

Public Document Pack
SOUTHEND-ON-SEA CITY COUNCIL

Audit Committee

Date: Wednesday, 23rd October, 2024

Time: 6.30 pm

Place: Committee Room 1 - Civic Suite

Contact: Rob Harris

Email: committeesection@southend.gov.uk

AGENDA

- 1 Apologies for Absence**
- 2 Declarations of Interest**
- 3 Minutes of the Meeting held on Wednesday, 17 July 2024 (Pages 3 - 6)**
- 4 Deloitte Verbal Update**
- 5 Deloitte: Auditors' Annual Report (Pages 7 - 46)**
Report of Executive Director (Finance and Resources)
- 6 Risk Management (Pages 47 - 84)**
Report of Executive Director (Finance and Resources)
- 7 Annual Report - Comments, Complaints and Compliments - 2023/24**
(Pages 85 - 100)
Report of Executive Director (Strategy and Change)
- 8 CIPFA's Financial Management Code: Council Self Assessment
Compliance Status Update (Pages 101 - 112)**
Report of Executive Director (Finance and Resources)
- 9 Counter Fraud Quarterly Report (Pages 113 - 128)**
Report of Executive Director (Finance and Resources)
- 10 Internal Audit: Quarterly performance report (Pages 129 - 164)**
Report of Executive Director (Finance and Resources)
- 11 Revised Internal Audit Standards Update (Pages 165 - 170)**
Report of Executive Director (Finance and Resources)

Chair & Members:

Cllr R McMullan (Chair), Cllr M O'Connor (Vice-Chair), Cllr Sam Allen, Cllr J Courtenay, Cllr M Davidson, Cllr S Habermel, Cllr S Nadeem, Cllr J Norman and Cllr M Terry

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SOUTHEND-ON-SEA CITY COUNCIL

Meeting of Audit Committee

Date: Wednesday, 17th July, 2024
Place: Committee Room 1 - Civic Suite

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Present: Councillor R McMullan (Chair)
Councillors M O'Connor (Vice-Chair), S Allen, S Nadeem,
K Robinson, M Terry and C Campbell

(*Substitute in accordance with Council Procedure Rule 30.)

In Attendance: Councillors P Collins and D Cowan
S Zeiss, C Shuter, A Barnes, R Harris, S Dutton and C Thomas

Start/End Time: 6.30 - 7.50 pm

1 Apologies for Absence

Apologies for absence were received from Councillors T Cox (substitute: Cllr C Campbell), M Davidson and S Habermel.

2 Declarations of Interest

There were no declarations of interest at this meeting.

3 Minutes of the Meeting held on Wednesday, 24 April 2024

Resolved:

That the Minutes of the Meeting held on Wednesday, 24 April 2024, be confirmed as a correct record.

4 Information Governance and SIRO Annual Report 2023/24

The Committee considered a report of the Executive Director (Strategy and Change) presenting a summary of the Council's key actions concerning information governance and information risk management during 2023/24.

The Committee asked questions which were responded to by officers. The Committee requested that the data/figures for Freedom of Information (FOI) and Subject Access Requests (SAR) was included in future reports.

Resolved:

1. That the Senior Information Risk Owner submitted report on Information Governance for 2023/24, be noted.

2. That the breach notified to the ICO in 2023, together with the actions taken in mitigation, as set out in the submitted report, be noted.

3. That it be noted that the Council has strengthened the structures in place to manage information lawfully as a result of the data breach.

5 Counter Fraud & Investigation Annual Performance Report 2023/24

The Committee considered a report of the Executive Director (Finance and Resources) presenting an update on the work of the Counter Fraud & Investigation Team (CFIT) in delivering the Counter Fraud Strategy and Work Programme for 2023/24 and updating on progress made by CFIT in delivering the Counter Fraud Strategy and Work Programme for 2024/25.

The Committee asked questions which were responded to by officers.

Resolved:

That the achievements of the Counter Fraud & Investigation Team during 2023/24 and the first quarter of 2024/25, be noted.

6 Head of Internal Audit Annual Report 2023/24

The Committee considered a report of the Executive Director (Finance and Resources) providing the following information for the 2023/24 financial year:

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

The Committee asked questions which were responded to by officers.

Resolved:

That the Head of Internal Audit's Annual Report for 2023/24, be accepted and confirmed that the opinion of the Head of Internal Audit can be relied upon as a key source of evidence to support the Annual Governance Statement.

7 Audit Committee Annual Report 2023/24

The Committee considered a report of the Executive Director (Finance and Resources) presenting the Audit Committee Annual Report 2023/24.

The Committee asked questions which were responded to by officers.

Resolved:

That the Annual Report for the Audit Committee for 2023/24, be approved and referred to the Council for information.

8 Annual Governance Statement 2023/24

The Committee considered a report of the Executive Director (Finance and Resources) presenting the Annual Governance Statement for 2023/24, together with actions planned for 2024/25 and an update on progress made with the 2023/24 action plan.

The Committee asked questions which were responded to by officers.

Resolved:

That the Annual Governance Statement for 2023/24, subject to any further views expressed by External Audit, be approved and be recommended to the Leader of the Council and Chief Executive for authorisation and signature, and incorporation in the Statement of Accounts 2023/24.

9 Updated Local Code of Governance

The Committee considered a report of the Executive Director (Strategy and Change) presenting the Council's updated Local Code of Governance.

The Committee asked questions which were responded to by officers.

Resolved:

1. That Cabinet be recommended to approve the revised Local Code of Governance, as set out in Appendix A and Appendix B to the submitted report.
2. That, following Cabinet approval, the Council's Constitution be updated to reflect the revised Local Code of Governance.

Chair: _____

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Title:	Deloitte: Auditor's Annual Report for 2022/23 to the Audit Committee
Meeting:	Audit Committee
Date:	23 October 2024
Classification:	Part 1
Key Decision:	No
Report Authors:	Deloitte External Auditor
Executive Councillor:	Not applicable

1. Executive Summary

- 1.1 To present the External Auditor's Annual Report for 2022/23 to the Audit Committee.

2. Recommendation

- 2.1 **The Committee approves the Auditor's Annual Report for 2022/23.**

3. Background

- 3.1 This Annual Report summarises the key issues arising from the work Deloitte have carried out during the year as the Council's auditors and highlights the key findings that should be considered by the Council. This includes the reporting on Deloitte's Value for Money work and commentary on the Council's arrangements.
- 3.2 It is intended to be a short document, aimed at key external stakeholders including members of the public, to inform them about the results of the audit. It will be posted onto the Council's website.
- 3.3 A senior representative of Deloitte (the appointed External Auditor to the Council) will present this report to the Audit Committee and respond to Members' questions.

4. Financial Implications

4.1 There are no direct financial implications arising from this report.

5. Legal Implications

5.1 The Council is required to have an external audit of its activities that complies with the requirements of the National Audit Offices (NAO)' Code of Audit Practice (the Code). The production and publication of an Auditor's Annual Report is also a requirement of the Code. By considering this report, the Committee can satisfy itself that this requirement is being discharged with no direct legal implications for the Council.

6. Carbon Impact

6.1. None

7. Equalities

7.1. None

8. Consultation

8.1. The Auditor's Annual Report for 2022/23 has been discussed and agreed with the Executive Director (Finance and Resources).

9. Background Papers

- The National Audit Office's Code of Audit Practice 2020
- Public Sector Appointments Limited scale fees for local government bodies 2022/23

10. Appendix:

Attachment: Deloitte's Auditor's Annual Report 2022/23

Deloitte.



Southend-on-Sea City Council

Auditor's Annual Report 2022/23

October 2024

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Key Messages

Audit opinion on the financial statements

We anticipate issuing a modified opinion on the Council's financial statements.

The Councils arrangements to secure Value for Money

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

The Council generated a deficit on the provision of services of £37.2m prior to adjustments (2021/22:£18.4m deficit). In common with other local authorities, cost increases were experienced across the board due to inflationary pressures. The overall net impact on the General Fund Revenue budget was an overspend of £6.8m, financed using earmarked reserves. Whilst reserves have been utilised in the last few years, the Authority recognises that continued reliance on reserves is not sustainable. At a national level, ongoing impacts from the covid pandemic, the war in Ukraine and the subsequent impact on inflation and prices rises have continued to impact the sector. Given these sector-wide challenges the Council delivered efficiency savings totalling £2.9m in 2022/23, representing 60% of the £4.8m target for the year. For 2023/24, the approved budget included £11.6m of savings and income generating initiatives.

