

**Public Document Pack
SOUTHEND-ON-SEA BOROUGH COUNCIL**

Audit Committee

Date: Wednesday, 28th June, 2017

Time: 6.30 pm

Place: Committee Room 1 - Civic Suite

Contact: Colin Gamble

Email: committeesection@southend.gov.uk

AGENDA

- 1 Apologies for Absence**
- 2 Declarations of Interest**
- 3 Mental Health Direct Payments (Pages 1 - 6)**
- 4 The Forum Governance Arrangements (Pages 7 - 18)**
- 5 South Essex Homes Annual Governance Statement for 2016/17 (Pages 19 - 58)**
- 6 Assurances and Continuous Development of the Risk Management Framework (Pages 59 - 68)**
- 7 2017-18 Corporate Risk Register (Pages 69 - 88)**
- 8 Internal Audit Services, Quarterly Performance Report (Pages 89 - 112)**
- 9 Counter Fraud & Investigation Directorate: Annual Report for 2016/17 (Pages 113 - 130)**
- 10 BDO: Progress Report to Those Charged with Governance (Pages 131 - 144)**
- 11 Head of Internal Audit Annual Report 2016/17 (Pages 145 - 200)**
- 12 Annual Governance Statement 2016/17 (Pages 201 - 220)**
- 13 BDO: Planning Letter 2017/18 (Pages 221 - 228)**
- 14 Information Item - SBC Fighting Fraud & Corruption Locally Assessment May 2017 (Pages 229 - 244)**

Members:

Cllr M Davidson (Chair), Cllr H Boyd (Vice-Chair), Cllr B Ayling, Cllr A Bright, Cllr J Moyies, Cllr G Phillips, Cllr M Terry, Cllr J Ware-Lane, Cllr C Willis and K Pandya

Southend-on-Sea Borough Council

Report of Group Manager, Business Support Department
for People

To
Audit Committee

28 June 2017

Agenda
Item No.

3

Report prepared by:
Paul Mavin – Group Manager, Business Support

Mental Health Direct Payments

1. Purpose of Report

To update the Audit Committee on progress following the audit report for Mental Health Direct Payments that was commenced in June 2014, with additional actions identified in June 2015. Following a review in October 2016 a revised completion date was agreed for 31st May 2017.

2. Audit Objective

- 2.1 To identify any control weaknesses that may lead or did lead to fraud occurring when making direct payments to clients with mental health difficulties.
- 2.2 This focused on the arrangements between Southend on Sea Borough Council, South Essex Partnership University NHS Foundation Trust (now Essex Partnership University Trust) and Vibrance¹.
- 2.3 A subsequent proven direct payment fraud identified in January 2015, resulted in the dismissal and prosecution of a Council employee. This fraud related to the misappropriation of surplus monies on client accounts held by Vibrance.
- 2.4 The follow up work undertaken to assess the progress made in implementing recommendations from the original allegations of fraud, was extended to include the actions required to strengthen controls relating to the recovery of surplus funds managed by Vibrance (June 2015).

3. Audit Recommendations

- 3.1 The broad recommendation was that the day to day operational arrangements between Southend on Sea Borough Council, South Essex Partnership University NHS Foundation Trust (now Essex Partnership University Trust) and Vibrance¹ require formal governance to reduce the risk of the Council being exposed to fraud and/or error.

¹ Vibrance; a registered charity that Southend-on-Sea Borough Council engaged to provide advice, support and payroll services to clients who express an interest in, and have been assessed as meeting the eligibility criteria for a Direct Payment.

3.2 There were 17 recommendations made in total.

4. Background

4.1 Southend on Sea Borough Council Adult Social Care has a statutory responsibility according to the Care Act 2014 to ensure that adults and older people who have been assessed as having eligible needs are provided with a Direct Payment when it is appropriate to do so according to the Act.

4.2 A direct payment (DP) is money given to individuals by adult social care to buy the support they have been assessed as needing.

4.3 Support is provided to adults and older people to self manage and/or they can access an employment and payroll service offered by Vibrance which is a not for profit organisation contracted to the Council solely for this purpose.

4.4 For 2016/17 we are administering just over £5.1 million per annum across all adults and older people.

5. Current position

5.1 The audit review completed in October 2016 identified that out of the 16 actions: - 2 Completed; 1 closed; 1 partially completed and 12 required completion.

5.2 An audit review is scheduled for the week of 26th July 2017.

5.3 The key improvements that we have implemented are:

- A revised SBC Panel Terms of Reference that outlines the panel process; Carefirst process; signatory requirements; compliance; and authorisation; requirements has been approved by the SBC/EPUT Mental Health Joint Operational Board on 23/12/2016.
- Defined a procedure for vetting and validating new care providers prior to inclusion on the Vibrance list of providers to local residents.
- Developed a report that highlights instances where a staff member has entered and authorised a care package on Carefirst.
- Produced procedure notes on the process to be followed when approving a care package on Care First that includes checks to be undertaken by a senior independent officer.
- Improved the Finance Authorisation Meeting's Panel Decision Sheet to enable greater clarity over what has been approved by the Panel

- Formalised reporting and claw back arrangements for surplus funds on client accounts held by Vibrance.
- Improved contract management processes with Vibrance.

5.4 Detailed update:

February 2017:

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Recommendation closed
2	0	1	12	1

June 2017:

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Recommendation closed
10	0	6	0	1

Recommendation 1;2;4;6;7;8;9;12;14;17 Complete

Recommendation 5 Closed

Recommendation 3 Part Implemented

- Procedure notes have been devised and implemented with finance officers. A corresponding electronic process needs to be implemented in Civica.

Recommendation 10 Part Implemented

- A contract variation schedule has been devised and forwarded to Vibrance for signature and return. Vibrance CEO is on annual leave and we do not anticipate any issues with this variation agreement.

Recommendation 11 Part Implemented

- Reclaim of Direct Payments commenced June 2017. Full review and verification process to be implemented in July 2017

Recommendation 13 Part Implemented

- Contract Monitoring arrangements extended to include a standing item for financial monitoring for next contractual monitoring meeting in July 2017.

1 Vibrance; a registered charity that Southend-on-Sea Borough Council engaged to provide advice, support and payroll services to clients who express an interest in, and have been assessed as meeting the eligibility criteria for a Direct Payment.

Recommendation 15

Part Implemented

- Finance Procedure notes have been completed. A corresponding electronic process needs to be implemented in Civica.

Recommendation 16

Part Implemented

- Finance Procedure notes have been developed. Corresponding audit process to commence July 2017.

5.5 We estimate that we are currently on course to have this audit fully completed by September 2017.

6. Financial Implications

Direct Payments for Adults

Managed by Vibrance £5,036,637

7. Legal Implications

None

8. People Implications

None

9 Property Implications

None

10. Consultation

None

11 Equalities Impact Assessment

None.

12 Value for Money

N/A

13 Community Safety Implications

None

14. Environmental Impact

None.

¹ Vibrance; a registered charity that Southend-on-Sea Borough Council engaged to provide advice, support and payroll services to clients who express an interest in, and have been assessed as meeting the eligibility criteria for a Direct Payment.

15. Background Papers

None

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Southend-on-Sea Borough Council

Report of the / Deputy Chief Executive (Place)

to

Audit Committee

on

28th June 2017

Report prepared by: Scott Dolling & Simon May

Report Revisited

The Forum Governance Arrangements

Executive Councillor – Councillor Anne Holland

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To update the Audit Committee on progress made in delivering the actions agreed in the Internal Audit Report issued in March 2017.

2. Recommendations

- 2.1 The Audit Committee notes the context and the actions being taken to address the issues arising from this Internal Audit Report.

3. Audit Objective

- 3.1 To assess whether the actions agreed in the original audit issued December 2014, have been implemented and are now effectively embedded into the day-to-day operation of the service.

4. Audit Recommendations

- 4.1 The revisited report is included in Appendix 1.

5. Background or Operational Context

- 5.1 The Forum is an innovative partnership between the Council, the University of Essex and South Essex College. Since it opened in 2013 it has been a great success, improving library provision for the public and students, underpinning academic opportunity in Southend and creating a new public square in the town centre.

The Library's performance at the Forum since 2013 shows increased usage and the following key performance indicators support this position

Footfall has more than doubled since the move from Victoria Avenue. Focal Point Gallery has extended its range of exhibitions and activities and increased its profile and that of Southend internationally.

Elmer Square has become a new venue in the town, bringing live opera to Southend. Together, the Forum and Elmer Square have created a new quarter in Southend, unrecognisable by anyone who knew the old Farringdon car park. Both the College and University have seen increased student satisfaction, moving them to best in class and attracting more students to study in Southend.

- 5.2 The Forum is leased and run by the Forum Management Company. This is a special purpose vehicle set up by the three partners. Each partner has equal voting rights. The Board of the Management Company meets quarterly. The Council has two directors on the board of the Management Company, who are always Council Members (currently Cllr Holland and Cllr Jarvis appointed through the council's annual process). Council Officers also attend Board meetings.
- 5.2 The SBC audit recommendations are clearly seeking to ensure the Council's best interests. It should be acknowledged that the Forum Management Company is not bound by SBC or any other single partner, though has due regard to the points raised.
- 5.3 The library at the Forum is run by the Council on behalf of the partners and is fully integrated into the Council's Public Library Service.

6. Current position

- 6.1 There are three recommendations in the audit report that have been identified as not implemented: R4 Governance arrangements should one of the partners withdraw, R5 reporting on benefits of the Library relocation at the Forum and R7 Updating financial regulations of the Forum Management Company. There are two partially implemented recommendations, R2 reporting progress to Council and R3 apportionment of costs.
- 6.2 R4 - The partners signed up to a 99 year lease for the respective sections of the building. All three partners are large public sector organisations for all of whom The Forum is a strategic priority, and so they are unlikely to withdraw in the medium to long term. The partners have acknowledged that in the event of one partner leaving the partnership, all three would need to work towards delivering a smooth transition. This matter was covered in the last board meeting and will be revisited.
- 6.3 R5 – The Forum library has demonstrated its benefits over the past 3.5 years since moving from Victoria Avenue. Performance is now monitored as part of business as usual within the Library service.
- 6.4 R7 – This matter has been presented to the Forum management board who confirm that the host treasurer role, which rotates between the partners, uses their own transparent and robust financial regulations. Each partner is a public sector body and is subject to a similar level of scrutiny as the Council. At present the University hosts the treasury position and a copy of their financial procedures is available if required.

- 6.5 R2 - A formal report by the Council's Directors of the business of the Forum Management Company to Council will be provided annually at the end of each municipal year.
- 6.6 R3 – Southend Borough Council's finance team are currently developing revised recommendations concerning cost apportionment in consultation with the other partners. Once the new recommendations have been finalised they will be presented to the Board. It should be noted that cost saving opportunities that benefit all partners are continually assessed as business as usual.

7. Corporate Implications

- 7.1 Contribution to Council's Aims and Priorities
- 7.2 Financial Implications
- 7.3 Legal Implications
- 7.4 People and Property Implications
- 7.5 Consultation
- 7.6 Equalities Impact Assessment
- 7.7 Risk Assessment
- 7.8 Value for Money
- 7.9 Community Safety Implications and Environmental Impact

8. Background Papers

9. Appendices

Appendix 1 – The Forum Governance Revisited Action Plan as at March 2017.

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Appendix 1: The Forum Governance Revisited Action Plan as at March 2017

	Agreed management action	Lead officer	Status of action	Audited assessment
Establishment of Southend-on-Sea Forum Management Ltd				
Potential risk audited Partners are not able to agree amicable, mutually beneficial terms of withdrawal and practical arrangements in good time, likely leading to unnecessary financial costs being incurred.				
<p>R4</p> <p>⇒</p>	<p>Clarify the legal and accounting implications and steps necessary for any partner to withdraw from the partnership.</p> <p>Clarify in which key governance document a process for withdrawal is set out.</p>	<p>Head of Culture</p> <p>Now</p> <p>Director of Culture, Tourism and Delivery</p>	<p>Not implemented</p> <p>Original date: 1 October 2015</p> <p>Revised date: 30 September 2017</p>	<p>Southend-on-Sea Forum Management Limited believed that this was covered by the Heads of Terms agreement. Board minutes for 20 January 2016 confirm this understanding. However, a review of the Heads of Terms shows that this relates to the premises lease, not the partnership.</p> <p>It is noted that the SoSFML took no action when this was previously raised. However, it should be re-requested to take this action, especially if it is felt that it would be helpful to the partnership or there is a potential change in the partnership relationship.</p> <p>Management actions outstanding</p> <p>Request Southend-on-Sea Forum Management Limited (SoSFML) to:</p> <ul style="list-style-type: none"> • define and document the legal and accounting implications and steps necessary for any partner to withdraw from the partnership • determine in which key governance document a process for withdrawal is set out.

Appendix 1: The Forum Governance Revisited Action Plan as at March 2017

	Agreed management action	Lead officer	Status of action	Audited assessment
	Potential risk audited The Council may not be able to effectively deliver the role of company treasurer leading to poor financial control and accounting.			
R6 12	Clarify the company treasurer post's: <ul style="list-style-type: none"> • rotation schedule through the partners • means to record the Forum's income and expenditure, how this would be done by the Council if it took on the company treasurer role (e.g. which financial system would be used) and what preparatory work would be required. 	Group Accountant for Place	Fully implemented	The University of Essex currently provides the Treasurer post. There are no plans to rotate this position amongst the members, although it has been agreed by the Southend-on-Sea Forum Management Limited Board (January 2016) that should this position be transferred, a six month lead-time would be required before the post were to start.

Appendix 1: The Forum Governance Revisited Action Plan as at March 2017

	Agreed management action	Lead officer	Status of action	Audited assessment
Assurance of the Forum's activity				
Potential risk audited The Council may miss opportunities to reduce unnecessary costs, or improve how the Forum is managed, to better deliver the intended outcomes of the partnership.				
R1 13	<p>The performance and operation of the Forum building will be regularly and formally reported upon to the:</p> <ul style="list-style-type: none"> • Head of Culture (now the Director of Culture, Tourism and Property) each month • Departmental Management Team (DMT) to inform its decision-making processes. <p>The PIs will include:</p> <ul style="list-style-type: none"> • financial performance information • non-financial key performance indicators relevant to the operation of the municipal library • assurance of compliance with Financial Regulations (also see R7) • the results of the work of external audit or any other relevant external government or regulatory bodies (e.g. HMRC). 	<p>Head of Culture</p> <p>Now</p> <p>Director of Culture, Tourism and Delivery</p>	<p>Substantially implemented</p> <p>Original date: 31 March 2015</p> <p>Revised date: 30 September 2017</p>	<p>A range of financial and non-financial reports are produced for the Group Manager, Libraries and Museums on a monthly basis to reflect the operational performance of the Forum and other municipal libraries individually. These provide the raw data to measure the libraries performance against the performance measures in the current Culture Service Plan.</p> <p>This data is then consolidated to summarise performance of all libraries in the borough for inclusion in the Department for Place's monthly dashboard along with all other arts and sports event attendance. More granular information is reported to the Head of Service (now Director) team meetings.</p> <p>The current information does not include assurance with regards to compliance with Financial Regulations.</p> <p>As Southend-on-Sea Forum Management Limited (SoSFML) is a separate legal entity of which the Council is only a one -third owner, it monitors its own performance via board meetings with financial performance and budgets discussed and agreed in the meeting minutes.</p> <p>Annual accounts for SoSFML are lodged at Companies House.</p>

Appendix 1: The Forum Governance Revisited Action Plan as at March 2017

	Agreed management action	Lead officer	Status of action	Audited assessment
				<p>The Director of Culture, Tourism and Property is a member of the Forum Library Management Advisory Committee and attends the SoSFML board meetings. As such, he would be aware of the results of the work of external audit or any other relevant external government or regulatory bodies.</p> <p>The Deputy Chief Executive (Place) is on the distribution list for Southend on Sea Forum Management Limited board meeting minutes and agenda packs. These are shared with DMT along with the library PIs.</p> <p>Management actions outstanding</p> <p>Please see R7 in respect of the Financial Regulations point.</p>

Appendix 1: The Forum Governance Revisited Action Plan as at March 2017

	Agreed management action	Lead officer	Status of action	Audited assessment
	<p>Potential risk audited Councillors serving as directors may feel unable to effectively carry out their responsibilities for both the Council and the outside body whilst protecting themselves from the perception of conflict of interests.</p> <p>Other Councillors may not be kept fully informed of the activities of the outside body or organisation concerned, the nature of the organisation's activities, and the impact of such activities on the local community and Council's service delivery.</p>			
R2 15	<p>Councillors serving as directors of the Forum management company should, as required by the Local Authorities (Companies) Order 1995, report back to the Council on their involvement in the management company.</p> <p>A formal report will be requested from the Southend Directors of the Forum Management company, on an annual basis, that informs the Council of the actions undertaken by directors whilst representing the Council in the partnership.</p> <p>It will be formally communicated to Councillors that should there be any business of significant interest, this will also be formally reported in a prompt manner.</p> <p>This will support the ongoing flow of information currently provided by the Forum Management Company on decisions made as a group.</p>	<p>Head of Culture</p> <p>Now</p> <p>Director of Culture, Tourism and Delivery</p>	<p>Partially implemented</p> <p>Original date: 31 March 2015</p> <p>Revised date: 30 June 2017</p>	<p>The Portfolio holder for Culture, Tourism and the Economy is always one of the Southend-on-Sea Forum Management Limited board members. The expectation is that they would use their judgement as to what information to advise full Council of in their Portfolio updates.</p> <p>However, this does not meet the requirement of the original agreed action, is not transparent and is unlikely to meet the expectations of the Local Authorities (Companies) Order 1995.</p> <p>Management actions outstanding</p> <p>Request a formal report from the Southend Directors of the Forum Management company, on an annual basis, that informs the Council of the actions undertaken by directors whilst representing the Council in the partnership. This report should include a summary of SoSFML financial and non-financial activity over the previous 12 months.</p> <p>Formally communicate to Councillors that should there be any business of significant interest, this should also be formally reported to Council in a prompt manner.</p>

Appendix 1: The Forum Governance Revisited Action Plan as at March 2017

	Agreed management action	Lead officer	Status of action	Audited assessment
Future operation of the Forum				
Potential risk audited The Council may not pay a fair or representative proportion of the Forum's shared running costs.				
R3 17	<p>Document and agree with all partners:</p> <ul style="list-style-type: none"> the basis of apportioning shared running costs (e.g. costs for services provided to the partners by Southend under the service level agreement, running costs of shared building areas, costs for running the reception desk) the method for calculating each basis (e.g. if the Council's number of registered borrowers is used as a basis, clarify what constitutes a likely user of the library as opposed to just being registered, the source of such data and how often the basis will be recalculated). <p>Assess whether running costs apportioned using registered library users represents a fair method given Internal Audit's analysis of actual library usage.</p>	Group Manager, Libraries and Museums	<p>Partially implemented</p> <p>Original date: 31 March 2015</p> <p>Revised date: 31 May 2017</p>	<p>Although some costs are documented in the Southend-on-Sea Forum Management Limited's Operational Governance Code of Practice (agreed at the 20 January 2016 board meeting), these relate mainly to fixed costs with no analysis of how running costs (such as the reception desk) will be allocated.</p> <p>Currently estimated costs are being invoiced. Once the proposal paper has been accepted, retrospective adjustments will be made to the charges to date. This was discussed at the April 2016 Southend on Sea Forum Management Limited Board (SoSFML) meeting.</p> <p>Management actions outstanding</p> <p>Complete the draft paper setting out the:</p> <ul style="list-style-type: none"> basis of apportioning shared running costs the method for calculating each basis of apportionment. <p>Present it to the SoSFML Board Meeting for approval.</p>

Appendix 1: The Forum Governance Revisited Action Plan as at March 2017

	Agreed management action	Lead officer	Status of action	Audited assessment
Potential risk audited Inappropriate actions may be taken leading to poor value for money, fraud or loss.				
R7	<p>When the Forum management company's Financial Regulations are next reviewed, include requirements for an appropriate separation of duties between staff:</p> <ul style="list-style-type: none"> • raising and approving orders • receiving goods • authorising invoices for payment for funds managed solely by Southend-on-Sea Forum Management Limited (e.g. the facilities management and maintenance budgets). <p>It as agreed that the requirement for a separation of duties throughout the key financial processes will be specified in the Financial Regulations.</p> <p>This will apply to the monies actively spent by the Forum Management Company (relating to facilities management and maintenance budgets).</p>	<p>Head of Culture</p> <p>Now</p> <p>Director of Culture, Tourism and Delivery</p>	<p>Not implemented</p> <p>Original date: 31 March 2015</p> <p>Revised date: 30 September 2017</p>	<p>Although the Financial Regulations were updated in November 2014, no changes were made in respect of the original recommendation.</p> <p>It is noted that the Board took no action when requested to do this previously, but it should be re-requested at the time of the next annual review of the Financial Regulation.</p> <p>Management actions outstanding</p> <p>Request the Southend on Sea Forum Management Limited Board to arrange for the Financial Regulation to be updated so that they explicitly stress the need for segregation of duties between these functions.</p> <p>Suggest that they mirror as far as possible the Council's Financial Regulation in this area.</p> <p>Present the updated Financial Regulations to the Board for approval.</p>

18

Report of Deputy Chief Executive (People)

to

Audit Committee

on

28th June 2017

Reports prepared by: South Essex Homes /
Head of Internal Audit

South Essex Homes
Annual Governance Statement for 2016/17 and supporting reports
Executive Councillor – Cllr M Flewitt
A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present South Essex Homes Annual Governance Statement and supporting reports to the Audit Committee to consider as evidence in support of the Council's own Annual Governance Statement.

2. Recommendation

- 2.1 The Audit Committee accepts the assurance provided by South Essex Homes regarding the operation of its risk management, control and governance arrangements throughout 2016/17.**

3. Background

- 3.1 South Essex Homes is a wholly owned company of the Council. As such:

- its accounts are consolidated into the Council's financial statements
- disclosures regarding the adequacy and effectiveness of its risk management, control and governance arrangements are included in the Council's Annual Governance Statement.

- 3.2 Therefore, South Essex Homes has provided the Council with the following reports for 2016/17 as evidence of how well these arrangements have operated throughout the year:

- Head of Internal Audit Annual Report (Appendix 1)
- Audit Committee Annual Report (Appendix 2)
- Annual Governance Statement (Appendix 2c)

- 3.3 These are the reports considered by the company's Audit Committee on the 17th May 2017. The Annual Governance Statement will receive final approval from the Board on 25th July, 2017. Overall they show that the company has maintained sound risk management, control and governance arrangements throughout the year.

- 3.4 The company's Annual Governance Statement will form part of the Council's Annual Governance Statement, which is item 13 on this meeting's agenda.
- 3.5 South Essex Homes' Audit Committee Chair and Director of Finance will present these reports to the Audit Committee and respond to Members' questions.

4. Corporate Implications

4.1 Contribution to Council's Aims and Priorities

Operating robust governance arrangements contributes to the delivery of all Council Aims and Priorities.

4.2 Financial Implications

Not relevant to this report.

4.3 Legal Implications

Accounts and Audit Regulations 2015 Section 6 requires Council's to conduct an annual review of the effectiveness of its system of internal control.

The findings of the review must be considered by Council or by a nominated committee, who must then approve an Annual Governance Statement.

Therefore the work undertaken to support and then produce the Annual Governance Statement satisfies the requirements of these Regulations.

4.4 People

Not relevant to this report.

4.5 Property Implications

Not relevant to this report.

4.6 Consultation

All of these reports have been approved by South Essex Homes Audit Committee.

4.7 Equalities Impact Assessment

This has been reflected in the principles, values and or business management processes adopted.

4.8 Risk Assessment

Not relevant to this report

4.9 Value for Money, Community Safety Implications and Environmental Impact

These have been reflected in the principles, values and or business management processes adopted.

5 Background Papers

- The Accounts and Audit Regulations 2015
- UK Public Sector Internal Audit Standards
- CIPFA Local Governance Application Note for the UK Public Sector Internal Audit Standards
- CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2010

- CIPFA: Audit Committees, Practical Guidance for Local Authorities and Police 2013
- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework.

6 Attachments

Appendix 1 South Essex Homes Head of Internal Audit Annual Report 2016/17

- Appendix 1a Assurance Summary 2016/17
- Appendix 1b Internal Audit Plan 2016/17 as at 5 May 2017

Appendix 2 South Essex Homes Audit Committee Annual Report 2016/17

- Appendix 2a Delivering the Audit Committee's Terms of Reference
- Appendix 2b South Essex Homes Annual Governance Statement 2016/17
- Appendix 2c Annual Governance Statement 2016/17 Action Plan
- Appendix 2d Annual Governance Statement 2015/16 Action Plan

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South Essex Homes Limited

Report of the Head of Internal Audit
to

Audit Committee

on

17 May 2017

Report prepared by: Linda Everard

Head of Internal Audit Annual Report 2016/17

A Part 1 Public Agenda Item

1 Purpose of the Report

1.1 To provide, for the 2016/17 financial year:

- the rationale for and an audit opinion on the adequacy and effectiveness of South Essex Homes (the company's) risk management, control and governance processes
- a statement on conformance with the UK Public Sector Internal Audit Standards (the Standards) and the results of the Quality Assurance and Improvement Programme.

2 Recommendations

2.1 **The Audit Committee:**

- **accepts the Head of Internal Audit's Annual Report for 2016/17**
- **satisfies itself that the contents of this report are appropriately reflected in the company's Annual Governance Statement.**

3 Background

3.1 The Head of Internal Audit's Annual Report and Opinion provides the company with an independent source of evidence regarding both the design of its risk management, control and governance framework and how well it has operated throughout the year.

3.2 The company is not required to produce a Governance Statement for its own purposes. However as a wholly owned subsidiary, it is required to provide Southend-on-Sea Borough Council (the Council) with evidence of the robustness of these arrangements in support of the disclosures it needs to make in its Annual Governance Statement.

3.3 The opinion is predominantly based upon the audit work performed during the year as outlined in the risk based Audit Plan agreed with the Executive Management Team and the Audit Committee.

3.4 As outlined in the Internal Audit Charter, audit coverage is determined by prioritising the significance of company's activities to its ability to deliver its Aims.

This is done:

- using a combination of Internal Audit and management risk assessments (including those set out in risk registers)
- in consultation with Group Managers, Directors and the Chief Executive, to ensure the work is focused on key risks.

3.5 At least, six monthly meetings are then held with the Chief Executive and Directors to:

- reflect on the original risk profile and work planned
- determine whether any changes are required to it or the Audit Plan.

Organisationally, this reflects a very mature approach to operating an internal audit function.

3.6 All individual audit reports are presented to the Audit Committee having first discussed and agreed them with the relevant Group Manager, Director and or the Chief Executive.

4 Head of Internal Audit Opinion for the year ended 31 March 2017

4.1 ***Overall, the risk management, control and governance framework designed by the company to deliver its objectives; and operated throughout the year, has remained satisfactory.***

The opportunity to strengthen the arrangements for letting and managing contracts, has been identified and is being addressed by the company.

4.2 **The basis for forming this opinion is an assessment of:**

- the design and operation of the underpinning governance and assurance framework
- the range of individual opinions arising from risk based and other audit assignments that have been reported during the year taking into account the relative significance of these areas
- whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales
- any other assurance available from independent sources.

4.3 The Head of Internal Audit has not reviewed all risks and assurances relating to the company's activities in coming to her opinion.

5 Supporting Commentary

5.1 **Appendix 1a** summarises the audit opinions from each audit completed this year.

5.2 The following paragraphs then:

- summarise the findings from this audit work
- highlight the key areas requiring improvement
- expand on how assurance obtained from other relevant sources has been used to support the overall opinion.

- 5.3 Where necessary, actions have been agreed with officers to improve the arrangements where the more serious control issues were identified during the audits.

Governance and Assurance Arrangements

- 5.4 A robust **Risk Management** Framework had been designed and implemented within the company in that:

- the approach was found to be fit for purpose
- roles and responsibilities had been clearly defined
- there was evidence of compliance with the approved Strategy
- the arrangements were appropriately embedded into operational and strategic management activities.

The Strategy showed a clear commitment to further embedding and strengthening these arrangements. Action was being taken to:

- produce guidance on what the one to five ratings of likelihood and impact means and how to apply them
- evaluate the company's aspirations around risk maturity against a defined model, and use this to inform the next Risk Management Strategy and Action Plan.

- 5.5 The company had made good progress in getting most of the amendments proposed in the original audit report, made to the **Service Level Agreements** (SLAs) it has with Southend-on-Sea Borough Council (the Council). As a result the SLAs more clearly and comprehensively set out the company requirements. They still needed to be approved by both parties. Further discussions were required to resolve the outstanding issues with the IT SLA, before this could be signed off.

The following matters needed to be included in the respective contract monitoring meetings:

- legal cases where the provider has represented the company and the opportunity to improve working practices has been identified, including where issues were raised by the court
- outcomes of the HR employee relation cases.

Discussions were in train to see whether useful benchmarking performance information could be provided for each service provided under an SLA.

Finally, although all the SLAs designate a Lead Officer, there was still a need to clarify their specific monitoring / management responsibilities within each document.

- 5.6 Other internal assurance has also been taken from the:

- performance and effectiveness assessments completed by the Audit Committee
- arrangements established to validate the Management Assurance Statement assessments.

(Refer to the Audit Committee Annual Report)

Service Risks and Key Financial Systems

5.7 Good progress had been made in implementing the actions contained in the original **Careline report**. As a result:

- the arrangements for quality assuring calls taken by Careline staff had been strengthened with this information being more tangibly used to identify training and development needs. The training plan was to be delivered by the 31 March 2017
- a more targeted set of reports were being used to performance manage key Careline activities
- a formal programme of testing the disaster recovery process and recording this had been introduced, to ensure lessons learnt were captured and acted upon
- roles and responsibilities for testing Careline equipment had been clarified and more detailed procedures introduced explaining how these should be carried out.

The element of the Tunstall contract costs that related to Careline still needed to be identified and added to its budget. Although approval had been obtained to gradually increase the charges for this service to nearer the market norm. Action was also being taken to:

- move to monitoring how well Tunstall deals with system faults within 24 instead of 48 hours and ensure all calls reported were being captured by them
- complete the business review of the Careline service and develop a plan to agree and deliver any necessary re-branding and marketing
- establish how best implement a stock management system as well as a stock holding and ordering policy.

5.8 There was a good process in place for reporting **responsive repairs** work to the contractor. The company had established a framework for then managing delivery of the contract, which worked well. Opportunities to strengthen aspects of this and use it more effectively to improve overall performance monitoring were identified.

Urgent action was being taken to bring the delegated authorities for approving works and variation orders, in line with those agreed by the Executive Management Team.

Further work was also planned to:

- introduce independent checks to ensure the annual changes to the Schedule of Rates are correct
- introduce monitoring arrangements for completing rejected and / or recalled work as well as delivering community benefits and training targets
- improve the arrangements for reporting post inspections to give greater transparency on the number of visits made and allow senior managers to better consider the potential risks if levels of inspections fail to meet the targets set.
- improve the arrangements for tracking the implementing of actions agreed to improve service delivery, monitoring.

- 5.9 The **Right to Buy** process urgently needed to be updated to reflect the requirements of the Housing Act 1985 (amended) in respect of notifying secure tenants of their Right to Buy.

Nevertheless, staff demonstrated a good understanding of the statutory requirements and good practice guidance when processing applications despite out of date procedures. Action was being taken to update them by setting out expectations for each step in the process (including how they should be evidenced) as well as strengthening the management checks undertaken before the offer is made.

There were also opportunities to work more effectively with other services (e.g. Adaptations, Asset Management and Housing) to ensure all the relevant information is obtained wherever possible, before offers are made.

The company was looking to work more proactively with the Counter Fraud & Investigation Directorate to both identify and stop right to buy fraud at the earliest possible stage in the process. This is a very positive step and is to be commended.

- 5.10 Overall, satisfactory arrangements were in place regarding the **Housing Rents system** (iWorld), to both raise and then collect rental income from Council house tenants. The element of the system managed by the company was well controlled.

Going forward, evidence will be retained to demonstrate that the reconciliation between rent account information on iWorld and that provided by the Council, has been independent checked. Action was being taken to enable the same type of reconciliation to be undertaken annually for non-domestic properties and assets.

Process under the control of Southend-on-Sea Borough Council

Management continued to accept the risk that the Tenancy Management Team can amend both tenancy and rent accounts on iWorld because of the way system access risks were grouped together. This risk was mitigated by periodic, independent checks of newly created rent accounts and tenancy terminations to confirm:

- separation of duties had been maintained
- staff had not actioned something outside the agreed parameters for their role.

Once the next iWorld upgrade is implemented, the system will prevent users accessing or modifying accounts of tenants where there might be a conflict of interest.

- 5.11 Overall, the **Accounts Receivable** arrangements for ensuring all relevant income was billed for, in a timely manner, and debt collected were satisfactory.

The Rechargeable Works Policy (which made up the majority of invoices raised), clearly defined how outstanding debt would be recovered from tenants. A similar document was required for companies and ad-hoc debts. All the other supporting policies and procedures were fit for purpose and had been reviewed in the last 12 months.

All management fees were accurately invoiced in a timely manner. Requests to raise rechargeable works invoices only provided an approximate charge. The invoice could not be raised until work was shown as completed on iWorld (the company's housing database). However, the Accounts Receivable team was not checking the system regularly therefore invoices were not being raised in a timely manner.

The management of credit notes was considered to be well controlled. Few refunds were given but approval limits should be documented within the Scheme of Delegation.

Reminder letters had not been sent to debtors regularly as the Accounts Receivable team had not routinely been running reports that triggered the debt recovery process. Nevertheless, the three stage reminder system used was deemed to be appropriate. The company had a number of debts owed which are over two years old. Action was required to determine whether they were recoverable or needed to be written off. Write offs had also been approved in line with the Scheme of Delegation.

The Finance team had appropriate access rights to Agresso's Accounts Receivable module. Periodic action was required to check that remained so. The Accounts Receivable Control Account was reconciled properly with the General Ledger on a monthly basis and validated. The regular report produced on the company's financial position should be amended to include debt management information.

Implementing Action Plans

- 5.12 Action plans from audit reports have only been revisited this year if the control weaknesses identified were more significant (e.g. where a partial or minimal assurance opinion was given). The results of this work have been reported to the Audit Committee as part of the Quarterly Performance Report.

Senior management have been responsible for satisfying themselves that high and satisfactory opinion audit report action plans have been properly implemented. This is monitored through the Operational Management Team.

6. Conformance with Professional Standards

Head of Internal Audit Opinion

- 6.1 ***The service has substantially conformed to the relevant professional standards throughout the year.***

Resourcing

- 6.2 In July 2015, Southend-on-Sea Borough Council decided to undertake a service review of Internal Audit so permanent recruitment was stopped. All subsequent vacancies were covered by:
- resources bought in through framework contracts with external suppliers
 - agency or casual staff and staff on short term contracts.
- 6.3 BDO was appointed to complete the service review, which occurred during January / February 2016. It was concluded in August 2016 at which time permission to recruit and rebuild the in-house team was granted.
- 6.4 By August 2016, the combined in-house team of nine auditor posts had gone from carrying four to seven vacancies, one of which has been covered by a long term contractor. It became a substantially contracted out service, with the Head of Internal Audit also covering the contract manager role.

The lack of management capacity during this period has had a significant impact on the performance of the service and its ability to deliver its normal performance targets. Recruitment for permanent staff commenced in January 2017. However, the remainder of the report needs to be considered within this context.

Audit Plan 2016/17

6.5 The target was to delivery 100% of the Audit Plan by the May Audit Committee meeting. In the event:

- 7 reports have been issued
- 3 reports are currently being finalised with officers
- 1 audit is in progress.

Appendix 1b shows the final status of the Audit Plan. Therefore the Head of Internal Audit's annual audit opinion is based upon the work completed.

The outstanding reports will be reported to the Audit Committee in July 2017.

Other Performance Indicators

6.6 The service had a performance target this year of issuing draft reports to clients within 15 working days following the final meeting with officers to feedback on work done. Unfortunately this requirement was not been met in the latter part of the year due to changes in the mix of staff resources available to the team.

6.7 During the year, the service revised its approach to obtaining feedback from stakeholders at the conclusion of audits so it focused more on obtaining evidence of compliance with some of the less tangible elements of the UK Public Sector Internal Audit Standards (the Standards).

The key message from the surveys undertaken is the need for there to be a more seamless service regardless of whether work is undertaken by the in-house Internal Audit team or contracted in resources.

Cost

6.8 The cost of the service remains competitive, as discussed by the Audit Committee when a new three year Service Level Agreement was approved by in February 2016.

Quality and Improvement Programme

6.9 I can confirm I have maintained an appropriate Quality and Improvement Programme (QAIP) during the year for the in-house team or work undertaken by contractors when being managed by the in-house team. As required by the Standards, this consisted of:

- on-going supervision and review of individual audit assignments completed by in-house staff or contractors working to in-house staff
- reporting on a limited set of performance targets to the Audit Committee each quarter (for all work done including that of the external supplier)
- undertaking a self assessment which evaluates conformance with the Standards.

Due to resource constraints, there have been no independent files reviews of in-house staff or contractors work completed this year.

I have received assurance from the external suppliers that where they have undertaken work using their own audit approach, this is also compliant with the Standards.

- 6.10 The service completed its annual self assessment of compliance with the Standards. This has been provided to the company with details of the actions the team plans to take over the coming year to improve its working arrangements, which include:
- updating the Charter and supporting documents to reflect changes in the management arrangements at the company
 - organising the independent external assessment of the service's compliance with professional standards and then refreshing the audit approach / Audit Manual
 - introducing a more structured approach to working with Group Managers on the delivering of the Audit Plan
 - destroying all audit files that fall outside the data retention policy period.

It also captures processes that will be reintroduced as the proportion of in-house resources increase.

Other Disclosures

- 6.11 As required by the Standards, I can confirm that the Internal Audit service has:
- operated in a manner that maintains its organisational independence throughout the year
 - been able to determine the scope of reviews, perform the work and report on its findings without interference neither has there been any inappropriate resource limitations imposed upon it.

Conclusion

- 6.12 Therefore, it is possible to conclude that the company maintained an adequate and effective internal audit service during 2016/17.
- 6.13 The service will continue to maintain an action plan that captures opportunities to strengthen its operating arrangements as and when they arise. The results of this work will be reported to the Audit Committee periodically.

7 Issues for the Annual Governance Statement

- 7.1 No issues have come to my attention relating to either the company or the operation of its Internal Audit Service that I believe need to be disclosed in its Annual Governance Statement, other than those already identified.

8 Diversity and Equal Opportunities

- 8.1 There are no direct diversity or equal opportunities issues to consider as a result of this report.

9 Risk

- 9.1 Failure to operate a robust assurance process (which includes an internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact upon the ability of the company to deliver its objectives.

10 Financial Implications

- 10.1 The Audit Plan was delivered within approved budgets.

11 Resident Consultation

- 11.1 None.

12 Background Papers

- UK Public Sector Internal Audit Standards
- CIPFA, Local Governance Application Note for the UK Public Sector Internal Audit Standards
- CIPFA, The Role of the Head of Internal Audit in Public Service Organisations 2010
- CIPFA, Audit Committees, Practical Guidance for Local Authorities and Police 2013.

13 Appendices

Appendix 1a Assurance Summary 2016/17

Appendix 1b Internal Audit Plan 2016/17 as at 5 May 2017

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Appendix 1a: Assurance Summary 2016/17

Audit Plan Areas	Level of Assurance			
	High	Satisfactory	Partial	Minimal
Managing the Business		<ul style="list-style-type: none"> • Risk Management (Feb 2017) 		
Managing Service Delivery Risks		<ul style="list-style-type: none"> • Responsive Repairs Contract Management: Performance, Quality Standards and Pricing (Feb 2017) 	<ul style="list-style-type: none"> • Right to Buy (Oct 2016) 	<ul style="list-style-type: none"> • Responsive Repairs Contract Management: iWorld Authorising Works Orders (Feb 2017) <i>(Partly Council operated)</i>
Key Financial Systems		<ul style="list-style-type: none"> • Housing Rents (May 2017) • Accounts Receivable (May 2017) 		

Appendix 2 Assurance Summary 2016/17

Audits Revisited	Action Implementation Level			
	High	Satisfactory	Partial	Minimal
Implementing Action Plans		<ul style="list-style-type: none"> • Managing Service Level Agreements (Oct 2016) • Careline (Oct 2016) 		

Appendix 1b: Internal Audit Plan 2016/17

Company activity and focus of audit work	Fraud risk	Status as at 5th May 2017
Managing the Business		
Aim: Provide Excellent Services		
<i>Implementing Action Plans</i>		
Risk Management The identification of risks, controls and assurance within service plans at company and service level.	No	Report issued February 2017.
<i>Implementing Action Plans</i>		
Managing Service Level Agreements The confirmation that actions agreed have been effectively implemented and embedded into the day to day operation of the service. <i>Original report issued May 2015</i>	No	Report issued October 2016.
Managing Service Delivery Risks		
Aim: Deliver Value to the Council		
<i>Implementing Action Plans</i>		
Letting of the Contract for Heating Upgrade Works The arrangements for ensuring compliance with EU procurement rules and good practice.	Yes	Report being finalised with client.
<i>Implementing Action Plans</i>		
Aim: Empower Residents and Staff		
<i>Implementing Action Plans</i>		
Careline The confirmation that actions agreed have been effectively implemented and embedded into the day to day operation of the service. <i>Original report issued January 2016</i>	Yes	Report issued October 2016.

