 2023.  2) Data quiz to be circulated.  3) Review of this to be completed.  4) ICT and Information Governance Group to discuss further controls following review of the Microsoft Tenant audit.	Service Director Corporate Services	Jan 24	OPEN
<b>CURRENT REVIEW DATE</b>	<b>CAUSE - EFFECT (detail narrative)</b>					<b>TREATMENT STATUS</b>	<b>DIRECTION OF TRAVEL</b>	<b>ACTION OWNER</b>		<b>ACTION DATE</b>		
Oct-23	Breach of the 2018 Data Protection Act (DPA) and the General Data Protection Regulations (GDPR) leading to significant fines or/and intervention by the Information Commissioner's Office (ICO)  • Increased costs and legal implications • Reputational damage to the Council					TREAT		1) PM/SM/LR		Dec 23		
										2) PM/MKS	Dec 23	
										3) PM/SL	Dec 23	
										4) PM	Jan 24	


## Corporate Risk Register- November 2023

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						TREATMENT STATUS	DIRECTION OF TRAVEL	ACTION OWNER			ACTION DATE			
<b>CORSER002</b>	Failure to ensure robust plans are in place for critical services and regularly tested could result in an event occurring having adverse impact on service delivery.	5	5	25	1. There is a well-established MIM process for ICT issues to be managed. 2. All 'office' based employees can work from home. 3. The Council has alternative locations it could work from. 4. BC Plan templates and manager training completed in conjunction with Essex Police BC Team. 5. BCP framework in place. 6. Service BC Plans and BIAs in place.	4	4	16	1. Finalise Corporate BC Plan. Include the role of internal Gold officer and Group also Silver and Bronze response. - 1 <sup>st</sup> draft completed.  2. For both sets of BC Plans identify specific processes and agreed decisions related to the situation.  3. BC Officer booked to attend specific BC course and take exams.	Service Director Corporate Services	Jan 24	OPEN		
	<b>CAUSE - EFFECT (detail narrative)</b>													
	The Council is required to develop and implement robust Business Continuity Plans in line with the requirements of the Civil Contingencies Act 2004. Failure to do so can result in loss of service delivery.  • Possible loss of income • Staff absence • Hardship for some of the community • Council criticised for not responding effectively						TREAT					1) LL	Dec 23	
											2) LL	Dec 23		
											3) LL	Dec 23		

## Corporate Risk Register- November 2023

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						TREATMENT STATUS	DIRECTION OF TRAVEL	ACTION OWNER		ACTION DATE		
ICT001 Cyber security	Every organisation carries multiple risks in relation to cyber threats and as a government organisation, access to our systems and data is particularly appealing to threat factors. If we do not work to mitigate each angle of exposure, then we are more likely to fall victim to a cyber incident or data breach.	5	5	25	-All data back up now directly to the cloud.  -Documented and tested incident management procedures in place.  -Mandatory Cyber security training completed by 92% of staff	4	4	16		Joint ICT & Transformation Director	Jan 24	OPEN
	<b>CAUSE - EFFECT (detail narrative)</b>				-People Team notifies ICT of all leavers to ensure access rights are promptly disabled.							
	<p>Oct-23</p> <p>The Authority handles a large amount of personal and business data. Either through hacking or carelessness, security of the data could be compromised resulting in:</p> <ul style="list-style-type: none"> <li>• Loss of system access and/or data</li> <li>• Unable to provide Council services</li> <li>• Increased costs</li> <li>• Reputation damaged</li> <li>• Ransomware payment</li> <li>• Corporate fines</li> </ul>				-Access to the Council's Active Directory domain is protected by robust authentication and password settings.  -Firewall appliances have been deployed to protect the Council's network.  -Mystery Phishing campaign completed in March 23  -Updated Information Security, Security Breach, ICT Remote Access and ICT Security policies in place.  -60% of staff attended Essex Police Cyber training in October 2023  - PSN compliance check, both internal and external completed.	TREAT			<p>1. Microsoft audit has been undertaken across Epping and Colchester and a prioritised action plan will be created to increase our security posture.</p> <p>2. VMware expired Nov 2022 works to purchase parts and implement in progress.</p> <p>3. Additional information sharing and best practice across Essex Councils</p> <p>4. Continued emphasis on educating and supporting colleagues, as human mistakes remain biggest threat</p>		PT (All)	Dec 23


## Corporate Risk Register- November 2023

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						TREATMENT STATUS	TREATMENT STATUS	TREATMENT STATUS			DIRECTION OF TRAVEL	ACTION OWNER	ACTION DATE
SUS001	Failure to achieve carbon emission targets will result in not achieving our targets contained within our Corporate Plan and will result in increased costs.	5	5	25	Policy controls: Climate Change Action Plan – overarching document to set actions to meet the 2030 target. Planning policy new development - Local Plan policies on flooding and environmental policies. Sustainability Guidance vols 1-3 covering major and minor development and extensions/refurbishments.	4	4	16	1. Include energy efficiency investment in Housing Asset Management Strategy 50% Stock Condition survey in place containing efficiency data. Plan to complete remaining stock in 2023/24. Additional overlay of efficiency data analysis via organisation called Parity to be commissioned Q3 23/34/ 2.Include energy efficiency investment in operational asset management strategy 3.EV charge points on EFDC land to be part of asset management strategy. 4.Identify EFDC planning staff with required specialist knowledge to oversee carbon emissions and climate considerations. 5.Investigate carbon emissions of non-EV waste fleet at proposed depot. 6.Implement a tree policy to protect against subsidence and building damage. 7. Asset Management Strategy work underway with Ark Consultancy appointed Oct 23, strategy due to be in place early 2024	Chief Operating Officer/ Service Director Planning	Jan 24	OPEN	
	<b>CAUSE - EFFECT (detail narrative)</b>										<b>DIRECTION OF TRAVEL</b>		
	<p>The Council declared a climate emergency and has pledged to do everything within its power to make the Epping Forest District carbon neutral by 2030.</p> <p>Areas key to this climate risk are transport including EV charge points, new builds and EFDC's own property, planning for new developments and masterplan areas considering carbon emissions and flood risk, the potential new waste depot and subsidence from trees.</p> <p>If we fail to achieve our targets could result in:</p> <ul style="list-style-type: none"> <li>• Reputational damage</li> <li>• Greatly increased costs from Climate Change Adaptation requirements (flooding, overheating, subsidence from drought, increased insurance claims)</li> </ul>				<p>Transport and Air Quality - Interim Air Pollution Mitigation Strategy – to reduce impacts of pollutants on the Epping Forest Special Area of Conservation (SAC). Air Quality Action Plan – to reduce impact on human health. Other controls: -Climate Change Steering Group set up with officers from across the Council to oversee delivery of the Climate Change Action Plan -Fleet conversion to Electric Vehicles, EV charge points at Civic, Oakwood Hill and North Weald Airfield. -Charge points on EFDC public land. Pilot training Carbon Literacy course for service managers - Net zero training given to planning officers</p>	TREAT					1) SB/DG Nov 23 2) DG Nov 23 3)SLJ Nov 23 4) GC Nov 23 5) JW Nov 23 6) MT Nov 23 7)SB Feb 24		

## Corporate Risk Register- November 2023


RISK REF (ID)	RISK (IF-THEN) - (one line snapshot)	INHERENT LIKELIHOOD	INHERENT IMPACT	INHERENT RISK SCORE	MITIGATION CURRENT CONTROLS	RESIDUAL LIKELIHOOD	RESIDUAL IMPACT	RESIDUAL RISKSCORE	FURTHER ACTIONS REQUIRED	RISK OWNER (Officer & PFH)	COMPLETE OR NEXT REVIEW DATE	STATUS OPEN/ CLOSED
CONT001	Failure of Waste Contractor to deliver service and failure of the Council to determine and implement waste service delivery method by Nov 2024	4	5	20	1. Daily communications with Biffa, keeping members and residents informed. 2. Biffa have agreed a further 2-year pay deal with the GMB and have already managed to recruit an additional 6 drivers who will commence employment shortly. 3. Biffa have invested resources to improve the service delivery in terms of increasing pay, training, and new	4	4	16	1) Biffa have a vehicle repair/replacement plan in place and are applying for planning permission to have a workshop at their depot to maintain the vehicles.  2) Future Waste services project steering group set up and meet fortnightly  3) Planning permission will need to be sought for the new depot. Informal	Service Director Contracts	Jan 24	OPEN
CURRENT REVIEW DATE	CAUSE - EFFECT (detail narrative)					TREATMENT STATUS	DIRECTION OF TRAVEL	ACTION OWNER		ACTION DATE		

## Corporate Risk Register- November 2023


Oct-23	<p>1) Failure of Waste Contract Inability of the Council's partnering contractor, Biffa Municipal Limited to provide waste collection services as specified in Contract.</p> <p>2) Failure to procure new Waste Contractor to commence in Nov 2024</p> <p><b>Consequences:</b></p> <ul style="list-style-type: none"> <li>• Reputational damage to the Council</li> <li>• Significant additional costs to the Council</li> <li>• Environmental impact – increased rubbish on street, and health issues if waste left out too long before collected.</li> <li>• Ongoing service delivery issues</li> </ul>	<p>vehicles. Additional external waste contractor has been deployed to help deal with the missed collections.</p> <p>4. Cabinet approval for capital and permission to develop an EFDC waste depot at NWA granted in Feb 23.</p> <p>5. Cabinet decision to go out to procurement for the waste contract was agreed in October 2022. Decision was reversed in July 2023 and approved set up of wholly owned company.</p> <p>6. OPS Ltd appointed to project manage Future Waste Services Project.</p> <p>There are 3 workstreams: 1 – Determine the preferred forward arrangements for Waste Collection provision. 2 - Mobilise a waste vehicle facility at NWA. 3 - Procure a Vehicle Fleet</p>	TREAT		<p>meeting with planning taken place. Drawings and layout in development. Pre-planning application to be submitted in October2023.</p> <p>4) Internal Waste workshops have taken place with Cabinet. Report approved by Place scrutiny committee in June and Cabinet in July to determine preferred option for delivery of waste services.</p> <p>5) Waste vehicle specification developed, soft market testing completed, and procurement documents issued to market on 19 October 2023.</p>		JW (all)	Jan 24
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## Corporate Risk Register- November 2023

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						TREATMENT STATUS	DIRECTION OF TRAVEL	ACTION OWNER			ACTION DATE	
COMP001  Compliance with social housing regulation	If the Council, is unable to demonstrate compliance with numerous statutory H&S requirements it could face a Regulatory Notice and/or heavy fines. There is also a need to meet Consumer Standards and Consumer Standards as laid out in the Social Housing (Regulation) Bill (2023). If the Council is unprepared, it will face serious reputational damage.	4	5	20	1) All key (Big 6) compliance polices have been adopted through Cabinet in Q1 & Q2 2023/24 2) 50% Stock Condition Survey in place 3) Trance 1 of the Tenant Satisfaction Measures (TSMs) completed September 2023 4) Compliance data available via dashboard for senior management to review monthly. 5) Weekly gas meetings take place monitoring and improving gas compliance. 6) Asbestos Re-Inspection programme completed October 2023. 7) COO is agreed lead on Health and Safety for Housing (as required by the Regulator) 8) The Director for Housing & Property is lead for Consumer Standards. As required by the Regulator.	3	5	15		Interim Service Director Housing and Property	Jan 24	OPEN
						TREAT		1) SB 2) SB 3) SB 4) SB			Mar 24 Apr 24 Jan 24 Aug 24	
Oct -23	CAUSE - EFFECT (detail narrative)  In addition to the requirements of the Social Housing Regulator described above there are requirements from the Building Safety Act 2022 and Fire Safety Act 2021. HSE is now the new regulator for building safety and whilst currently applies to 7 storeys and above the intention is to reduce this down to lower storey blocks. Requires a competent person to be formally appointed and 'golden thread' of records and retention of documents. Fire Safety Act 2021 – applies to EFDC from January 2023 and will amend the existing regulatory (reform) Fire safety order 2005. Applies to all buildings not just housing. The Council must self-refer if not compliant. Fire Safety (England) Regulations 2022.											