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At the time of reporting, the Council continues to be challenged by significant financial pressures. There has continued to be regular monitoring of the financial position and arrangements are in place to routinely update the Medium-Term Financial Plan. The Medium-Term Financial Strategy for 2023/24 to 2027/28 provided a financial forecast with an estimated budget gap of £29.8m by 2027/28. This has since been revised with the most recent MTFS for 2024/25 – forecasting a total budget gap of £24.5m by 2027/28 and £32.9m by 2028/29.

The Council has recognised that to remain financially viable, urgent action needs to be taken to modernise its operating model and find new ways of meeting the needs of its community in a cost-effective manner. Work has been underway to map out this Transformation and determine the council's budget plans for 2024/25 and across the medium-term as recognised in the most recent MTFS 2024/25 to 2028/29. This work began in 2022/23 when the Council worked with external advisors to develop a transformation blueprint. The Council has since sought external advisory support to further progress and identify specific opportunities for cost reduction, savings and income generation.

The Councils ambitions will require detailed and robust plans, tight monitoring and control in addition to the engagement of Council staff to ensure clear political and operational ownership to address the recurrent financial challenge in the short, medium and long term.

We concluded that there were no significant weaknesses in the Council's arrangements.

Key Messages (continued)

The Councils arrangements to secure Value for Money

Governance

How the body ensures that it makes informed decisions and properly manages its risks

The Council has a Risk Management Policy Statement and Strategy document in place which outlines the arrangements for identifying, recording and monitoring corporate risks. The Council's Head of Internal Audit Opinion for 2022/23 provided satisfactory assurance for the design of the Council's risk management services but partial assurance for the operation of the governance framework further detail surrounding the opinion is provided on page 20.

The Council received an LGA Peer Challenge in October 2022, which provided nine key recommendations across a broad range of areas including ensuring there is an organisational commitment to behaviour change to support more effective councillor /officer working relationships and considering changing the election cycle.

Since the LGA Peer review, there have been a number of changes in relation to political and corporate leadership and the Council remains in 'No Overall Control'. We noted that this instability and the concerns noted regarding effectiveness of councillor/officer working relationships may have impacted on the timeliness of decision making, including, the decision to go out to tender for a new waste contract and agreeing on the service specification to enable a smooth transition on contract expiry.

An LGA Peer Challenge follow-up visit in December 2023 noted that there is recognition within the Council that there is still more work to do and a clear commitment to continue this work.

Our review has also identified the need to ensure governance arrangements are strengthened over the monitoring and holding to account in respect of the implementation of OFSTED action plans and internal audit and counter fraud recommendations.

Therefore, based on the procedures performed, we have concluded that for the period 2022-23, the arrangements in place surrounding leadership, governance and decision making indicated a significant weakness at the Authority. We note that the Council has acted to address many of these concerns during 2023/24 and there is a clear commitment to continue with this work (albeit recognising the limitations of the electoral cycle) going forward.

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Key Messages (continued)

The Councils arrangements to secure Value for Money

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

The Council assesses its performance through quarterly Performance and Finance Monitoring Reports which are reported to Cabinet. There is also a Quarterly Budget Monitoring process in place which ensures that both revenue and capital net spending is controlled and reported through a rolling forecast that goes through scrutiny and Cabinet process. The Cabinet committee is also the basis for challenging management as well as identifying emerging risks.

Performance Management is aligned with the Council's financial reporting and risk management, with key performance indicators aligned to each of the Corporate Priorities.

The Council makes use of LG Futures benchmarking data for insights and comparator information. In addition, combined with service engagement and understanding user and staff experience, the Council has utilised benchmarking as part of its current state assessment to identify opportunities for improvement, cost savings and transformation.

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The Better Queensway Project was being delivered as a joint venture between the Council and Swan Housing through a Limited Liability Partnership (LLP). Following the acquisition of Swan Housing, Sanctuary Housing took the decision to withdraw from the Project with the settlement agreement being concluded in November 2023 and the Council becoming sole owner of the LLP. ***Whilst there have been a number of developments in respect of the Better Queensway Project, there remains continued uncertainty regarding the planned delivery route for all phases of the project to be determined. The Council will need to continue to carefully consider the options available in respect of the Better Queensway Scheme as it seeks a way forward whilst ensuring that value for money risks are effectively recognised and managed.***

We concluded that there were no significant weaknesses in the Council's arrangements.

Purpose of this report

Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at Southend-on-Sea City Council ("the Council") for the year ended 31 March 2023.

This report is intended to bring together the results of our work over the year at the Council, including commentary on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). This report fulfils the requirements of the Accounts and Audit Regulations for an Annual Audit Letter.

In preparing this report, we have followed the National Audit Office's ("NAO") Code of Audit Practice and its Auditor Guidance Note ("AGN") 03, Value for Money, and AGN 07, Auditor Reporting. These are available from the NAO website.

A key element of this report is our commentary on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). Our work considering these arrangements is based on our assessment of the adequacy of the arrangements the Council has put in place, based on our risk assessment. The commentary does not consider the adequacy of every arrangement the Council has in place, nor does it provide positive assurance that the Council is delivering or represents value for money.

Where we find significant weaknesses in the Council's VFM arrangements or areas where arrangements could be further strengthened, we include recommendations setting out what the Council needs to do to strengthen its arrangements.

The significant weakness in the Council's VFM arrangements and related recommendations is set out in Appendix 1.

Assurance sources for the Council

The diagram below illustrates how the assurances provided by external audit around finance, quality, controls and systems and the future of the Council (in the green rows) fits with some of the other assurances available over the Council's position and performance.



Opinion on the financial statements

We provide an independent opinion whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council at 31 March 2023 and of the Council's income and expenditure for the year then ended;
 - Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom in 2022/23; and
 - the full opinion is included in the Council's Statement of Accounts, which can be obtained from the Council's website.
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We conduct our audit in accordance with the NAO's Code of Audit Practice, International Standards on Auditing (UK) ("ISAs (UK)") and applicable law.

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements: We anticipate issuing a modified opinion on the Council's financial statements due to an exception in respect of the 'Use of Resources' as detailed in this report. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.

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Narrative Report: We reported that the information given in the Narrative Report for the year ended 31 March 2023 is consistent with the financial statements.

Annual Governance Statement: We did not identify any matters where, in our opinion, the Annual Governance Statement did not meet the disclosure requirements set out in the Code of Practice on Local Council Accounting, was misleading, or was inconsistent with information of which we are aware from our audit.

Reports in the public interest and duties as public auditor: We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2023.

Audit Certificate: We are not able to certify completion of the audit until the Whole of Government Accounts requirements are published by the NAO and the audit procedures in relation to these are completed.

Our financial statement audit approach

An overview of the scope of the audit

Our audit was scoped by obtaining an understanding of the Council and the environment it operates in, including internal control, and assessing the risks of material misstatement to the financial statements. Our risk assessment procedures include considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address identified risks of material misstatement.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit director, Mohammed Ramzan. The audit team included integrated Deloitte specialists bringing specific skills and experience in property valuations and in relation to local government pension scheme.

Materiality

Our work is planned and performed to detect material misstatements. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Council to be £8.6m, on the basis of 2% of total cost of service expenditure.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.43m as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Procedures for auditing the financial statements

Our audit of the financial statements included:

- developing an understanding of the Council, including its systems, processes, risks, challenges and opportunities and then using this understanding to focus audit procedures on areas where we consider there to be a higher risk of misstatement in the financial statements;
 - performing sample tests on balances in the financial statements to supporting documentary evidence, as well as other analytical procedures, to test the validity, accuracy, completeness and existence of those balances; and
 - interviewing members of the Council's management team and reviewing documentation to test the design and implementation of the Council's internal controls in certain key areas relevant to the financial statements.
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Approach to audit risks

We focused our work on areas where we considered there to be a higher risk of misstatement. We refer to these areas as significant audit risks.

We provided a detailed audit plan to the Council's Audit Committee setting out what we considered to be the significant audit risks for the Council, together with our planned approach to addressing those risks. We have provided a summary of each of the significant audit risks on the following pages.

Significant risks

Valuation of property assets

Risk identified

The Council is required to hold dwellings, other land and buildings within Property, Plant and Equipment and Investment Properties at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions, and which can be subject to material changes in value.

The Authority held £739m of property assets (land and buildings) at 31 March 2023 (£715m as of 31 March 2022) as per the revised accounts. This movement from the prior year is due to revaluation movements as a result of the revaluation exercise during 2022/23 and 2023/24 (i.e. 1 April 2022 & 1 April 2023), reclassifications from assets under construction and material additions and disposals during the year.

The Council updates the valuation of its properties using a rolling revaluation programme. The main assets which were revalued in the year at 1 April 2022 were Schools, Sports Pavilions, Park WCs, Park Messrooms, Day Centres, Marine Activity Centre, Lagoon WCs and at 1 April 2023 were Parks, pier assets, Southend adult community college, Council administrative & cemetery buildings, nursery schools.