Appendix 1b: Internal Audit Plan 2016/17

Company activity and focus of audit work	Fraud risk	Status as at 5th May 2017
Aim: Manage High Quality Homes		
<p>Contract Management, Gas Servicing</p> <p>The arrangement for ensuring the Gas Servicing Contract is being delivered properly, in compliance with the specified performance and quality standards, at the correct cost / price.</p>	Yes	Report being finalised with client.
<p>Health and Safety</p> <p>The arrangements for managing health and safety risks associated with the housing stock.</p>	Yes	Report being discussed with the client.
<p>Responsive Repairs Contract Management</p> <p>The arrangements for:</p> <ul style="list-style-type: none"> • notifying the contractor of responsive repairs work • ensuring that the Responsive Repairs Contract is being delivered properly in compliance with the specified performance and quality standards, at the correct cost / price. 	Yes	Report issued February 2017.
Aim: Provide Excellent Services		
<p>Reporting to Management on Contract Delivery</p> <p>The arrangements which give senior management assurance that contract delivery is being properly monitored.</p>	No	Work in progress.
<p>Right to Buy</p> <p>The arrangements for ensuring Right to Buy applications are correctly assessed.</p>	Yes	Report issued October 2016.
<p>Housing Rents</p> <p>The setting and amendment during the year, of rent due from tenants.</p>	Yes	Report issued May 2017.
<p>Accounts Receivable</p> <p>The design and operation of the significant / key aspects of the process.</p>	Yes	Report issued May 2017.

Managing Delivery of the Audit Plan

	Audit Planning, Resourcing		
	Managing Contractor Work		
	Reporting to Audit Committee		

Added Value Audit Committee Support

- Work with the company to produce Audit Committee Performance Assessment and Annual Report
- Provide targeted training sessions for the Audit Committee where relevant.

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South Essex Homes Limited

Report of the Head of Internal Audit and
the Director of Finance

to

The Audit Committee

on

17 May 2017

Report prepared by: Linda Everard & David Lincoln

Audit Committee Annual Report 2016/17

A Part 1 Public Agenda Item

1 Purpose of Report

1.1 To provide the Audit Committee with an assessment of:

- its compliance with relevant good practice guidance on the operation and effectiveness of Audit Committees
- whether it has:
 - seen sufficient evidence during the year to be able to give a view on the accuracy of the Annual Governance Statement
 - successfully discharged its role as set out in its Terms of Reference for 2016/17.

2 Recommendations

2.1 The Audit Committee:

- **accepts the performance and effectiveness assessments outlined in the report and the recommendations made for further action**
- **reports to the Board that it has successfully delivered the requirements of its Terms of Reference in 2016/17**
- **recommends that the Board approves the Annual Governance Statement.**

3 Background

The Audit Committee's Role

3.1 The purpose of an audit committee is to provide to those charged with governance, independent assurance on the:

- adequacy of the risk management framework and internal control environment
- integrity of the financial reporting and annual governance processes.

Source: CIPFA: Audit Committees, Practical Guidance for Local Authorities and Police 2013

Operating Arrangements and Effectiveness of the Audit Committee

3.2 The Audit Committee operates under Terms of Reference that are reviewed regularly and approved by the Board. In 2016/17, they reflected the requirements of the relevant CIPFA Guidance and were supported by an annual work programme.

3.3 Membership is reviewed annually. In 2016/17, it consisted of five Board Members including two that had 'recent relevant financial experience' as the Chair and one other are both qualified accountants.

3.4 Members receive training when a specific need is identified.

Future training needs are discussed with Members as part of the annual performance assessment process, during committee meetings or directly with auditors as issues arise.

The Audit Committee has also been provided with briefings or information papers on relevant current issues as they have arisen during the year e.g. CIPFA Better Governance Forum newsletters.

3.5 Good practice recommends that the Audit Committee:

- meets at least four times a year, which it did, with meetings being timed to enable it to deal with specific elements of its remit
- is able to meet privately and separately with the external auditor and the Head of Internal Audit, which it also has done during the year.

The Audit Committee reports to the Board following each meeting by the submission and adoption of its minutes.

3.6 In order for the Audit Committee to operate effectively it requests:

- attendance of key officers, both internal and external to the company
- that reports be presented to it by officers and auditors regarding the activities that fall within its remit.

The schedule of attendance demonstrates:

- full compliance with the quorate requirements
- key officers regularly attended meetings as requested
- other officers attended as necessary to present specific reports
- relevant senior officers also attended to respond to any questions arising from Internal Audit reports presented to the Audit Committee.

3.7 The Audit Committee assessed itself as having **a high level of compliance** with the good practice guidance which covers its operating arrangements.

The Audit Committee's Terms of Reference was amended in February 2017 to include an additional responsibility for "*working with others to support ethical values and reviewing the arrangements to achieve those values*".

3.8 The Audit Committee can also demonstrate that it **has been effective in supporting improvement and added value to the company** in areas covered by its work programme.

Given the change in membership during 2015/16, a session was organised in November 2016 covering the Role of the Audit Committee. This included its remit in relation to approving the Annual Governance Statement.

Work planned to further strengthen the company's governance arrangements includes:

- determining what assurance the company expects to get from South Essex Property Services about the adequacy and effectiveness of its governance arrangements and, in particular, its Audit Committee, should it establish one
- introducing a simple process to provide the Audit Committee with assurance that actions agreed have been implemented, properly where the Internal Audit opinion was high or satisfactory
- updating the audit planning risk assessment / company assurance map for 2017/18
- developing an approach to assessing the effectiveness of the company's ethical governance arrangements, which is underway.

3.9 Therefore, it is possible to conclude that the Audit Committee has complied with recognised good practice guidance on the operation and effectiveness of Audit Committees, throughout the year.

Progress made in implementing improvement opportunities identified is reported to the Audit Committee at its October or January meeting each year.

Annual Governance Statement

3.10 On an annual basis, the Audit Committee is required to consider the Annual Governance Statement (AGS) and decide whether to recommend its adoption to the Board.

It is then provided to Southend-on-Sea Borough Council (the Council) for inclusion in its AGS.

3.11 In order for the Audit Committee to be able to give a view on the AGS, it needs to satisfy itself that:

- it has received sufficient evidence during the year covering all areas of its responsibility
- the AGS reflects its understanding of how the company's risk management, control and governance framework has operated throughout the year.

3.12 **Appendix 2a** summarises the reports presented to the Audit Committee during 2016/17 compared to its key areas of responsibility as outlined in its Terms of Reference. This demonstrates that it has received relevant information in all these areas, setting out both expectations and actual performance in delivering them.

3.13 The Audit Committee also considered the results from the annual Manager Assurance Statements. Service managers are required to assess the level of compliance with key governance criteria in their service area, throughout the year. These assessments are then challenged by the Group Manager Resources & Business Development.

This shows that services are generally applying the key governance arrangements as required by the company.

- 3.14 On this basis it is possible to conclude that the Audit Committee has received sufficient assurance during the year to enable it to discharge the role delegated to it by the Board.

The minutes demonstrate that the Audit Committee has challenged the assurance presented to it and sought additional information or evidence until it is satisfied that the risk, control or governance issue has been satisfactorily addressed.

- 3.15 **Appendix 2b** is the company's Annual Governance Statement for 2016/17. This reflects the evidence outlined above, including the Head of Internal Audit's Opinion, the external auditor's opinion and other appropriate independent assurances.

- 3.16 **Appendices 2c and 2d** reflect the:

- actions to be taken to further strengthen the company's governance arrangements with regard to the 2016/17 Annual Governance Statement
- progress made in addressing the actions identified in the 2015/16 Annual Governance Statement.

4 Diversity and Equal Opportunities

- 4.1 None

5 Risk

- 5.1 Without an effective Audit Committee, the company is at risk of not obtaining on-going assurance as to the robustness of its risk management, control and governance arrangements.

An ineffective system of internal control potentially puts the delivery of company services and objectives at risk.

6 Financial Implications

- 6.1 None

7 Resident Consultation

- 7.1 None

8 Background Paper

- 8.1
- CIPFA: Audit Committees, Practical Guidance for Local Authorities and Police 2013
 - Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework.

9 Appendices

- Appendix 2a: Delivering the Audit Committee's Terms of Reference
- Appendix 2b: South Essex Homes Annual Governance Statement 2016/17
- Appendix 2c: Governance Action Plan 2016-17
- Appendix 2d: Governance Action Plan 2017/18

Appendix 2a: Delivering the Audit Committee's Terms of Reference

CIPFA Good Practice Functions	Agenda item / action taken	Comments
Regulatory Framework		
<ul style="list-style-type: none"> To review the corporate governance arrangements against the good practice governance framework. 	<ul style="list-style-type: none"> The Articles of Association and Code of Governance was reviewed and amended in 2016 	<ul style="list-style-type: none"> No significant issues reported
<ul style="list-style-type: none"> To consider annual governance reports and assurances. 	<ul style="list-style-type: none"> Manager Assurance Statements (May) Also refer other annual reports (see below) 	<ul style="list-style-type: none"> No significant issues reported
<ul style="list-style-type: none"> To review the Annual Governance Statement prior to approval. 	<ul style="list-style-type: none"> Annual Governance Statement and Action Plan (May) 	<ul style="list-style-type: none"> No significant issues reported
<ul style="list-style-type: none"> To consider the arrangements to secure value for money and their effectiveness. 	<ul style="list-style-type: none"> Value for Money Strategy (Oct 2016) 	<ul style="list-style-type: none"> Approved
<ul style="list-style-type: none"> To consider the adequacy of the assurance framework of assurance. 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Audit Risk Assessment with Assurance Mapped will be updated
<ul style="list-style-type: none"> To monitor the maintenance and operation of the risk management framework. 	<ul style="list-style-type: none"> Risk Management Strategy and Appetite Report (May 2016) Risk Management Exception Report (Jul 2016) 	<ul style="list-style-type: none"> No significant issues highlighted
<ul style="list-style-type: none"> To monitor the maintenance and operation of the anti fraud, corruption and bribery framework. 	<ul style="list-style-type: none"> Whistle Blowing Incidences an agenda item at each Audit Committee meeting Counter Fraud & Investigations Directorate Annual Report and Plan (May 2016) Counter Fraud & Investigations Directorate Performance Reports (Feb 2017) 	<ul style="list-style-type: none"> Identification of and level of action taken against fraud, has improved
<ul style="list-style-type: none"> To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions. 	<ul style="list-style-type: none"> Annual Governance Statement Action Plan Update (Oct 2016) 	<ul style="list-style-type: none"> Good progress is being made to implement these actions

Appendix 2a: Delivering the Audit Committee's Terms of Reference

CIPFA Good Practice Functions	Agenda item / action taken	Comments
Financial Reporting		
<ul style="list-style-type: none"> • To review the annual statement of accounts and accounting policies. 	<ul style="list-style-type: none"> • Draft Audited Accounts including External Auditors Report (Jul) 	<ul style="list-style-type: none"> • Unqualified audit opinion given
Treasury Management		
<ul style="list-style-type: none"> • To review: <ul style="list-style-type: none"> • the treasury management policy and procedures • regular reports on activities, issues and trends • treasury risk profile and adequacy of treasury risk management processes. 	<ul style="list-style-type: none"> • Treasury Management Strategy and Annual Reports (May 2016) • Budget Monitoring and Management Accounts / Assurance Report (each meeting) 	<ul style="list-style-type: none"> • No significant issues raised
Internal Audit		
<ul style="list-style-type: none"> • To appoint the internal auditors. 	<ul style="list-style-type: none"> • Three year Service Level Agreement approved from 1 April 2016 	<ul style="list-style-type: none"> • None
<ul style="list-style-type: none"> • To approve the internal audit charter, risk-based internal audit plan and budget. 	<ul style="list-style-type: none"> • Charter, Strategy and Audit Plan (Feb) 	<ul style="list-style-type: none"> • None
<ul style="list-style-type: none"> • To consider reports from the Head of Internal Audit on the team's performance during the year, including specific concerns or amendments to the audit plan. 	<ul style="list-style-type: none"> • Quarterly Performance Report (each meeting) 	<ul style="list-style-type: none"> • None
<ul style="list-style-type: none"> • To consider the Head of Internal Audit's annual report. 	<ul style="list-style-type: none"> • Head of Internal Audit Annual Report (May) 	<ul style="list-style-type: none"> • Satisfactory audit opinion given, with comment about contract letting / management arrangements • Substantial compliance with professional standards

Appendix 2a: Delivering the Audit Committee's Terms of Reference

CIPFA Good Practice Functions	Agenda item / action taken	Comments
<ul style="list-style-type: none"> To contribute to the independent external quality assessment completed every five years. 	<ul style="list-style-type: none"> Planning for summer 2017 	<ul style="list-style-type: none"> Due before 31 March 2018
<ul style="list-style-type: none"> To support the development of effective communication with the Head of Internal Audit. 	<ul style="list-style-type: none"> Private meetings held 	<ul style="list-style-type: none"> None
External Audit		
<ul style="list-style-type: none"> To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance. 	<ul style="list-style-type: none"> External Audit Strategy (Feb2016) Draft Audited Accounts including External Auditors Report (Jul) 	<ul style="list-style-type: none"> Unqualified audit opinion given No significant issues raised
<ul style="list-style-type: none"> To comment on the scope and depth of external audit work and to ensure it gives value for money. 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Although no formal evaluation undertaken, the company is satisfied with external audit's performance
Audit Committee Accountability Arrangements		
<ul style="list-style-type: none"> To report to the Board / Council on whether the Annual Governance Statement reflects the evidence it has seen throughout the year in the areas outlined above. 	<ul style="list-style-type: none"> Annual Report including Annual Manager Assurance Statements and the Annual Governance Statement (May) 	<ul style="list-style-type: none"> No significant issues identified
<ul style="list-style-type: none"> To report to the Board regularly, in its performance in delivering its Terms of Reference. 	<ul style="list-style-type: none"> Terms of Reference Review and Work Programme (Feb 2016) Board approve meeting minutes (each meeting) Annual Performance and Effectiveness Review / Annual Report (May) 	<ul style="list-style-type: none"> Assessed against good practice guidance No significant areas of non compliance identified

Appendix 2a: Delivering the Audit Committee's Terms of Reference

CIPFA Good Practice Functions	Agenda item / action taken	Comments
Other functions		
Financial Management		
<ul style="list-style-type: none"> To set and monitor the delivery of the budget 	<ul style="list-style-type: none"> Budget Monitoring and Management Accounts / Assurance Report (each meeting) Financial Regulations and Scheme of Delegation Review (May 2016) Financial Accounting Policies (Feb 2017) Budget Proposals 2017/18 (Feb 2017) 	<ul style="list-style-type: none"> No concerns raised about the financial viability of the firm or in year management of the budget
Residential Scrutiny Panel		
<ul style="list-style-type: none"> To consider the annual work programme and work of the Panel. 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> No work completed this year so attendance not required
Items additional to Good Practice Requirements		
<ul style="list-style-type: none"> To monitor the financial position and governance of Atilius / South Essex Property Services. 	<ul style="list-style-type: none"> South Essex Property Services Management Accounts and Budget Position update 31 March 2016 (May 2016) Financial Assurance Update Report (Jul 2016) 	<ul style="list-style-type: none"> None
<ul style="list-style-type: none"> To report on action taken to address issues raised in the Careline Internal Audit report 	<ul style="list-style-type: none"> Careline Internal Audit Action Plan Update 	<ul style="list-style-type: none"> Action taken noted
<ul style="list-style-type: none"> To update the Audit Committee on progress made in finalising the ICT Review which will form part of the strategy in development of the final ICT SLA 	<ul style="list-style-type: none"> ICT SLA Update Report 	<ul style="list-style-type: none"> Action taken noted

South Essex Homes Annual Governance Statement 2016/17

1. Scope of responsibility

South Essex Homes

South Essex Homes (SEH), formed in October 2005, is the Arm's Length Management Organisation of Southend-on-Sea Borough Council, responsible for the management and maintenance of the Council's homes. It was financed by a Management Fee in 2016/17, from the Council, of £5,877k, a Service Charge Fee of £3,382k together with income from external organisations of £652k.

There is a formally binding Management Agreement between the Council and SEH and this clearly sets out the governance arrangements that should apply between the two parties. This complies with national best practice.

SEH is managed by a Board comprising three Council nominees, three tenants and five independent members. The Board is ultimately responsible for ensuring that SEH establishes and maintains a sound system of internal control appropriate to the various business environments in which it operates. Committees reporting to the Board include Audit Committee and Personnel and Remuneration Committee. In addition, the commercial subsidiary – South Essex Property Services Ltd (formerly Atilius Limited) reports directly to its parent company.

2. The purpose of the Governance Framework

Good governance leads to good management, good performance, good stewardship, good public engagement, and ultimately good outcomes for citizens and service user. Good governance enables the Company to pursue its vision effectively, as well as underpinning that vision with mechanisms for control and management of risk.

The governance framework comprises the systems, processes, culture and values, by which the Company is directed and controlled and its activities through which it accounts to, engages with and serves the community. It enables the Company to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Company's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

South Essex Homes Annual Governance Statement 2016/17

3. The Governance Framework

The Key elements of the Governance Framework are:

Consultation and Engagement

Business Planning and Strategy

Financial Reporting inc budgetary management

Asset Management

Risk Management including Anti-fraud and Corruption, Whistle blowing and health and safety

Business Continuity

Performance Managing, service delivery and people

Information Management Security

Procurement

Project Management

Complaints

Ethical Governance including Codes of Conduct

Data Quality

Workforce Management

- Corporate governance arrangements which are outlined in The Articles of Association, Code of Governance and Financial Regulations and Scheme of Delegation.
- The employment of suitably qualified and experienced staff to take responsibility for key areas of the business. This is supported by a formal appraisal system.
- The preparation of forecasts and budgets that allow the Committees and the executive officers to monitor the key business risks and financial objectives and identify variances arising during the monthly reporting cycle.
- Business planning that cascades through the organisation, supporting Service Plans and key actions to enable SEH to achieve its ambitions and aspirations as set out in the Vision 2022 Business Plan.
- The regular reporting and review by senior management and the Board of performance against objectives and targets detailed in service plans.

South Essex Homes Annual Governance Statement 2016/17

- The Board has two Committees which review and scrutinise delegated work from the Board in accordance with the Terms of Reference.
- The Company operates a development and training programme for the Board Directors developed from appraisals and one to ones and Committee self-assessment which are carried out annually.
- South Essex Homes ensures that the Board Directors are fulfilling their responsibility under Companies Act 2006 for adequate risk management, control and governance. The Audit Committee has a key role in overseeing and assessing the risk management arrangements and reporting to the Board on an exception basis.

4. Review of Effectiveness

South Essex Homes is responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Executive, Executive Director, the Director of Finance and Group Managers within the Company who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

The Council's processes to review on-going effectiveness of SEH include Council officers meeting with SEH officers on a monthly basis to review performance against a suite of performance indicators and its strategic aims as follows;

- Deliver Value to the Council
- Empower Residents
- Manage High Quality Homes
- Provide Excellent Services
- Engage with Communities
- Develop our Commercial Activities

SEH's internal arrangements for ensuring the effectiveness of its governance arrangements consist of;

- The SEH Board receiving monthly performance reports across operational, human resources and value for money indicators;
- The Audit Committee undertaking a review of the Risk Management Strategy and the Strategic Risk Register to ensure that Risks are

South Essex Homes Annual Governance Statement 2016/17

relevant and applicable and that the Board Members are responsible for ensuring that Risks are monitored effectively by the Senior Management Team.

- The Audit Committee undertakes a review of both its effectiveness as well as the operational arrangements.
- The production and approval of annual Manager Assurance Statements by service managers and Group Managers to assess compliance with key governance processes throughout the year;
- The Group Manager for Resources and Business Development then independently checking that the evidence supports the service manager's assessment of how well each of the business management processes have operated in their area.
- The Company undertaking a review of Tenancy Services, Careline Services and Property Services during 2016/17. A number of actions were identified to improve the service and the Board receive an update on exceptions at each meeting on progress against actions.
- South Essex Homes continuing to review and adjust staffing structures aligning them with the services provision and the Business Plan Vision 2022.

Internal Audit

Internal Audit is delivered through a Service Level Agreement with the Council's Internal Audit Services. The Charter, Strategy and risk based Audit Plan is prepared in consultation with The Executive Management Team and approved by the Audit Committee.

The Audit Plan was delivered with reports issued to senior managers at the conclusion of each audit highlighting internal control weaknesses identified and the actions required to address them. Action plans from audit reports were revisited if the control weaknesses identified were more significant (e.g. where a partial or minimal assurance opinion was given). A quarterly performance report was taken to each Audit Committee.

The Head of Internal Audit Annual Report and opinion for 2016/17 was considered by senior management and the Audit Committee in May 2017. This stated that:

Overall, the risk management, control and governance framework designed by the company to deliver its objectives; and operated throughout the year, has remained satisfactory.

South Essex Homes Annual Governance Statement 2016/17

The opportunity to strengthen the arrangements for letting and managing contracts, has been identified and is being addressed by the company".

The Head of Internal Audit also concluded that the company's Internal Audit service had substantially conformed to the UK Public Sector Internal Audit Standards throughout the year.

Internal Audit continues to make available its work as required to support the external audit of the company's Statement of Accounts.

The company attends the Council's June Audit Committee each year to present the following evidence with regard to its governance arrangements:

- Head of Internal Audit Annual Report
- Audit Committee Annual Report
- Annual Governance Statement.

External Audit

The External Audit of the annual financial statements was undertaken by Scrutton Bland with the view to expressing an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

In carrying out the audit work Scrutton Bland considered whether the financial statement were free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. An item will normally be considered material if its omission would reasonably influence the decisions of those using the financial statements.

Scrutton Bland issued a report to management at the conclusion of the audit work. This included a management letter containing comments and recommendations for improvements in operations and internal control in respect of the Company. This was discussed with management prior to the issue of the final report. The report also includes details of significant adjusted and unadjusted items that arose as a result of the audit work.

The Audit Committee consider the external auditor's report and recommends adoption of the financial statements to the Board.

Key Governance Issues

The main areas for further work identified through the Governance Assurance Process in 2016/17, and which should be disclosed in the Governance Statement Action Plan is;

South Essex Homes Annual Governance Statement 2016/17

- **South Essex Property Services** - To review the arrangements between South Essex Homes and South Essex Property Services and update the Inter Company agreement to reflect the implementation of the hosting employee hosting arrangements between the two organisations.
- **General Data Protection Relation Act (due for release April 2018)** – To develop the Policies and Procedures to align our business arrangements to full compliance with the amended Data Protection Act.
- **Contract Management** –To strengthen and develop the procedures for letting and managing the contracts and where appropriate, provide additional training in order to enhance skills and knowledge in this area.

DRAFT



Governance Action Plan 2016-2017

Governance Action Plan 2016/2017



Report Type: Actions Report



Report Author: Helen Walker

Generated on: October 2016

Code & Title	Value for Money To review and update the Value for Money Register in accordance with the HCA regulations on value for money & governance financial viability standards.	Managed By	Beverley Gallacher
Description		Progress Bar	
Status Icon			

53

Code	Title	Description	Expected Outcome	Status Icon	Planned start date	Due date	Progress bar	Assigned to
VfM01	To redraft the value for money strategy to enable South Essex Homes (subject to approval) to become a registered social housing provider.				01-Apr-2015	31-Mar-2017		Beverley Gallacher

Code	Title	Description	Expected Outcome	Status Icon	Planned start date	Due date	Progress bar	Assigned to
VfM02	To link the value for money strategy to the performance management framework	To link the value for money strategy to the performance management framework to ensure that the organisation is benchmarking its costs against its peers effectively.			01-Apr-2015	31-Mar-2017		Beverley Gallacher

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Governance Action Plan 2017-2018

Governance Action Plan 2017-2018


Report Type: Actions Report


Report Author: Helen Walker


Generated on: 08 June 2017


Code & Title	GAP 2017-18 Governance Action Plan 2017-18	Managed By	
Description	Governance Action Plan 2017-18	Progress Bar	<input type="text" value="0%"/>
Status Icon			


55


Code & Title	CM Contract Management	Managed By	Beverley Gallacher
Description	To strengthen and develop the procedures for letting and managing the contracts, and where appropriate provide additional training in order to enhance skills and knowledge in this area.	Progress Bar	<input type="text" value="0%"/>
Status Icon			


Code	Title	Description	Status Icon	Planned start date	Due date	Progress bar	Assigned to
CM01	CM01 Update Financial Regulation document	Update the Financial Regulation document to clarify Contract Procedure Rules		01-May-2017	31-Jul-2017	<input type="text" value="0%"/>	Daniel Lyons/Beverley Gallacher


Code	Title	Description	Status Icon	Planned start date	Due date	Progress bar	Assigned to
CM02	CM02 Implement formally documented procurement planning process	Implement a formally documented procurement planning process.		01-May-2017	31-Jul-2017	<input type="text" value="0%"/>	Mike Bryant


Code	Title	Description	Status Icon	Planned start date	Due date	Progress bar	Assigned to
CM03	CM03 Contract register be updated to include accurate record	Council's contract register to be updated to include an accurate record of contracts		01-May-2017	31-Jul-2017	<input type="text" value="0%"/>	Mike Bryant/Paul Longman


Code	Title	Description	Status Icon	Planned start date	Due date	Progress bar	Assigned to
CM04	CM04 Arrangements for training and development	Investigate options for further contract management training and rollout in 2017		01-May-2017	31-Dec - 2017	<input type="text" value="0%"/>	Paul Longman

Code & Title	DPA Data Protection Act	Managed By	Beverley Gallacher
Description	Data Protection Act	Progress Bar	<input type="text" value="0%"/>
Status Icon			


Code	Title	Description	Status Icon	Planned start date	Due date	Progress bar	Assigned to
DPA01	DPA01 Arrangements for membership on SBC Data Protection Working Party	To make arrangements for membership on the Southend borough Council Data Protection Working Party		01-Jul-2017	31-Oct-2017	<input type="text" value="0%"/>	Beverley Gallacher


Code	Title	Description	Status Icon	Planned start date	Due date	Progress bar	Assigned to
DPA02	DPA02 Undertake DPA training	To undertake training to ensure that the Data Protection Officers are aware of the changes in legislation		30-Sep-2017	31-Dec-2017	<input type="text" value="0%"/>	Beverley Gallacher


Code	Title	Description	Status Icon	Planned start date	Due date	Progress bar	Assigned to
DPA03	DPA03 Complete review of current DP policy and prepare new policy in line with changes in legislation	Complete a review of the current Data Protection Policy and prepare new Policy in line with the changes in legislation in a consistent framework to that of the host Council.		31-Oct-2017	31-Jan-2018	<input type="text" value="0%"/>	Beverley Gallacher


Code	Title	Description	Status Icon	Planned start date	Due date	Progress bar	Assigned to
DPA04	DPA04 Cascade training and understanding of new Data Protection principles	To cascade training and understanding of the new Data Protection principles to the staff of South Essex Homes to ensure on going compliance with the new Policy.		01-Feb-2018	31-May-2018	<input type="text" value="0%"/>	Beverley Gallacher

57

Code & Title	SEPS South Essex Property Services	Managed By	Beverley Gallacher
Description	Review arrangements between South Essex Homes and South Essex Property Services	Progress Bar	<input type="text" value="0%"/>
Status Icon			

Code	Title	Description	Status Icon	Planned start date	Due date	Progress bar	Assigned to
SEPS01	SEPS01 Review the Inter-Company agreement	Review the Inter-Company agreement between South Essex Homes and South Essex Property Services		01-Apr-2017	30-Sep-2017	<input type="text" value="0%"/>	Chris Vaughan/Beverley Gallacher

Code	Title	Description	Status Icon	Planned start date	Due date	Progress bar	Assigned to
SEPS02	SEPS02 Produce SLA detailing hosting arrangements	Produce a Service Level Agreement detailing the hosting arrangements between both Companies.		01-Apr-2017	30-Sep-2017	<input type="text" value="0%"/>	David Lincoln

Code	Title	Description	Status Icon	Planned start date	Due date	Progress bar	Assigned to
SEPS03	SEPS03 Set up New Business Committee to discuss opportunities and alignment	Set up a New Business Committee for both organisations to discuss new opportunities and the alignment to the Business Plan		01-Apr-2017	30-Jun-2017	<input type="text" value="0%"/>	Beverley Gallacher

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Southend-on-Sea Borough Council

Agenda

Item No.

6

Report of the Chief Executive

to

Audit Committee

On

28th June 2017

Report prepared by: Vanessa Bateman, Senior Manager

Assurances and Continuous Development of the Risk Management Framework

Executive Councillor – Councillor Moring

A Part 1 Public Agenda Item

1. Purpose of Report

1.1 To provide Audit Committee, whose delegated role it is to provide independent assurance of the adequacy of the Council's risk management framework, with:

- a briefing and positive assurances regarding the risk management arrangements within the Council; and
- an outline of the future plans to develop further and align the good work on Risk across the organisation so that the Risk Management approach is fully embedded supports governance framework, the transformation agenda and integrated decision making.

The approach being developed will be based on some core principles which will be refined during 2017/18 by the various actions outlined in the implementation/action plan. The rationale for the changes to the organisations approach is outlined in the Background section of the report.

2. Recommendation

2.1 It is recommended that Audit Committee note the assurances provided from this briefing, as well as the plans outlined and provide input and challenge to the direction of travel regarding the Council's risk management processes.

3. Background

3.1 In 2016/17, an internal audit assignment was included within the Annual Audit plan that aimed to focus audit resources, in a practical way, to supporting services whilst generating feedback that would inform possible decisions around how risk management could work going forward.

3.2 Central to this assignment, which was jointly commissioned by the Head of Internal Audit and the Group Manager - Policy, Engagement and Communication, was the understanding that reductions in Council resources means:

- all local authorities face increasingly difficult decisions regarding allocation of those finite resources and that there has never been a greater focus and attention on the decisions and resulting impacts on the community;
- time spent on all business processes needed to be 'added-value'; and
- doing nothing is not a sustainable option.

3.3 Feedback was provided to Corporate Management Team in March 2017 including the following observations:

- A strong understanding of risks being faced by individual Directors exists, but that this is not effectively captured within the formal risk management framework;
- The framework meets good practice, but it is inconsistently applied and therefore there is still work to do to embed it;
- There is embedded performance management throughout the organisation, but no link between this activity and the risk registers;
- There is a discipline around the production of the Corporate Risk Register, but the value of the process is not optimised;
- The Framework is not overly onerous on management, but there is a perception of bureaucracy;
- A good infrastructure of people resources to support implementation exists, but there is an over reliance on them in terms of responsibility for risk;
- The framework and approach should focus on horizon scanning and cascade of the emerging risk to the relevant parts of the business and developing criteria to help facilitate efficient escalation of risks; and
- There are gaps in assurance and insufficient evidence of the management of impact for some risks, despite the regular update and reporting.

3.4 A discussion took place at Corporate Management Team, which considered not only the observations raised, but also what the future needs of the organisation, were from its Risk Management arrangements, as an integral part of the Council's Governance Framework. The Corporate Management Team requirements have informed a proposal that was subsequently agreed for further presentation to Members.

3.5 Workshops were held with officers from Policy, Engagement and Communication, Internal Audit and service business support teams, to inform the proposal that has been developed. The proposal is outlined within the next section of this report.

'The Future'

3.6 Appendix 1 contains the implementation/action plan commencing May 2017 and concluding March 2018. It outlines a number of steps and actions that will be taken, as well as the expected timing of each. As the Council's priorities for 2017/18 are already set, it seeks to:

1. In the short term (by June 2017) to ensure that the risks captured at the Corporate Level are refreshed;

2. In the medium term (by December 2017) there is work to strengthen the risks captured at an operational level within services and that some effort to change the perception and language around risk is made; and
 3. In the longer term (between November 2017 and March 2018) there is alignment of Strategic and Operational Planning processes with analysis of risk as a central driver at each stage of the process.
- 3.7 There are a number of core principles that will be central to this work, to ensure required outcomes are achieved. These include that:
- Risk Management is a positive value added activity, focused on achievement and successes, not a negative bureaucracy – by changing the perception and raising awareness Officers will have increased confidence when managing operational risks;
 - Management are responsible for risk management and resources that support the framework are there to ‘support and challenge’ not ‘own and do’;
 - Wider Member involvement in identifying and monitoring the most Strategic Risks the organisation faces would add value, the roles of the Audit Committee, Scrutiny and Cabinet are critical to robustness of the overall Framework;
 - The Corporate Plan needs to drive the budget and service planning process;
 - By getting the conversations happening with the right people, at the right time and in the right place, the processes to capture and report risks will be simple and part of business as usual; and
 - The framework will seek to ensure joined up Strategic, Operational and Project Risk Management whilst recognising the differences between them.
- 3.8 The implementation plan assumes that external resource input will only be used to: upskill, support and challenge in house resources and/or where it is deemed independence is needed. The plan includes a suggestion as to whether the action should be led by an external or in house resource. It is likely that input from in house teams will be greater in 2017/18, but with the view that this is a short term investment and in future years the processes, including the wider Corporate policies and procedures of the organisation that are designed to manage risk, will be streamlined, embedded and therefore less resource intensive than in prior years.
- 3.9 The action plan identifies the need to review progress and next steps in December 2017. This will enable Corporate Management Team to ensure that the plan has been fully actioned to date and that the future steps are still relevant in terms of the action, timing and the method of delivery. This will be essential, as if the outcomes of the early actions in the plan are not achieved, progression to the more challenging later actions may be a waste of resources.

4. Corporate Implications

4.1 Contribution to Council's Vision & Corporate Priorities

As Risks are simply 'the things that could prevent us from achieving our objectives' any action to ensure that the risk management approach is proportionate and embedded will undoubtedly have a positive effect on the successful achievement of objectives, either through improving outcomes or from achieving the outcome with less resource input. It will also (through increased understanding of risk and confidence in the assurances available) enable management to exploit risks within the risk tolerance set by Senior Management and Members.

4.2 Financial Implications

There will be a cost to the implementation plan, but for the most part, this can be met by refocusing in-house resources currently involved with risk and assurance activity, both within management of services and the back office teams who support the business.

By aligning the input across the Council, there will be efficiencies that can be driven out and/or better outcomes from the time spent, which will save time in the long run both in services and corporate teams.

4.3 Legal Implications

None

4.4 People Implications

The Plan requires ownership of risk by Managers and Management Teams. It requires the Senior Leadership Team to take on a more active role in the risks that are corporate in nature and requires the Corporate Management Team to focus on the very strategic risks of the organisation. It requires the support services, both within the services themselves and the corporate teams to potentially refocus their own activities to support the Risk Management Framework in a more effective way.

4.5 Property Implications

None

4.6 Equalities and Diversity Implications

None

4.7 Risk Assessment

The risk of not managing 'risk' robustly is that objectives will not be met, or that the opportunities to make efficiencies in how outcomes are achieved across the organisation as a whole are lost. Decisions themselves will be weaker and/or the ability to evidence robust decision making becomes more challenging. By not agreeing the proposal, the organisation would need to accept the current approach as it stands or determine an alternative plan to address the observations resulting from the work already performed.

There is also risk in proceeding with this proposal. It is seeking to achieve a significant change in culture within the organisation and the changes themselves or the secondary changes to process, or allocation of resources, could be met with resistance from both officers and members and this would need to be managed.

4.8 Value for Money

The plan has been specifically developed so that the need for additional resource is minimised. Many of the actions can be carried out using existing resource. Minimising additional cost does however; require a commitment by CMT and their management teams to give internal communications, in relation to risk, increased levels of attention.

The Council has contractual relationships with providers of audit and assurance services who can provide any specialist support or additional capacity required. These services are procured via framework agreements, which will seek to offer value for money for the services being procured.

4.9 Community Safety Implications

None.

4.10 Environmental Impact

None.

5. **Background Papers**

The following documents are available on request:

- a. The 2016/17 audit brief;
- b. Presentation to CMT 22nd March 2017;
- c. Workshop (for audit and performance officers) material 23rd March 2017;
and
- d. Report to CMT 19th April 2017.

6. **Appendices**

6.1 Appendix 1 – Draft Implementation Plan May 2017

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Appendix 1: Risk Management Framework Action Plan

Ref	Action	Resources	Estimated Timing
1	Refresh the current Corporate Risk Register in preparation for next scheduled reporting to the Audit Committee in June.	Internal	May 2017
2	Corporate Management Team (CMT) attend a facilitated session to: <ul style="list-style-type: none"> • agree the core principles of the new approach • commence the process to review and further embed risk management into business processes. 	External	September 2017
3	Senior Leadership Team (SLT) attend a facilitated session to ensure: <ul style="list-style-type: none"> • the approach going forward is ‘Corporate’ • Strategic / Project and Service Risks all link. 	External	September 2017
	Further refine and communicate the core principles of the new approach.	In-house	
4	Present the outcomes of the Senior Leadership Team session to Corporate Management Team for approval.	External	October 2017
5	Department Management Teams (DMTs) attend workshops to: <ul style="list-style-type: none"> • cascade the top down Strategic Risks for consideration at the Operational level • capture and consider operational level ‘bottom up’ risks facing services. 	External	October to December 2017
	Communicate the core principles of the new approach.	In-house	
6	Hold Member and officer sessions as part of the process to: <ul style="list-style-type: none"> • refresh and develop the Corporate Objectives 	In-house	October / November 2017
	<ul style="list-style-type: none"> • identify and capture risks which will: <ul style="list-style-type: none"> • inform the plan itself • be cascaded into the review and monitoring of the Corporate Risk Register as well as the financial and service planning processes. 	External	
7	Provide a progress update on delivering the action plan to Corporate Management Team. Check that the future action plan is still relevant.	External	December 2017

Appendix 1: Risk Management Framework Action Plan

Ref	Action	Resources	Estimated Timing
8	Conduct a gap analysis regarding officer skills and the need for focused training (service management, project management, service performance, corporate performance, audit, members).	In-house	December 2017
	Hold workshops to up-skill officers, if required.	External	January 2018
9	Present an updated Risk Register to the Audit Committee.	In-house	January 2018
	Organise an Audit Committee Member briefing / training session on progress made and any proposed changes to Risk Management Framework being considered.	External	
10	<p>Refresh the Risk Management Strategy and procedural documentation to:</p> <ul style="list-style-type: none"> • reflect developed practices and increased focus on supporting the business • communicate the spirit of the policy / approach. <p><i>Also consider how:</i></p> <ul style="list-style-type: none"> • <i>some other processes will affected by the changes in the framework</i> • <i>changes in how risk is managed or appetite and tolerance might impact on other business process.</i> <p>Determine what training and induction needs to be provided to officers and Members regarding the roles and responsibilities they will be expected to operate as part of business as usual planned for 2018/19.</p>	In-house	January 2018
11	<p>Integrate the process of risk review and refresh at operational level into the Service Planning Process applied across the organisation.</p> <p>Organise Director and Lead Member sessions.</p>	In-house	January / February 2018
12	Senior Leadership Team reviews the Corporate Risk Register.	In-house	February 2018
13	Corporate Management Team approved the Corporate Risk Register.	In-house	March 2018
14	Present the updated Risk Register and Policy / Strategy to the Audit Committee.	In-house	March 2018

Appendix 1: Risk Management Framework Action Plan

Ref	Outcomes	Estimated Timing
A	The Strategic and Operational Risks can be used effectively to inform the audit planning process.	January 2018
B	The organisation has embedded Risk Management in business as usual as part of the governance framework. and Business processes are streamlined to reflect risk appetite and tolerance.	From April 2018
C	Cabinet reports contain relevant outputs from the Risk Management process to provide assurance to Members.	From April 2018
D	Positive assurances on the Risk Management framework are available for inclusion in the Head of Internal Audit Opinion.	2018/19

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Southend-on-Sea Borough Council

Report of Chief Executive and Town Clerk
To
Audit Committee
On
28 June 2017

Agenda
Item No.

7

Report prepared by: Tim MacGregor – Team Manager, Policy
& Information Management and Louisa Bowen, Senior
Business Management Advisor

2017-18 Corporate Risk Register

Executive Councillor – Cllr Lamb

1 Purpose of Report

1.1 To consider the 2017/18 Corporate Risk Register.

2 Recommendations

3 That Audit Committee considers the 2017/18 Corporate Risk Register.

3.1 Corporate Risk Register 2017/18

3.1.1 The Council's Corporate Risk Register sets out the key risks to the successful delivery of the Council's corporate aims and priorities and outlines the key controls and actions to mitigate and reduce risks, or maximise opportunities.

3.1.2 The Corporate Management Team (CMT) have undertaken a review of the current register, pending a potentially more substantial review later in the year. This in the context of the proposed work to further develop and align work on risk across the Council so that the approach to risk management is better embedded, supports the governance framework, the transformation agenda and integrated decision making. This is outlined in the report on the 'Risk Management Framework' elsewhere on the agenda.

3.1.3 The notable revisions to the previous CRR (last considered by Audit Committee in January) are:

- A new risk (no. 3, replacing 'partnership arrangements') on risks and potential missed opportunities on the impact of the 'external environment' covering: - a new Government agenda; relationships with partners following senior management changes across partner organisations and Brexit.
- Merger of the risks relating to the sea front cliff movement and surface water flooding.