## Corporate Risk Register- November 2023

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													TREATMENT STATUS
FIN001	Failure to maintain a Balanced Budget and Sustainable Medium-Term Financial Plan (MTFP) would breach a legal duty to maintain a balanced budget and could potentially result in the bankruptcy of the Council.	5	5	25	1) The active monitoring and reporting on internal and external factors affecting the MTFP, including the 2024/25 Budget through the established Financial Planning Framework  2) Regular communication of financial position and future prospects to Members (through the Cabinet and Scrutiny process) and senior management (via SLT route).	3	5	15		Strategic Director of Resources (Section 151 Officer)	Jan 24	OPEN	
	<b>CAUSE – EFFECT (detail narrative)</b>												
Oct 23	The Council has a legal duty under the Local Government Finance Act 1992 to maintain a balanced budget. Furthermore, Section 114 (3) of the Local Government Finance Act 1988 dictates..." the CFO (Section 151 Officer) of a relevant authority shall make a report under this section if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure". The updated Medium-Term Financial Plan (MTFP) 2023/24 to 2027/28 adopted by the Council on 28th February 2023 showed a forecast General Fund budget deficit of £2.389 million for 2024/25, which needs to be eliminated in order to set a balanced budget. The General Fund outturn 2022/23 recorded £1 million deficit (contingency balance now below £4 million min.)					TREAT				1) Maintain (effective) Recruitment Freeze in 2023/24. 2) Develop and deliver Action Plan for balancing 2024/25 Budget. 3) Develop Shared Services Strategy 4) Develop and deliver Transformation Plan (including Shared Services)		AS	April – March (23/4)
										CH	Nov 23		
										TBC	Nov 23		
										TBC	Feb 24		


## Corporate Risk Register- November 2023

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FIN002	Failure to ensure the continued financial viability of Qualis represents a major financial and reputational risk to the Council.	3	5	15	1) Quarterly monitoring and reporting on progress against Qualis Business Plan through the established Governance Framework. 2) Quarterly reporting on Council budget position (including Qualis loan margins and other transactions) through Cabinet and Scrutiny process.	3	4	12		Strategic Director of Resources (Section 151 Officer)	Jan 24	OPEN
	<b>CAUSE – EFFECT (detail narrative)</b>				3) Enhanced reporting (with effect from 2023/24 in compliance with December 2021 codes) through Audit & Governance Committee re Capital and Treasury Management strategies (especially on Qualis-related Service and Commercial Investments). 4) Monitoring and reporting on monthly Cash Flow Statement from Qualis.	TREAT			1) Monitor and report quarterly on Qualis-related Council risk exposure.		AS	Dec 23
Oct 2023	<p>The Council's LATCO, the Qualis Group, has had to operate in particularly difficult economic and trading conditions since its inception. This is proving challenging in property development especially, with the recent sharp increase in worldwide interest rates threatening the viability of planned housing and regeneration schemes. In particular, the Council's medium-term income assumptions are dependent on the successful delivery of these schemes through the margins that it makes on on-lending to Qualis.</p> <p>The Council has obtained security wherever possible against its financial commitments to Qualis, so has purposely mitigated risk to a large extent. Nevertheless, in the event that Qualis fails to establish and maintain its financial viability in the medium-term, the Council would potentially suffer significant financial loss, as well as reputational damage.</p>											

## Corporate Risk Register- November 2023

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											DIRECTION OF TRAVEL		ACTION OWNER
FIN003	A failure to maintain and improve Value for Money (VFM) in the commissioning and delivery of services would potentially jeopardise public funds and cause the Council significant reputational damage.	4	5	20	1) Quarterly performance monitoring and reporting through established Cabinet and Scrutiny progress.  2) Ad hoc scrutiny of Qualis service-delivery performance.	3	4	12		Strategic Director of Resources (Section 151 Officer)	Jan 24	OPEN	
	<b>CAUSE – EFFECT (detail narrative)</b>					<b>TREATMENT STATUS</b>							
Oct 2023	<p>The Council is a Best Value authority under the Local Government Act 1999 and is under a general Duty of Best Value, which requires it to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness” (an optimal balance thereof representing “Value for Money”).</p> <p>The Council's Duty of Best Value is further reflected in Sections 20 and 21 of the Local Audit and Accountability Act 2014, which require (external) auditors to be satisfied that the Council “has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources”.</p> <p>The Council is redesigning service delivery arrangements in a range of areas (including the transfer of some services to Qualis), so has to ensure that the Duty of Best Value continues to be met.</p>					TREAT		1) Ensure protection of taxpayers' interests in Grounds Maintenance contract from 2023/24.  2) Ensure protection of taxpayers' interests in Commercial Assets contract from 2023/24.  3) Further develop, monitor and report on VFM metrics, including benchmarking and 'baselining' services prior to outsourcing.  4) Benchmark Housing Maintenance contract performance against industry standards.  5) Complete VFM assessment of Housing Maintenance contract based on 2022/23 performance.		AS	Nov 23		
											AS	Nov 23	
											AS	Nov 23	
											JG	Jul 23	
											AS	Jul 23	

## Corporate Risk Register- November 2023

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<b>PEOPLE001</b> Future proofing the workforce	The Council is facing significant pressures with not having the right skills, behaviours, productivity and capacity in place to deliver services to our residents and deliver the Corporate Plan 2023-27.	4	5	20	1. People Strategy 2020/22 in place that recognises the importance of attraction & retention, employee development, supports our new ways of working and engagement with employees and trade unions, and wellbeing support.  2. A successful Apprentice Scheme which maximises expenditure of the Apprenticeship Levy  3. Well established hybrid/flexible ways of working  4. Leadership development programmes  5. A dedicated L&D (Learning and Development) budget and team  6. Partnership working/shared services other authorities and public services which offers potential career, specialist, and personal development.  7. Officers involved in a range of Essex wide groups discussing attraction and recruitment to wider Essex.  8. People Strategy 2023/27 in place.	3	4	12	1. Service workforce development plans become an element of our Service Planning Process  2. Shared services in discovery phase.	Service Director – Corporate Services	Jan 24	OPEN
<b>CURRENT REVIEW DATE</b> Oct-23	<b>CAUSE - EFFECT (detail narrative)</b>					<b>TREATMENT STATUS</b>				<b>DIRECTION OF TRAVEL</b>	<b>ACTION OWNER</b>	<b>ACTION DATE</b>
<b>Page 29</b>	The Council requires a highly skilled and motivated workforce to deliver the Corporate Plan and services to our residents. Public services are facing challenging times regarding; <ul style="list-style-type: none"> <li>▪ financial restraints</li> <li>▪ cost of goods and services for employees and employers</li> <li>▪ tight labour markets</li> <li>▪ increasing trade union unrest</li> </ul> The Council needs to attract, recruit, and retain a workforce that can meet these challenges whilst meeting high standards of delivery					TREAT					1) JB/CG	Dec 23

# Agenda Item 8

## ***Report to the Audit and Governance Committee***



**Epping Forest  
District Council**

***Report reference:***

***Date of meeting: 30 November  
2023***

**Portfolio: Leader of the Council**

**Subject: Internal Audit Monitoring Report November 2023**

**Responsible Officer: Sarah Marsh (01992 564446)**

**Democratic Services: Laura Kirman (01992 564243)**

### **Recommendations/Decisions Required:**

- (1) The Committee notes the summary of the work of Internal Audit for the period July to November 2023**
- (2) The Committee approves the Internal Audit Charter**

### **Executive Summary:**

This report updates Members on the work completed by Internal Audit since the July 2023 Audit and Governance Committee and provides the current position in relation to overdue recommendations.

The Internal Audit Charter is also presented for approval following its annual review.

### **Reasons for Proposed Decision:**

Monitoring report as required by the Audit and Governance Committee Terms of Reference.

### **Other Options for Action:**

No other options.

### **Report:**

#### **2023/24 Internal Audit Plan**

1. Progress is being made on the 2023/24 Audit Plan as detailed in Appendix 1.
2. Three final reports have been issued since the Committee received its last update in July 2023.

#### **IT Disaster Recovery (substantial assurance)**

ICT has undertaken extensive work to document, test and improve IT Disaster Recovery arrangements. A third party has been contracted to provide a recovery data centre, and in the event of a disaster, Council users are automatically redirected to the backup facility.

An IT Disaster Recovery (DR) Plan is in place and DR arrangements were subject to annual testing in June 2023. The Plan provides detailed guidance on the process to failover from the live to the DR data centre. To protect Council data, a data replication system has been deployed with Council data backed up to a cloud-hosted environment. Offsite backups are kept in cloud storage with an approved third-party cloud service provider. Offsite backups are immutable and so are both encrypted and protected from accidental or malicious deletion or modification.

Audit testing verified that the data backup system had been deployed to run regular data backup routines with Council data stored in an offsite Cloud storage facility but disclosed that the backup retention period was only 30 days. Outside of this timescale, data stored on the backup system was overwritten through the next backup cycle. Consideration is being given by ICT to increasing the retention period.

The data replication system offers the functionality to scan for malware or ransomware during the backup process. Malware scanning is enabled during a restore.

### **Cash and Banking (substantial assurance)**

Overall, the Council has robust controls in place for handling cash income, although this could be improved by developing cash handling procedure notes to provide a document for staff to refer to.

Daily reconciliations are undertaken at all sites taking cash (Epping Forest Museum, Norway House and, previously Oakwood Hill) and cash is stored securely. Since the audit, Fleet Operations has gone cashless, removing the need for a second person to be present when cashing up. With regards to Fleet Operations, an additional member of staff is being trained to carry out administrative tasks to provide continuity in the event of staff absence.

Cash income is checked to the bank account daily by the Payments Solutions Team, and any discrepancies investigated promptly.

### **Safes (reasonable assurance)**

There is a good understanding by staff around the controls for the use of safes, however, practices across the Council vary and would benefit from a formal Council-wide process. Written procedures for the use of safes are being developed to provide a robust and consistent approach and for staff to refer to.

The safe at the Limes Centre was not recorded on the safes register held by the Insurance Officer; however, this safe is not currently being used to store cash or other valuables.

### **Recommendation Tracker**

3. The Audit and Governance Committee continues to receive details of all overdue recommendations, plus any high priority recommendations from final reports regardless of whether they are overdue or not.
4. The current overdue tracker is shown at Appendix 2 and contains eight medium and

three low priority recommendations which have passed their due date. There are two high priority recommendations which are not yet due for completion.

Table 1. Summary of tracker in November 2023

Recommendation type	Number (November 2023)	Number (June 2023)	Number (March 2023)	Number (February 2023)	Number (November 2022)	Number (September 2022)
High Priority not yet passed its due date	2	0	0	0	0	0
High Priority passed its due date	0	0	0	0	0	0
Medium Priority passed its due date	8	11	7	7	7	7
Low Priority passed its due date	3	1	1	1	0	1
<b>Total</b>	<b>13</b>	<b>12</b>	<b>8</b>	<b>8</b>	<b>7</b>	<b>8</b>

**Other Internal Audit activities**

- Internal Audit has continued to provide advice and guidance in several business areas:

**Risk Management:** Internal Audit continues to assist with the roll out of the new corporate risk management framework. In addition to the quarterly review of the corporate risks by the Senior Leadership Team, an operational risk management group has been established (chaired by the Head of Internal Audit) to further embed risk management in the organisation. This group has met twice. The first meeting established the terms of reference for the group, introduced the new risk management tools and started looking at the interdependencies between service and corporate risks. The second meeting challenged climate risks at both the service and corporate level.

**Phishing Email – Attempted Bank Mandate Fraud:** Following an attempted bank mandate fraud, Internal Audit undertook a review of the processes for changing bank details and made recommendations to improve the control framework to prevent fraud.

**Out of Hours Service:** Internal Audit facilitated a workshop around the Council’s Out of Hours service to ensure there is a joined-up approach across the Council and that the service dovetailed with insurance and business continuity arrangements.

**External Quality Assessment (EQA)**

- In line with the Public Sector Internal Audit Standards (PSIAS) an external assessment of the Internal Audit function needs to be undertaken at least once every five years by a qualified independent assessor from outside the Council. St Albans City and District Council joined the shared service in November 2022 and their EQA



at that time was overdue.

7. Gard Consultancy Services (GCS), who undertook the November 2021 EQA of the Broxbourne, Harlow and Epping Forest shared service was appointed to undertake this EQA. The EQA was accomplished through a self-assessment with independent external validation and covered the four councils in the shared service. Fieldwork in spring 2023 included interviews with the Audit Committees Chairs of all four councils and with each authority's Section 151 Officer, as well as testing a sample of completed audits for St Albans.
8. The overall conclusion from the EQA (appendix 3) is that the Shared Internal Audit Service's self-assessment is accurate and as such fully conforms with the requirements of the Public Sector Internal Audit Standards and the CIPFA (Chartered Institute of Public Finance and Accountancy) Local Government Application Note. All recommendations from the November 2021 EQA had been completed and no further recommendations were made.

**Internal Audit Charter**

9. The Internal Audit Charter sets out the common practices of Internal Audit and requires an annual review in accordance with the Public Sector Internal Audit Standards (PSIAS). This was last undertaken in November 2022.
10. The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees Practical Guidance for Local Authorities and Police 2022 edition states that an Audit Committee should have a role in approving the internal audit charter. In addition, the Committee has a role in overseeing the independence, objectivity, performance, and professionalism of the Internal Audit function.
11. In the past each council in the Internal Audit shared service had their own Internal Audit Charter. To ensure consistency of service provision these have been combined into a single document (Appendix 4). This means the title of Chief Internal Auditor, as used at this Council, has been replaced with Head of Internal Audit.

**Progress against the 2022/23 Annual Governance Statement**

12. In July 2023, the Audit and Governance Committee noted the Annual Governance Statement (AGS) which accompanies the Council's Statement of Accounts. The AGS outlines the proposed actions to be taken to deal with significant governance issues identified. The Corporate Governance Group monitors the actions set out in the AGS on a regular basis. The progress made to date on addressing the issues identified for improvement during 2023/24 is shown in the table below.