Deloitte response and challenge

We have completed the following procedures:

- We have reviewed the design and implementation of the controls in place in relation to property valuations;
- We have considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- We have engaged our valuation specialists to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets;
- We sample tested key asset information used by the Council's valuers in performing their valuation, such as gross internal areas, back to supporting documentation;
- We have reviewed assets not subject to valuation in 2022/23 to confirm that the remaining asset base is not materially misstated;
- The property assets valued under the rolling valuation programme on 1 April 2022, have been updated to reflect the fair value as at 31 March 2023 to ensure these properties' valuations align to the most up to date information. We confirmed through inspection of updates to the valuation and the latest valuation report that there were no differences noted.
- For assets not revalued at 1 April 2022, we have performed an analysis of the indexation calculations applied to arrive at the valuation of property assets as at yearend to ensure the indexation adjustments were deemed reasonable; and

Significant risks (continued)

Valuation of property assets (continued)

Deloitte response and challenge (continued)

- Upon receipt of the 1st April 2023 valuation, the Council has updated the latest financials to reflect the fair value of properties to the most up to date information. This has resulted in an overall decrease of £2.5m in PPE. We have assessed the basis for this adjustment and considered it within the reasonable range for valuation purposes.
- We have reviewed the presentation of revaluation movements, and the disclosures included in the Statement of Accounts.

Conclusion

We have finalised our work on revaluation. We noted that the Cumberledge Centre value has been understated by £1.4m as at 31/03/2023 due to an incorrect valuation approach applied.

Significant risks (continued)

Revenue expenditure incorrectly capitalised

Risk identified As part of the Medium-Term Financial Strategy 2022/23 to 2026/27, the Council has a substantial capital programme of £176.9m over the next five years. The capital programme for 2022/23 had an actual spend of £52.1m.

Determining whether expenditure should be capitalised can involve judgement. There is also an incentive to inappropriately capitalise expenditure as the Council has greater flexibility over the use of revenue compared to capital resources. Given this incentive to capitalise costs that are not capital in nature, we specifically identified this area as a significant risk of material misstatement and a fraud risk.

**Deloitte
response and
challenge**

We have tested the design and implementation of controls around the capitalisation of costs.

We have selected a sample of additions in the year to test whether they have been appropriately capitalised in accordance with the accounting requirements. This sample included Assets Under Construction.

Conclusion

We have no matters to bring to the attention of the Audit Committee.

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Significant risks (continued)

Management override of controls

Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the Council, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Statement of Accounts.

Deloitte response and challenge

We have considered the overall sensitivity of judgements made in preparation of the Statement of Accounts, and note that:

- The Council's results throughout the year were projecting overspends in operational areas. This was closely monitored and whilst projecting overspends, the underlying reasons were well understood; and
- Senior management's remuneration is not tied to particular financial results.

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We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Journals

- We have tested the design and implementation of controls in relation to journals.
- We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We have used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year.

Significant transactions

- We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.
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Significant risks (continued)

Management override of controls (continued)

**Deloitte
response
and
challenge****Accounting estimates**

- We have performed design and implementation testing of the controls over key accounting estimates and judgements.
- The key judgements in the financial statements are those selected as significant audit risks and other areas of audit interest as discussed elsewhere in this report.
- We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We note that overall, the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.
- We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Conclusion

We have no matters to bring to the attention of the Audit Committee.

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We have not identified any significant bias in the key judgements made by management, and we have not identified any instances of management override of controls in relation to the specific transactions tested as part of our audit.

Auditor's work on Value for Money (VfM) arrangements

The section 151 Officer and the Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The section 151 Officer reports on the Council's arrangements, and the effectiveness with which the arrangements are operating as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. Under the National Audit Office's Auditor Guidance Note 3, we are required to assess arrangements under three areas:

Area	Risk assessment	Findings
Financial Sustainability	One risk of significant weakness identified	No significant weakness identified
Governance	Two risks of significant weakness identified	One significant weakness identified
Improving economy, efficiency and effectiveness	No significant risks identified	No significant weakness identified

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we are required to make recommendations so that the Council can consider them and set out how it plans to make improvements. The findings and recommendation for the significant weakness are included within the main report and summarised with management response in Appendix 1.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. Our assessment of potential indicators has been performed in the context of the economic climate and overall local government landscape during 2022/23.

In addition to our financial statement audit, we performed a range of procedures to inform our VfM commentary, including:



Interviews with key stakeholders, including Executive Director Finance and Resources, Monitoring Officer, Director of Strategy, Head of Procurement, Head of Internal Audit and Audit Committee Chair.



Review of Council and committee reports and attendance at Audit Committee meetings.



Reviewing reports from third parties including internal audit reports.



Considering the findings from our audit work on the financial statements.



Review of the Council's Annual Governance Statement and Narrative Report.

VfM arrangements: Financial Sustainability

Approach and considerations

Commentary

We have considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Council ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
- How the Council identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

The Council reported a deficit on the provision of services of £37.2m for the year (2021/22:£18.4m) before adjustments between the accounting and funding basis.

In common with other local authorities, cost increases were experienced across the board due to inflationary pressures; which ONS figures show peaked at 11.1% in October 2022. The overall net impact on the General Fund Revenue budget was an overspend of £6.8m. This was financed using earmarked reserves previously set aside for service risks, in particular statutory social care pressures that were predicted following recovery from the pandemic. Whilst reserves have been utilised in the last few years, the Authority recognises that continued reliance on reserves is not sustainable.

At a national level, ongoing impacts from the covid pandemic, the war in Ukraine and the subsequent impact on inflation and price rises have continued to affect the sector. The covid pandemic and the cost-of-living crisis has also resulted in increased demand for social care and other services. In particular, the Council has seen a significant rise in the cost of placements for Children in Care, with residential placements in short supply across the country. This is particularly true in the case of complex needs and/or challenging behaviour.

At 31 March 2023, the Council had net assets of £858.5m (31 March 2022: £641.9m) and cash of £44.7m (31 March 2022: £53.7m). At 31 March 2023, the total reserves balance of £858m included usable reserves of £197m (Total reserves £641m and usable reserves £200m in the prior year).

In the context of national and local challenges, as noted above, the Council delivered efficiency savings totalling £2.9m in 2022/23, representing 60% of the £4.8m target for the year. For 2023/24, the approved budget included £11.6m of savings and income generating initiatives. The Council provides breakdown of savings and income generation proposals within its Medium-Term Financial Forecast. **To ensure an ongoing focus on underlying financial sustainability, the Council could look to regularly report on cost reductions achieved against target, providing a breakdown by recurrent and non-recurrent schemes within its regular financial monitoring reports.**

The deficit position (prior to adjustments), overspends in social care and shortfall in achieved savings initiative targets during 2022/23 all contributed to the identification of a **risk of significant weakness** for financial sustainability as part of our planning processes.

VfM arrangements: Financial Sustainability (continued)

Approach and considerations

Commentary

We have considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Council ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
- How the Council identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

The Council continues to be challenged by significant financial pressures. There is regular monitoring of the financial position and arrangements are in place to routinely update the Medium-Term Financial Plan. The Medium-Term Financial Strategy for 2023/24 to 2027/28 provided a financial forecast with an estimated budget gap of £29.8m by 2027/28. This has since been revised within the M6 Finance and Performance Report to show an estimated budget gap of £39.1m by 2027/28 and the most recent MTFS for 2024/25 – forecasts for a total budget gap of £24.5m by 2027/28 and £32.9m by 2028/29.

The Council has recognised that to remain financially viable, urgent action needs to be taken to modernise its operating model and find new ways of meeting the needs of its community in a cost-effective manner. Work has been underway to map out this Transformation and determine the Council's budget plans for 2024/25 and across the medium-term as recognised in the most recent MTFS 2024/25 to 2028/29.

This began in 2022/23 when the Council worked with external advisors to develop a transformation blueprint. The Council has since sought external advisory support to further progress and identify specific opportunities for cost reduction, savings and income generation. Recent outputs from this work (reported in November 2023) include: finalising the Transformation Design Principles; a Current State Assessment informed by leadership, member and service engagement, performance and data analysis and capturing resident and staff experience; and, completion of scoping exercises across five cross-cutting themes (Front Door; Social Care Demand Management; Commissioning, Procurement & Contract Management; Estates Optimisation; and Shared Services) each of which map out the next steps in the journey.

Two new posts of Executive Director of Strategy and a Change & Transformation Director were appointed to in October 2023. Prior to this there were no specific resources assigned to transformation, with each of the services working in silo and to differing standards. Work is now underway to develop a dedicated Corporate Programme Management Office (PMO) with the support of a centralised Project Management resource aligned to the priorities for change, and a Service Design function to progress the design and delivery of the services.