- A new risk on 'Information Management' that will include action on the General Data Protection Regulation and cyber security.

3.1.4 The format of the Corporate Risk Register follows a 3 stage process:

1st stage: An 'inherent score' with the risk assessed with no controls, assurance or actions in place.

2nd stage: The 'current score' where the risk is assessed with controls, assurances and progress against identified actions. The current score is adjusted in light of progress against actions.

3rd stage: The target score which is the risk with the controls, assurances and actions, as if they have been completed

The current score is then adjusted in light of progress against actions.

3.1.5 Updates on the Corporate Risk Register are reported to CMT quarterly and to Audit Committee every 6 months.

3.1.6 Corporate Directors ensure service specific risks are managed within their departments, within service plans and in accordance with the risk management strategy and processes. 'Red' rated risks with corporate implications can be escalated to CMT via Corporate Directors. Actions for all these risks are updated and reviewed by Departmental Management Teams.

3.1.7 Operational risks, managed within departments, are also assessed as part of reviews undertaken by Internal Audit and project risks are monitored by the CMT where applicable.

4 Corporate Implications

4.1 Contribution to Council's Vision & Corporate Priorities

The Corporate Risk Framework underpins the operational effectiveness of the Council's Corporate Governance arrangements and specifically monitors progress of managing key risks associated with the successful delivery of Corporate Aims and Priorities.

4.2 Financial Implications

Any financial implications arising from identifying and managing risk will be considered through the normal financial management processes. Proactively managing risk can result in reduced costs to the Council by reducing exposure to potential loss.

4.3 Legal Implications

The Accounts and Audit Regulations 2003 require that:

The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's function and which includes the arrangements for the management of risk.

4.4 People Implications

Any people and property implications arising from identifying and managing risk will be considered through the Council's normal business management processes.

- 4.5 Property Implications
None specific
- 4.6 Consultation
Consultation has taken place with key stakeholders.
- 4.7 Equalities Implications
Corporate equalities considerations have been considered in the drafting of the Register and any specific equality related risks have been identified for the Council.
- 4.8 Risk Assessment
Failure to implement a robust assurance framework which includes fit for purpose risk management arrangements increases the risk that Council objectives will not be delivered.
- 4.9 Value for Money
Effective forecasting and timely management of risk is a key factor in preventing waste, inefficiency and unnecessary or unplanned use of resource.
- 4.10 Community Safety Implications
None specific
- 4.11 Environmental Impact
None specific.

5 Appendices

Appendix 1 - 2017/18 Corporate Risk Register

2017-18 Corporate Risk Register

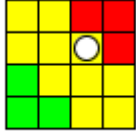
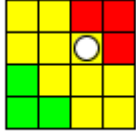
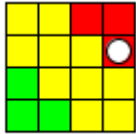
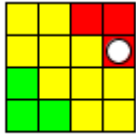
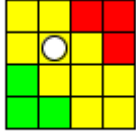
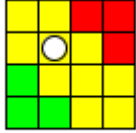
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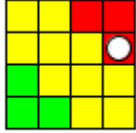
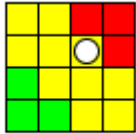
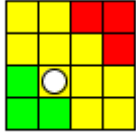


Risk Title	1. Budget for 2018-21							
Stage 1 - Risk without controls (Inherent risk)								
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score	Impact	Likelihood	
1718CRR01	Risk that the scale of predicted funding reductions for 2018-20 budgets will result in significant adverse impact on council services	Joe Chesterton	Strategic	Financial/Reputational	16			
Stage 2 - Risk with Controls and Assurances (current risk)								
List of controls and associated assurances to ensure controls are working								
<p>1. Control: Budget setting process to identify required savings through: budget proposal reports to Departmental and Corporate Management Teams; member seminars; Cabinet; Scrutiny Committees; Council Assurance: reports to and minutes of meetings.</p> <p>2. Control: Management oversight of budget setting process through: reports to CMT and Administration Assurance: Reports/Minutes</p> <p>3. Control: Senior member and Chief Executive challenge to departments on proposed savings Assurance: Reports and minutes of meetings.</p> <p>4. Control: Director challenge to Heads of Service Assurance: Minutes of Departmental Management Team meetings/emails.</p> <p>5. Control: Medium Term Financial Strategy (MTFS), including budget pressures to regularly consider financial impact of Government policy reported to CMT, Cabinet and Council Assurance: Reports and minutes of meetings.</p>					Current risk score	9		
Stage 3 - Further actions to reduce the risk (target risk)								
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	Impact	Likelihood
1718CRA0101	Budget Timeline outlining key milestones to be agreed with the Administration and Senior Leadership Team.	Joe Chesterton	18-Mar-2018	May 17: Timeline in place with key deadlines.		4		
1718CRA0101	Continually monitor and assess government's position on grant to be distributed to Local Authorities and other Government announcements that impact funding	Joe Chesterton	18-Mar-2018	May 17: Director of Finance and Resources horizon scanning for all relevant Government announcements and finance settlements taken into account in setting the 2017/18 budget.				
1718CRA0103	All Member briefing session on local government finance	Joe Chesterton	30-Nov-2017	May 17: Cabinet discussion held in April with further discussion in July to confirm the position				
1718CRA0104	Continual monitoring, risk assessment and reporting of progress on options to meet the saving targets required to set balanced budgets in 2017/18 to 2019/20	Joe Chesterton	31-Mar-2018	May 17: Relevant meetings have been arranged and will be included in budget timeline. Cabinet held in April with a further two scheduled for mid/late July 2017.				

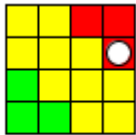
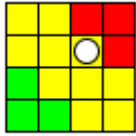
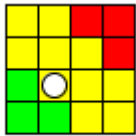
Risk Title	2. Recruiting and retaining staff						
Stage 1 - Risk without controls (Inherent risk)							
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score		Impact Likelihood
1718CRR02	Risk that failure to retain or recruit staff with the required skills and experience will result in an inability to deliver key projects or services to meet expectations of residents, members, businesses and partners.	Joanna Ruffle	Strategic	Service Provision	12		
Stage 2 - Risk with Controls and Assurances (current risk)							
List of controls and associated assurances to ensure controls are working					Current risk score	6	Impact Likelihood
<p>1. Control: Managing Organisational Change Policy; Redeployment Policy & Procedure; Redundancy Policy & Procedure Assurance: Policy documents available via intranet.</p> <p>2. Control: Oversight of policies and procedures to ensure consistency of HR policies and processes and in implementing policies relating to restructure through the People Management & Development Working Party; Corporate Management Team and Workforce Planning Panel Assurance: Reports to and Minutes of meetings.</p> <p>3. Control: All staff vacancies, redeployments and redundancies reviewed by the Workforce Planning Panel Assurance: Minutes of Workforce Planning Panel</p> <p>4. Control: New recruitment provider to identify recruitment hotspots and plan effective recruitment campaigns Assurance: Service Level Agreement, Contract management.</p>							
Stage 3 - Further actions to reduce the risk (target risk)							
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	2 Impact Likelihood
1718CRA0201	Continue to embed Talent Management Strategy (including apprenticeships, graduate traineeships, graduate sponsorships and career progression)	Joanna Ruffle	31-Mar-2018	May 17: Work continues in to 2017/18 - please see the actions below as these link in to this action.	✓		
1718CRA0202	Participate in regional Children's Social Care Workforce project	Joanna Ruffle	31-Mar-2018	May 17: Project continuing into 2nd year, following approval at East of England Chief Executive Forum on 10 June.	✓		
1718CRA0203	Participate in regional Planners Workforce project	Peter Geraghty	31-Mar-2018	May 17: Project scoped. The Council involved from both HR and operational perspective	✓		
1718CRA0204	Develop a framework contract to deliver professional/interim resources to supplement the Reed contract	Joanna Ruffle	31-Mar-2018	May 17: contract has been let, developed and implemented; this is likely to drive the Talent Management Strategy.	✓		
1718CRA0205	Role of Resourcing Manager agreed and funded to drive talent management initiatives across the organisation	Joanna Ruffle	31-Mar-2018	May 17: The role of the Resourcing Manager has been agreed, funded and appointed. The project plan and talent management initiatives are currently underway and will be developed for this year.	✓		

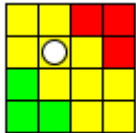
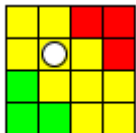
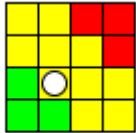



Risk Title	3. Partnership arrangements					
Stage 1 - Risk without controls (Inherent risk)						
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score	
1718CRR03	Risk that the impact of, or a failure to take advantage of, a new Government agenda, changes to senior personnel and the lead up to Brexit may hamper the ability of the Council to achieve key priorities.	Chief Executive	Strategic	Reputation	12	
Stage 2 - Risk with Controls and Assurances (current risk)						
List of controls and associated assurances to ensure controls are working					Current risk score	6
<p>1. Control: Southend Borough Council active member of South East Enterprise Partnership (SELEP) Board and officers aligned to relevant working groups to engage and influence activity and decisions, Assurance: Minutes/Reports</p> <p>2. Control: Corporate Delivery Board Assurance: Minutes/Reports</p> <p>3. Control: Success For All Children Group Assurance: Children and Young People Plan/Reports/Minutes</p> <p>4. Control: Health and Wellbeing Board Assurance: Joint Health and Wellbeing Strategy/Report/Minutes</p>						
Stage 3 - Further actions to reduce the risk (target risk)						
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score
1718CRA0301	Maintaining, renewing and building relationships with key partners	Chief Executive	31-Mar-2018	May 17: Relationships to be developed through formal and informal channels	✓	
1718CRA0302	Continue to undertake horizon scanning of key developments in relation to new government legislation, policy and Brexit negotiations	Chief Executive	31-Mar-2018	May 17: On-going monitoring of initiatives that will have financial implications, to access impact on the Council's finances and new policy developments highlighted via 'Policy Watch' briefing, continue to be undertaken.	✓	
1718CRA0303	Work with Mid and South Essex health and social care partners to develop a multi-year Sustainability and Transformation Plan (STP)	Simon Leftley	31-Mar-2018	May 17: STP has progressed considerably during Q4 of 16/17. Social Care has been engaged throughout the process of consultation. Due to further consultations with key stakeholders now required the delivery of the Business Case has been delayed until mid-summer 2017. This provides an opportunity for SBC to engage in greater detail.	✓	
1718CRA0304	Ensure the on-going sustainability of the BEST (Business Essex Southend & Thurrock) Growth Hub within the LEP umbrella through delivery of South East Business Boost and planning for longer term funding and operation.	Andrew Lewis	31-Mar-2018	May 17: Delivery commenced on the £12.9m ERDF 'South East Business Boost' project. Awaiting announcement on further Business, Energy & Industrial Strategy (BEIS) 'core' growth hub funding to 20/21 - to be announced in Autumn Statement 2017.	✓	
1718CRA0305	Continue to make the case for Growth Fund Investment in Southend by working with the South Essex Growth Partnership and SELEP.	Andrew Lewis	31-Mar-2018	May 17: Local Growth Fund (LGF) prioritisation and allocation complete. Airport Business Park Southend successfully allocated £19.89m of LGF funds. Further projects included on federated board's project pipeline list. No new LGF funds within the lifetime of the current parliament.	✓	

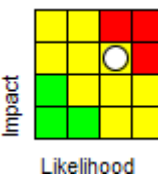
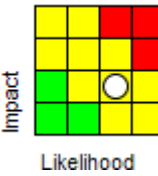
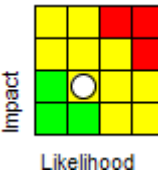
Risk Title	4. Housing Policy						
Stage 1 - Risk without controls (Inherent risk)							
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score		 Impact Likelihood
1718CRR04	Risk that changes to government housing policy (such as selling off high value council properties) and increasing levels of housing need (notably homelessness) results in further significant pressure on council budgets.	Simon Leftley	Strategic	Financial	9		 Impact Likelihood
Stage 2 - Risk with Controls and Assurances (current risk)							
List of controls and associated assurances to ensure controls are working					Current risk score		 Impact Likelihood
1. Control: Core Strategy and Local Development Plan in place Assurance: Strategy documents 2. Control: Cabinet/Scrutiny Assurance: Reports/Meeting minutes 3. Control: Housing Strategy Assurance: Documents					12		 Impact Likelihood
Stage 3 - Further actions to reduce the risk (target risk)							
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	 Impact Likelihood
1718CRR0401	Review and update Housing Strategy in light of the Thames Gateway South Essex Strategic Market Assessment and housing policy announcements.	Sharon Houlden	31-Mar-2018	May 17: The latest Strategic Housing Market Assessment update has only recently been published. We will use this to inform a review and updated Housing Strategy.	✓	6	 Impact Likelihood
1718CRR0402	Work in partnership to develop affordable housing	Sharon Houlden	31-Mar-2018	May 17: The Council continues to work closely with Developers and Housing Associations to maximise the number of new affordable homes built in the Borough. New approaches to developing affordable housing will be explored in the updated Housing Strategy.	✓		
1718CRR0403	Work collaboratively to develop a coordinated approach to homelessness prevention	Sharon Houlden	31-Mar-2018	May 17: The Council works closely with a wide range of agencies to prevent homelessness. A refresh of the Homelessness Prevention Strategy is being developed during 17/18.	✓		

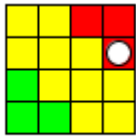
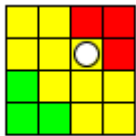
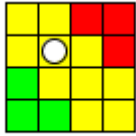
Risk Title	5. Local Infrastructure					
Stage 1 - Risk without controls (Inherent risk)						
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score	Impact Likelihood
1718CRR05	Risk that failure to maintain access to future rounds of the Regional Growth Fund and Department for Transport Challenge Fund will significantly restrict future infrastructure improvements.	Andrew Lewis	Strategic	Financial	12	 Likelihood
Stage 2 - Risk with Controls and Assurances (current risk)						
List of controls and associated assurances to ensure controls are working					Current risk score	Impact Likelihood
1. Control: Highway/Footpath Assets Management inventory in place Assurance: Reports 2. Control: Monthly progress reported to DMT and senior managers Assurance: Reports/Minutes 3. Control: Regular reporting to Capital Delivery Board Assurance: Reports/Minutes 4. Control: Cabinet/Scrutiny Assurance: Reports/Meeting minutes					9	 Likelihood
Stage 3 - Further actions to reduce the risk (target risk)						
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score Impact Likelihood
1718CRA0501	Produce a Transport Asset Management Plan to support the maintenance and improvement of the roads, pavements and street furniture across the Borough	Paul Mathieson	31-Mar-2018	May 17: DfT self-assessment form submitted to DfT confirming Band 2 status. Work progressing to Band 3 status.		 Likelihood
1718CRA0502	Continue to make the case for Growth Fund Investment in Southend by working with the South Essex Growth Partnership and SELEP.	Paul Mathieson	31-Mar-2018	May 17: Airport Business Part (ABP) £19.89m application approved to proceed to Business Case development for assessment by SELEP Independent Technical Evaluator with view to completing by June 2017 and approval by Board September.		
1718CRA0503	Conduct detailed self-assessment to support Challenge Fund bid	Paul Mathieson	31-Mar-2018	May 17: Challenge Fund Tranche 2A application submitted on 31st March for drainage improvements. Bid for £565k. Further Challenge Fund guidance released in April being studied.		
1718CRA0504	Complete Whole Government Account return (with Finance Dept)	Paul Mathieson	31-Mar-2018	May 17: Underway and part of Transport Asset Management Plan project. Returns with Finance for review. Finance discussing background data with Audit.		

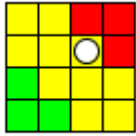
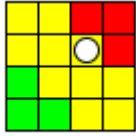

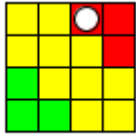




Risk Title	6. Alternative service delivery models						
Stage 1 - Risk without controls (Inherent risk)							
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score		
1718CRR06	Risk that failure to effectively manage (staffing, relationships, contracts) the transition to alternative service delivery models results in the organisation not meeting its statutory responsibilities to residents/customers	Simon Leftley; Andrew Lewis	Strategic	Financial	9		
Stage 2 - Risk with Controls and Assurances (current risk)							
List of controls and associated assurances to ensure controls are working					Current risk score		
1. Control: Corporate Delivery Board Assurance: Reports/Meeting minutes 2. Control: Changes to service delivery considered by Scrutiny/Cabinet/Council Assurance: Reports/Minutes. 3. Control: Government Consultations register to record forthcoming changes in Government policy and potential legislation to enable potential implications to be considered. Assurance: Consultation register held on intranet. 4. Control: Regular tracking of new legislation, government regulations and policy developments. Assurance: Production of Policy briefings and reports to Corporate Management Team.							9
Stage 3 - Further actions to reduce the risk (target risk)							
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	
1718CRA0601	Explore alternative delivery models for Adult Social Care services	Simon Leftley	31-Mar-2018	May 17: The design of the locality model for services has been completed and the complex care service is now embedded.	✓	4	
1718CRA0603	Implement the outcome of the Library Review in accordance with the delivery plan contained within the Library Development Strategy 2013 – 2028	Scott Dolling	31-Mar-2018	May 17: Works proceeding to revised plan. Leigh Library to be carried over into 2017/18. Works to Westcliff Library completed	✓		

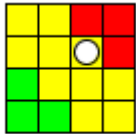
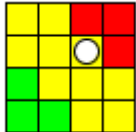

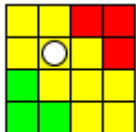


Risk Title	7. Health and Social Care integration						
Stage 1 - Risk without controls (Inherent risk)							
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score		
1718CRR07	Risk that failure to integrate health and social care effectively (inc Pioneer, Better Care Fund (BCF) and Care Act) will harm the ability of the health and care system to operate at optimal levels, adversely affecting service provision and council finances.	Simon Leftley	Strategic	Service provision, Financial	12		 Likelihood
Stage 2 - Risk with Controls and Assurances (current risk)							
List of controls and associated assurances to ensure controls are working					Current risk score		
1. Control: Joint Executive Group (JEG). Assurance: Reports/Meeting Minutes. 2. Control: Health and Wellbeing Board. Assurance: Reports/Meeting Minutes. 3. Control: Locality Transformation Group. Assurance: Reports/Meeting Minutes. 4. Control: Corporate Delivery Board. Assurance: Reports/Meeting Minutes.					9		 Likelihood
Stage 3 - Further actions to reduce the risk (target risk)							
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	
1718CRA0701	Ensure that the Health and Wellbeing Strategy is underpinned by relevant performance indicators	Simon Leftley	31-Mar-2018	May 17: A robust performance framework is in place and is routinely reported to Health and Wellbeing Board. The board continues to review priorities and are currently reviewing focus of activity for the next 12 months. Any change in priorities will require a realignment of performance management framework.	✓	4	 Likelihood
1718CRA0702	Work with Southend Clinical Commissioning Group (CCG) and partners to support Integrated Pioneer status	Simon Leftley	31-Mar-2018	May 17: BCF planning process delayed due to General Election. Improved BCF plan 75% progressed and agreed. Relationships continue to develop and grow aligned to agreed Locality approach.	✓		
1718CRA0703	Better Care Fund (BCF)	Simon Leftley	31-Mar-2018	May 17: Delay to publication of planning for 17/18 – 18/19 documents due to General Election. Current date of publication is unknown. Improved BCF (iBCF) is 75% agreed and due for formal HWB approval.	✓		



Risk Title	8. Contract Management							
Stage 1 - Risk without controls (Inherent risk)								
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score	6	 Likelihood	
1718CRR08	Risk that failure to embed effective contract management, combined with contract price inflation, across the authority will result in a loss of value for money, saving opportunities and/or quality of service provision.	Simon Leftley	Strategic	Financial				
Stage 2 - Risk with Controls and Assurances (current risk)								
List of controls and associated assurances to ensure controls are working					Current risk score	6	 Likelihood	
1. Control: Contract price inflation clauses (linked to government indices) included within Highways contracts, Assurance: Contract documentation 2. Control: Capital Projects Board Assurance: Reports/Meeting Minutes 3. Control: Corporate Delivery Board Assurance: Reports/Meeting Minutes 4. Control: Contract management arrangements Assurance: Contract documentation/minutes/								
Stage 3 - Further actions to reduce the risk (target risk)								
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	4	 Likelihood
79 1718CRA0801	Governance and Monitoring of highway contracts to ensure proper management including new processes and workflows to support the management of these contract	Paul Mathieson	31-Mar-2018	May 17: ongoing. Symology work progressing well. Neil Hoskins/Derek Carpenter now managing Lot 1, Justin Styles managing Lot 2 as temporary replacement for David Gilkes				
1718CRA0802	Employ where appropriate professional cost advice on all major projects and update and refresh cost plans on regular basis.	Andrew Lewis	31-Mar-2018	May 17: Utilising in house expertise and conducting early contractor involvement. Call-off framework for cost consultation advice being utilised where required. Project variations reported to Place Department Capital Board.				
1718CRA0803	Deliver a programme of contract management training and support across the organisation.	Mark Atkins	31-Mar-2018	May 17: Have delivered programme of Contract Management to key contract managers across SBC as originally agreed. Further sessions are planned to expand to other stakeholders, but do not form part of this action.				

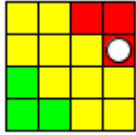
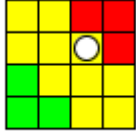
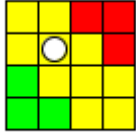
Risk Title	9. Secondary education and school places						
Stage 1 - Risk without controls (Inherent risk)							
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score		
1718CRR09	Risk that failure to provide the required number of school places and to narrow the gap in results at secondary schools will lead to an undesirable level of young people NEET and significant reputational damage for the Council.	Simon Leftley	Strategic	Reputational	9		
Stage 2 - Risk with Controls and Assurances (current risk)							
List of controls and associated assurances to ensure controls are working					Current risk score		
1. Control: Improving Learning Together Strategy in place with impact reviewed by Success for All Group Assurance: Report/Minutes. 2. Control: Partnership with South Essex Teaching School Alliance established Assurance: Reports/Minutes. 3. Control: Pupil Premium Strategy Group Assurance: Reports/Minutes. 4. Control: School Support Improvement Board Assurance: Reports/Minutes. 5. Control: Success for All Children Group Assurance: Reports/Minutes					6		
Stage 3 - Further actions to reduce the risk (target risk)							
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	
1718CRA0901	Further develop the School Led School Improvement System (school-to-school support).	Brin Martin	31-Mar-2018	May 17: Work continues to build the relationship and operational delivery of SETSA for improving the Sector. New proposals from the DfE will potentially allow this to expand, if any bid was to be successful	✓	4	
1718CRA0902	Provide support to secondary schools causing concern (including working with Regional Commissioner).	Brin Martin	31-Mar-2018	May 17: Support for the current maintained school continues through the IEB. Discussions with the CEO of the two Academies will potentially allow a bid for additional capacity and resource to be made from the DfE for new support for these three schools.	✓		
1718CRA0903	Develop a secondary school places strategy to cater for the increasing pupil numbers.	Brin Martin	31-Mar-2018	May 17: Secondary school place "strategy" high profile, and working its way through SBC processes. Plans worked up to meet the demand in 2018/9, and for 2019/20, contingent upon any changes made resulting from the election outcome.	✓		
1718CRA0904	Establish a strategic Education Board to co-ordinate and monitor performance and policy.	Brin Martin	31-Mar-2018	May 17: Education Board and sub groups working effectively. Improvements resulting from the PwC review being undertaken. Board selected as a finalist in 2017 MJ awards for excellence in governance and scrutiny.	✓		
1718CRA0905	Develop an Education and Skills Strategy	Brin Martin	31-Mar-2018	May 17: Strategy currently being consulted upon and drafted by Place	✓		

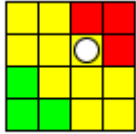
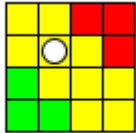
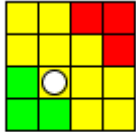
Risk Title	10. Flooding / Cliff Slip							
Stage 1 - Risk without controls (Inherent risk)								
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score	Impact	Likelihood	
1718CRR10	Risk that surface water flooding, breach of sea defences and/or seafront cliff movement, will result in damage to property and infrastructure as well as significant disruption.	Andrew Lewis	Strategic	Reputational, Reputational	12		Likelihood	
Stage 2 - Risk with Controls and Assurances (current risk)								
List of controls and associated assurances to ensure controls are working						Current risk score	Impact	Likelihood
1. Control: Flooding Reports considered by Cabinet Assurance: Reports/Meeting minutes. 2. Control: Gully cleaning programme in place Assurance: Programme documents. 3. Control: Regular monitoring of Met Office weather alerts Assurance: Alerts/Reports 4. Control: Cabinet/Scrutiny Assurance: Reports/Meeting minutes						9		Likelihood
Stage 3 - Further actions to reduce the risk (target risk)								
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	Impact	Likelihood
1718CRA1001	Ensure compliance with the requirements of the Floods and water Management Act 2010 with regard to Sustainable Drainage Systems (SuDS).	Richard Atkins	31-Mar-2018	May 17: Modelling completed for Central Area; outputs have been presented to SBC. Chalkwell - estimate awaited.		6		Likelihood
1718CRA1002	Jointly investigate with Anglia Water Services, possible improvements to drainage system.	Richard Atkins	31-Mar-2018	May 17: Anglian Water Services to be engaged to discuss modelling outputs for Central Area and Victoria Road, and identify joint or independent actions.				
1718CRA1003	Development of a Cliff Slip Strategy based on a risk minimisation approach	Richard Atkins	31-Mar-2018	May 17: Issue to tender invitations being considered by Procurement				
1718CRA1004	Progression of Sea Defence Scheme at Shoebury Common - consultation options	Richard Atkins	31-Mar-2018	May 17: Preliminary survey work has been undertaken				
1718CRA1005	Shoreline Management Strategy - consultation	Richard Atkins	31-Mar-2018	May 17: Report being prepared for Autumn Cabinet				

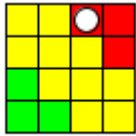
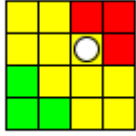
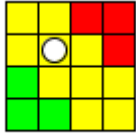
Risk Title	11. Information Management							
Stage 1 - Risk without controls (Inherent risk)								
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score	Impact	Likelihood	
1718CRR11	Risk that a failure to ensure the Council has a coherent and comprehensive approach to Information Management, and is sufficiently prepared for the General Data Protection Regulation (GDPR), will result in significant financial and reputational damage to the Council	Joanna Ruffle	Strategic	Reputational, Financial	9		Likelihood	
Stage 2 - Risk with Controls and Assurances (current risk)								
List of controls and associated assurances to ensure controls are working					Current risk score	Impact	Likelihood	
1. Control: Senior Information Risk Owner - Assurance: Annual SIRO report to Cabinet 2. Control: Annual IG Toolkit assessment - Assurance: Report from independent assessment. 3. Control: Regular reports to Corporate Management Team. Assurance: Reports/Minutes 4. Control: Corporate Information Governance Group: Assurance: Reports/Minutes					9		Likelihood	
Stage 3 - Further actions to reduce the risk (target risk)								
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	Impact	Likelihood
1718CRA1101	Reconstitute the Corporate Information Governance Group to oversee the Information Management Strategy Action Plan and act as project board for implementation of GDPR	Joanna Ruffle	31-Mar-2018	May 17: CMT agreed revised Terms of Reference, 17.05.17, group to meet in June.		12		Likelihood
1718CRA1102	Develop and implement a GDPR Project Plan	Lysanne Eddy	31-Mar-2018	May 17: GDPR project officer appointed. Draft Project Plan prepared.				
1718CRA1103	Ensure information management is a key part of the Council's transformation agenda.	Joanna Ruffle	31-Mar-2018	May 17: The Council is due to seek a partner to undertake a transformation diagnostic				
1718CRA1104	Ensure the Council's cyber security arrangements are up to date and robust enough to withstand attacks.	Nick Corrigan	31-Mar-2018	May 17: 1. Updated and tested backup regimes to ensure they are encrypted and robust 2. Concluded two major audits of data security and cyber security to satisfactory standard 3. Jointed the national communication of Cyber Notifications (WARP)				
1718CRA1105	Review the Council's approach to use of , including the sharing of, information and data	Joanna Ruffle	31-Mar-2018	May 17: Council is currently a member of the Whole Essex Information Sharing Framework - Issue to be reviewed by the Corporate Information Governance group				

Risk Title	12. Ofsted joint inspection							
Stage 1 - Risk without controls (Inherent risk)								
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score	Impact	Likelihood	
1718CRR12	Risk that the actions and expected outcomes from the Children's Services Improvement Plan are not achieved within expected timescales, resulting in a failure to achieve a rating of 'Good' in future Ofsted inspection.	Simon Leftley	Strategic	Reputational	9		Likelihood	
Stage 2 - Risk with Controls and Assurances (current risk)								
List of controls and associated assurances to ensure controls are working								
<p>1. Control: Monitoring and updating of the Children Service's Improvement Plan by the CS Improvement Board. Assurance: Reports/minutes of CS Improvement Board meetings.</p> <p>2. Control: Monitoring and updating of the Leadership Narrative Document for Children's services. Assurance: Report/Minutes of Children's Services Improvement Board meetings.</p> <p>3. Control: Children's Service Improvement Board bi-monthly meetings Assurance: Report/Minutes.</p> <p>4. Control: Children's Departmental Management Team. Assurance: Monthly Performance reports/ minutes of meetings.</p> <p>5. Control: People Extended DMT Assurance: Reports to/notes from meetings.</p> <p>6. Control: Local Safeguarding Children's Board (LSCB) to complement the children's service improvement plans Assurance: Reports/minutes.</p> <p>7. Control: Improvement Board Independent Expert, advice and support. Assurance: Reports to John O'Loughlin, Simon Leftley and the Improvement Board</p>					Current risk score	9		Likelihood
Stage 3 - Further actions to reduce the risk (target risk)								
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	Impact	Likelihood
1718CRA1202	Develop and enhance the resourcing available to the Council's Children's Service, with the recruitment of additional social workers; the embedding the work of the recently appointed 'Practise Lead' to promote good practice and 'Participation Lead' to	John O'Loughlin	31-Mar-2018	May 17: All additional social workers and the Practice Lead are in post. The initial secondment of the Participation lead has now finished and it has been decided not to recruit to a full time post. This role will be incorporated into a new one year Practice Lead post (approx. 0.3.FTE of the post will be dedicated to young people's participation). We are in the process of recruiting to this post.		6		Likelihood
1718CRA1203	Implementation of the new social care management system, Liquid Logic, due to go live from April 2017	John O'Loughlin	31-Mar-2018	May 17: The implementation of the LL continues and is on track for a go live date of October 2017.				
1718CRA1204	Embed the new Edge of Care Team, to support those children at risk of entering, or re-entering, the care system (particularly older children at risk from the breakdown of foster care placements.	John O'Loughlin	31-Mar-2018	May 17: Currently 26 cases referred to Edge of Care through either placement panel or via Early help Contact Point – Edge of Care supporting 14 Foster Carers, where the placement is at risk of breaking down, additionally 9 families whose children are at risk of entering care and 3 family reunifications. As a new service Edge of Care is continuing to				

				embed process and structure, the service is now able to record on Carefirst, discussed future recording of data via Liquid Logic, quality assurance systems to measure and evidence outcomes now in place.			
1718CRA1205	Implement and embed the Early Help Phase 2 programme, which, working in partnership with other care professionals will aim to improve the first contact service for vulnerable children.	John O'Loughlin	31-Mar-2018	May 17: Internally Early Help has integrated and there is now a single front door with Early Help and Social care. Currently working on implementing the Transformation Maturity Model toolkit and have seconded a worker from Family Mosaic into the EHFS team. Discussions are being held with Commissioning Team to see how we can align services in the future.			
1718CRA1207	Undertake a full budget and performance review of Children's Services to assess levels of resourcing against the demand for services.	Simon Leftley	31-Mar-2018	May 17: The budget and performance review is currently in a formative stage, scoping and research are being undertaken and commencement of the review is expected in the Autumn. Over the summer a management review is being completed and this will report to the Children services improvement Board in September.			

Risk Title	13. Waste Management						
Stage 1 - Risk without controls (Inherent risk)							
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score		
1718CRR13	Risk of contractor failing to meet contractual requirements to effectively manage waste contractual arrangements results in additional financial liability for the Council and loss of service quality.	Andrew Lewis	Strategic	Reputational, Financial	12		 Likelihood
Stage 2 - Risk with Controls and Assurances (current risk)							
List of controls and associated assurances to ensure controls are working					Current risk score		
1. Control: Regular contract management meetings with suppliers Assurance: Meeting Minutes/Reports 2. Control: Data set monitored by DMT and senior managers Assurance: Reports/Minutes 3. Control: Cabinet/Scrutiny Assurance: Reports/Meeting minutes					9		 Likelihood
Stage 3 - Further actions to reduce the risk (target risk)							
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	
85 1718CRA1301	Ensure contractors are performing to service outputs and that performance management is monitored to achieve service standards as specified within relevant	Carl Robinson	31-Mar-2018	May 17: Performance management framework incorporated within the contract. Contractor performance has not achieved some set target outcomes for 2016-17. This is being addressed with senior management to ensure contact compliance is adhered to in future contract years to ensure specification standards are met and Veolia fully comply with their bid submission. Appropriate performance deductions will be applied and where necessary in accordance with the contract.	✓	6	 Likelihood
1718CRA1303	Ensure frontline waste collection, street cleansing and ancillary service contractor is performing to service outputs and that performance management is monitored to achieve service standards as specified within relevant contracts	Carl Robinson	31-Mar-2018	May 17: Performance management framework incorporated within the contract. Contractor performance has not achieved some set target outcomes for 2016-17. This is being addressed with senior management to ensure contract compliance is adhered to in future contract years to ensure specification standards are met and Veolia fully comply with their bid submission. Appropriate performance deductions will be applied and where necessary in accordance with the contract.	✓		
1718CRA1304	Ensure SBC have access to waste disposal and treatment facilities that deliver value for money for the Council.	Carl Robinson	31-Mar-2018	May 17: The MBT facility is still in commissioning phase and the Longstop date 31/1/17 has been missed by the contractor. SBC are continuing with negotiations with ECC to determine its options going forward. Essex and Southend Officer/Member Board meetings are also continuing.	✓		

Risk Title	14. Health Lifestyles						
Stage 1 - Risk without controls (Inherent risk)							
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score		
1718CRR 14	Risk that continued pressure on the health system including Public Health funding results in a failure to adequately address lifestyle behaviours and reduce health inequalities.	Andrea Atherton	Strategic	Financial, Service Provision	9		 Likelihood
Stage 2 - Risk with Controls and Assurances (current risk)							
List of controls and associated assurances to ensure controls are working					Current risk score		
1. Control: Joint Executive Group (JEG). Assurance: Reports/Meeting Minutes. 2. Control: Health and Wellbeing Board. Assurance: Reports/Meeting Minutes. 3. Control: Monthly data set monitored by DMT and senior managers: Assurance: Report/Minutes 4. Control: Cabinet/Scrutiny Assurance: Reports/Meeting minutes					6		 Likelihood
Stage 3 - Further actions to reduce the risk (target risk)							
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	
17/18 PHA 09	Public Health Responsibility Deal	Lee Watson	31-Mar-2018	May 17: Planning first "Wellbeing Champion" network for businesses, this group will provide feedback loop for PHRD and support co-design future offer of support to businesses through the programme. Planning started for a review of support available for takeaway businesses.	✓	4	 Likelihood
17/18 PHA 14	Healthy Lifestyle Service	Margaret Gray	31-Mar-2018	May 17: MECC still in development (elearning) face to face sessions being planned. Starting discussions regarding alignment with localities. Recovery plan to be requested.	⚠		
17/18 PHA 24	Social marketing programme	Andrea Atherton; Marion Gibbon	31-Mar-2018	May 17: Clean Air Day & National Bike Week being planned (w/c 12.6.17)	✓		
17/18 PHA CPA 08	Physical Activity Strategy	Margaret Gray	31-Mar-2018	May 17: Focus has been around refresh and restructure of community reference group, (Active Southend). First Exec Group meeting planned. Engaged with Coventry on the Move to learn about their approach and if/how it would have benefits in Southend.	⚠		

Risk Title	15. Major Developments							
Stage 1 - Risk without controls (Inherent risk)								
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score			
1718CRR15	Risk that failure of partners to progress major infrastructure developments (e.g. Seaways, Airport Business Park and Queensway) will result in significant financial and reputational damage to the Council.	Simon Leftley; Andrew Lewis	Strategic	Reputational, Financial	12		 Likelihood	
Stage 2 - Risk with Controls and Assurances (current risk)								
List of controls and associated assurances to ensure controls are working					Current risk score	9	 Likelihood	
1. Control: Corporate Deliver Board. Assurance: Reports/Minutes. 2. Control: Capital Projects Board Assurance: Reports/Meeting Minutes 3. Control: Project Boards Assurance: Reports/Meeting Minutes 4. Control: Cabinet/Scrutiny Assurance: Reports/Meeting minutes								
Stage 3 - Further actions to reduce the risk (target risk)								
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	6	 Likelihood
1718CRA1501	Queensway Area Regeneration Project, 16/17 actions: • Progress the finance option & housing plans for the Queensway area regeneration project • Consultation & communication with existing Queensway residents to inform specifications for the redevelopment.	Emma Cooney	31-Mar-2018	May 17: Report to March Cabinet, agreeing a borough wide decant policy applying to tenants who may have to move as a result of a regeneration project and a local lettings policy for tenants on Queensway Estate in advance of redevelopment/regeneration. Meeting also agreed a process to appoint a preferred project partner. Consultation on related transportation issues due to begin shortly.	✓			
1718CRA1502	Airport Business Park 2016/17 actions: • To commence Phase 1 infrastructure works • To agree Westcliff Rugby Club relocation strategy and commence work • To submit a planning application for the Innovation centre	Andrew Lewis	31-Mar-2018	May 17: £3.2m spent by 31st March 2017 - to be audited for s151 sign of summer 2017 in accordance with SELEP procedures. £19.89m Local Growth Fund (LGF) funding secured Feb 2017 which will pay for the innovation centre design and build however due to the late notification of LGF outcome a planning application has not yet been submitted. Plans are in place to submit later this calendar year.	✓			
1718CRA1503	Seaway Car Park 2016/17 actions: • To support Turnstone to submit a planning application • To meet the Coach Park Relocation Condition • To support Turnstone in securing prime tenants	Joe Chesterton	31-Mar-2018	May 17: Anchor tenant secured subject to contract. Scheme progressing well with planning application due in 2017.	✓			

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Southend-on-Sea Borough Council

Agenda
Item No.



Report of the Chief Executive

to

Audit Committee

on

28th June 2017

Report prepared by: Linda Everard, Head of Internal Audit

Internal Audit Services, Quarterly Performance Report

Executive Councillor – Councillor Moring

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present to the Audit Committee, summary results of 2016/17 audit reviews completed.

2. Recommendations

2.1 The Audit Committee:

- **notes the assurance provided by the audit work completed this quarter**
- **approves the appointment of the Institute of Internal Audit to complete the independent, external review of Internal Audit's compliance with the UK Public Sector Internal Audit Standards.**

3. Background

- 3.1 To comply with the UK Public Sector Internal Audit Standards, the Head of Internal Audit's Annual Report includes details of the team's final performance in delivering:

- the Audit Plan
- its targets.

4. Audit Opinions and Themes

- 4.1 **Appendix 1** summarises the results of and where appropriate, the audit opinions given for each audit completed since the March Audit Committee meeting. The majority of the audits reported upon this quarter have been issued with satisfactory audit opinions.

5. Independent External Assessment

- 5.1 The UK Public Sector Internal Audit Standards (1312) (the Standards) require that an external assessment must be conducted at least every five years by a qualified, independent assessor or team from outside the organisation. The Head of Internal Audit must discuss with the Audit Committee:

- the form of external assessment, which can be in the form of a full external assessment, or a self-assessment with independent external validation
 - the qualifications and independence of the external assessor or team, including any potential conflict of interest.
- 5.2 The external assessor or team must be able to demonstrate:
- competence in two areas: the professional practice of internal auditing and the external assessment process. The Head of Internal Audit should use professional judgment when assessing whether an external assessor or team demonstrates sufficient competence to be qualified
 - there is not a real or an apparent conflict of interest and that they are not a part of, or under the control of, the organisation to which the internal audit activity belongs.
- 5.3 The Head of Internal Audit must agree the scope of external assessments with an appropriate sponsor, e.g. the Accounting / Accountable Officer or Chair of the Audit Committee as well as with the external assessor or team.
- 5.4 At the conclusion of the review, the Head of Internal Audit must communicate the results of the quality assurance and improvement programme to senior management and the Audit Committee.
- 5.5 Three quotes were obtained and evaluated taking into account day rates, the experience of reviewers and the potential to add value. On this basis, the Head of Internal Audit is recommending that:
- the Institute of Internal Audits (IIA) is appointed to undertake the review which will include services provided to the Council, Castle Point Borough Council and South Essex Homes. It:
 - does not sell additional services or offer alternative solutions to delivering internal audit services, therefore is truly independent and has no conflicts of interest to declare
 - sets the Standards, so is well placed to assess compliance with them as well as share learning where opportunities to improve are identified.
 - a self assessment is completed, with supporting evidence that is then provided for review as this limits the cost
 - the sponsors are:
 - Cllr Davidson, Chair of the Audit Committee, Southend-on-Sea Borough Council
 - Joe Chesterton, Director of Finance & Resources, Southend-on-Sea Borough Council
 - Devinia Board, Strategic Director, Transformation and Resources, Castle Point Borough Council.
- 5.6 **Appendix 2** contains the profile of the reviewers proposed, which demonstrates the team are suitably qualified to undertake this work.
- 5.7 As South Essex Homes buys its internal audit service from the Council, the results of this work will just be reported to its Audit Committee.