No.	Objective	Risk area/action plan for 2023/24
1	<p><b>Economic Issues</b></p> <p>At the time of preparing this (2022/23) AGS, economic volatility – both nationally and globally – continues, although there are some early signs of stability emerging with inflation beginning to settle down (CPI peaked at 11.1% in October 2022), with notable reductions in fuel and energy prices. Interest</p>	<p>The implications continue to be monitored by SLT and feature as key considerations in the reports presented to Cabinet and in the development of the MTFP (Medium-Term Financial Plan) for 2024/25 and future years.</p> <p>This includes the Section 151 Officer's quarterly Qualis Monitoring Report to Cabinet.</p> <p>Frontline services, especially Revenues and Benefits, continue to prioritise and resource the delivery of the various support packages</p>

	<p>rates though continue to rise as the Government strives to further dampen inflation. This is having a direct impact on both the Council and Qualis, threatening the viability of a range of capital schemes.</p> <p>The economic situation is also proving challenging for the local community and is increasing the demand for Council services in some areas (e.g. Housing Benefits) as well exerting pressure on core Council funding streams such as Council Tax and Business Rates.</p>	<p>offered by the Government in response to public need (e.g. through various Energy schemes and rebates).</p> <p>The Council has a Cost of Living page on its website, which includes useful websites, organisations and advice to help with rising costs.</p>
2	<p><b>Statement of Accounts</b></p> <p>The delays with the audit of the Accounts reported in the 2021/22 AGS have worsened (nationally) in 2022/23, with the Government now actively considering a range of concerns raised from within the Local Government sector. Locally, the Council has an increasingly resilient Finance function, but a shortfall in External Audit resources has prevented the final sign off of the draft 2020/21 Accounts and limited audit work has been undertaken on the draft 2021/22 Accounts. Concerns include potential accuracy of rolled forward balances in the 2022/23 Accounts.</p>	<p>The Council is continuing to work with its External Auditors to resolve the audit difficulties, and the Section 151 Officer is also accessing professional guidance and support available through professional networks, including the Essex Finance Officers Association (EFOA).</p> <p>The delay in auditing accounts is a national issue and governance guidance is expected before Christmas on how to address the significant backlog of local government audits.</p> <p>The Audit and Governance Committee is being kept informed on progress.</p>
3	<p><b>Financial Management Code</b></p> <p>The assessment has carried over from the 2021/22 AGS action plan, although further progress was made in addressing the underlying principles of the Code in 2022/23.</p>	<p>The Code assessment will now be undertaken in 2023/24 to ensure that the Council can demonstrate compliance with the Code. If there are any remaining deficiencies, an action plan will be developed to address these.</p>
4	<p><b>Income Recovery</b></p> <p>The Income Recovery functions require improvement, with the Council experiencing a range of interlinked financial pressures as a consequence of sub-optimal performance (leading to</p>	<p>Additional performance measures have been introduced in 2023/24 to monitor and capture the Council's progress in tackling a backlog in outstanding Sundry Debts more closely. Additional resources are also being engaged within the Revenues function.</p>

	increased revenue costs through additional bad debt provisions and lower returns from funding incentives such as the Essex “Council Tax Sharing Agreement” (CTSA). The Sundry Debtors function has a substantial backlog of outstanding cases (exacerbated by the recent installation of a new IT system) and the Council experienced higher Local Tax arrears than expected at the year end, due to a decline in both Council Tax and Business Rates collection performance in Quarter 4 of 2022/23.	Income collection and recovery systems (including performance), for both Local Tax and Sundry Debts, is being explored and benchmarked as part of the shared services partnership with Braintree District Council and Colchester City Council.
5	<b>Financial Regulations</b> The review has carried over from the 2021/22 AGS action plan, with the delay partly as a consequence of ongoing delays to the introduction of the new Management Structure.	The review will now be undertaken in 2023/24. The updated Financial Regulations will be systematically rolled out in a structured way to ensure that they are suitably disseminated and clearly embedded within frontline service areas.
<b><i>Common themes emerging from the 2022/23 Service Assurance Statements were:</i></b>		
6	<b>Risk Management</b> Further work is required to develop and embed risk management processes.	A revised risk management strategy and policy has been developed and is being presented to Cabinet in December 2023. Risk management features quarterly at SLT to review strategic risks. An operational risk management group meets quarterly. Service risk registers are currently being developed.
7	<b>Business Continuity</b> A Business Continuity project has been ongoing during 2022/23 which has included providing relevant training to services so that they can develop their business continuity plans.	Business continuity arrangements will be strengthened through the completion of all Business Continuity Plans (corporate and service level) and these will be tested during 2023/24.

**Legal and Governance Implications:**

None

**Safer, Cleaner and Greener Implications:**

None

**Consultation Undertaken:**

Corporate Governance Group

**Background Papers:**

2023/24 Audit Strategy and Plan

**Risk Management:**

Failure to achieve the audit plan and poor follow up of audit recommendations may lead to a lack of assurance that internal controls are effective and risks properly managed, which ultimately feeds into the Annual Governance Statement.

**Equality Analysis:**

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making.

Appendix 1 - Audit Plan Monitoring 2023/24  
 Progress as at November 2023

	Service	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	High Priority Recs	Medium Priority Recs	Low Priority Recs
22/23 Right to Buy Conveyancing	Corporate Services	5	Final report	■	■	■	n/a	0	0	0
22/23 Cash and banking	Corporate Services	10	Final report	■	■	■	Substantial	0	3	1
22/23 Safes	Corporate Services	5	Final report	■	■	■	Reasonable	0	0	1
IT Disaster Recovery	Corporate Services	10	Final report	■	■	■	Substantial	0	3	0
KFC Housing rents and arrears	Housing & Property	15	In progress	■						
KFC Fixed Assets	Corporate Services	12	In progress	■						
Homelessness	Community Culture & Wellbeing	12	Scoping							
Qualis Commercial	Chief Executive	12	Scoping							
Public Interest Reports	Chief Executive	15								
Commercial rent and leases	Housing & Property	20								
Housing - statutory H&S compliance	Housing & Property	12								
Data analytics - contractor, consultants and agency staff	Corporate Services	10								
Budgetary control	Corporate Services	15								
KFC Council Tax and Business Rates	Customer Services	15								
Tree strategy	Contracts and Technical	12								
Delivery of the Local Plan	Planning	15								

KFC = key financial control

Appendix 2

EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)

Last updated: 20 November 2023

Audit Year (Date Report Issued)	Rec Ref	Original Recommendation	Priority	Managers Original Response	Responsible Officer / Service Director	Original Imp Date	Revised Imp Date	Status Update from Management	Status
<p><b>Harlow Gilston Garden Town 2019/20</b></p> <p>Issued July 2020</p> <p style="text-align: center;">Page 38</p>	1	To clarify the accountability and extent of any liability of each partner in the HGGT a signed overarching agreement between the councils should be prepared. This will include a data sharing agreement. Arrangements regarding the recovery of costs incurred by the councils should be agreed by all parties and included in the agreement.	Med	Work is now well underway on the next steps to establish Combined Delivery Service following Board decision on 10 Feb 2020. Legal work is underway to clarify arrangements and delegations for the CDS Link to HIG delivery and governance.	<p>HGGT Director</p> <p>HGGT Project Manager</p> <p>HGGT Programme Manager</p>	30/09/21	<p>31/03/22</p> <p>31/12/22</p> <p>31/03/23</p> <p>31/03/24</p>	<p><b>May 21:</b> HGGT Solicitors, Weightmans, are developing a partnership agreement between all the HGGT partners.</p> <p><b>Jul 21:</b> Lead Members and Lead Officers of all five Partner authorities are meeting to progress this.</p> <p><b>Sep/Oct 21:</b> An HGGT Governance Review Task and Finish Group has been established to take forward the formalisation of governance arrangements for HGGT. The Task and Finish Group agreed for further work to be undertaken towards the establishment of a Joint Committee.</p> <p><b>Jan 22:</b> Work to put in place a Joint Committee continues to progress. Given the scale and complexity of the work, the timescales have been pushed back and we are now looking for formal approval in summer 2022 and for operation of the Joint Committee to commence in September 2022.</p>	Overdue

								<p><b>Aug 22:</b> A report setting out the legal Joint Delegations Framework will go to HGGT Board 13 Sept 2022. This will include a recommendation to return in Dec 22 with a Inter Authority Agreement formally addressing cost and risk sharing. Subject to approval by all five council partners, anticipate a go live to the Joint committee and IAA for start of municipal year 2023.</p> <p><b>Nov 22/Feb 23:</b> The HGGT Board endorsed the legal Joint Delegations Framework in Sept 2022. The Inter Authority Agreement formally addressing cost and risk sharing will go to the Board in Feb/March 2023 subject to agreement by the 5 Council partners on which local authority will be the Accountable Body for the partnership in the future. Subject to approval by all five council partners, anticipate a go live to the Joint committee and IAA in the municipal year 2023.</p> <p><b>Jun 23:</b> The HGGT Board endorsed the legal Joint Delegations Framework in Sept 2022. The Inter</p>	
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EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)

Last updated: 20 November 2023

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 40</p>								<p>Authority Agreement formally addressing cost and risk sharing will now go to the Board in June 2023.  <b>Nov 23:</b> Board members endorsed the proposal to establish a Joint Committee, and the matter has now been referred to the governing bodies of the respective five partner authorities for ratification. It is intended, however, that the JC forms in shadow from December 2023 with the first formal meeting convening in March 2024.</p>	
<p><b>Key Financial Controls – Fixed Assets 2019/20</b>          Issued November 2020</p>	<p>3</p>	<p>Detailed Fixed Asset financial procedures be drafted, and to include a section on year-end processes.</p>	<p>Med</p>	<p>Detailed financial procedures will be developed and documented alongside updated Financial Regulations.</p>	<p>Chief Financial Officer</p>	<p>30/09/21</p>	<p><del>31/08/22</del>  <del>31/12/22</del>  <del>31/03/23</del>  <del>20/09/23</del>  <del>31/03/24</del></p>	<p><b>Nov 21/Feb 22:</b> A Senior Finance Business Partner has been appointed to cover HRA, Capital and Projects, which includes responsibility for the Fixed Asset Register. Processes, including year-end procedures, are being reviewed.  <b>Jun 22:</b> Process notes will be compiled (including the roll forward of the FAR through to closedown). It will take time to do this and is dependent on how well the closedown goes.  <b>Aug/Nov 22/Feb 23:</b> Due to the late running 2020/21 audit, officers did not have to</p>	<p>Overdue</p>



**Appendix 2**  
**EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)**  
 Last updated: 20 November 2023

								time to document the system and 'rough notes' were taken during the subsequent closedown process. <b>Jun/Nov 23:</b> Work has started on the procedure notes. This is included in 2023/24 Finance Service Plan.	
<b>Active Directory Management 2020/21</b> Issued December 2020 Page 41	9	All unsupported Windows Server 2008 servers should be promptly replaced or decommissioned with a target set to achieve this.	Med	Accepted. An external Project Manager will be appointed to manage the identification and replacement of all unsupported Windows servers.	Interim IT Service Manager	30/04/21	<del>31/07/21</del> <del>31/12/21</del> <del>31/01/22</del> <del>30/08/22</del> <del>31/12/22</del> <del>30/06/23</del> 31/12/23	<b>Jun 21:</b> A project to assess the 2008 servers and produce a technical plan for migrating or rebuilding has been started. <b>Sep 21:</b> A project is in flight with the IT company EACS. An initial review has been completed and currently agreeing statement of work. <b>Nov 21/Jan 22:</b> Project agreed with supplier and ready to instigate. Still awaiting kick off date for work. <b>Jun 22:</b> EACS are working through servers, although the work is moving slower than expected. <b>Aug 22:</b> Work is progressing. The status of servers is as follows: <ul style="list-style-type: none"> <li>• Ten complete</li> <li>• Six in flight</li> <li>• Eight being clarified</li> </ul> <b>Nov 22:</b> EACS have assisted	Overdue

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Page 42								<p>with the upgrade of servers which has proven to be time consuming for EFDC to implement. A group of servers remain that are dependent upon moving to the cloud (links to the Azure project which is undergoing an End Stage Assessment). The likely solution will be to firewall off the remaining 12 servers. The current deadline of December may be under threat depending upon the findings of the PSN audit.</p> <p><b>Feb 23:</b> A further two servers have been replaced and progress is being made on the remaining ones.</p> <p><b>Jun 23:</b> Work is continuing, and the remaining five servers should be decommissioned by 30 June 2023.</p> <p><b>Nov 23:</b> MEDON has been decommissioned. DOFINE / TALLIS there are further delays to the Esri migration project.</p>	
<p><b>Accounts Payable 2020/21</b>                  Issued May 2021</p>	1	<p>Financial Regulations are formally reviewed, updated, and approved. Once approved the new Financial Regulations</p>	Med	<p>This will be actioned after the implementation of the new Corporate Finance function, which will impact on some of the details within Financial</p>	<p>Chief Financial Officer and Deputy S151 Officer.</p>	31/03/22	<p>31/03/23 31/03/24</p>	<p><b>Jun/Aug/Nov 22/Feb 23:</b>                  The new Corporate Finance function has recently been Implemented, although a further – relatively short – pause has been introduced</p>	Overdue

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		be made available to all staff electronically and staff notified of the key changes.		Regulations.				pending completion of the ongoing service structure review, to ensure that the updated Financial Regulations accurately reflect the Council's future financial governance needs in the light of any amendments to wider financial procedure (if applicable). <b>Jun/Nov 23:</b> This will be carried out during 2023/24.	
<b>Procurement and Contract</b> Issued January 2022 Page 43	3	(a) Procurement Rules are revised to clarify that the Procurement team should be notified before officer's sign contracts on behalf of the Council.	Med	Amendments to the Rules can take some time to implement due to the Governance process.	Team Manager – Procurement and Contract Management	31/03/23	31/03/24	<b>Jun 23:</b> (a) This change has not yet been made. The Rules were only changed in January 2022 and therefore more time is needed to formally review and amend Procurement Rules. <b>Nov 23:</b> The process of updating Procurement Rules is still to be completed. Some additional amendments are required as part of a larger piece of work to align the Council with other authorities within the Shared Procurement Service which have not yet fully been determined, and these changes will be made at the same time as part of a single Governance process.	Overdue

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<p><b>Treasury Management</b> Issued May 2022</p>	<p>1</p>	<p>Treasury Management risks and the associated control framework are detailed within the Finance Risk Register or a separate Treasury Management Risk Register. The risk and mitigating controls be linked to the CIPFA Treasury Management practice notes. Risks need to include the absence of adequate business continuity planning arrangements.</p>	<p>Med</p>	<p>The absence of a Service Risk Register reflects the Council's current Risk Management Framework and is consistent with other services. The recommendation is supported and, at the time of responding to this report, the Corporate Risk Management Working Group is considering a range of measures designed to strengthen current Risk Management arrangements; especially the management of operational risk and is likely to recommend the widespread introduction of Service Risk Registers.</p>	<p>Chief Financial Officer and Deputy S151 Officer &amp; Principal Accountant.</p>	<p>31/12/22</p>	<p><del>30/06/23</del> 31/03/24</p>	<p><b>Feb/Jun 23:</b> Risk management training by Zurich is being rolled out corporately in February 2023 following which service risk registers will be developed. Treasury management risks will be included in the finance risk register. <b>Nov 23:</b> The service risk register is currently being developed.</p>	<p>Overdue</p>
<p><b>Treasury Management</b> Issued May 2022</p>	<p>2</p>	<p>The Treasury Management procedure notes developed by the Senior Accountant are expanded to detail how operational arrangements address the CIPFA Code Treasury Management Practice notes at the operational level.</p>	<p>Low</p>	<p>Recognition of the recent progress made with systems documentation is welcomed. The full rollout of the 2021 Treasury Management Code (effective from 2023/24) will include bringing Treasury Management systems documentation more overtly into line with the updated Treasury Management Practice Notes.</p>	<p>Chief Financial Officer and Deputy S151 Officer &amp; Principal Accountant.</p>	<p>31/12/22</p>	<p><del>31/03/23</del> 31/03/24</p>	<p><b>Feb 23:</b> Operational procedure notes will be developed to coincide with the full rollout of the 2021 Treasury Management Code. <b>Jun/Nov 23:</b> This task is included in 2023/24 Finance Service Plan.</p>	<p>Overdue</p>