The Corporate Leadership Team have also endorsed the establishment of a new Transformation Board with appropriate senior ownership and oversight. This was formally established in November 2023.


The Councils ambitions will require detailed and robust plans, tight monitoring and control in addition to the engagement of Council staff to ensure clear political and operational ownership to address the recurrent financial challenge in the short, medium and long term.

VfM arrangements: Financial Sustainability (continued)

Approach and considerations

Commentary

We have considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Council ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with  strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
- How the Council identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

Childrens Services and Adult Social Care services remain significant financial challenges for the Council and are a major contributor to the overall financial pressures being faced over the short and medium term. Overspends in 2022/23 (across the broader 'Adult Social Care and Health Integration' and 'Children and Learning and Inclusion' portfolio's amounted to £8.3m (2022/23 Annual Report).

The Council's inability to reduce significant overspends in Childrens and Adults social care and not having delivered recurrent savings to date has resulted in a reliance on reserves. This combination contributes to an increased risk with regards to financial sustainability for the Council and remains a threat to its future viability.

Based on our work, it is evident that the Authority is affected by a number of external factors impacting Local Authorities nationally, these include inflationary pressures, significant increase in social care demands alongside a reduction in the supply of residential placements leading to significantly higher costs. Many of the challenges faced by the Authority are common across the sector and the Council has recognised that to remain financially viable, it must transform its operating model and work has been underway in this area for the last 18 months. Action is also being taken to strengthen governance arrangements in place to monitor and provide assurance over its delivery. As such, **we have concluded that this is not a significant weakness in arrangements at this point. However, The Council should ensure that communications and engagement to secure buy-in to delivering transformation and cost savings continues. This includes getting buy-in from officers, members and other stakeholders (including constituents) to ensure that the difficult decisions which may have the biggest overall impact on the Councils financial sustainability can be made in an efficient and timely manner. In addition, implementation of action plans must be closely managed and subject to detailed challenge and scrutiny to ensure it delivers the improvements necessary to address the significant financial sustainability challenges faced by the Authority.**

VfM arrangements: Governance

Approach and considerations

Commentary

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

The Council received an LGA Corporate Peer Challenge in October 2022. This highlighted that the 'approach to leadership, governance and decision making is stifling the Council's capacity to progress as a city'. This was identified as a **risk of significant weakness** as part of our planning.

There were nine key recommendations from the review including: completing and implementing the Council's constitutional review and ensuring there is an organisational commitment to behaviour change to support more effective councillor /officer working relationships; considering changing the election cycle; re-engaging partners across public, private and voluntary sectors on Southend 2050 to provide more clarity between strategic priorities and delivery; modernising the council operating model; systems and processes; addressing inequalities and disparities across the city; and strengthening the Council's voice and influence in the wider regional agenda.

Since the LGA Peer review, there have been a number of changes in relation to political and corporate leadership. The Council remains in 'No Overall Control' having had three different leaders in as many years.

Following the departure of the Chief Executive and Monitoring Officer in July 2023, an interim CEO and Monitoring Officer were appointed. The interim Monitoring Officer (an experienced CEO and previous Director of Governance and Law at other Councils) has focused on implementing the requirements and recommendations of the LGA Peer Review. Including work and training around decision making processes; report writing and meeting deadlines; and member conduct and improving debate in the chamber. These findings are also corroborated by concerns noted during our review in respect of relations between members and officers being impacted and not being conducive to effective decision making.

A backlog of councillor complaints has been cleared with oversight from the interim Monitoring Officer. New templates and flowcharts have been developed and an open remedial approach has been adopted as the preferred model for resolving issues.

The LGA Peer Challenge also recommended changing the election cycle from the election of one third of councillors every year for three years with no elections in the 4th year, to full elections every four years. A consultation on changing the election cycle was undertaken from November 2023 to January 2024 which resulted in no overall consensus. Whilst the election cycle is a political decision and not within the control of officers to implement, this instability may have contributed to other important decisions not being made in a timely manner and in turn having an impact on the value for money achieved by the Council. These include the lead-up process to going out to tender for a new waste contract and agreeing on the service specification. Further detail relating to this and wider procurement arrangements can be found in the EEE section on page 31.

VfM arrangements: Governance (continued)

Approach and considerations

Commentary

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

An LGA Peer Challenge follow-up visit took place in December 2023. This reported that progress had been made against all areas, ways of working are improving and there is a positive direction of travel. **It was also noted that there is recognition within the Council that there is still more work to do and a clear commitment to continue this work. There are a number of consistent messages from the review which include the need to maintain focus on the delivery of savings and medium-term financial resilience; and the need to ensure a smooth transition to the new substantive Chief Executive who joined the Council in February 2024.**

Based on the procedures performed, we have concluded that for the period 2022-23 the arrangements in place surrounding leadership, governance and decision making indicated a significant weakness at the Authority. We note that the Council has acted to address many of these concerns during 2023/24 and there is a clear commitment to continue with this work (albeit recognising the limitations of the electoral cycle) going forward.

Recommendation: The Council must continue to fully implement and embed the actions from the LGA Peer Review and manage risks surrounding leadership, governance and decision making.

The Audit Committee reviews the adequacy of risk management arrangements and has oversight of the Council's system of internal control, including arrangements to prevent and detect fraud. The Council has a series of policies covering internal controls, including a whistleblowing and anti-money laundering policy. These policies are readily available for all staff to review on the Council's website. The Audit Committee approves the annual Internal Audit Plan and receives updates at committee meetings through the year.

The Council has a Risk Management Policy Statement and Strategy document in place which outlines the arrangements for identifying, recording and monitoring corporate risks. The Council's Head of Internal Audit Opinion for 2022/23 provided satisfactory assurance for the design of the Council's risk management services but partial assurance for the operation of the governance framework. Work is underway surrounding the governance framework and is being led by the Monitoring Officer as part of the response to the LGA Corporate Peer Review.

The Head of Internal Audit Opinion highlights that whilst the Risk Management Policy Statement and Strategy was reviewed and refreshed during 2022/23, it remains to be formally adopted. It also identified the need for further embedding of risk management operations to deliver the Council's corporate and service plans going into 2023/24. In particular, the need to capture the conversations about risks that are happening, to provide increased visibility, transparency and accountability for decision making around the risks below those on the corporate risk register. There were no internal audits which received minimal assurance. Where follow-up audits were undertaken, the Council has demonstrated progress in implementing recommendations.

VfM arrangements: Governance (continued)

Approach and considerations

Commentary

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

Discussions with the Head of Internal Audit and the latest update to the January 2024 Audit Committee meeting confirm that risk management improvements across the Council are ongoing. Service plans have been re-introduced for 2023/24 each of which include risks to the delivery of service objectives for the period. Directorate Risk Registers (DRR) are currently under development. The DRR will include risks in respect of services, programmes or projects and holding companies that are within the remit of the directorate. Directorate level risks will be identified, assessed, monitored and reviewed by the Directorate Leadership Team on a bi-monthly basis.

In addition, the format of the Corporate Risk Register has been updated to provide improved analysis surrounding risks and the direction of travel of mitigations.

Further work is being undertaken on updating the risk management policy statement and strategy as part of the review of governance arrangements, this will include the responsibility of risk management moving from the Internal Audit Service to the Strategy and Change Directorate. This will be further informed and supported via the Councils' insurers to undertake a risk management health check and provide targeted risk management training.

Based on the work undertaken to date and planned going forward, it is evident the Council is making changes to improve risk management arrangements at both a corporate and directorate level. As such, this is not deemed to be a risk of significant weakness.

The Council should ensure that there is a smooth handover of responsibility of risk management to the Strategy and Change Directorate and that a formal risk management improvement plan is implemented and monitored going forwards.

The Council has a Counter Fraud and Investigations Team (CFIT) that has a work plan to enhance awareness of the risk of fraud, to prevent and detect fraud and that also receives and investigates allegations of fraud or impropriety. The Counter Fraud and Investigation Team reports into each Audit Committee as well as producing an Annual Report. Feedback from those interviewed along with quarterly and annual CFIT performance reports suggest that the CFIT are effective and play a positive role surrounding value for money.

We understand that whilst the Team is fully resourced to current establishment levels, demand is currently outstripping capacity. The national fraud guidance for local authorities is placing an increased emphasis on proactive fraud prevention initiatives. However, due to the continuing high volume of internal enquiries that the team is dealing with, reactive investigation work is taking priority over preventative work. ***The Council should undertake a review of capacity within the CFIT team to ensure it is appropriately resourced to effectively deliver the preventative and reactive work plans.***

VfM arrangements: Governance (continued)

Approach and considerations

Commentary

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

The Council has seen an increase in fraud queries (particularly with the impact of remote working) post covid. CFIT are currently contributing to the revision of a number of policies and procedures aimed at making them fit to deal with modern working practices and address any potential gaps which may put the Council at risk from fraud and misconduct.

