

**AUDIT & STANDARDS COMMITTEE**  
**Wednesday 25 November 2020 at 7.30 pm**  
**Zoom - Online**

This meeting is a virtual meeting which is being hosted on Zoom. Councillors and registered public participants will be sent access details nearer the date of the meeting.

Members of the public who wish to watch the meeting can do so via a livestream which will appear on the Council's YouTube page  
<https://www.youtube.com/user/HarlowCouncil>

**AGENDA**

1. Apologies for Absence and Substitutions
2. Declarations of Interest  
  
Councillors' declarations of interest (if any) in relation to any matters on the agenda.
3. Minutes (Pages 3 - 5)  
  
Minutes of the meeting held on 27 August 2020
4. Matters Arising
5. Written Questions and Petitions
6. Non Contentious Business
7. Committee Work Plan (Pages 6 - 7)
8. Annual Audit Letter 2018/19 (to follow)
9. Audited Annual Accounts 2018/19 (to follow)
10. Management Letter of Representation (to follow)
11. External Auditors Audit Results Report 2018/19 (ISA 260) (to follow)
12. External Auditor - Audit Plan 2019/20 (Pages 8 - 50)
13. Period 8 Internal Audit Activity Report (Pages 51 - 65)
14. Risk Management Progress Report (Pages 66 - 78)

15. References from other Committees

Any references arising from meetings held after the publication of this agenda will be circulated separately.

16. Matters of Urgent Business

To deal with any matters of an urgent nature.

**MINUTES OF THE AUDIT & STANDARDS COMMITTEE  
HELD ON**

27 August 2020

7.30 - 8.11 pm

**PRESENT**

**Committee Members**

Councillor Stefan Mullard (Chair)

Councillor Simon Carter

Councillor Jean Clark

Councillor Jodi Dunne

Councillor Tony Edwards (substitute for Councillor Frances Mason)

Councillor Maggie Hulcoop

Councillor Eddie Johnson

**Officers**

Hannah Criddle, Governance Support Officer

Natalie Hook, Senior Auditor

Simon Freeman, Head of Finance and Deputy to the Chief Executive

Sarah Marsh, Internal Audit Manager

Karen Gardner, Internal Auditor

Adam Rees, Governance Support Officer

14. **APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies for absence were received from Councillors Michael Hardware, Shannon Jezzard, Frances Mason and Russell Perrin.

Councillor Tony Edwards attended as a substitute for Councillor Frances Mason.

15. **DECLARATIONS OF INTEREST**

Councillor Simon Carter declared a pecuniary interest in agenda item 8 as a remunerated Council appointed director of HTS (Property and Environment) Ltd.

16. **MINUTES**

**RESOLVED** that the minutes of the meeting held on 10 June 2020 are agreed as a correct record and signed by the Chair.

17. **MATTERS ARISING**

None.

18. **WRITTEN QUESTIONS AND PETITIONS**

None.

19. **NON CONTENTIOUS BUSINESS**

None.

20. **COMMITTEE WORK PLAN**

The Committee received its current work plan. Sarah Marsh, Internal Audit Manager, advised the Committee that the Progress Report had been omitted from the work plan by mistake and would be considered at the November committee.

**RESOLVED** that the work plan is noted.

21. **PERIOD 8 INTERNAL AUDIT ACTIVITY REPORT 2020/21**

The Committee received a report on the activity of the Internal Audit service. The Committee also received the revised Code of Corporate Governance, Anti-Fraud and Corruption Strategy and Internal Audit Charter.

**RESOLVED that** the Committee:

- A** Approved the revised Code of Corporate Governance (attached as Appendix B to the report)
- B** Approved the revised Anti-Fraud and Corruption Strategy (attached as Appendix C to the report)
- C** Approved the Internal Audit Charter (attached as Appendix D to the report).

22. **REVIEW OF AUDIT & STANDARDS COMMITTEE EFFECTIVENESS AND TERMS OF REFERENCE**

The Committee received a report on the review of the effectiveness of the Committee and its terms of reference.

**RESOLVED** that the Committee:

- A** Agreed no changes are required to its Terms of Reference.
- B** Considered the results of the review of effectiveness of the Audit Committee and note progress against last year's action.

23. **ANNUAL GOVERNANCE STATEMENT 2019/20**

The Committee received the Annual Governance Statement for 2019/20.

**RESOLVED that** the Committee:

- A** Reviewed and approved the Council's Annual Governance Statement for 2019/20 (attached as Appendix A to the report).

24. **REFERENCES FROM OTHER COMMITTEES**

None.

25. **MATTERS OF URGENT BUSINESS**

None.

CHAIR OF THE COMMITTEE

## **AUDIT & STANDARDS COMMITTEE WORK PLAN 2020/21**

<b>June 2020</b>	
○ Audit and Standards Committee Annual Report 2019/20	Sarah Marsh
○ Internal Audit Annual Report 2019/20	Sarah Marsh
○ Period 2 Internal Audit Activity Report 2020/21	Sarah Marsh
○ Revised 2020/21 Internal Audit Plan	Sarah Marsh
<b>August 2020</b>	
○ Period 5 Internal Audit Activity Report 2020/21	Sarah Marsh
○ Review of Internal Audit Charter	Sarah Marsh
○ Review of Audit & Standards Committee Effectiveness and Terms of Reference	Sarah Marsh
○ Review of Code of Corporate Governance	Sarah Marsh
○ Review of Anti-Fraud and Corruption Strategy	Sarah Marsh
○ Annual Governance Statement 2019/20	Simon Freeman
<b>November 2020</b>	
○ Annual Audit Letter 2018/19	External Auditor
○ Audited Annual Accounts 2018/19	Simon Freeman
○ Management Letter of Representation	External Auditor
○ External Auditors Audit Results Report 2018/19 (ISA 260)	External Auditor
○ External Auditor – Audit Plan 2019/20	External Auditor
○ Period 8 Internal Audit Activity Report	Sarah Marsh
○ Risk Management Progress Report	Stuart Moseley
<b>March 2021</b>	
○ Annual Report on the Certification of Grant Claims and Returns <i>(including fees)</i>	External Auditor
○ External Auditor - Audit Plan 2020/21	External Auditor

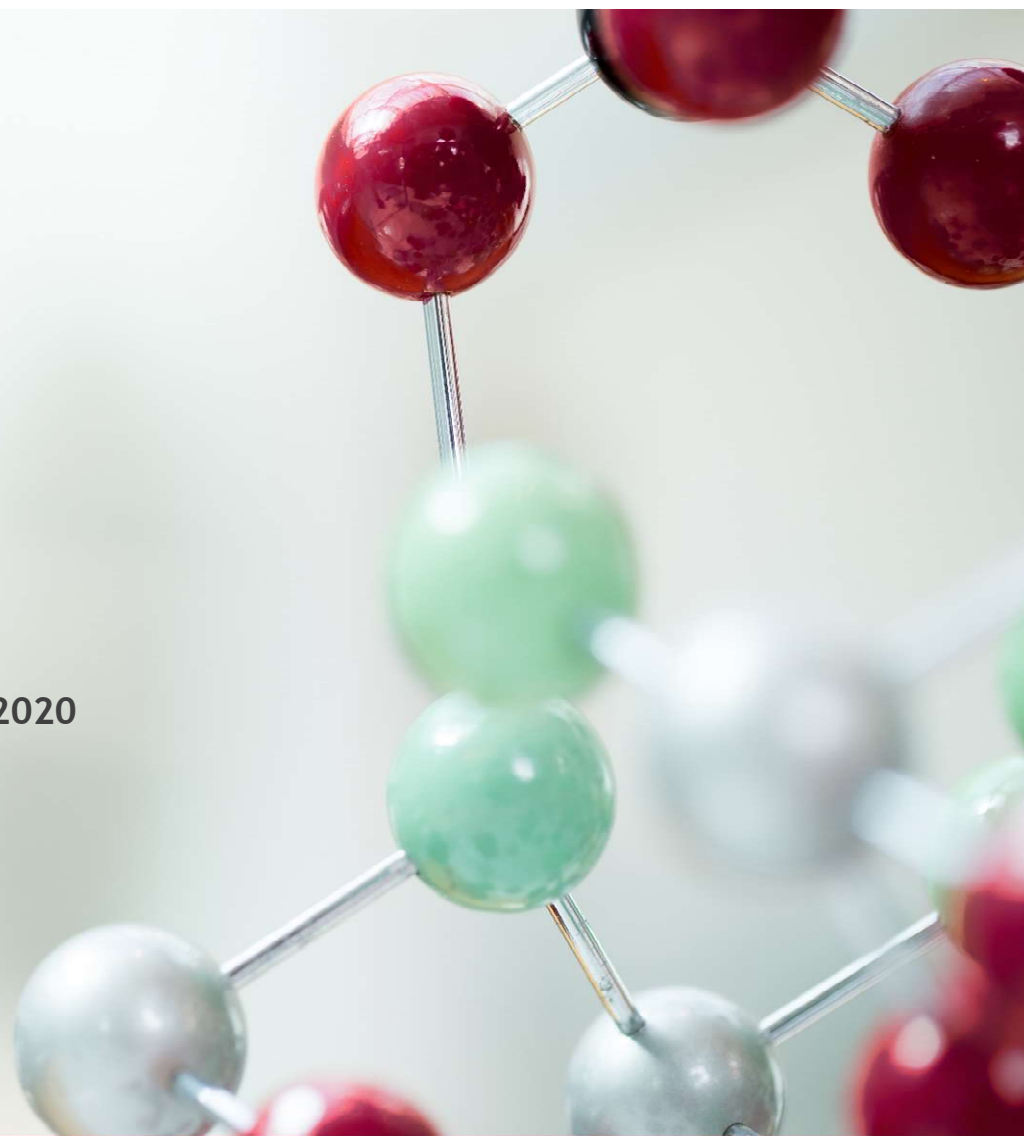
## AUDIT & STANDARDS COMMITTEE WORK PLAN 2020/21

○ Internal Audit Strategy and Plan 2021/22	Sarah Marsh
○ Period 11 Internal Audit Activity Report 2020/21	Sarah Marsh
○ Internal Audit Compliance with the Public Sector Internal Audit Standards	Sarah Marsh
○ Audit & Standards Committee Work Plan and Training Programme	Sarah Marsh
○ Risk Management Progress Report	Stuart Moseley
<b>Standing Items</b>	
○ Register of Complaints which have been referred to Hearing Sub-Committee	Monitoring Officer
<b>Unallocated Items</b>	
○ None	
<b>Training Plan</b>	<b>Topic</b>
<b>August 2020 – date and time to be confirmed</b>	Financial accounts, ahead of the Audit and Standards Committee receiving the annual accounts for approval
<b>25 November 2020 – starts 6.45pm ahead of the Committee meeting</b>	Business continuity framework and initial lessons learnt from Covid-19
<b>03 March 2021 – starts 6.45pm ahead of the Committee meeting</b>	Information governance and data protection from the Council's recently appointed Data Protection Officer

Report to the Audit and Standards Committee

# HARLOW COUNCIL

Audit Planning Report: year ended 31 March 2020



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# CONTENTS

1	Introduction	3
	Welcome	3
2	Executive summary	4
	Scope and materiality	4
	Audit strategy	5
	Audit risks overview	6
	Independence and fees	7
	Coronavirus	8
3	Audit scope and objectives	11
	Overview	11
	Audit scope entities, components and audit risks	12
	BDO team	13
4	Audit risks	14
	Overview	14

	Management override of controls	15
	Revenue and Expenditure recognition	16
	Valuation of property, plant & equipment assets	17
	Valuation of pension liability	18
	Informed decision making - financial statement preparation (use of resources)	19
	Other matters requiring further discussion	20
	Going concern	22
	Irregularities (including fraud)	23
	Accounting estimates	24
	IT general controls	25
5	Independence	26
	Independence	26
6	Appendices contents	27

# WELCOME

## CONTENTS

Introduction

Welcome

Executive summary

Audit scope and objectives

Audit risks

Independence

Appendices contents

10

We have pleasure in presenting our Audit Planning Report to the Audit and Standards Committee of Harlow Council (the 'Council'). This report forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process with those charged with governance.

It summarises the planned audit strategy for the year ending 31 March 2020 in respect of our audit of the financial statements and consolidated entities (together the 'Group') and use of resources; comprising materiality, key audit risks and the planned approach to these, together with timetable and the BDO team.

The planned audit strategy has been discussed with management to ensure that it incorporates developments in the business during the year under review, the draft 2019/20 accounts, and other required scope changes.

We look forward to discussing this plan with you at the Audit and Standards Committee meeting on 25 November 2020 and to receiving your input on the scope and approach.

In the meantime if you would like to discuss any aspects in advance of the meeting please contact one of the team.

Steve Bladen

18 November 2020

**Steve Bladen**

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This report has been prepared solely for the use of the Audit and Standards Committee and Those Charged with Governance. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

# SCOPE AND MATERIALITY

## Executive summary

### CONTENTS

Introduction

Executive summary

Scope and materiality

Audit strategy

Audit risks overview

Independence and fees

Coronavirus

Coronavirus 2

Coronavirus 3

Audit scope and objectives

Audit risks

Independence

Appendices contents

This summary provides an overview of the key audit matters that we believe are important to the Audit and Standards Committee in reviewing the planned audit strategy for the Council and Group for the year ending 31 March 2020.

It is also intended to promote effective communication and discussion and to ensure that the audit strategy appropriately incorporates input from those charged with governance.

### Audit scope

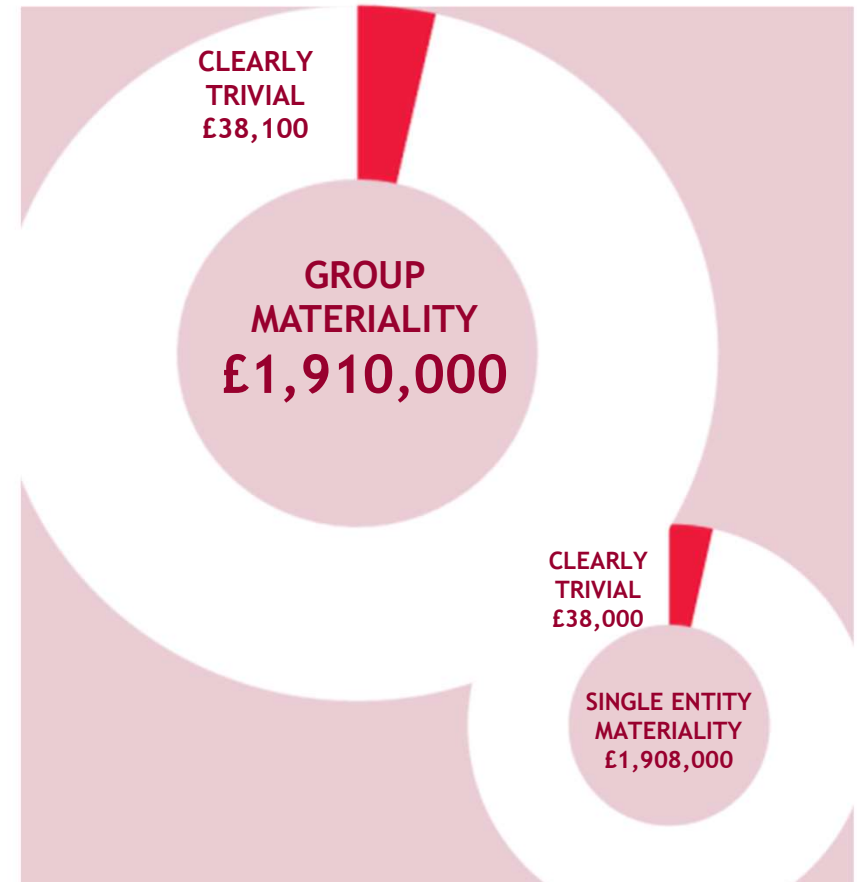
The scope of the audit is determined by the National Audit Office's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements; reviewing the arrangements to secure value for money through the economic, efficient and effective use of its resources; and, where appropriate, exercising the auditor's wider reporting powers and duties.

Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the National Audit Office.

### Materiality

Planning materiality is based on the Council's draft statement of accounts, and has been set at 1.85% of gross expenditure for the year for both the Council and Group (prior year 1.65%). The increase is due to our increased knowledge of the Council, and the users of its statement of accounts, in a second year audit. We will update our calculation of materiality following our review of the working papers supporting the Council's draft statement of accounts.

Although materiality is the judgement of the engagement lead, the Audit and Standards Committee is obliged to satisfy themselves that the materiality chosen is appropriate for the scope of the audit.



# AUDIT STRATEGY

## Executive summary

### CONTENTS

Introduction

Executive summary

Scope and materiality

Audit strategy

Audit risks overview

Independence and fees

Coronavirus

Coronavirus 2

Coronavirus 3

Audit scope and objectives

Audit risks

Independence

Appendices contents



Our audit strategy is predicated on a risk based approach, so that audit work is focused on the areas of the financial statements where the risk of material misstatement is assessed to be higher, or where there is a risk that the organisation has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We have discussed the changes to the Council, systems and controls in the year with management and obtained their own view of potential audit risk in order to update our understanding of the Group's activities and to determine which risks impact on the numbers and disclosures in the financial statements, or on its arrangements for securing economy, efficiency and effectiveness in its use of resources.

We will continue to update this assessment throughout the audit.

The table on the next page summarises our planned approach to audit risks identified.

# AUDIT RISKS OVERVIEW

## Executive summary

### CONTENTS

Introduction

**Executive summary**

Scope and materiality

Audit strategy

Audit risks overview

Independence and fees

Coronavirus

Coronavirus 2

Coronavirus 3

Audit scope and objectives

Audit risks

Independence

Appendices contents

Risk identified	Risk rating	Fraud risk present	Testing approach	Impact of significant judgements and estimates
Management override of controls	Significant	Yes	Substantive	Medium
Revenue and expenditure recognition	Significant	Yes	Substantive	Medium
Valuation of property, plant & equipment assets	Significant	No	Substantive	High
Valuation of pension liability	Significant	No	Substantive	High

Risks identified - Use of resources	Risk rating	Testing approach	Impact of significant judgements and estimates
Informed decision making - financial statement preparation	Significant	Detailed review	Not applicable



# INDEPENDENCE AND FEES

## Executive summary

### CONTENTS

Introduction

Executive summary

Scope and materiality

Audit strategy

Audit risks overview

Independence and fees

Coronavirus

Coronavirus 2

Coronavirus 3

Audit scope and objectives

Audit risks

Independence

Appendices contents



### Independence

We confirm that the firm complies with the Financial Reporting Council's Ethical Standard for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

### Fees

	2019/20	2018/19
Code audit fee	£59,686	59,686
Estimated additional fee for other issues	-	TBC
Fee for group accounts	£3,000	TBC
<b>Total audit fees</b>	<b>£62,686</b>	<b>TBC</b>
<b>Fees for non-audit services - audit related:</b>		
• Certification of housing benefits subsidy claim	£16,825	£30,815*
• Certification of pooled housing capital receipts return	£3,000	£3,000
<b>Total non-audit services fees</b>	<b>£19,825</b>	<b>£33,815</b>
<b>Total fees</b>	<b>£82,511</b>	<b>TBC</b>

\*Additional fee of £13,360 agreed with officers in line with our fee quote for additional testing as a result of errors found.

### Fee variances

Due to the additional work required during the 2018/19 audit, an additional fee is required and this is still being determined.

### Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee or where we are required to carry out work in exercising our additional powers and duties, we will first discuss this with the Council. Where this requires a variation to the scale fee set by Public Sector Audit Appointments Ltd (PSAA) we will seek approval from PSAA. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Standards Committee.

# CORONAVIRUS

## The effects on year-end reporting and auditing

CONTENTS
Introduction
Executive summary
Scope and materiality
Audit strategy
Audit risks overview
Independence and fees
Coronavirus
Coronavirus 2
Coronavirus 3
Audit scope and objectives
Audit risks
Independence
Appendices contents

The emergence and spread of Coronavirus has had an effect on business and markets around the world. Guidance is now available to assist in identifying the potential corporate reporting and auditing issues and consequences of the virus, and there have been a number of Local Government specific issues, including relaxations to accounts preparation and audit timetables.

However, given the fast moving and ever changing nature of the situation, aspects of this corporate guidance will change over time. The outbreak is an in-year event and will impact the valuations, estimations and disclosures reflected in the financial statements for periods ending on or after 31 March 2020.

### Going concern

In respect of going concern, management are required to consider events that have occurred both before and after the balance sheet date when determining whether there is a material uncertainty over the ability to continue as a going concern. Consequently, forecast financial information, sensitivity analysis (which may require additional and/or different potential variances to be included) and compliance with bank and other covenants will need to factor in the estimated effects of the Coronavirus pandemic.