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<p><b>Cyber Security</b> Issued November 2022</p>	<p>7</p>	<p>All unsupported WatchGuard firewall appliances should be promptly decommissioned and replaced.</p>	<p>Med</p>	<p>Accepted. A list has been created of all firewalls that needs replacing. These will be included in the replacement programme. IT is obtaining quotes for cost of replacement hardware.</p>	<p>ICT Infrastructure &amp; Compliance Manager</p>	<p>31/03/23</p>	<p>30/06/23 31/12/23</p>	<p><b>Jun 23:</b> Firewalls are being replaced. Evaluating at present due to Azure &amp; decommissioning of servers. <b>Nov 23:</b> Gamma rolled out in October 2023. Plans are underway to remove Mitel, Firewall and SIP across all sites.</p>	<p>Overdue</p>
<p><b>Council House Building</b> Issued June 2023</p>	<p>2</p>	<p>Controls be strengthened with the Head of Development developing:</p> <ul style="list-style-type: none"> <li>• a process flow diagram to detail the approval processes at each gateway (go / no go) stage of the development of a scheme; and</li> <li>• a log of the approval dates and references to the approval documents for each scheme when it is approved to progress to the next stage.</li> </ul>	<p>Low</p>	<p>A process diagram by July 2023.  Approval dates are saved on file for both cabinet and planning approvals, so this does present some duplication of work. However, the inclusion of these dates in an overall programme file will be completed during June 2023.</p>	<p>Service Manager Housing Development</p>	<p>31/07/23</p>	<p>31/12/23</p>	<p><b>Nov 23:</b> A process flow diagram is being developed.</p>	<p>Overdue</p>
<p><b>Stolen Van investigation</b> Issued June 2023</p>	<p>1</p>	<p>a) A corporate policy/ formal process should be put in place for ensuring all</p>	<p>Med</p>	<p>a) A draft policy will be prepared for approval that will include the requirement for all</p>	<p>Service Manager Technical/</p>	<p>30/06/23</p>	<p>31/01/24</p>	<p><b>Nov 23:</b> A draft policy is being prepared which will cover all the arrangements concerning fleet vehicles and</p>	<p>Overdue</p>

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**EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)**

Last updated: 20 November 2023

		<p>appropriate Council owned fleet vehicles have a tracker installed and this is shared corporately including the fleet services team.</p> <p>b) A corporate asset register of all Council owned new and older fleet vehicles should be created, including tracking information, how and where vehicles are stored when not in use.</p> <p>c) A formal process should be put in place where a tracker is required to be removed and vehicle disposed of and that approval/ authorisation by a service manager or above must be sought and documentation retained explaining the business case why this is occurring.</p> <p>d) The fleet team</p>		<p>Council owned fleet to have a tracker installed.</p> <p>b) A corporate asset register already exists within finance, will ensure this will include tracker information. How and where vehicles are stored is the responsibility of the relevant services not Fleet.</p> <p>c) Formal process for approval or transfer and/or disposal including tracker information as required will be implemented.</p> <p>d) See points b and c above.</p> <p>Confirmation of responsibility for Council-owned Fleet will be sent to Service Managers.</p>	Insurance Specialist			<p>trackers. The policy will include the responsibilities of services around ensuring fleet vehicles taken home are used for work purposes only and mileage, fuel usage and insurance are monitored and checked on a 3 monthly basis to ensure vehicles are not used for personal use.</p>	
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**EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)**

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		<p>should follow a strict protocol that no tracker be removed unless they have a copy of the approval given and this is retained as evidence.</p> <p>e) Services/teams should take ownership of the fleet vehicles in their use/care and that a record of fleet vehicles with and without trackers are identified and recorded.</p>							
<p><b>Stolen Van investigation</b> Issued June 2023</p>	4	<p>An email should go out to all appropriate staff who drive and have access to the Council's vehicles to inform them of the incident of the stolen vehicle and to ensure all staff remain vigilant and take the appropriate safety precautions including reporting any suspicious activity. (i.e. attempts to break in to vehicles).</p>	Low	<p>This is the responsibility of individual services, will ask that some comms are circulated around fleet responsibility.</p>	<p>Service Manager Technical/ Insurance Specialist</p>	31/07/23	31/01/24	<p><b>Nov 23:</b> A reminder email will be issued along with the policy.</p>	Overdue

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**EFDC Internal Audit Recommendation Tracker (Overdue and High Priority)**

Last updated: 20 November 2023

<p><b>Qualis Property Solution- KPIs and Payment Mechanisms</b> Issued June 2023</p>	<p>1</p>	<p>The Council and Qualis Property Solutions should agree on the annual benchmarking data to be reported to Members.</p> <p>Qualis Property Solutions annual performance reporting should be presented to Stronger Communities Select Committee and/or Overview and Scrutiny Committee prior to Cabinet to allow greater scrutiny and challenge, as it involves the management of public resources.</p>	<p>High</p>	<p>A comprehensive independent review of QPS performance and VFM was commissioned from Housemark; report received early June 2023. A report is going to Communities Select Committee 27 June 2023.</p> <p>Annual benchmarking via Housemark is to be agreed and arranged in due course with reporting annually to Communities Select Committee.</p>	<p>Interim Housing and Property Director/ Qualis Property Solutions (QPS) Managing Director</p>	<p>31/03/24</p>		<p><b>Nov 23:</b> The review was reported to the Communities Select Committee in June 2023 at which it was agreed that further work would be undertaken to understand and resolve the issues and the results be reported back to the Committee.</p> <p>It was agreed that an annual benchmarking review of the Housing Repairs arrangements will be commissioned.</p>	<p>In progress</p>
<p><b>Qualis Property Solution- KPIs and Payment Mechanisms</b> Issued June 2023</p>	<p>2</p>	<p>An independent review of Qualis Property Solutions should be commissioned, and the SLA revisited.</p> <p>The review should include determining the actual proportion of standard to non-standard charges for</p>	<p>High</p>	<p>The Housemark benchmarking report reviewed these areas, the findings from which require a further deep dive with a view to making amendments to form, function and process. An improvement action plan will arise from the Housemark report with items, including this, for</p>	<p>Interim Housing &amp; Property Director/ Interim Head of Assets</p>	<p>31/03/24</p>		<p><b>Nov 23:</b> Progress is being made on reviewing the Housemark report and drawing up an improvement action plan.</p>	<p>In progress</p>



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		2021/2022 to check whether the basis of the costs in the SLA is fair.		action.					
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**External Quality Assessment of Conformance with the Public  
Sector Internal Audit Standards**

**Broxbourne, Harlow and Epping Forest  
Shared Internal Audit Service**

**Final Report - 22<sup>nd</sup> September 2021**

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## 1. Introduction

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1<sup>st</sup> April 2013 (revised 2016 and 2017). In local government, the way internal audit services operate is more flexible than in other parts of the public sector where there is a large degree of central control. To ensure local authority internal audit services apply the PSIAS in a uniform way, CIPFA has produced the local government application note (LGAN) which provides additional detail for each of the individual standards. The LGAN is mandatory for local authorities.

All public sector internal audit services are required to assess their performance on conforming to the standards and this can be achieved by undertaking periodic self-assessments, or external quality assessments, or a combination of both methods. However, the PSIAS stipulates that an external quality assessment (EQA) by an external reviewer must be undertaken at least once in a five-year period. This can be in the form of a full assessment or the validation of the internal audit service's own self-assessment.

## 2. Background

- 2.1 The Broxbourne, Harlow and Epping Forest Shared Internal Audit Service is hosted by the Borough of Broxbourne and provides internal audit services to the three local authorities. The Shared Service is managed by the Head of Internal Audit and is made up of three Senior Auditors, one Auditor and two Audit Assistants in addition to the Head of Internal Audit, and they have a contract in place with a third party provider to provide them with specialist IT audit and additional resources as and when required. The Head of Internal Audit is a Chartered Member of the institute of Internal Auditors (IIA)
- 2.2 Managerially, the Shared Service reports to a Management Board made up of the three Section 151 Officers<sup>1</sup> from each of the authorities in the shared arrangement. From an operational perspective, the Shared Service reports directly to the executive teams and the Audit Committees<sup>2</sup> at their respective authorities. These two bodies at each authority fulfil the roles of 'senior management' and 'the board', as defined by the Public Sector Internal Audit Standards. Operationally, the Head of Internal Audit reports directly to the Section 151 Officer at each Authority and has direct access to each authority's Chief Executive Officer, the Chair and full membership of the Audit Committees. Regular reports on the audit plan, progress on delivering the plan and

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<sup>1</sup> The Section 151 Officers are the Director of Finance for the Borough of Broxbourne; the Head of Finance for Harlow Council; and the Strategic Director at Epping Forest District Council.

<sup>2</sup> Audit Committee is a generic term used in the PSIAS and in this report means the Audit and Standards Committees for the Borough of Broxbourne and Harlow Council, and the Audit and Governance Committee for Epping Forest District Council.

the annual opinion and outturn are made to the Audit Committee at the respective authorities.

- 2.3 The Shared Service has been operating under PSIAS since its launch in 2013, and this is the second external quality assessment that they have commissioned. The previous external quality assessment confirmed that the Shared Internal Audit Service conformed to the PSIAS.
- 2.4 The Shared Service has a range of guidance notes for the team to use and utilises standard templates for the engagement working papers and testing schedules, engagement terms of references, action plans and audit reports. Supervision of the audit engagements takes place at every stage of the process and is recorded on a check list that accompanies each audit and held on the audit working papers file.

### **3. Validation Process**

- 3.1 The self-assessment validation comprises a combination of a review of the evidence provided by Shared Service; a review of a sample of completed internal audit engagements, chosen by the assessor and covering all three authorities; questionnaires that were sent to and completed by a range of stakeholders from each authority; and virtual interviews using MS Teams with the three Section 151 Officers and Chairmen of the Audit Committees. The questionnaire and interviews focussed on determining the strengths and weaknesses of the Shared Service and assessed the Service against the four broad themes of purpose and positioning within the organisation(s); their structure and resources; audit execution; and impact on the respective organisations.
- 3.2 The Shared Service provided a comprehensive range of documents that they used as evidence to support their self-assessment and these were available for examination prior to and during this validation review. These documents included the:
- self-assessment against the standards and the CIPFA Local Government Application Note;
  - documentary evidence used to support the self-assessment;
  - the audit charters for each authority;
  - the annual reports and opinions for each authority;
  - the audit plans and strategies for each authority;
  - a range of documents and records relating to the Shared Service's employees;
  - progress and other reports to the respective Audit Committees.

All of the above documents were examined during this EQA.

- 3.3 The validation process was carried out from the 5<sup>th</sup> to the 16<sup>th</sup> July 2021, and involved interviews with the Head of Internal Audit, the three Section 151 Officers, and the three Chairs of the Audit Committees. Overall, the feedback from the interviewees was positive with clients valuing the professional and objective way the Shared Internal Audit Service fulfilled their role.

- 3.4 A questionnaire was sent to a range of other key stakeholders in advance of the assessment commencing and the results analysed during the review. A summary of the survey results is shown at appendix A of the report.
- 3.5 The assessor also carried out an end-to-end review of a sample of six completed audits, covering all three authorities, to confirm his understanding of the audit process used by the Shared Service.

#### 4. **Opinion**

**It is our opinion that Shared Internal Audit Service’s self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.**

The table below shows the Shared Internal Audit Service’s level of conformance to the individual standards assessed during this external quality assessment:

<b>Standard / Area Assessed</b>	<b>Level of Conformance</b>
Mission Statement	<b>Fully Conforms</b>
Core principles	<b>Fully Conforms</b>
Code of ethics	<b>Fully Conforms</b>
Attribute standard 1000	<b>Fully Conforms</b>
Attribute standard 1100	<b>Fully Conforms</b>
Attribute standard 1200	<b>Fully Conforms</b>
Attribute standard 1300	<b>Fully Conforms</b>
Performance standard 2000	<b>Fully Conforms</b>
Performance standard 2100	<b>Fully Conforms</b>
Performance standard 2200	<b>Fully Conforms</b>
Performance standard 2300	<b>Fully Conforms</b>
Performance standard 2400	<b>Fully Conforms</b>
Performance standard 2500	<b>Fully Conforms</b>
Performance standard 2600	<b>Fully Conforms</b>

## **5. Areas of full conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note**

### **5.1 Mission Statement and Definition of Internal Audit**

The mission statement and definition of internal audit from the PSIAS are included in the audit charters.

### **5.2 Core Principles for the Professional Practice of Internal Auditing**

*The Core Principles, taken as a whole, articulate an internal audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.*

The clear indication from this EQA is that the Core Principles are embedded in the audit methodologies used by the Shared Service and they are a competent and professional internal audit service that conforms to all ten elements of the Core Principles. Many internal audit services are now requiring their employees to confirm on an annual basis that they have read and understood the Core Principles, along with the Code of Ethics and the Seven Principles of Public Life. Such a confirmation statement is now becoming best practice in the public sector and as such we suggest that the Head of Internal Audit considers introducing one for the Shared Service. We have included such a suggestion in the action plan.

### **5.3 Code of Ethics**

*The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.*

The clear indication from this EQA is that the Shared Service conforms to the Code of Ethics and this is part of their overarching culture and underpins the way the Shared Service operates. We have made one suggestion relating to the Code of Ethics which is referred to above under the Core Principles.

### **5.4 Attribute Standard 1000 – Purpose, Authority and Responsibility**

*The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.*

The Shared Internal Audit Service produces a separate audit charter for each authority. We reviewed these documents and the processes used to present them to

the various Audit Committees for approval. We found the audit charters covered the main elements of attribute standard 1000 and the LGAN and as such are fit for purpose. There is one minor issue that the Head of Internal Audit should consider addressing in the next review of the audit charters and this is set out in the action plan.