6. Shared Service Board

- 6.1 The first meeting of the Shared Services Board, Internal Audit and Counter Fraud & Investigation Services was held on 18 May 2017 at which it agreed its Terms of Reference.
- 6.2 The objective of the Board is for *"members work effectively together to enable good quality, professionally compliant but proportionate services to be provided that meet each individual organisations needs.*
- 6.3 The purpose of the Board is to provide a forum for members to:
- provide a collaborative, strategic view for the on-going delivery and or development of the two services
 - ensure there is a consistent contractual framework for delivering these services across the organisations that clarifies accountabilities and deliverable outcomes
 - ensure that performance management arrangements are effective and each organisation is receiving the service it is paying for.
- 6.4 It was agreed that this would be an advisory Board which has no decision making powers. It is accountable to each organisation's senior management team and Audit Committee.
- 6.5 The main work for the Board initially is to refresh the various agreements Southend-on-Sea Borough Council, Castle Point Borough Council, Thurrock Council and South Essex Homes have with each other for these services. In order to co-ordinate this work better, it has been agreed to start the new agreements from 1 October 2017 for three years.
- 6.6 As part of this, the opportunity will be taken to standardise the arrangements for obtaining stakeholder feedback by both services. This will then form part of the performance indicators reported to Audit Committee each quarter. Some thought was also given to the type of strategic information on overall service performance that should be reported to the Board.
- 6.7 Finally, consideration was given to the possibility of creating a more self sufficient base for the Counter Fraud & Investigation Directorate at Southend-on-Sea Borough Council and Castle Point Borough Council offices. Unlike any other local authority in the United Kingdom, the Directorate is a recognised agency in its own right with direct access to police systems and techniques (not available to any other local government and most other central government agencies).
- 6.8 Traditionally all the specialist resources and access to confidential systems has been held solely at Thurrock Council as it has specially designed secure offices. These offices satisfy the Home Office Management of Police Information, Government Protective Marking Scheme and the National Technical Authority for Information Assurance standards – IL3.
- 6.9 Now the level of work at the Council has increased, there is a business need to replicate these specialist resources on-site. This will provide some resilience for the service should access to Thurrock Council not be possible. In particular, the co-location of the police national computer on-site will ensure that:

- essential police data can be used by other Council departments to create and increase the opportunity to tackle all crime and regulatory issues they are responsible for (e.g. Trading Standards, Anti Social Behaviour, Social Care and Housing)
- the Counter Fraud & Investigation staff can use police data in Council buildings and not have to travel to Thurrock Council to view and store the data which is very inefficient, as the accommodation will meet the needs of the Government Protective Marking Scheme.

6.10 The Director of Finance & Resources is working with the Directorate to progress this.

7. Corporate Implications

7.1 Contribution to Council's Aims and Priorities

Audit work contributes to the delivery of all corporate Aims and Priorities.

7.2 Financial Implications

The Audit Plan was delivered within the approved budget.

Any financial implications arising from identifying and managing fraud risk were considered through the normal financial management processes.

7.3 Legal Implications

The UK Public Sector Internal Audit Standards require the Audit Committee to approve (but not direct) the annual Internal Audit Plan and then receive regular updates on its delivery. This report contributes to discharging this duty.

7.4 People and Property Implications

People and property issues that were relevant to an audit within the Audit Plan were considered as part of the review.

7.5 Consultation

The audit risk assessment and the Audit Plan were periodically discussed with the Chief Executive, Corporate Directors / Director, and Heads of Service before being reported to Corporate Management Team and the Audit Committee.

All terms of reference and draft reports were discussed with the relevant Corporate Directors / Director and Heads of Service before being finalised.

7.6 Equalities Impact Assessment

The relevance of equality and diversity was considered during the initial planning stage of the each audit before the Terms of Reference were agreed.

7.7 Risk Assessment

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact of the Council's ability to deliver its Corporate Aims and Priorities.

The main risks the team has had to manage during the year are the:

- loss of in-house staff and its inability to replace this resource at all or in a timely manner

- lack of resources to manage external suppliers proactively to ensure the quality of work and timeliness of its delivery is maintained
- uncertainties arising as a result of the extended service review.

The realisation of these risks has adversely impacted on the service's ability to deliver its performance targets this year (refer Head of Internal Audit Annual Report 2016/17).

7.8 Value for Money

Opportunities to improve value for money in the delivery of services were identified during some reviews and recommendations made as appropriate.

Internal Audit also considers whether it provides a value for money service periodically.

7.9 Community Safety Implications and Environmental Impact

These issues were only considered if relevant to a specific audit review.

8. Background Papers

- The Accounts and Audit Regulations 2015
- UK Public Sector Internal Audit Standards
- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards

9. Appendices

Appendix 1 Audit Opinions and Themes

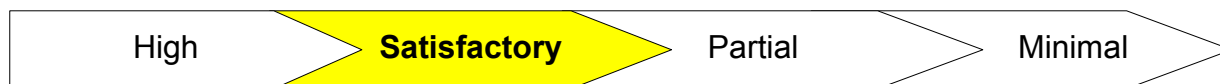
- Satisfactory Assurance
- Audits Revisited
- Other Audits and Grant Claims

Appendix 2 Chartered Institute of Internal Auditors Review Team

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Appendix 1a: Assurance and Themes

Assurance



Drug and Alcohol Commissioning Team Governance

Objective

To assess whether accountability for and the objectives of the Drug and Alcohol Commissioning team (DACT) were clearly defined and its performance effectively monitored.

Themes

The Drug and Alcohol Commissioning team (DACT) is the Council team responsible for the commissioning of drug and alcohol services across the borough and is funded by the Council. Its performance is influenced and monitored by the Council's Department for People and the Southend Community Safety Partnership Priority Leadership Group (CSP PLG).

Roles, Responsibilities and Accountabilities

The CSP PLG is the statutorily required Crime & Disorder Reduction Partnership for the borough. It meets regularly and has robust, terms of reference in place that clearly sets out:

- its role, remit and reporting requirements
- specific responsibilities in relation to the DACT, which are to:
 - set the strategic direction for its services, to approve strategic plans and policies and to performance manage progress in delivering them
 - give guidance as well as strategic and leadership support to the DACT Manager to enable the service's targets to be met.

Internally, the DACT reports to the Director of Adults and Housing within the Department of People, who ensures it is appropriately structured, resourced and managed.

Service planning

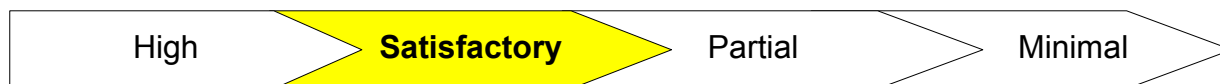
Whilst the aspects of what the service is required to deliver and the performance measures that are expected, appear in various Council and partnership documents, there is no one overarching plan that pulls them all together.

At a partnership level, the DACT's work is driven by:

- an annual Strategic Intelligence Assessment which identifies the local crime priorities e.g. increasing the number of people in drug treatment and tackling anti-social behaviour
- the Southend Drug and Alcohol Gambling Strategy for 2015-2018 and Alcohol and Problem Gambling Strategy Key Actions 2016-17, which it leads.

Appendix 1a: Assurance and Themes

Assurance



At a Council level, the DACT's role and work requirements are set out in Adults and Housing Service Plan for 2016/17. However, this only includes one performance indicator and four specific actions. Consideration should be given to developing a team plan that contains everything the service needs to deliver. This could then be monitored via the Council's normal performance management process (see below).

Performance monitoring and reporting

A DACT Managers Report is presented to each CSP PLG meeting and includes high-level narrative information as well as detailed appendices regarding:

- the performance of commissioned services and financial performance
- progress towards the procurement of drug and alcohol services in 2017.

There was evidence that issues with contractor performance were managed appropriately and in line with contract management principles set out in the Council's Contract Procedure Rules.

Delivery of the Council's Adults and Housing Service Plan is monitored monthly via Covalent (the performance management system).

Current management processes may not provide adequate mechanisms to identify and manage risks facing the DACT. This may result in avoidable risks materialising and mean that management do not have all information required to make effective decisions.

Number of actions agreed: 2

Airport Business Park Project Assurance

Objective

To assess whether effective project processes have been established for delivering the Airport Business Park Project to ensure it achieves the expected benefits, within the intended timeframes.

Themes

Governance

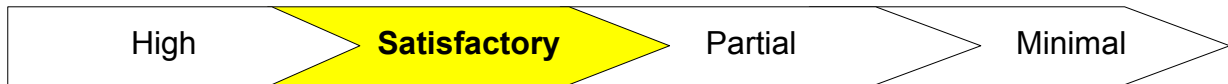
As at February 2017, when this audit was undertaken, it was possible to conclude that the arrangements:

- established to manage the Airport Business Park project were sound
- were documented within the Development Agreement between the Council and the project developer.

A Partnership Board provides strategic oversight of the project and meets quarterly. A Project Steering Board supports this. It has operational responsibility for the delivery of the development project, and meets monthly.

Appendix 1a: Assurance and Themes

Assurance



The Development Agreement includes terms of references for these Boards that cover all elements expected, which are integral to ensuring effective project governance. Meetings are minuted, actions are clearly defined with owners named and they are followed up at subsequent meetings to ensure they are delivered.

Every other week, the Council's Project Manager provides key senior officers with an informal report that:

- summarises progress made against major project milestones
- highlights any issues requiring action.

However, it does not specifically cover key project control areas of time, cost, quality, scope, changes, risks, and benefits. The process would be strengthened by introducing more formal highlight reporting to the Boards, covering these areas, to ensure decisions taken are based on all the available information.

Benefits Management

The Airport Business Park Phase 1 Business Case, dated 11th January 2016, sets out the planned benefits of the project, at a high level. These are tangible deliverables, which in some instances are quantifiable e.g. number of new jobs to be created.

Further work is needed to produce detailed benefit profiles for the project, benefits management strategies or plans. This will help the Council to demonstrate the ultimate realisation of intended benefits and justify the project investment decisions.

The operational arrangements for managing delivery of expected project benefits also need to be defined to ensure there is clarity over:

- who is going to be accountable for doing what and where is this going to be reported?
- how benefits / dis-benefits are going to be identified, which are to be measured, how and over what timeframe?
- the milestones within the project when benefits reviews should be undertaken
- the arrangements for handing over and embedding activities, following the implementation of the each phase of the project.

Project Planning

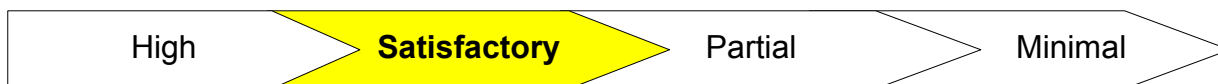
The developer has provided a project plan for the current phase of the project, which:

- included fields to capture the required information, for example, task description, duration, start and finish dates
- outlines the critical path of activity.

Progress against key milestones is reviewed at Project Steering Board meetings. Updates are included within the Council Project Manager's fortnightly status reports.

Appendix 1a: Assurance and Themes

Assurance



Dependency Management

A draft dependency log (The Dependency Register) was in place, which will provide the means to monitor and manage dependencies throughout the project lifecycle. The draft 24th January 2017 version had 32 dependencies, which may affect eight project areas or milestones. However, it did not capture all the information expected, nor had it been fully completed.

The Council may incur avoidable delays, and resultant costs, if it does not fully understand and manage the dependencies across the project and therefore the impact of decisions and changes.

Number of actions agreed: 3

Cyber Security Governance

Objective

To assess whether the Council has designed as well as effectively operates a suitable cyber security governance framework for making and implementing decisions required to direct, monitor, evaluate and report on cyber security management within the business.

Themes

Cyber security strategy

A dedicated 'Cyber Security Strategy Document' should be produced, although cyber security principles are embedded within the extensive policy set and wider IT documentation. Security plans are in place. Delivering the cyber security action plan should result in the Council's accredited to the government-backed "Cyber Essentials" scheme (rather than the enhanced scheme). This will align Council activities to the National Cyber Security Strategy, make a clear statement of intent and help direct spending accordingly.

Cyber security governance

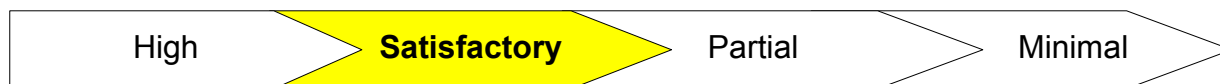
Since October 2016 restructure:

- the Director of Legal and Democratic Services became the Senior Information Risk Owner (SIRO)
- not all of the forums and committees involved in informing and updating the various stakeholders around cyber security, have met.

A clear plan is required setting out when they will be renewed and who will take part in them. Given these committees involved senior management across the Council, this presents a governance and communication risk.

Appendix 1a: Assurance and Themes

Assurance



Cyber security spending

It may help the Council to have a dedicated cyber security budget linked to a planned programme of initiatives that support the delivery of the cyber security strategy. Like many others, cyber security spend is not itemised within the general IT budget. Nevertheless, this spend is being tracked by management, and additional funds have been requested to enable the Cyber Essential programme to be delivered.

Good work has been done by the Information Governance team towards meeting the national standards. However, fewer resources have been invested in this area to date, so progress has been slower in terms of updating policies as well as training modules and the Information Governance toolkit.

Roles and Responsibilities

There was a clear reporting and escalation process for cyber security incidents, albeit under the previous senior management structure in the “Data Security Breach Management” document (last reviewed in 2013). Formalising the new accountabilities and responsibilities will help address these governance issues.

Furthermore, there was evidence that the data protection, information governance and breach management reporting appears comprehensive. This good practice is further enhanced through weekly IT management meetings and six-weekly data protection meetings.

The ICT team operates to a recognised industry-standard model (ITIL) where cyber security incidents are reported. The current incident management process contains the documentation that was expected. This could be improved by having an overarching policy as well as further enhancements to the process to monitor and track less critical incidents.

The Council’s Risk Management Policy details the risk management reporting structure. There is also a clear process for reporting data protection breaches or incidents. The Data Protection e-learning should cover cyber security when it is refreshed, and all employees should complete refresher training every two years.

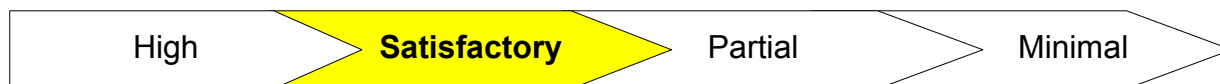
Cyber security risks are being tracked at corporate and project levels. This provides some oversight but does not provide:

- enough detail to adequately manage the risk
- insight where single instances across multiple projects may present a larger issue
- a holistic view of the wider risks across the estate, as there is a gap between the corporate / service view and the project view.

The Customer Service Plan risk register had not been updated since September 2016 although a more formal risk management process was in place for reporting data protection issues. A risk assessment process is in place for new ICT systems but there were no plans to perform a Security Risk Assessment on existing / legacy systems.

Appendix 1a: Assurance and Themes

Assurance



There is a general understanding across the Council of the difference between an 'information asset' and a 'system asset'. The development of a formalised and central Information Asset Register that are scored and associated with Business Impact Levels will:

- better help the Council to identify the location of its data (including its sensitive and protected data)
- enable ICT to apply proportionate controls to different levels of risk.

Clear guidance should also be created on how to store, transfer and delete different types of information at different levels of sensitivity e.g. public, internal or sensitive.

Number of actions agreed: 10

IT Data Security Policy Application

Objective

To assess whether the Council's approach to IT Data Security is well managed, secure and helps deliver both effective IT and wider-Council services.

Themes

The Corporate Information Security Policy reflects recognised good practice guidance on IT data security and is available to staff on the Council Intranet. It refers to staff having to ensure that they conduct business in accordance with this Policy and all applicable supporting policies. This is supplemented by an appropriate level of staff training, presentations and posters that address Data Protection issues. However, the supporting policies are not identified and a number of those on the Internet were out of date. The Corporate Information Security Policy could be strengthened by naming them, ensuring that they are current and storing them in a single Intranet location for ease of reference by staff.

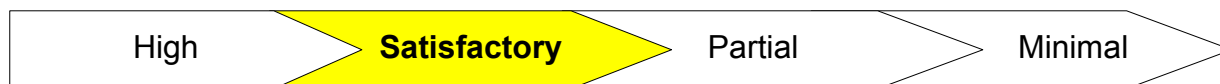
An Information Sharing Protocols Register is in place which shows the date of each protocol, the subject area and relevant Departmental lead. It covers the legal requirements for the effective control of data.

The Council is not following the Government Data Classification scheme yet and data is therefore not being classified. The need to do this was raised in the Information Commissioners Office (ICO) Data Protection Report in issued in February 2013. Therefore, proper consideration should be given to the costs and benefits of implementing such a scheme as well as the risks of not doing so, before a decision is made.

There is clear guidance in place covering serious incident and data security breach management dealing with section 29 (Police) requests and subject access requests which is in line with the Data Protection Act 1998.

Appendix 1a: Assurance and Themes

Assurance



A log of reported breaches is maintained with individual breach reports being sent to the Senior Information Reporting Officer (SIRO). It contains all the information expected when such reports are made and all were investigated with recommendations made to strengthen the arrangements where necessary. None required reporting to the ICO. Overall, the Council procedures for dealing with breaches are robust.

Access to the Council's network is protected with an effective password control while remote access uses a multifactor process using Active Directory account and a pinsafe Multi Factor Authentication security application. Laptops and USB sticks are encrypted and mobile phone data is contained within a protected environment. The Council is now looking to put a system in place that would provide the capability to review unsuccessful log-on attempts to determine unauthorised activity and also provide trend analysis. A more robust action planning and monitoring arrangement is required to ensure that issues arising from penetration testing are dealt with in a timely manner.

Overall, access to the IT suite is satisfactorily controlled, as is its environment e.g. air conditioning and fire suppression. However, protection of the new server room could be improved with the introduction of a visitor log and CCTV.

A backup process is in place. Nevertheless, the overarching backup strategy is being drafted, needs to be approved and then implemented to help ensure the backup regime is effective.

Disposal procedures are in place that ensures that data is cleansed and reports are provided to evidence this.

Number of actions agreed: 8

Financial systems work to support the production of the Council's financial statements

Objective

To confirm that the following key objectives and associated controls in each of the systems outlined below:

- are designed to prevent or detect material financial errors, and
- have been in place during 2016/17 and therefore, can be relied when producing the Council's Financial Statements.

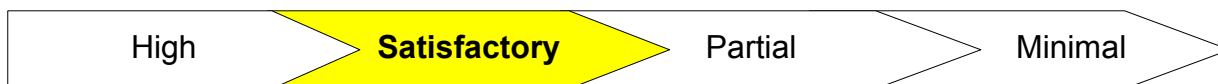
Scope and Control Opinions

The key controls audited are detailed in the table below. The assurance assessment (*) reflects:

- the strength of the control design
- how well the control has operated in practice OR

Appendix 1a: Assurance and Themes

Assurance

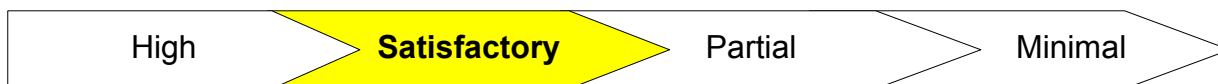


- the assurance obtained from substantive testing, if the control could not be relied upon.

Key controls audited	Assurance (* refer above)
Accounts Receivable	
<ul style="list-style-type: none"> • Reconciliations between the Accounts Receivable and the General Ledger systems are complete, accurate and timely. 	High
Accounts Receivable	
<ul style="list-style-type: none"> • All instructions from originating service areas for debtors to be raised are: <ul style="list-style-type: none"> • accurately and completely turned into an up to date, official Council invoice, on a timely basis • recorded on the Accounts Receivable system. 	Partial
Business Rates	
<ul style="list-style-type: none"> • Reconciliations of property numbers and rateable values between the Business Rates system and the government's Valuation Office are complete, accurate and timely. 	High
<ul style="list-style-type: none"> • Reconciliations between the Business Rates and the General Ledger systems are complete, accurate and timely. 	High
Council Tax	
<ul style="list-style-type: none"> • Reconciliations of property numbers and rateable values between the Council Tax system and the government's Valuation Office are complete, accurate and timely. 	High
<ul style="list-style-type: none"> • Reconciliations between the Council Tax and General Ledger systems are complete, accurate and timely. 	High
<ul style="list-style-type: none"> • Data identifying single person discount fraud supplied by the Council's supplier Datatank is used to correct Council tax accounts on a timely basis. 	High
General Ledger	
<ul style="list-style-type: none"> • Journals are accurate, authorised and supported by appropriate evidence to confirm their validity. 	Satisfactory

Appendix 1a: Assurance and Themes

Assurance



Key controls audited	Assurance (* refer above)
<ul style="list-style-type: none"> Reconciliations between the General Ledger and the bank account/s are complete, accurate and timely. 	Satisfactory
Housing Benefit	
<ul style="list-style-type: none"> Reconciliations between the Housing Benefit and General Ledger systems are complete, accurate and timely. 	High
Payroll	
<ul style="list-style-type: none"> Reconciliations between the Payroll and General Ledger systems are complete, accurate and timely. 	Satisfactory

Accounts Receivable

A report comprising of invoice requests for debtors is run on the CIVICA system. Internal Audit was advised that 10% of cases detailed on the report are supposed to be checked by the Accounts Receivable Manager, as per the established control environment.

The details of the invoice request and the invoice are checked to ensure that the coding and value is correct. For each case checked, the report is annotated with his initials and the date to indicate that the check has been undertaken.

However, it was noted that the latest report was produced on the 19th September 2016, which comprised of invoices raised in August. The Accounts Receivable Manager advised that it is not always possible to perform the checks each month due to other work commitments. A view should be taken as to whether to tolerate this risk, amend the level or frequency of checking to be done or address the resourcing issues.

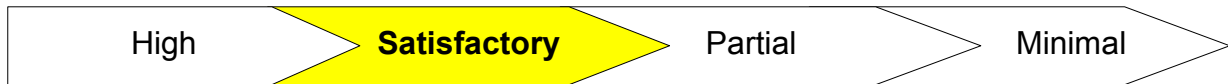
General Ledger

Journals

The Agresso system comprises a workflow, which ensures that journals can only be posted onto the system by users with the appropriate permissions. A report was provided by the ICT Team Leader, detailing the users on the Agresso system with access to post journals. Three users listed, Accounting Technician, Apprentice Financial Analyst and Finance Business Partner should not have had this level of access.

Appendix 1a: Assurance and Themes

Assurance



A report was produced detailing users who had posted journals since April 2016. It confirmed that no journals had been posted during this period by the three users who should not have this access.

Therefore, although no reliance could be placed on this control, the risk did not materialise during this financial year.

Reconciliation to bank accounts

Reconciliations between the Council's Cashbook and the General Ledger are:

- performed on a monthly basis by a member of the Accounting Team (usually the Accounting Technician)
- independently authorised by the Group Manager (Financial Planning and Control).

However, it was identified that these reconciliations only covered the period up until October 2016, meaning that the reconciliation processes were three months in arrears at the time of the audit. This was because the person whose role is to do this, was absent during this period.

Action is being taken to bring the reconciliations up to date. However, the delays in performing these reconciliations could result in discrepancies failing to be identified in a timely manner, potentially resulting in financial loss. The Director of Finance & Resources has confirmed that as at May 2017, the monthly reconciliations are fully complete to the end of February 2017 and the March 2017 reconciliation is in progress and nearly concluded.

Payroll

A reconciliation should be performed between the Council's Payroll system and the General Ledger on a monthly basis. However, as at January 2017, it was identified that:

- the payroll cash and control reconciliations had been completed for periods one to six (April 2016 to September 2016)
- the cashbook and bank reconciliations had been completed for periods one to seven (April 2016 to October 2016).

As above, this was because of staff absence. These outstanding reconciliations are also being completed. The Director of Finance & Resources has confirmed that as at May 2017, the monthly reconciliations are fully complete to the end of March 2017.

Number of actions agreed: 3

Appendix 1b: Audits Revisited

Purpose of these audits

To assess whether the actions agreed in the original audit have been implemented and are now effectively embedded into the day-to-day operation of the service.

Southend Adult Community College



Original Objective

To assess whether there are robust financial and governance controls in place to provide an effective framework for financial planning, accountability and safeguarding public funds.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Agreed action closed
7	3	3	8	0

Summary

Core Financial Governance Documents and Policies

Progress continues to be made in this area to strengthen these arrangements. The main governance documents and policies are in place and broadly in line with the recommended requirements. A few gaps remain within the Financial Regulations and the Debt Collection and Recovery Strategy, which require addressing. A Finance Department Operation Manual is being produced which will include all key financial management tasks, but a target completion date has not been set.

The College's 'terms of doing business' (i.e. setting out payment terms), are now available on its website.

Financial Reporting

Good progress has been made in improving the format and presentation of management accounting information in that:

- management accounts are now produced in an acceptable format, which was recommended by Financial Consultants, and approved by the former Finance & General Purposes Committee and the Governing Body
- Key Financial Indicators have been developed which are discussed at Governing Body meetings.

Further work is still required to provide:

- senior managers with regular purchase order schedules detailing purchases made without a requisition or order; and both senior managers and Governors with regular debt collection related information

Appendix 1b: Audits Revisited

- a graphical trend analysis alongside the management accounts information presented to the Governors, to aid interpretation and analysis.
- evidence on a regular basis that the Principal is checking that reconciliations are being completed properly and checked

Management Oversight and Authorisation

Some progress has been made to improve these arrangements in that:

- the rationale behind closing the Private Funds account was deemed reasonable and discussed with the Governing Body, from whom approval to do so, was obtained
- there is evidence that substantiating information is now retained to support key payroll forms and expense forms are reviewed and authorised appropriately.

However:

- there is evidence that the process for ensuring that orders are supported by alternative quotes, as required by the Contract Procedure Rules, is not consistently identifying non compliance
- a more formal system is required for recording the action taken to chase suppliers who have not submitted a proper VAT invoice
- appropriate training still needs to be provided to a senior member of staff independent of the Finance Team, to enable them to check reconciliations to confirm that they have been undertaken correctly and are adequately evidenced
- a process needs to be introduced that requires budget holders to confirm:
 - the accuracy, completeness and viability of their budget position on a quarterly basis
 - periodically, the continuing need for direct debits on their accounts and that the payment value is accurate.
- reports need to be produced of debts where collection has been temporarily postponed for senior management to review and challenge, as this is not currently being done
- assets not currently security marked or recorded on the asset register, need to be and an annual inventory check undertaken with the results reported to the Principal and the Governors to provide assurance over the safeguarding of assets.

Accounts Receivable, Social Care Debt



Original Objective

To assess whether the key controls in the Accounts Receivable, Social Care Debt system effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's Statement of Accounts.

Appendix 1b: Audits Revisited

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Agreed action closed
1	3	2	2	2

Summary

The Social Care Debt Policy and Strategy has been extended and now includes sufficient information around the escalation of cases and exemption of charges. Further clarity is required to ensure management expectations are clear to staff when:

- agreeing and monitoring Payment Plans
- referring cases to colleagues, as potential safeguarding, financial abuse and fraud concerns have been identified.

There is also still scope to update the guidance within the Social Care Debt Policy around parking debt further to:

- include the additional "suitable reasons to park debt"
- provide clear instruction on how to park debt, which covers recording of reasons and retaining of appropriate supporting evidence
- define how frequently parked debt should be reviewed to ensure the action remains appropriate, and who is responsible for the review i.e. Finance Officer.

Management now need to regularly review this debt to confirm:

- staff are applying the required monitoring process
- pausing the recovery process remains appropriate as delays potentially lead to the debt becoming more difficult to collect.

Civica

Management has halted further Civica development whilst the functionality of the new social care finance system (ContrOCC) for supporting debt collection is assessed. This decision will increase the need for:

- clear written and comprehensive guidance to be available to staff to ensure management expectations are clear on how debt is to be managed (see above)
- focused and risk based management review of individual debts to confirm required processes are being properly and consistently applied by staff (see below).

Management Assurance of the Social Care Debt Policy Application

Regular team meetings are now taking place where Finance Officers are encouraged to bring along 'trouble cases' for advice and decisions are documented on the next steps to be taken. Management also require Finance Officers to report on progress made in recovering specific debts, from time to time.

Appendix 1b: Audits Revisited

Supplementing these arrangements with regular and systematic review of a selection of cases picked at random from the aged debt report, would give additional assurance that staff are:

- properly and consistently applying the policy
- taking appropriate and timely action to recover debt.

Analysis of the Debt

Work has been undertaken to understand the debt profile, including:

- the level of debt at certain stages within the collection process, such as payment arrangements, parked debt, write offs and referrals to Legal Services and Counter Fraud and Investigation Directorate
- the type of debtor e.g. probate cases, deferred payment arrangements, NHS invoices, residential and non-residential etc.

As such, the risk associated with collecting certain types of debt and where to focus resources for optimum return, is more clearly understood. To develop this further and give particular focus to the increasing risk of non-collection, it would be beneficial to have further analysis regarding the age of the debt.

Since the detailed audit work was completed, officers have confirmed that all remaining actions have been addressed.

Appendix 1c: Other Audits and Grant Claims

Troubled Families Programme, Payments by Results Scheme Grant

Objective

To assess compliance with the terms and conditions of the Department for Communities and Local Government's (DCLG) Financial Framework for making Payment by Result (PBR) claims under the Expanded Troubled Families Programme (Phase 2).

Background

The Financial Framework requires that Internal Audit verifies a 10% representative sample of PBR claims before they are made to ensure there is supporting evidence to confirm families:

- met the required criteria to be considered for entry to the expanded Troubled Families Programme
- have achieved either continuous employment or significant and sustained progress as defined by the Council's agreed Outcomes Plan.

Larger sample sizes may be required for smaller claims in order to ensure the audit is meaningful.

Opinion: March 2017, unqualified claim issued

This was the fifth PBR claim made under the DCLG's new expanded programme.

Of the 114 PBR claims due to be made:

- 34 related to families supported by the Early Help and Family Support team (EHFST) and were assessed as meeting the requirements of the Council's Troubled Families Outcome Plan
- 80 were families supported by social workers where a statutory assessment identified a Child in Need (CIN). Subsequent analysis of these cases by the EHFST has identified outcomes that have potentially also met the Council's Troubled Families Outcome Plan. This was the first time these cases had been considered for PBR claims.

Nine claims resulting from the work of the EHFST were independently reviewed by the Group Manager which was in line with previous protocols agreed under Phase 1 of the programme. Four cases were randomly selected for audit.

Sufficient evidence was available to confirm:

- families met the eligibility criteria for entry to the expanded programme for all the randomly selected files reviewed
- the validity of PBR claims for continuous employment or significant and sustained progress, as defined by the Council's agreed Outcome Plan.

Of the 80 claims resulting from families supported as a result of CIN statutory assessments, nine were initially randomly selected for audit. Sufficient evidence was available to confirm:

Appendix 1c: Other Audits and Grant Claims

- eight of the nine cases met the eligibility criteria for entry to the expanded programme. One claim was withdrawn as the same evidence was used to support two different entry criteria. As such, the claim did not meet the minimum two entry criteria required by the Troubled Families programme
- the validity of PBR claims for significant and sustained progress for the remaining eight families. These included five claims which Internal Audit agreed were exceptional cases under the DCLG's Financial Framework. For these cases, not all outcomes could be confirmed as met from the original issues identified. However, work undertaken had for instance, led to improved safety and security of these families who had experienced domestic violence.

In light of the issue with eligibility criteria for entry to the programme identified above, a further random sample of five cases were examined, and as a result of this:

- two cases were withdrawn as the minimum two entry criteria was not met
- the remaining three were identified as meeting the entry criteria and PBR requirements either in the Council's Outcome Plan or the DCLG's Financial Framework.

Due to the findings outlined above, agreement was reached for the Group Manager to adopt the same independent management review of a random sample of CIN cases and so, a further 19 cases were examined. Internal Audit confirmed a sample of these cases were valid PBR claims.

Overall, this PBR claim was more complex to audit than previous claims with the issues identified from the addition of the CIN cases. However, the extended testing of cases beyond the minimum 10% and the independent management review arrangements introduced provided sufficient assurance over the validity of the overall PBR claim made.

Appendix 2: Chartered Institute of Internal Auditors Review Team

All our reviewers are experienced heads of internal audit, have passed our stringent assessment process and are members of the Chartered IIA, thereby ensuring they abide by our Code of Professional Conduct.

John Chesshire CFIIA

John is a Chartered Fellow of the Chartered Institute of Internal Auditors. He is currently a member of the Institute's Professional Development Committee, and a committee member for the southwest region. He is also a member of ISACA and the IRM.

John has undertaken internal audit roles in a number of organisations and currently works as Head of Assurance, covering internal audit and risk management, in the public sector. He also leads external quality assessments of internal audit functions in private, public and third sector organisations, reviewing both the effectiveness of internal audit and its adherence to the international standards for the professional practice of internal auditing.

John has a valuable perspective on the quality of internal audit and assurance because of his extensive experience as a freelance internal audit consultant, delivering a variety of training and internal audit engagements for a variety of clients. As well as his demanding day job, he continues to undertake a number of roles for the Chartered IIA as a trainer, facilitator, tutor, author and examiner. This breadth of knowledge gives him a unique range of practical and theoretical insight into good practice internal auditing.

Liz Sandwith CFIIA

Liz has over 28 years' experience in internal audit and risk management.

Liz's most recent role was at Bupa where she held a number of roles in her 5 years there from Head of Assurance, Risk and Compliance to Head of Internal Audit - Operations. Liz is responsible for advising and representing the Institute on all matters relating to the professional practice of internal audit; on ensuring quality standards; and on technical issues. She is also technical advisor to the Chartered IIA's External Quality Assessment (EQA) service. Liz's background is firmly embedded in internal audit and risk management. She has worked for a number of private and public sector organisations, helping to develop risk management and control awareness; and has delivered training to internal auditors in the UK and internationally. Liz has recently been appointed as Chair of the Audit and Risk Committee to a Leeds based Housing Association.

She will also be an independent board member and a member of the Remuneration Committee. Prior to joining Bupa, she spent thirteen years as Head of Internal Audit at Channel 5. She has also worked with the Information Commissioner's Office and the Electoral Commission, as well as advising a number of local authorities on internal audit and risk management issues. Liz served as President of the Institute of Internal Auditors between 2000 and 2001.

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Southend-on-Sea Borough Council

Agenda
Item No.

9
10

Report of the Chief Executive

to

Audit Committee

on

28 June 2017

Report prepared by: David Kleinberg, Head of CF&ID

Counter Fraud & Investigation Directorate:

Annual Report for 2016/17

Executive Councillor – Councillor Moring

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present the Counter Fraud & Investigation Directorate's (CFID) Annual Report for 2016/17 to the Audit Committee.

2. Recommendation

- 2.1 The Audit Committee notes the performance of the Counter Fraud & Investigation Directorate over the last year.**

3. Performance

- 3.1 Attached at **Appendix 1** is the CFID's Annual Report for 2016/17. This summarises all of the Directorate's activities with Southend-on-Sea Borough Council (and its other partners) and sets out some key priorities for 2017/18. It demonstrates the unique nature of the work being done in this area by the two Councils and that the team is now well established. The creation of the Shared Service Board will help to shape the future vision for the service.
- 3.2 Comparison figures below show the number of fraud reports received by CFID and the amount that have been rejected due to no fraud being evident or where the report of fraud is not within CFID remit (i.e. housing benefit). The comparison also shows the amount of sanctions that have been achieved compared to reports under investigation.

Summary of Activity and Comparison:

Activity	15/16	16/17
Reports of suspected fraud have been received	215	175
Cases closed as 'no fraud', of those reported above	109	78
Investigations are still being conducted	84	71
Sanctions have been delivered in cases of proven fraud	59	85

4. Work Plan for 2017/18

- 4.1 **Appendix 2** sets out the initial focus for the proactive work to be completed by CFID during 2017/18.
- 4.2 As outlined previously, CFID will be conducting fraud risk assessment workshops throughout the Council to enable the entire fraud and economic crime risk to be mapped.
- 4.3 This essential work will assist with developing an increased awareness of the types of fraud the Council faces as well as a service-specific understanding of the control framework that exists and what risk mitigation is in place.
- 4.4 This data collected will then be summarised in a matrix and used to target the CFID's work as well as a programme of any enhancements SBC could make to protect itself from fraud and economic crime further.
- 4.5 This work was scheduled to start in March 2017 however, due to unexpected staff absences across CFID; there has been significant impact on resources. Therefore, this work will now commence in June 2017 and report to the September 2017 Audit Committee.
- 4.6 The other important exercise that still needs to be completed is to reassess the risks attached to and level of compliance with both UK Bribery Act and the Money Laundering Regulations. The results of this will also be reported to the next Audit Committee.
- 4.7 The plan is a working document. Where opportunities exist to conduct specific targeted proactive exercises on identified fraud risk areas, these opportunities will be brought back to Committee and included in the work plan.

5. Corporate Implications

5.1 Contribution to Council's Aims and Priorities

Work undertaken to reduce fraud and enhance the Council's anti fraud and corruption culture contributes to the delivery of all its aims and priorities.

5.2 Financial Implications

Proactive fraud and corruption work acts as a deterrent against financial impropriety and might identify financial loss and loss of assets.

Any financial implications arising from identifying and managing the fraud risk will be considered through the normal financial management processes.

Proactively managing fraud risk can result in reduced costs to the Council by reducing exposure to potential loss and insurance claims.

5.3 Legal Implications

The Accounts and Audit Regulations 2015 Section 3 requires that:

The relevant authority must ensure that it has a sound system of internal control which:

- facilitates the effective exercise of its functions and the achievement of its aims and objectives
- ensures that the financial and operational management of the authority is effective

- includes effective arrangements for the management of risk.

The work of the Directorate contributes to the delivery of this.

5.4 People Implications:

Where fraud or corruption is proven the Council will:

- take the appropriate action which could include disciplinary proceedings and prosecution
- seek to recover losses using criminal and civil law
- seek compensation and costs as appropriate.

5.5 Property Implications

Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity.

5.6 Consultation: None

5.7 Equalities Impact Assessment: None

5.8 Risk Assessment

Failure to operate a strong anti fraud and corruption culture puts the Council at risk of increased financial loss from fraudulent or other criminal activity.

Although risk cannot be eliminated from its activities, implementing these strategies will enable the Council to manage this more effectively.

5.9 Value for Money

An effective counter fraud and investigation service should save the Council money by reducing the opportunities to perpetrate fraud, detecting it promptly and applying relevant sanctions where it is proven.

5.10 Community Safety Implications and Environmental Impact: None

6. Background Papers

- Fighting Fraud locally, The Local Government Fraud Strategy
- CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption
- Association of Local Authority Risk Managers (ALARM) Publication: Managing the Risk of Fraud
- Audit Commission: Protecting the Public Purse: Fighting Fraud Against Local Government.

7. Appendices

Appendix 1 Counter Fraud & Investigation Directorate Annual Report for 2016/17

Appendix 2 Counter Fraud Work Plan for March to September 2017

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Counter Fraud & Investigation Directorate



2016/17 ANNUAL REPORT

EXECUTIVE SUMMARY

The Counter Fraud & Investigation Directorate has developed significantly since its inception 3 years ago. The purpose of the function was to increase the resilience in public authorities from fraud and other economic crime.

CFID has now supported central government bodies, local authorities and policing in protecting the public. We began a journey of what some thought would be difficult in changing the perceptions of many around what fraud is and how it affects public bodies. The perceived challenges came from the fact that each organisation is different, with different systems, processes, controls and service priorities. We were however greeted with professional staff willing to develop our counter-fraud culture embracing the changes that would protect their organisation from fraud.

Our service was created with the full support and backing of Thurrock and Southend-on-Sea Borough Councils who fully understood the significant risk local authorities face from economic crime. This common understanding is held between all our partners who have unfortunately seen how criminals have taken advantage of the frontline services provided, including in social care and social housing for their own gain.

We are live to the fact that the threat from fraud changes regularly and we continue to develop new tools in prevention and detection of crime to reduce the impact on our partners. The increase in our national partnerships bring a better intelligence picture as well as coordinated response to crime, which are now being built into our strategies and response plans.

I would like to thank the brilliant staff of CFID and with our sponsors in Southend and Thurrock Councils for their continued support with the culture of change they have embraced and also in supporting our vision to reduce fraud in the way we do that has a better impact on our communities.