A common approach that is developing, and which BDO is encouraging from management, in relation to each set of financial statements that is prepared for audit is:

- The assessment of going concern management are required to undertake needs to explicitly consider the impact of Coronavirus to accommodate the uncertainty prevailing and must cover the period of at least 12 months from the date of signing the financial statements. The assessment may not be limited to this period if there are foreseen events or conditions beyond this period which may influence the economic decisions of users.

- The assessment needs to consider the entity's resilience through three lenses - operational capability (closed locations, reduced workforce through illness, breakdown in supply chain), demand for services (effect on income and expenditure) and structural finance (liquidity and access to committed facilities).
- If management consider that there are material uncertainties, this will need to be referenced in the relevant disclosure and will result in a material uncertainty reference in the audit report (albeit the audit opinion is not qualified).
- The going concern disclosures in the basis of preparation note in the financial statements will also need to be enhanced.

Within local government, the Government's commitment to ensure that local authorities are adequately compensated for additional expenditure incurred or income lost directly as a result of the Coronavirus pandemic, removes some of the uncertainty faced by non-public sector entities. However, management's assessment of going concern, and associated disclosures in the financial statements, are still expected to fully consider and record the impact of Coronavirus.

The auditor's review of management's assessments must be greater than normal, will require more evidence, and will continue to be performed through to the point of signing the audit report.

# CORONAVIRUS 2

## The effects on year-end reporting and auditing

### CONTENTS

Introduction

Executive summary

Scope and materiality

Audit strategy

Audit risks overview

Independence and fees

Coronavirus

Coronavirus 2

Coronavirus 3

Audit scope and objectives

Audit risks

Independence

Appendices contents

### Financial reporting implications

#### Grant funding

Grant funding received before 31 March 2020 to fund expenditure related to the Coronavirus pandemic will need to be assessed for conditions and recognised in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

#### Valuations of financial and non-financial assets and liabilities

Data used in valuations of financial and non-financial assets and liabilities should be based on forecasts, projections and assumptions that were reasonable and supportable at the balance sheet date. For 31 March 2020 year ends, given that the significant development and spread of Coronavirus occurred within the financial year and that the World Health Organisation announced a global health emergency on 31 January 2020, the estimated impact of the Coronavirus pandemic will need to be factored into this data.

#### Subsequent events disclosure

Significant income and expenditure incurred as a result of the Coronavirus pandemic after 31 March 2020 and up to the date of signing may need to be disclosed as a non-adjusting post balance sheet event, if considered of such importance as to affect the ability of users of the financial statements to make proper evaluations.

#### Leases

IFRS 16 Leases will be effective from 1 April 2021 (a further one year deferral).

### Narrative reporting implications

The Annual Governance Statement should clearly set out the risks arising from Coronavirus.

Local authorities will need to monitor developments and ensure that they are providing up-to-date and meaningful disclosures when preparing their Statement of Accounts.

### Other guidance

The National Audit Office (NAO) has published a Guide for audit committees on financial reporting and management during the Coronavirus pandemic. This guide aims to help audit committee members support and challenge the organisations they work with in the following areas:

- Annual reports
- Financial reporting
- The control environment
- Regularity of expenditure.

In each section of the guide, the NAO has set out some questions to help audit committee members understand and challenge activities. Each section can be used on its own, although the NAO would recommend that audit committee members consider the whole guide, as the questions in other sections may be interrelated.

The guide may also be used as organisations and audit committees consider reporting in the 2020/21 period when more specific and detailed reporting on the outbreak will be required.

The guide is available through the following link:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>



# CORONAVIRUS 3

## The effects on year-end reporting and auditing

### CONTENTS

Introduction

Executive summary

Scope and materiality

Audit strategy

Audit risks overview

Independence and fees

Coronavirus

Coronavirus 2

Coronavirus 3

Audit scope and objectives

Audit risks

Independence

Appendices contents

### Implications for auditors

#### Risk assessment:

- The impact of Coronavirus on going concern is a risk focus area for the audit, and in some cases may be a significant risk. As part of our on-going risk assessment procedures, we need to think about other specific areas and balances where Coronavirus might cause an issue and if this presents an additional risk. This includes the specific considerations in relation to the risks of having services in an affected area and supply chain issues in relation to items coming from these locations. In summary there may be a heightened risk of misstatement for:
  - The valuation and disclosure of financial and non-financial assets including property, plant and equipment (PPE), investment properties, intangibles, investments and accounts receivable
  - The valuation and disclosure of financial obligations and any lending covenants
  - Going concern and/or working capital assessment and disclosure
  - Risk disclosures
  - Subsequent event disclosures
- As noted above, entities need to consider their reporting of principal risks and uncertainties and we then need to consider this detail as part of our 'review and consider' of the Narrative Report and Annual Governance Statement, in particular where we believe there are risks missing from the detail.

#### Sufficient and appropriate audit evidence:

- Personnel from audited entities may be unable to carry out their roles on site and/or be available to meet physically with our audit teams. Likewise, our people may be unable to work at audited entity sites or to travel to our offices, thereby potentially affecting the performance, review and supervision of the engagement team, including that of component or other auditors. We need to:
  - Consider the impact on the audited entity
  - Consider alternative ways of working including the use of our technology tools
  - Consider implications for the quality of audit evidence and reporting.
- In undertaking audit work on the valuation of property, particularly specialised property valued using the Depreciated Replacement Cost method and Modern Equivalent Assets assumptions (including alternative site models), auditors are able to draw upon relevant information and indices collated, assessed and reported on by a firm of valuers, Gerald Eve, as commissioned on behalf of local public auditors by the NAO.
- Valuers are also encouraged by updated RICS guidance to include caveats within valuation reports relating to potential material uncertainties in their assessed valuations. In these cases, such caveats should be included within the Council's financial statements and may be referred to by the auditor in their opinion/report.

# OVERVIEW

## Audit scope and objectives

CONTENTS
Introduction
Executive summary
<b>Audit scope and objectives</b>
Overview
Audit scope entities, components and audit risks
BDO team
Audit risks
Independence
Appendices contents

Key components of our audit objectives and strategy for the Group are highlighted and explained on the following pages.

Audit planning is a collaborative and continuous process and our audit strategy, as reflected here, will be reviewed and updated as our audit progresses.

We will communicate any significant changes to our audit strategy, should the need for such change arise.

Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the National Audit Office.
Financial statements	We will express an opinion on the Council and Group financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2019/20 and other directions.
Statement of Accounts	In addition to our objectives regarding the financial statements, we will also read and consider the other information contained in the Statement of Accounts to consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.
Audit report - going concern	We will report our conclusion on whether management’s use of the going concern basis of account is appropriate and will either report our conclusion that there is no material uncertainty related to going concern or draw attention to any material uncertainty identified by management and disclosed in the financial statements.
Use of Resources	We will report whether we consider that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
Additional powers and duties	Where necessary we may be required to: issue of a report in the public interest; make a written recommendation to the Council; allow local electors to raise questions and objections on the accounts; or exercise legal powers to apply to the courts for a declaration that an item of account is contrary to law, issue an advisory notice or an application for a judicial review.
Report to the Audit and Standards Committee	Prior to the approval of the financial statements, we will discuss our significant findings with the Audit and Standards Committee. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.

# AUDIT SCOPE ENTITIES, COMPONENTS AND AUDIT RISKS

- CONTENTS
- Introduction
- Executive summary
- Audit scope and objectives**
- Overview
- Audit scope entities, components and audit risks
- BDO team
- Audit risks
- Independence
- Appendices contents

As Group auditor we are required to design an audit strategy to ensure we have obtained the required audit assurance for each component for the purposes of our Group audit opinion ISA (UK) 600

A high-level overview of how we have designed the Group audit strategy is summarised below to ensure you have clear oversight of the scope of the work we intend to perform on each entity.

Entity	Nature of Operations	Audit classification	Reason for classification	Audit Risks	Component Materiality and basis of assessment	Audit strategy
HTS (Property and Environment) Ltd	Provision of housing repairs and maintenance on behalf of the local authority.	Non significant component	Size	N/A	N/A	Desktop analytical review



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# BDO TEAM

## Team responsibilities

CONTENTS
Introduction
Executive summary
<b>Audit scope and objectives</b>
Overview
Audit scope entities, components and audit risks
BDO team
Audit risks
Independence
Appendices contents

### **Steve Bladen** **Engagement Director**

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As audit engagement lead I have primary responsibility to ensure that the appropriate audit opinion is given. In meeting this responsibility I ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to report on the financial statements and communicate as required by the ISAs (UK), in accordance with our findings.

I will ensure that we have undertaken sufficient work to assess the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources against the guidance published by the National Audit Office.

I am responsible for the overall quality of the engagement and am supported by the rest of the team.

### **Kirsty Slater** **Audit Manager**

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I will lead on the audit of the Council. I work closely with Steve to develop and execute the audit strategy. I will be a key point of contact on a day to day basis and will ensure that timelines are carefully managed to ensure that deadlines are met and matters to be communicated to management and the Audit and Standards Committee are highlighted on a timely basis.

# OVERVIEW

## Audit risks

We have assessed the following as audit risks. These are matters assessed as most likely to cause a material misstatement in the financial statements or impact on our use of resources opinion and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

**Key: Significant**

- CONTENTS
- Introduction
- Executive summary
- Audit scope and objectives
- Audit risks**
- Overview
- Management override of controls
- Revenue and Expenditure recognition
- Valuation of property, plant & equipment assets
- Valuation of pension liability
- Informed decision making - financial statement preparation (use of resources)
- Other matters requiring further discussion
- Other matters requiring further discussion 2
- Going concern
- Irregularities (including fraud)
- Accounting estimates
- IT general controls
- Independence
- Appendices contents

Description of risk	Significant risk	Overview of risk
1. Management override of controls		Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.
2. Revenue and expenditure recognition		Auditing standards presume that income recognition presents a fraud risk. In the public sector this is modified by Practice Note 10 issued by the Financial Reporting Council to recognise that this risk may also occur through the manipulation of expenditure recognition
3. Valuation of property, plant & equipment assets		The valuation of property, plant & equipment assets involves a high degree of estimation uncertainty and has therefore been identified as a significant risk. Errors identified in the prior year in the accounting treatment applied to revaluation gains and losses, and the accounting entries in the Council’s financial systems, has increased our assessment of risk.
4. Valuation of pension liability		There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.
5. Informed decision making - financial statement preparation (use of resources)		We have identified weaknesses and internal control deficiencies in the preparation of the 2018/19 Statement of Accounts that took place during the 2019/20 financial year. Action has been taken within the finance team to ensure improvements in the presentation of 2019/20 financial statements, although there remains a risk that adequate arrangements are not in place.

# MANAGEMENT OVERRIDE OF CONTROLS

CONTENTS
Introduction
Executive summary
Audit scope and objectives
<b>Audit risks</b>
Overview
Management override of controls
Revenue and Expenditure recognition
Valuation of property, plant & equipment assets
Valuation of pension liability
Informed decision making - financial statement preparation (use of resources)
Other matters requiring further discussion
Other matters requiring further discussion 2
Going concern
Irregularities (including fraud)
Accounting estimates
IT general controls
Independence
Appendices contents

**ISA (UK) 240 notes that Management is in a unique position to perpetrate fraud.**

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

## Risk detail

Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. We are required to consider this as a significant risk of material misstatement due to fraud.

## Planned audit approach

Our audit procedures will include the following:

- Reviewing and verifying large and unusual journal entries made in the year, by agreeing the journals to supporting documentation. We will determine key risk characteristics to filter the population of journals. We will use our IT team to assist with the journal extraction;
- Reviewing estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias;
- Evaluating any significant transactions that appear to be outside the normal course of business, or that otherwise appear unusual; and
- Reviewing unadjusted audit differences for indications of bias or deliberate misstatement.

In considering how the risk of management override may present itself, we consider the inappropriate capitalisation of revenue expenditure to be a risk. To address this risk we will:

- Test an increased sample of additions to property, plant & equipment assets to confirm that expenditure has been classified correctly.



# REVENUE AND EXPENDITURE RECOGNITION

CONTENTS
Introduction
Executive summary
Audit scope and objectives
<b>Audit risks</b>
Overview
Management override of controls
Revenue and Expenditure recognition
Valuation of property, plant & equipment assets
Valuation of pension liability
Informed decision making - financial statement preparation (use of resources)
Other matters requiring further discussion
Other matters requiring further discussion 2
Going concern
Irregularities (including fraud)
Accounting estimates
IT general controls
Independence
Appendices contents

## Auditing standards presume that income and expenditure recognition presents a fraud risk.

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

### Risk detail

Under auditing standards there is a presumption that income recognition presents a fraud risk. For the Council, we consider the risk of fraudulent revenue recognition to be relevant to the existence (recognition) of revenue grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement. We also consider the risk to be relevant to the existence (recognition) of fees and charges income.

In the public sector the risk of fraud in revenue recognition is modified by Practice Note 10 issued by the Financial Reporting Council. This states that auditors should also consider the risk that material misstatements may occur through the manipulation of expenditure recognition. This risk is identified as being relevant to the cut-off of expenditure, where our testing will be focussed.

### Planned audit approach

Our audit procedures will include the following:

- Testing an increased sample of grants included in income to documentation from the grant paying body, to confirm that recognition criteria have been met;
- Testing an increased sample of fees and charges to ensure that income has been recorded in the correct period; and
- Testing a sample of expenditure either side of year end, to confirm that expenditure has been recorded in the correct period, and that all expenditure that should have been recorded at year-end has been.

# VALUATION OF PROPERTY, PLANT & EQUIPMENT

CONTENTS
Introduction
Executive summary
Audit scope and objectives
<b>Audit risks</b>
Overview
Management override of controls
Revenue and Expenditure recognition
<b>Valuation of property, plant &amp; equipment assets</b>
Valuation of pension liability
Informed decision making - financial statement preparation (use of resources)
Other matters requiring further discussion
Other matters requiring further discussion 2
Going concern
Irregularities (including fraud)
Accounting estimates
IT general controls
Independence
Appendices contents

**The valuation of property, plant & equipment is a significant risk as it involves a high degree of estimation uncertainty.**

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

## Risk detail

Local authorities are required to ensure that the carrying value of land, buildings and dwellings is not materially different to the current value (operational assets and council dwellings) or fair value (surplus assets) at the balance sheet date. There is a risk over the valuation of these assets due to the high degree of estimation uncertainty and where updated valuations have not been provided for a class of assets at the year-end. At 31 March 2020, the draft accounts show land and buildings held of £883 million.

Additionally, our work in the prior year identified significant errors in the accounting treatment applied to gains and losses arising on the revaluation of property, plant and equipment, and the accounting entries in the Council’s financial systems and accounts. There is a risk therefore that errors may exist in the accounting entries relating to property, plant and equipment in the accounts

## Planned audit approach

Our audit procedures will include the following:

- Reviewing the instructions provided to the valuer and the valuer’s skills and expertise in order to determine if we can rely on the management expert;
- Confirming that the basis of valuation for assets valued in year is appropriate based on their usage;
- Reviewing accuracy and completeness of information provided to the valuer, such as rental agreements and sizes;
- Reviewing assumptions used by the valuer and movements against relevant indices for similar classes of assets;
- Following up valuation movements that appear unusual;
- Confirming that assets not specifically valued in the year have been assessed to ensure their reported values remain materially correct; and
- Reviewing the accounting treatment applied to revaluation gains and losses, and the treatment of these in the Council’s financial systems to ensure these are compliant with the CIPFA Code of Practice.



# VALUATION OF PENSION LIABILITY

**The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty.**

## Risk detail

The valuation of the defined benefit obligation is a complex calculation involving a number of significant judgements and assumptions. The Council's pension fund deficit at 31 March 2020, in the draft accounts, is £70 million.

The actuarial estimate of the pension fund liability uses information on current, deferred and retired member data and applies various actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability.

An actuarial estimate of the liability is calculated by an independent firm of actuaries. The estimate will be based on the submission of membership data from the 2019 triennial valuation exercise, updated at 31 March 2020 for factors such as mortality rates and expected pay rises.

There is a risk that the membership data and cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the Council's share of the scheme liability.

## Planned audit approach

Our audit procedures will include the following:

- Agreeing the disclosures to the information provided by the pension fund actuary;
- Reviewing the competence of the management expert (actuary);
- Reviewing the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Reviewing the controls in place for providing accurate membership data to the actuary;
- Contacting the pension fund auditor and requesting confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data;
- Checking the accuracy and completeness of the data set submitted to the actuary for the 2019 triennial valuation of the Local Government Pension Scheme, and that any significant changes in membership data since the triennial submission have been communicated to the actuary; and
- Reviewing the steps taken by the Council to assess the impact of the recent volatility in global stock markets on the Council's pension fund liability.

Significant risk  
Normal risk  
Fraud risk  
Assess design & implementation of controls to mitigate  
Significant Management estimates & judgements  
Controls testing approach  
Substantive testing approach  
Risk highlighted by Council

CONTENTS
Introduction
Executive summary
Audit scope and objectives
<b>Audit risks</b>
Overview
Management override of controls
Revenue and Expenditure recognition
Valuation of property, plant & equipment assets
Valuation of pension liability
Informed decision making - financial statement preparation (use of resources)
Other matters requiring further discussion
Other matters requiring further discussion 2
Going concern
Irregularities (including fraud)
Accounting estimates
IT general controls
Independence
Appendices contents

# INFORMED DECISION MAKING - FINANCIAL STATEMENT PREPARATION (USE OF RESOURCES)

CONTENTS
Introduction
Executive summary
Audit scope and objectives
<b>Audit risks</b>
Overview
Management override of controls
Revenue and Expenditure recognition
Valuation of property, plant & equipment assets
Valuation of pension liability
<b>Informed decision making - financial statement preparation (use of resources)</b>
Other matters requiring further discussion
Other matters requiring further discussion 2
Going concern
Irregularities (including fraud)
Accounting estimates
IT general controls
Independence
Appendices contents

**Significant weaknesses were identified in the Council's arrangements for the preparation of the statement of accounts and supporting working papers.**

- Significant risk
- Normal risk
- Fraud risk
- Assess design & implementation of controls to mitigate
- Significant Management estimates & judgements
- Controls testing approach
- Substantive testing approach
- Risk highlighted by Council

## Risk detail

Our audit of the Council's 2018/19 financial statements, which were prepared during the 2019/20 financial year, identified a large number of misstatements. This included a number of material misstatements, prior period adjustments, and other non-trivial adjustments. We also noted a number of omissions and internal inconsistencies within the draft financial statements that we would have expected to have been identified and resolved by internal quality checks. Additionally, we noted a number of weaknesses in the working papers prepared by officers to support the financial statements.

We recognise that the Council has taken action to address these weaknesses and secure improvements in the preparation and presentation of the 2019/20 financial statements. We will assess the effectiveness of the actions taken by the Council.

## Planned audit approach

Our audit procedures will include:

- Reviewing the arrangements put in place to improve the quality of the draft financial statements; and
- Reviewing the consistency of the financial statements with underlying working papers and assessing the quality of those working papers.

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# OTHER MATTERS REQUIRING FURTHER DISCUSSION

CONTENTS
Introduction
Executive summary
Audit scope and objectives
<b>Audit risks</b>
Overview
Management override of controls
Revenue and Expenditure recognition
Valuation of property, plant & equipment assets
Valuation of pension liability
Informed decision making - financial statement preparation (use of resources)
Other matters requiring further discussion
Other matters requiring further discussion 2
Going concern
Irregularities (including fraud)
Accounting estimates
IT general controls
Independence
Appendices contents

## Fraud

Whilst management of the Council have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of management and those charged with governance.

We have not been made aware of any actual, alleged or suspected incidences of fraud. We request confirmation from the Audit and Standards Committee on fraud and a discussion on the controls and processes in place to ensure timely identification and action.

Management believe that there is low risk of material misstatement arising from fraud and that controls in operation would prevent or detect material fraud.

## Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We will review the reports issued by the Council's internal audit function although we do not plan place reliance on their work in respect of their assessment of control processes.

## Laws and regulations

We will consider compliance with laws and regulations. The most significant of these for your organisation includes VAT legislation, Employment Taxes, Health and Safety and the Bribery Act 2010. We will make enquiries of management and review correspondence with the relevant authorities.

# OTHER MATTERS REQUIRING FURTHER DISCUSSION 2

CONTENTS
Introduction
Executive summary
Audit scope and objectives
<b>Audit risks</b>
Overview
Management override of controls
Revenue and Expenditure recognition
Valuation of property, plant & equipment assets
Valuation of pension liability
Informed decision making - financial statement preparation (use of resources)
Other matters requiring further discussion
<b>Other matters requiring further discussion 2</b>
Going concern
Irregularities (including fraud)
Accounting estimates
IT general controls
Independence
Appendices contents

## Accounting policies

We will report to you on significant qualitative aspects of your chosen accounting policies. We will consider the consistency and application of the policies and we will report to you where accounting policies are inconsistent with the CIPFA Code of Practice on Local Authority Accounting 2019/20, applicable accounting standards or other direction under the circumstances.