We identified opportunities for improving the arrangements being in place for presenting and monitoring the delivery of counter fraud recommendations highlighted as part of the CFIT work and investigations at either Audit Committee or Corporate Leadership Team. Internal Audit undertake follow-up reviews in areas that have received 'minimal' or 'partial assurance'. It is also understood that prior to the pandemic, all recommendations from Internal Audit reviews were formally recorded and tracked via the Pentana system, however, we understand that this was discontinued during the pandemic due to a redeployment of resources to address the significant challenges posed to the City and Council in responding to the pandemic and had not been reinitiated during 2022/23.

The Authority should ensure arrangements are in place to provide assurance surrounding the detail on CFIT recommendations, alongside management responses and action plans. Management should be held to account over the delivery of all internal audit and counter fraud action plans with all recommendations dating back to the pandemic period to be uploaded onto the Pentana system. Progress and delivery should in turn be tracked through formal reporting to ensure that all recommendations raised have been actioned and embedded to further enhance the work that Internal Audit already undertake surrounding 'partial' and 'minimal' assurance reviews.

The Council undertakes detailed budget monitoring on a monthly basis and reports to both Cabinet and Corporate Leadership Team four times per year. These reports include a review of the forecast outturn position against the budget, and details any significant variances. The report also includes non-financial information and reports on how the Authority is performing against the Councils strategic objectives.

National and local guidance is assessed and used to form the basis of a number of assumptions in the budget. Current year performance is evaluated with notable variances explained to determine any ongoing impact. The budget seeks to explain year on year movements and any pressures are identified. There is a clear process in place to set the annual budget and update the medium-term financial strategy and this is approved by the Council on a timely basis. Due to the current forecast budget gap across the next 4 years being circa £30m and increasing (when reported to Cabinet in November 2023), early work had been undertaken in setting the budget for 2024/25. This work had included identifying proposals (cost avoidance, savings in base budget and reduction in service expenditure) to assist with savings being achieved in the short to medium term in addition to longer-term fundamental re-design of Council service delivery.

VfM arrangements: Governance (continued)

Approach and considerations

Commentary

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- 31 How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

Discussions with Members identified that some savings initiatives identified by the Council had already been factored into savings plans/targets prior to appropriate consultation and/or market testing and have subsequently not been deemed to be deliverable.

Whilst recognising the circumstances and challenges when planning was undertaken during 2021/22, where possible the Council should identify savings above and beyond the target in order to mitigate for schemes that do not deliver or transpire to be unviable following the necessary consultation and market testing. In addition, consultation and market testing should be undertaken as early as possible in the development process.

The Authority has an approved decision-making methodology for investment and divestment decisions, which includes approval by the Investment Board and Council. Where necessary, decisions will be reviewed by Cabinet for comment and to determine if the proposal should be approved. Business cases with supporting information are submitted to the relevant committee for approval, allowing for challenge, transparency and if necessary further information before decisions are approved.

There are templates in place for business cases and post implementation evaluation. Work is ongoing to develop a comprehensive business case log for capital projects. Additional work is currently underway to support future capital projects and programme delivery. This includes implementation of overarching minimum standards; establishing 'Communities of Best Practice'; development of project templates for outline business cases and full business cases; and clarity over the governance structure. With regards to governance structure; it has been recognised by the Council that there has been a degree of uncertainty regarding the correct route for projects and spending to take to achieve approval, which has also been evident through our discussion with officers and Members. Working with internal governance teams this is to be clarified and subsequently promoted through the Community of Best Practice, project templates and minimum standards.

The Authority has confirmed within the Annual Governance Statement that no significant control weaknesses were identified which is consistent with our work performed.

The Council has a number of staff policies in place including a code of conduct. These are all contained within the Constitution and are readily available for all staff. Declarations of interest are maintained for all senior members of staff and decision-making officers.

The Council's most recent full Inspection of Local Authority Children's Services (ILACS) was undertaken in July 2019 for which it received an OFSTED judgement of Requires Improvement. Given that this has continued to be an area of ongoing challenge, we identified a ***risk of significant weakness in this area.***

VfM arrangements: Governance (continued)

Approach and considerations

Commentary

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

Since the initial July 2019 inspection, there have been further focused visits in March 2022 and May 2023. The key priority areas for improvement identified from the inspection and focused visits fall under the areas of: Quality of Practice; Workforce and Development; Leadership and Management; and Strategic Partnerships.

The May 2023 visit focused on the arrangements for children in need or subject to a protection plan. In its letter dated 28 June 2023, Ofsted recognised progress being made by the Council, stating that *“Leaders in Southend are firmly centred on delivering strengthened social work practice and creating the culture and environment for effective child-focused services. This has led to some significant improvements in the areas considered by the visit.”* In addition, a number of areas for improvement were identified within the report and are being taken forward by the Childrens Services Improvement Board.

The Childrens Services Improvement Board has the purpose of providing strategic challenge and oversight to the Children’s Improvement Programme and for the service to provide consistently good or better outcomes to children and young people through systemic good or better practice. Arrangements were strengthened in 2022/23 with the appointment of an independent chair of the Improvement Board. The most recent Childrens Improvement plan covers the period 2023 to 2025. This is a live document that is updated to show progress and updates to take into account the findings and necessary improvements from the most recent inspection and focused visits in 2019, 2022 and 2023. Each action has been assigned an associated outcome. Progress updates are in turn reported as improvements in outcomes rather than solely tracking the completion of tasks.

It is recognised that progress will have been impacted by external factors including the pandemic and its wide-ranging impact on children’s social care. Outcome updates to the Improvement Board during 2022-23 and beyond show detailed summaries on progress and next steps against each of the objectives. The March 2023 Improvement plan includes due dates for completion against each of the objectives/outcomes - all of which, with the exception of one, fell between April 2023 and October 2023. The plans reviewed from October 2023 onwards no longer contain any specific due dates. Instead projected timescales for each outcome moving from amber to green are outlined within the covering report and revisions made where projected timescales are missed. As at June 2024, the Council is reporting that of the 32 areas for improvement in practice identified within the 2019, 2022 and 2023 inspections and focused visits, 14 of these remain a work in progress (RAG rated as amber) and 18 have improved and practice is now deemed to be consistently good (RAG rated as green).

VfM arrangements: Governance (continued)

Approach and considerations

Commentary

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

Based on the procedures performed, we note that during the period under consideration, OFSTED have recognised that there is commitment to improving outcomes for children and that the Council had made some significant improvements with measures in place to address findings from the inspections undertaken. As such we have concluded that this is not a significant weakness for the period 2022/23. Based on the latest position (June 24), there remain to be a number of actions (and associated outcomes) that continue to be in progress. The Council must ensure that planned improvements for Children's Services continue to be developed and embedded at pace. This is of particular importance given the financial challenges that are being faced by the Directorate. The Council should also ensure that the Improvement Plan sets realistic due dates for the achievement of objectives and outcomes and these are closely tracked through governance processes to completion.

The Council continues to play a central role as part of South Essex Councils SEC (formerly Association of South Essex Local Authorities (ASELA)). SEC has an established Joint Committee, a forum for making partnership decisions and allocating joint resources. The SEC is committed to creating a new Greater Essex Combined Authority subject to a level 2 devolution deal, consultation and statutory processes. In the meantime, the SEC is looking to develop any opportunities from working collaboratively through the development of a South Essex Economic Growth Action Plan with an aim to maximise opportunities for economic growth.

The Council has continued to be an active partner in the South East Local Enterprise Partnership (SELEP), with representation by the Deputy Leader at the main (Strategic) Board and Accountability Board, and by the Portfolio Holder or Deputy Leader at the South Essex sub-board Opportunity South Essex.

The Council operates through a range of delivery vehicles and has a number of wholly owned subsidiaries and joint ventures. The Shareholder Board is responsible for representing the Council's interests and providing assurance that the Council's Companies are following the strategic direction and objectives which have been agreed. Further information on these subsidiaries and joint ventures can be within the Improving Economy, Efficiency & Effectiveness section on page 30.

VfM arrangements: Governance (continued)

Approach and considerations

Commentary

We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:

- How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.

The Council has been impacted by the national issue with Reinforced Autoclaved Aerated Concrete (RAAC). Due to the heightened concerns over the use of RAAC, the Property and Estate Management Team completed an overview of the operational estate in relation to the presence of RAAC, including sports and leisure centres operated by Fusion Leisure and theatres operated by the Trafalgar Group. This assessment comprised of a desk top review of drawings and other documentation, then if required, a visual onsite inspection and/or an intrusive inspection.