David Kleinberg
Head of CFID

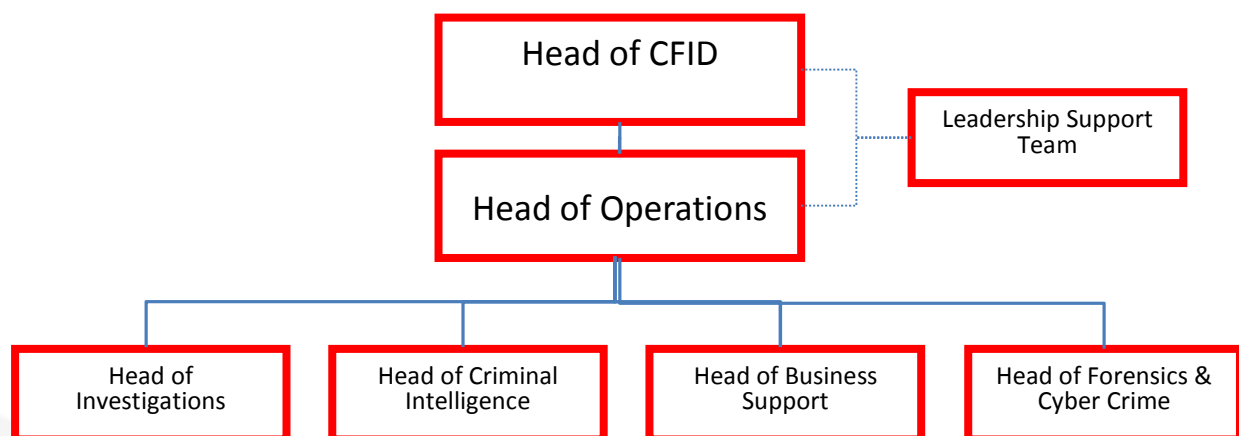
SERVICE STRUCUTRE

Over the last year we consulted with our partners and staff to ensure that the service we provide is fit for purpose in meeting the needs of our business to reduce fraud and economic crime.

We have strengthened our operational resilience, invested in technology and sought to improve how we allocate resources across all our counter fraud and investigation operations for all our partners.

Management & Leadership Team

A restructure which commenced in November 2016 sought to improve the segregation of the different disciplines that form the CFID. This approach met national best practice and delivers improved response to economic crime incidents.



Tactical Tasking & Coordination Process

We conducted a review of our tasking and coordination processes to ensure that our decision making for crimes affecting our partners can have the appropriate response.

This group meets weekly where the unit heads will discuss:

1. Progress for agreed action for reported fraud incidents
2. Progress for proactive work plans agreed by the control strategy
3. Agree the response to new incidents

PARTNERSHIPS

CFID continue to support these partners facing economic crime:



Operational collaboration agreements were made with these partners:



GOVERNANCE & ACCOUNTABILITY

The inaugural Shared Services Board took place in May 2017 with senior executives from Thurrock Council, Southend-on-Sea Borough Council, South Essex Homes and Castle Point Borough Council.

The new board is an opportunity to work effectively together to enable good quality, professional services to be provided that meet each individual organisation's needs.

Inspections

CFID was inspected by a number of bodies last year with good reports received on the work delivered by the service.

Her Majesty's Inspector of Constabulary

Thurrock Council (who hosts CFID) was the only local authority inspected by HMIC as we have a policing purpose which works closely with police forces, and other public bodies including the Ministry of Justice (the only council in the country that has this status).

The ten-page report ends by saying: *"Taking into account the purposes for which Thurrock Council needs PNC access, we conclude that the level of access specified in the Supply Agreement is appropriate for the Council's needs.*

"The satisfactory training records, the physical security arrangements, the signed undertakings by all PNC staff and the high level of internal audit lead us to conclude that the Council has been complying with the requirements of its Security Operating Procedures."

<https://www.thurrock.gov.uk/news/fraud-and-other-economic-crime/council-backed-by-police-inspectorate>

Office of Surveillance Commissioner

His Honour Brian Barker CBE QC inspected CFID's surveillance activity authorised under the Regulation of Investigatory Powers Act 2000, which includes covert directed surveillance and use of Covert Human Intelligence Sources.

Between April 2016 and March 2017 a total of 4 RIPA applications were authorised

Covert directed surveillance authorisation	3
Covert Human Intelligence Source (CHIS) authorisations	1
Total	4

His Honour Brian Barker commented on the *"successful and impressive innovation in both law enforcing and financial terms in the Counter Fraud & Investigation team"*

FINANCE

The CFID is hosted at Thurrock Council with staff seconded to the function from Southend-on-Sea Borough Council. Other partners contribute to the service financially or with the placement of staff within the function.

In some cases CFID will have an 'on-site' budget to maintain the counter fraud & investigation operations for that partner.

Overall CFID Budget 2016/17

	Contribution	Contributor
	£877,468	Thurrock Council
	£288,960	Southend Council
	£293,715	Other Partners
Total Budget	£1,460,143	

Detected Fraud 2016/17

	£4,562,032	Thurrock Council
	£375,302	Southend Council
	£621,474	Other Partners
Total Fraud	£5,558,808	

Money Recovered 2016/17

	£3,235,050	Thurrock Council
	£128,725	Southend Council
Total Recovery	£3,363,775	

These statistics show that for every £1.00 that CFID costs it detects £3.81 in fraud and other economic crime.



OPERATIONAL ACTIVITY

CFID works to protect the public purse from economic crime with its main focus on protecting local government. This work ensures that the frontline services delivered by these public bodies can be sustained to ensure the most vulnerable of our society receive the housing, social care and other essential support they are entitled to.

Social Housing Fraud

The annual cost of social housing fraud in the UK stands at £1.8bn every year. Our collaborative approach ensures that those who seek to criminally deceive social landlords are sanctioned appropriately, recovering the affected properties for use by other deserved families taking redress against offenders where necessary.

Between April 2016 and May 2017, a total of 47 social housing properties have been recovered by CFID.

This figure represents a loss to the public purse by **£846,000**.¹

In one particular case in the Southend-on-Sea area a social housing tenant moved from her property in Southend to Cornwall, subletting her property. The property was recovered and put back into use for a family in need.

Another case detected by CFID in Poplar, East London, involved a male tenant subletting his property just after he moved in for a 7 year period. The male pleaded guilty at Basildon Crown Court where he received 12 months imprisonment, suspended for 24 months, for illegally sub-letting the home he rented from Poplar HARCA. He also has to carry 120 hours unpaid work; and rehabilitation to understand the impact his offending has had on the community. CFID are now finalising a confiscation investigation to recover the losses.

<http://www.24housing.co.uk/news/habusts-seven-year-sub-let-scam/>

Right to Buy Fraud

The Right to Buy Scheme provides social housing tenants the opportunity to buy their social housing property. After a qualifying period properties can be sold to the tenants at a maximum discount between £78,600 and £104,900.

CFID have detected 8 cases of Right to Buy fraud which ensured that the sales did not complete, saving the public purse **£623,200** and ensuring that properties remain available to those who are in need.

Blue Badge Fraud

The Blue Badge scheme is a national initiative to help disabled people to park close to their destination, either as a passenger or driver. While the badge is intended for on-street parking only, some off-street car parks, such as those provided by local authorities, hospitals or supermarkets, also offer benefits to Blue Badge Holders.

It is a criminal offence to misuse the badge, and doing so can lead to a £1,000 fine. If the badge holder is using the parking concessions as a passenger (as opposed to driving the car themselves), it is their responsibility to make sure that the driver is aware of the rules governing the scheme.

A total of 69 cases of blue badge fraud was detected by CFID valued at **£53,475**² of loss on the public purse.

In these cases 15 of the badges were recovered that belonged to the deceased

¹ Using national fraud authority figure of £18,000 per property recovered.

² Using the national fraud authority figure of £775 per badge

or had been fraudulently altered.

One CFID prosecution for blue badge fraud in Thurrock Council involved a female using her deceased mothers' blue badge to park near the train station for her daily commute. She was sentenced to 120 hours unpaid work and was ordered to pay the council's costs of £2,181 and a £60 victim surcharge.

Council Tax Fraud

Council tax fraud is when a person deliberately gives incorrect or misleading information in order to pay less or no council tax.

CFID detected 21 cases of Council Tax Fraud, working closely with the affected revenues departments to recover the losses and ensure an accurate liability is recorded for the properties.

One prosecution by CFID in Southend-on-Sea was where a female falsely claimed to be a student living alone to receive a 100% discount on her council tax. This fraud cost the council £5,438.81 over that period.

The female was sentenced to a 12 month community order, 150 unpaid work with full prosecution costs being awarded back to the council. The full £5k loss has also been repaid.

Staff Fraud & Corruption

The sad reality for any organisation is the small minority of individuals who seek to take advantage of the trust their employer places in them. It is of some comfort that these cases are extremely rare but where fraud or corruption does occur CFID has the expertise and experience to resolve any allegations swiftly and professionally reducing the potential impact on frontline service delivery. CFID works closely with business areas in each partner agency as well as its executive and Human Resources teams in collaboration.

In **Thurrock Council** Kathryn Adedeji its former Head of Housing was convicted of Fraud at the Old Bailey following a CFID investigation. Adedeji, along with her sister Blessing defrauded two social housing providers by subletting their social housing properties, one of which was an Islington house worth over £1m.

The Leader of Thurrock Council, Cllr Rob Gledhill spoke following the verdict. He said: *"I'm extremely proud of our fraud and legal teams who professionally led a large investigation which has ultimately resulted in successful criminal prosecutions.*

"It is disappointing that actions such as these can deprive deserving families of a social home.

"Although this case was complex, it is clear that we do not hide from difficult cases but will prosecute to the full extent of the law. It should also send the positive message out that we do listen and act when people blow the whistle."
<https://www.thurrock.gov.uk/news/fraud-and-other-economic-crime/thurrocks-fraud-and-legal-team-successful-prosecution>

At **Southend-on-Sea Borough Council** a former Parking Services Team Member was investigated by CFID who fraudulently issued parking permits to herself and others as well as corruptly cancelling penalty charge notices.

On the second day of the Trial at Southend Crown Court, the female changed her plea to guilty. Sentencing is due to take place in June 2017.

http://www.echo-news.co.uk/news/local_news/15248407

Social Care Fraud

Social care fraud occurs where a person fraudulently presents their status or condition, financial status or does not use their awarded funding correctly. Fraud in this area also takes place where a third party financially abuses the adult or child receiving social care support.

In one case detected by CFID a carer for a vulnerable adult fraudulently claimed that she was supporting the adult when she was no longer doing so. A total of **£1,365** was fraudulently claimed by the woman. She was prosecuted but absconded prior to sentence. CFID tracked down the individual who was arrested and again put before the court for sentence.

Disruption Operations

In some cases the most effective way to prevent fraud and other economic crime affecting the public purse is through disruption tactics employed by CFID.

In one case, criminals sought to use public bodies as a way to launder the proceeds of crime with stolen credit cards. CFID worked with the business areas to change business processes preventing this crime occurring. As an accredited organisation CFID worked with the financial institutions to share intelligence and protect their customers.

Another case concerned a fake service being offered to vulnerable adults who needed a blue badge. This website sought to charge a fee to members of the public to obtain a blue badge where no fee was required or payable. CFID worked with the press and communications team to publicise the correct way to obtain a blue badge as well as with partners to protect residents.

Collaborations

CFID works closely with policing partners and other law enforcement bodies to protect the public purse. Intelligence packages have been continually disseminated to law enforcement bodies by CFID where suspected crime is identified.

CFID's Criminal Intelligence Unit works closely with law enforcement to develop intelligence that will assist in protection of our public body partners. Over the last year **45 Alerts** and guidance notes have been shared by CFID across all our local authority and social housing providers.

CFID's specialist expertise has been used with other local authority services in protecting frontline services, ranging from other enforcement teams in Planning, Trading Standards and Housing to Human Resources, Procurement and ICT.

CFID has also supported other professional bodies including local authorities and police forces in delivering their strategic priorities in digital forensics, cyber crime, intelligence, financial investigation and prosecution support.

BENCHMARKING

A number of county metropolitan, unitary and district councils were researched to establish comparative results on CFID's performance over the last year.

The data produced by councils varies with some not publically reporting any fraud.

1. London Borough of Hammersmith & Fulham³
2. Kent County Council⁴
3. Basildon Borough Council⁵
4. Braintree Council⁶

	1	2	3	4	CFID
Detected Fraud Value ⁷	1,594,383	152,352	576,000	Unk	5,558,808
Annual Budget (£)	494,000	903,500	Unk.	73,035	1,460,143
Money Recovered	409,284	112,310	Unk.	Unk	3,363,775

5. Harlow Council
6. Maldon Council
7. Colchester Council
8. Tendring Council

	5	6	7	8	CFID
Detected Fraud Value ⁸	Unk	Unk	Unk	Unk.	5,558,808
Annual Budget (£)	Unk	Unk	165,000	Unk.	1,460,143
Money Recovered	Unk	Unk	Unk.	Unk.	3,363,775

³ <http://democracy.lbhf.gov.uk/documents/s80183/Corporate%20Anti-Fraud%20End%20of%20Year%20Report.pdf>

⁴ <https://www.kent.gov.uk/about-the-council/finance-and-budget/spending/fraud-prevention>

⁵ <http://www.basildonmeetings.info/documents/s81372/Internal%20Audit%20and%20Consultancy%20Service%20enc1%20290616.pdf>

⁶ https://www.braintree.gov.uk/info/200136/access_to_information/762/transparency_code

⁷ This calculation has been made using the same figures CFID use from the National Fraud Authority.

⁸ This calculation has been made using the same figures CFID use from the National Fraud Authority.

NATIONAL ARRANGEMENTS

Cabinet Office

David Kleinberg – CFID head, was seconded to the Cabinet Office – Fraud Error and Debt Taskforce as the Head of Counter Fraud Standards (Punishment, Sanction and Redress) in January 2016. This role is to create and set national standards across government to create a ‘Counter Fraud Profession’.

David also sits on the Cabinet Office Cross-Sector Group with other members from law enforcement including the City of London police, National Crime Agency, government and private sector.

National Anti-Fraud Network (NAFN.gov)

Daniel Helps – Head of Operations, was elected to the national executive board for NAFN.gov. This organisation was selected by David Anderson QC (*the government’s independent reviewer of RIPA & covert policing*) to be the national body with the powers to acquire communications data for local government.

National Tenancy Fraud Forum

Daniel Helps – Head of Operations, is an executive board member of the national forum for fighting tenancy fraud, formed of every social housing provider in the UK. The forum develops national practice and strategic assessment for response to fraud and other economic crime against social housing.

College of Policing

David Nash – Head of Digital Forensics & Cyber Crime for CFID, sits on the national group for ‘Cyber & Digital Careers Pathway in Policing’. This board is sponsored by Home Office grant to improve the training for all cyber crime and digital investigation practitioners in policing bodies (including CFID).

There are 12 members of the group (including CFID) out of the 43 police forces in the UK.

FUTURE PROGRAMME OF WORK

International Conference Speaking

David Kleinberg – Head of CFID, will be the keynote address at the Australian National Public Sector Fraud & Corruption Congress in July 2017. Appearing via Skype, David will be speaking alongside the United States Government Director of Audit and the Head of Risk and Advisory Services for the New Zealand Government to public sector attendees from around Australia.

Fraud Risk Assessment Workshops

CFID will be conducting service-specific workshops with all departments of our partners to assess the fraud and other economic crime risks. These workshops will ensure that the individual business processes can be understood as well as the threats faced from fraud and other economic crime. This will ensure that our partners have a full understanding of the risk as well as a strategy to mitigate those risks with a corporate-wide level of monitoring and reporting.

Policy Review

Once the fraud risk assessment process concludes all policies supporting the overall counter-fraud strategy will be reviewed for legislative and best practice changes. These policies include:

- Anti-Fraud, Bribery, Corruption & Money Laundering
- Whistleblowing
- Information Governance & Data Protection
- Regulation of Investigatory Powers Act

National Conference – Cyber Crime in Local Government

CFID will be hosting a 'closed group' national conference in September 2017 with all local authority staff invited. The purpose of the conference is to increase awareness of cyber security as well as the work that CFID does to assist authorities where cyber crime incidents occur.

A number of speakers will be there including:

- National Cyber Security Centre
- National Technical Assistance Centre
- National Crime Agency
- Action Fraud – City of London Police

Appendix 2: Counter Fraud & Investigation Directorate
Counter Fraud Work Plan for March to Sep 2017

Risk area	Tasks	Planned for	Who	Current status
Council-wide	Plan Fraud Risk Assessment workshops in these areas: <ul style="list-style-type: none"> • Department for Place • Department for People • Department of the Chief Executive. 	June 2017	Senior Manager, CF&I	Meetings are being arranged with the Deputy Chief Executives, Directors to plan the workshops.
Council-wide	Conduct Fraud Risk Assessment workshops in these areas: <ul style="list-style-type: none"> • Department for Place • Department for People • Department of the Chief Executive. 	July 2017 – Aug 2017	Senior Manager, CF&I	These will be booked once the meetings with the Deputy Chief Executives and Directors have been held. Individual CFID SPOCs will be responsible for different business areas.
Council-wide	Process the results from the Fraud Risk Assessment workshops and produce report and action plan.	Sept 2017	Senior Manager, CF&I	Awaiting workshops.
Council-wide	UK Bribery Act (UKBA) Compliance Review. Distribute a questionnaire to all Group Managers to ensure UKBA compliance.	June 2017	Senior Manager, CF&I	The questionnaire is written and is being installed into an online portal for distribution to the Managers in June 2017.
Council-wide	Counter Money Laundering (CML) Compliance Review. Distribute a questionnaire to all staff to ensure CML compliance.	June 2017	Senior Manager, CF&I	The questionnaire is written and is being installed into an online portal for distribution to staff in June 2017.
National Fraud Initiative, Data Matching Exercise	Investigate high level recommended data matches until the 2017 exercise is complete.	Sept, Jan, Mar, Jun	Intelligence Manager	Results being assessed. Regular performance reporting will commence in September 2017 and will then be on quarterly basis.

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Report of the Chief Executive
to
Audit Committee
on
28th June 2017

Report prepared by: BDO External Auditor

BDO: Progress Report to Those Charged with Governance
Executive Councillor – Councillor Moring
A Part 1 Public Agenda Item

1. Purpose of Report

1.1 To report on progress in delivering the 2016/17 Annual Audit Plan.

2. Recommendation

2.1 The Committee accepts progress made in delivering the Annual Audit Plan for 2016/17.

3. Background

3.1 A senior representative of BDO (the appointed External Auditor to the Council) will present the key matters from this report to the Audit Committee and then respond to Members' questions.

4. Corporate Implications

4.1 Contribution to Council's Aims and Priorities

Audit work contributes to the delivery of all corporate Aims and Priorities.

4.2 Financial Implications

This audit work will be delivered within the agreed audit fee for 2016/17.

4.3 Legal Implications

The Council is required to have an external audit of its activities that complies with the requirements of the Code of Audit Practice (the Code) issued by the National Audit Office. By considering this report, the Committee can satisfy itself that this requirement is being discharged.

4.4 People and Property Implications

None

4.5 Consultation

The planned audit work has been discussed and agreed with the Director of Finance and Resources.

4.6 Equalities Impact Assessment

None

4.7 Risk Assessment

Periodically considering whether the external auditor is delivering the agreed Annual Audit Plan helps mitigate the risk that the Council does not receive an external audit service that complies with the requirement of the Code of Audit Practice.

4.8 Value for Money

Public Sector Audit Appointments Limited sets the fee formula for determining external audit fees for all external auditors.

4.9 Community Safety Implications and Environmental Impact

None

5. Background Papers

None

6. Attachment: BDO's Progress Report to Those Charged with Governance

SOUTHEND-ON-SEA BOROUGH COUNCIL

Progress report to those charged with governance

June 2017



INTRODUCTION

Summary of progress

This report provides the Audit Committee with an update of the progress in delivering the 2016/17 audit.

Auditors' principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code of Audit Practice for Local Government, the audited body's:

- financial statements
- arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to certify specified grant claims and returns.

Progress updates on the recommendations raised in the Annual Governance Report are reported to the Audit Committee twice a year in January and June.

2016/17 Annual Audit Plan - progress summary as at 7 June 2017

Area of work	Scope / Associated deadlines	Status	Outputs / Date
Planning	Risk assessment and formulation of the audit plan. Detailed audit plan to be issued outlining direction of the audit.	First phase of work completed.	Planning Letter 2016/17 Reported to the Audit Committee in June 2016. Audit Plan 2016/17 Presented to the Audit Committee in March 2017.
Interim audit	Audit of the key financial systems that support the financial statements of accounts. To be completed prior to commencement of the audit of the financial statements in June 2017.	Work currently in progress.	We report to management any deficiencies in internal control identified during the audit. Where such deficiencies are significant we also report them in our Final Report to the Audit Committee .
Financial Statements audit	Audit of the draft financial statements to determine whether they give a true and fair view of the Council's financial affairs and the income and expenditure for the year. Deadline for issue of audit opinion and publication of the statement of accounts is 30 September 2017.	Start date agreed as 12 June 2017.	Final Report to the Audit Committee Target issue date August 2017. Opinion on the financial statements Target issue date August 2017.
Whole of government accounts audit	Audit of the consolidation pack for consistency with the audited statement of accounts. Consolidation pack opinion – deadline not yet finalised – expected to be early October 2017.	Start date agreed in line with Financial Statements audit.	Opinion on the WGA Consolidation Pack Target date October 2017.

Area of work	Scope / Associated deadlines	Status	Outputs / Date
Use of resources	<p>Approach for VFM Conclusion: One criteria: In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</p> <p>The overall criterion is supported by three sub-criteria:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties <p>Conclusion to be given alongside the accounts opinion by the deadline of 30 September 2017.</p>	Start date July 2017.	<p>Final Report to the Audit Committee Target issue date August 2017.</p> <p>VFM conclusion Target issue date August 2017.</p>
Annual Audit Letter	Public-facing summary of audit work and key conclusions for the year. To be finalised by 31 October 2017.	This will follow completion of the Audit.	<p>Annual Audit Letter Target issue date October 2017.</p>
Grants and returns	To audit and submit BEN 01 (Housing Benefit) grant claim and returns by 30 November 2017 deadline.	Start date agreed as 29 August 2017.	Housing Benefit grants claim and return to be audited by 30 November 2017 deadline.
Non Audit Commission grants and returns	<p>To audit and submit Teachers' Pension and the Housing Pooled Capital Receipts grant claims and returns by the deadline.</p> <p>Teachers' Pensions: Deadline to issue reasonable assurance report is 30 November 2017.</p> <p>Housing Pooled Capital Receipts: Deadline TBC.</p>	Start date for Teachers' pensions agreed as 23 October 2017.	<p>Teachers' Pension grants claim and return to be audited by the 30 November 2017 deadline.</p> <p>Housing Pooled Capital Receipts grants claim and return to be audited by the deadline.</p>
Grants Report	Summary of our certification work completed on 31 March 2017 claims, to be issued by February 2018.	To be drafted after certification work concluded.	Grants Report to those charged with governance to be issued by February 2018 and will be presented to the March 2018 Audit Committee.

Appendix A: Action Plan

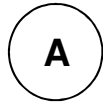
Summary of progress with implementing audit recommendations

This report is intended to provide the Audit Committee with an update of the progress that the Council has made in implementing our recommendations.

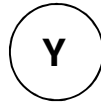
We have received an update on progress from management and assessed whether the action taken by the Council addresses the expectations of the recommendation. This is included as a “RAG” assessment in the report with the following definitions:



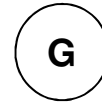
NC&O
Not completed and
overdue



NCNYD
Not yet completed, but
not yet due



CNYC
Reported as
completed, but not yet
checked



CCIP
Completed and
confirmed in place

2014/15 GRANTS RECOMMENDATIONS

Conclusions from work	Recommendations 2014/15	Management responses	Responsibility	Timing	Latest management update	RAG status
HOUSING AND COUNCIL TAX BENEFIT SUBSIDY						
There is a high volume of Local Authority error overpayments. As a result the Council breached the overpayments threshold and lost subsidy on these overpayments. This is as a result of incorrectly entering data upon receipt of claimant data then subsequently identifying and rectifying this.	Complete increased, targeted sample checks on the work completed by benefit assessors to identify any particular training needs and to ensure that any known errors are being addressed.	The volume of checking of officer's work has increased. This has resulted in improved accuracy being found in the area of earned income. The new benefits structure effective from April 2016 will allow for further increases of checking across a broader spectrum of work areas.	Benefits Manager	April 2016 Onwards	January 2017: Increased and targeted checking is now undertaken by the Quality & Assurance Team with monthly performance monitoring reports to the Director of Finance. This report includes the type of errors and resulting training given. June 2017: Completed and on-going	G CCIP ¹
Testing in the current and previous year has identified a number of overpayment misclassifications in the subsidy claim.	Provide specific targeted training to the benefits team on how to classify overpayments.	Agreed. As part of the new benefits structure effective from April 2016 there will be specific targeted training to the benefits team on the classification of overpayments.	Benefits Manager	April 2016 Onwards	January 2017: Training has been provided to staff and forms part of the annual refresher training programme. June 2017: Completed and on-going	G CCIP ²

¹ Although action has been taken by the authority we have not seen the results of this in the 2015/16 claim form due to the timing of the restructure. As a result this will remain open until the 2016/17 claim has been audited.

² Although action has been taken by the authority we have not seen the results of this in the 2015/16 claim form due to the timing of the restructure. As a result this will remain open until the 2016/17 claim has been audited.

2014/15 AUDIT RECOMMENDATIONS



Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Latest management update	RAG status
CONTROL ENVIRONMENT						
<p>Payroll Amendments</p> <p>This point was previously reported by Internal Audit:</p> <p>Evidence to support amendments to the Payroll system (including starters, leavers and amendments to staff records) could not be found for a number of amendments during testing completed by Internal Audit.</p>	<p>Fully implement the recommendations raised by Internal Audit in their final payroll report.</p>	<p>Agreed.</p> <p>Anticipated all recommendations will be fully implemented by December 2015.</p>	<p>Sue Putt (Group Manager HR Services)</p>	<p>December 2015</p>	<p>January 2016: Amendment log in place. Actions in relation to this recommendation are completed as of December 2015.</p> <p>June 2016: Completed December 2015</p> <p>September 2016: The Council have been working on this throughout the year and are still working towards a resolution to the issues raised.</p> <p>December 2016: Manual processes are in place to do monthly checks for staff changes affecting payroll. The functionality of the Agresso system does not allow for this to be done electronically. Internal Audit updated and are aware of restrictions and aware of manual process in place.</p> <p>Self Service on Agresso has been introduced and therefore staff can enter direct into the system changes to their own personal details such as address, bank details etc. Therefore these types of changes are no longer undertaken by Payroll.</p> <p>June 2017:</p> <p>Processes outlined above remain in place. Internal audit are aware of these processes as they were developed. Monthly checks are completed in line with this process for all payrolls.</p>	<p>Y</p> <p>CNYC</p>

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2015/16 AUDIT RECOMMENDATIONS

Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Latest management update	RAG status
FINANCIAL STATEMENTS						
<p>VAT on South Essex Homes</p> <p>Our testing identified that the accounting transactions were being posted incorrectly in respect of some of the rental income with South Essex Homes. This was due to the net income being invoiced rather than separate invoices being raised for gross income and expenditure. The effect of this is that income, expenditure and VAT reclaimable were all understated. This was trivial to the accounts.</p>	<p>Raise separate invoices for income and expenditure going forward.</p>	<p>This approach was adopted by management as soon as the issue was raised.</p>	<p>Ian Ambrose (Group Manager – Financial Management)</p>	<p>Already implemented</p>	<p>December 2016: New process put into place as soon as raised by External Auditors.</p>	<p>G CCIP</p>
<p>Posting of Re-valuation Amounts</p> <p>We identified that the impairment recorded on an asset re-valued during the year was recorded in the CIES when it should have been posted to the re-valuation reserve as there was an opening balance in the re-valuation reserve in respect of this asset. The amounts involved were trivial in this instance, but there is a risk that the impairments taken to the CIES could be materially overstated if a number of similar errors were to occur.</p>	<p>Perform a high level review of the re-valuations to ensure impairments are only taken to the CIES in respect of assets where there was no opening balance in the re-valuation reserve.</p>	<p>As part of the 5 year rolling programme, all HRA property assets were revalued in 2015/16 including over 6,000 council dwellings with a net book value of £325m. Due to the large volumes involved the revaluations could not be applied manually line by line but had to be applied with the use of a formula. This was sample checked to ensure that it had been applied correctly but had led to £186.81 for one asset being recorded in the CIES when it should have been posted to the revaluation</p>	<p>Caroline Fozzard (Group Manager – Financial Planning and Control)</p>	<p>March 2017</p>	<p>December 2016: This review will be undertaken as part of the 2016/17 revaluations work as part of closing the accounts.</p> <p>June 2017:</p> <p>This review was undertaken and has identified that this can arise where the overall asset being revalued is recorded across more than one asset number and with each asset number having multiple components. There is an on-going exercise to standardise descriptions and rationalise asset numbers so that these assets and their components can be more easily identified and the correct accounting treatment can be applied.</p>	<p>G CCIP</p>

SOUTHEND-ON-SEA BOROUGH COUNCIL

Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Latest management update	RAG status
		reserve. In other years there are fewer assets re-valued and revaluations are applied manually line by line. It will be ensured that this review is undertaken in future years.				
<p>Consolidation of Schools Income The Council consolidates all income privately generated by the schools and the Southend Adult College into their CIES. We identified that some of the income given to the schools had been consolidated into the Council's accounts and some things that should have been consolidated had been excluded. The amounts involved this year were not material. There is however a risk that income could be materially under or overstated as a result of this error if it were to occur again in future years.</p>	Provide the schools and colleges guidance on what should be consolidated so that the returns provided include all of the relevant information to include in the Council's accounts.	This guidance will be produced and sent to the schools and colleges when the requests for the income declarations are made.	Ian Ambrose (Group Manager – Financial Management)	March 2017	December 2016: Progressing for due date of March 2017. June 2017: Schools finance team worked closely with schools to improve the quality of financial returns. Some concern persists with the Southend Adult College, with support and challenge still being offered.	 Y CNYC
<p>Bad debt provision The bad debt provision has been calculated based upon the same percentages as in the prior year. These percentages have been an accurate reflection of recovery rates in previous years, but this is no longer the case.</p>	Review the calculation of the bad debt provision based upon the historical collection rates.	Management will review the bad debt provision calculation for the 2016/17 statement of accounts and on-going.	Ian Ambrose (Group Manager – Financial Management)	March 2017	December 2016: To be reviewed as part of the 2016/17 closure of accounts. June 2017: Bad and doubtful debt calculations fully reviewed and changes implemented in calculating the various provisions as at 31 March 2017.	 Y CNYC

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Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Latest management update	RAG status
CONTROL ENVIRONMENT						
<p>Payroll Authorisation The Council identified that one employee was erroneously paid £363k (£627k gross) in April 2015. The Council's controls failed to identify, prior to the payment being made, that this had been erroneously input to the system. The error was subsequently identified by the Council during the process of making the payment for the PAYE/NIC amounts for this month. The error was identified before the PAYE/NIC was paid and no overpayment was made in respect of these amounts. It was identified after the employee had been paid that the net amount paid to this employee was overstated. Although the Council has controls in place to stop such payments taking place, these controls were ineffective and failed to stop the payment being made. In this instance, the employee repaid the amount they were overpaid. There is however a risk that another employee may not have done so, and that this could lead to a large outflow of resource to the council which they are unable to recoup.</p>	<p>Undertake a thorough review process on all payroll transactions before payment is made.</p>	<p>Controls to prevent this happening are already in place. It will be ensured that the controls are operating effectively going forward.</p>	<p>Sue Putt (Group Manager - HR Services)</p>	<p>On-going</p>	<p>December 2016: Work has been undertaken to improve the controls. Deviance reports are run at the end of input and then again following any amendments that may have been required. The two reports are reconciled and would highlight any errors. Internal Audit are aware of the processes in place. June 2017: The functionality of the Agresso system does not allow for this to be done electronically. Internal Audit updated and are aware of restrictions and aware of manual process in place. Processes remains in place. and Monthly checks are completed in line with this process for all payrolls.</p>	<p style="text-align: center;">Y</p> <p>CNYC</p>

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Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Latest management update	RAG status
TEACHERS' PENSIONS						
A lot of manual intervention is needed to extract the data from the Agresso system to enable the claim form to be compiled/ supported.	Identify a more efficient way to extract this information from the Agresso system.	Senior HR Payroll & Technical Officer and Agresso Support Team to set up the scheme afresh on the system from 1.4.17.	Marie Kohler and Mike Miller	April 2017	June 2017: New Agresso pension scheme codes set up which facilitates creation of the pension returns. The move from annual to monthly returns will simplify the process further.	Y CNYC
There is currently a manual process to deal with back pay adjustments. Which means that the month in which the Teachers were paid below their new salary the Employees contribution is included in the wrong tier.	Set up a new process or function on agresso to take into consideration the back payment and allocate to the month the missing pay is relevant to.	Intention is to resolve this problem with the set up of the new scheme from April 2017.	Marie Kohler and Mike Miller	April 2017	June 2017: Resolved by modifying the formula that determines the pension tier/percentage to take into account the pensionable pay for the whole period rather than just the pensionable pay in the additional pay run.	Y CNYC
Our testing identified some incorrect allocations between people who were included in the old Teachers' Pensions scheme rather than the new scheme on the system, which meant individuals were set up under the wrong tier on the claim form.	Undertake training for any new employees or where there have been any changes to the Teachers' Pension guidance.	Payroll staff are aware of the issues and new staff will be trained appropriately and all staff will be trained on any changes to guidance.	Marie Kohler	January 2017 and on – going	June 2017 We do not believe we have had further instance of this occurring following training.	Y CNYC

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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Southend-on-Sea Borough Council

Agenda
Item No.

11
12

Report of the Chief Executive

to

Audit Committee

on

28 June 2017

Report prepared by: Linda Everard, Head of Internal Audit

Head of Internal Audit Annual Report 2016/17

Executive Councillor – Councillor Moring

A Part 1 Public Agenda Item

1. Purpose of Report

1.1 To provide for the 2016/17 financial year:

- the rationale for and an audit opinion on the adequacy and effectiveness of Southend-on-Sea Borough Council's (the Council's) risk management, control and governance processes
- a statement on conformance with the UK Public Sector Internal Audit Standards (the Standards) and the results of the Quality Assurance and Improvement Programme.

2. Recommendation

2.1 The Audit Committee accepts the Head of Internal Audit's Annual Report for 2016/17.

3. Background

3.1 The Head of Internal Audit's Annual Report and Opinion provides the Council with an independent source of evidence regarding both the design of its risk management, control and governance framework and how well it has operated throughout the year.

3.2 The opinion is predominantly based upon the audit work performed during the year as set out in the risk based Audit Plan agreed with the Corporate Management Team and the Audit Committee.

3.3 As outlined in the Internal Audit Charter, audit coverage is determined by prioritising the significance of Council's activities to its ability to deliver its Aims and Objectives. This is done:

- using a combination of Internal Audit and management risk assessments (including those set out in risk registers)
- in consultation with Directors, Deputy Chief Executive's and the Chief Executive, to ensure work is focused on key risks.

- 3.4 Quarterly meetings are then held with the Chief Executive and the Deputy Chief Executives to:
- reflect on the original risk profile and work planned
 - determine whether any changes are required to it or the Audit Plan.
- 3.5 Organisationally, this reflects a very mature approach to operating an internal audit function.
- 3.6 All individual audit reports are discussed with the relevant Group Managers, Directors and Deputy Chief Executives / Chief Executive before being finalised.
- 3.7 The opinion and summary findings from audit reviews are reported to the Corporate Management Team and the Audit Committee throughout the year.

4 Head of Internal Audit Opinion for the year ended 31 March 2017

- 4.1 ***As discussed with senior management, it would be timely to undertake a review of the Council's governance and assurance framework to ensure it remains fit for purpose and supports the delivery of service objectives across the Council. This is particularly the case for the organisational processes that enable any business to be managed effectively. The work completed to develop the understanding of risk management, and planned to fully integrate this into the governance framework, should help with this significantly.***

This, in conjunction with the planned training on "How it Works, A guide for managers to help the Council run effectively", will help those managers or team leaders who do not:

- ***fully understand the objectives of and risks relating to the services they are delivering***
- ***obtain appropriate evidence that these processes are designed and / or being applied properly by their staff, consistently throughout the year.***

Particular consideration needs to be given to ensuring clarity around roles and responsibilities where processes or activities cross team, service, departmental or organisational boundaries. Without clear accountabilities, processes may not operate as efficiently and effectively as possible.

Further work is required in order to ensure that performance management processes designed to monitor that actions arising from audits are implemented properly and in a timely manner, are effective.

Internal Audit continues to work proactively with services to help ensure that action plans arising from children's, adults or domestic homicide case reviews or inspections are SMART¹ and address the cause of the issue not the symptom. Developing a more corporate approach to training staff in these skills and / or ensuring such support is consistently available in such circumstances would be beneficial.

Otherwise the design and operation of the Council's risk management, control and governance framework continues to be satisfactory.

¹ Specific, Measureable, Attainable, Relevant, Timely

4.2 The basis for forming this opinion is an assessment of:

- the design and operation of the underpinning governance and assurance framework
- the range of individual opinions arising from risk based and other audit assignments that have been reported during the year taking into account the relative significance of these areas
- whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales.

4.3 The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to her opinion.

5. Supporting Commentary

5.1 **Appendix 1** summarises the audit opinions issued this year.

5.2 The following paragraphs then:

- summarise findings from all the work completed this year
- highlight the key areas requiring improvement
- also includes findings from other relevant sources (e.g. independent inspections) that have been used to support the overall opinion.

5.3 Where necessary, actions have been agreed with services to improve the arrangements where the more serious control issues were identified during the audits.

Overarching Theme

5.4 Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. In the public sector, it involves both governing bodies and individuals trying to achieve their entity's objectives while acting in the public interest at all times.

Source: International Framework, Good Governance in the Public Sector

5.5 The overall aim of good governance is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

Source: Delivering Good Governance in Local Government: Framework

5.6 In order to deliver this, there is a need to have a clear constitutional framework and corporate plan, an appropriate an organisational structure and culture with good ethical standards as well as a set of process that manage business delivery. Appropriate assurance is then required that these processes are fit for purpose and applied effectively and consistently throughout the organisation.

5.7 Audit opinions are one, independent barometer of how well these arrangements are operating, from the work of the Audit Committee to setting and managing the delivery of individual's performance targets (i.e. the golden thread). The profile of audit opinions over recent years indicates that some elements of this framework need to be revisited to see whether they are still fit for purpose and appropriately resourced.

5.8 This is particularly the case with regards to the design and operation of the business management processes and the work of the Audit Committee, which has not been assess for some years now. Given the significant changes at senior management level over the last year, this is an opportune time to undertake this work. The remainder of this report should be read within this context.

Managing the Business

- 5.9 The Council had a working **Business Continuity Plan (BCP)** and Incident Management Strategy (IMS), which were broadly in line with the requirements of ISO 22301. However, Emergency Planning (EP) was handled separately meaning there was no clear linkage between both plans. Very limited staff resources were available to maintain these documents and supporting processes.
- 5.10 Each departmental BCP lead was required to maintain a Business Impact Assessment (BIA). The template used contained the key information expected. Not all BIAs had been recently updated or tested and the central BCP database had not been updated since May 2015.
- 5.11 The corporate, desktop Operation Meltdown exercise tested the resilience of the BCP but did not include the IMS. The results from this were used to enhance the BCP and promote the use of BIA templates within departments.
- 5.12 A fixed term contractor started in November 2016 to progress this work, which included:
- updating the BCP, then getting it formally approved with the IMS before testing them both
 - fully implementing the recommendations arising from Operation Meltdown, where they were still relevant
 - organising corporate wide testing of BIAs using different scenarios and training on the BCP and IMS.
- 5.13 Overall, the Council's **Corporate Procurement Strategy and Toolkit** were fit for purpose, consistent within themselves and the other elements of the contract management framework. The Strategy was clear and concise containing those elements of any business strategy that would expect to be seen. Action was still required to set up the Procurement Review Board in accordance with the role stipulated in the Contract Procedure Rules. Each objective within it was accompanied by a set of key performance indicators that should provide meaningful measures of the successful, or otherwise, implementation of the contract management framework.
- 5.14 This new approach reflected a move to a more modern procurement function that uses technology to assist with the procurement process enabling the Corporate Procurement Team to have greater influence over the procurement behaviours within the Council. The main area where further work was still required, involved developing a critical services, supplies and works Contracts Register with appropriate exit strategies where none exist.
- 5.15 Overall, the arrangements for identifying, recording and monitoring **corporate or strategic risks** were good and in compliance with the Council's Risk Management Strategy and Toolkit. The level of understanding about how to apply this was also sound.