## Significant accounting estimates and judgements

We will report to you on significant accounting estimates and judgements. We will seek to understand and perform audit testing procedures on accounting estimates and judgements including consideration of the outcome of historical judgements and estimates. We will report to you our consideration of whether management estimates and judgements are within an acceptable range.

## Financial statement disclosures

We will report to you on the sufficiency and content of your financial statement disclosures.

## Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management and the Audit and Standards Committee.

## Any other matters

We will report to you on any other matters relevant to the overseeing of the financial reporting process. Where applicable this includes why we consider a significant accounting practice that is acceptable under the financial reporting framework not to be the most appropriate.

# GOING CONCERN

## Management are required to make an assessment of the Council's ability to continue as a going concern.

### Management's responsibilities

It is management's responsibility to make an assessment of the Council's ability to continue as a going concern to support the basis of preparation for the financial statements and disclosures in the financial statements. This is a requirement of the accounting standards.

This assessment should be supported by detailed cash flow forecasts with clear details of the key underlying assumptions and the basis for those assumptions, consideration of available finance throughout the forecast period, and a consideration of the forecast's sensitivity to reasonably possible variations in those assumptions along with any other relevant factors.

The going concern assessment should cover a minimum of 12 months from the date of the Head of Finance's approval of the financial statements. However, consideration should also be given to any major events or circumstances that may fall outside this period.

The assessment should also identify any material uncertainties relating to the group's ability to continue as a going concern.

### Audit responsibilities

Our responsibilities in respect of going concern are:

- (a) To obtain sufficient appropriate audit evidence regarding, and conclude on, i) whether a material uncertainty related to going concern exists; and ii) the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements; and
- (b) To report in accordance with ISA (UK) 570.

We will obtain an understanding of the business model, objectives, strategies and related business risk, the measurement and review of the Council's financial performance including forecasting and budgeting processes and the Council's risk assessment process. We will evaluate:

- a) Management's method, including the relevance and reliability of underlying data used to make the assessment, whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other.
- b) Management's plans for future actions in relation to the going concern assessment including whether such plans are feasible in the circumstances.
- c) The adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment and any material uncertainties that may exist.

# IRREGULARITIES (INCLUDING FRAUD)

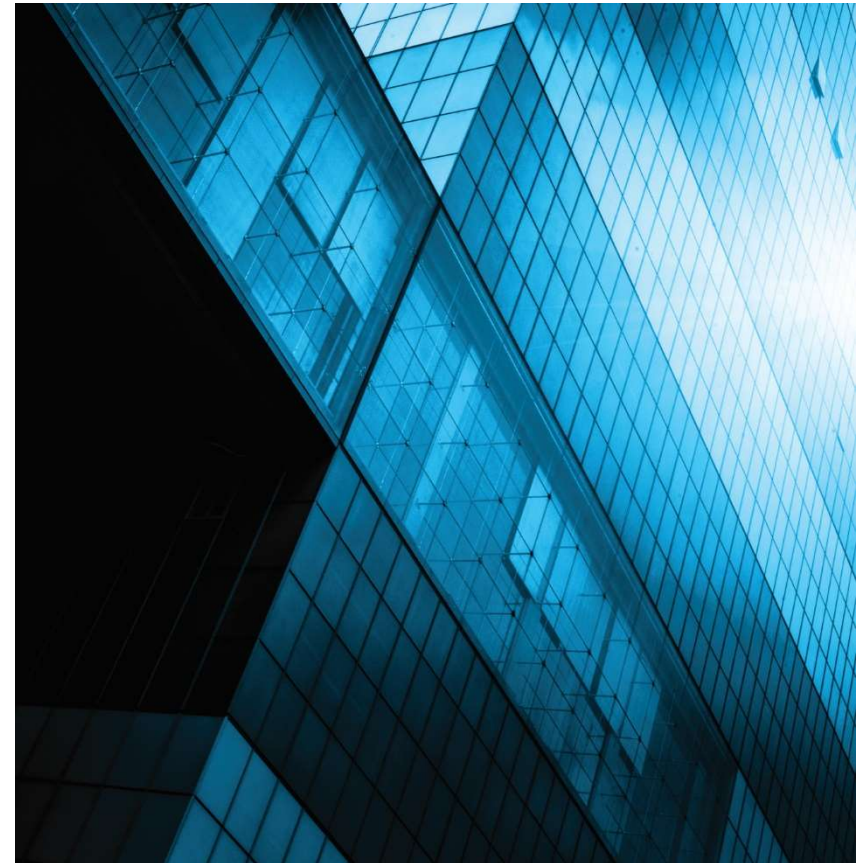
We are required to include in our auditor's report an explanation of the extent to which the audit is considered capable of detecting irregularities (non compliance with laws and regulations), including fraud.

Our audit is designed to provide reasonable assurance about whether the financial statements as whole a free from material misstatement whether due to fraud or error. We design audit procedures to respond to the risk of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and that irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error.

Our audit work will focus on laws and regulations that could give rise to a material misstatement in the company financial statements and may include, where appropriate:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Enquiries of management and those charged with governance;
- Agreement of the financial statement disclosures to underlying supporting documentation;
- Review of minutes of Cabinet meetings throughout the year; and
- Written representations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.



CONTENTS
Introduction
Executive summary
Audit scope and objectives
<b>Audit risks</b>
Overview
Management override of controls
Revenue and Expenditure recognition
Valuation of property, plant & equipment assets
Valuation of pension liability
Informed decision making - financial statement preparation (use of resources)
Other matters requiring further discussion
Other matters requiring further discussion 2
Going concern
<b>Irregularities (including fraud)</b>
Accounting estimates
IT general controls
Independence
Appendices contents

# ACCOUNTING ESTIMATES

**Revision to ISA (UK) 540 means that we may need to update our approach to the audit of accounting estimates - including confirmation and documentation of our understanding of the Council's estimation process.**

We will need to obtain an understanding of how you control your estimation process including not only the design and implementation of the process, but also the policies and procedures you put in place to satisfy yourself that each step in the process is properly applied, and that the resulting accounting estimates are reasonable.

For significant accounting estimates, particularly those that are complex or where there is a high degree of estimation uncertainty we will also make enquiries about how you:

- make those responsible for deriving or changing your accounting estimates aware of relevant significant transactions, conditions or events;
- review the outcome(s) of previous accounting estimates and respond to the results of that review;
- identify and comply with the relevant requirements in the financial reporting framework regarding your accounting estimates and related disclosures including how they are affected by complexity and your judgment;
- account for regulatory factors relevant to your accounting estimates, including, when applicable, regulatory frameworks related to prudential supervision;
- identify the need for, and apply, specialized skills or knowledge related to accounting estimates, including with respect to the use of a management's expert;
- identify and address risks related to accounting estimates through your risk assessment process;

- identify relevant methods (including models), assumptions and data and the need for changes in them;
- address the degree of estimation uncertainty in selecting your final point estimates;
- describe in your financial statements matters related to your process for deriving your accounting estimates, and matters related to the degrees of estimation uncertainty underlying your accounting estimates; and
- ensure there is oversight and governance in place over management's financial reporting process relevant to accounting estimates.

Under ISA (UK) 540 (revised) our audit approach will involve a more granular risk assessment relating to each significant estimate and separate consideration of the methods (or models) applied in calculating the estimate, the nature, source and reliability of data used and the significance, consistency and appropriateness of assumptions made.

We will also request written representations from you regarding the reasonableness of the methods, significant assumptions and the data used in determining the monetary amounts of accounting estimates, including the related disclosures, in accordance with the applicable financial reporting framework.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
<b>Audit risks</b>
Overview
Management override of controls
Revenue and Expenditure recognition
Valuation of property, plant & equipment assets
Valuation of pension liability
Informed decision making - financial statement preparation (use of resources)
Other matters requiring further discussion
Other matters requiring further discussion 2
Going concern
Irregularities (including fraud)
Accounting estimates
IT general controls
Independence
Appendices contents

# IT GENERAL CONTROLS

IT General Controls (ITGCs) are the policies and procedures that relate to many IT applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. They commonly include controls over data center and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

ITGCs are an important component in systems of internal control, and sometimes have a direct impact on the reliability of other controls.

IT assurance is embedded in our audit strategy to ensure the IT systems provide a suitable platform for the control environment and is undertaken in conjunction with our IT Assurance team. Our testing strategy includes a tailored range of data analytics, system configuration and IT environment testing.

We will also obtain an understanding of the information system, including the related business processes relevant to financial reporting, to include:

- Agresso
- Civica
- Orchard
- Technology Forge
- Paris
- CHRIS21



CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
Overview
Management override of controls
Revenue and Expenditure recognition
Valuation of property, plant & equipment assets
Valuation of pension liability
Informed decision making - financial statement preparation (use of resources)
Other matters requiring further discussion
Other matters requiring further discussion 2
Going concern
Irregularities (including fraud)
Accounting estimates
IT general controls
Independence
Appendices contents



# INDEPENDENCE

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks
<b>Independence</b>
Independence
Appendices contents

**Under ISAs (UK) and the FRC’s Ethical Standard we are required, as auditors, to confirm our independence.**

We have embedded the requirements of the auditing standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement leads are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement.

This document considers such matters in the context of our audit for the year ending 31 March 2020.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Group.

We also confirm that we have obtained confirmation that external audit experts involved in the audit comply with relevant ethical requirements including the FRC’s Ethical Standard and are independent of the Council and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

**Non-audit services**

Details of services, other than audit, provided by us to the Group during the period and up to the date of this report are set out in the fees table on page 7.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

# APPENDICES CONTENTS

A	Responsibilities	28
	Council's responsibilities	28
	Our responsibilities	29
	Communication with you	30
B	Independence	31
	Team member rotation	31
C	Materiality	32
	Materiality: Definition and application	32
D	Audit quality	34
	Audit Quality	34
	AQR Results 2019/20	35
	Latest regulatory developments	37
	FRC Ethical standard	42

# COUNCIL'S RESPONSIBILITIES

## The Council's responsibilities and reporting

### CONTENTS

#### Appendix contents

#### Responsibilities

Our responsibilities

Communication with you

Independence

Materiality

Materiality: Definition and application

Audit quality

AQR Results 2019/20

AQR Results 2019/20 2

Latest regulatory developments

Latest regulatory developments 2

Latest regulatory developments 3

Latest regulatory developments 4

Latest regulatory developments 5

FRC Ethical standard

### Financial reporting

The Council is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which the Council accounts for its stewardship and use of the public money at its disposal.

The form and content of the Council's financial statements, and any additional schedules or returns for consolidation purposes, should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Council is also required to prepare schedules or returns to facilitate the preparation of consolidated accounts such as HM Treasury's Whole of Government Accounts.

The Section 151 Officer is responsible for preparing and filing a Statement of Accounts and financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2019/20, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of materially accurate financial statements.

### Use of resources

Councils are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a Governance Statement.

In preparing its Governance Statement, the Council will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on their arrangements for securing value for money from their use of resources.

# OUR RESPONSIBILITIES

## Responsibilities and reporting

### CONTENTS

#### Appendix contents

Responsibilities

Our responsibilities

Communication with you

Independence

Materiality

Materiality: Definition and application

Audit quality

AQR Results 2019/20

AQR Results 2019/20 2

Latest regulatory developments

Latest regulatory developments 2

Latest regulatory developments 3

Latest regulatory developments 4

Latest regulatory developments 5

FRC Ethical standard

### Our responsibilities and reporting - financial reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your consolidated and single entity financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the ‘other information’ contained in the Statement of Accounts such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

We are additionally required to include in our report:

- Where we conclude there is no material uncertainty in relation to going concern, a statement to that effect;
- A conclusion that management’s use of the going concern basis of account is appropriate; and
- An explanation of the extent to which the audit was capable of detecting irregularities, including fraud

### Our responsibilities and reporting - use of resources

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

This means that we have regard to relevant guidance issued by the National Audit Office and undertake sufficient work to be able to satisfy ourselves as to whether the Council has put arrangements in place that support the achievement of value for money.

### What we don’t report

Our audit is not designed to identify all matters that may be relevant to the Council and the Audit and Standards Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



# COMMUNICATION WITH YOU

CONTENTS
Appendix contents
Responsibilities
Our responsibilities
Communication with you
Independence
Materiality
Materiality: Definition and application
Audit quality
AQR Results 2019/20
AQR Results 2019/20 2
Latest regulatory developments
Latest regulatory developments 2
Latest regulatory developments 3
Latest regulatory developments 4
Latest regulatory developments 5
FRC Ethical standard

## Those charged with governance

References in this report to those charged with governance ('TCWG') are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Audit and Standards Committee.

In communicating with the Audit and Standards Committee, representing TCWG of the parent and the Group, we consider TCWG of subsidiary entities to be informed about matters relevant to their subsidiary. Please let us know if this is not appropriate.

## Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered. We will meet with management throughout the audit process. We will issue regular updates and drive the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

## Audit Planning Report

The Audit Planning Report sets out all planning matters which we want to draw to your attention including audit scope, our assessment of audit risks and materiality.

## Internal Controls

We will consider internal controls relevant to the preparation of financial statements in order to design our audit procedures and complete our work. This is not for the purpose of expressing an opinion on the effectiveness of internal control.

## Audit Completion Report

At the conclusion of the audit, we will issue an Audit Completion Report to communicate to you key audit findings before concluding our audit opinion. We will include any significant deficiencies in internal controls which we identify as a result of performing audit procedures. We will meet with you to discuss the findings and in particular to receive your input on areas of the financial statements involving significant estimates and judgements and critical accounting policies.

Once we have discussed the contents of the Audit Completion Report with you and having resolved all outstanding matters we will issue a final version of the report.

# TEAM MEMBER ROTATION

- CONTENTS
- Appendix contents
- Responsibilities
- Our responsibilities
- Communication with you
- Independence**
- Materiality
- Materiality: Definition and application
- Audit quality
- AQR Results 2019/20
- AQR Results 2019/20 2
- Latest regulatory developments
- Latest regulatory developments 2
- Latest regulatory developments 3
- Latest regulatory developments 4
- Latest regulatory developments 5
- FRC Ethical standard

This table indicates the latest rotation periods normally permitted under the independence rules of the FRC’s Ethical Standard.

In order to safeguard audit quality we will employ a policy of gradual rotation covering the team members as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.

**Independence - engagement team rotation**

Senior team members	Number of years involved	Rotation to take place after
Steve Bladen Engagement Director	1	7 years
Kirsty Slater Manager	1	7 years

# MATERIALITY: DEFINITION AND APPLICATION

CONTENTS
Appendix contents
Responsibilities
Our responsibilities
Communication with you
Independence
<b>Materiality</b>
Materiality: Definition and application
Audit quality
AQR Results 2019/20
AQR Results 2019/20 2
Latest regulatory developments
Latest regulatory developments 2
Latest regulatory developments 3
Latest regulatory developments 4
Latest regulatory developments 5
FRC Ethical standard

### Concept and definition

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):

- Narrative disclosure e.g. accounting policies, going concern; and
- Instances when greater precision is required (e.g. senior officer remuneration and related party transactions).

International Standards on Auditing (UK) also allow the auditor to set a lower level of materiality for particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

### Calculation and determination

We have determined materiality based on professional judgement in the context of our knowledge of the Group, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and audit tests;
- Calculate sample sizes; and
- Assist in evaluating the effect of known and likely misstatements on the Group financial statements.

### Reassessment of materiality

We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.

Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope.

### Definition of materiality under the CIPFA Code of Practice

Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting authority.

# MATERIALITY: DEFINITION AND APPLICATION



If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.

You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

## Unadjusted errors

We will communicate to you all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

We will obtain written representations from the Audit & Standards Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.

We will request that you correct all uncorrected misstatements. In particular we would strongly recommend correction of errors whose correction would affect compliance with contractual obligations or governmental regulations. Where you choose not to correct all identified misstatements we will request a written representation from you setting out your reasons for not doing so and confirming that in your view the effects of any uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as whole.

CONTENTS
Appendix contents
Responsibilities
Our responsibilities
Communication with you
Independence
Materiality
Materiality: Definition and application
Audit quality
AQR Results 2019/20
AQR Results 2019/20 2
Latest regulatory developments
Latest regulatory developments 2
Latest regulatory developments 3
Latest regulatory developments 4
Latest regulatory developments 5
FRC Ethical standard



# AUDIT QUALITY

CONTENTS
Appendix contents
Responsibilities
Our responsibilities
Communication with you
Independence
Materiality
Materiality: Definition and application
<b>Audit quality</b>
AQR Results 2019/20
AQR Results 2019/20 2
Latest regulatory developments
Latest regulatory developments 2
Latest regulatory developments 3
Latest regulatory developments 4
Latest regulatory developments 5
FRC Ethical standard

**BDO’s audit quality cornerstones underpin the firm’s definition of audit quality.**

BDO is committed to audit quality. It is a standing item on the agenda of the Leadership Team, who in conjunction with the Audit Stream Executive, monitors the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. We welcome feedback from external bodies and are committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external regulators, the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest entities.

More details can be found in our Transparency Report at [www.bdo.co.uk](http://www.bdo.co.uk)

**MINDSET**

- Scepticism
- Independent
- Focus on the shareholder as user
- Robustness and moral courage.

**KNOWLEDGEABLE, SKILLED PEOPLE**

- Knowledge of the business
  - Intelligent application of auditing standards
  - Intelligent application of accounting standards
- Understanding of the control environment.

**AUDIT QUALITY CORNERSTONES**

- How to assess - benchmarking
- Where to focus - risk-based approach
- How to test - audit strategy
- What to test - materiality and scope.

**DILIGENT PROFESSIONAL JUDGEMENTS**

- Audit reports
  - Management letter
- Audit Committee Reports
  - Top quality financial statement.

**HIGH QUALITY AUDIT OUTPUTS**

# AQR RESULTS 2019/20

## BDO Performance

CONTENTS
Appendix contents
Responsibilities
Our responsibilities
Communication with you
Independence
Materiality
Materiality: Definition and application
Audit quality
AQR Results 2019/20
AQR Results 2019/20 2
Latest regulatory developments
Latest regulatory developments 2
Latest regulatory developments 3
Latest regulatory developments 4
Latest regulatory developments 5
FRC Ethical standard

### Overview

The FRC released their Audit Quality Review (AQR) results for the 7 largest accountancy firms in July 2020 for the review period 2019/20. A copy of all of the reports can be found on the [FRC Website](#).

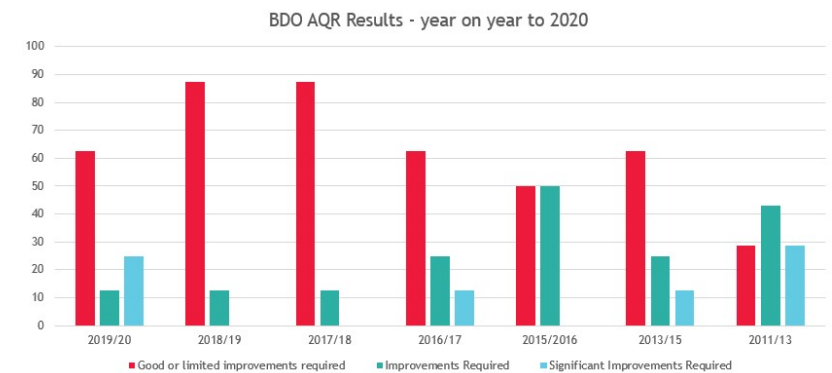
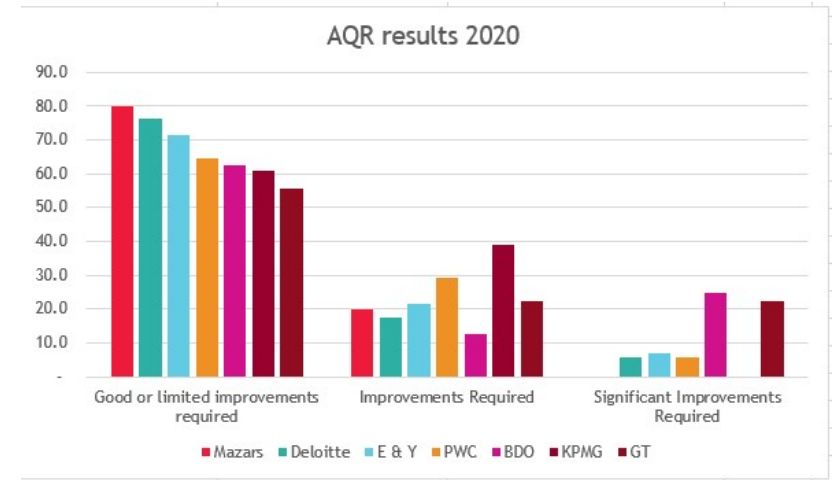
### Firm's Results

The graphs demonstrates our performance in relation to the other 6 largest firms. Having topped the table for audit quality for the last two consecutive years, we are disappointed to see a decline in our results. These scores remind us we must remain committed to continuous improvements and, having carefully considered the root causes of the AQR findings, we are in the process of implementing detailed action plans where required. We have made a number of enhancements to our Audit Quality Plan to address these issues to drive our key focus of a continuous improvement in audit quality including highlighting how we will make changes to our root cause analysis process which plays a key role.