#### 5.5 **Attribute Standard 1100 – Independence and Objectivity**

*Standard 1100 states that the internal audit activity must be independent, and internal auditors must be objective in performing their work.*

The need for independence and objectivity is understood by the Head of Internal Audit and forms an integral part of the Shared Service's culture and working practices. The Head of Internal Audit reports in her own name and directly to senior management and the Audit Committees at the respective authorities. All employees sign a declaration of interest each year and declare any potential impairment to independence or objectivity. The Head of Internal Audit does not have direct responsibility for any other operational services at any of the local authorities served by the Shared Service. The independence of the Head of Internal Audit and the Shared Internal Audit Service as a whole is set out in the audit charters.

We have reviewed the current audit charters, the Shared Service's methodologies and standard documentation, a sample of completed audit files, and have examined the Service's reporting lines and positioning within the three authorities they serve. We are satisfied that the Shared Internal Audit Service conforms with attribute standard 1100 and the LGAN. We have identified one minor issue of good practice for the Head of Internal Audit to consider regarding strengthening the transparency of the Shared Service's independence and objectivity and we have set this out in the action plan.

#### 5.6 **Attribute Standard 1200 – Proficiency and Due Professional Care**

*Attribute standard 1200 requires the Internal Audit Service's engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.*

It is evident from this EQA that the Shared Internal Audit Service has a professional and competent workforce, with the Head of Internal Audit holding the full chartered IIA qualification.

There is one member of the Shared Service's team who is familiar with using specialist data analytics software (the IDEA application) while the remainder of the team tend to analyse data by using the functionality available in generic products such as MS Excel. The service currently holds one licence for IDEA and are considering making greater use of this tool during their audits.

The Service does not have any qualified specialist IT auditors as part of its establishment but instead has a contract in place with a third-party supplier to provide these resources as and when required.

It is evident from this review that the Shared Service's employees perform their duties with due professional care. We are satisfied that the Shared Internal Audit Service complies with attribute standard 1200 and the LGAN. We have made one advisory



suggestion in the action plan for the Head of Internal Audit to consider regarding the potential expansion in the use of the specialist data analytics software application.

#### 5.7 **Attribute Standard 1300 – Quality Assurance and Improvement Programmes**

*This standard requires the Head of Internal Audit to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.*

The Shared Internal Audit Service has an effective quality assurance process in place that ensures engagements are performed to a high standard within the available resources. This is supported by assessments of the Shared Service's compliance with the standards through periodic self-assessment and the quinquennial external quality assessment. We have examined these processes during the EQA and are satisfied that the Shared Internal Audit Service conforms to attribute standard 1300 and the LGAN.

#### 5.8 **Performance Standard 2000 – Managing the Internal Audit Activity**

*The remit of this standard is wide and requires the Head of Internal Audit to manage the internal audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when internal audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Head of Audit must produce an audit plan for each client, and communicate this and the Service's resource requirements, including the impact of resource limitations, to senior management and the Audit Committees at each client for their review and approval. The Head of Internal Audit must ensure that Shared Internal Audit Services' resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.*

*The standard also requires the Head of Internal Audit to establish policies and procedures to guide the internal audit activity, and to share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.*

*Last, but by no means least, the standard requires the Head of Internal Audit to report periodically to senior management and the Audit Committees on internal audits activities, purpose, authority, responsibility and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit committees.*

The Shared Internal Audit Service has methodologies in place that meet the requirements of the PSIAS. They have developed comprehensive planning processes that follow best practice by taking into consideration their client's risks, objectives, and risk management and governance frameworks; other relevant and reliable sources of assurance; any key issues identified by service managers; their own risk and audit needs assessments; and the resources that are available to undertake the audits. From this information, they produce risk-based audit plans that are designed to enhance the authorities' risk management and governance frameworks and control

processes; and provide them with objective and relevant assurance. These audit plans are reviewed and approved by senior management and the Audit Committees at each authority.

Details of the completed audits and the risk and control issues found, together with the progress being made on delivering the audit plans and the performance of the Shared Service, is regularly reported to the Audit Committees of the respective authorities, with an annual report opinion for each client being issued at the end of the year.

The clear indication from this EQA is the Shared Internal Audit Service is managed effectively and conforms to standard 2000 and the LGAN.

#### **5.9 Performance Standard 2100 – Nature of Work**

*Standard 2100 covers the way the internal audit activity evaluates and contributes to the improvement of the organisation’s risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.*

This is the approach adopted by the Shared Internal Audit Service and is set out in their working methodologies. During this EQA, we selected a sample of completed audit engagements for each authority and examined them to see if they conformed to standard 2100 and the Shared Service’s own methodologies. We found that the sample audits complied with both.

Internal audit’s credibility and value is enhanced when auditors are proactive, and their evaluations offer new insights and consider future impact on the organisation. On the whole, the Shared Service’s clients value the work they do in this area and often turn to them for advice and guidance when faced with emerging risks or are developing or changing systems. The survey results have indicated that managers would like to see more of this aspect of the service and as such the quinquennial may wish to consider how best to achieve this with the resources available whilst still delivering an effective programme of assurance audits.

The clear indication from this EQA is that the Shared Internal Audit Service conforms to performance standard 2100 and the LGAN.

#### **5.10 Performance Standard 2200 – Engagement Planning**

*Performance standard 2200 requires internal auditors to develop and document a plan for each engagement, including the engagement’s objectives, scope, timing and resource allocations. The plan must consider the organisation’s strategies, objectives, and risks relevant to the engagement.*

The Shared Service has a comprehensive set of standard documents in place that are underpinned by sound audit methodologies that ensure that audit engagements are planned effectively. During this EQA, we selected a sample of completed audit engagements, and examined them to see if they conformed to standard 2200. We found that they all conformed to the standards and the Service’s own audit practices, and therefore we conclude that the Shared Internal Audit Service conforms to performance standard 2200 and the LGAN.

#### 5.11 Performance Standard 2300 – Performing the Engagement

*Performance standard 2300 seeks to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.*

During this EQA, we selected a sample of completed audit engagements from each authority and examined them to see if they conformed to the standards. We found that they all conformed to the standards and therefore we conclude that the Shared Internal Audit Service conforms to performance standard 2300 and the LGAN.

#### 5.12 Performance Standard 2400 – Communicating Results

*This standard requires internal auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit committees and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”.*

The audit procedures and methodologies in place within the Shared Service cover the communication of results and meet the requirements of the PSIAS. We selected a sample of completed audit engagements from each authority and examined them to see if they conformed to the standards. We found that they all conformed to the standards although we have included two minor enhancements to the audit reports in the action plan. The first relates to the use of the statement ‘conforms to the public sector internal audit standards’. As the work of the Shared Service conforms to the standards this statement can be added to the audit reports.

The second issue relates to the inclusion of a disclaimer and limitations of use paragraph in each audit report. Whilst the inclusion of such a statement cannot prevent internal audit reports being forwarded to people that management had not approved, or extracts from the report being taken out of context and used by people with an ulterior agenda, they act as a warning and can help facilitate subsequent disciplinary action

We therefore conclude that the Shared Internal Audit Service conforms to performance standard 2400 and the LGAN.

#### 5.13 Performance Standard 2500 – Monitoring Progress

There is a comprehensive follow-up process in place at all of the authorities served by the Shared Service, the objective of which is to monitor management’s progress towards the implementation of agreed actions. The results of the follow-up reviews are reported to the relevant Audit Committees. From this EQA, it is evident that the Shared Internal Audit Service conforms to performance standard 2500 and the LGAN.

#### 5.14 **Performance Standard 2600 – Communicating the Acceptance of Risk**

Standard 2600 considers the arrangements which should apply if the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the respective authority. If such a scenario was to arise, the Head of Internal Audit would raise the matter with the relevant Section 151 Officer and if necessary, through to the Chief Executive and the Audit Committee. Situations of this kind are expected to be rare, consequently, we did not see any evidence of these during this EQA. From this external quality assessment, it is evident that the Shared Service conforms to performance standard 2600 and the LGAN.

### **6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note**

6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards.

### **7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note**

7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards.

## 8. Action Plan

1. Cross reference the definitions for senior management and the audit committees in the audit charters to the PSIAS definitions (Low priority)	
Rationale	Agreed Action
Section 8 of the audit charters refer to the respective authorities' corporate management teams and their audit committees. Whilst it is fairly clear that these two bodies fulfil the roles of 'senior management' and the 'board', as required by the standards, it is good practice to specifically state this in the audit charter as it remove any element of doubt for the reader. This could be achieved by expanding the wording used in section 8 of the charters, or by the addition of foot notes for section 8.	Agreed and will be implemented in this year's (2021/22) annual review of the Charter, which will go to the November audit committee for Broxbourne and Harlow, and the January meeting for Epping Forest
<b>Action Responsibility</b>	<b>Head of Internal Audit</b>
<b>Deadline</b>	<b>31/01/2022</b>

2. Included a statement of impairments to independence in the annual report (Low priority)	
Rationale	Agreed Action
The audit charters underpin the work of internal audit and section 6 in the audit charters correctly sets out the independence and objectivity of the Shared Internal Audit Service. Generally, audit charters are forward looking, whereas the Head of Audit's annual report and opinion looks back at the work of internal audit in the year just finished. It is therefore good practice to include a statement in the annual report to confirm that there have not been any impairments to the independence and objectivity of the Service, or if there have, to set these out and the action taken. At present a statement is not included where there have not been any impairments. We suggest that consideration is given to including such a statement in the annual report.	The potential issue of impairment is included in the report where the Charter is presented to audit committee for approval. However, going forward it will also be included in the annual report when it goes to the June/July 2022 audit committees.
<b>Action Responsibility</b>	<b>Head of Internal Audit</b>
<b>Deadline</b>	<b>31/07/2022</b>

<b>3. Add 'conforms to the public sector internal audit standards' to audit reports (Low priority)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
As the work of the Shared Internal Audit Service conforms to the standards, the use of the statement 'conforms to the public sector internal audit standards' can be added to the individual audit reports.	This would not add value to individual audit reports. Instead, the conformance statement will continue to be included in the annual Internal Audit strategy and annual report
<b>Action Responsibility</b>	n/a
<b>Deadline</b>	n/a

<b>4. Use of conformation statements (Advisory)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
Many internal audit services operating in the public sector have introduced confirmation statements for their staff to sign on an annual basis to confirm that they have read and understood the Core Principles for the Professional Practices of Internal Auditing, the Code of Ethics for Internal Auditors, and the Seven Principles of Public Life. These confirmation statements are starting to be regarded as best practice and as such the Head of Internal Audit may wish to consider introducing one or adding a statement to the existing annual declaration of interest returns completed by the team members.	<p>The merits of this will be considered in conjunction with the Internal Audit team and the Shared Internal Audit Service Board being quite bureaucratic especially as the Core Principles and Code of Ethics are long documents to digest.</p> <p>Completed – The Board agreed at their 9/9/21 meeting to disregard this advisory note.</p>
<b>Action Responsibility</b>	<b>Head of Internal Audit</b>
<b>Deadline</b>	<b>31/08/2021</b>

<b>5. Expand the use of data analytics (Advisory)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
The Shared Internal Audit Service occasionally uses computer assisted audit techniques when carrying out internal audits and users the IDEA application for this purpose. The Head of Internal Audit has indicated that the Service is considering expanding the use of IDEA as an effective and efficient way of auditing systems with large volumes of data. We welcome this approach and suggest that to enhance the capabilities of IDEA, consideration is given to obtaining an additional product called SmartAnalyser; an 'add-on tool' for IDEA that contains a set of pre-written test scripts for the majority of the core financial and HR process found in any organisation.	I am in agreement that the Service could make better use of data analytics. However, as there will be a resource implication a data analytics strategy and cost/benefit analysis will be presented to the Shared Internal Audit Service Board for their approval.
<b>Action Responsibility</b>	<b>Head of Internal Audit</b>
<b>Deadline</b>	<b>31/1/2022</b>

<b>6. Add a disclaimer and limitations of use statement to audit reports (Advisory)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
This issue relates to the inclusion of a disclaimer and limitations of use paragraph in each audit report. Whilst the inclusion of such a statement cannot prevent internal audit reports being forwarded to people that management had not approved, or extracts from the report being taken out of context and used by people with an ulterior agenda, they act as a warning and can help facilitate subsequent disciplinary action should the need arise.	Agreed and will be added to all final reports issued after 31 August 2021.
<b>Action Responsibility</b>	<b>Head of Internal Audit</b>
<b>Deadline</b>	<b>31/08/2021</b>

## 9. Definitions

<b>Fully Conforms</b>	The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, comply with the requirements of the standards in all material respects with only minimal departures and minor issues to resolve.
<b>Partially Conforms</b>	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.
<b>Does Not Conform</b>	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the board.

Action Priorities	Criteria
<b>High priority</b>	The internal audit service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
<b>Medium priority</b>	The internal audit service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within six months.
<b>Low priority</b>	The internal audit service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
<b>Advisory</b>	These are issues identified during the course of the EQA that do not adversely impact on the internal audit service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

The co-operation of the Head of Internal Audit, the Audit Assistant, and members of the Shared Internal Audit Service in providing the information requested for this EQA, is greatly appreciated. Our thanks also go to the Chairs of Audit Committees and the Section 151 Officers at the three authorities that made themselves available for interview during the EQA process and also to the officers that completed questionnaires.

Ray Gard, CPFA, FCCA, FCIIA, DMS

22<sup>nd</sup> September 2021



This report has been prepared by Gard Consultancy Services Ltd at the request of the Broxbourne, Harlow and Epping Forest Shared Internal Audit Service's Head of Internal Audit, the terms for the preparation and scope of the report have been agreed with her. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues that exist with their conformance to the Public Sector Internal Audit Standards, or all the improvements that may be required.