- 5.16 This process was not being applied as well or consistently at **service** level, thus reducing the assurance available that these **risks** were being properly documented and communicated and as a result, efficiently and effectively mitigated or managed.
- 5.17 A programme of work was subsequently delivered providing practical feedback and support on the issues arising from the audit, with the aim of ensuring:
- there is a consistent understanding of what good risk management looks like in a live and practical sense at all levels of the Council
 - the guidance clearly reflects future requirements and therefore supports officers in their roles and responsibilities
 - the quality of risk identification, analysis, management and communication is improved
 - the risk management framework is developed in a proportionate, practical way, focussing on adding value and minimising the investment of resources required to support the service and corporate process.
- 5.18 The key messages fed back to the Corporate Management Team in March 2017 having completed this additional work were that:
- there was a strong understanding of risks being faced by individual Directors, but that this was not effectively captured within the formal Risk Management Framework (the Framework)
 - the Framework met good practice, but it was inconsistently applied and therefore, there was still work to do to embed it
 - there was embedded performance management throughout the organisation, but no link between this activity and the risk registers
 - there was a discipline around the production of the Corporate Risk Register, but the value of the process was not optimised
 - the Framework was not overly onerous on management, but there was a perception of bureaucracy
 - a good infrastructure of people resources existed to support implementation, but there was an over reliance on them in terms of responsibility for risk
 - the Framework and approach should focus on horizon scanning and the cascade of the emerging risk to the relevant parts of the business as well as developing criteria to help facilitate efficient escalation of risks
 - there were gaps in assurance and insufficient evidence of the management of impact for some risks, despite the regular update and reporting.
- 5.19 A final programme of work will be delivered throughout 2017/18, to help fully integrate the Framework into the Council's governance arrangements. This seeks:
- in the short term, to ensure that the risks captured at the corporate level are refreshed
 - in the medium term, to support the Council in strengthening the risks captured at an operational level within services and changing the perception and language around risk

- in the longer term, to help align strategic and operational planning processes, with the analysis of risk being a central driver at each stage of the process.
- 5.20 The effective management of risk within significant **corporate projects** was also considered. The projects reviewed were A Better Start, Airport Business Park, Better Queensway and the Integrated Pioneer Programme.
- 5.21 The Council led projects were not consistently applying its **risk management** approach as set out in Risk Management Strategy and Toolkit. Nevertheless, there was evidence of a good level of understanding with regards to the risks the projects were facing.
- 5.22 Significant projects were expected to report monthly into the Corporate Delivery Board although this did not happen consistently for all these projects. It was also unclear whether these project risks were always being included in relevant service risk registers.
- 5.23 There was a need to formally document the role and objectives of the Corporate Delivery Board as well as the methodology for including or excluding a project from its agenda. However, projects were added and removed from its work programme during 2015/16 indicating some on-going review of what needed to go to it.
- 5.24 Better use could have been made of risk, to more effectively drive the Corporate Delivery Board's agenda in this regard. Better links needed to be made between highlight reports and the supporting project risk registers, with the focus being on Council rather than partnership risks.

Service Delivery Risks

- 5.25 A key objective for Internal Audit is to give a view on whether the Council's risk management and control processes are robust enough to enable services to effectively contribute to the delivery of its corporate aims and objectives.
- 5.26 The remainder of the report therefore, structures the audits undertaken of services areas under the corporate aims they help deliver so this connection can be made.

SAFE

- 5.27 The Resource Allocation System used to **assess an individual's personal budget** had not been maintained and key elements of it were out of date.
- 5.28 However, all personal budget assessments were subject to management review, with management approval required of those valued up to £185 per week. Personal budgets over this were subject to review and approval by the Finance Authorisation Panel (the Panel). There was a need to adopt a more consistent approach to recording the management challenge of personal budgets proposed by caseworkers. However, there was consistent evidence of robust challenge regarding cases referred to the Panel.
- 5.29 Action was required to ensure that annual reviews occurred for everyone with a personal budget, as there was evidence that a number were overdue.
- 5.30 An Adult Social Care Transformation Project was scheduled to take place in 2017 that would include a fundamental review of the process for assessing personal budgets.

- 5.31 The Community Safety Partnership commissioned the first **Domestic Homicide Review** in 2014. This involved Children's Services, the Integrated Youth Support Service and Public Health producing an Independent Management Review (IMR) with actions to be taken to address any issues identified.
- 5.32 On review, there was a need to:
- improve the process for developing action plans so that they were SMART and addressed the cause of the issue not the symptom
 - provide some guidance and or training on how to do this more effectively in future
 - develop a more cohesive and robust process across the partners for:
 - monitoring and that agreed actions were implemented, both properly (by challenging the supporting evidence) and in a timely manner
 - reporting on progress made to appropriate levels of management within each organisation as well as the partnership.
- 5.33 The Council's arrangements for **financially monitoring** how **direct payments** were used needed to be better defined and updated to reflect more recent legislation. The roles and responsibilities of the Department for People's Finance Team (Payments), and Locality Assessment and Review Teams within this process also needed to be clarified.
- 5.34 The direct payment agreements required extending to ensure expectations were clear as to how the money was to be used. Carers awarding a one off payment should also be required to complete an agreement.
- 5.35 For adult direct payments, a comprehensive monitoring form had been developed capturing the key checks required to confirm they were being appropriately managed but it was not being used. Therefore, a systematic approach still had to be implemented for:
- reviewing the quarterly returns and associated documents submitted as well as challenging and holding to account clients that fail to submit a return
 - confirming client contributions were made and surplus funds clawed back if necessary.
- 5.36 Action had been taken to target and follow up non-returns over the last financial year as a priority.
- 5.37 There was a systematic process in place to monitor children's direct payment returns. Work was underway to introduce independent management checks into the process, risk assess the level of monitoring to confirm it was still appropriate and automate the process more.
- 5.38 During the audit, procedures were amended to make clear that relevant Director approval was required, before deviating from any aspect of the monitoring arrangements. This was to be formalised in a revised policy document to replace 'Self Directed Support, Best Practice Guidance'.
- 5.39 Work was underway to restrict the Department for People's Finance Team (Payments) access to records on IT systems used, where potential interests had been declared.

- 5.40 Internal Audit worked collaboratively with Children's Services assess whether opportunities identified to strengthen arrangements to prevent **child sexual exploitation** had been formed into a robust **action plan** and implemented in a timely manner. This helped the service ensure that actions were SMART and addressed the cause of the problem, not just a symptom.
- 5.41 The Project Board involved in the **Social Care IT Case Management System contract procurement** had undertaken an initial options appraisal and an Options Appraisal Authorisation Form had been completed. However, this had not explained how the decision to use a Framework Agreement was made. Stakeholders were involved in preparing the service specification and evaluating whether submissions met their requirements. However, there was no evidence that the specification or evaluation questions had been signed off by the Project Board.
- 5.42 The key elements expected of a good practice procurement process, had taken place when the Social Care IT Case Management System contract was let, within budget. However, there were instances where best practice guidance and the Council's Contract Procedure Rules had not been followed or insufficient evidence was retained to confirm compliance. Most of the issues related to the way in which the tender process was conducted by a member of staff who has now left the Council.
- 5.43 The opportunity was being taken to amend the Procurement Toolkit to further clarify expectations in a few areas. A quarterly check was also being introduced of completed procurements to confirm that all relevant documentation had been retained.
- 5.44 Further negotiation was being undertaken around one aspect of the contract to try to improve the terms, regarding the cost of optional software modules going forward.
- 5.45 In July / August 2016, an assessment was made of whether good **project management** processes had been established to support the implementation of the **Social Care IT Case Management System**. At this stage, elements of good project planning were in place but there was scope to strengthen the overall process.
- 5.46 Action was required to:
- produce a more complete and better defined project plan, as well as monitor it regularly to ensure it remained on track to deliver within the agreed timeframe and budget
 - better integrate and monitor other project activities, which had an impact on the operation of the Social Care IT Case Management System, and therefore the delivery of this project
 - monitor benefit realisation, finalise the testing strategy and ensure risks were discussed at each Project Board meeting
 - agree a clear set of business readiness activities including up-skilling the IT helpdesk and user-guides with the services areas, and track this within the project plan.
- 5.47 At the end of 2016, officers decided to:
- review the status of the project
 - revise the project delivery plan accordingly to provide time to fully complete the design and system testing before implementation.

- 5.48 Therefore, the additional audit work planned on this project was postponed until 2017/18.
- 5.49 The work required to adequately strengthen the arrangements for making **direct payments** to those with **Mental Health** difficulties, was not complete. The original system weaknesses were identified in the summer of 2014 and then added to in the summer of 2015. As at October 2016, twelve of the sixteen agreed actions remained outstanding.
- 5.50 As a result, action was still required to:
- document the manner in which the Council wants to work with South Essex Partnership University NHS Foundation Trust (SEPT) and Vibrance on a day to day basis and establish robust contract management processes for both of these arrangements
 - agree with SEPT, which officers are authorised to independently authorise care packages before their submission for approval
 - define the checks to be completed and by whom, before a care package is input into Care First (the social care IT case management system)
 - set out that new care providers will not be added to the list provided to clients, until they have been vetted and approved by the Council
 - develop a report that highlights instances where a staff member has entered and authorised a care package on Care First, so its validity could be independently confirmed
 - produce procedure notes on the process to be followed when approving a care package on Care First, which includes the checks to be undertaken by a senior, independent officer
 - improve the Finance Authorisation Meeting's Panel Decision Sheet to provide greater clarity over what within the referral form from SEPT, has been approved by the Panel
 - formalise reporting and claw back arrangements for surplus funds on client accounts held by Vibrance and improve the content, quality and regularity of management and performance reports received from Vibrance.
- 5.51 Some progress had been made in addressing the actions contained in the original **Licensing** report. As a result:
- all licenses were being checked by the Regulatory Services Manager, with additional spot checks being carried by the Group Manager every six months
 - historical parked licensing debts were being proactively chased and more regular liaison with the Accounts Receivable team was helping to manage current debts more effectively.
- 5.52 A target was to be set for completing the review of the older parked debt so a decision could be made about writing off uncollectable debts.
- 5.53 Action was still required to:
- reconcile the Licencing team's records of debt due with the corporate record of income received via the cash receipting system for the whole of 2016/17
 - equip the Licencing team with the skills and management information required, so that this reconciliation could be completed each day from the 1 April 2017.

- 5.54 All the actions agreed relating to the **Traffic Management Schemes implemented by Traffic Regulation Orders** (TROs) audit had been fully implemented. Staff were using ParkMap to access details of what TROs should be in place and reporting any exceptions. This automatically updated the Asset Management system linked to it. There was more formal evidencing of the checks undertaken as part of the inspection and all these documents were being independently checked.
- 5.55 A traffic management scheme policy and protocol had been approved, with amended criteria for assessing requests for Traffic Management and Safety schemes. Reports to the Traffic and Parking Working Party more clearly set out:
- the rationale for progressing or not, with schemes
 - what action if any is required regarding each scheme reported to it.
- 5.56 In collaboration with Children's Services:
- opportunities were identified to further strengthen the arrangements for producing **safeguarding performance indicators**. The service was also going to consider whether the current suite of indicators were still required and if so, confirm who they should be reported to
 - challenge was provided on the draft action plan produced following the **Ofsted inspection of services for children in need of help and protection and looked after children**. Again, this was to help ensure actions were SMART and addressed the cause of the problem, not just a symptom.
- 5.57 In May 2016, **Ofsted** gave an overall judgement that services for children in need of help and protection and looked after children, require improvement to be good.

CLEAN

- 5.58 No work undertaken this year, although reviews were initially planned.

HEALTHY

- 5.59 The responsibility for **commissioning public health services for 0 to 5 year olds** was transferred to the Council from NHS England in October 2015. Overall, the process was well managed. The contract was agreed in line with the NHS model, and was finalised prior to the Council's involvement.
- 5.60 Public Health regularly monitored key performance indicators at Directorate Management Team meetings. The on-going arrangements for monitoring the commissioning of 0 to 5 year public health services were also appropriate. Regular contract monitoring meetings were held, which covered key performance and contractual areas. Action points ("recovery plans") emanate from the meetings and issues were followed up in the next meeting.
- 5.61 Overall, there was clarity as to accountability in strategic terms, for **the Drug and Alcohol Commissioning Team** between the Council and the Southend Community Safety Partnership Priority Leadership Group (CSP PLG). The roles and responsibilities for the DACT and the CSP PLG as well as the DACT's contract monitoring arrangements were clearly documented, understood and operating in practice.

- 5.62 Aspects of what the service was required to deliver and the performance measures that were expected appeared in various Council and partnership documents. However, there was no one overarching service plan that pulled them all together. Progress and performance was monitored on a regular basis. However, some actions were monitored informally and completion could not necessarily be fully demonstrated. Developing and monitoring a DACT level service plan would address these issues.
- 5.63 The absence of formal risk management controls may have meant that management do not have all information required to make effective decisions.
- 5.64 Overall, the Council was discharging its regulatory duties effectively with regard to the **protection of the local population's health**. The policy, procedure and working arrangements framework were good and complied with recognised good practice guidance. Public Health tracked expenditure when an incident occurred to be able to potentially reclaim monies from the relevant health body, as part of a risk share agreement.
- 5.65 Increased reporting to Members and Senior Management would provide greater assurance regarding the work that the Director of Public Health and Public Health team had carried out with regard to health protection.
- 5.66 Satisfactory progress had been made to strengthen the process for ensuring that:
- action plans developed to address issues raised by **Ofsted inspections of schools, Private Voluntary Independent settings, Children's Centres and the Council's Children's Social Care Services** were implemented in a timely manner
 - "Statements of Action" effectively drove the schools to make prompt, significant improvements.
- 5.67 Further work was underway to:
- update the Improving Learning Together Policy to provide further guidance on developing and managing all post-Ofsted inspection action plans and Statements of Action
 - develop a system which provides:
 - evidence that all actions emanating from post Ofsted inspection action plans, are being monitored and implemented
 - regular reports for senior management on the progress made in completing outstanding actions.
- 5.68 Limited progress had been made in implementing the actions agreed in the original **Forum Governance Arrangements** report. Therefore, action was still required to:
- clarify and document the legal and accounting arrangements for a party to withdraw from the partnership / company
 - formally get Board agreement on the basis of apportioning shared running costs and the method for calculating each
 - obtain more formal feedback from Councillors serving as directors on the Board, on the actions undertaken by them whilst representing the Council in this capacity, which may also be an issue for other such arrangements

- get Financial Regulations amended to explicitly require segregation of duties in respect of ordering, receiving and paying for goods and services.
- 5.69 However, the arrangements for rotating the company treasure role had been clarified satisfactorily and a broad range of information on the performance and operation of the Forum building was being regularly and formally reported upon. This would be enhanced by including information on compliance with Financial Regulations and progress made in delivering the original intended benefits from the new library.
- 5.70 The Council is a one-third owner of the Southend-on-Sea Forum Management Limited (SoSFML), so can only persuade not direct. Nevertheless, given the basic nature of the governance issues outstanding, it needed to assess the organisational risk to it, should SoSFML not agree to put such arrangements in place.

PROSPEROUS

- 5.71 As at February 2017, the arrangements established to manage the **Airport Business Park project** were sound and appropriately documented. Two Boards had been established, with appropriate terms of reference, one taking a strategic role whilst the other focused on the operational delivery of the project. Meetings were minuted, actions required defined and then followed up to ensure they were delivered. The Council's Project Manager also provided regular, informal feedback to key senior officers every other week.
- 5.72 More formal highlight reporting needed to be developed at all levels in the governance structure. These reports needed to cover key project control areas of time, cost, quality, scope, changes, risks, and benefits.
- 5.73 The Airport Business Park Phase 1 Business Case, dated 11th January 2016, set out the planned benefits of the project, at a high level. These were tangible deliverables, which in some instances, were quantifiable. Further work was needed to produce detailed benefit profiles for the project, benefits management strategies or plans. The operational arrangements for managing delivery of expected project benefits also needed to be more clearly defined.
- 5.74 Overall, project planning was good, included the information expected and was being appropriately reported upon to key senior officers and the two Boards. A draft dependency log was in place, but it did not contain fields to capture all of the required information, nor had it been fully completed in order to ensure project dependencies were fully monitored and managed.
- 5.75 Given the change in overall management of the **Better Queensway project** in the latter part of 2016, some work was undertaken with the service to review project governance. A robust approach had been adopted to engaging key stakeholders for the current phase of the project. Opportunities to improve other aspects of project governance were going to be addressed by adopting the same approach as was already being used for the Airport Business Park project.
- 5.76 The Council's **Housing Allocation** Policy (the Policy) was largely in line with the current guidance available from the Department of Communities and Local Government (DCLG). It required clarification in a few areas. Comprehensive procedure notes then needed to be produced in order to ensure it is applied consistently.
- 5.77 A review was to be undertaken to establish whether the IT software in place had the ability to enable effective monitoring of applications progress through the

process. If this was not possible, alternatives were to be explored. Performance information was being developed that would enable management to monitor whether timescales within the allocations process, as set out in the Policy, were being met.

- 5.78 Focused, management checks were going to be introduced into key stages within the process to provide assurance that procedures are adhered to and consistently applied. This will ensure appeals are dealt with by an independent officer in line with Policy requirements.
- 5.79 Direct Lets were undertaken in line with the relevant policies with good supporting documentation available to support them. Finally, the Council was to define the performance information required from South Essex Homes to enable it to be satisfied that the allocations work undertaken meets its expectations.
- 5.80 The majority of **Purchasing Card (P-Card) expenditure** was not supported by receipts or other appropriate evidence. Action was being taken to strengthen these arrangements to enable the Council to:
- be better placed to detect errors or fraud in relation to this expenditure
 - challenge the validity of any spend and reclaim all VAT it is entitled to because it is properly coded
 - ensure that relevant Council policies were being adhered to (e.g. when reclaiming expenses)
 - check that areas of spend protected by specialist gatekeepers (e.g. ICT equipment) are not being bypassed
 - deal appropriately with staff who persistently fail to provide the evidence required in support of expenditure incurred.
- 5.81 Officers were also exploring:
- whether the P-Card IT system could be developed so that receipts and supporting evidence can be saved on it instead of elsewhere
 - what kind of management information / reports could be produced from the system.
- 5.82 No issues were found with **Right to Buy** cases reviewed, due to the experience of the staff undertaking the work rather than the Council clearly defining the tasks to be completed and evidenced, when processing applications. Therefore, the checklist currently used was to be developed further so it:
- defined the tasks to be completed, including the independent checks required to confirm the work had been undertaken properly
 - evidenced when each task is completed.
- 5.83 Legal Services processed all 2015/16 sales within the required 12 month period, bar one where the buyer delayed the process. South Essex Homes was notified promptly once sales completed, allowing the rent account to be adjusted in good time. Appropriate charges were being put on properties sold, thus protecting the Council's interest should they be resold within certain timeframes. Legal Services also confirmed charges were registered with the Land Registry, although evidence of this was not seen.
- 5.84 Suitable checks were undertaken to ensure buyers legal representatives were appropriately qualified and registered with a relevant regulatory body, who

require members to comply with Money Laundering Regulations. Going forward, the Counter Fraud and Investigations Directorate will complete financial checks for cash purchases in line with those undertaken by financial services, including lenders.

- 5.85 Opening correspondence with legal representatives was to be amended to request details of the bank account any funds were to be transferred from. This was so it could be confirmed the money was coming from an appropriate source at the start of the process.
- 5.86 Some progress had been made to address the issues raised in the original **Southend Adult Community College** report (June 2013). However, further work was still required to adequately strengthen its financial and governance controls so they provided an effective framework for financial planning, accountability and safeguarding public funds.
- 5.87 The main governance documents and policies were in place and broadly in line with the recommended requirements. But a Finance Department Operation Manual was still being produced and the Financial Regulations and the Debt Collection and Recovery Strategy required amending.
- 5.88 Good progress has been made in improving the format and presentation of management accounting information. However, better financial reporting was required of purchases made without a requisition or order and debt collection. A graphical trend analysis was needed to support management accounts information and independent reviews were required to confirm that reconciliations were being properly completed.
- 5.89 The private funds account had been appropriately closed and relevant, supporting evidence was available to support payroll and expense forms tested. But, better processes were still required to ensure:
- alternative quotes are always obtained in compliance with Contract Procedure Rules and VAT invoices are obtained
 - budget holders confirm their budget position each quarterly and the on-going need for and accuracy of direct debits on their account
 - temporarily postponed debt collection arrangements are challenged by senior management and assets are all security marked, recorded on the asset register and checked annually.
- 5.90 The 2016/17 **Schools Audit Programme** focused on revisiting schools to assess whether they had implemented the actions agreed, to improve the adequacy and effectiveness of their finance, management and governance arrangements. Of the 14 schools revisited, ten had satisfactorily implemented most or all of the agreed actions. Four still required further work to more fully address the issues identified in the original audits.
- 5.91 Whilst the new and very innovative **Education Board** was being established, some supportive challenge was provided to management as the governance arrangements developed. Overall, these arrangements were sound.
- 5.92 It was possible to certify that grant terms and conditions had been met for the following **grant claims**:
- South East Essex Local Growth Fund
 - Highways Maintenance Challenge Fund
 - Local Transport Capital Block Funding

- Disabled Facilities Grant
 - A127 Corridor Growth Scheme.
- 5.93 The Expanded **Troubled Families Programme, Payments by Results (PBR) Scheme for Local Authorities** returns continued to be audited. All claims audited this year had an unqualified audit opinion. The protocols agreed with the service for producing evidence to support the claims, along with the continued independent review of sample claims by the Group Manager to complement Internal Audit's examination of claims work, operated well and the process remains a collaborative one.

EXCELLENT

5.94 Further work was required to ensure that **payments made for works under the Highways NEC3 Term Service Contract** (let from 1st April 2015), were accurate and properly authorised in line with Contract Procedure Rules / Financial Regulations. Initially, it was identified that:

- work was procured in line with defined good practice processes established by the Department for Place when the contract was let
- officers had authorised works orders above their approved limit and segregation of duties could not be demonstrated between the assessment, approval and checking of works done
- evidence was not available to confirm the sample payments were appropriate and accurate, as the arrangements and accountabilities for doing this were not clearly understood by officers.

5.95 Subsequently:

- approved delegated authorities were established for authorising works orders within the Insights Symology system, which interfaces with the contractor's systems and is used to instruct the contractor to undertake work
- officers were:
 - required to post inspect 10% of all works, with Symology automatically generating the sample works to be inspected
 - reminded of their responsibilities for signing off and confirming charges for works they notify to the contractor.

5.96 A further audit has been scheduled in 2017/18 to confirm the above improvements have been effectively implemented and the processes for procuring work and making payments are now robust.

5.97 The key elements expected of a good practice procurement process, had taken place and the **St Helen's Roman Catholic School** works contract with AW Hardy was let within budget which was £1,982,110. Nevertheless, non-compliance with legislation, the Council's Contract Procedure Rules and proper procurement practice was identified in the letting of this contract. Most of the issues related to the way in which the tender process was conducted. Nevertheless, the project was delivered successfully, in time and on budget.

- 5.98 Stakeholders were appropriately involved in preparing the service specification, evaluating whether submissions met their requirements and at the build stage of the project.
- 5.99 Many of the issues identified will be dealt with going forward, by the requirement to involve the Corporate Procurement team in any procurement over £25k. However, where appropriate, action was being taken to strengthen the Property, Regeneration and Strategic Projects team's arrangements by providing staff with additional guidance and training in respect of good procurement practice.
- 5.100 The **Section 75 Agreement** and supporting Terms of Reference for the **Southend Equipment Service** needed to be updated to reflect the current requirements of all parties and a process established to ensure they are subject to regular review. Proper performance arrangements also needed to be established for the service that involved regular reporting to all partners against agreed targets. A more equitable basis for funding the service was being sought.
- 5.101 Further work will be undertaken to establish how the Council records and monitors the currency and quality of all "agreements" it has with others to provide, buy in or share services, including Section 75 Partnership Agreements.
- 5.102 The foundations were in place for managing **cyber security** across the Council. However, the restructuring of departments during 2016 had led to some **governance** issues being identified. This was not assessed as having a significant operational impact in the short term. However, there was a need to formalise roles, clarify accountabilities and responsibilities, and update policies in line with the latest government guidance in order to obtain greater assurance over the effectiveness of these arrangements. More detailed analysis and management of risk was also required.
- 5.103 The technical documentation setting out how to deal with cyber security was in line with best practice and processes were maturing. Operational issues around data protection were handled to a satisfactory level. Further development of such activities as information handling and information asset registers will increase the overall assurance over cyber security across the Council.
- 5.104 A Corporate Information Security Policy (the Policy) was in place which covered **IT data security**, reflected good practice guidance and was supported by appropriate, associated policies. However, some of them needed updating and better links were required between all these policies. This suite of policies should be stored together on the intranet for ease of reference by staff.
- 5.105 Information sharing protocols existed which covered the legal requirements for the effective control of data and helped ensure that shared data was securely managed. If additional resources could be obtained, a cost benefit analysis was to be undertaken and an assessment of risk, before deciding whether to implement an appropriate data classification scheme or not. Overall, the Council procedures for dealing with data breaches were robust.
- 5.106 Network access security was in place along with device encryption and two factor remote access authentication. The possibility of introducing a system to identify unsuccessful log-on attempts to determine unauthorised activity and also provide trend analysis was also being explored. Further work was required to improve the arrangements for dealing with penetration test vulnerabilities in a timely manner and implement the backup strategy. Overall, access to the IT suite was satisfactorily controlled, as was its environment.

- 5.107 Disposal procedures were in place that ensured that data is cleansed and reports are provided to evidence this.
- 5.108 With regards to **IT Infrastructure and Asset Management**, the hardware asset register needed to be updated so that it is a complete and accurate record of what the Council owns, which was not the case. It then needed to be refreshed at least annually to ensure it remains so. However, the software asset register was largely satisfactory although it still needed to contain additional information regarding licensing arrangements (e.g. type and numbers of).
- 5.109 Procedure notes and flowcharts were available to demonstrate the asset management processes operating within the Council. However, these would be better formalised into a single, accessible policy. Assets awaiting deployment or disposal were found to be held securely. The condition and performance of key assets (i.e. key software packages and physical servers) were checked on a daily basis and issues were followed up satisfactorily when identified.
- 5.110 A formal **Third Party Hosting Policy** (the Policy) had been established which defined the:
- circumstances under which third party hosting may be considered
 - minimum IT Data Security and Information Governance requirements that must be met before new contracts can be let.
- 5.111 Action had been taken to identify all existing third-party hosted contracts and obtain any additional information necessary, to evidence that these contracts remain compliant with the new Policy. The Information Governance Meeting had been briefed on the updated standards and has a standard agenda item to consider new third party hosted contracts.
- 5.112 Better arrangements were being established to ensure that:
- both Information Governance and ICT are consistently informed of proposed contracts over £25k in value, where a third party will host the Council's data
 - the proposal is vetted by both parties before a recommendation for approval is made to the Council's Senior Information Risk Owner for sign off.
- 5.113 A process was being created to train contract managers in their responsibilities regarding on-going contract management.
- 5.114 Outstanding information was required in order to finalise the action plan to Policy and Resources Scrutiny Committee's final **Welfare Reform report**, approved by Cabinet in July 2014. Further work was still required to:
- integrate the action plan into Corporate Services performance management framework so it is routinely monitored by senior management and Members
 - update the action plan to include clear measurable outcomes and timescales for pledges six to eight and individual monitoring arrangements for all pledges.

KEY FINANCIAL SYSTEMS

- 5.115 A few **key financial controls** were reviewed to ensure they:
- were designed to prevent and / or detect material financial errors
 - had been in place during 2016/17 and therefore, could be relied when producing the Council's Statement of Accounts.

- 5.116 No significant issues were identified that could potentially generate material errors in the Statement of Accounts. Action was being taken to:
- reassess the process for getting assurance that invoices raised accurately reflect the requests received from services
 - confirm regularly that only appropriate staff have user permissions in Agresso that allow them to authorise journals
 - ensure there is sufficient resilience within the Accountancy section so that reconciliations between key financial systems can always be undertaken in a timely manner.
- 5.117 The **Social Care Debt** Policy and Strategy had been extended and included sufficient information around the escalation of cases and exemption of charges. Further clarity was required to ensure management expectations are clear to staff when:
- agreeing and monitoring Payment Plans as well as managing and monitoring parked debt
 - referring cases to colleagues, as potential safeguarding, financial abuse and fraud concerns have been identified.
- 5.118 Staff were regularly encouraged to identify problem cases to management. Direction given on how to deal with them was documented and followed up to ensure actions were taken. This will now be supplemented by a regular and systematic review of a selection of cases picked at random from the aged debt report. The aim being to confirm staff are applying the required monitoring process and when they pause the recovery process, the reason for it is appropriate.
- 5.119 The service had also developed a better understanding the debt profile, although an age debt analysis would also be beneficial. As such, the risk associated with collecting certain types of debt and where to focus resources for optimum return, was more clearly understood.

IMPLEMENTING ACTION PLANS

- 5.120 Internal Audit input agreed actions into Covalent once the audit report is issued. Services then used this to monitor their implementation. Internal Audit only revisits and retests action plans where a partial or minimal assurance opinion was given. Management close down other action plans once they are satisfied the issues identified have been properly dealt with.
- 5.121 There were instances this year, when services were reporting that all actions had been dealt with but this proved not to be the case when it was re-audited. Some reports had also not been progressed as well as they might have been. Further work will be done with services during 2017/18, to strengthen these arrangements.

Conclusion

- 5.122 As reported last year, an important source of evidence that service, process and systems are operating as they should, is obtained through targeted and proportionate management checks, linked to an understanding of and assessment of risk. Managers need to be clear on the checks needed to ensure that these controls are adequate and effective.

6. Compliance with Professional Standards

Head of Internal Audit Opinion

- 6.1 *The in-house service has substantially conformed to the relevant professional standards throughout the year.*
- 6.2 *I have obtained assurance from external suppliers regarding their conformance with relevant professional standards, but have not independently confirmed this with regards to audit work completed at the Council.*

Resourcing

- 6.3 In July 2015, the Council decided to undertake a service review of the Internal Audit Service so permanent recruitment was stopped. All subsequent vacancies were covered by:
- resources bought in through framework contracts with external suppliers
 - agency or casual staff and staff on short term contracts.
- 6.4 BDO was appointed to complete the service review, which occurred during January / February 2016. It was concluded in August 2016 at which time permission to recruit and rebuild the in-house team was granted. By this time, the combined in-house team of nine auditor posts was carrying seven vacancies, one of which has been covered by a long term contractor. The Head of Internal Audit also continued to cover the contract manager role.
- 6.5 This reduced management capacity has had a significant impact on its ability to deliver:
- all audit reports in a timely manner
 - an annual programme of work that would provide some assurance that there are appropriate arrangements in place to manage the key risks within the more significant Council services / activities (as agreed when discussing the audit risk assessment / assurance statements) over a three / four year period.
- 6.6 Recruitment of permanent staff commenced in January 2017. However, the remainder of the report needs to be considered within this context.

Audit Plan 2016/17

- 6.7 The target was to deliver 100% of the Audit Plan by the June Audit Committee meeting. As at 16th June, a draft report has been produced for 82 out of the 87 (94%) audits undertaken this year (including schools). 71 reviews (82%) have been completed. All outstanding audits will now be included in the 2017/18 Audit Plan.
- 6.8 **Appendix 2** shows the final status of the Audit Plan which is a comparison of actual audit work completed against work planned at the start of the year.

Other Performance Indicators

- 6.9 The service stopped reporting on its productivity during the year as it was no longer a relevant indicator, given the service was predominately being bought in from external suppliers. However, sickness absence remained very low at 1.49 days per FTE compared to a target of less than 5 days per FTE for in-house staff.
- 6.10 The service revised its approach to obtaining feedback from stakeholders at the conclusion of audits so it focused more on obtaining evidence of compliance with some of the less tangible elements of the UK Public Sector Internal Audit Standards (the Standards). During the year, 13 officers were interviewed. The key message from the surveys was the need for there to be a more seamless service regardless of whether work is undertaken by the in-house team or contracted in resources. Nevertheless, the response to the question "*Do you think internal audit adds value to the Council?*" was 96%. **Appendix 3** summarises the final survey results relating to the Council's 2016/17 audits.
- 6.11 External Audit confirmed that it could rely on Internal Audit's work where it was relevant to its audit of the Council's Statement of Accounts.

Service Management Arrangements

- 6.12 An assessment was also completed of the team's compliance with Castle Point Borough Council's governance arrangements requirements as set out in the Manager Assurance Statements (which are not dissimilar to those used by the Council). This highlighted some areas where they should be strengthened and actions are in hand to address this (refer Appendix 5 below).

Quality and Improvement Programme

- 6.13 I can confirm that I have maintained an appropriate Quality and Improvement Programme (QAIP) during the year for the in-house team or work undertaken by contractors when being managed by the in-house team. As required by the Standards, this consisted of:
- on-going supervision and review of individual audit assignments completed by in-house staff or contractors working to in-house staff
 - reporting on a limited set of performance targets to the Audit Committee each quarter (for all work done including that of the external supplier)
 - undertaking a self assessment which evaluates conformance with the Standards.
- 6.14 I have received assurance from the external suppliers that where they have undertaken work using their own audit approach, this is also compliant with the Standards.
- 6.15 Due to resource constraints, there have been no independent file reviews of in-house staff or contractors work completed this year.
- 6.16 **Appendix 4** summarises the results of the annual self assessment of the team's compliance with the Standards. **Appendix 5** sets out the actions the team plans to take over the coming year to improve its working arrangements, which includes:

- organising the independent external assessment of the combined services compliance with professional standards which must be completed before 31 March 2018, and then refreshing the audit approach / Audit Manual accordingly
 - destroying all audit files that fall outside the data retention policy period.
- 6.17 Senior management has chosen not to implement the Standard relating to the appointment and removal of the Head of Internal Audit as the Council's normal HR practices would already mitigate this perceived potential risk.

Other Disclosures

- 6.18 As required by the Standards, I can confirm that the Internal Audit service has:
- operated in a manner that maintains its organisational independence throughout the year
 - been able to determine the scope of reviews, perform the work and report on its findings without interference neither has there been any inappropriate resource limitations imposed upon it.

7. Issues for the Annual Governance Statement

- 7.1 No issues have come to my attention this year, other than those already disclosed, that I believe need including in the Council's Annual Governance Statement.

8. Corporate Implications

8.1 Contribution to Council's Aims and Priorities

Audit work contributed to the delivery of all Council Aims and Priorities

8.2 Financial Implications

The Audit Plan was delivered within the approved resource budget.

8.3 Legal Implications

The Council is required, by the Accounts and Audit Regulations 2015 (the Regulations) Section 5, to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The Standards require that the Head of Internal Audit to report on compliance with this annually to the Audit Committee. This report satisfies this requirement.

8.4 People and Property Implications

People issues that were relevant to delivering the Audit Plan were raised in the quarterly progress reports.

8.5 Consultation

All terms of reference and draft reports were discussed with the relevant Directors / Deputy Chief Executives / Chief Executive before being finalised. This annual report has also been presented to and discussed with senior management.

8.6 Equalities Impact Assessment

The relevance of equality and diversity was considered during the initial planning stage of every audit before the Terms of Reference were agreed.

8.7 Risk Assessment

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the risk management, control and governance processes which may impact of the Council's ability to deliver its corporate objectives.

8.8 Value for Money

Opportunities to improve value for money in the delivery of services were identified during some reviews and recommendations made as appropriate.

Internal Audit periodically undertakes a service review to assess whether its costs remain competitive.

8.9 Community Safety Implications and Environmental Impact

These issues were only considered if relevant to a specific audit review.

9. Background Papers

- The Accounts and Audit Regulations 2015
- UK Public Sector Internal Audit Standards
- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards
- CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2010
- CIPFA: Audit Committee, Practical Guidance for Local Authorities and Police 2013

10. Appendices

Appendix 1	Assurance Summary 2016/17
Appendix 2	Internal Audit Plan 2016/17 as at 16th June 2017
Appendix 3	Stakeholder Surveys, Compliance with Professional Standards
Appendix 4	Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2016/17
Appendix 5	Compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan

Appendix 1: Assurance Summary 2016/17

Audit Plan Areas	Level of Assurance			
	High	Satisfactory	Partial	Minimal
Managing the Business		<ul style="list-style-type: none"> • Corporate Procurement Strategy and Toolkit (Dec 2016) • Risk Management, Corporate Plan Register (Dec 2016) 	<ul style="list-style-type: none"> • Business Continuity Planning (Feb 2017) • Risk Management, Service Plan Risks (Dec 2016) • Risk Management, Project Risks (Dec 2016) 	
Managing Service Delivery Risks	<ul style="list-style-type: none"> • Commissioning Public Health Services for 0 to 5 year olds (Dec 2016) 	<ul style="list-style-type: none"> • Drug and Alcohol Commissioning Team Governance (May 2017) • Public Health, Health Protection (Jul 2016) • Airport Business Park Project Assurance (May 2017) 	<ul style="list-style-type: none"> • Adult Social Care Services, Assessment of Personal Budgets (Dec 2016) • Financial Monitoring of Direct Payments (Mar 2017) 	<ul style="list-style-type: none"> • Social Care IT Case Management System Contract, Procurement (Dec 2016)

Appendix 1: Assurance Summary 2016/17

Audit Plan Areas	Level of Assurance			
	High	Satisfactory	Partial	Minimal
Managing Service Delivery Risks		<ul style="list-style-type: none"> • Cyber Security Governance (May 2017) • IT Data Security Policy Application (May 2017) 	<ul style="list-style-type: none"> • Social Care IT Case Management System, Project Implementation Health Check (Nov 2016) • Housing Allocations (Dec 2016) • Right to Buy (Mar 2017) • Works Contract Letting, St Helen's Roman Catholic School (Dec 2016) • IT Infrastructure and Asset Management (Nov 2016) 	<ul style="list-style-type: none"> • Purchasing Cards (P Cards) (Oct 2016) • Section 75 Partnership Agreement Integrated Equipment Service (Dec 2016)

Appendix 1: Assurance Summary 2016/17

Audit Plan Areas	Level of Assurance			
	High	Satisfactory	Partial	Minimal
Key Financial Systems		<ul style="list-style-type: none"> Financial systems work to support the Council's Financial Statements (Jun 2017) 		

Appendix 1: Assurance Summary 2016/17

Audits Revisited	Action Implementation Level			
	High	Satisfactory	Partial	Minimal
Implementing Action Plans	<ul style="list-style-type: none"> • Traffic Management Schemes implemented by Traffic Regulation Orders (Dec 2016) 	<ul style="list-style-type: none"> • Managing Ofsted Action Plans (Dec 2016) • Third Party Hosting (Mar 2017) 	<ul style="list-style-type: none"> • Licensing (Feb 2017) • The Forum Governance Arrangements (Mar 2017) • Southend Adult Community College (Apr 2017) • Welfare Reform (Sept 2016) • Accounts Receivable, Social Care Debt (Jun 2017) 	<ul style="list-style-type: none"> • Mental Health Direct Payments (Feb 2017)

Appendix 1: Assurance Summary 2016/17

Grant Claims	Level of Assurance	
	Unqualified	With Qualification
	<ul style="list-style-type: none"> • Coastal Communities Fund (Jan 2017) • Troubled Families Programme, Payments by Results Scheme Grant (Sept 2016, Jan 2017) • South East Essex Local Growth Fund (Jul 2016) • Highways Maintenance Challenge Fund (Sept 2016) • Local Transport Capital Block Funding (Sept 2016) • Disabled Facilities Grant (Sept 2016) • A127 Corridor Growth Scheme (Sept 2016) 	

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Appendix 1: Assurance Summary 2016/17

Schools Audits Revisited	Action Implementation Level			
	High	Satisfactory	Partial	Minimal
Implementing Action Plans	<ul style="list-style-type: none"> • Blenheim Primary School (Jun 2016) • Hamstel Infant School (Dec 2016) • St George's Catholic Primary School (Mar 2017) • St Helen's Catholic Primary School (Mar 2017) • ST Nicholas School (Mar 2017) 	<ul style="list-style-type: none"> • Chalkwell Hall Junior School (Mar 2017) • Heycroft Primary School (Dec 2016) • Kingsdown Primary School (Dec 2016) • Milton Hall Primary School (Dec 2016) • Sacred Heart Catholic Primary School (Sept 2016) 	<ul style="list-style-type: none"> • Friars Primary School (Dec 2016) • Hinguar Community Primary School (Sept 2016) • Seabrook College (Dec 2016) • The Federation of Greenways Schools (Jan 2017) 	

Appendix 2: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Fraud risk	Status as at 16th June 2017
Managing the Business			
Aim: Excellent			
All	<p>Business Continuity</p> <p>To assess whether the Council has effectively analysed the results of Operation Meltdown and introduced the required improvements.</p>	No	Report issued February 2017.
All	<p>Complaints Handling</p> <p>To assess whether stage one and two complaints have been handled in compliance with the policy.</p>	No	Draft report being produced.
All	<p>Corporate Procurement Strategy and Toolkit</p> <p>To assess whether the Corporate Procurement Strategy and Toolkit are fit for purpose and consistent within the overall set of Contract Management Framework documents.</p>	Yes	Report issued December 2016.
CS	<p>Departmental Contract Management Arrangements</p> <p>To assess whether the departmental contract monitoring arrangements ensure they are properly let and robustly managed.</p>	No	No longer relevant with the change in management structure.
PL	<p>Departmental Contract Management Arrangements</p> <p>To assess whether the departmental contract monitoring arrangements ensure they are properly let and robustly managed.</p>	No	Delete this year due to a change in priorities. Return to risk watch list.
PL / PE	<p>Departmental Project Assurance Arrangements</p> <p>To assess the design and effectiveness of the departments arrangements for monitoring the deliver of significant projects.</p>	No	Moved to 2017/18 Audit Plan.
All	<p>Risk Management, Corporate and Service Plan Risks</p> <p>To assess whether risks, controls and assurances in risk registers are being properly identified and recorded in line with the requirements of the Risk Management Policy and Strategy.</p>	No	Report issued December 2016.
All	<p>Risk Management, Project Risks</p> <p>To assess whether project risks are properly understood and consistently defined in accordance with the Council's Risk Management Strategy and Toolkit.</p>	No	Report issued December 2016.