We would encourage you to read our report which includes:

- details of the root cause analysis we have been undertaking to address issues raised;
- the actions we have/are undertaking to address the issues raised by the AQR; and
- a number of areas of good practice the AQR review team identified whilst undertaking their review.

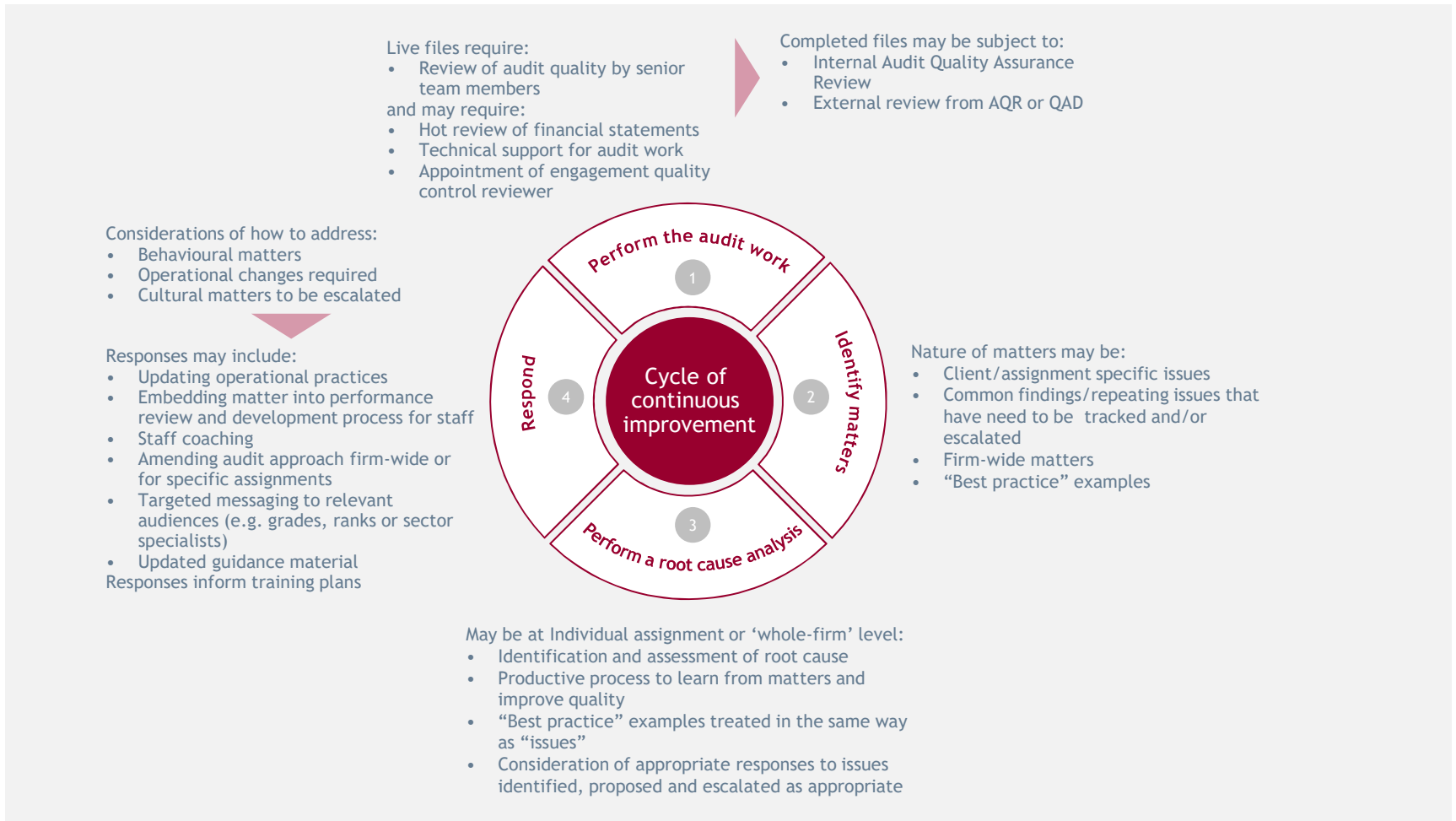
More details will be included in our Transparency Report which will be available on our [www.bdo.co.uk](http://www.bdo.co.uk)



# AQR RESULTS 2019/20 2

## BDO Performance

CONTENTS
Appendix contents
Responsibilities
Our responsibilities
Communication with you
Independence
Materiality
Materiality: Definition and application
Audit quality
AQR Results 2019/20
<b>AQR Results 2019/20 2</b>
Latest regulatory developments
Latest regulatory developments 2
Latest regulatory developments 3
Latest regulatory developments 4
Latest regulatory developments 5
FRC Ethical standard



# LATEST REGULATORY DEVELOPMENTS

## Future of Audit, Regulation and Market Competition

A number of corporate governance, financial reporting and audit failures since the ‘financial crises’ have led to auditing being the focus of the BEIS Select Committee and the commissioning of three separate, but related, independent reviews scrutinising audit, auditors and the corporate and audit regulatory environment. Although these independent reviews started at various times since 2018, none have yet fully concluded upon and further consultations on precisely what the implementation will look like is expected to take place during 2020. However, that is not to say that changes have not already begun: There are already a number of changes being made by the market participants themselves such as increased operational separation of audit from consulting and voluntary restriction of non-audit services. There have also been a number of changes arise through regulation such as the further restriction on non-audit services introduced with the new ethical standard in December 2019. Other expected changes will be implemented via a suite of consultations expected in 2020. Detailed below is a summary of the current reports issued and their status with a summary of the contents.

Initiative	Timeline 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Status
<b>BEIS Select Committee</b>	‘Carillion’ report issued 5/2018	‘Future of audit’ report issued 24/4/2019	Government response issued 7/6/2019			It is a priority area for the Committee which has a watching brief
<b>Competition and Markets Authority (CMA) Report ‘Statutory Audit Services Market Study’</b>	Launch of Market study 9/10/2018	Responses to consultation 21/1/2019	Report and recommendations published 18/4/2019	First BEIS consultation on implementation ended 13/9/2019		Further consultations expected in 2020
<b>‘Report of the Independent Review in to the quality and Effectiveness of Audit’ - Sir Donald Brydon</b>		Team appointed to undertake review 2/2019	Consultation ended 7/6/2019		Brydon report issued 9/12/2019	Further consultations expected in 2020
<b>‘Independent Review of the FRC’ by Sir John Kingman</b>	Kingman Report published - 83 recommendations 18/12/2018	Secretary of State announces plans for a new regulator (ARGA) 11/3/2019	48 recommendations to be implemented by FRC BEIS first implementation consultation ended 11/6/2019			Further consultations expected in 2020

### CONTENTS

#### Appendix contents

Responsibilities

Our responsibilities

Communication with you

Independence

Materiality

Materiality: Definition and application

Audit quality

AQR Results 2019/20

AQR Results 2019/20 2

Latest regulatory developments

Latest regulatory developments 2

Latest regulatory developments 3

Latest regulatory developments 4

Latest regulatory developments 5

FRC Ethical standard

# LATEST REGULATORY DEVELOPMENTS 2

## Continued

CONTENTS
Appendix contents
Responsibilities
Our responsibilities
Communication with you
Independence
Materiality
Materiality: Definition and application
Audit quality
AQR Results 2019/20
AQR Results 2019/20 2
Latest regulatory developments
Latest regulatory developments 2
Latest regulatory developments 3
Latest regulatory developments 4
Latest regulatory developments 5
FRC Ethical standard

Report	Topic	Key points
<b>'Independent Review of the FRC' by Sir John Kingman</b>	December 2018 - Future of regulation and the FRC - requested by the Secretary of State	<ul style="list-style-type: none"> <li>Highlighted deficiencies in FRC and its operating effectiveness</li> <li>New regulator to replace FRC 'Audit, Reporting and Governance Authority'</li> <li>Reconsideration of which entities are classed as 'public interest'</li> </ul> <p>A number of changes require legislation changes but the FRC is working on implementation where possible.</p>
<b>Related BEIS consultation</b>	BEIS consultation - independent review of the FRC - March 2019 - Recommends adopting a significant number of the Kingman proposals without further consultation - ended June 2019	<p>The proposals being classed as:</p> <ul style="list-style-type: none"> <li>FRC and BEIS will implement as soon as possible</li> <li>Can be implemented once considered, in advance of legislation</li> <li>Primary legislation required</li> </ul> <p>Further consultations are expected and will form part of the 2020 suite of consultations undertaken.</p>
<b>Competition and Markets Authority (CMA) Report 'Statutory Audit Services Market Study'</b>	April 2019 - Future of market competition	<p>Report 18 April 2019 - suggestions include</p> <ul style="list-style-type: none"> <li>Increased accountability of audit committees including a focus on how they select auditors and their consideration of audit quality</li> <li>Mandatory joint audits for largest companies including one member not from the big 4 and peer reviews</li> <li>An operational split between the audit and non audit practices of the big 4</li> <li>A 5 year review of progress by the new regulator</li> </ul> <p>Further consultations are expected and will form part of the 2020 suite of consultations undertaken.</p>

# LATEST REGULATORY DEVELOPMENTS 3

## Continued

CONTENTS
Appendix contents
Responsibilities
Our responsibilities
Communication with you
Independence
Materiality
Materiality: Definition and application
Audit quality
AQR Results 2019/20
AQR Results 2019/20 2
Latest regulatory developments
Latest regulatory developments 2
Latest regulatory developments 3
Latest regulatory developments 4
Latest regulatory developments 5
FRC Ethical standard

Report	Topic	Key points
<b>BEIS (Business, Energy and Industrial Strategy Committee) Report 'The Future of Audit' - 24 April</b>	Consideration of 2 reports - CMA and Kingman - to ensure they will lead to coherent framework	<p>This report considers the CMA and Kingman reports and supports their recommendations and encourages implementation. In particular:</p> <ul style="list-style-type: none"> <li>• Implement Kingman recommendations as soon as possible</li> <li>• Endorsement of CMAs suggestion to split firms operations between audit and non-audit</li> <li>• Segmented market cap and joint audits for FTSE 100</li> <li>• Detecting fraud a priority</li> <li>• Tightening of dividend regime</li> <li>• Make audit more forward looking</li> <li>• Welcomes introduction of ARGAs - deal with failures more quickly and more stringently</li> </ul> <p>Published June 2019.</p>

# LATEST REGULATORY DEVELOPMENTS 4

## Brydon

In December 2019 Sir Donald Brydon published his “Report of the Independent Review in to the quality and Effectiveness of Audit” . This report proposes a fundamental changes to the audit profession, the scope of audit and how the Audit Committee interacts with auditors and shareholders. The report introduces over 100 actions in a number of areas including:

- Audit Purpose, Audit Profession and Auditor reporting;
- Directors’ Reporting;
- Role of Shareholders;
- Other stakeholders;
- Internal Controls;
- Fraud;
- Transparency;
- Technology;
- Auditor Liability;
- Audit and Risk Committees;
- KPIs and APMs (Alternative Performance Measures); and
- ARGA - the new regulator.

### Key considerations for Audit Firms

- A new definition of audit: “ The purpose of an audit is to help establish and maintain deserved confidence in a company, in its directors and in the information for which they have responsibility to report, including the financial statements.”
- Recognition of other stakeholders alongside the company’s shareholders;
- Creation of a standalone audit profession as opposed to an extension of the accounting profession;
- Introduce the need for ‘professional suspicion’ alongside ‘professional scepticism’;

- Replace ‘true and fair’ with ‘present fairly, in all material respects’;
- Retain binary audit opinion but create continuity between reports, increase transparency further, have regard to other public information;
- Report specifically on the directors’ statement in relation to fraud; and
- Audit firms ensure a clear separation between the team which negotiates the audit fees, and the team which carries out the audit.

### Key considerations for Audit Committees are as follows

- Recommendations for Directors to present to shareholders a three year audit and assurance policy dealing with auditors appointment, assurance budget and risks;
- Directors to present an annual Public Interest Statement and Resilience Statement (replacing the going concern and viability statements) in the annual report;
- Directors to present an annual statement on the actions they have taken to prevent fraud;
- Chief Executive and Chief Financial Officer to provide an annual attestation to the board of directors as to the effectiveness of the company’s internal controls over financial reporting;
- Directors be required to disclose when any material failure of their internal controls has taken place;
- Any Alternative Performance Measures reported by a company, and any use of Key Performance Indicators to underpin executive remuneration, should be subject to audit; and
- Publication by the directors of a risk report in advance of the audit with shareholders to be given a formal opportunity to propose matters to be covered in the audit and also permitted to question the Audit Committee Chair and the auditor.

CONTENTS
Appendix contents
Responsibilities
Our responsibilities
Communication with you
Independence
Materiality
Materiality: Definition and application
Audit quality
AQR Results 2019/20
AQR Results 2019/20 2
Latest regulatory developments
Latest regulatory developments 2
Latest regulatory developments 3
Latest regulatory developments 4
Latest regulatory developments 5
FRC Ethical standard

# LATEST REGULATORY DEVELOPMENTS 5

## Redmond

On 8 September 2020, Sir Tony Redmond published his *Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting*

The Report includes a number of key recommendations, including:

- The establishment of new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit, taking on certain responsibilities from Public Sector Audit Appointments (PSAA), Institute of Chartered Accountants in England and Wales (ICAEW), FRC/ARGA, and the Comptroller and Auditor General (C&AG)
- The governance arrangements within local authorities be reviewed by local councils with the purpose of:
  - an annual report being submitted to Full Council by the external auditor;
  - consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
  - formalising the facility for the Chief Executive, Monitoring Officer and Chief Financial Officer to meet with the Key Audit Partner at least annually.
- The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
- Quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.
- The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
- The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.

### CONTENTS

#### Appendix contents

Responsibilities

Our responsibilities

Communication with you

Independence

Materiality

Materiality: Definition and application

Audit quality

AQR Results 2019/20

AQR Results 2019/20 2

Latest regulatory developments

Latest regulatory developments 2

Latest regulatory developments 3

Latest regulatory developments 4

Latest regulatory developments 5

FRC Ethical standard



# FRC ETHICAL STANDARD

Issued in December 2019

In December 2019 the FRC published the Revised Ethical Standard 2019 ('ES'), which is applicable from 15 March 2020. There are some transitional provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines.

Key headlines	Impact
<b>The objective, reasonable &amp; informed third party test</b>	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules, or result in an outcome that is inconsistent with the general principles.
<b>Extra-territorial impact</b>	For group audits where the audited entity has overseas operations, the ES will require all BDO Member firms to be independent of the UK audited entity and its UK and overseas affiliates in accordance with the UK Ethical Standard, irrespective of if their audit work is relied upon.
<b>Contingent fees</b>	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
<b>Secondments</b>	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
<b>Recruitment and remuneration services</b>	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.
<b>Non-audit services to a public interest entity (PIE)</b>	Moving to a "white-list" of permitted non-audit services for PIEs. The white-list largely consists of services which are either audit-related or required by law and/or regulation. The provision of services not on the white-list are prohibited. The ES separates those permitted services which are exempt from the 70% fee cap and those services which are subject to the fee cap.
<b>Other entities of public interest ('OEPI')</b>	<p>OEPI is a new term in the Ethical Standard. The FRC have imposed the 'white-list' applicable to PIE audited entities to also apply to OEPIs. OEPIs are entities which, according to the FRC, do not meet the definition of a PIE but nevertheless are of significant public interest to stakeholders. They include AIM listed entities which exceed the threshold to be an <i>SME listed entity</i> - generally those with a market cap of more than €200m; Lloyd's syndicates; Private sector pension schemes with more than 10,000 members and more than £1billion of assets; Entities that are subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018 (SI/2018/860), excluding fund management entities which are included within a private equity or venture capital limited partnership fund structure. These would be entities which:</p> <ul style="list-style-type: none"><li>- Have more than 2000 employees; and / or</li><li>- Have a turnover of more than £200 million and a balance sheet total of more than £2 billion.</li></ul>

The FRC have noted that the rules applicable to OEPIs will apply from periods commencing on or after 15 December 2020.

## CONTENTS

### Appendix contents

Responsibilities

Our responsibilities

Communication with you

Independence

Materiality

Materiality: Definition and application

Audit quality

AQR Results 2019/20

AQR Results 2019/20 2

Latest regulatory developments

Latest regulatory developments 2

Latest regulatory developments 3

Latest regulatory developments 4

Latest regulatory developments 5

FRC Ethical standard

FOR MORE INFORMATION:

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Engagement Director

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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**REPORT TO:** AUDIT AND STANDARDS COMMITTEE  
**DATE:** 25 NOVEMBER 2020  
**TITLE:** INTERNAL AUDIT ACTIVITY REPORT  
**LEAD OFFICER:** SARAH MARSH, INTERNAL AUDIT MANAGER  
(01279) 446884

**RECOMMENDED that:**

The Committee reviews the outcomes of the work of the Internal Audit service for the period September to November 2020 and identifies any issues for further consideration.

**PROGRESS AGAINST AUDIT PLAN**

1. Work continues on the revised 2020/21 Audit Plan and timings have been agreed with the Senior Management Board to ensure a steady flow of audits throughout the year. Appendix A sets out the current status with the Audit Plan.

**INTERNAL AUDIT REPORTS**

2. Two reports have been issued since the Committee received its last update in August 2020:
  - a) Data retention and disposals: moderate assurance

Overall, the Council has a robust data retention and disposals framework parts of which are working well in practice. To date, there have been no reported data breaches explicit to data retention or disposals.

The Council's Records Retention Policy, which includes disposals, is fit for purpose although testing found some anomalies (discrepancies) and there is an opportunity to rationalise the records retention policy into a more manageable document.

The framework is reliant on Services and teams owning their data (and rightly so) and ensuring compliance with legislation. The Council needs to ensure there are corporate mechanisms and clear processes to ensure this compliance, providing support where required. For example, ensuring departments periodically review their Registers of Processing Activity, that they are in line with their data retention schedules and that privacy notices, where applicable, are in place and up to date. The recently appointed Data Protection Officer is already working with services to address the issues raised.

In addition, there are other corporate activities required such as ensuring there is a corporate approach to paper disposals and archiving. And longer term, bringing in document management systems where there is a heavy reliance on paper such as Housing.

- b) Parks and Landscapes: limited assurance - arboriculture service, moderate assurance - grounds maintenance service

Grounds maintenance services are delivered by HTS (Property and Environment Ltd) in accordance with the contract payment mechanism, however improvements are required for the service to meet the needs of the Council.

The implementation of an annual grounds maintenance programme will inform the Council of the service plans in terms of planting and maintenance activities throughout the year. It also provides an opportunity for HTS to work with the Council to improve efficiencies, existing work processes and acknowledge the change in the town's environment. The contract monitoring process will also benefit as performance can be measured as planned service delivery against actual service delivered and enable a joint approach to ensure the right resources are available at the right time.

The arboriculture service is reactive, responding to emergency works and calls received from the public. There is no annual schedule for planned inspection of trees which, if in place, would provide assurance that trees in public places are inspected and maintained in order of risk. The risks to the Council include dangerous trees are not identified until structural damage has been caused, potential financial loss due to an increased number of insurance claims against the Council, and the Council could be prosecuted if a fallen tree causes injury. It is on this basis that the limited assurance opinion is given for the arboriculture service. An improvement action plan has been developed by HTS to complete outstanding tree work and is being led by HTS working with the Council.

There is a need to improve communication processes between the Council and HTS for grounds maintenance and arboriculture services, to ensure information requirements are clarified and outstanding queries are followed up as part of the contract monitoring process. Performance is monitored and reported by HTS to the Council via a suite of Key Performance Indicators (KPIs) and meetings are held regularly between HTS and the Council.

Robust health and safety processes are in place for HTS operatives including vehicle maintenance, training and awareness for operatives and risk assessments are provided to staff on a need to know basis. Playground

inspections are completed and documented weekly and remedial work is addressed by order of priority.

### **ONGOING AUDIT WORK**

3. As the Council continues its Covid-19 recovery phase Internal Audit has:
  - a) Continued liaising with the Revenue and Benefits Manager about post business grant checks, sharing good practice from other councils and exploring the use of central government tools and other fraud related organisations (such as the National Anti-Fraud Network and Cifas, a not-for-profit fraud prevention membership organisation) to undertake these. Fraud expertise from the Epping Forest Corporate Fraud Team has been obtained through the shared Internal Audit arrangements.
  - b) Continued overseeing the project plan for implementation of the new HR system, which has an anticipated go-live date of December 2020, facilitating discussions between key departments to ensure there is a holistic approach to the project.
  - c) Coordinated the mandatory submission of data to the Cabinet Office for the National Fraud Initiative (NFI) data matching exercise, in liaison with Council Tax, Electoral Services, Licensing, Housing, Revenues and Benefits and Payroll. Matches are expected in January 2021.
  - d) Co-ordinated the process for appointing an Independent Member of the Audit and Standards Committee. The Council went out to advert in January 2020, with a closing date of end February 2020. Interviews were being set up for the three applications received but had to be postponed due to Covid-19. The interviews finally took place via Zoom at the beginning of October by the following panel members: Cllr Mullard, Cllr Clark and Cllr Carter supported by the Head of Finance and the Internal Audit Manager. An appointment was not made on this occasion as the shortlisted candidates failed to meet sufficiently the criteria set out within the person specification. The intention is to restart the recruitment process in the new year.