This identified the presence of RAAC within the Dixon Studio at the Palace Theatre and £40k has been vired from the Priority Works capital budget to facilitate investigation and short-term mediation works. Structural engineers are assessing options for the long term. This assessment is being undertaken in accordance with the latest guidance issued by the Institution of Structural Engineers.

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations

Commentary

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Council evaluates the services it provides to assess performance and identify areas for improvement;
- How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the Council commissions or procures services, how the Council ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Cabinet and Corporate Leadership Team assess the Council's performance through Performance and Finance Monitoring Reports which are reported four times per year. There is also a Budget Monitoring process in place which ensures that both revenue and capital net spending is controlled and reported through a rolling forecast that goes through scrutiny and Cabinet process. The Cabinet committee is also the basis for challenging management as well as identifying emerging risks.

Performance Management is aligned with the Council's financial reporting and risk management, with key performance indicators aligned to each of the Corporate Priorities.

The Council re-introduced a Corporate Plan in 2022, having for the period relied on direction from Southend 2050 Ambition, with the Council's contributions articulated through the Southend 2050 themes and Roadmap. This operating model enabled the vision for Southend to be clearly articulated. However, Southend 2050 focused on Southend as a place and community, as opposed to setting out how the council needs to operate and prioritise in order to deliver and contribute to the Ambition. Following feedback from the LGA Peer Corporate Peer Challenge in October 2022, the Council refreshed the Corporate Plan for the period 2023-27.

The Corporate Plan Performance reported to Cabinet aligns to the four refreshed priorities: 1. A growing city with a strong and prosperous community 2. A safe city with a good quality of life for all 3. A clean city with a resilient environment 4. A transforming council delivering efficient, cost-effective services. Relevant corporate risks are noted underneath each applicable Key Performance Indicator (KPI). Where applicable, data is RAG rated against targets and current position compared to the previous period and the previous year. In addition, where possible, the Council benchmarks performance against its peers/national performance.

The Council makes use of LG Futures benchmarking data for insights and comparator information. Reports considered during the period, which take into account performance as a Council overall and at individual services areas include sales, fees & charges, unit costs, and central Government funding allocations. In addition, combined with service engagement and understanding user and staff experience, the Council has utilised benchmarking as part of its current state assessment to identify opportunities for improvement, cost savings and transformation.

The Council delivers its role through partnership working and through wider engagement with other stakeholders. This includes commercial partnership arrangements with the private sector for the delivery and discharging its responsibilities in areas such as Housing, Health and Wellbeing with other public bodies, including the third sector. Funding is awarded via SLAs with agreed outcomes monitored on a quarterly basis to Cabinet.

VfM arrangements: Improving economy, efficiency and effectiveness (continued)

Approach and considerations	Commentary
<p>We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:</p> <ul style="list-style-type: none"> • How financial and performance information has been used to assess performance to identify areas for improvement; • How the Council evaluates the services it provides to assess performance and identify areas for improvement; •⁶³ How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and • Where the Council commissions or procures services, how the Council ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits. 	<p>The Council was awarded £4.2m Getting Building Funding (GBF) from SELEP to support delivery of the Better Queensway Project in November 2020, along with successfully securing £15m of Housing Infrastructure Fund funding. The Project was being delivered as a joint venture between Southend-on-Sea City Council and Swan Housing through a Limited Liability Partnership (LLP). Swan Housing was acquired by Sanctuary Housing Association. Following the acquisition, Sanctuary Housing took the decision to withdraw from the Project, with the Council subsequently becoming the sole owners of the LLP. Southend Housing Ltd was appointed as a member of the LLP in June 2024.</p> <p>The Council continues to complete quarterly monitoring returns to Homes England (HE) in addition to regular meetings. Consideration is currently underway with regards to HE approving an extension to the funding availability period to allow for a full delivery options appraisal to be undertaken.</p> <p><i>Whilst there have been a number of developments in respect of the Better Queensway Project, there remains continued uncertainty regarding the planned delivery route for all phases of the project to be determined. The Council will need to continue to carefully consider the options available in respect of the Better Queensway Scheme as it seeks a way forward whilst ensuring that value for money risks are effectively recognised and managed.</i></p> <p>The Council owns a portfolio of trading companies. The Council commissioned an independent review of the two of these companies, Southend Care Ltd and Vecteo to build upon its own internal reviews undertaken in 2022, and to evaluate whether they are viable entities, capable of providing a financial return to SCC and delivering quality services. Both reviews assessed the companies on the grounds of financial, stakeholder, cost benchmarking and governance & management.</p> <p>Southend Care Ltd is a company wholly owned by SCC set up in April 2017 to deliver care and support services. In 2022, a 10 year Partnership Agreement and contract was put in place between the Council and Southend Care Ltd in order to formalise the existing arrangements in place.</p>

VfM arrangements: Improving economy, efficiency and effectiveness (continued)

Approach and considerations

Commentary

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Council evaluates the services it provides to assess performance and identify areas for improvement;
- How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the Council commissions or procures services, how the Council ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Vecteo was formed as a joint venture between the Council and London Hire Community Services (LHSC) and commenced trading in 2020. The company provides transport services for children and adults with special educational needs and disabilities (including route planning). During this period a number of issues were experienced with service delivery. Therefore, in May 2023 the Council took over ownership of the company and disbanded the Joint Venture with LHCS. SCC now wholly owns the Company.

The Council commissioned external reviews which reported in December 2023 providing a series of recommendations in order to change the governance, strategy and operating models of the companies. It also recommended reviewing back-office functions to support each of the Council's companies and adopting (Vecteo) and maximising the benefits (Southend Care Ltd) of Teckal Company status.

The Council should take forward the findings and recommendations from the external Company reviews and where relevant and appropriate, consider implementing similar changes to other Council companies.

The Council has procurement procedures and policies to ensure that the Council operates in an open and transparent manner, achieves value for money and sustainable quality through a proactive commercial approach to procurement and commissioning for the communities of Southend.

The Procurement Plan and Contract Procedure Rules are reviewed annually by Cabinet with the most recent review in September 2023. The Procurement and Contract Management Strategy 2023-2026 sets out the steps the council will take to 'Ensure the very best for the Southend £' whilst complimenting the Medium-Term Financial Strategy; Getting to Know Your Business programme; Delivery of the Transformational Blueprint; the 2022-2026 Corporate Plan; and Carbon Zero 2030.

VfM arrangements: Improving economy, efficiency and effectiveness (continued)

Approach and considerations

Commentary

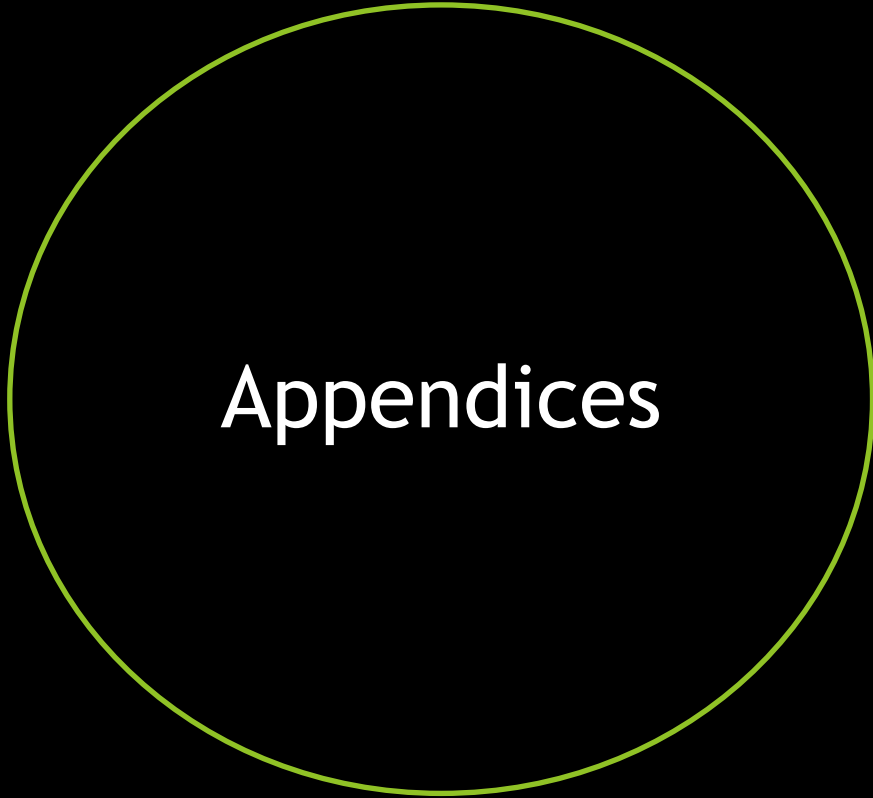
We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Council evaluates the services it provides to assess performance and identify areas for improvement;
- How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the Council commissions or procures services, how the Council ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Discussions with the Head of Procurement identified that contract managers have been appointed within services to monitor and report on key aspects of their contracts, Childrens Services had been the least developed in this area but a contract manager was put in place in early 2023/24.