Appendix 2: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Fraud risk	Status as at 16th June 2017
All	<p>Risk Management</p> <p>To provide practice feedback on addressing the issues arising from the original work</p>	No	<p>Second phase of the work complete, refer to item 7 on the agenda.</p> <p>A third phase to this work has been approved. This has been included in the 2017/18 Audit Plan.</p>
Managing Service Delivery Risks			
Aim: Safe			
PE	<p>Adult Social Care Services, Assessment of Personal Budgets</p> <p>To assess whether personal budgets paid by direct payments are valid, accurate and complete as per the client's assessed needs.</p>	Yes	Report issued December 2016.
PE	<p>Adult Social Care Services, Independent File Review</p> <p>To assess whether there is robust management review of adult social care files to ensure they met all required statutory and good practice requirements.</p>	No	Deleted. Framework will be developed after the implementation of Social Care IT Case Management System.
PE / PL	<p>Domestic Homicide Reviews</p> <p>To assess whether action plans produced following safeguarding reviews (children's and or adult Serious Case Reviews and or Domestic Homicide reviews) are being implemented, in a timely manner and actively monitored by senior management.</p>	No	Reported findings to Chief Executive in August 2016.
PE	<p>Financial Monitoring of Direct Payments</p> <p>To assess whether there are robust financial monitoring arrangements in place to ensure payments made directly to clients (not via Vibrance the Council's contract provider) are used to meet the assessed eligible needs and outcomes identified in Care Support Plans.</p>	Yes	Report issued March 2017.
PE	<p>Safeguarding Child Sexual Exploitation Action Plan</p> <p>To work with management to ensure actions contained in the action plan are SMART.</p>	No	Feedback was provided to management on the action plan before it was finalised in June 2016.

Appendix 2: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Fraud risk	Status as at 16th June 2017
PE	<p>Safeguarding Peer Review Action Plan</p> <p>To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.</p>	No	Deleted as the actions arising from it are being built into the OFSTED inspection action plan.
PE	<p>Social Care IT Case Management System Contract, Procurement</p> <p>To assess whether the replacement IT system for CareFirst, the Children's Services and Adult Service case management system, was appropriately specified and selected, so audit focus will be how the package was procured.</p>	Yes	Report issued December 2016.
PE	<p>Social Care IT Case Management System, Project Implementation Health Check</p> <p>To assess whether the replacement IT system for CareFirst, the Children's and Adult Service case management system, is implemented, properly by the planned go live date.</p>	No	Report issued November 2016.
PE	<p>Social Care IT Case Management System, Project Implementation, Children's Services</p> <p>To assess whether the project plan is implemented properly by the planned go live date.</p>	No	Moved to 2017/18 Audit Plan as the project delivery plan was revised early in 2017.
PE	<p>Social Care Payments to Individuals and Providers</p> <p>To assess the robustness of the arrangements to ensure accurate social care payments are made covering one or more of the following:</p> <ul style="list-style-type: none"> • Residential care including Dynamic Purchasing system (Sprock) • Direct payments • Home care • Children's care. 	Yes	Moved to 2017/18 Audit Plan as this process is being designed as part of the Social Care IT Case Management System project.
<i>Implementing Action Plans</i>			
PE	<ul style="list-style-type: none"> • Mental Health Direct Payments 	Yes	Report issued February 2017.
PL	<ul style="list-style-type: none"> • Licensing 	Yes	Report issued February 2017.
PE	<ul style="list-style-type: none"> • Safeguarding: Serious Case Review Action Plan Implementation 	No	Draft report with the Audit Manager.
PL	<ul style="list-style-type: none"> • Traffic Management Schemes implemented by Traffic Regulation Orders 	Yes	Report issued January 2017.

Appendix 2: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Fraud risk	Status as at 16th June 2017
Aim: Clean			
PL	<p>Essex Waste Partnership</p> <p>To review the management of the Partnership Agreement with Essex County Council for the use of the Mechanical and Biological Treatment Plant (MBT).</p>	No	Given the current status of this arrangement, this review is being postponed.
PL	<p>Recycling, Waste and Street Cleansing Services Contract Management</p> <p>To assess whether the Recycling, Waste and Street Cleansing Services contract is being effectively managed.</p>	Yes	Given the operational issues being dealt with, this review is being postponed.
Aim: Healthy			
PE	<p>Commissioning Public Health Services for 0-5 Year Olds</p> <p>To assess whether the 0 to five year old services to be transferred to the Council in October 2015 are effectively integrated into the Council and associated budgets are sufficiently understood to ensure the services can be affordably delivered future years.</p>	No	Report issued December 2016.
PE	<p>Drug and Alcohol Commissioning Team Governance</p> <p>To evaluate the clarity and understanding of its objectives, role and reporting lines.</p>	No	Report issued June 2017.
PE	<p>Pioneer Programme Board / Integrated Commissioning Team</p> <p>To map how the Pioneer Programme Board operates, including:</p> <ul style="list-style-type: none"> • its work streams and management of specific Council risks • its governance structure and reporting • the link with the Better Care Fund's Section 75 Agreement • how the joint commissioning team fits in. 	No	The Pioneer Programme Board no longer exists therefore the audit, in this form, has been deleted.
PE	<p>Public Health, Health Protection</p> <p>To assess whether there are robust policies, procedures and working arrangements in place with relevant parties to ensure public safety, prevent transmission of diseases and manage incidents which threaten the public's health.</p>	No	Report issued July 2016.

Appendix 2: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Fraud risk	Status as at 16th June 2017
PL	<p>Leisure Services (Fusion) Contract Management</p> <p>To assess whether the Leisure contract is being effectively managed.</p>	Yes	Draft report being produced.
PE	<p>Adult Social Care Local Authority Trading Company</p> <p>To develop an internal audit risk assessment, Charter, Strategy and Audit Plan for 2017/18.</p>	Yes	<p>Research completed.</p> <p>The Audit Plan and supporting documents are to be produced.</p>
Implementing Action Plans			
PE	<ul style="list-style-type: none"> • Family Mosaic Contract Management 	Yes	Draft report with the Audit Manager.
PE	<ul style="list-style-type: none"> • Managing OFSTED Action Plans 	No	Report issued December 2016.
PE	<ul style="list-style-type: none"> • Reablement 	No	Work in progress.
PL	<ul style="list-style-type: none"> • The Forum Governance Arrangements 	No	Report issued March 2017.
Aim: Prosperous			
PL	<p>Airport Business Park Project Assurance</p> <p>To assess whether robust arrangements are in place to provide independent assurance regarding the future performance of the project.</p>	No	Report issued May 2017.
PE	<p>Better Queensway</p> <p>To assess whether robust arrangements are in place to provide independent assurance regarding the future performance of the project.</p>	No	Interim feedback provided to senior management April 2017.
PE	<p>Better Start Early Years (Big Lottery Grant over 10 years)</p> <p>To assess the adequacy of the governance arrangements, specifically relating to:</p> <ul style="list-style-type: none"> • clarity of deliverables • risks to the Council • roles and responsibilities • accountability for delivering grant terms and conditions. 	No	Deleted. The arrangements were being independently reviewed. The need to audit this will be reassessed once the new framework is embedded.

Appendix 2: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Fraud risk	Status as at 16th June 2017
PE	<p>Corporate Procurement Team, Contract Letting</p> <p>To assess whether it operates in accordance with recognised professional standards and its own procedures by reviewing some contracts let by the team.</p>	Yes	Draft report with the Head of Internal Audit.
PE	<p>Corporate Procurement Team, Procure to Pay (P2P)</p> <p>To assess the effectiveness of the new arrangements introduced by the Corporate Procurement team to monitor compliance with P2P requirements.</p>	No	Draft report being finalised with client.
PE	<p>Housing Allocations</p> <p>To assess whether the Allocations Policy reflects good practice and is properly and consistently applied.</p>	Yes	Report issued December 2016.
CE	<p>Leases and Licences</p> <p>To assess whether lease and license records are complete, reviewed in a timely manner and all income due is collected.</p>	Yes	Draft report with the Head of Internal Audit.
PE	<p>Purchasing Cards (P Cards)</p> <p>To assess the robustness of arrangements for:</p> <ul style="list-style-type: none"> • issuing cards • monitoring and post authorising the spend. 	Yes	Report issued October 2016.
CE	<p>Right to Buy</p> <p>To assess whether the legal aspects of the transaction are processed properly and other Council services are notified of and amend their records accordingly.</p> <p>(This links to a review of the front end of the process at South Essex Homes)</p>	Yes	Report issued March 2017.
Implementing Action Plans			
PE	<ul style="list-style-type: none"> • Southend Adult Community College 	No	Report issued April 2017.
Aim: Excellent			
PL	<p>Highways Contract, Processing Payments</p> <p>To assess whether the payments made for works under the Malborough Surfacing contract (Lot 1) are accurate and properly authorised in line with Contract Procedure Rules / Financial Regulations.</p>	Yes	Interim feedback briefing memo provided to management.

Appendix 2: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Fraud risk	Status as at 16th June 2017
PL	<p>Highways Contract Management</p> <p>To assess whether the highways block of contracts are being effectively managed.</p>	Yes	No further work proposed this year given the results of the Processing Payments review.
PE / PL	<p>Works Contract Letting, St Helen's Roman Catholic School</p> <p>To assess whether the works contract was let properly, met the clients' expectations and delivered in budget.</p>	Yes	Report issued January 2017.
PE	<p>Section 75 Partnership Agreement, Integrated Equipment Service</p> <p>To assess whether Section 75 agreements clearly set out the service requirements and how the service will be managed on an on-going basis.</p>	Yes	Report issued December 2016.
PL	<p>Management of Works Contracts</p> <p>To assess whether works contracts are effectively managed.</p>	Yes	Draft report with the Head of Internal Audit.
Aim: All			
PL	<p>Cyber Security Governance</p> <p>To assess the effectiveness of arrangements in place to protect the Council from cyber attacks and other online vulnerabilities.</p>	Yes	Report issued June 2017.
CS	<p>Individual Electoral Registration</p> <p>To confirm that appropriate verification procedures have been applied when implementing Individual Electoral Registration.</p>		Delete this year due to a change in priorities.
PL	<p>IT Data Security Policy Application</p> <p>To assess whether the relevant standards are met to ensure the Council's data is secure.</p>	No	Report issued May 2017.
PL	<p>IT Infrastructure and Asset Management</p> <p>To assess whether the on-going management of IT fixed assets ensures the IT infrastructure meets the Council's service needs.</p>	No	Report issued November 2016.

Appendix 2: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Fraud risk	Status as at 16th June 2017
PL	<p>IT Systems and Network Access Controls</p> <p>To assess the effectiveness of controls in place to restrict access to important Council system and network functions.</p>	Yes	This work was postponed until 2017/18 in order to spread the ICT audits over a longer elapsed time given the availability of resources to do this work.
PL	<p>IT Change Management</p> <p>To assess whether there is an effective, corporate process for managing changes made to IT systems used by services.</p>	No	Draft report with the Head of Internal Audit.
CS	<p>Recruitment Contract Management</p> <p>To assess whether the Recruitment contract is being effectively managed for both permanent and temporary recruitment, as well as specialist services.</p>	Yes	Delete this year due to a change in priorities.
<i>Implementing Action Plans</i>			
PL	<ul style="list-style-type: none"> • Cleaning Services Contract Management 	Yes	Draft report with the Audit Manager.
PL	<ul style="list-style-type: none"> • Third Party Hosting 	No	Report issued March 2017.
CE	<ul style="list-style-type: none"> • Welfare Reform 	No	Report issued September 2016.
Key Financial Systems			
Aim: All Aims			
To assess whether the key controls in each of the key financial systems effectively prevent or detect material errors on a timely basis so that this information can be relied upon when producing the Council's statement of accounts.			
	Financial Systems 2015/16		
CE	<ul style="list-style-type: none"> • Accounts Receivable: General Debtors 	Yes	Report issued September 2016.
CE	<ul style="list-style-type: none"> • Accounts Payable 	Yes	
CE	<ul style="list-style-type: none"> • Council Tax 	Yes	
CE	<ul style="list-style-type: none"> • General Ledger 	No	
CE	<ul style="list-style-type: none"> • Housing Benefits 	Yes	

Appendix 2: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Fraud risk	Status as at 16th June 2017
CE	<ul style="list-style-type: none"> Income, Receipting and Banking 	Yes	
CE	<ul style="list-style-type: none"> Treasury Management 	Yes	
	Financial Systems 2016/17		
CE	<ul style="list-style-type: none"> Systems work required to support the audit of the financial statements 	Yes	Report issued June 2017.
CE	<ul style="list-style-type: none"> Accounts Payable 	Yes	Draft report being produced.
CE	<ul style="list-style-type: none"> Accounts Receivable: Social Care Debt Revisited 	Yes	Report issued June 2017.
CE	<ul style="list-style-type: none"> Payroll 	Yes	Postponed until April 2017 as all the work not due to be completed until March 2017.
Grant Claims			
	To certify, in all significant respects, that the conditions attached to the grant have been complied with.		
PL	<ul style="list-style-type: none"> Coastal Communities Fund 	U	Unqualified opinion given January 2017
PE	<ul style="list-style-type: none"> Troubled Families Programme, Payments by Results Scheme Grant 	U	Unqualified opinions given on claims for: <ul style="list-style-type: none"> September 2016 January 2017. March 2017.
PL	<ul style="list-style-type: none"> South East Essex Local Growth Fund 	U	Unqualified opinion given July 2016.
PL	<ul style="list-style-type: none"> Highways Maintenance Challenge Fund 	U	Unqualified opinions given September 2016.
PL	<ul style="list-style-type: none"> Local Transport Capital Block Funding 	U	
PE	<ul style="list-style-type: none"> Disabled Facilities Grant 	U	
PL	<ul style="list-style-type: none"> A127 Corridor Growth Scheme 	U	

Appendix 2: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Fraud risk	Status as at 16th June 2017
Advice and Support			
To provide critical support and challenge to management whilst they are reviewing or development services, systems or process, so appropriate controls can be built into them as the work is completed.			
Aim: Safe			
PE	<p>Children's Services' Safeguarding Performance Indicators</p> <p>To assess whether the correct core data is used as required by the definitions and method of calculations, to produce the Children's Services' Safeguarding Performance Indicators (PI).</p>	No	Interim report produced for management December 2016.
PE	<p>OFSTED Report Action Planning</p> <p>To support the service in producing a SMART action plan from the OFSTED inspection report.</p>	No	Work completed. Feedback taken into account in preparing final report for submission to OFSTED.
Aim: Prosperous			
PE	<p>Education Board</p> <p>To provide supportive, critical challenge as the new regime develops and is implemented.</p>	No	Interim feedback provided to management February 2017.
All Aims			
PL	<p>Fuel Cards</p> <p>To provide independent review, support and challenge to assist with the delivery of the groups' objectives and work programme.</p>		Complete.
CE	<p>Payroll</p> <p>To provide advice and support as the actions from the most recent Payroll audit are implemented.</p>		Complete.
PE	<p>Action Planning</p> <p>A workshop was delivered to a group of staff from the Department of People on how to produce effective action plans.</p>		Delivered November 2016.

Appendix 2: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Fraud risk	Status as at 16th June 2017
To provide independent review, support and challenge to assist with the delivery of the groups' objectives and work programme.			
	Attendance at Groups To provide supportive, critical challenge as required		
	<ul style="list-style-type: none"> • Agresso Review Group 		Attend as required.
	<ul style="list-style-type: none"> • External Grant Funding Group 		Attend as required.
	<ul style="list-style-type: none"> • Good Governance Group 		The Head of Internal Audit attends.
	<ul style="list-style-type: none"> • Schools Support and Improvement Board 		The Head of Internal Audit attended until the Board disbanded in July 2016.
Managing Delivery of the Audit Plan			
	Audit Planning, Resourcing		
	Managing Contractor Work		
	Reporting to Management Team and Audit Committee		
	Contingency		

Implementing action plans

The objective of this work is to check that actions agreed have been effectively implemented and are now embedded into the day-to-day operation of the service.

Appendix 2: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Fraud risk	Status as at 16th June 2017
Schools Audit Programme			
Aim: Prosperous			
PE	Virtual School The robustness of the processes in place which ensure Looked After Children achieve the outcomes in their Personal Education Plans.	Yes	Draft report with the Head of Internal Audit.
PE	Schools Audit Programme To assess whether individual schools have adequate and effective governance, information and asset management as well as financial management and reporting arrangements in place.		
	<ul style="list-style-type: none"> • Earls Hall Primary School 	Yes	Draft report with the Head of Internal Audit.
	<ul style="list-style-type: none"> • Leigh North Street Primary School 	Yes	Draft report with the Head of Internal Audit.
PE	Revisiting audit reports To check that recommendations made have been implemented, properly, in a timely manner.		
	<ul style="list-style-type: none"> • Blenheim Primary School 	Yes	Report issued June 2016.
	<ul style="list-style-type: none"> • Chalkwell Hall Junior School 	Yes	Report issued March 2017.
	<ul style="list-style-type: none"> • Friars Primary School (Academy from 1/9/16) 	Yes	Reports issued December 2016.
	<ul style="list-style-type: none"> • Hamstel Infant School (Academy from 1/9/16) 	Yes	
	<ul style="list-style-type: none"> • Heycroft Primary School 	Yes	
	<ul style="list-style-type: none"> • Hinguar Community Primary School (Academy from 1/9/16) 	Yes	
	<ul style="list-style-type: none"> • Kingsdown Primary School 	Yes	Report issued December 2016.
	<ul style="list-style-type: none"> • Milton Hall Primary School 	Yes	Report issued December 2016.

Appendix 2: Internal Audit Plan 2016/17

Dept	Council activity and focus of audit work	Fraud risk	Status as at 16th June 2017
	<ul style="list-style-type: none"> • Our Lady of Lourdes Catholic Primary School 	Yes	Audit cancelled as school becoming an Academy.
	<ul style="list-style-type: none"> • Seabrook College 	Yes	Report issued December 2016.
	<ul style="list-style-type: none"> • Sacred Heart Catholic Primary School 	Yes	Report issued September 2016.
	<ul style="list-style-type: none"> • St George's Catholic Primary School 	Yes	Reports issued March 2017.
	<ul style="list-style-type: none"> • St Helen's Catholic Primary School 	Yes	
	<ul style="list-style-type: none"> • St Nicholas School 	Yes	
	<ul style="list-style-type: none"> • The Federation of Greenways Schools (Academy from 1/10/16) 	Yes	Report issued December 2016.

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Appendix 3: Stakeholder Surveys, Compliance with Professional Standards

1. Setting up and planning the audit (PSIAS 1200 / 2200)		
1.1	Did we show a good level of knowledge and understanding of your service when discussing the potential scope and objective to be covered by the audit before fieldwork took place?	85%
2. Performing the audit (PSIAS 2300)		
2.1	Did we work effectively with you when doing the audit to minimise the impact on your service?	100%
2.2	Were we able to talk knowledgeably with you about information provided to us and queries we had during the audit?	96%
3. Communicating results (PSIAS 2400)		
3.1	Did we keep you informed of the progress of the audit and issues arising from the work in timely manner?	92%
3.2	Did we effectively explain to you where we felt action was required to improve your arrangements and why?	96%
3.3	Was the report fair and reflective of the work done by audit and the issues found as discussed with you?	96%
4. Independence and Objectivity (PSIAS 1100)		
4.1	Did we provide relevant evidence to back up our findings if required?	92%
4.2	At the end of the audit, did you understand the rationale for the overall opinion given?	100%
5. Improving governance, risk management and control processes (PSIAS 2100)		
5.1	Did we explain how the actions you agreed to take would strengthen your operational arrangements and why that is important?	100%
6. Managing the Internal Audit Activity (PSIAS 2000)		
6.1	Do you think internal audit adds value to the Council?	96%

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**Appendix 4 Summary Assessment of Compliance with
UK Public Sector Internal Audit Standards 2016/17**

Ref	Standard	Yes	Partial	No	N/A
Ref	Definition of Internal Auditing	√			
Ref	Code of Ethics				
1	Integrity	√			
2	Objectivity	√			
3	Confidentiality	√			
4	Competence	√			
Ref	Attribute Standards				
1000	Purpose, Authority and Responsibility	√			
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter	√			
1100	Independence and Objectivity	√			
1110	Organisational Independence		√		
1111	Direct Interaction with the Board	√			
1120	Individual Objectivity	√			
1130	Impairments to Independence or Objectivity	√			
1200	Proficiency and Due Professional Care				
1210	Proficiency	√			
1220	Due Professional Care	√			
1230	Continuing Professional Development		√		
1300	Quality Assurance and Improvement Programme		√		
1310	Requirements of the Quality Assurance and Improvement Programme	√			
1311	Internal Assessments		√		
1312	External Assessments				√
1320	Reporting on the Quality Assurance and Improvement Programme	√			

**Appendix 4 Summary Assessment of Compliance with
UK Public Sector Internal Audit Standards 2016/17**

Ref	Standard	Yes	Partial	No	N/A
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	√			
1322	Disclosure of Non-conformance	√			
Ref	Performance Standards				
2000	Managing the Internal Audit Activity	√			
2010	Planning	√			
2020	Communication and Approval	√			
2030	Resource Management	√			
2040	Policies and Procedures		√		
2050	Coordination	√			
2060	Reporting to Senior Management and the Board	√			
2070	External Service Provider and Organisational Responsibility for Internal Audit	√			
2100	Nature of Work	√			
2110	Governance	√			
2120	Risk Management	√			
2130	Control	√			
2200	Engagement Planning	√			
2201	Planning Considerations	√			
2210	Engagement Objectives	√			
2220	Engagement Scope	√			
2230	Engagement Resource Allocation	√			
2240	Engagement Work Programme	√			
2300	Performing the Engagement	√			
2310	Identifying Information	√			
2320	Analysis and Evaluation	√			
2330	Documenting Information		√		

**Appendix 4 Summary Assessment of Compliance with
UK Public Sector Internal Audit Standards 2016/17**

Ref	Standard	Yes	Partial	No	N/A
2340	Engagement Supervision	√			
2400	Communicating Results	√			
2410	Criteria for Communicating	√			
2420	Quality of Communications		√		
2421	Errors and Omissions	√			
2430	Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'	√			
2431	Engagement Disclosure of Non-conformance	√			
2440	Disseminating Results	√			
2450	Overall Opinions	√			
2500	Monitoring Progress	√			
2600	Resolution of Senior Management s Acceptance of Risks	√			

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Appendix 5: Compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan

	Action		Evidence / Comment	Action Required	Current Status / Action Date
3	Attribute Standards				
3.3	1200 Proficiency and Due Professional Care				
	<i>1230 Continuing Professional Development</i>				
B4 / C45 193	<p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <p>c) Continually improving their proficiency and effectiveness and quality of their services, for example through Continued Professional Development (CPD) schemes?</p> <p>Do internal auditors undertake a programme of continuing professional development?</p>	P	<p>All staff should have training and development programmes that, where necessary, comply with professional institute requirements.</p> <p>Because of management capacity issues, the Head of Internal Audit and Audit Manager have had limited professional development over the last 18 months.</p> <p>This won't be resolved until additional in-house resources are recruited.</p>	<p>Continue with the recruitment programme for professional audit staff during 2017/18.</p> <p>Create and then recruit to the Business Support function that will support both the Internal Audit and Counter Fraud & Investigation Directorate.</p>	<p>An Audit Manager will start in July 2017.</p> <p>In May, the team is advertising for:</p> <ul style="list-style-type: none"> • a graduate to start in Sept 2017 • either an auditor or part qualified auditor. <p>In Sept, the team will look to recruit a senior auditor.</p> <p>The Business Support Manager returns from maternity leave in July 2017. Her first task is to develop a structure for the new team and then recruit to any vacant posts.</p>

Appendix 5: Compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan

	Action		Evidence / Comment	Action Required	Current Status / Action Date
3.4	1300 Quality Assurance and Improvement Programme (QAIP)				
C48	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?	Y	<p>Issues arising from file reviews or stakeholder surveys are evaluated and appropriate training / development put in place to address any issues.</p> <p>Because of resource constraints, no cold file reviews have been completed this year.</p>	Re-introduce cold file reviews when more fully staffed and include a sample of contractor files.	2018/19 Audit Plan.
	1311 Internal Assessments				
C54 LGAN 194	Does on-going performance monitoring include comprehensive performance targets?	P	<p>The service has team performance targets which are reported to each Audit Committee as set out in the Strategy.</p> <p>Because the service is substantially contracted out, the targets monitored have changed to reflect this.</p>	Reinstate a full set off performance indicators once the team is more fully resourced with in-house staff (as set out in the 2016/17 Strategy).	To be determined.
C58	Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?	P	<p>The internal self assessments have not been independently reviewed for a few years now. But these reviews were completed by Heads of Internal Audit or Finance Directors.</p> <p>The team will reinstate this after the external independent review has been undertaken.</p>	Reinstate periodic independent review of the self assessment every other year.	July to Sept 2019

Appendix 5: Compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan

	Action		Evidence / Comment	Action Required	Current Status / Action Date
	1312 External Assessments				
C60 to C68	Has an external assessment been carried out, or is planned to be carried out, at least once every five years?	N	This is being commissioned to be completed between Jul and Sept 2017.	Determine the approach to be adopted to undertaking the external assessment. Present a report to the Audit Committee on the proposals for the external review.	June 2017
4	Performance Standards				
4.1	2000 Managing the Internal Audit Activity				
¹⁹⁵	2010 Planning				
D13 LGAN	Does the risk-based plan differentiate between audit and other types of work?	Y	The audit plan does separate work between types of activity e.g. risk based or financial systems work. But it does not always break down time allocated to an audit between pure audit work; and advice and support.	Consider how to split out time allocated to a review on: <ul style="list-style-type: none"> • pure audit work • advice and support when producing the action plan. 	31 March 2018
D20	Does the HoIA identify and consider the expectations of senior management, the board and the other stakeholders for internal audit opinions and any other conclusions?	Y	The team reported to senior management and the Audit Committee when it changed from three to the current four audit opinions. However, there is a need to be able to more clearly explain to services the factors taken into account when determining the audit opinion on a review.	Update the opinion summary contained within the Audit Manual. Produce a version that can be shared with services to explain how judgements are made on the opinion to be given on each audit.	June 2017

Appendix 5: Compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan

	Action		Evidence / Comment	Action Required	Current Status / Action Date
	2030 Resource Management				
D27 LGAN / D56	Has the HoIA planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time? Does the engagement plan include its objectives, scope, timing and resource allocation?	Y	The provisional timing of audits is discussed with senior management when the proposed Audit Plan is considered. However, more regular contact is required with Group Managers to discuss the delivery of work throughout the year.	When resources allow, arrange more regular meetings with individual Group Managers as required, to help progress work in the Audit Plan.	To be determined
	2040 Policies and Procedures				
D29 961	Has the HoIA developed and put into place policies and procedures to guide the internal audit activity?	Y	There is an Audit Manual which supports the Charter and the Strategy and is designed to comply with the requirements of the Standards.	Refresh the Audit Manual and supporting forms to reflect: <ul style="list-style-type: none"> updates in the Standards current working practices any issues arising from the independent external assessment. 	31 March 2018
D30 LGAN	Has the HoIA established policies and procedures to guide staff in performing their duties in a manner that conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems.	Y	It was fundamentally reviewed in the summer of 2015 to ensure compliance with the standards. The audit approach is discussed regularly at team meetings. Documents are updated or training arranged as required.		
D31 LGAN	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	P	However, it needs updating when resources are available to do so.		

Appendix 5: Compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan

	Action		Evidence / Comment	Action Required	Current Status / Action Date
4.2	2100 Nature of Work				
	2110 Governance				
D42 / D44 / D49	Does the internal audit activity: a) Promote appropriate ethics and values within the organisation? Has the internal audit activity evaluated the:	Y	Ethical governance is a potential audit area included in the risk assessment. It was reviewed in 2014/15 and subsequently followed up. Financial systems reviews in 2015/16 considered whether staff were declaring interests and then these were appropriately managed.	Assess whether an ethical governance audit should be included in 2018/19 Audit Plan.	February 2018
197	a) design b) implementation, and c) effectiveness of the Council's ethics-related objectives, programmes and activities?			Complete an assessment of compliance with the Fighting Fraud & Corruption Locally framework which also covers many of the same areas.	September 2017
4.3	2200 Engagement Planning				
	2210 Engagement Objectives				
D65 / D66	Have internal auditors ascertained whether management and / or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished? If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?	Y	These would be considerations when completing: <ul style="list-style-type: none"> • Audit Risk Assessment • Audit Research and Planning Form • Terms of Reference • Control Evaluation Form. 	Make sure these links within the Audit Manual are clear as well as through out the documentation.	31 March 2018

Appendix 5: Compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan

	Action		Evidence / Comment	Action Required	Current Status / Action Date
4.4	2300 Performing the Engagement				
	2330 Documenting Information				
D93	Has the HoIA developed and implemented retention requirements for all types of engagement records?	P	Document retention requirements have been defined in line with good practice guidance. This is part of the Audit Manual.	Set up a project to check all files and destroy whatever is necessary to comply with the Retention Policy.	31 March 2018
4.5	2400 Communicating Results				
	2410 Criteria for Communicating				
D99 LGAN 86198	Has the internal auditor discussed the contents of the draft final report with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	Y	All draft reports should be discussed with the relevant Group Manager, Director and Deputy or Chief Executive. The stakeholder surveys identified contractors were not always meeting with officers to do this.	Include an instruction in the operational protocol that meetings should always be held to: <ul style="list-style-type: none"> • feedback findings at the conclusion of fieldwork • discuss the draft report. 	June 2017
D104 LGAN	Do the final communications of engagement results contain, where appropriate, the internal auditor's opinions and/or conclusions, building up to the annual internal audit opinion on the control environment?	Y	Whilst the reporting style of the team complies with this, clearer links could be made to any underlying issues with the Council's governance arrangements.	Reassess the reporting templates as part of updating the Audit Manual, to see how underlying issues with the Council's governance arrangements could be highlighted.	31 March 2018

Appendix 5: Compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan

	Action		Evidence / Comment	Action Required	Current Status / Action Date
2420 Quality of Communications					
D110	Are communications: g) Timely?	P	There are significant issues with the team providing timely reports due the lack of management capacity.	Build in triggers into the audit manual that remind staff to keep clients informed of when reports can be expected and if they are delays in producing them.	June 2017
				Reinstate target for issuing draft reports once the team is more fully resourced.	2018/19.
4.6 2500 Monitoring Progress					
D126	Has the HoIA established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	Y	Minimal and partial opinion reports are revisited by internal audit when all the actions should have been implemented. The implementation of action plans with high or satisfactory opinions is signed off by management.	Introduce the process for management to provide the Audit Committee with this assurance for reports with high and satisfactory audit opinions.	March 2018

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Southend-on-Sea Borough Council Annual Governance Statement – 2016/17

1. Scope of responsibility

- 1.1 Southend-on-Sea Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for ensuring the proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk, are in place. This responsibility extends to satisfying itself that any wholly owned subsidiary companies also have robust governance arrangements in place. To this end South Essex Homes has produced its own Annual Governance Statement which is included as part of this statement.
- 1.3 Southend-on-Sea Borough Council has approved and adopted a Local Code of Governance (the Code), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's code is part of the Council's constitution and is available on the Council's [website](#) or can be obtained from the Policy, Engagement and Communications Team, Civic Centre, Victoria Avenue, SS2 6ER.
- 1.4 This statement explains how the Council has complied with the Code and also meets the requirements of Section 6 of the Accounts and Audit Regulations 2015 (England) in relation to the production and publication of an Annual Governance Statement.

2. The purpose of the Governance Statement

- 2.1 The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and its activities through which it is accountable to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

2.3 The main governance framework has been in place at Southend-on-Sea Borough Council for the year ended 31 March 2016 and up to the date of approval of the annual report and statement of accounts.

3. The Council's Governance Framework

3.1 The governance framework ensures the Council's vision and key priorities are effectively promoted and progressed through its corporate governance arrangements and business planning processes. The key elements of the governance framework are as follows:

- Community Engagement
- Business Strategy and Planning
- Financial Reporting including Budgetary Control and Asset Management
- Policy Framework
- Risk Management including Fraud and Corruption
- Health and Safety
- Business Continuity
- Asset management
- Performance Management
- Data Quality
- Information Management and Security
- Value for Money
- Procurement
- Project Management
- Complaints
- Ethical Governance – including Codes of conduct for Members and staff
- Workforce management
- The operation of Cabinet, Scrutiny Committees, Audit Committee and the Standards Committee.

3.2 These areas form the main sources of assurance to be considered in any review of the Council's governance arrangements.

3.3 The Chief Executive has the responsibility for overseeing the implementation and monitoring of 'The Code', through a process which includes:

- Regular reports to the Corporate Management Team (CMT) and the Audit Committee which set out:
 - weaknesses identified in the governance arrangements and
 - any corrective action necessary to resolve concerns identified;
- An annual review of the governance framework supported by managers assurance statements certified by Directors and Deputy Chief Executives;
- An annual report to the Corporate Management Team and the Audit Committee on the adequacy of governance arrangements and
- An annual review of 'The Code', with any significant amendments being reported to the Audit Committee, endorsed by Cabinet and approved by Council.

- 3.4 The Council's key governance and business planning processes are also subject to audit on a risk basis. Such work completed during the year forms part of the evidence in support of the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's system of internal control.
- 3.5 Key elements of the Local Code of Governance are outlined below:
- 3.6 The Council's Monitoring Officer is responsible for the maintenance of the Constitution and for reviewing its relevance and effectiveness, ensuring that it is fit for purpose at all times. Any changes to the Constitution are approved by full Council.
- 3.7 The Council operates a Cabinet and strong leader model of governance, with the Leader (who is appointed by Full Council for a four year term) appointing up to 9 other Councillors to form the Cabinet. Cabinet is responsible for the majority of functions of the Council within the budget and policy framework set by full Council. Executive decisions are taken by the Cabinet collectively or by officers acting under delegated powers, depending upon the significance of the decision being made. For urgent issues, the chief officer can take a decision in conjunction with the portfolio holder.
- 3.8 The Council has three Scrutiny Committees which review and scrutinise proposed decisions in their respective areas of responsibility – People, Place and Policy & Resources. The committees will review and scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions. In accordance with the Health and Social Care Act 2012, the People Scrutiny Committee also scrutinises health matters.
- 3.9 Decisions made by the Cabinet may be called in to a Scrutiny Committee in accordance with the provisions of the Scrutiny Procedure Rules. A decision made by Cabinet can be called in by any two Members with written notice given to the Chief Executive within five working days from the date of publication of the digest.
- 3.10 Since May 2012 the Council has operated a pre-Cabinet scrutiny system where scrutiny and opposition Members are given opportunities to contribute to and offer advice on key decisions prior to consideration by Cabinet. This is achieved by reports to Scrutiny Committees and the outcomes of cross party working groups.
- 3.11 The Council has a Standards Committee to promote and maintain high ethical standards of conduct for elected and co-opted Members. A key role of the Committee is to help elected and co-opted Members to observe the Members' Code of Conduct and to monitor the effectiveness of the Members' Code of Conduct. The Standards Committee also deals with formal complaints against Members.
- 3.12 The Council operates a development and training programme for Members to help support them in their strategic roles.
- 3.13 A local authority has a duty to ensure that it is fulfilling its responsibility for adequate and effective risk management, control and governance. To this end, the Council has in place an Audit Committee. The Audit Committee has a key role in overseeing and assessing the risk management, control, and corporate governance arrangements and advising the governing body on the adequacy and effectiveness

of these arrangements.

- 3.14 The Council's major policy objectives and priorities are detailed in the Corporate Plan and Annual Report. The plan articulates the authority's vision, is subject to regular progress review, and is approved by the Corporate Management Team, Cabinet, and Council.
- 3.15 The Corporate Plan and Annual Report is underpinned by detailed service plans which are monitored monthly by Departmental Management Teams. In addition, a monthly performance report outlines key performance indicators that underpin the Council's corporate priorities and corporate priority actions. This is monitored by the Corporate Management Team, Cabinet, and each Scrutiny Committee.
- 3.16 Financial monitoring reports are produced on a monthly basis and form part of the Council's Monthly Performance Report. Reports detail explanations of variance from budget and identify a projected outturn for the year and are considered by Cabinet and the Scrutiny Committees. A three year Medium Term Financial Strategy is refreshed annually and is driven by the priorities agreed by the Council and outlined in the Corporate Plan and Annual Report. The Council runs an annual budget process, which is subject to scrutiny by Scrutiny Committees, prior to decision by full Council, enabling costed, balanced, budgets, (which have been consistently within government 'capping' thresholds.
- 3.17 The Corporate Risk Register is formally reviewed each quarter by the Corporate Management Team, and the Audit Committee half yearly. Departmental risk registers are reviewed regularly by Departmental Management Teams.
- 3.18 The Council engages with its communities and its arrangements are formulated within a consultation and engagement framework. Consultation and engagement activity and the results of this activity are integrated into service planning and delivery and recorded and co-ordinated on the Council's consultation portal.
- 3.19 The Council has a Health and Safety Policy, with an accompanying action plan that is reviewed each year and overseen by the Strategic Health and Safety Group, chaired by a Deputy Chief Executive Officer, which has assisted the Council in reaching Level 5 out of 5 on the RoSPA (Royal Society for the Prevention of Accidents) assessment.
- 3.20 A complaints procedure and a whistle-blowing policy are maintained and kept under review to enable issues to be raised by public, staff, Councillors and co-opted Members, when they feel appropriate standards have not been met. A report analysing complaints, comments and complements is submitted to Cabinet and Council annually.

4. Role of the Chief Financial Officer

- 4.1 The Chief Financial Officer (CFO) occupies a key position in managing the Councils' finances and ensuring that resources are used wisely to secure positive results. In order to support the post holder in the fulfilment of their duties, and ensure that the Council has access to effective financial advice, in 2010 the Chartered Institute of Public Finance Accountants (CPIFA) issued a Statement on the Role of the Chief

Financial Officer in Local Government. The statement:

- Sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role and
- Includes five key principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them.

These principles are:

- The CFO in a local authority is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the authority's overall financial strategy;
- The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively;
- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose; and
- The CFO in a local authority must be professionally qualified and suitably experienced.

4.2 The Council has the necessary arrangements and procedures in place which ensure that these principles are complied with. This is through a combination of direct compliance by the CFO and, where not directly complied with, ensuring there are alternative procedures in place to make sure that the necessary outcomes and objectives are still achieved and suitable controls are in place. For example, this may include deputising arrangements and delegated authority for financial management in the clearance of relevant Member reports.

5. Review of effectiveness

5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by: the work of Directors and Deputy Chief Executives within the Council (who have responsibility for the development and maintenance of the governance environment); the Head of Internal Audit's annual report; by comments made by external auditors and other review agencies and inspectorates and by a governance self-assessment reviewed by the Good Governance Group.

5.2 **Change of Administration:** The May 2016 Council elections resulted in a transfer of power from a four way joint administration of Independent, Labour, Southend Independence Group and Liberal Democrats to a minority Conservative administration. While this was the third new administration in as many years the transfer of power, as in previous years, was achieved with minimal disruption to day to day workings of the Council and with a maintenance of momentum on key

improvement projects and areas of work.

- 5.3 **Changes to Senior Management structures:** The Council undertook the most significant changes to its senior management structures and departmental arrangements since 2006. The changes, introduced from October 2016, aimed to consolidate and align public health functions within the wider Council structure and to position the Council's senior management arrangements to address future budget and social challenges, Council priorities, and to assist in the planning for recruitment, retention and succession planning. These issues had been highlighted as part of the LGA Corporate Peer Review, in October 2015, which while very complimentary about the leadership of the organisation raised some issues for consideration.
- 5.4 The revisions to the senior management structure put in place a more streamlined and strategic form, comprising three departments – those of the Chief Executive, People and Place – with a re-designation of Corporate Directors as 'Deputy Chief Executives', and Heads of Service as 'Directors'.
- 5.5 The Department for the Chief Executive comprises existing divisions of Legal & Democratic Services and Finance & Resources along with a new division for Transformation (the latter incorporating customer service functions and organisational development and human resources).
- 5.6 The Department for People retained its divisions for Learning, Adults & Housing, Corporate Procurement and Children and incorporated the public health function to promote wider integration, particularly aligning with children's and adult services, housing, other health activity and commissioning, getting greater efficiency and synergy with other like activity and leadership support.
- 5.7 The current division responsible with the CCG for joint commissioning consolidated responsibility for commissioning of services for public health alongside other commissioning activity.
- 5.8 The Department for Place retained the divisions for Planning & Transport and Environmental Protection and reconfigured divisions for Culture, Tourism & Property. However, the Council also agreed that the existing ICT support and development for the organisation, in Corporate Services, be relocated to the Department for Place to form a new division focused specifically on digital futures for the borough along with organisational ICT support and development.
- 5.9 The revisions of the leadership structure are also built on, and designed to support, other activity such as the creation of an education board, devolution proposals, sub-regional activity (eg the LEP, South Essex Growth Partnership and the Thames Estuary Commission – for which a new Director of Regeneration & Business Development is responsible), health and social care integration, investment and commissioning for digital infrastructure.
- 5.10 The organisation also agreed the need to move to a structure which will allow directors to delegate to and utilise a wider range of leaders for strategic matters whilst also giving a number of 'middle managers' greater breadth of responsibility to develop leadership capacity in this area.