### **RECOMMENDATION TRACKER**

4. The Audit and Standards Committee receives details of all overdue recommendations, plus any high priority recommendations from final reports, regardless of whether they are overdue or not. The high priority recommendations on the tracker relate to Former Tenant Arrears and are being be formally followed up.

5. The current tracker, as set out in Appendix B to the report, contains 15 recommendations which have passed their due date. Four of the recommendations (two high and two medium) relate to Former Tenant Arrears, and progress against these will be formally assessed through a follow up audit later on this year.
6. A comparison with previous periods is outlined in the table below:

**Table 1 – Recommendations Tracker Comparison**

Recommendation Priority	Number as (at November 2020)	Number (as at August 2020)	Number (as at June 2020)	Number (as at March 2020)
High - not yet due	0	0	2	0
High - passed due date	2	2	0	0
Medium - passed due date	12	15	14	10
Low - passed due date	1	2	3	2
<b>TOTAL</b>	<b>15</b>	<b>19</b>	<b>19</b>	<b>12</b>

## IMPLICATIONS

### Environment and Planning (includes Sustainability)

None specific.

**Author: Andrew Bramidge, Head of Environment and Planning**

### Finance (includes ICT and Properties and Facilities)

It is important that the organisation responds to and implements the recommendations flowing from the internal audit process in order to protect and improve the overall internal control environment of the Council.

**Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive**

### Housing

None specific.

**Author: Andrew Murray, Head of Housing**

### Community Wellbeing (includes Regeneration, Equalities and Social Inclusion)

None specific.

**Author: Jane Greer, Head of Community Wellbeing**

### Governance (includes HR)

Internal Audit provides a key element of assurance within the overall Governance framework within the Council and it is important that recommendations flowing from internal audit recommendations are acted upon and implemented within reasonable timescales if reliance on internal controls and procedures is to continue.

**Author: Simon Hill, Head of Governance**

### **Background Papers**

Internal Audit Plan and Internal Audit monitoring reports

### **Appendices**

Appendix A – Audit Plan Monitoring

Appendix B – Audit Recommendation Tracker

### **Glossary of Terms/Abbreviations Used**

KPI – Key Performance Indicators

NFI – National Fraud Initiative

**Appendix A - Audit Plan Monitoring 2020/21  
November 2020**

	Risk Area	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	High risk Recommendations	Medium risk recommendations	Low risk recommendations
<b>Completion of 19/20 audit plan</b>										
Harlow and Gilston Garden Town	Corporate	12	Final report	■	■	■	Substantial	0	3	1
Data retention and disposals	Governance	12	Final report	■	■	■	Moderate	0	6	4
Parks and landscapes	Planning and Environment	15	Final report	■	■	■	Limited/Moderate	2	1	0
Capital projects programme	Finance	15	In progress	■						
Key Financial Controls - Fixed Assets	Finance	12	In progress	■						
Key Financial Controls - Treasury Management	Finance	10	Scoping							
<b>2020/21 Audit Plan</b>										
Payroll (light touch)	Governance	7	In progress	■						
Accounts Payable	Finance	12	In progress	■						
Provision of IT services to HTS	Housing	8	In progress	■						
IT disaster recovery	Finance	10	In progress	■						
Equality Act and Impact Statements	Governance	10	In progress	■						
Key Financial Controls - Housing Benefits	Finance	15								
HTS Best value review progress	Corporate	12								
Housing - overview of H&S inspections	Housing	15								
Planning and building control	Planning and Environment	12								
Financial Regulations and Contract Standing Orders - delegated authorities	Finance	10								
<b>Not a specific audit</b>										
Advice and guidance for the new HR system	Governance	3	In progress							
Business Continuity (and Covid-19 recovery)	Corporate	5	In progress							
<b>Totals</b>		<b>148</b>		<b>10</b>	<b>3</b>	<b>3</b>		<b>2</b>	<b>10</b>	<b>5</b>
.										
.										
.										
c/f carried forward										

56



**Internal Audit Recommendation Tracker (Overdue)**

Last Updated: 06 November 2020

**Appendix B**

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
<p><b>Purchase Cards (2018/19) October 2018</b></p> <p style="text-align: center;">57</p>	3.1	<p>Policies are required to clarify the Council's approach for:</p> <ul style="list-style-type: none"> <li>the provision of hotel accommodation,</li> <li>the provision of employee uniform and</li> <li>subsistence and hotel allowance claims.</li> </ul>	Medium	<p>Policies related to allowances , including those referred to within this audit are being reviewed or drafted as a suite of documents which will be presented to SMB by 30/12/18</p>	HR Manager/ Head of Governance	30/12/18	<p><del>30/04/19</del> <del>30/09/19</del> <del>31/03/20</del> <del>30/09/20</del> 31/03/21</p>	<p>Mar 19: New Head of Governance commenced in January 2019. Draft completed for review of HoS and SMB, recommendation by HR Manager accepted by SMB to expand coverage of policy to include "business travel" and mileage rates within the policy. For appropriate consultation with SMB/TU before implementation.</p> <p>May 19: Instruction from SMB to include rates for allowances as part of the overall review committed to by organisation and for consultation, as appropriate with trade union.</p> <p>Oct 19: Continuing instruction from SMB being followed with regard to rates for allowances forming part of the overall review committed to by the organisation. For consultation, as appropriate with trade union. Consultation still ongoing.</p> <p>Feb 20: Expenses for mileage rates agreed in principle. Employee uniform to follow HMRC requirements. Decision to be taken to SMB.</p> <p>May 20/July 20: Expenses rate for mileage has been agreed with TU at HMRC rates, communication underway with employees. The provision of uniform and relevant procurement if applicable under consideration.</p>	Overdue

**Internal Audit Recommendation Tracker (Overdue)**

Last Updated: 06 November 2020

**Appendix B**

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
								<p>Oct 20: The current focus is on the new HR/payroll system implementation as it is due to go live 1st December, and therefore takes precedence The new HR system is intending to pick up expenses from the new tax year (6 April 2021) and will have a policy to support this changeover. Expenses policy will need to take account of the new processes coming in phase 2 of the system implementation due in 2021.</p> <p>Subsistence cannot be claimed anymore (following the TU agreement – referenced last time) only reasonable expenses.</p>	
<p><b>Software Licensing (2018/19) December 2018</b></p>	<p>1</p>	<p>A Software Management policy should be developed and distributed accordingly.</p>	<p>Medium</p>	<p>A Software Management Policy will be developed and distributed to all staff</p>	<p>Senior ICT Manager</p>	<p>28/02/19</p>	<p><del>31/03/19</del>  <del>31/05/19</del>  <del>31/12/19</del>  <del>01/03/20</del>  <del>31/03/20</del>  <del>30/09/20</del>  <del>30/11/20</del></p>	<p><b>Mar 19:</b> A Software Management Policy is being developed and will be distributed as part of the updated Information Security Policy and Acceptable Terms of Use by 31/03/19.</p> <p><b>May 19:</b> This is currently in draft format to go to the ICT Operations Board and Information Governance Group.</p> <p><b>Oct 19:</b> This will go to the Information Governance Group quarterly meeting in November. It will then have to be deployed using MetaCompliance.</p> <p><b>Feb 20:</b> Draft policy currently being reviewed by IGG</p> <p><b>May 20/July 20:</b> Some changes are required following review of the policy by IGG, and will be represented at the next IGG.</p> <p><b>Oct 20:</b>The policy will be presented at</p>	<p>Overdue</p>

# Internal Audit Recommendation Tracker (Overdue)

Last Updated: 06 November 2020

# Appendix B

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
								the 9 <sup>th</sup> November IGG meeting	
<b>IT Asset Management (2018/19) December 2018</b>	1	The ICT Strategy should be updated and the four-year replacement strategy confirmed within it, approved and adopted	Medium	The ICT Strategy will be updated to include IT equipment life-cycle and the replacements strategy.	Senior ICT Manager	31/03/19	<del>31/05/19</del> <del>30/11/19</del> <del>31/03/20</del> 31/12/20	<b>May 19:</b> This is being included in the ICT Strategy which is in draft format. <b>Oct 19:</b> This is still in draft. <b>Feb 20:</b> Being progressed <b>May 20/July 20/Oct 20:</b> The draft strategy will need reviewing in light of Covid-19 and changing the way the Council works. Also the priorities will need to be changed and brought in line with the Covid-19 Recovery Group actions and recommendations.	Overdue
<b>Complaints 2018/19 May 2019</b>	1	Implement a mechanism whereby actions from the lessons learnt questionnaire are followed up. This could be achieved by SMB receiving a follow up action report.	Medium	A quarterly report is sent to SMB in regards to this.	Customer and Media Services Manager/ Head of Governance	30/06/19	<del>31/03/20</del> 31/12/20	<b>Oct 19:</b> This has been happening since in a basic format since June 2019. It will give Heads of Service key trends but does require further development and this is likely to coincide with the action below. <b>Feb 20:</b> A report is still scheduled to go to SMB prior to 31 March 2020. This will outline a request to move to a two stage process and further work on a sustainable mechanism to learn from complaints. <b>May 20/July 20/ Oct 20:</b> Report delayed due to Corona pandemic. At this stage it is not deemed urgent and therefore realistically would set new target of 31/12/20	Overdue
<b>Complaints 2018/19 May 2019</b>	2	Consider moving to a two stage complaints process by presenting a paper to SMB (Senior Management Board) on this	Medium	This has been considered previously and will be raised again.	Customer and Media Services Manager/Head of Governance	30/06/19	<del>31/03/20</del> 31/12/20	<b>Oct 19:</b> Although not progressed due to changes in service area, it has now been raised with Head of Governance with a view to take a report to SMB before 31/03/20 <b>Feb 20:</b> A report is still scheduled to	Overdue

**Internal Audit Recommendation Tracker (Overdue)**

Last Updated: 06 November 2020

**Appendix B**

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
								<p>go to SMB prior to 31 March 2020. This will outline a request to move to a two stage process and further work on a sustainable mechanism to learn from complaints.</p> <p><b>May 20/July 20/Oct 20:</b> Report delayed due to Corona pandemic. At this stage it is not deemed urgent and therefore realistically would set new target of 31/12/20</p>	
<p><b>Responsive Housing Repairs 2018/19 August 2019</b></p> <p>60</p>	2(b)	Post inspections completed on more complex housing repairs should be formally documented and retained.	Medium	<p>Agreed. Customer Satisfaction Surveys are currently sent out to tenants on a sample basis. The sample size will be increased to ensure that the quality of repairs works is completed to a satisfactory standard.</p> <p>Post inspections completed on complex repairs works will be formally documented and retained</p>	HTS Operations Director and the Council's Housing Operations Manager	30/09/19	<p><del>31/01/20</del> <del>30/04/20</del> <del>30/09/20</del> 31/01/21</p>	<p><b>Oct 19:</b> HTS carries out a 100% post inspection regime on all housing voids it completes (see enclosed handover forms to demonstrate this).</p> <p>There are ongoing discussions with HDC over who should be carrying out more detailed Post Inspections on completed Housing Repairs. Traditionally this has been carried out by Technical Services who transferred from HTS and now work for HDC.</p> <p>We will provide a further update once this is resolved.</p> <p><b>Feb 20:</b> It has been agreed that HTS will carry out post inspections on repairs from 1<sup>st</sup> April 2020. These will be recorded formally.</p> <p><b>May 20:</b> A response was not requested from Housing whilst Officers have been dealing with the current coronavirus situation</p> <p><b>July 20:</b> A response will not be forwarded from HTS whilst they establish recovery under the current Coronavirus situation. This will be</p>	Overdue

**Internal Audit Recommendation Tracker (Overdue)**

Last Updated: 06 November 2020

**Appendix B**

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
								<p>picked up as part of their recovery plans</p> <p><b>Oct 20:</b> HTS (P&amp;E) Ltd continue to establish recovery and aligned to recent Govt. restrictions (Tier 2 for Essex). This activity is recognised as a key quality control mechanism and is included in their implementation plan from learning the lessons from Covid 19 initial lockdown. This will be monitored through the shared operations group.</p>	
<p><b>Responsive Housing Repairs 2018/19 August 2019</b></p>	<p>3a and 3b</p>	<p>a. All repairs job priority time changes should be recorded, authorised and the reasons why they were changed documented. This information should be shared with the Council when KPI data is submitted.</p> <p>b. The reasons behind the housing repairs job priority times are allocated should be investigated to ensure that the appropriate timescales are given</p>	<p>Medium</p>	<p>Agreed. The constraints of the Callsys system makes it difficult provide an audit trail of job priority time changes. The Council's Housing Asset and Business Systems Manager and the HTS Commercial Director will investigate if there approach to record job priority time changes.</p>	<p>Council's Housing Operations Manager and the HTS Commercial Director</p>	<p>30/04/20</p>	<p><del>30/09/20</del> 31/01/21</p>	<p><b>May 20:</b> A response was not requested from Housing whilst Officers have been dealing with the current coronavirus situation</p> <p><b>July 20:</b> HTS re-established the repairs service on 22<sup>nd</sup> June 20. A response will not be forwarded from Housing whilst establishing recovery under the current Coronavirus situation.</p> <p><b>Oct 20:</b> HTS (P&amp;E) Ltd continue to establish recovery and aligned to recent Govt. restrictions (Tier 2 for Essex). This activity is recognised as a key quality control mechanism and is included in their implementation plan from learning the lessons from Covid 19 initial lockdown. This will be monitored through the shared operations group.</p>	<p>Overdue</p>

## Internal Audit Recommendation Tracker (Overdue)

Last Updated: 06 November 2020

## Appendix B

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
	3c	Repairs operatives working hours should be extended to increase efficiency and flexibility of the housing repairs service.	Medium				<del>30/09/20</del> 31/03/21	<p><b>May 20:</b> As above</p> <p><b>July 20:</b> As above.</p> <p><b>Oct 20:</b> HTS has introduced this for heating repair staff and currently in negotiations with the other operatives.</p>	Overdue
<b>Change and Patch Management 2019/20 January 2020</b>	2	The processes for upgrading or applying changes to the new core switch devices should be documented into a formal procedure.	Medium	Formal documentation will be written	Senior IT Manager/ Head of Finance	01/03/20	<del>30/06/20</del> <del>30/09/20</del> 31/12/20	<p><b>May 20/July 20:</b> Stalled due to competing priorities as a result of Covid-19.</p> <p><b>Oct 20:</b> In progress</p>	Overdue
<b>Former Tenant Arrears 2019/20 April 2020</b>	1	<p>Former tenant debt needs to be proactively managed in accordance with the former tenant arrears policy with resources targeted in the following priority order:</p> <ul style="list-style-type: none"> <li>• new former tenant arrears (from the voids notifications)</li> <li>• recent former tenant debt (less than a year old)</li> <li>• historical debt between 1 and 5 years old.</li> </ul> <p>In March 2020 resources should be targeted at the £93,646.82 of 2014/2015 debt that is a risk of being</p>	High	<p>An Orchard Business Objects report to be produced to breakdown the former tenant debt in to age category in line with recommended priority order.</p> <p>Rent Officers to prioritise former tenant recovery in line with the priority order recommended. These cases will be actioned once the current arrears recommendations are actioned. The total financial amount written off will be in line with our allocated bad debt provision for 2020/21.</p>	Senior Housing Operations Manager - people.	01/06/20	31/12/20	<p><b>May 20:</b> An update was not requested from Housing whilst Officers have been dealing with the current coronavirus situation</p> <p><b>July 20:</b> Rent Officers during lockdown are actively working on the former tenant arrears. Under new Government guidance. Covid-19 recovery is being established and progress will be reviewed as part of the wider Business Plan priorities and action plans at Quarter 2 together with wider bad debt provisions reporting.</p> <p><b>Oct 20:</b> This recommendation will be formally followed up by Internal Audit and an update given in due course.</p>	Overdue

**Internal Audit Recommendation Tracker (Overdue)**

**Appendix B**

Last Updated: 06 November 2020

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
63		uncollectable during 2020/21 through the time Limitation Act 1980. All these former tenants be contacted and if there are no responses, they are passed to the tracing agency to maximise the opportunity for debt recovery before it becomes irrecoverable. On reputational and compassionate grounds any debt due to the death of a tenant in 2014/15 be excluded from this recovery project.							
<b>Former Tenant Arrears 2019/20 April 2020</b>	2	<p>The Voids notification list be actioned weekly in all cases and either Rent Officers are asked to ensure they action their properties each week or an officer is designated with all Voids notifications.</p> <p>On a monthly basis the Senior Housing Operation Manager People receives a sample check on compliance to ensure void notifications have been actioned and</p>	High	<p>Circulation list for weekly void list to be amended to include Team Leaders to ensure circulation to all Rent Officers on a weekly basis.</p> <p>The monthly audit will be carried out by the rents Team Leader, who will sample 10% of the void accounts.</p>	Senior Housing Operations Manager - people.	27/04/20	31/12/20	<p><b>May 20:</b> An update was not requested from Housing whilst Officers have been dealing with the current coronavirus situation.</p> <p><b>July 20:</b> Rent Officers during lock-down continue to working on the former tenant arears, under the new Government guidance. Covid-19 recovery is being established and this will be reviewed as part of the wider Business Plan priorities and action plans at Quarter 2 together with wider bad debt provisions reporting.</p> <p><b>Oct 20:</b> This recommendation will be formally followed up by Internal Audit and an update given in due course.</p>	Overdue

## Internal Audit Recommendation Tracker (Overdue)

Last Updated: 06 November 2020

## Appendix B

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ Head of Service	Agreed Imp Date	Revised Imp Date(s)	Status Update from Management	Status
		followed up.							
<b>Former Tenant Arrears 2019/20 April 2020</b>  64	3	<p>If considered appropriate the £100 write-off limit for the Senior Housing Officer be formally approved by incorporation into the next update of Financial Regulations.</p> <p>The Former Tenants Arrears procedure note is updated to accurately reflect debt write off delegated authority arrangements and limits, if the £100 write off delegation is not approved.</p>	Medium	<p>Currently Investigating whether Financial Regulations can be updated in regards to authorised delegation. If authorised delegation can be updated, then the write off limit for the Senior Housing Operations Manager will be incorporated. If not, the Former Tenant Arrears Procedure in terms of authorised delegations for write off will be amended.</p>	Senior Housing Operations Manager – people.	31/08/20	31/12/20	<p><b>July 20:</b> Rent Officers are actively working on the former tenant areas. Covid-19 recovery is being established and this will be reviewed as part of the wider Business Plan priorities and action plans at Quarter 2, together with wider bad debt provisions reporting.</p> <p><b>Oct 20:</b> This recommendation will be formally followed up by Internal Audit and an update given in due course.</p>	Overdue
<b>Former Tenant Arrears 2019/20 April 2020</b>	5	<p>As this review identified that all debt over six years old, is in effect irrecoverable it may be appropriate to monitor the former tenants' arrears levels against additional targets is 2020/21, specifically:</p> <ul style="list-style-type: none"> <li>• A collectable net target (debt less than six years old)</li> <li>• Current year former tenant debt (being former tenant debt from 1st April 2020 - the target being the</li> </ul>	Medium	<p>Quarterly performance dashboard to be re-configured to separate recoverable and non-recoverable former tenant arrears, with aligning SMART targets.</p>	Senior Housing Operations Manager – People.	01/07/20	31/12/20	<p><b>Oct 20:</b> This recommendation will be formally followed up by Internal Audit and an update given in due course.</p>	Overdue



**Internal Audit Recommendation Tracker (Overdue)**

**Appendix B**

Last Updated: 06 November 2020

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		level to be below by the 31st March 2021).							
<b>Corporate Health and Safety 2019/20 May 2020</b>  GS	3	Third Tier Managers be reminded to ensure that all risk assessments are carried out and reviewed at least annually thereafter. Further, the Health and Safety Team to co-ordinate this.	Medium	Responsibility for formal assessment and review of risk will be drawn to Third Tier Managers' attention at Third Tier Managers' Group	Environment & Licensing Manager and Head of Environment & Planning	30/09/20	31/11/20	<b>Oct 20:</b> The routine meeting cycle of Third Tier Managers' group has been affected by revised working practices adopted in response to the COVID-19 emergency. The Environment and Licensing Manager will write directly to Third Tier Managers to draw to their attention ongoing responsibility for assessment and review of risk	Overdue
				Options to provide additional resources to reinstate annual logging in the H&S team of risk assessments by third tier managers will be identified and presented to the Head of Planning and Environment.		30/09/20	31/03/21	<b>Oct 20:</b> Whilst additional staff resources to support the corporate Health and Safety function, policy advice and support for managers across the authority in response to the COVID-19 emergency has been an overriding priority to which resources have been devoted. This resource allocation appears likely to continue to be necessary pending the resolution of the emergency. The position will be reviewed however before the close of the municipal year.	Overdue
<b>Corporate Health and Safety 2019/20 May 2020</b>	4	Third Tier Managers be reminded to ensure that all COSHH data sheets be reviewed and, where necessary, updated, with link to risk assessments as appropriate.	Low	Responsibility for obtaining retaining and reviewing and updating COSHH data sheets and linking them to risk assessments as appropriate will be drawn to Third Tier Managers' attention at Third Tier Managers' Group.	Environment & Licensing Manager and Head of Environment & Planning	30/09/20	31/11/20	<b>Oct 20:</b> The routine meeting cycle of Third Tier Managers' group has been affected by revised working practices adopted in response to the COVID-19 emergency. The Environment and Licensing Manager will write directly to Third Tier Managers to draw to their attention ongoing responsibility to obtain maintain and take into account in risk assessment COSHH data sheets where relevant.	Overdue

**REPORT TO:** **AUDIT AND STANDARDS COMMITTEE**

**DATE:** **25 NOVEMBER 2020**

**TITLE:** **RISK MANAGEMENT REPORT**

**LEAD OFFICER:** **STUART MOSELEY, INSURANCE AND RISK  
MANAGER (01279) 446215**

**RECOMMENDED that:**

- A** The Committee notes Senior Management Board revisions to Strategic Risks and risk scores as at 30 September 2020 as set out in Appendix 1 to the report.
- B** The Committee notes variations between residual risk scores and agreed risk appetite threshold levels together with current and future risk controls.