The Council is procuring a new contract for waste collection and street cleansing with an extension of the current contract for an additional year being put in place whilst this is completed. Other options were considered but were ruled out as too disruptive and potentially more expensive than an extension to the current arrangements. The service provider initially offered an extension price which equated to an additional £3.3m p.a. The Council team negotiated with the Provider to understand where cost could be reduced and where risks sit within the contract. This resulted in an improved offer from the Provider of £1.4m extra p.a. The Council will take some additional risks during the extension, particularly for recycle prices (income) but we understand this has been mitigated by linking this to published market prices. The procurement process is currently underway, throughout this process, the Council's Internal Audit Team have provided independent review and comments via their Procurement and Contract Audit Consultant to the procurement team with a view to ensure that each stage of the tender process has been undertaken in a proper and consistent manner.

The procurement team have also started using functionality within Business World to create spend alerts for lower-level transactions e.g. below £10k but that are regular areas of spend. This highlighted £1.7m of un-tested spend. Based on this data the Council plans to develop frameworks to enable mini comps for regular areas of spend as opposed to the service direct awarding off-contract.



Appendices

Appendix 1:

Significant weaknesses in VfM arrangements

Nature of the significant weakness identified

We have concluded that there is a significant weakness in relation to the governance VfM criteria, specifically with regards to the Council's leadership, governance and decision making which was also noted in the LGA Corporate Peer Challenge in October 2022.

Evidence on which our judgement is based

The Council received an LGA Peer Challenge in October 2022, which provided nine key recommendations including: completing and implementing the Council's constitutional review and ensuring there is an organisational commitment to behaviour change to support more effective councillor /officer working relationships; considering changing the election cycle; re-engaging partners across public, private and voluntary sectors on Southend 2050 to provide more clarity between strategic priorities and delivery; modernising the council operating model; systems and processes; addressing inequalities and disparities across the city; and strengthening the Council's voice and influence in the wider regional agenda.

Since the LGA Peer review, there have been a number of changes in relation to political and corporate leadership. The Council remains in No Overall Control with a number of changes in leadership in quick succession. Our work has identified that this instability and the concerns noted regarding effectiveness of councillor/officer working relationships may have contributed to other important decisions not being made in a timely manner, in particular, the decision to go out to tender for the original waste contract and agreeing on the service specification. It should be noted that whilst a number of options were put forward with regards to the waste contract, a change in political control and subsequent revisiting of the service specification resulted in the original contract not being put out to tender within sufficient timescales to ensure a seamless transition to a new provider prior to the existing contract coming to an end. The original contract was extended and a new contract let during the extension period to facilitate the transition to a new provider.

An LGA Peer Challenge follow-up visit in December 2023 noted mixed views about the degree of impact the changes may have had on organisational culture and behaviours to date, all agreed that progress is being made, ways of working are improving and the direction of travel is positive. It was also noted that there is recognition within the Council that there is still more work to do and a clear commitment to continue this work.

Our review has also identified the need to ensure governance arrangements are strengthened over the monitoring and holding to account in respect of the implementation of OFSTED action plans and internal audit and counter fraud recommendations.

Therefore, based on the procedures performed, we have concluded that for the period 2022-23, the arrangements in place surrounding leadership, governance and decision making indicated a significant weakness at the Authority. We note that the Council has acted to address many of these concerns during 2023/24 and there is a clear commitment to continue with this work (albeit recognising the limitations of the electoral cycle) going forward.

Appendix 1:

Significant weaknesses in VfM arrangements (continued)

Recommendation

The Council must continue to fully implement and embed the actions from the LGA Peer Review, including improving the effectiveness of Councillor/Officer working relations, timeliness of decision making and ensuring governance processes exercise appropriate scrutiny and holding to account in respect of recommendations and action plans in the areas highlighted above.

Management response

The Council will continue to fully implement and embed all the actions from the LGA Peer Review that are within the control of management to implement. The LGA Corporate Peer Challenge only took place in October 2022, and following receipt of the report in early 2023, Cabinet accepted the nine recommendations and agreed the steps to address them at its meeting on 21 February 2023. The reality of the timing of the visit and report resulted in only a matter of weeks during the rest of 2022/23 to respond to the concerns raised and to formulate appropriate actions to address them. This is the reason why our response and implementation programme predominantly took place during 2023/24. Peers returned on 7th December 2023, as per their standard procedure, to review progress and provide ongoing support for improvement. The LGA's report acknowledged good progress across all the recommendations with particular emphasis on building a more engaging leadership style through strengthened communications and engagement alongside greater cross-party workings. A lot of work has been done to improve officer/member relationships and this work will continue. The democratic requirements to move to 'all-out' local elections every four years is also a political decision. The change requires time to consult and requires a 2/3rd's majority in favour from all Council Members to introduce. This change is not within the control of management to implement.

A revised approach to the recording of Internal Audit and Counter Fraud Investigation Team recommendations using the Pentana system is being developed with the system administrators, so that the system functionality can be used to provide increased oversight on progress, and reporting, of the implementation of recommendations.

The Council is committed to ensuring that planned improvements for Children's Services continue to be developed and embedded at pace. Self-assessment of improvement has continued and progress has been regularly reported to the Improvement Board. The Service believe that the arrangements that are currently in place are the strongest they have been since the 'Requires Improvement' judgement was originally issued. The formal Ofsted Inspection of Children's Services is currently underway and the Council will await the outcome of this and respond accordingly to any recommendations for further improvements.

Appendix 2: Purpose of our report and responsibility statement

What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that brings together all of our work over the year, including our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Council's arrangements.

What we don't report

Our audit was not designed to identify all matters that may be relevant to the Audit Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

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The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

Deloitte LLP

Birmingham, October 2024

Appendix 3: Council's responsibilities

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The section 151 Officer of the Council, is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting.

In preparing the Statement of Accounts the section 151 Officer is required to select suitable accounting policies and make judgements and estimates that are reasonable and prudent. The section 151 Officer is required to confirm that the Statement of Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for Council Tax payers, regulators and stakeholders to assess the Council's performance, business model and strategy.

The section 151 Officer is required to comply with the CIPFA Code of Practice and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the section 151 Officer has applied the 'continuing provision of services' approach set out in the CIPFA code of practice as it is anticipated that the services the Council provides will continue into the future.

The section 151 Officer and Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Council's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Council, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Appendix 4: Auditor's responsibilities

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Auditor's responsibilities relating to the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General, as to whether the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Council a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. Other findings from our work, including our commentary on the Council's arrangements, are reported in our Auditor's Annual Report.

Auditor's other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Council, copied to the Secretary of State;
- make a referral to the Secretary of State if we believe that the Council or an officer of the Council is:
 - about to make, or has made, a decision which involves or would involve the Council incurring unlawful expenditure; or
 - about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; and
- consider whether to issue a report in the public interest.



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Meeting: Audit Committee
Date: 23 October 2024
Classification: Part 1
Key Decision: No
Title of Report: Refreshed Corporate Risk Management process

Executive Director: Claire Shuter, Executive Director, Strategy & Change
Report Author: Suzanne Newman, Head of Corporate Strategy Group
Executive Councillor: Councillor Paul Collins: Finance, Assets and Investments

1. Executive Summary

The council's Corporate Risk Management Policy Statement and Strategy, along with the Risk Management Toolkit and Risk Register template have been reviewed and refreshed. The refresh allows for an enhanced focus on escalation and de-escalation of risk from departmental to corporate risk registers, and vice versa. Whilst a wholesale change is not recommended, the refresh will allow for enhancements with the opportunity to re-embed and raise the profile of this work across the organisation.

2. Recommendations

It is recommended that Audit Committee:

- 2.1. **Approve the refreshed Corporate Risk Management Policy Statement and Strategy, Risk Management Toolkit and updated Risk Register Template**

3. Background

- 3.1. The Government's Orange Book describes successful organisations where risk management enhances strategic planning and prioritisation, assists in achieving objectives and strengthens the ability to be agile to respond to the challenges faced.
- 3.2. The council recognises that risk management is one of the key principles of effective corporate governance, it is a vital activity that underpins and forms part of the council's vision, values, and strategic objectives. Risk management is a fundamental contributor to a sound internal control environment as monitored and assessed through the Annual Governance Statement, of which adoption of a new refreshed process was an action in the most recent Annual Statement of Governance required to strengthen the council's governance arrangements.