- 5.11 In addition to these structural amendments, the Council also saw the most significant changes to senior personnel for a decade, with the Chief Executive and Heads of Service for Public Protection, Culture and Health Development leaving. Recruitment to the Chief Executive post was undertaken successfully, as were arrangements to fill the other senior positions.
- 5.12 The Council's Senior Leadership Team won the Municipal Journal's (MJ) 2016 Senior Leadership Team award. The judges stated that the team was delivering *'breathtaking changes to their landscape and to the community', and that they evidenced 'a real passion for ensuring their work was connected and relevant and the culture was embodied throughout the organisation..'*
- 5.13 **Ofsted Inspection – Children's Services:** An Ofsted Inspection of services for children in need of help and protection, children looked after and care leavers and a review of the Local Safeguarding Children's Board (LSCB) was undertaken in April-May 2016. The inspection was based on the Ofsted single inspection framework which covers all service areas from Early Help, First Contact (referrals), Children in Need, Children subject to Child Protection Plans, Looked after Children and Care Leavers, Fostering and Adoption services.
- 5.14 The Ofsted report set out the key judgements on the Council's Children's Services as: "Overall, Children's services in Southend-on-Sea require improvement to be good". Individual judgements were:
- Children who need help and protection - Requires improvement (nationally 56% rated as requires improvement)
 - Children looked after & achieving permanence - Requires improvement (nationally 56% rated as requires improvement)
 - Adoption performance – Good (nationally 47% rated as good)
 - Experiences and progress of care leavers – Good (nationally 33% rated as good)
 - Leadership, management and governance - Requires improvement (nationally 48% rated as requires improvement)
- 5.15 The Local Safeguarding Children's Board (LSCB) was also reviewed during the inspection and deemed to 'require improvement'.
- 5.16 The Council has put in place a detailed Improvement Plan, overseen by an Improvement Board consisting of senior Members, officers, an experienced senior manager independent of the Council, the chair of the LSCB and key partners to ensure robust delivery. In addition, a scrutiny panel reporting to the Peoples Scrutiny Committee, to provide challenge and oversee the progress of the plan, has been established and progress on the Improvement Plan is reviewed as part of the Corporate Risk Register.
- 5.17 The **Good Governance Group** of senior managers continued to meet quarterly to review the Council's governance arrangements to assess whether they are fit for purpose and comply with good practice requirements and ensure that sufficient assurance is available to support the production of the Annual Governance Statement.

5.18 The group oversaw the Delivery of **Ethical Governance** training ('Do the right thing!') for all managers, highlighting good governance practice, the launch of the new Employee Code of Conduct, plus a 'How it Works – A Guide for Managers' and 'A Guide to Southend Borough Council'.

5.19 The Council further progressed its culture change programme, **The Southend Way**, which is focussed on three areas of:

- Engaging Leadership
- Focused Performance
- Resilience and Growth

5.20 In March 2017 the Council was re-accredited for three years as a Gold standard Investors in People employer following an assessment of how well the Council manages its staff. Feedback was very positive in relation to many areas including: development of staff and leaders; levels of staff engagement; significant investment in cultural, leadership and management programmes; the thread between corporate, service, team plans and personal objectives; a developing entrepreneurial spirit and culture of 'continuous improvement' among many others. Areas for further development were also identified.

5.21 The Council established **Southend Care Ltd** as a Local Authority Trading Company (LATC) comprising adult social care services, which was ready to start trading from 1 April 2017, to manage Delaware House Priory House adult care homes and Viking Day Centre with further services to be transferred to the LATC during 2017-18.

The Company will have a turnover of £7.6 million with over 300 staff (about 180 full time equivalent) transferring employment from the Council. The Company will be managed by a Board of Directors (which has been appointed, as has the senior management team) and which will be responsible to the Council, with the majority of support services provided by the Council via Service Level Agreements.

5.22 The **Health and Wellbeing Board (HWB)** has continued to build on its response to recommendations from a Local Government Association (LGA) 'follow up' Peer Review in July 2015. In particular:

- Southend's HWB Chair now joins the Thurrock and Essex HWB Chairs in regularly meeting with the Independent Chair of the Sustainability and Transformation Plan (STP) to enable input into the STP programme which is developing proposals for the reconfiguration of hospitals in South Essex.
- The Council's officer Health Transformation Board (HTB) has reviewed its membership to reflect a broader organisational approach towards approaching operational health and care related issues.
- Quarterly Strategic Safeguarding and Community Safety meetings bring together the Chairs of the Community Safety Partnership, Safeguarding Boards and Health and Wellbeing Board, along with related colleagues and partners from the Police, Social Care and Health. The group promotes communication between the strands and ensures a co-ordinated approach to addressing complex issues. A revised structure has been agreed which reflects strategic ownership for the numerous high level issues covered by the three strands.

- 5.23 The Health and Wellbeing Board (HWB) continues to oversee the development of the early years 'A Better Start Southend' which underwent a re-design of its operating arrangements, saw a new Partnership Board put in place and a fresh approach to co-production. An interim programme management team, tasked with reviewing the work programme, has now successfully completed its work to place the programme on a secure footing. In addition, the Council took formal responsibility, with the Pre-School Learning Alliance, for the strategy development of ABSS, following a request from The Big Lottery, who fund the programme.
- 5.24 **Procurement** – The Council has adopted a collaborative approach to procurement, with the Procurement Team leading and supporting the organisation through a rapid period of change aimed at improving contract management and delivering greater savings and improving the commissioning of services generally.
- 5.25 The Council has moved from an operational function influencing 30% (four?) years ago of spend to one that influences 85%. In the process it has supported the redesign of controls and systems, improved the quality of contract management and improved the skills of staff. The annual procurement plan (including 115 Procurements) delivered savings of £1.58m (annualised) and £1.15m one-off savings in 2016/17.
- 5.26 Some of the significant changes are:
- Updated Financial Regulations and Contract Procedure Rules were aligned and updated in the constitution
 - The Procurement Strategy and Toolkit were updated (up to 2019)
 - All tenders over £75k are tendered through an e-procurement system
 - All contracts (and associated documents) of a value of £75,000 and above are recorded on an electronic procurement register
 - All ICT contracts and associated contract documents are recorded on the e-procurement register regardless of value
 - Monitor and challenge compliance, routes of non-compliance have been closed, all exceptions to standard P2P (Procure to Pay Processes) have to gain approval (ie Payment without Purchase Order and Tender Exemption);
 - Identified and addressed Contract Opportunities including non-performance, improving outcomes, eg the new print contract; parking; cleaning and security and
 - Enhanced capacity by developing contract management principles; identifying critical contracts and opportunities and targeting procurement resource.
 - Adopted our own contract management training - tailored specifically for contract managers to negotiate and understand all the elements of managing good contracts
- 5.27 The significant changes delivered have been recognised nationally with the Procurement Team winning the National Go Procurement Team of the Year award 2017/18.

5.28 Queensway – Internal Audit have worked with the Project Board during the year and have identified a number of issues, which are being addressed to ensure robust arrangements are in place, as the project moves from concept to delivery stage. As part of this process formal management responsibility moved to the Director of Regeneration and Business Development. Management arrangements for the **Airport Business Park Project** (overseeing a large investment programme, including £20m from the Local Growth Fund) were reviewed and found to be sound, with a ‘well defined’ governance structure and a project plan in place.

5.29 While devolution proposals for Essex stalled following a decision of Essex local authorities, the Council continued to pursue its agenda for economic growth through the Local Enterprise Partnership (LEP) and Opportunity South Essex (the federated board of the LEP) in particular. It continued to explore potential partnership opportunities with other Councils in south Essex.

5.30 Success Regime The Council continued to play an active part in the Essex Success Regime, one of three such areas the country identified as having systemic pressures in the field of health and social care. Proposals under the Success Regime were developed and the Council has had significant engagement on these through the Health and Wellbeing Board, Scrutiny Committee and through the Success Regime Project Board (at which senior officers are present). Final options are being developed, and it is likely that formal consultation on these will start in September 2017, presenting both potential opportunities and risks.

5.31 Four issues were subject to pre-Cabinet scrutiny through reports being considered by a **Scrutiny Committee** during 2016/17, with other issues (such as future provision of secondary school places) considered through working parties. All budget items were referred directly to the three scrutiny committees. There were 11 ‘call-ins’ from Cabinet to the Policy & Resources, 15 to the People and 17 to the Place scrutiny committees – a reduction of 16 compared to 2015/16. Two ‘in-depth’ scrutiny reviews were undertaken: *‘Alternative provision – off site education provision for children and young people’* and joint project by Place & People Scrutiny Cttee on *‘To investigate the case for additional enforcement resources for Southend’*.

5.32 The **member development programme** for 2015/16 was continued for 2016/17, with an extensive induction programme for new members. The member induction included: sessions on service areas, getting the most from ICT, a bus tour of the borough and one to one briefings on Member Code of Conduct with the Monitoring Officer. Information packs with key sources of information were also made available, along with a dvd outlining the role of a councillor, and key information available via the Council’s e-learning portal (SPARK).

In total, 31 member training sessions were held during the year on a range of subjects, which included achievement data, commercial property market, merger of mental health bodies, airport business park.

5.33 Cabinet agreed a revised an updated **Information Management Strategy** in June 2016. The strategy agreed a series of principles and actions promoting better, more creative, use of information, encouraging appropriate sharing and transparency while ensuring data security and compliance. It also highlighted the impending

General Data Protection Regulation, for which the Council began preparations.

- 5.34 The Council's approach to information management is reviewed each year in respect of completing the Health and Social Care Information Centre **Information Governance toolkit**, enabling organisational assessment against Department of Health information governance policies and standards. The Council again achieved level 3 (the highest possible) in 24/28 (compared to 17/28 in 15/16) requirements and level 2 in the remaining four) against the required standards. The Information Commissioner's Office continues to use the Council as a reference authority in relation to its work in processing Subject Access Requests.
- 5.35 The Council established an **Education Board** (replacing the previous Schools Forum) with a view to enabling the council to play a role in future school improvements and improve engagement between the council, its schools and academies. With representation across all sectors, it draws together education professionals to act as a strategic vehicle on education matters and will embed school to school support (alongside residual LA statutory functions) in Southend. The Council was a finalist for the 2017 MJ Awards Excellence in Governance and Scrutiny category in relation to the establishment of the Board.
- 5.36 Officers have dealt with all outstanding recommended actions contained in the Internal Audit report of the **Council's payroll system** in 2015, including those that were amended with the agreement of Internal Audit, due to functionality limitations of the payroll system.
- 5.37 Following the review of the Council's corporate **risk management arrangements**, in 2015 (and subsequent updated corporate policy and toolkit) Internal Audit reviewed the Council's corporate, service plan and project risk process - resulting in a number of recommendations, which are being taken forward in 2017/18.
- 5.38 Regular reviews of Internal Audit review recommendations are undertaken by the relevant Directors and Departmental Management Teams.
- 5.39 Progress on actions to enhance governance arrangements arising from the 2015/16 Annual Governance Statement were reported to Audit Committee during the 2016/17 financial year, with relevant outcomes against the action.
- 5.40 The Council worked with research partner, OPM, to deliver a community engagement programme of work – 'Our Town, Our Future', which is linked to related internal transformation and community development initiatives. A range of workshops were delivered to identify areas of potential co-production with residents and inform a revised local vision for the borough. These included sessions with parents, older people, voluntary and community sector organisations, Southend Youth Council and council senior managers and staff.

6. Internal Audit

- 6.1 The annual risk based Audit Plan was prepared in consultation with Directors, Deputy Chief Executives and the Chief Executive. It was approved (but not directed) by the Audit Committee. Terms of Reference and reports are discussed with relevant Directors, Deputy Chief Executives or the Chief Executive before being

finalised. The recommended actions required to mitigate risks audited are summarised in an action plan.

Internal Audit revisits action plans where the original report's opinion was either Partial or Minimal. These actions are retested and the results of this work is reported to the Corporate Management Team and Audit Committee as part of the Quarterly Performance Report.

6.2 Head of Internal Audit Opinion for the year ended 31 March 2017

6.2.1 The Head of Internal Audit Annual Report and opinion for 2016/17 was considered by the Corporate Management Team and the Audit Committee in June 2016. This stated that:

'As discussed with senior management, it would be timely to undertake a review of the Council's governance and assurance framework to ensure it remains fit for purpose and supports the delivery of service objectives across the Council.

This is particularly the case for the organisational processes that enable any business to be managed effectively. The work completed to develop the understanding of risk management, and planned to fully integrate this into the governance framework, should help with this significantly.

This, in conjunction with the planned training on "How it Works, A guide for managers to help the Council run effectively", will help those managers or team leaders who do not:

- ***fully understand the objectives of and risks relating to the services they are delivering***
- ***obtain appropriate evidence that these processes are designed and / or being applied properly by their staff, consistently throughout the year.***

Particular consideration needs to be given to ensuring clarity around roles and responsibilities where processes or activities cross team, service, departmental or organisational boundaries. Without clear accountabilities, processes may not operate as efficiently and effectively as possible.

Further work is required in order to ensure that performance management processes designed to monitor that actions arising from audits are implemented properly and in a timely manner, are effective.

Internal Audit continues to work proactively with services to help ensure that action plans arising from children's, adults or domestic homicide case reviews or inspections are SMART¹ and address the cause of the issue not the symptom. Developing a more corporate approach to training staff in these skills and / or ensuring such support is consistently available in such circumstances would be beneficial.

Otherwise the design and operation of the Council's risk management, control and governance framework continues to be satisfactory.

¹ Specific, Measureable, Attainable, Relevant, Timely

6.2.2 Compliance with Professional Standards, Head of Internal Audit Opinion

The in-house service has substantially conformed to the relevant professional standards throughout the year.

I have obtained assurance from external suppliers regarding their conformance with relevant professional standards, but have not independently confirmed this with regards to audit work completed at the Council'.

- 6.3 *The only area where the Council has chosen not to implement the Standards relates to the appointment and removal of the Head of Internal Audit, as the Council's normal human resources practices would already mitigate this perceived potential risk.*
- 6.4 External audit has confirmed it can rely on Internal Audit's work where it was relevant to its audit of the Council's Statement of Accounts

7. Issues for the Annual Governance Statement

- 7.1 No issues have come to my attention this year, other than those already disclosed, that I believe need including in the Council's Annual Governance Statement'.

8. External Inspections

- 8.1 Assurance over the control environment is also obtained from external inspections and assessments of service areas. External assessments for 2016/17 included:
- Ofsted inspection of Childrens Services – 'requires improvement' (para 5.4)
 - 10 Ofsted primary school inspections (1 outstanding, 7 'good', 1 requires improvement, 1 'Inadequate').
 - 1 Ofsted secondary school inspection ('good').
 - CQC - School Nursing Service (no rating provided).
- 8.2 These along with other external assessments, provide further independent assurance of governance arrangements and the quality of service provision. The Council is also regularly recognised through industry awards such as:
- The Council's Senior Leadership Team won the Municipal Journal's (MJ) 2016 Senior Leadership Team award.
 - The Council's procurement team won Procurement Team of the Year at the National Government Opportunities (GO) Excellence in Public Procurement Awards.
 - Winner of three excellence awards Public Service People Managers Association (PPMA), 2017: Sustainable transformation; transforming the working environment and PPMA President's Award for special contribution to the Director of Transformation.

- 'Training Journal Awards Winner 2016' for the Council's Organisational Development Programme and runner up for Coaching Programme.
- The Council was a finalist in the MJ Awards (2017) Excellence in Governance and Scrutiny category (in relation to the establishment of the Education Board).
- The National CCTV User Group awarded Southend's CCTV two awards, for 'management and innovation' and best 'CCTV team'.

9. Conclusion

9.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

9.2 Actions to be specifically addressed are outlined below.

Annex 1

Further actions to strengthen the Council's governance arrangements for 2017/18

No	Area	Action	Date of Implementation	Responsible Officer
1.	Further embedding risk management	Develop further and align work on risk across the Council so that the approach to risk management is better embedded across the organisation, supports the governance framework and the transformation agenda and is better integrated into decision making.	March 2018	Chief Executive
2.	Information Management, including General Data Protection Regulation (GDPR), data sharing, data quality, information Security	Ensure the Council's information management arrangements are developed so they are compliant with the General Data Protection Regulation, promote information and data sharing, ensure the quality of data used is sound and the Council has robust arrangements in relation to cyber security	March 2018	Director of Transformation
3.	Business Continuity Planning	To undertake actions in the BCP project plan, including recommendations and management actions arising from the Internal Audit review of the Council's BCP arrangements.	March 2018	Director of Transformation

No	Area	Action	Date of Implementation	Responsible Officer
4.	Governance and assurance framework	Undertake a review of the Council's governance and assurance framework to ensure it remains fit for purpose and supports the delivery of service objectives across the Council'	March 2018	Corporate Management Team

.....

Significant Governance Issues

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

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ALISON GRIFFIN
CHIEF EXECUTIVE
 DATE:

COUNCILLOR LAMB
LEADER OF THE COUNCIL
 DATE:

Annex 2

SBC Corporate Governance Actions – 2016/17 – Progress

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No.	Governance Issue	Action 2016/17	Responsible Officer	Comment on Progress
1.	Payroll system	To implement all outstanding audit recommendations relating to the Payroll system	Joanna Ruffle - Director of Transformation	All outstanding recommendations have now been implemented. Some of the actions have been amended, with the agreement of Internal Audit, due to functionality limitations of the payroll system. Where this is the case alternative audit controls/assurances have been developed, implemented and agreed with internal audit. Payroll is due/has been audited at the end of May 2017 to provide further assurance.
2.	Combined authority and joint working	To play an active part in on-going discussions with neighbouring local authorities on joint working (including devolution deals) which will promote the Council's economic growth agenda and other interests, challenging options for a directly elected mayor, developing the South Essex growth agenda and contributing to the	Chief Executive and Town Clerk	In May 2016 the 15 councils in Essex voted against pursuing a devolution bid which involved a directly elected mayor. Southend Council voted against. All 15 Councils voted to continue to pursue devolution opportunities. South Essex Chief Executives and Leaders have regular discussions to

No.	Governance Issue	Action 2016/17	Responsible Officer	Comment on Progress
		Thames Estuary Commission.		enhance joined up working and focus on issues of common interest.
3.	Ofsted Inspection of Children's Services	To implement any recommendations arising from the Ofsted Inspection of Children's Services in April-May 2016.	Simon Leftley - Deputy Chief Executive	<p>The Council has put in place a detailed Improvement Plan, overseen by an Improvement Board of senior Members, officers, an experienced senior manager independent of the Council, the chair of the LSCB and key partners to ensure robust delivery. In addition, a scrutiny panel reporting to the Peoples Scrutiny Committee, to provide challenge and oversee the progress of the plan, has been established and progress on the Improvement Plan is reviewed as part of the Corporate Risk Register.</p> <p>Good progress is being made against the Improvement Plan milestones, although further work is required to ensure the Council is in a position to secure a 'good' rating from Ofsted.</p>

GOVERNANCE PROCESS / SERVICE AREA	Consultation & Engagement	Business Planning and Strategy	Financial Reporting inc. Budgetary Management	Asset Management	Risk Management	Business Continuity	Performance Managing Service Delivery and People	Data Quality	Information Management Security	Value for Money	Procurement	Project Management	Complaints	Codes of Conduct	Workforce Management
A Culture, Tourism & Property Scott Dolling	High	High	High	High	Satisfactory	Satisfactory	High	Satisfactory	Satisfactory	High	High	Satisfactory	High	High	High
Economic Growth B Regeneration & Business Development Emma Cooney Performance & Business Support	High	Satisfactory	High	Satisfactory	High	Partially Met	High	Satisfactory	High	High	High	Satisfactory	High	High	High
	High	High	Satisfactory	High	High	Satisfactory	High	Satisfactory	High	Satisfactory	High	High	Satisfactory	High	High
C Public Protection Carl Robinson	High	High	High	High	High	Satisfactory	High	High	Satisfactory	High	High	High	High	High	High
D Planning & Transport Peter Geraghty	High	High	High	High	High	High	High	High	High	High	High	High	High	High	High
E Digital Futures Nick Coogan	High	High	High	High	High	Partially Met	High	High	High	High	High	High	High	High	High
F Strategy & Commissioning Jacqui Lansley	High	High	High	N/A	High	High	High	High	High	High	High	High	High	High	High
H Learning Brin Martin	High	High	Partially Met	N/A	Satisfactory	Satisfactory	High	High	Satisfactory	High	Satisfactory	High	High	High	High
I Children's Services John O'Loughlin	High	High	Satisfactory	High	High	High	High	Satisfactory	High	High	High	High	High	High	High
J Adult Services & Housing Sharon Houlden	High	High	Satisfactory	High	High	High	High	Satisfactory	High	High	High	High	High	High	High
K Public Health Andrea Atherton	Satisfactory	High	High	Satisfactory	High	Satisfactory	High	High	High	High	High	Partially Met	High	High	Satisfactory
L Finance & Resources Joe Chesterton	Satisfactory	High	High	High	High	Satisfactory	High	Satisfactory	High	Satisfactory	High	High	High	Satisfactory	Satisfactory
M Transformation Joanna Ruffle	High	High	High	High	Satisfactory	Satisfactory	High	Satisfactory	High	Satisfactory	High	High	High	High	High
N Legal & Democratic John Williams	Satisfactory	High	High	Satisfactory	Satisfactory	Satisfactory	High	Satisfactory	High	Satisfactory	High	Satisfactory	High	High	Satisfactory

Assessment Criteria:

- **High**
There is clear evidence that the process is actively used as a management tool throughout the year. Eg. all key assurances from column C met

- **Satisfactory**
There is clear evidence that the process is actively used as a management tool for a significant part of the year. Eg. Half or more key assurances from column C met

- **Partially Met**
There isn't clear evidence that all elements of the process have been actively used as a management tool throughout the year. Eg. Less than half key assurances from column C met

- **Minimal**
There is limited evidence that the process is actively used as a management tool for a significant part of the year. Eg. None of the key assurances from column C met

... based on the assurance outlined in column C.

Report of the Chief Executive

to

Audit Committee

on

28th June 2017

Report prepared by: BDO External Auditor

BDO: Planning Letter 2017/18
Executive Councillor – Councillor Moring
A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present the External Audit Planning Letter for 2017/18 to the Audit Committee.

2. Recommendation

- 2.1 The Audit Committee agrees the Planning Letter for 2017/18.**

3. Background

- 3.1 As required by the National Audit Office's Code of Audit Practice 2015, the external auditor must produce an audit planning document. This should set out how the auditors intend to carry out their responsibilities in light of their assessment of risk.
- 3.2 The auditor is required to present a "letter" setting out the proposed 2017/18 audit fee. A more detailed Audit Plan will be issued in early spring 2018 which will include any accounts risks identified after completion of the 2016/17 audit.
- 3.3 A senior representative of BDO (the appointed External Auditor to the Council) will present this report and respond to Members questions.

4. Corporate Implications

- 4.1 Contribution to Council's Aims and Priorities
Audit work contributes to the delivery of all corporate Aims and Priorities.
- 4.2 Financial Implications

The fee scales and overall requirements of what needs to be undertaken by the external auditor are defined by Public Sector Audit Appointments Limited. The fees proposed reflect the application of these requirements to this Council based upon an assessment of risk from audits completed in prior years.

4.3 Legal Implications

The Council is required to have an external audit of its activities that complies with the requirements of the National Audit Office's Code of Audit Practice (the Code). By considering this report, the Audit Committee can satisfy itself that this requirement is being discharged.

4.4 People and Property Implications

None

4.5 Consultation

This planned audit work has been discussed and agreed with the Director of Finance and Resources.

4.6 Equalities Impact Assessment

None

4.7 Risk Assessment

Periodically considering whether the external auditor is delivering the agreed Annual Audit Plan helps mitigate the risk that the Council does not receive an external audit service that complies with the requirement of the National Audit Office's Code of Audit Practice.

4.8 Value for Money

Public Sector Audit Appointments Limited sets the fee formula for determining external audit fees for all external auditors, taking into account the results of the outsourcing of their audit practice and market testing the audit work that is now fully delivered by the private sector audit firms.

4.9 Community Safety Implications and Environmental Impact

None

5. Background Papers

None

6. Attachment: BDO's Planning Letter 2017/18



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SOUTHEND-ON-SEA BOROUGH COUNCIL

FEE LETTER 2017/18

24 April 2017

PROPOSED FEES

SCOPE OF THE AUDIT

We are required to report to you our proposed fees and programme of work for the 2017/18 financial year.

CODE AUDIT FEE

The Code audit fee is based on the work required under the Code of Audit Practice issued by the National Audit Office (NAO) and covers the audit of the financial statements and value for money conclusion.

Public Sector Audit Appointments Limited (PSAA) is responsible for setting the scale fees for local authorities and consulted on the proposed work programme and scale of fees in October 2016. The consultation closed in January 2017 and no changes have been made to the overall work programme or scale fees for 2017/18 compared to 2016/17. PSAA has the power to determine the fee above or below the scale fee where there has been a change that requires substantially more or less work than envisaged by the scale fee.

CERTIFICATION OF HOUSING BENEFITS SUBSIDY CLAIM

PSAA makes arrangements for certification of housing benefit subsidy claims. An indicative fee is set based on the latest actual certification fees available.

AUDIT RELATED SERVICES

Audit related services are those non-audit services that are largely carried out by members of the engagement team where the work involved is closely related to the work performed in the audit and the threats to auditor independence are clearly insignificant and, as a consequence, safeguards need not be applied. In recent years, a number of grants and returns were included in the certification scale fee that are no longer mandated for review by PSAA, but still require certification by the auditor. These are covered by separate engagement letters with the Council.

OTHER NON-AUDIT SERVICES

Other non-audit services are those services not closely related to the work performed in the audit that could be provided by a number of firms. Auditors are prevented from undertaking such work if it would present a threat to independence for which no adequate safeguards are available. Independence concerns may arise due to the nature of the work or from the value of fees derived.

FEES

AUDIT AREA	PROPOSED 2017/18 (£)	SCALE 2017/18 (£)	PROPOSED 2016/17 (£)
Code audit fee	142,816	142,816	142,816
Housing benefits subsidy claim	21,284 *	21,284 *	21,284
Total PSAA regime fees	164,100	164,100	164,100
Audit related services			
• Pooling of housing capital receipts return	7,913	N/A	7,193
• Teachers' pensions return	2,588	N/A	2,588
Other non-audit services			
None	-	N/A	-
TOTAL FEES	173,881	173,881	173,881

* PSAA has yet to publish the 2017/18 scale fee for the Housing Benefits subsidy claim, therefore the proposed 2016/17 has been used as an estimate.

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 Head of Finance and Resources. Where this requires a variation to the scale fee 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 Committee. At this stage nothing has come to our attention that would require us to seek approval to amend the scale fee for 2017/18.

BILLING ARRANGEMENTS

We will raise invoices for the Code audit fee on a quarterly basis, at £35,704 per quarter, from June 2017. Following our firm's standard terms of business, full payment will be due within 14 days of receipt of invoice. Fee invoices for other services will be raised as the work is completed.

AUDIT ARRANGEMENTS

PLANNED OUTPUTS

We plan to issue the following reports and opinions over the course of the 2017/18 audit:

REPORT	DATE
Progress reports to the Audit Committee	Each meeting
Audit plan	March 2018
Report on any significant deficiencies in internal controls	April 2018
Audit completion report	July 2018
Independent auditor's report including: <ul style="list-style-type: none"> Opinion on the financial statements Use of resources conclusion Certificate of audit closure 	July 2018
Whole of Government Accounts assurance statement and report to the NAO	August 2018
Annual audit letter	September 2018
Grant claims and returns certification report	December 2018

CLIENT SATISFACTION

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Lisa Clampin in the first instance. Alternatively, you may wish to contact our Managing Partner, Paul Eagland. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ('ICAEW'). In addition, the PSAA complaints handling procedure is detailed on their website <http://www.psaa.co.uk/about-us/contact-us/complaints/>.

AUDIT TEAM

The key members of the audit team will be:

ENGAGEMENT LEAD: LISA CLAMPIN

Email: lisa.clampin@bdo.co.uk

Tel: 01473 320716

Lisa will be responsible for the overall delivery of the audit including the quality of outputs and liaison with senior management.

PROJECT MANAGER: ANDREW BARNES

Email: andrew.barnes@bdo.co.uk

Tel: 01473 320745

Andrew will manage and co-ordinate each aspect of the audit and will be the key contact with the finance team.

SENIOR: MATTHEW WELLER

Email: matthew.weller@bdo.co.uk

Tel: 01473 320804

Matthew will lead the delivery of the financial statements audit.

AUDIT APPOINTMENTS FOR 2018/19 AND BEYOND

Our current contract negotiated by the Audit Commission in April 2014 will end after the 2017/18 audit.

PSAA has been specified as an appointing person under the provisions of the Local Audit and Accountability Act 2014 and regulation 3 of the Local Audit (Appointing Person) Regulations 2015. For external audits from 2018/19, PSAA will appoint an auditor to relevant principal local government authorities that have opted into its national scheme.

Those authorities that have not opted into this national scheme are required to make local appointments for external audit services for 2018/19 and beyond, in accordance with the Local Audit and Accountability Act 2014.

Audit appointments for 2018/19 must be made by 31 December 2017.

We understand that the Council has opted in to the PSAA national scheme.

FOR MORE INFORMATION:

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ENGAGEMENT LEAD**

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**ANDREW BARNES
AUDIT MANAGER**

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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CPBC: Fighting Fraud & Corruption Strategy Assessment

	Good Practice Elements	Self Assessment		Actions Required	Action Date	Lead
1	<p>The Council has:</p> <ul style="list-style-type: none"> made a proper assessment of its fraud and corruption risks an action plan to deal with them and regularly reports to its senior Board and its members. 	<p>Internal Audit identifies and assesses fraud and corruption risks as part of its audit planning process. These are recorded on the audit risk assessment discussed with management annually and shown on the Audit Plan where relevant.</p> <p>The Counter Fraud & Investigation Directorate (CF&ID) is planning to complete a risk assessment exercise for all Council services (including the Council) to underpin the next three year strategy for the service.</p>	PM	<p>Produce a schedule of who needs to be interviewed.</p> <p>Book meetings with the relevant staff.</p>	May 2017	Group Manager, Counter Fraud & Investigation (GMCF&I)
			Produce a format for the workshops so approach adopted is consistent across all clients.	May 2017		
			Complete interviews.	Jun 2017		
			<p>Produce a:</p> <ul style="list-style-type: none"> summary of the results for the Audit Committee an updated operational strategy for the next three years a refreshed annual plan for 2017/18. 	Jul 2017		
2	<p>The Council has:</p> <ul style="list-style-type: none"> undertaken an assessment against the risks in Protecting the Public Purse: Fighting Fraud Against Local Government (2014) also undertaken horizon scanning of future potential fraud and corruption risks. 	<p>This is the first assessment against the updated national Strategy.</p> <p>This is done through the professional networks and newsletters reviewed.</p>	M	<p>Report to the Audit Committee on:</p> <ul style="list-style-type: none"> progress made implementing the actions arising from this assessment the delivery of individual actions as they are delivered. 	<p>Meetings:</p> <ul style="list-style-type: none"> Dec 2017 Mar 2018 Jun 2018 	GMCF&I

CPBC: Fighting Fraud & Corruption Strategy Assessment

	Good Practice Elements	Self Assessment		Actions Required	Action Date	Lead
3	There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2016 and this checklist.	<p>This first assessment has been included in the Internal Audit Quarterly Performance Report.</p> <p>The CF&ID produce an annual report of the work completed during the year.</p>	PM	Going forward, the CF&ID will include this assessment in its annual report.	May 2018	GMCF&I
230	There is a counter fraud and corruption strategy applying to all aspects of the Council's business which has been communicated throughout the Council and acknowledged by those charged with governance.	<p>There is a corporate Anti Fraud & Corruption Policy and Strategy that was last approved by the Board and the AC in 25th May 2011.</p> <p>The Council also has an operational strategy which applies equally to the Council.</p> <p>There has been a work programme each year since the arrangement with the CF&ID started.</p>	PM			
				Present a Strategy which covers the Council's risks to the Audit Committee.	July 2017	GMCF&I
5	The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	<p>The Council has overarching behaviours which are consistently applied across the organisation and in its approach with dealing with customers.</p> <p>The behaviours are integrated into the performance and development framework and reviewed annually to ensure they are fit for purpose.</p>	M	None	N/A	N/A

CPBC: Fighting Fraud & Corruption Strategy Assessment

	Good Practice Elements	Self Assessment		Actions Required	Action Date	Lead
6	The risks of fraud and corruption are specifically considered in the Council's overall risk management process.	The risk management framework requires that fraud is a risk that should be considered at every level where a risk register is produced.	M	None	N/A	N/A
7	Counter fraud staff are consulted to fraud proof new policies, strategies and initiatives across departments and this is reported upon to committee.	It has not been the practice to date, for the CF&ID to do this for any of its clients.	NM	This would be very time consuming. Therefore, no action is proposed at this time.	N/A	N/A
8	The Council has put in place:					
	<ul style="list-style-type: none"> arrangements to prevent and detect fraud and corruption 	See item 4 above	PM	See item 4 above	July 2017	GMCF&I
	<ul style="list-style-type: none"> a mechanism for ensuring that: <ul style="list-style-type: none"> this is effective 	See item 4 above CF&ID has identified allegations which have not been referred. These have been rectified and the message has been reaffirmed.	M	None	N/A	N/A
	<ul style="list-style-type: none"> is reported to committee. 	Reports on CF&I activity are produced for the Executive Management Team and Audit Committee periodically.	M	None	N/A	N/A

CPBC: Fighting Fraud & Corruption Strategy Assessment

	Good Practice Elements	Self Assessment		Actions Required	Action Date	Lead
232	9	The Council has put in place arrangements for monitoring compliance with standards of conduct across the Council covering:				
	<ul style="list-style-type: none"> codes of conduct including behaviour for counter fraud, anti-bribery and corruption 	The Council has a Code of Conduct in place.	M	The Council is reviewing its Code of Conduct which will include reference to its behaviours.	September 2017	Group Manager Resources and Business Development (GMR&BD)
	<ul style="list-style-type: none"> register of interests 	The Council has a register of interest which is updated annually from declarations of interest from each staff member including nil returns.	M	None	N/A	N/A
	<ul style="list-style-type: none"> register of gifts and hospitality. 	The Council has a register of gifts and hospitality that is kept on the G drive and accessible to all staff members.	M	Remind staff of the location and requirements for registration of gifts etc. using the weekly staff bulletin.	May 2017	GMR&BD
	10	The Council undertakes:				
	<ul style="list-style-type: none"> recruitment vetting of staff prior to employment by risk assessing posts 	The Council has risk assessed it establishment and would do this for any new posts created.	M	None	N/A	N/A

CPBC: Fighting Fraud & Corruption Strategy Assessment

	Good Practice Elements	Self Assessment		Actions Required	Action Date	Lead
	<ul style="list-style-type: none"> the checks recommended in <i>FFCL 2016</i> to prevent potentially dishonest employees from being appointed. 	Fraud risk checks are undertaken before a new employee is appointed which cover, where relevant: <ul style="list-style-type: none"> criminal records via Disclosure and Barring Service whether the person has the right to work in the UK references professional qualifications identification. 	M	None	N/A	N/A
11 233	Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business.	The Financial Regulations include clarification around these disclosures, are updated annually and located on the Council intranet which is accessible for all staff.	M	None	N/A	N/A
12	This is checked by auditors and reported to committee.	Ethical Governance is an area that is periodically covered by Internal Audit as required by the UK Public Sector Internal Audit Standards. This area of activity is risk assessed annually along with all other activities of the Council.	M	Assess whether this needs to be revisited when producing the 2018/19 Audit Plan.	January 2018	Head of Internal Audit
13	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	Fraud training has been delivered to frontline staff by CF&ID, including document fraud, fraud indicators and routes to report suspicion of fraud. This will continue annually along with a programme of attendance by CF&ID staff, to team and management meetings.	M	None	N/A	N/A

CPBC: Fighting Fraud & Corruption Strategy Assessment

	Good Practice Elements	Self Assessment		Actions Required	Action Date	Lead
14	Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	<p>Standard practice is for successful prosecutions to be:</p> <ul style="list-style-type: none"> • sent to the communications team for distribution (including to the Echo) • reported back to the business area including outcome of court / sanctions • included in the Council weekly staff bulletin when appropriate. 	M	None	N/A	N/A
15	There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.	The Whistleblowing Policy was approved by AC May 2012 and complied with good practice guidance.	M	Confirm the Whistleblowing Policy is still fit for purpose and report this to the Audit Committee.	October 2017	Head of Internal Audit
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16	Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this.					
17	Fraud resources are assessed proportionately to the risk the Council faces and are adequately resourced.	The CF&ID has not yet assessed this for the Council or reported upon it.	NM	See item 4 above	July 2017	GMCF&I

CPBC: Fighting Fraud & Corruption Strategy Assessment

	Good Practice Elements	Self Assessment		Actions Required	Action Date	Lead
18	<p>There is an annual fraud plan which:</p> <ul style="list-style-type: none"> is agreed by committee reflects resources mapped to risks and arrangements for reporting outcomes. 	<p>There as a proactive work programme for 2016/17.</p> <p>The annual CF&ID annual plan is still to be produced for 2017/18.</p>	NM	<p>Produce an annual plan that covers the Council for 2017/18 that has SMART deliverables.</p> <p>Include named resources against each task and delivery dates.</p> <p>Report to this to the Audit Committee.</p>	July 2017	GMCF&I
19	This plan covers:					
235	<ul style="list-style-type: none"> all areas of the Council's business 	<p>See item 4 above.</p> <p>This needs to be linked to the audit risk assessment.</p>	PM	See item 4 above	July 2017	GMCF&I
	<ul style="list-style-type: none"> activities undertaken by contractors and third parties 		NM	See item 4 above	July 2017	GMCF&I
	<ul style="list-style-type: none"> voluntary sector activities 	The Council does not work with the voluntary sector.	N/A	N/A	N/A	N/A
20	Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	The CF&ID produce a case summary as an appendix, each time it reports to Executive Management Team and the Audit Committee.	M	None	N/A	N/A

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	Good Practice Elements	Self Assessment		Actions Required	Action Date	Lead
21	Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	<p>This is set out in the Service Level Agreement.</p> <p>This is also included in Financial Regulations and Scheme of Delegation which is reviewed annually.</p>	M	None	N/A	N/A
22	There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the Council's communication team.	See item 14 above.	M	None	N/A	N/A
23 236	All allegations of fraud and corruption are risk assessed.	<p>All allegations must be reported to CF&ID via advertised routes.</p> <p>These are received by the Intelligence Unit and assessed using recognised 'referral review' standards.</p> <p>Allegations of corruption and on-going and/or serious financial risk are prioritised and allocated to an investigator and intelligence lead immediately upon receipt.</p>	M	None	N/A	N/A

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	Good Practice Elements	Self Assessment		Actions Required	Action Date	Lead
26	Asset recovery and civil recovery is considered in all cases.	<p>CF&ID has a robust and experienced Financial Investigation Unit.</p> <p>It is responsible for early identification of assets and cash which could be used to recover monies lost to fraud.</p> <p>CF&ID officers have cash seizure powers and restraint authority which are utilised at the earliest opportunity during investigations to maximise recovery options.</p>	M	None	N/A	N/A
27 238	There is a zero tolerance approach to fraud and corruption which is always reported to committee.	<p>CF&ID produce and deliver reports of fraud, detections, sanctions and redress to audit committee on a quarterly basis. CF&ID complete a year end report each year.</p> <p>Allegations of fraud are assessed using agreed models where loss and risk are reviewed.</p> <p>All reports are reviewed and investigated inline with scoring matrix results and risk assessments.</p> <p>There is a culture of zero tolerance and staff are aware that reports of fraud will be taken seriously and offenders will be brought into the criminal justice arena.</p>	M	None	N/A	N/A
28	There is a programme of proactive counter fraud work which covers risks identified in assessment.	See items 4 and 24 above.	PM	See item 4 above.	July 2017	GMCF&I

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	Good Practice Elements	Self Assessment		Actions Required	Action Date	Lead
	<ul style="list-style-type: none"> between other enforcement agencies. 	<p>Data is shared with the Cabinet Office as part for its National Fraud Initiative. CF&ID share data using provisions of the Data Protection Act with other agencies and Law Enforcement Bodies.</p> <p>Intelligence and information sharing protocols are in place with police forces around the UK as well as other Law Enforcement Agencies.</p>	M	None	N/A	N/A
31 240	Prevention measures and projects are undertaken using data analytics where possible.	<p>CF&ID participate in the National Fraud Initiative and actively investigate high risk results.</p> <p>Other data analytical methods have not be explored at this time</p>	PM	See item 4 above.	July 2017	GMCF&I
32	The Council actively takes part in the NFI and promptly takes action arising from it.	Appropriate departments assess and investigate matches when the data is released.	M	Include an appendix in the CF&ID performance report showing progress made in dealing with the data matches once they are received for the 2016/17 exercise.	July 2017 Audit Committee	GMCF&I

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