**BACKGROUND**

1. The Audit and Standards Committee's terms of reference includes the responsibility to monitor the effective development and operation of risk management within the Council.
2. The Council's Risk Management Strategy agreed by the Committee in November 2018 – amended to Version 3.1 in March 2020 - states that the responsibility of the Audit and Standards Committee is to:
  - a) Monitor the effective development and operation of risk management in the Council.
  - b) Understand, scrutinise and endorse the Council's risk management strategy and monitor the Council's risk appetite.
3. In order to facilitate monitoring of risks against risk appetite, risk appetite threshold levels are required to determine risk score trigger points for each risk appetite definition. This provides a defined risk score against which risk owners can monitor and manage their risks.
4. In March 2020, the Audit and Standards Committee agreed risk appetite threshold levels proposed by the Council's Senior Management Board (SMB) and agreed to raise threshold for 'Clean and Green Environment' risks from moderate to hungry. Risk Appetite Definitions and agreed threshold levels are shown in Appendix 3 to the report, which includes risk appetite definition for the new corporate priority 'Resilience and Recovery'.

## STRATEGIC RISKS UPDATE AS AT 30 SEPTEMBER 2020

5. In July 2020, a risk workshop was undertaken with the SMB to ensure the Council's Strategic Risks were still satisfactorily aligned with the Corporate Plan Priorities and Principles.
6. Appendix 1 details the Council's Strategic Risk Register as amended in July 2020 together with risk scores as at 30 September 2020.
7. It was agreed that Risk 'CR05 - Inability to fulfill Community Leadership role' should be amended into two parts:
  - a) CR05 Linked to priority 'Wellbeing and Social inclusion': Community Wellbeing risk – health, crime, heritage
  - b) New risk CR10 linked to principle 'Being the Community Leader': strategic risk relating to climate, lobbying, town centre award, high street funding. It was agreed this risk should be owned by the Chief Executive
8. Risk 'CR03 – Lack of Suitable Housing Mix' has been amended to 'CR03 - Lack of suitable housing numbers and mix of housing'. It was agreed that CR03 previously did not fully reflect the issue since it is about lack of suitable housing growth and mix of housing. The amendments are now felt to better reflect the risk around supply and demand for an evolving community.
9. It was agreed there was crossover between 'CR06 - Lack of Resources and Capacity, Council and key partners' and 'CR09 - Provision of repairs, maintenance landscape and street scene services' which both link to priority 'Clean and Green Environment'. CR09 also links to priority 'More and Better Housing'. It was agreed to further separate the two risks so that the two Heads of Service are not reporting on the same thing. It was also agreed these risks are strictly about service delivery, not the organisations involved in that delivery.
10. The principle 'Equalities and Fairness did not have a strategic risk so a new risk 'CR08 - Equality and Diversity' has been created which includes reference to modern slavery, living wage, diversity, resident involvement in decision making and transparency and will tie in to the corporate equality policy.
11. It was agreed that risk 'CR08 - Information Governance and Data Compliance' is not a strategic risk but should be recorded at service operational level. This has therefore been replaced with the new Equality and Diversity risk as detailed above in this report.
12. The old risk CR08 was previously reflected against a priority named as 'Discharge of Statutory Duties'. It was reflected that there is a need for discharge of statutory duties as a priority in the Corporate Plan and to document the associated risks. For example, Development Management has specific government targets on processing planning applications. Planning powers could be removed from council if not complied with. There are similar targets and

statutory compliance across Services not currently reflected in the risk register or Corporate Plan. SMB agreed this was a significant risk which needs to be captured. The Head of Governance will address this in the review of the Corporate Plan via Policy and Performance.

13. SMB also recognised that Business Continuity was not being recorded as a risk at strategic level. Covid-19 emergency response and recovery has highlighted the requirement to record and monitor Business Continuity risks with a mechanism linking down to service level business continuity. It was agreed to create a new strategic risk 'CR11 - Business Resilience' which links to the new corporate priority 'Resilience and Recovery'. In order to better reflect the diverse range of business continuity risks, it should be noted that CR11 is set out with sub-risks which impact on it as follows:
  - a) Meteorological (e.g. extreme temperatures - hot and cold- flood, lightning, snow and ice, storms);
  - b) Biological (Food-borne illnesses, Infectious/communicable/epidemic/pandemic diseases);
  - c) Accidental *human* Cause (building/structure collapse, entrapment, explosion/fire, fuel/resource shortage, hazardous material spill or release, equipment failure, transportation incident, unavailability of key employees);
  - d) Intentional *human* Cause (arson, bomb threat, demonstrations/civil disturbance/riot, acts of war, cyber security incidents, robbery/theft/fraud, strike or labour dispute, suspicious package, terrorism, vandalism/sabotage);
  - e) Technological (Hardware, software and network connectivity interruption, disruption or failure, utility interruption, disruption or failure)

## **STRATEGIC RISKS COMPARED WITH RISK APPETITE**

14. Appendix 2 compares the Council's strategic risks with the agreed risk appetite threshold for linked council priorities and principles.
15. Risk Appetite for the new objective Business Resilience is suggested as being 'Open'. This is defined as "We prefer to seek low to moderate risk options to ensure business resilience. However, we acknowledge that when faced with unexpected business interruptions, it is sometimes necessary to accept higher levels of risk to ensure recovery is achieved quickly to minimise disruption to Council services."
16. It is important to remember that review of risk appetite and their respective thresholds is an iterative process. Whilst the thresholds facilitate monitoring of risks in a more structured way, it is also important to recognise that the limits and triggers require calibrating as well. Therefore, a review of risks against risk appetite should not only consider whether the risk has adequate controls but

should also consider whether the threshold for the risk appetite definition has been set at the correct level.

17. Furthermore, risks which exceed the risk appetite threshold may not necessarily be poorly controlled but may be subject to factors outside the Council's control.
18. While the additional actions and controls have been stated for each risk, several strategic risks are currently significantly higher than the Council's risk appetite. It is therefore of merit to provide some additional commentary as follows (Appendix 4 – Risk Rating Matrix has been attached for purposes of explanation of likelihood and impact levels):
  - a) CR01 – Financial Resilience (+13): the Council has stated its risk appetite as 'Cautious' which provides for a threshold level of 5 (Likelihood 2, Impact 2). In terms of the Risk Matrix, likelihood of the risk materializing has only moved one level from unlikely to moderate. However, the impact to the Council should the risk materialize is now perceived to be at level 4 'Major'. There are strong financial controls and monitoring but the current risk level reflects the concerns around the Covid-19 epidemic, Government fiscal policy and the possible future requirement to call upon council reserves. The council has approved a three year MTFP which reflects that there are projected budget gaps over the period 2022/23 subject to the outcomes of the anticipated Government funding review.
  - b) CR06 - Lack of Resources and Capacity, Council and key partners (+10): it should be noted it is perceived that the additional risk controls to be implemented recognise that the foreseeable risk score will be reduced by 9. The current risk score reflects that, whilst repairs and maintenance have been reinstated following issues presented by Covid-19, the landscapes programme is still subject to ongoing challenges which are being addressed.
  - c) CR08 – Equality and Diversity (+10): the current risk score shows that, whilst likelihood of the risk materialising remains in line with risk appetite threshold, it is perceived that impact from the risk materializing would be more severe. This reflects the possible increased level of complaints and possible reputational damage should such risks materialise.
19. It is also worth noting that CR11 – Business Resilience risk score is 13 which is the threshold level for 'Open' risk appetite. Given the challenges faced through the Covid-19 pandemic, the Council has applied itself well to address both strategic and operational issues to ensure continuity of services and keep this strategic risk under control.

## **NEXT STEPS**

20. SMB will continue to review the strategic risks through the Third Quarter 2020/2021.
21. It is intended to initiate a Risk Maturity Assessment during 2020/2021 to provide an internal stakeholder view on the current strength and relevance of the Council's existing risk oversight processes. The results of this risk maturity assessment will help to identify what steps are necessary to advance risk management within the Council.

## **IMPLICATIONS**

### **Environment and Planning (Includes Sustainability)**

As set out in the report.

**Author: Andrew Bramidge, Head of Environment and Planning**

### **Finance (Includes ICT, and Property and Facilities)**

As set out in the report.

**Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive**

### **Housing**

None specific

**Author: Andrew Murray, Head of Housing**

### **Community Wellbeing (Includes Equalities and Social Inclusion)**

None specific

**Author: Jane Greer, Head of Community Wellbeing**

### **Governance (Includes HR)**

Risk Management is an important part of the Council's overall governance Arrangements, therefore the Audit and Standards Committee should consider the adequacy of overall arrangements on a regular basis.

**Author: Simon Hill, Head of Governance**

## **Appendices**

Appendix 1 – Strategic Risks as at 30 September 2020

Appendix 2 – Strategic Risks scores versus Risk Appetite thresholds

Appendix 3 – Risk Appetite definitions and reporting thresholds

Appendix 4 – Risk Rating Matrix

## **Glossary of Terms/Abbreviations Used**

SMB – Senior Management Board

Corporate Plan	Objective	Risk Name	Risk	Background	Likelihood	Impact	Risk Owner	Inherent Risk Score			Controls already in place	Residual Risk Score			Foreseeable Risk Score			Additional actions to mitigate risk (4Ts)	Target Date
								Likelihood	Impact	Score		Likelihood	Impact	Score	Likelihood	Impact	Score		
Corporate Priorities	More and better housing	CR03 - Lack of suitable housing numbers and mix of housing	If the town lacks sufficient housing and also does not provide a suitable housing mix, it will not attract or retain residents	The town requires a suitable housing mix to attract new and retain existing residents for an evolving and sustainable community. Supply must be balanced with demand and housing need, taking into account National Housing and Planning policies. As part of that mix, housing for local people that is genuinely affordable remains a high priority for the Council.	Lack of funding to build new homes. Lack of available land. Low land values. Lack of Local Plan (or non-approval due to failure to demonstrate Duty to Cooperate). Reluctance of housing developers to build out approved schemes will limit the supply of affordable housing as a proportion of private developments. Government policy in relation to social housing may limit the supply of affordable housing.	Lack of Local Plan could create lack of local control or direction. Lack of suitable housing may lead to people moving out of area. Inability to generate sufficient affordable housing. Impact on right population mix.	Andrew Bramidge	Likely (4)	Major (4)	21	Local Plan Examination took place March/April 2019 and the Inspector's initial report was received in December 2019, proposing his modifications of the Plan with adoption expected summer 2020. Due to the Covid 19 pandemic the consultation period on the modifications to the Local Plan was extended to the end of May. Following this, the Planning Inspectorate asked all local authorities to provide more evidence on household projections and this work took place during July and August. The Inspector's draft final report was received in October and adoption of the Local Plan is now scheduled for the 10 <sup>th</sup> December Council meeting.	Unlikely (2)	Major (4)	14	Unlikely (2)	Major (4)	14	Direct delivery of council housing. Delivery of Harlow and Giston Garden Town will spur the development of a wider housing offer.	
		CR04 - Lack of adequate Council housing	If the Council does not provide adequate Council Housing it will not be able to fulfil housing needs.	Investment in the existing Council Housing stock is required to fulfil housing needs, maintain Decent Homes standards and improve housing conditions and Housing Options for tenants.	Lack of investment in Council Housing stock. Changes in government policy in relation to housing finance affects ability of the Council to maintain Decent Homes Standards.	Lack of suitable mix and quality of Council Housing stock. Increasing numbers on Housing Needs Register. Impact on homelessness.	Andrew Murray	Moderate (3)	Moderate (3)	13	Most recently approved Housing development pipeline approved by Cabinet in January 2020 outlines the funding and programmes for Housing delivery which includes Council Housing proportions. Recently approved house purchase scheme (45) adding additional Council housing stock approved by Cabinet in September 2020. Response to Covid-19 Pandemic currently in place. Recovery Plans being reviewed and aligned to council priorities and governance. Work processes adapted to take account of Covid 19 guidance and risk assessment. Work from home arrangements have been and likely to continue in the short term. Bad debt provision being increased in the short term as benefit claims increase and lock down arrangements continuing	Moderate (3)	Moderate (3)	13	Moderate (3)	Moderate (3)	13	Proposed implementation of LDP. Approved action Plan from regular Landford Survey. HTS Group Ltd (H&R Company) governance established in 2018. In March 2020, updated governance approved by Cabinet aligning to regeneration/corporate plan priorities. Implement any proposed changes to HTS Property & Environment/group Board structure and Housing and Regeneration Strategy. Continuation of planning and modelling of HRA business plan. Programme of purchase, additional capacity provided, established in September 2020 to forward forecast and manage risks to ensure any payback of Right to Buy retained receipts and interest/penalties is minimised by 31 March 2021.	
		CR09 - Provision of repairs, maintenance landscape and streetscene services	If HTS (Property and Environment) Limited is unable to provide its contracted services, then Harlow Council may be unable to comply with its obligations with regards those services	Repairs, maintenance, landscape and streetscene services are currently contracted to HTS (Property and Environment) Limited. If HTS becomes unable or finds itself unable to provide its contracted services, Harlow Council will need to arrange alternative provision of those contracted services to meet its obligation to residents	Capacity of HTS management to manage contractual obligations within agreed budget. Non-compliance with outsourced statutory obligations. Unsatisfactory delivery of contracted services. Capacity of HDC management to adequately monitor HTS performance.	Significant reputational, contractual and compliance implications if HTS are unable to comply with contracted obligations. Additional costs, fines or penalties from inadequate or unsatisfactory service provision. Financial impact if HDC are required to take management of HTS due to lack of capacity of HTS management. Procurement of new contractor(s) required if HTS became unsustainable as a business.	Andrew Murray	Unlikely (2)	Major (4)	14	Recently established Covid-19 recovery plan approved by Member working group September 2020. Updated risk register with Covid-19 implications mitigated in October 2020. Updated Business Continuity Plan reviewed October 2020. Services Agreement 2017/18. Contract wording and specifications confirm contractor requirements. Monthly performance reviews involving Portfolio holders and three year Best Value review. HTS have regular reviews of Efficiency Plan and Risk Register. HTS risk register reviewed quarterly at SMB/HTS quarterly meetings. There are regular Governance Audits to ensure effectiveness and value for money. Last Audit March 2019 with outcome of Substantial Assurance. Response to Covid 19 Pandemic currently in place. Recovery Plans being reviewed and aligned to council priorities and governance. Work processes adapted to take account of Covid 19 guidance and risk assessment. Work from home arrangements have been and likely to continue in the short term. Bad debt provision being increased in the short term as benefit claims increase and	Unlikely (2)	Major (4)	14	Unlikely (2)	Major (4)	14	Business Continuity Plans required relating to provision of the contracted services.	
Regeneration and a thriving economy	CR02 - The Harlow Offer	If the Harlow Offer is poor, then the town will fail to attract new or retain current businesses	A lack of private sector investment and/or disinvestment by retailers and landowners in the Town Centre could lead to a further decline in its attractiveness as a shopping and leisure destination. The Harlow Offer is key to retaining and attracting new investment in	The macro economic impact on the retail sector is very uncertain. Low land values hinder investment. The retail sector has been significantly affected by Covid 19, and is unlikely to return to the position prior to the outbreak.	Delays or failure to deliver regeneration. Damaged reputation and perception towards the town. Potential loss of jobs and employment. Reduction in amount of income to the Council.	Jane Greer	Moderate (3)	Major (4)	18	Town centre improvements. Housing mix. Enterprise Zone delivery lead. Economic Development Strategy. Discover Harlow Campaign. Bid for Future High Street Fund funding submitted in July 2020. Town Investment Plan submitted 30/1/20. Government grants may support some businesses	Moderate (3)	Moderate (3)	13	Moderate (3)	Moderate (3)	13	Continued work with ECC to deliver road and transport infrastructure improvements. Develop forward plan for improving transport infrastructure in Harlow. Take forward EZ skills plan to support development of a skilled workforce. Town Centre public realm improvements.		
Wellbeing and social inclusion	CR05 - Inability to fulfill Community Wellbeing role	If the Council is unable to fulfil its community wellbeing role, then partnering and strategic opportunities may be lost, impacting on strategic plans and the future of discretionary	Discretionary services are dependent upon the Council's community leadership role which relies to some extent on co-production and co-operation of other agencies and organisations	Health and wellbeing of the community could be affected due to inability to bring together partners and agencies to deliver adequate services. Discretionary services budget likely to be restricted or removed.	Residents unable to access adequate services. Frustration of community cohesion. Perception of Harlow Offer could deteriorate.	Jane Greer	Moderate (3)	Moderate (3)	13	Health and Wellbeing Strategy, Safer Harlow Partnership, Regeneration Strategy	Moderate (3)	Moderate (3)	13	Unlikely (2)	Moderate (3)	9	Crime and anti-social behaviour partnerships. Communications Plan (e.g. to tackle perceptions). Review of financial sustainability and delivery models of discretionary services. Mental Health Strategy.		
A Clean and green environment	CR06 - Lack of Resources and Capacity, Council and key partners	If the resources and capacity of the Council and key partners are diminished, the Council may not be able to fulfil its community aspirations	Tension between expectations of residents, priorities and resources available for street cleaning, waste & recycling, unadopted highways maintenance & landscaping requires careful prioritisation and management of expectations	Lack of resources and/or capacity deliver services, failure to communicate objectives and initiatives, customer expectations not managed	Environmental services actions delayed, recycling rates stagnate or diminish. Resources diverted to reactive rather than proactive actions e.g. increase fly tipping. Reduced resident satisfaction.	Andrew Bramidge	Moderate (3)	Major (4)	18	Essex Waste Management Plan, Waste Collection Contract, Street Scene 'contract' with HTS, Landscapes 'contract' with HTS (however due to Covid 19 much of the landscape programme was frozen in mid-March), Town Park regeneration project, NEPP. New Landscape Officer post recruited in January 2020.	Moderate (3)	Major (4)	18	Unlikely (2)	Moderate (3)	9	Devise and implement new project plan for landscape and streetscene maintenance and improvement. Implement actions from resident satisfaction surveys and budget survey, increase transparency. Communications Strategy. (Continue review of scope and spec of services). Work with HTS to re-implement landscape programme frozen by Covid-19		
			CR09 - Provision of repairs, maintenance landscape and streetscene services	If HTS (Property and Environment) Limited is unable to provide its contracted services, then Harlow Council may be unable to comply with its obligations with regards those services	Repairs, maintenance, landscape and streetscene services are currently contracted to HTS (Property and Environment) Limited. If HTS becomes unable or finds itself unable to provide its contracted services, Harlow Council will need to arrange alternative provision of those contracted services to meet its obligation to residents	Capacity of HTS management to manage contractual obligations within agreed budget. Non-compliance with outsourced statutory obligations. Unsatisfactory delivery of contracted services. Capacity of HDC management to adequately monitor HTS performance.	Significant reputational, contractual and compliance implications if HTS are unable to comply with contracted obligations. Additional costs, fines or penalties from inadequate or unsatisfactory service provision. Financial impact if HDC are required to take management of HTS due to lack of capacity of HTS management. Procurement of new contractor(s) required if HTS became unsustainable as a business.	Andrew Murray	Unlikely (2)	Major (4)	14	Recently established Covid-19 recovery plan approved by Member working group September 2020. Updated risk register with Covid-19 implications mitigated in October 2020. Updated Business Continuity Plan reviewed October 2020. Services Agreement 2017/18. Contract wording and specifications confirm contractor requirements. Monthly performance reviews involving Portfolio holders and three year Best Value review. HTS have regular reviews of Efficiency Plan and Risk Register. HTS risk register reviewed quarterly at SMB/HTS quarterly meetings. There are regular Governance Audits to ensure effectiveness and value for money. Last Audit March 2019 with outcome of Substantial Assurance. Response to Covid 19 Pandemic currently in place. Recovery Plans being reviewed and aligned to council priorities and governance. Work processes adapted to take account of Covid 19 guidance and risk assessment. Work from home arrangements have been and likely to continue in the short term. Bad debt provision being increased in the short term as benefit claims increase and	Unlikely (2)	Major (4)	14	Unlikely (2)	Major (4)	14	Business Continuity Plans required relating to provision of the contracted services.
Successful children and young people	CR07 - Ability to support children and family aspirations	If we are unable to support children and young people's (and their families) aspirations, this will adversely impact the skills and educational attainment of school	Engagement of young people (and their families) and opportunities for all in education employment and the community will provide opportunities to raise aspirations and the current skill	Lack of leisure opportunities for children; youth services; health services; clubs e.g. scouts. Low levels of 'school readiness'.	Lack of educational attainment and aspirations leading to restriction in future employment opportunities for school leavers.	Jane Greer	Moderate (3)	Moderate (3)	13	Signposting for residents (often through ECC), Partner agencies (statutory, voluntary, schools), promotion of and support to UTC, ARU and college, Youth Council, Harlow School Readiness project and other similar initiatives. Ensure council activities are available 'virtually'	Unlikely (2)	Moderate (3)	9	Unlikely (2)	Moderate (3)	9	Support creation and development of apprenticeships for young people, Engage with a range of partners to support families with complex needs. The Harlow School Readiness project has been extended across town		
Corporate Principles	Being the Community Leader	CR10 - Inability to fulfill Community Leadership role	If the Council is unable to fulfil its community leadership role, then partnering and strategic opportunities may be lost	The Council should take a leading role in promoting Harlow as a great place to live and work, and to champion the need for new infrastructure to enable Harlow to	Lack of lobbying, promotion and funding. Lack of buy-in from stakeholders and partners	Stagnation, lack of town development and growth, lack of identity and recognition	Brian Keane	Likely (4)	Major (4)	21	Climate Emergency measures, lobbying for new infrastructure e.g. hospital, road network. Town Centre Improvements and funding Town Centre Award	Unlikely (2)	Major (4)	14	Unlikely (2)	Major (4)	14	Continue to lobby and liaise with stakeholders	
	Sound Resource Management	CR01 - Financial Resilience	If a sustainable budget is not secured, then the Council will lack financial resilience	The Government's fiscal policy in respect of deficit reduction reducing public sector funding combined with the Council's limited ability to raise income could result in the Council's financial resilience being at risk. In addition uncertainty exists in respect of the Government's plans for local government funding reform and business rates retention	Options for increasing revenue to enable the Council to compensate for reduced Government Funding are becoming extremely limited. Given the budget reductions already made further budget savings will be extremely challenging if services are to be protected. Pressures are now evident not only in the General Fund but also the Housing Revenue Account as a result of Government policy on rents.	The impact of any further significant budget cuts to enable a balanced budget to be delivered could have a major impact on delivery of the Council's corporate objectives. Over the period of the MTF5 there could be an impact on Council's ability to meet statutory responsibilities and community aspirations in respect of discretionary services.	Simon Freeman	Likely (4)	Major (4)	21	Development of the Council's MTF5 and the detailed planning of future budgets is now undertaken early in the financial year and is an on-going process rather than an annual review and is linked with the monthly Budget Monitoring process. The council has approved a three year MTFP which reflects that there are very small projected budget gaps over the period 2020/21 - 2022/23 subject to the outcomes of the anticipated Government funding review.	Moderate (3)	Major (4)	18	Moderate (3)	Moderate (3)	13	Whilst the pressures generated in the Council's grant income are largely driven by Government policy the financial situation continues to be monitored at a high frequency. The Administration will continue to be provided with detailed financial information and will be appropriately supported in reaching decisions upon how these financial challenges can be faced.	
	Equalities and Fairness	CR08 - Equality and Diversity	If the Council does not promote Equalities and Fairness, then residents and employees may not enjoy an environment that is free from discrimination, harassment, victimisation and bullying	The aims of equality and diversity are to ensure that everyone has access to the same opportunities and the same, fair treatment. The Council is committed to improving the outcomes for all and preventing any form of discrimination and works to meet all its legal duties under the Equality Act 2010 regarding equality	Decision making not open, transparent or fair. Lack of recognition of diversity of Harlow Reputation	Discrimination, harassment and victimisation and other conduct prohibited by the Equality Act.	Brian Keane	Almost Certain (5)	Major (4)	23	Corporate Equalities Policy Safeguarding Policies and Training Equality training for all Officers and Councillors Partnership working with the Health and Wellbeing Board Procurement Strategy reflects values of Fairness and Equality Men's Shed project 'time credit' scheme in conjunction with Essex County Promotion of volunteering amongst Harlow's residents.	Moderate (3)	Major (4)	18	Moderate (3)	Major (4)	18	Implement the Corporate Equalities Action Plan Publication of information relating to people who share protected characteristics who are employees and people affected by the Council's policies and procedures. Implement recommendations from the Religious Diversity Working Party.	Annual review 31/03/21