The report was prepared solely for the use and benefit of the Broxbourne, Harlow and Epping Forest Shared Internal Audit Service, its management board, the local authorities that are part of the Shared Internal Audit Service, and to the fullest extent permitted by law, Gard Consultancy Services Ltd accepts no responsibility and disclaims all liability to any other third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

### Summary of Survey Results

As part of the EQA process, we used a questionnaire to obtain the views of the key stakeholders from the three authorities. A total of twenty-four questionnaires were returned (six from Broxbourne; eight from Harlow; and ten from Epping Forest). The results of these questionnaires are summarised in the table below

No.	Question	Percentage (%)			
		Agree	Partially Agree	Not Agree	N/A
1	The internal audit service is seen as a key strategic partner throughout the organisation.	71	17	4	8
2	Senior managers understand and fully support the work of internal audit.	67	25	4	4
3	Internal audit is valued throughout the organisation.	46	42	4	8
4	The internal audit service is delivered with professionalism at all times.	96	0	0	4
5	The internal audit service responds quickly to changes within the organisation.	54	38	4	4
6	The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate.	50	21	0	29
7	The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes	75	25	0	0
8	The internal audit service's recommendations consider the wider impact on the organisation	71	21	4	4
9	The internal audit service ensures that recommendations made are proportionate, commercial and practicable in relation to the risks identified.	71	21	4	4
10	There have not been any significant control breakdowns or surprises in areas that have been positively assured by the internal audit	88	8	0	4

No.	Question	Percentage (%)			
		Agree	Partially Agree	Not Agree	N/A
	service				
11	The internal audit service includes consideration of all risk areas in its work programme.	84	8	8	0
12	Internal audit advice has a positive impact on the governance, risk management, and the system of control of the organisation.	88	12	0	0
13	Internal audit activity has enhanced organisation-wide understanding of governance, risk management, and internal control.	63	29	4	4
14	The internal audit service asks challenging and incisive questions that stimulate debate and improvements in key risk areas.	75	21	4	0
15	The internal audit service raises significant control issues at an appropriate level and time in the organisation.	71	17	12	0
16	The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives.	77	25	0	8
17	Internal audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation	67	33	0	0
18	Internal audit activity promotes appropriate ethics and values within the organisation	79	13	0	8

\* this refers to the questions where the respondent either felt the question did not apply to them, or they did not have sufficient knowledge to answer the question, or they merely left the question blank

Below are some comments extracted from completed surveys that management may wish to consider:

- The work of Internal Audit at Epping Forest is greatly valued. I have been impressed by the pragmatism and support shown during the pandemic. I view the service as a critical friend and an important source of challenge as I develop the Council's financial systems over the medium-term.
- I believe the internal audit team do a very good job. Some of my Partially agrees are due to the fact I've not seen these things demonstrated in my area, although I believe they are happening in other areas.
- As a new member of third tier with a wide remit I would like to take this opportunity to thank colleagues in internal audit for supporting me in matters. I have found the reports that I have been involved in to be fair and business like, and realistic in requirements helping me to shape service delivery.
- Internal audit work closely with line managers to review operations and then report their findings. Internal Audit is a key function for the Authority and works hard at trying to support change in the Authority for the better and improve the work/processes procedures that are being undertaken.

Internal Audit are a key service as they hold the organisation to account, more detail on audits that occur across the organisation should be reported more widely to the third tier as this can be limited in some respects. This is good and necessary especially when there is resistance to embrace with/move with the times in some areas.

- Sarah and her team have been particularly helpful to me in my role of Monitoring Officer. Their assistance to shape their programme around services and processes to aid governance has been very much welcomed. They have additionally been instrumental in supporting the DPO and MO in data protection and assurance matters through their support for the Information Governance Group. This year they have also assisted with audits related to our equalities duties which Harlow have struggled to implement effective processes for.
- I welcome the support and work of Internal Audit as they have enabled change in the culture and behaviour of the Council. Without these audits many of the Council's systems, processes and procedures would still be in the dark ages and silos. The Council has also benefitted from the shared service arrangement through the sharing of good and poor practices; and the lessons learnt. Keep up the great work.

**Internal Audit (Shared Service) Charter  
November 2023**

**Broxbourne Borough Council**



**Epping Forest District Council**



**Harlow District Council**



**St Albans City and District Council**



# INTERNAL AUDIT CHARTER

## 1. INTRODUCTION AND PURPOSE

Broxbourne, Epping Forest, Harlow and St Albans City and District Councils (the Councils) operate an Internal Audit Shared Service (Internal Audit). The purpose of this Charter is to set out the nature, role, responsibility, status and authority of Internal Audit, and to outline the scope of Internal Audit across all four councils. The Charter will also be used to monitor the performance of the Internal Audit service.

The Public Sector Internal Auditing Standards (PSIAS) define Internal Auditing as: ‘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’.

Internal Audit work is conducted in accordance with the PSIAS and is consistent with the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing).

## 2. STATUS OF INTERNAL AUDIT IN THE COUNCIL AND THEIR DEFINITIONS

Within the PSIAS, the terms ‘board’ and ‘senior management’ need to be interpreted in the context of the governance arrangements at each organisation. For the purposes of the Internal Audit activity and for this Charter, the following definitions apply:

<p><b>The Board</b></p>	<p>Responsible for overseeing the effectiveness of the internal audit function through the receipt of regular updates and reports. It is also responsible for the effectiveness of the governance, risk and control environment within the council, holding officers to account for delivery, including:</p> <ul style="list-style-type: none"> <li>• Performance indicators measuring operational effectiveness</li> <li>• The overall strategic direction of the service</li> </ul> <p>At Broxbourne and Harlow, this shall mean the Audit and Standards Committee, and at Epping Forest and St Albans, this shall mean the Audit and Governance Committee. For the purpose of this Charter, all councils’ Committees will be collectively referred to as the ‘Audit Committee’.</p>
<p><b>Senior Management</b></p>	<p>Responsible for helping shape the programme of assurance work through an analysis and review of key risks to achieving the Councils’ objectives and priorities. Senior management provides leadership and direction to the council.</p> <p>At Broxbourne, this shall mean the Corporate Management Team (CMT)</p> <p>At Harlow, this shall mean the Senior Management Board (SMB)</p> <p>At Epping Forest, this shall mean the Executive Team (ET)</p>

	<p>At St Albans, this shall mean the Strategic Leadership Team (SLT)</p> <p>For the purpose of this Charter, all councils' Senior Management will be collectively referred to as the 'Senior Management Team (SMT)' and their respective Directorate Management teams will be collectively referred to as 'Heads of Service'.</p>
<b>Head of Internal Audit</b>	<p>Responsible for the preparation of the Annual Audit Plan and its effective implementation following it being agreed with Members. Prior to drawing up the Audit Plan, the Head of Internal Audit will consult with Heads of Service, their direct reports and SMT with regard to risks, concerns etc. and take account of any issues raised by them.</p>
<b>Chief Finance Officer</b>  <b>(S151 Officer)</b>	<p>Responsible for the approval of all decisions regarding the performance, evaluation, appointment, or removal of the Head of Internal Audit.</p> <p>At Broxbourne and Harlow, this role is held by the Director of Finance.</p> <p>At Epping Forest, this role is held by the Strategic Director.</p> <p>At St Albans, this role is held by the Strategic Director – Customer, Business and Corporate Support.</p> <p>For the purpose of this Charter, all councils' Chief Finance Officer will be collectively referred to as 'Section 151 Officer'.</p>

Internal Audit has direct and unrestricted access to the Chief Executive, the Chairman and members of the Audit Committee and Senior Management. The Head of Internal Audit will communicate and interact directly with each Senior Management Team and the Audit Committee, including between meetings as appropriate.

### 3. ROLE OF INTERNAL AUDIT

Within local government there is a statutory requirement for an Internal Audit function. The Accounts and Audit (England) Regulations 2015 require that a local authority must undertake an effective internal audit function to evaluate the effectiveness of its risk management, control and governance processes.

In addition, the council's Chief Financial Officer (the S151 Officer) has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. The S151 Officer relies, amongst other sources, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.

Internal Audit's activities and responsibilities are defined and approved by the Audit Committee, via this Charter, as part of their oversight role, as it is this is the committee

charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

The Head of Internal Audit reports functionally to the S151 Officer. In recognising the unique and critical role of the Head of Internal Audit, CIPFA's Statement on the Role of the Head of Internal Audit (HIA) (2019 edition) sets out five key principles for delivering an effective internal audit function. Each of these five principles is underpinned by expected governance arrangements, core HIA responsibilities and personal and professional standards expected of the post holder. As part of the continuous assessment of the effectiveness of the Internal Audit function, these principles are benchmarked against current practices and reported accordingly.

Internal Audit's primary role is to assist the council's Senior Management Team (SMT) and councillors in the effective discharge of their responsibilities. To this end, Internal Audit provides them with data, appraisals, recommendations, advice and information to enable effective control over the activities reviewed, including the Council's financial affairs.

Importantly, the Internal Audit Plan culminates in the Head of Internal Audit providing an annual audit opinion to councillors and management on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control which, in turn, informs the Annual Governance Statement. Internal Audit has a significant role in the production of the Annual Governance Statement (AGS) as part of the publication of the Statement of Accounts.

Internal Audit has a role in understanding the key risks of the Council and to examine and evaluate the adequacy and effectiveness of the systems of risk management and internal control operated by the Council.

#### **4. MISSION AND AIMS OF INTERNAL AUDIT**

The Internal Audit function has adopted the Global Institute of Internal Auditors mission and principles, which are also incorporated in the Public Sector Internal Audit Standards, as follows: Mission: To enhance and protect organisational value by providing risk based and objective assurance, advice and insight. The core principles being:

- Demonstrating integrity
- Demonstrating competence and due professional care
- Objective and free from undue influence (independent)
- Aligned with the strategies, objectives and risks of the organisation
- Appropriately positioned and adequately resourced
- Demonstrating quality and continuous improvement
- Communicating effectively
- Providing risk-based assurance
- Insightful, proactive and future focussed
- Promoting organisational improvement

The provision of assurance services is the primary aim for Internal Audit, requiring the Head of Internal Audit to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consultancy services are advisory in the nature and are usually performed at the request of SMT or Heads of Service, with the aim of improving governance, risk management and control and contributing to the overall opinion. The majority of Internal Audit's work is assurance rather than consultancy based.



## **5. RESPONSIBILITIES OF INTERNAL AUDIT**

Internal Audit is responsible for:

- The examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management and internal control processes
- Compliance with significant policies and procedures established by management and councillors
- Conducting its work in accordance with PSIAS and associated codes of ethics and other guidance for the Professional Practice for Internal Auditing
- Ensuring that it is appropriately resourced to be able to deliver the Audit Plan

The delivery of the Internal Audit function is predominantly via in-house resources supplemented where necessary by engaging external resources to provide specific expertise or to cover for periodic shortfalls.

## **6. INDEPENDENCE AND OBJECTIVITY**

Internal Audit will remain free from interference by any element in the Council, including matters of audit selection, scope, procedures, frequency, timing, or report content, to permit maintenance of a necessary independent and objective approach to its work.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment. Internal Audit may, however, review systems under development and will advise on appropriate controls without prejudicing its right to subsequently audit such systems. Where the Head of Internal Audit has or is expected to have roles and responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

The Head of Internal Audit will confirm to the Audit Committee, at least annually, the organisational independence of the Internal Audit activity.

## **7. CONFLICTS OF INTEREST**

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

Each auditor is required to proactively declare any potential conflict of interest prior to the commencement of each audit assignment. Where possible, audits are rotated within the team to avoid over-familiarity and complacency.

Where a potential conflict of interest arises this would be reported and, where applicable, appropriate arrangements approved by the Section 151 Officer to avoid any compromise of internal audit independence.

## **8. AUTHORITY AND ACCESS FOR INTERNAL AUDIT WORK**

Internal Audit is authorised full, free and unrestricted access to any and all records (paper and computerised), physical properties, IT systems and personnel pertinent to carrying out any engagement. Such access will be granted on request and need not be subject to prior notice. However, Internal Audit will endeavour to give adequate and reasonable notice, where possible, when working on routine audit reviews.

Internal Audit examines and evaluates, on a risk focussed basis, the whole system of control established by management, not just the controls over financial transactions, but all operational and management controls.

## **9. SCOPE**

The scope of Internal Audit work encompasses but is not restricted to the following:

- the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the Council's corporate goals and objectives
- the extent of compliance with, relevance of, and financial effect of, policies, strategies, standards, plans and procedures established by the Council and the extent of compliance with external laws and regulations
- the extent to which the assets and interests are acquired, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause
- the suitability, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information
- the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss; and that the process aligns with the Council's corporate objectives
- the suitability of the service area being audited to ensure that services are provided in a way which offers value for money
- the follow-up actions taken to implement recommendations made and remedy weaknesses identified by Internal Audit, ensuring that good practice is identified and widely communicated
- the operation of the Council's corporate governance and risk management arrangements.

Internal Audit may undertake additional activities requested by management where it has the necessary skills and resources to do this, and this will be determined by the Head of Internal Audit in consultation with the Section 151 Officer on a case-by-case basis.

## **10. PLANNING AND REPORTING**

A risk-based approach is adopted in planning the work of the audit function. This involves a needs and risk assessment of all the activities carried out by the Council from which an annual plan is prepared. The type of audits covered include:

- Key financial systems reviews
- Systems and operational reviews – either high level assurance or full scope detailed reviews
- Proactive anti-fraud work and fraud investigations
- Specialist audits (for example contract, IT, major projects)
- Corporate governance and risk management support work
- Audit advice
- Staff training and promotion of awareness.

The Head of Internal Audit submits to members for approval an Annual Internal Audit Plan, setting out the recommended scope of audit work in the period based upon risk assessment criteria. The Annual Plan is developed with reference to a longer-term strategic outlook for Internal Audit work for the three year period, prepared in conjunction with management. The Audit Plan is a dynamic document, which is flexible and reactive to situations arising during the course of the period covered and hence may be subject to review and revision during the year.

In determining the annual Internal Audit plan and coverage, the Head of Internal Audit takes into account several factors including the Council's risk management arrangements and other assurance and monitoring arrangements for achieving the Council's objectives. The allocation of resources is based upon the relative knowledge, skills, experience and any specialisms that may be required. The Head of Internal Audit can also draw upon other parties to deliver internal work for example to meet in-house shortfalls arising from sickness, vacancies or to provide a particular specialism, providing the costs can be managed within the overall approved budget for the audit. If the Head of Internal Audit considers audit resources available in any way limit the scope of Internal Audit or prejudice the ability of internal Audit to deliver a service consistent with the standards expected, then the Section 151 Officer would be advised accordingly.