Corporate Plan	Objective	Risk Name	Risk	Background	Likelihood	Impact	Risk Owner	Likelihood	Impact	Score	Controls already in place	Likelihood	Impact	Score	Likelihood	Impact	Score	Additional actions to mitigate risk (4Ts)	Target Date
New Corporate Priority	Resilience and recovery	CR11 - Business Resilience	If the Council does not have adequate Business Continuity arrangements, then it may struggle to recover from disasters or emergencies	Having a comprehensive Business Continuity Plan ensures the Council is prepared for emergencies or business disruption events facilitates protection of essential assets, minimises potential for loss of life an property and integrates multiple plans and procedures, thereby helping key stakeholders to make informed decisions and ensure timely recovery.	<b>Meteorological</b> (e.g. extreme temperatures - hot and cold- flood, lightning, snow and ice, storms); <b>Biological</b> (Food-borne illnesses, Infectious/communicable/epidemic/pandemic diseases), <b>Accidental Cause</b> (building/structure collapse, entrapment, explosion/fire, fuel/resource shortage, hazardous material spill r release, equipment failure,transporation incident, unavailability of key employees); <b>Intentional Cause</b> (arson, bomb threat, demonstrations/civil disturbance/riot, acts of war, cyber security incidents, robbery/theft/fraud,strike or labour dispute, suspicious package, terrorism, vandalism/sabotage); <b>Technological</b> (Hardware, software and network connectivity interruption, disruption or failure, utility interruption, disruption or failure).	People (Employees, Residents); Property (Civic Buildings, Housing, Commercial Property); Operations; Statutory Duties; Environment; Supply Chains, Reputation	Brian Keane	Almost Certain (5)	Major (4)	23	Emergency Planning, Business Continuity Plans including Disaster Recovery, Insurance Policies including Terrorism, Property maintenance plans, Engineering Inspection Contract, Statutory Testing of equipment, Heating systems, electrical, Fire Risk Assessments, Cyber Security	Moderate (3)	Moderate (3)	13	Moderate (3)	Moderate (3)	13	BCP Training/communication/Testing	Weekly Review during Covid-19 Recovery phase
		CR11a - Business Resilience: meteorological events	If the Council does not have adequate Business Continuity arrangements in respect of adverse weather, then it may suffer business interruption or disruption when such an event occurs	Natural weather events cannot be controlled. Therefore, the council should be prepared through Business Continuity Planning and adequate risk management for adverse weather conditions which could affect property, disrupt council operations or necessitate council's assistance to Harlow residents	Meteorological (e.g. extreme temperatures - hot and cold- flood, lightning, snow and ice, storms)	People (Employees, Residents); Property (Civic Buildings, Housing, Commercial Property); Operations; Statutory Duties; Environment; Supply Chains, Reputation	Brian Keane	Moderate (3)	Minor (2)	8	Winter weather plans	Moderate (3)	Minor (2)	8	Moderate (3)	Minor (2)	8		
		CR11b - Business Resilience: biological events	If the Council does not have adequate Business Continuity arrangements in respect of illnesses and disease, then it may suffer business interruption or disruption when such an event occurs	The council should be prepared for biological risks such as food-borne illnesses and infectious/communicable diseases/pandemics to minimise disruption to council operations and coordinate local response where required.	Biological (Food-borne illnesses, Infectious/communicable/epidemic/pandemic diseases)	Employees and residents could become ill. Civic and commercial buildings may need to be shut, have restricted access or be repurposed. Housing property may be subject to restrictions, rules or guidelines; Operations may be affected; Statutory Duties may be more difficult to fulfil; Supply Chains may be affected, Reputation may	Brian Keane	Almost Certain (5)	Major (4)	23	Covid-19 Response and Internal Recovery Group Cross party COVID-19 Recovery Working group Risk Assessments, working from home guidance Environmental Health operations (foodborne illnesses, such as salmonella or E. Coli, can usually be minimised by correct food processing and handling techniques)	Moderate (3)	Moderate (3)	13	Moderate (3)	Moderate (3)	13	Continue to monitor Covid-19 situation and Government direction Develop Covid-19 response and recovery plans for generic epidemic/pandemic event	Weekly Review during Covid-19 Recovery phase
		CR11c - Business Resilience: accidental cause	If the Council does not have adequate Business Continuity arrangements in respect of accidental events, then it may suffer business interruption or disruption when such an event occurs	Human-Caused risks vary degrees of severity. Accidental Human-Caused events can be avoided or mitigated through adequate risk management and adherence to standards plus adequate business continuity arrangements.	Accidental Cause (building/structure collapse, entrapment, explosion/fire, fuel/resource shortage, hazardous material spill release, equipment failure,transporation incident, unavailability of key employees)	People (Employees, Residents) may be locked out of buildings. People could be injured, Property could be damaged; Operations could be restricted; Statutory Duties may be more difficult to achieve; Environment could suffer; Supply Chains might be disrupted, Reputation could	Brian Keane	Unlikely (2)	Catastrophic (5)	19	Property maintenance plans Electrical and Gas statutory inspections Engineering Inspection Contract Insurance Policies Emergency Planning Fire Safety Plans	Unlikely (2)	Moderate (3)	9	Unlikely (2)	Moderate (3)	9		
		CR11d - Business Resilience: intentional cause	If the Council does not have adequate Business Continuity arrangements in respect of intentional or malicious events, then it may suffer business interruption or disruption when such an event occurs	Human-Caused risks vary degrees of severity. Intentional Human-Caused events can be difficult to predict and minimize but business continuity arrangements may minimise disruption or interruption to operations if such an event occurs.	Intentional Cause (arson, bomb threat, demonstrations/civil disturbance/riot, acts of war, cyber security incidents, robbery/theft/fraud,strike or labour dispute, suspicious package, terrorism, vandalism/sabotage)	People (Employees, Residents) may be locked out of buildings or locked in. Employees could be attacked; Property may be attacked and damaged; Operations could be restricted; Statutory Duties may be more difficult to achieve; Supply Chains might be disrupted, Data breach could occur, Reputation could suffer	Brian Keane	Rare (1)	Moderate (3)	6	Emergency Planning Disaster Recovery Plans Terrorism Insurance	Rare (1)	Moderate (3)	6	Rare (1)	Moderate (3)	6		
		CR11e - Business Resilience: technological events	If the Council does not have adequate Business Continuity arrangements in respect of the technology it uses, then it may suffer business interruption or disruption when such an event occurs	Technological risks to business are increasingly common due to a growing reliance on technology. The council should ensure it has necessary prevention measures in place and effective plans to minimise disruption or interruption to operations	Technological (Hardware, software and network connectivity interruption, disruption or failure, utility interruption, disruption or failure)	Employees may be unable to connect to systems, Council may be unable to provide online services, Residents may be unable to access website, contact the council or make payments to the council; Operations may be affected; Reputation	Brian Keane	Moderate (3)	Moderate (3)	13	Disaster Recovery plans IT Maintenance and security testing (preventative measures) Back-up generator and testing Computer Insurance	Unlikely (2)	Minor (2)	5	Unlikely (2)	Minor (2)	5	Further IT systems improvements to increase resilience. Continue to maintain and upgrade existing software and hardware.	



Appendix 2

Corporate Plan	Objective	Risk Name	Risk	Background	Likelihood	Impact	Risk Owner	Inherent Risk Score			Controls already in place	Residual Risk Score			Foreseeable Risk Score			Additional actions to mitigate risk (4Ts)	Target Date
								Likelihood	Impact	Score		Likelihood	Impact	Score	Likelihood	Impact	Score		
Corporate Priorities	More and better housing	CR03 - Lack of suitable housing numbers and mix of housing	If the town lacks sufficient housing and also does not provide a suitable housing mix, it will not attract or retain residents	The town requires a suitable housing mix to attract new and retain existing residents for an evolving and sustainable community. Supply must be balanced with demand and housing need, taking into account National Housing and Planning policies. As part of that mix, housing for local people that is genuinely affordable remains a high priority for the Council.	Lack of funding to build new homes. Lack of available land. Low land values. Lack of Local Plan (or non-approval due to failure to demonstrate Duty to Cooperate). Reluctance of housing developers to build out approved schemes will limit the supply of affordable housing as a proportion of private developments. Government policy in relation to social housing may limit the supply of affordable housing.	Lack of Local Plan could create lack of local control or direction. Lack of suitable housing may lead to people moving out of area. Inability to generate sufficient affordable housing. Impact on right population mix.	Andrew Bramidge	Likely (4)	Major (4)	21	Local Plan Examination took place March/April 2019 and the inspector's initial report was received in December 2019, proposing his modifications of the Plan with adoption expected summer 2020. Due to the Covid 19 pandemic the consultation period on the modifications to the Local Plan was extended to the end of May. Following this, the Planning Inspectorate asked all local authorities to provide more evidence on household projections and this work took place during July and August. The Inspector's draft final report was received in October and adoption of the Local Plan is now scheduled for the 10 <sup>th</sup> December Council meeting.	Unlikely (2)	Major (4)	14	Unlikely (2)	Major (4)	14	Direct delivery of council housing. Delivery of Harlow and Giston Garden Town will spur the development of a wider housing offer.	
		CR04 - Lack of adequate Council housing	If the Council does not provide adequate Council Housing it will not be able to fulfil housing needs.	Investment in the existing Council Housing stock is required to fulfil housing needs, maintain Decent Homes standards and improve housing conditions and Housing Options for tenants.	Lack of investment in Council Housing stock. Changes in government policy in relation to housing finance affects ability of the Council to maintain Decent Homes Standards.	Lack of suitable mix and quality of Council Housing stock. Increasing numbers on Housing Needs Register. Impact on homelessness.	Andrew Murray	Moderate (3)	Moderate (3)	13	Most recently approved Housing development pipeline approved by Cabinet in January 2020 outlines the funding and programmes for Housing delivery which includes Council Housing proportions. Recently approved house repurchase scheme (45) adding additional Council housing stock approved by Cabinet in September 2020. Response to Covid-19 Pandemic currently in place. Recovery Plans being reviewed and aligned to council priorities and governance. Work processes adapted to take account of Covid 19 guidance and risk assessment. Work from home arrangements have been and likely to continue in the short term. Bad debt provision being increased in the short term as benefit claims increase and lock down arrangements continuing	Moderate (3)	Moderate (3)	13	Moderate (3)	Moderate (3)	13	Proposed implementation of LDP. Approved action Plan from regular Landlord Survey. HTS Group Ltd (H&R Company) governance established in 2018. In March 2020, updated governance approved by Cabinet aligning to regeneration/corporate plan priorities. Implement any proposed changes to HTS Property & Environment/Group Board structure and Housing and Regeneration Strategy. Continuation of planning and modelling of HRA business plan. Programme of purchase, additional capacity provided, established in September 2020 to forward forecast and manage risks to ensure any payback of Right to Buy retained receipts and interest/penalties is minimised by 31 March 2021.	
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Wellbeing and social inclusion		CR05 - Inability to fulfill Community Wellbeing role	If the Council is unable to fulfil its community wellbeing role, then partnering and strategic opportunities may be lost, impacting on strategic plans and the future of discretionary	Discretionary services are dependent upon the Council's community leadership role which relies to some extent on co-production and co-operation of other agencies and organisations	Health and wellbeing of the community could be affected due to inability to bring together partners and agencies to deliver adequate services. Discretionary services budget likely to be restricted or removed.	Residents unable to access adequate services. Frustration of community cohesion. Perception of Harlow Offer could deteriorate.	Jane Greer	Moderate (3)	Moderate (3)	13	Health and Wellbeing Strategy. Safer Harlow Partnership. Regeneration Strategy	Moderate (3)	Moderate (3)	13	Unlikely (2)	Moderate (3)	9	Crime and anti-social behaviour partnerships. Communications Plan (e.g. to tackle perceptions). Review of financial sustainability and delivery models of discretionary services. Mental Health Strategy.	
A Clean and green environment		CR06 - Lack of Resources and Capacity, Council and key partners	If the resources and capacity of the Council and key partners are diminished, the Council may not be able to fulfil its community aspirations	Tension between expectations of residents, priorities and resources available for street cleaning, waste & recycling, unadopted highways maintenance & landscaping requires careful prioritisation and management of expectations	Lack of resources and/or capacity deliver services, failure to communicate objectives and initiatives, customer expectations not managed	Environmental services actions delayed, recycling rates stagnate or diminish. Resources diverted to reactive rather than proactive actions e.g. increase fly tipping. Reduced resident satisfaction.	Andrew Bramidge	Moderate (3)	Major (4)	18	Essex Waste Management Plan, Waste Collection Contract, Street Scene 'contract' with HTS, Landscapes 'contract' with HTS (however due to Covid 19 much of the landscape programme was frozen in mid-March), Town Park regeneration project. NEPP. New Landscape Officer post recruited in January 2020.	Moderate (3)	Major (4)	18	Unlikely (2)	Moderate (3)	9	Devise and implement new project plan for landscape and streetscene maintenance and improvement. Implement actions from resident satisfaction surveys and budget survey, increase transparency, Communications Strategy. (Continue review of scope and spec of services). Work with HTS to re-implement landscape programme frozen by Covid-19	
		CR09 - Provision of repairs, maintenance landscape and streetscene services	If HTS (Property and Environment) Limited is unable to provide its contracted services, then Harlow Council may be unable to comply with its obligations with regards those services	Repairs, maintenance, landscape and streetscene services are currently contracted to HTS (Property and Environment) Limited. If HTS becomes unviable or finds itself unable to provide its contracted services, Harlow Council will need to arrange alternative provision of those contracted services to meet its obligation to residents	Capacity of HTS management to manage contractual obligations within agreed budget. Non-compliance with outsourced statutory obligations. Unsatisfactory delivery of contracted services. Capacity of HDC management to adequately monitor HTS performance.	Significant reputational, contractual and compliance implications if HTS are unable to comply with contracted obligations. Additional costs, fines or penalties from inadequate or unsatisfactory service provision. Financial impact if HDC are required to take management of HTS due to lack of capacity of HTS management. Procurement of new contractor(s) required if HTS became unsustainable as a business.	Andrew Murray	Unlikely (2)	Major (4)	14	Recently established Covid-19 recovery plan approved by Member working group September 2020. Updated risk register with Covid-19 implications mitigated in October 2020. Updated Business Continuity Plan reviewed October 2020. Services Agreement 2017/18. Contract wording and specifications confirm contractor requirements. Monthly performance reviews involving Portfolio holders and three year Best Value review. HTS have regular reviews of Efficiency Plan and Risk Register. HTS risk register reviewed quarterly at SMB/HTS quarterly meetings. There are regular Governance Audits to ensure effectiveness and value for money. Last Audit March 2019 with outcome of Substantial Assurance. Response to Covid 19 Pandemic currently in place. Recovery Plans being reviewed and aligned to council priorities and governance. Work processes adapted to take account of Covid 19 guidance and risk assessment. Work from home arrangements have been and likely to continue in the short term. Bad debt provision being increased in the short term as benefit claims increase and	Unlikely (2)	Major (4)	14	Unlikely (2)	Major (4)	14	Business Continuity Plans required relating to provision of the contracted services.	
Successful children and young people		CR07 - Ability to support children and family aspirations	If we are unable to support children and young people's (and their families) aspirations, this will adversely impact the skills and educational attainment of school	Engagement of young people (and their families) and opportunities for all in education employment and the community will provide opportunities to raise aspirations and the current skill	Lack of leisure opportunities for children; youth services; health services; clubs e.g. scouts. Low levels of 'school readiness'.	Lack of educational attainment and aspirations leading to restriction in future employment opportunities for school leavers.	Jane Greer	Moderate (3)	Moderate (3)	13	Signposting for residents (often through ECC), Partner agencies (statutory, voluntary, schools), promotion of and support to UTC, ARU and college, Youth Council, Harlow School Readiness project and other similar initiatives. Ensure council activities are available "virtually"	Unlikely (2)	Moderate (3)	9	Unlikely (2)	Moderate (3)	9	Support creation and development of apprenticeships for young people. Engage with a range of partners to support families with complex needs. The Harlow School Readiness project has been extended across town	
Corporate Principles	Being the Community Leader	CR10 - Inability to fulfill Community Leadership role	If the Council is unable to fulfil its community leadership role, then partnering and strategic opportunities may be lost	The Council should take a leading role in promoting Harlow as a great place to live and work, and to champion the need for new infrastructure to enable Harlow to	Lack of lobbying, promotion and funding. Lack of buy-in from stakeholders and partners	Stagnation, lack of town development and growth, lack of identity and recognition	Brian Keane	Likely (4)	Major (4)	21	Climate Emergency measures, lobbying for new infrastructure e.g. hospital, road network. Town Centre Improvements and funding Town Centre Award	Unlikely (2)	Major (4)	14	Unlikely (2)	Major (4)	14	Continue to lobby and liaise with stakeholders	
	Sound Resource Management	CR01 - Financial Resilience	If a sustainable budget is not secured, then the Council will lack financial resilience	The Government's fiscal policy in respect of deficit reduction reducing public sector funding combined with the Council's limited ability to raise income could result in the Council's financial resilience being at risk. In addition uncertainty exists in respect of the Government's plans for local government funding reform and business rates retention	Options for increasing revenue to enable the Council to compensate for reduced Government Funding are becoming extremely limited. Given the budget reductions already made further budget savings will be extremely challenging if services are to be protected. Pressures are now evident not only in the General Fund but also the Housing Revenue Account as a result of Government policy on rents.	The impact of any further significant budget cuts to enable a balanced budget to be delivered could have a major impact on delivery of the Council's corporate objectives. Over the period of the MTF5 there could be an impact on Council's ability to meet statutory responsibilities and community aspirations in respect of discretionary services.	Simon Freeman	Likely (4)	Major (4)	21	Development of the Council's MTF5 and the detailed planning of future budgets is now undertaken early in the financial year and is an on-going process rather than an annual review and is linked with the monthly Budget Monitoring process. The council has approved a three year MTFP which reflects that there are very small projected budget gaps over the period 2020/21 - 2022/23 subject to the outcomes of the anticipated Government funding review.	Moderate (3)	Major (4)	18	Moderate (3)	Moderate (3)	13	Whilst the pressures generated in the Council's grant income are largely driven by Government policy the financial situation continues to be monitored at a high frequency. The Administration will continue to be provided with detailed financial information and will be appropriately supported in reaching decisions upon how these financial challenges can be faced.	
	Equalities and Fairness	CR08 - Equality and Diversity	If the Council does not promote Equalities and Fairness, then residents and employees may not enjoy an environment that is free from discrimination, harassment, victimisation and bullying	The aims of equality and diversity are to ensure that everyone has access to the same opportunities and the same, fair treatment. The Council is committed to improving the outcomes for all and preventing any form of discrimination and works to meet all its legal duties under the Equality Act 2010 regarding equality	Decision making not open, transparent or fair. Lack of recognition of diversity of Harlow Reputation	Discrimination, harassment and victimisation and other conduct prohibited by the Equality Act.	Brian Keane	Almost Certain (5)	Major (4)	23	Corporate Equalities Policy Safeguarding Policies and Training Equality training for all Officers and Councilors Partnership working with the Health and Wellbeing Board Procurement Strategy reflects values of Fairness and Equality Men's Shed project 'time credit' scheme in conjunction with Essex County Promotion of volunteering amongst Harlow's residents.	Moderate (3)	Major (4)	18	Moderate (3)	Major (4)	18	Implement the Corporate Equalities Action Plan Publication of information relating to people who share protected characteristics who are employees and people affected by the Council's policies and procedures. Implement recommendations from the Religious Diversity Working Party.	Annual review 31/03/21

Corporate Plan	Objective	Risk Name	Risk	Background	Likelihood	Impact	Risk Owner	Likelihood	Impact	Score	Controls already in place	Likelihood	Impact	Score	Likelihood	Impact	Score	Additional actions to mitigate risk (4Ts)	Target Date
New Corporate Priority	Resilience and recovery	CR11 - Business Resilience	If the Council does not have adequate Business Continuity arrangements, then it may struggle to recover from disasters or emergencies	Having a comprehensive Business Continuity Plan ensures the Council is prepared for emergencies or business disruption events, facilitates protection of essential assets, minimises potential for loss of life or property and integrates multiple plans and procedures, thereby helping key stakeholders to make informed decisions and ensure timely recovery.	<b>Meteorological</b> (e.g. extreme temperatures - hot and cold- flood, lightning, snow and ice, storms); <b>Biological</b> (Food-borne illnesses, Infectious/communicable/epidemic/pandemic diseases); <b>Accidental Cause</b> (building/structure collapse, entrapment, explosion/fire, fuel/resource shortage, hazardous material spill r release, equipment failure, transportation incident, unavailability of key employees); <b>Intentional Cause</b> (arson, bomb threat, demonstrations/civil disturbance/riot, acts of war, cyber security incidents, robbery/theft/fraud, strike or labour dispute, suspicious package, terrorism, vandalism/sabotage); <b>Technological</b> (Hardware, software and network connectivity interruption, disruption or failure, utility interruption, disruption or failure)	People (Employees, Residents); Property (Civic Buildings, Housing, Commercial Property); Operations; Statutory Duties; Environment; Supply Chains, Reputation	Brian Keane	Almost Certain (5)	Major (4)	23	Emergency Planning, Business Continuity Plans including Disaster Recovery, Insurance Policies including Terrorism, Property maintenance plans, Engineering Inspection Contract, Statutory Testing of equipment, heating systems, electrical, Fire Risk Assessments, Cyber Security	Moderate (3)	Moderate (3)	13	Moderate (3)	Moderate (3)	13	BCP Training/communication/Testing	Weekly Review during Covid-19 Recovery phase
		CR11a - Business Resilience: meteorological events	If the Council does not have adequate Business Continuity arrangements in respect of adverse weather, then it may suffer business interruption or disruption when such an event occurs	Natural weather events cannot be controlled. Therefore, the council should be prepared through Business Continuity Planning and adequate risk management for adverse weather conditions which could affect property, disrupt council operations or necessitate council's assistance to affected members.	Meteorological (e.g. extreme temperatures - hot and cold- flood, lightning, snow and ice, storms)	People (Employees, Residents); Property (Civic Buildings, Housing, Commercial Property); Operations; Statutory Duties, Environment; Supply Chains, Reputation	Brian Keane	Moderate (3)	Minor (2)	8	Winter weather plans	Moderate (3)	Minor (2)	8	Moderate (3)	Minor (2)	8		
		CR11b - Business Resilience: biological events	If the Council does not have adequate Business Continuity arrangements in respect of illnesses and disease, then it may suffer business interruption or disruption when such an event occurs	The council should be prepared for biological risks such as food-borne illnesses and infectious/communicable diseases/pandemics to minimise disruption to council operations and coordinate local response where required.	Biological (Food-borne illnesses, Infectious/communicable/epidemic/pandemic diseases)	Employees and residents could become ill. Civic and commercial buildings may need to be shut, have restricted access or be repurposed. Housing property may be subject to restrictions, rules or guidelines; Operations may be affected; Statutory Duties may be more difficult to fulfil; Supply Chains may be affected; Reputation may be affected.	Brian Keane	Almost Certain (5)	Major (4)	23	Covid-19 Response and Internal Recovery Group Cross-party COVID-19 Recovery Working group Risk Assessments, working from home guidance Environmental Health operations (foodborne illnesses, such as salmonella or E. Coli, can usually be minimised by correct food processing and handling techniques)	Moderate (3)	Moderate (3)	13	Moderate (3)	Moderate (3)	13	Continue to monitor Covid-19 situation and Government direction Develop Covid-19 response and recovery plans for generic epidemic/pandemic event	Weekly Review during Covid-19 Recovery phase
		CR11c - Business Resilience: accidental cause	If the Council does not have adequate Business Continuity arrangements in respect of accidental events, then it may suffer business interruption or disruption when such an event occurs	Human-Caused risks vary degrees of severity. Accidental Human-Caused events can be avoided or mitigated through adequate risk management and adherence to standards plus adequate business continuity arrangements.	Accidental Cause (building/structure collapse, entrapment, explosion/fire, fuel/resource shortage, hazardous material spill release, equipment failure, transportation incident, unavailability of key employees)	People (Employees, Residents) may be locked out of buildings. People could be injured; Property could be damaged; Operations could be restricted; Statutory Duties may be more difficult to achieve; Environment could suffer; Supply Chains might be disrupted; Reputation could be affected.	Brian Keane	Unlikely (2)	Catastrophic (5)	19	Property maintenance plans Electrical and Gas statutory inspections Engineering Inspection Contract Insurance Policies Emergency Planning Fire Safety Plans	Unlikely (2)	Moderate (3)	9	Unlikely (2)	Moderate (3)	9		
		CR11d - Business Resilience: intentional cause	If the Council does not have adequate Business Continuity arrangements in respect of intentional or malicious events, then it may suffer business interruption or disruption when such an event occurs	Human-Caused risks vary degrees of severity. Intentional Human-Caused events can be difficult to predict and minimize but business continuity arrangements may minimise disruption or interruption to operations if such an event occurs.	Intentional Cause (arson, bomb threat, demonstrations/civil disturbance/riot, acts of war, cyber security incidents, robbery/theft/fraud, strike or labour dispute, suspicious package, terrorism, vandalism/sabotage)	People (Employees, Residents) may be locked out of buildings or locked in. Employees could be attacked; Property may be attacked and damaged; Operations could be restricted; Statutory Duties may be more difficult to achieve; Environment could suffer; Supply Chains might be disrupted; Data breach could occur; Reputation could suffer	Brian Keane	Rare (1)	Moderate (3)	6	Emergency Planning Disaster Recovery Plans Terrorism Insurance	Rare (1)	Moderate (3)	6	Rare (1)	Moderate (3)	6		
		CR11e - Business Resilience: technological events	If the Council does not have adequate Business Continuity arrangements in respect of the technology it uses, then it may suffer business interruption or disruption when such an event occurs	Technological risks to business are increasingly common due to a growing reliance on technology. The council should ensure it has necessary prevention measures in place and effective plans to minimise disruption or interruption to operations	Technological (Hardware, software and network connectivity interruption, disruption or failure, utility interruption, disruption or failure)	Employees may be unable to connect to systems. Council may be unable to provide online services. Residents may be unable to access website, contact the council or make payments to the council; Operations may be affected; Reputation	Brian Keane	Moderate (3)	Moderate (3)	13	Disaster Recovery plans IT Maintenance and security testing (preventative measures) Back-up generator and testing Computer insurance	Unlikely (2)	Minor (2)	5	Unlikely (2)	Minor (2)	5	Further IT systems improvements to increase resilience. Continue to maintain and upgrade existing software and hardware.	

Objective	Risk Name	Residual Risk Score			Risk Appetite Definition for Objective	Risk Appetite Reporting Threshold	Difference between residual risk score and threshold	Additional actions to mitigate risk (4Ts)	Target Date
		Likelihood	Impact	Score					
More and better housing	CR03 - Lack of suitable housing numbers and mix of housing	Unlikely (2)	Major (4)	14	Open	13	1	Direct delivery of council housing. Delivery of Harlow and Gilston Garden Town will spur the development of a wider housing offer.	
	CR04 - Lack of adequate Council housing	Moderate (3)	Moderate (3)	13	Open	13	0	Proposed implementation of LDP. Approved action Plan from regular Landlord Survey. Implement any proposed changes to HTS Property & Environment/group Board structure and Housing and Regeneration Strategy. Continuation of planning and modelling of HRA business plan. A five year council house building programme was approved by Cabinet in December 2018	
	CR09 - Provision of repairs, maintenance landscape and streetscene services	Unlikely (2)	Major (4)	14	Open	13	1	Business Continuity Plans required relating to provision of the contracted services.	
Regeneration and a thriving economy	CR02 - The Harlow Offer	Moderate (3)	Moderate (3)	13	Hungry	16	-3	Continued work with ECC to deliver road and transport infrastructure improvements. Develop forward plan for improving transport infrastructure in Harlow. Take forward EZ skills plan to support development of a skilled workforce. Town Centre public realm improvements.	
Wellbeing and social inclusion	CR05 - Inability to fulfill Community Leadership role	Moderate (3)	Moderate (3)	13	Moderate	8	5	Crime and anti-social behaviour partnerships. Communications Plan (e.g. to tackle perceptions). Review of financial sustainability and delivery models of discretionary services. Mental Health Strategy.	
A Clean and green environment	CR06 - Lack of Resources and Capacity, Council and key partners	Moderate (3)	Major (4)	18	Moderate	8	10	Devise and implement new project plan for landscape and streetscene maintenance and improvement. Implement actions from resident satisfaction surveys and budget survey, increase transparency, Communications Strategy, (Continue review of scope and spec of services). Work with HTS to re-implement landscape programme frozen by Covid-19 restrictions.	
	CR09 - Provision of repairs, maintenance landscape and streetscene services	Unlikely (2)	Major (4)	14	Moderate	8	6	Business Continuity Plans required relating to provision of the contracted services.	
Successful children and young people	CR07 - Ability to support children and family aspirations	Unlikely (2)	Moderate (3)	9	Cautious	5	4	Support creation and development of apprenticeships for young people, Engage with a range of partners to support families with complex needs, The Harlow School Readiness project has been extended across town	
Being the Community Leader	CR10 - Inability to fulfill Community Leadership role	Unlikely (2)	Major (4)	14	Open	13	1	Continue to lobby and liaise with stakeholders	
Sound Resource Management	CR01 - Financial Resilience	Moderate (3)	Major (4)	18	Cautious	5	13	Whilst the pressures generated in the Council's grant income are largely driven by Government policy the financial situation continues to be monitored at a high frequency. The Administration will continue to be provided with detailed financial information and will be appropriately supported in reaching decisions upon how these financial challenges can be faced.	
Equalities and Fairness	CR08 - Equality and Diversity	Moderate (3)	Major (4)	18	Moderate	8	10	Implement the Corporate Equalities Action Plan Publication of information relating to people who share protected characteristic who are employees and people affected by the Council's policies and procedures. Implement recommendations from the Religious Diversity Working Party.	Annual review 31/03/21
Resilience and recovery	CR11 - Business Resilience	Moderate (3)	Moderate (3)	13	Open	13	0	BCP Training/communication/Testing	Weekly Review during Covid-19 Recovery phase
	CR11a - Business Resilience: meteorological events	Moderate (3)	Minor (2)	8					
	CR11b - Business Resilience: biological events	Moderate (3)	Moderate (3)	13					
	CR11c - Business Resilience: accidental cause	Unlikely (2)	Moderate (3)	9					
	CR11d - Business Resilience: intentional cause	Rare (1)	Moderate (3)	6					
	CR11e - Business Resilience: technological events	Unlikely (2)	Minor (2)	5					

Corporate Priorities	More and better housing	Open	13	We invest when there is a good likelihood of return and opportunities to grow, choosing innovative options in order to deliver a significant contribution.
	Regeneration and a thriving community	Hungry	16	Our focus is on driving forward regeneration by taking on innovative projects which are resource intensive with long lead in times.
	Wellbeing and social inclusion	Moderate	8	Often working with partners we will continue to deliver our wellbeing strategy, usually taking moderate to low risk options.
	A clean and green environment	Moderate	8	Maintaining good levels of standards we tend towards exposure to modest levels of risk in order to achieve acceptable outcomes.
	Successful children and young people	Cautious	5	We will take low risk options to enhance in our support of children and young people.
	Resilience and recovery	Open	13	We prefer to seek low to moderate risk options to ensure business resilience. However, we acknowledge that when faced with unexpected business interruptions, it is sometimes necessary to accept higher levels of risk to ensure recovery is achieved quickly to minimise disruption to council services.
Guiding Principles	Sound resource management	Cautious	5	It is important the Council is getting its best from available resources whilst ensuring long term sustainability. We will seek best use of our resources, and generation of alternative funding in order to protect services.
	Being a community leader	Open	13	Promoting the needs of Harlow and being recognised as a community leader, we tend towards modest levels of risk to achieve outcomes.
	Equalities and Fairness.	Moderate	8	Developing and promoting the Equalities and Fairness agenda across Harlow, we usually take moderate to low risk options to achieve outcomes. The Council operates within a statutory framework at all times.

Definition	Risk Reporting Threshold
Avoid	1
Adverse	3
Cautious	5
Moderate	8
Open	13
Hungry	16

### Appendix 3 – Risk Appetite Definitions and Reporting Thresholds

		Risk Appetite Definition	Risk Appetite Reporting Threshold	Risk Appetite Statement
Corporate Priorities	More and better housing	Open	13	We invest when there is a good likelihood of return and opportunities to grow, choosing innovative options in order to deliver a significant contribution.
	Regeneration and a thriving community	Hungry	16	Our focus is on driving forward regeneration by taking on innovative projects which are resource intensive with long lead in times.
	Wellbeing and social inclusion	Moderate	8	Often working with partners we will continue to deliver our wellbeing strategy, usually taking moderate to low risk options.
	A clean and green environment	Moderate	8	Maintaining good levels of standards we tend towards exposure to modest levels of risk in order to achieve acceptable outcomes.
	Successful children and young people	Cautious	5	We will take low risk options to enhance in our support of children and young people.
	Resilience and recovery	Open	13	We prefer to seek low to moderate risk options to ensure business resilience. However, we acknowledge that when faced with unexpected business interruptions, it is sometimes necessary to accept higher levels of risk to ensure recovery is achieved quickly to minimise disruption to council services.
Guiding Principles	Sound resource management	Cautious	5	It is important the Council is getting its best from available resources whilst ensuring long term sustainability. We will seek best use of our resources, and generation of alternative funding in order to protect services.
	Being a community leader	Open	13	Promoting the needs of Harlow and being recognised as a community leader, we tend towards modest levels of risk to achieve outcomes.
	Equalities and Fairness.	Moderate	8	Developing and promoting the Equalities and Fairness agenda across Harlow, we usually take moderate to low risk options to achieve outcomes. The Council operates within a statutory framework at all times.

Definition	Risk Reporting Threshold
Avoid	1
Adverse	3
Cautious	5
Moderate	8
Open	13
Hungry	16

Likelihood	Almost Certain	99% likely to happen or has happened on a regular basis over the last 12 months.	5	11	16	20	23	25		
	Likely	75% likely to happen or has happened at least once or twice in the last 12 months.	4	7	12	17	21	24		
	Moderate	50% likely to happen or has happened once or twice in the last 24 months.	3	4	8	13	18	22		
	Unlikely	20% likely to happen or has happened once or twice in the last 5 years.	2	2	5	9	14	19		
	Rare	5% likely to happen or hasn't happened within the last 5 years.	1	1	3	6	10	15		
<b>Risk Rating Matrix</b>				1	2	3	4	5		
				Minor slippage	Minor	Moderate	Major	Catastrophic		
			Impact							
			Financial	Loss/overspend under £10K	Loss/overspend £10K-£50K	Loss/overspend £50K-£250K	Loss/underspend £250K-£1M	Loss/underspend over £1M		
			Service	Marginal disruption to service capability	Short term disruption to service or marginal reduction in service.	Short term disruption to service or marginal reduction in service. Objectives of one department not met.	Short term loss of service or significant reduction service. Service objectives not met.	Medium/longer term loss of service. Failure to deliver at least one the Council's corporate objectives.		
				Unlikely to cause complaint/litigation	Low potential for complaint/litigation	High potential for complaint with possible litigation	High potential for complaint with probable litigation	Litigation almost certain and difficult to defend.		
			Reputation	No adverse publicity	Minor adverse publicity	Significant adverse local publicity	Adverse national publicity/significant adverse local publicity	Significant adverse national publicity		
Legal/Regulatory	Breaches of local procedures/standards	Breaches of regulations/standards	Breaches of regulations/standards	Breaches of law punishable by fines	Breaches of law punishable by imprisonment					
Environmental/ Public Health	Incident with no lasting effect	Short term incident (days)	Short term incident (weeks)	Medium term major incident (1 month – 1 year)	Long term major incident (1 year +)					
Health and Safety	'First Aid' level injury	Medical treatment required – short term injury	Medical treatment required – long term injury	Extensive permanent injury – long term absence	Fatality					