Internal Audit carry out the work, as agreed, report upon the outcome and findings, and make appropriate recommendations on the action to be taken as a result. Responses will include a timetable for anticipated completion of action to be taken. The reporting arrangements will include both individual and composite reports to Heads of Service, their direct reports and SMT and where appropriate to the Audit Committee. Internal Audit is responsible for appropriate follow up on engagement findings and recommendations and will report to the Audit Committee on the results.

Internal Audit will report to the Audit Committee, in accordance with the agreed arrangements, on the overall adequacy of the internal control system, governance and risk management arrangements and major findings, recommendations and management actions. Any significant deviation from the approved Audit Plan will be communicated through the periodic activity reporting process.

Based upon its work, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Senior Management Team and to the Audit Committee, including fraud risks, governance issues, and other matters needed or requested by these bodies. This ensures that Internal Audit plays a key role in providing assurance on the effectiveness of the entire control environment.

## **11. FRAUD AND CORRUPTION**

Internal Audit does not have responsibility for the prevention or detection of fraud or corruption. However, internal auditors should be alert in all their work to risks and exposures that could allow fraud and corruption to take place and to any indicators that fraud and corruption may have occurred. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

It is the individual service areas' responsibility to consider the risk and impact of fraud and to design and implement suitable safeguards to mitigate these risks. The role of Internal Audit in relation to countering fraud is to support services in minimising fraud related risk. It does this in several ways including:

- Developing and reviewing the Anti-Fraud and Corruption Strategy
- Maintaining a Fraud Response Plan
- Adhering to the requirement laid out in the Financial Regulations requiring all incidents of suspected or detected fraud to be notified to the Section 151 Officer
- Working with any bought in or internal specialist anti-fraud services
- Developing and maintaining data and intelligence networks with appropriate bodies including the Cabinet Office (National Fraud Initiative), police, other local authorities and government agencies
- Providing anti-fraud awareness training and guidelines to staff in conjunction with the Council's specialist bought in or internal anti-fraud service.

Once any suspected or detected fraud has been notified to the Section 151 Officer the appropriate course of action will be discussed with the Head of Internal Audit and a decision taken as to who should lead any subsequent investigation, whether it is Internal Audit, specialist anti-fraud service management, and whether to report the case to the police.

## **12. PERIODIC ASSESSMENT**

Internal Audit will, in conjunction with the Audit Committee, provide regular reports on its performance and effectiveness drawing upon both quantitative and qualitative measures including adherence to professional standards. Furthermore, there will be mechanisms for quality control and continuous improvement in service delivery through such measures including internal self-assessments, peer reviews and independent external assessment, the latter to be conducted at least every five years.

## **13. RESPONSIBILITIES OF CORPORATE MANAGEMENT TEAM AND HEADS OF SERVICE**

The Councils' Senior Management Team and Heads of Service have responsibility for determining the scope of Internal Audit work, in relation to relevant professional standards and guidelines, and for deciding the action to be taken on the outcome of, or findings from, their work.

They also have a responsibility to ensure that the Internal Audit function has:

- the support of management
- adequate resources; and
- direct access and freedom to report to senior management and members

SMT and Heads of Service also have primary responsibility for establishing and maintaining a proper and effective control environment and for managing risk, including proper

accounting records and other management. In addition, there is also a primary responsibility for the prevention and detection of fraud, including the prompt reporting to all relevant parties of any evidence or reasonable suspicion of an irregularity.

During the course of an audit, Heads of Service, service managers and their staff will be required to cooperate fully with the auditor's requirements, including the completion of action plans, signing off audit reports and the timely implementation of specific and agreed recommendations agreed with Internal Audit.

#### **14. RELATIONSHIP WITH THE EXTERNAL AUDITORS AND OTHER REGULATORY BODIES**

Internal Audit will consult and where appropriate and work closely with others, including the external auditors, to minimise areas of duplication and to maximise the value obtained from the total audit resource. However, the work of Internal Audit will not be driven by external audit's own priorities.

Sarah Marsh – Head of Internal Audit  
November 2023

(Date of next review November 2024)

# Agenda Item 9

## **Report to the Audit & Governance Committee**



**Epping Forest  
District Council**

**Date of meeting: 30th November 2023**

**Portfolio: Finance & Economic Development**

**Subject: Treasury Management Quarter 2 Update 2023/24**

**Responsible Officer: Andrew Small (01992 564278)**

**Democratic Services: Laura Kirman (01992 564243)**

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### **Recommendations/Decisions Required:**

- (1) To note the Treasury Management Quarter 2 Update 2023/24 (**Appendix A**) and pass comment for full Council.

### **Executive Summary:**

The Council's Treasury Management Strategy (including Investment Strategy) for 2023/24 was considered at a meeting of the Audit and Governance Committee on 13th February 2023 and was subsequently agreed by full Council on 28th February 2023.

In accordance with CIPFA's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code 2021 Edition) and generally accepted good practice, the Treasury Management Quarter 2 Update for 2023/24 (presented in **Appendix A**) sets out the Council's actual Treasury Management activity for the first six months (Quarter 2) of 2023/24 (i.e., April to September 2023).

**Appendix A** begins by setting the external context for Quarter 2 of 2023/24 by exploring the Economic Background, Financial Markets and Credit Ratings, including a further rise in UK interest rates, reflecting the Bank of England's response to stubborn inflation in the economy.

The Borrowing and Investment position for Epping Forest District Council as at 30th September 2023 shows the following:

- *Borrowing* – external borrowing increased by £8.7 million (from £281.6 million to £290.3 million) during the period April to September 2023; and
- *Investments* – there was a decrease in investments of £5.9 million (from £14.1 million to £8.2 million) during the same period.

The definition of investments in CIPFA's Treasury Management Code covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e., management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also includes within the definition of investments all such assets held partially or wholly for financial return.

The report therefore also considers the Service and Commercial Investments held by the Council. This includes:

- Qualis and Home Assistance service loans (combined value of £50.890 million as at 30th September 2023)
- Commercial Property (Balance Sheet value of £148.483 million as at 31st March 2023); and a
- Qualis Investment Loan (value of £30.0 million as at 30th September 2023).

**Appendix A** concludes by considering compliance with CIPFA's Treasury Management Code and the Treasury Management Strategy for 2023/24, including Prudential and Other adopted indicators. Compliance with reportable indicators was achieved in almost all areas in Quarter 2, although available cash has dropped slightly below target levels recently as further borrowing has been minimised in the light of higher interest rates.

### **Reasons for Proposed Decision:**

To enable the robust scrutiny the Council's Treasury Management performance in 2023/24 in compliance with CIPFA's Treasury Management in the Public Services: Code of Practice (the CIPFA Code 2021 Edition) and generally accepted good practice.

### **Legal and Governance Implications:**

The Local Government Act 2003 created a framework for the financing of capital investments in local authorities which came into operation from April 2004. Alongside this, the Prudential Code was developed by CIPFA as a professional Code of Practice to support local authority decision making in capital investment and financing. Local authorities are required by regulation to have regard to the Prudential Code.

### **Safer, Cleaner and Greener (SCG) Implications:**

None.

### **Background Papers:**

Treasury Management in the Public Services: Code of Practice (2021 Edition) published by CIPFA December 2021.

(MHCLG) Statutory Guidance on Local Government Investments (3rd Edition). Issued under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1st April 2018.

Arlingclose Technical Update (revised Prudential and Treasury Management Codes) issued 22nd December 2021.

Treasury Management Strategy (including Investment Strategy) 2023/24 (Audit and Governance Committee, 13th February 2023).

**Risk Management:**

There are a range of inherent financial risks associated with Treasury Management activity; not least the potential for loss of interest and/or deposits. The Council therefore engages the services of external Treasury Management advisors, Arlingclose Ltd.

Borrowing and Investment decisions are made in accordance with the Council's formally adopted Treasury Management Strategy (including Investment Strategy). The Strategy includes several Risk Management features, including – for example – the overriding priority that security of deposit takes precedence over return on investment.



## Treasury Management Quarter 2 Update 2023/24

### Introduction

The Council has previously adopted CIPFA's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Council to approve Treasury Management semi-annual ("mid-year updates") and annual reports.

This quarterly report provides an additional update and includes the new requirement in the 2021 Code, mandatory from 1st April 2023, of quarterly reporting of the Treasury Management Prudential Indicators. The Non-Treasury Prudential Indicators are incorporated within the Council's routine quarterly (revenue and capital monitoring) report.

The Council's Treasury Management Strategy (including Investment Strategy) was considered at a meeting of the Audit and Governance Committee on 13th February 2023 and was subsequently agreed by full Council on 28th February 2023. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's Treasury Management Strategy.

### External Context: April to September 2023

**Economic Background:** UK inflation remained stubbornly high over much the period compared to the US and Euro Zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates. However, inflation in the latter part of the period was lower than expected, causing financial markets to reassess the anticipated peak in the Bank Rate. This was followed very soon after by the BoE deciding to keep the Bank Rate on hold at 5.25% in September, against an expected increase of another 0.25% rise. Arlingclose, the Council's Treasury Adviser, has now revised its interest forecast to reflect the central view that 5.25% will be the peak in the Bank Rate.

Economic growth in the UK remained relatively weak over the period. In April to June 2023, the economy expanded by 0.2%. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication that the monetary tightening cycle is starting to cause recessionary, or at the very least, stagnating economic conditions.

July data showed the unemployment rate increased to 4.3% while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms was positive at 1.2% and 0.6% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices.

**Financial Markets:** Market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

**Credit Review:** Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March 2023, Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period.

Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority’s counterparty list recommended by Arlingclose remains under constant review.

### **Local Context**

On 31st March 2023, the Council had net borrowing of £267.5 million arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

**Table 1: Balance Sheet Summary**

	<b>31/03/23 Actual £m</b>	<b>31/03/24 Forecast £m</b>
General Fund CFR	159.088	216.894
HRA CFR	154.475	166.891
<b>Total CFR</b>	<b>313.563</b>	<b>383.785</b>
Less: Other Debt liabilities	0	0
<b>Borrowing CFR</b>	<b>313.563</b>	<b>383.785</b>
Less: External borrowing	(282.681)	(352.903)
<b>Internal borrowing:</b>	<b>30.882</b>	<b>30.882</b>
Less: Balance Sheet resources	(43.678)	(44.069)
<b>Net Investments</b>	<b>(12.796)</b>	<b>(13.187)</b>

The Treasury Management position as at 30th September 2023 and the change during the first six months of the financial year is shown in Table 2 below.

**Table 2: Treasury Management Summary**

	31/03/23 Balance £m	Movement £m	30/09/23 Balance £m	30/09/23 Rate %
Long-term Borrowing	248.6	5.2	253.8	3.3%
Short-term Borrowing	33.0	3.5	36.5	4.6%
<b>Total Borrowing</b>	<b>281.6</b>	<b>8.7</b>	<b>290.3</b>	
Long-Term Investments	0	0	0	N/A
Short-term Investments	0*	4	4	5.2%
Cash and Cash Equivalents	14.1	(9.9)	4.2	3.3%
<b>Total Investments</b>	<b>14.1</b>	<b>(5.9)</b>	<b>8.2</b>	
<b>Net Borrowing</b>	<b>267.5</b>		<b>282.2</b>	

\*DMADF deposits reclassified from Short-Term to Cash & Cash Equivalents

The Council's cash flows during April to September 2023 were relatively stable with a gradual move away from Internal Borrowing towards External Borrowing as surplus Section 31 payments on account in respect of Business Rate Reliefs and Covid-related Grants were returned to the Government in accordance with the respective scheme requirements (lowering available cash balances). Thus:

- **Borrowing** – the strategy is to gradually move away from taking out new short-term loans over the past 12 months despite the small increase in the Short-Term Borrowing balance presented above, which reflects imminent loan maturities, including two Long-Term Maturity Loans due to be repaid in 2023/24 (total value £13.0 million); and
- **Investments** – low level Investment balances have continued in Quarter 2 in accordance with deliberate strategy (reflecting “Liquidity Allowance” of £15.0 million). The balance includes £2.0 million in “Debt Management Account Deposit Facility” (DMADF) deposits and £4.0 million in Money Market Funds (MMF) deposits.

### **Borrowing Update**

Local authorities can borrow from the PWLB provided they can confirm they are not planning to purchase ‘investment assets primarily for yield’ in the current or next two financial years, with confirmation of the purpose of capital expenditure from the Section 151 Officer. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing.

Acceptable use of PWLB borrowing includes Service Delivery, Housing, Regeneration, Preventative Action, Refinancing and Treasury Management.

The Council is not planning to purchase any investment assets primarily for yield within the next three years and so is able fully access the PWLB.

### **Borrowing Strategy**

At 30th September 2023, the Council held £290.3 million in loans (an increase of £8.7 million compared to the position as at 31st March 2023), as part of its strategy for funding the Capital Programme. Outstanding loans on 30th September 2023 are summarised in Table 3 below.

**Table 3: Borrowing Position**

	<b>31/03/23 Balance £m</b>	<b>Net Movement £m</b>	<b>30/09/23 Balance £m</b>	<b>30/09/23 Weighted Average Rate %</b>	<b>30/09/23 Weighted Average Maturity (Years/Days)</b>
Public Works Loan Board	261.6	5.2	266.8	3.35%	13 Years
Banks	0	0	0	N/A	N/A
Local authorities (long-term)	0	0	0	N/A	N/A
Local authorities (short-term)	20.0	3.5	23.5	4.75%	33 Days
<b>Total Borrowing</b>	<b>281.6</b>	<b>8.7</b>	<b>290.3</b>		

The chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

There has been a substantial rise in the cost of both short and long-term borrowing over the last 18 months. In Quarter 2, the Bank Rate rose a further 0.25% from 5.00% to 5.25% so is significantly higher than its level of 1.25% at the end of June 2022.

### **Other Debt Activity**

The Council did not raise any other capital finance in the first six months of 2023/24.

### **Treasury Investment Activity**

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held, and money borrowed in advance of need. During the first six months of 2023/24, as is normal, the Council's investment balances varied due to timing differences between income and expenditure. The Council held £8.2 million in Treasury Investments as at 30th September 2023 as shown in Table 4 below.

**Table 4: Treasury Investment Position**

	<b>31/03/23 Balance £m</b>	<b>Net Movement £m</b>	<b>30/09/23 Balance £m</b>	<b>30/09/23 Income Return %</b>	<b>30/09/23 Weighted Average Maturity Days</b>
Banks & Building Societies (unsecured)	1.1	1.1	2.2	1.45%	Instant Access
Government (incl. local authorities)	3.0	(1.0)	2.0	5.25%	19 days
Money Market Funds	10.0	(6.0)	4.0	4.72%	Instant Access
<b>Total Investments</b>	<b>14.1</b>	<b>(5.9)</b>	<b>8.2</b>		

Both the CIPFA Code and Government guidance requires local authorities to invest funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The Bank Rate increased by 0.25% in Quarter 2, from 5.00% at the beginning of July to 5.25% by the end of September and was reflected in short-dated cash rates, which rose commensurately.

The rates on "Debt Management Account Deposit Facility" (DMADF) deposits also rose to 5.25% by the end of September 2023, as well as Money Market rates (typically in the range 5.1% to 5.3%).

### **Non-Treasury Investments**

The definition of investments in CIPFA's Treasury Management Code covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e., management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also includes within the definition of investments all such assets held partially or wholly for financial return.

The Council holds a range of both Service and Commercial investments. As at 30th September 2023, active investments included the following:

- *Service Investments*
  - Loans to Subsidiaries (Qualis)
  - Home Assistance Loans
- *Commercial Investments*
  - Commercial Property
  - Loans to Subsidiaries (Qualis).

### **Service Investments**

The total value of Service Investments as at 30th September 2023 was £50.890 million and is summarised in Table 5 below.

**Table 5: Service Investments**

Description	31/03/23 Balance Owing*	Movement (Q1 & Q2 23/24)	30/09/23 Balance Owing*	Total Approved Limit
	£000's	£000's	£000's	£000's
<i>Subsidiaries (Qualis):</i>				
Working Capital Loan	6,000	0	6,000	6,000
Asset Purchase Loan	14,138	(246)	13,892	16,782
Development Loans	18,333	12,295	30,628	68,218
Regeneration Loans	0	0	0	35,000
Home Assistance Loans (General Fund)	387	(17)	370	150**
<b>Total Value</b>	<b>38,858</b>	<b>12,032</b>	<b>50,890</b>	<b>126,150</b>

\* Loss Allowances excluded (calculated annually for Balance Sheet purposes only)

\*\* Capital Programme allocation 2023/24 to 2027/28 (£30,000 annually over five-years).

An additional £12.295 million in Developments Loans have been granted to Qualis in the first six months of the financial year, which is enabling the continued development of Cottis Lane Multi-Story Car Park and the former Conder site (for Housing). The balance on the Working Capital Loan has remained stable, reflecting the nature of the “revolving credit facility”.

### **Commercial Investments**

The Council also holds significant Commercial Property Investments on its Balance Sheet comprising a diverse portfolio of Shops, Industrial Units, and a range of other property assets. In addition, the Council holds a Commercial Loan with its wholly owned subsidiary, Qualis.

The value and return from the Commercial Property portfolio in Quarter 2 is summarised in Table 6 below.

**Table 6: Commercial Property Investments**

Category	31/03/23 Balance Sheet Value	Net Income 2023/24 (6 months April – Sept 2023) *** Actual	Net Income 2022/23 (6 months April – June 2022) *** (50% Actual)
	£Ms	£Ms	£Ms
	Shops*	93.479	3.046
Industrial Units	38.114	0.593	0.844
Other**	16.890	0.482	0.512
<b>Total Value/Net Income</b>	<b>148.483</b>	<b>4.121</b>	<b>4.224</b>

\* Includes Public Houses and a Petrol Station \*\*Includes North Weald Airfield and Sports Facilities

The Council received total net income of £4.121 million from Commercial Property Investments in the first six months of 2023/24 (compared to £4.224 million for the corresponding period in 2022/23).

Whilst robust returns have been achieved from Shops in particular so far in 2023/24, there has been a reduction in rental income from Industrial Units, driven by four properties that have been demolished for redevelopment and a further four vacant units.

Rent reviews, combined with inducements such as rent-free periods (temporarily restraining rent receipts in the first six months of the year), means that rental levels on Shops are expected to continue to grow during the latter half of the financial year.

The Committee should note that the numbers reflect the accrued position currently in the Council's books, which does not take account of the collectability of income. The Commercial Property portfolio proved very resilient during the pandemic, but an increase in write-offs cannot be ruled out in the future given the current economic climate.

The Commercial Loan with Qualis had an outstanding balance of £30.0 million as at 30th September 2023 and is presented in Table 7 below.

**Table 7: Commercial Loans**

Description	Balance Owing 31/03/23	Movement	Balance Owing 30/09/23	Approved Limit
	£000's	£000's	£000's	£000's
Qualis Investment Loan	30,000	0*	30,000	30,000

\* 10-Year Maturity Loan (principal repayable upon maturity in September 2030)

Members should note that, in accordance with the Council's MRP Policy and the prevailing accounting rules at the point at which the Commercial Loan to Qualis was granted (in September 2020), MRP is not provided on this loan. However, the Council has purposely protected its position in the form of a "floating charge" on the underlying commercial assets that were purchased (by Qualis) with the proceeds from the loan.

## Compliance

The Strategic Director and Section 151 Officer reports that Treasury Management activities undertaken during the first three months of the year fully complied with the CIPFA Code of Practice.

Compliance with the approved Treasury Management Strategy has been achieved in almost all areas, although available cash has dropped slightly below target levels recently as further borrowing has been minimised in the light of higher interest rates.

**Table 8: Investment Limits**

Sector	Time limit	Counterparty limit	Sector limit	30/09/23	Complied? (Yes/No)
The UK Government	50 years	Unlimited	N/A	£2.0 million	Yes
Local authorities & other Government entities	25 years	£10 million	Unlimited	£0	Yes
Banks (unsecured)*	13 months	£4.0 million	£20.0 million	£2.2 million	Yes
Building Societies* (unsecured)	13 months	£2.0 million	£2.0 million	£0	Yes
Registered Providers* (unsecured)	5 years	£3.0 million	£3.0 million	£0	Yes
Money Market Funds*	N/A	£10.0 million	Maximum of 3 Funds (£10 million each)	£4.0 million	Yes

**\* Minimum Credit Rating**

Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken account of.

**Table 9: Debt and the Authorised Limit and Operational Boundary**

Description	Q2 2023/24 Maximum	30/09/23 Actual	Operational Boundary 2023/24	Authorised Limit 2023/24	Complied? (Yes/No)
	£000's	£000's	£000's	£000's	£000's
Borrowing	286,764	290,348	443,184	453,184	Yes
PFI and Finance Leases	0	0	0	0	Yes
<b>Total Debt</b>	<b>286,764</b>	<b>290,348</b>	<b>443,184</b>	<b>453,184</b>	<b>Yes</b>



## **Treasury Management Prudential Indicators**

As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following Treasury Management Prudential Indicators.

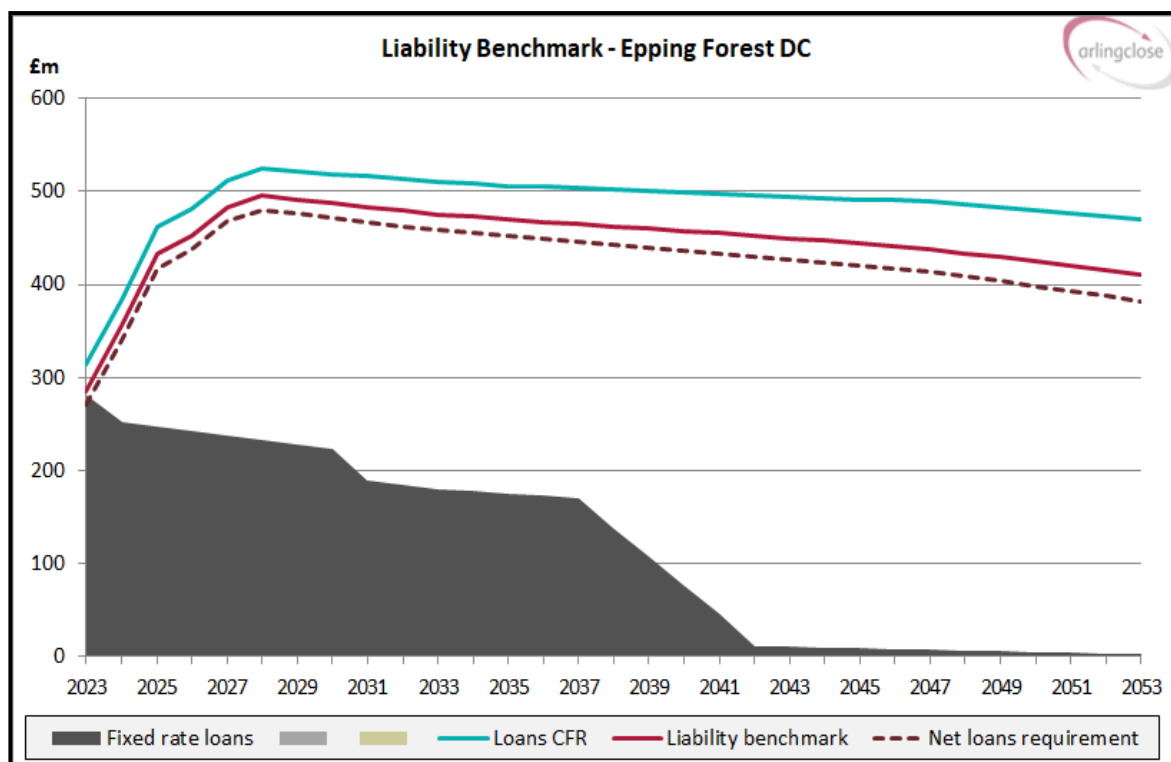
### **Liability Benchmark**

This new indicator compares the Council's actual existing borrowing against a Liability Benchmark that has been calculated to show the lowest risk level of borrowing. The Liability Benchmark is an important tool to help establish whether the Council is likely to be a long-term Borrower or long-term Investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external Borrowing the Council must hold to fund its current capital and revenue plans while keeping Treasury Investments at the minimum level of £15.0 million required to manage day-to-day cash flow.

Description	31/03/23	31/03/24	31/03/25	31/03/26
	Actual	Forecast	Forecast	Forecast
	£M's	£M's	£M's	£M's
Loans CFR	313.6	383.8	461.2	481.0
Less: Balance Sheet resources	(43.7)	(43.7)	(43.7)	(43.7)
<b>Net loans requirement</b>	<b>269.9</b>	<b>340.1</b>	<b>417.5</b>	<b>437.3</b>
Plus: Liquidity Allowance	15.0	15.0	15.0	15.0
<b>Liability Benchmark</b>	<b>284.9</b>	<b>355.1</b>	<b>432.5</b>	<b>452.3</b>
<b>Existing Borrowing</b>	<b>281.6</b>	<b>252.3</b>	<b>247.8</b>	<b>243.2</b>

Following on from the medium-term forecast above, the long-term (30-year) Liability Benchmark below assumes:

- Minimum Revenue Provision (MRP) on new capital expenditure based on an average asset life of 29 years (covering a range of 7 to 50 years); and
- Income, expenditure, and reserves all increasing by inflation of 2.5% per annum.



**Maturity Structure of Borrowing**

This indicator is set to control exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

Refinancing Rate Risk Indicator	Upper Limit	Lower Limit	30/09/23 Actual	Complied?
Under 12 months	50%	0%	12%	Yes
12 months and within 24 months	50%	0%	3%	Yes
24 months and within 5 years	50%	0%	5%	Yes
5 years and within 10 years	50%	0%	18%	Yes
10 years and within 15 years	50%	0%	14%	Yes
15 years and within 20 years	50%	0%	44%	Yes
20 years and within 25 years	50%	0%	1%	Yes
25 years and above	50%	0%	2%	Yes

It should be noted that – based on Arlingclose advice – the proposed limits presented above are deliberately wide in range. This is because the indicator is only designed to cover the risk of replacement loans being unavailable, rather than interest rate risk.

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

### **Long-Term Treasury Management Investments**

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	<b>2023/24 (April – Sept)</b>
Actual principal invested beyond year end.	£0
Limit on principal invested beyond year end.	£15.0 million
Complied?	Yes

### **Additional Indicators**

#### **Security**

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	<b>30/09/23 Actual</b>	<b>2023/24 Target</b>	<b>Complied?</b>
Portfolio average credit rating	AA	A-	Yes

#### **Liquidity**

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

	<b>30/09/23 Actual</b>	<b>2023/24 Target</b>	<b>Complied?</b>
Total cash available within 3 months	£8.2 million	£15.0 million	No

Available cash has dropped slightly below target levels recently as further borrowing has been minimised in the light of higher interest rates, although the operational cash flow needs of the Council have continued to be met without recourse to the use of an overdraft facility.

**Interest Rate Exposure**

The Treasury Management Strategy for 2023/24, considered by the Committee and adopted by the Council in February, included an Interest Rate Exposure Indicator, aimed at controlling the Council's exposure to interest rate risk (setting upper limits on the one-year revenue impact of a 1% rise or fall in interests). The indicator is not a requirement of the Treasury Management Code, although it is a reporting requirement within the Council's Statement of Accounts and is good practice recommended by Arlingclose.

	<b>30/09/23 Actual</b>	<b>2023/24 Limit</b>	<b>Complied?</b>
Upper limit on one-year revenue impact of a 1% rise in interest rates	79,962	£96,000	Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	(79,962)	(96,000)	Yes