- 3.3. Risk Management has long been an established and effective tool within the council. Following a planned move of responsibility from the Internal Audit team to the Corporate Strategy Group, a review of the process and supporting material was undertaken. As part of their social value offer, Zurich, the Council's insurance provider, supported a desk top review and staff training programme.
- 3.4. The review of the council's practice found a good understand of risk management principles and workflow. Officers have identified an additional opportunity to strengthen consistent application of escalation and de-escalation of risk and enhance definitions.
- 3.5. The Corporate Risk Management Policy Statement and Strategy (**Appendix 1**) sets out the Council's aims and objectives for effective risk management, including roles and responsibilities. The refresh has resulted in a more concise description with focus on key areas, including strengthening a consistent escalation and de-escalation process.
- 3.6. The Risk Management Toolkit (**Appendix 2**) is a practical guide for staff to identify, record, and manage risks. This document has been refreshed to include new guidance on how to escalate and de-escalate risks as well as enhanced support for staff to consider the impact and likelihood rating of risks.
- 3.7. The Risk Register template (**Appendix 3**) has been refreshed and now includes the introduction of monitoring the direction of risk. This will allow risk decision makers to have greater context when considering action. The inherent risk score has been removed as it adds limited value to the overall context of risk management when the residual risk score is also included.

4. Reasons for Decisions

- 4.1. To strengthen risk management practice within the council, to support good governance and to inform effective decision making. By managing our threats and opportunities effectively, we are in a stronger position to deliver business objectives and demonstrate better value for money.

5. Other Options

- 5.1. Not adopting this new refreshed Policy and Framework would mean that the current editions are not only out of date but that the activity identified within the Annual Governance Statement, which was agreed by the Leader and Chief Executive as an action to strengthen the Council's governance arrangements, would not be met.

6. Financial Implications

- 6.1. The Government's Orange Book, Management of Risk – Principles and Concepts, states that if organisations are serious about meeting objectives

successfully, improving service delivery and achieving value for money, risk management must be an essential and integral part of planning and decision making. There are no direct financial implications from the document, however sound risk management supports informed decision making and strong financial management.

7. Legal Implications

- 7.1. Failure to manage risks may lead to financial, reputational, legal, regulatory, safety, security, environmental, employee, customer and operational consequences.

8. Policy Context

- 8.1 This report is made in the context of the following policies:
- The Government's Orange Book, Management of Risk – Principles and Concepts

9. Carbon Impact

- 9.1. There are no direct carbon impacts in respect of the production of this document.

10. Equalities

- 10.1. There are no direct equalities implications arising from this report.

11. Consultation

- 11.1. Following the initial review by Zurich, a refreshed process was presented to and explored with the Corporate Leadership Team and the Senior Leadership Network, during a training workshop. These teams feedback and enhancements have since been made. In addition, the Impact and Likelihood definitions have been shared with relevant members of the Extended Corporate Leadership Team and enhancements made as a result.

12. Appendices

- 12.1. **Appendix 1**: Risk Management Policy Statement & Strategy
12.2. **Appendix 2**: Risk Management Tool Kit
12.3. **Appendix 3**: Risk Register Template

13. Report Authorisation

This report has been approved for publication by:		
	Name:	Date:

Executive Director(s)	Claire Shuter	10/10/2024
S151 Officer	Joe Chesterton	10/10/2024
Monitoring Officer	Susan Zeiss	10/10/2024
Relevant Cabinet Member(s)	Councillor Paul Collins	14/10/2024

Risk Management Policy Statement & Strategy



Version Control

Version	1
Status	Draft
Date	September 2024
Service	Strategy & Change
Owner	Suzanne Newman
Authorised By	TBC
Publication Date	TBC
Review Date	(every 2 years)

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1. Risk Management Policy Statement

The Corporate Plan sets out our focus for the next four years: what we aim to achieve for our residents, businesses and visitors and how we will transform as an organisation. It translates the long-term vision of the Council, as set out in the council and place vision, into short- and medium-term priorities. To meet our corporate objectives, the Council will need to become more innovative and commercially minded exploiting opportunities, whilst still operating in an environment where there are high expectations around transparency, integrity and accountability. Delivering value for money remains at the heart of good governance in local authorities.

Risk management is a key principle of the Council's effective corporate governance, it is a vital activity that underpins achieving our vision, values, and strategic objectives. By managing threats effectively, we are in a stronger position to deliver our objectives. By managing opportunities, we can ensure improved services and demonstrate effective value for money.

The Council's attitude to risk is to operate in a culture of creativity and innovation, in which risks are identified in all areas of the organisation, are understood and proactively managed rather than avoided. We will continue to develop a positive risk culture, which embraces openness, supports transparency, welcomes challenge, and promotes collaboration, consultation, co-operation, and continual improvement.

The objective of this strategy is to create a risk management process that:

- Provides a concise view of the top strategic, operational and project risks facing the organisation
- Raises awareness and confidence to stakeholders
- Provides clear monitoring to ensure key actions take place
- Provides a consistent escalation process
- Risk management is integrated into normal business planning and informs decision-making processes
- Ensures the risk management process including effective reporting arrangements to senior management and Members remain fit for purpose, optimising the efficiency of resources input

To achieve this, Councillors and the Corporate Leadership Team will champion:

- Effective mechanisms to identify, analyse, manage and monitor risk.
- Effective communication about risk within the organisation.
- Their statutory responsibilities for risk management particularly in areas where there is a high inherent risk such as health and safety.
- That effective risk management and constructive challenge of controls will help improve the delivery of the outcomes identified in our Corporate Plan by directing finite Council resources to where they can achieve the most, whilst exploiting opportunities to achieve outcomes via more innovative means.

2. Risk Management Strategy

2.1 Risk Management Framework Principles

This strategy, alongside the Risk Management Toolkit and risk management process provides a framework for consistent and robust identification and management of opportunities and risks across the Council, supporting openness, challenge, innovation and excellence in the achievement of objectives.

To ensure the framework is effective, the following principles should apply:

- Risk management is essential to governance and leadership, and fundamental to how the Council is directed, and managed at all levels
- Risk management is an integral part of all organisational activities to support decision-making in achieving objectives
- Risk management is collaborative and informed by the best available information and expertise
- Risk management is continually improved through learning and experience

2.2 Definition of Risk

The definition of risk used within the Council is:

RISK is 'The chance of something happening that will have an impact (negative = threat or positive = opportunity) on the Council's ability to successfully deliver its approved outcomes. This includes external and internal risks and opportunities.

RISK MANAGEMENT is therefore the process by which risks are identified, analysed, prioritised, managed and monitored / reviewed.

2.3 Three lines of Defence

The Council supports a Three Lines of Defence Model with everyone within the Council having responsibility for risk management.

Operational risks are the primary concern of the services, who control and monitor them, escalating to the strategic level if they are no longer manageable at the functional level. Departmental identified risks and mitigations are managed through departmental risk conversations and registers. This is the First Line of Defense.

When risks impact the ability of the Council to meet the Corporate Plan's strategic objectives, risks are escalated to the Corporate Leadership Team where they are discussed reviewed and updated via the Councils' Corporate Risk Register. These conversations are supported by the specialist knowledge of section 151, monitoring officer and the Head of Internal Audit. This is the Second Line of Defence.

The Third Line of Defence is Internal Audit who can provide an objective evaluation of the adequacy and effectiveness of the framework, governance, risk management and control when necessary.

3. Risk Management Process

More detail to support successfully embedding risk management is provided within the Risk Management Toolkit. An overview is provided below.

3.1 How to record risks

Two levels of risk register will always be in operation:

- Directorate Risk Registers (one for each of the Executive Directors) and,
- the Council's Corporate Risk Register

Service risks will be captured in Service Plans and identified on an ad-hoc basis.

Risks will be escalated to Directorate risk discussions when the risk requires additional assessment, monitoring or constructive challenge. Chaired by the Executive Director, directorate risk conversations will occur regularly, to review escalated and deescalated risks, identify new risks, assess, challenge controls, monitor and decide when to escalate to the Corporate Risk Register or deescalate to service managers. If management actions have failed to reduce the risk or if despite the action taken to manage the risk, the risk has increased, then it may need to be escalated. Directorate Risk Registers will be updated and stored within the relevant Teams channel, noting those risks to be escalated.

Members of the Extended Corporate Leadership Team will discuss directorate risks and identify those which, if managed jointly between departments, can be more effectively monitored and controlled. Jointly managed risks will be noted on the relevant Directorate Risk Registers.

Executive Director's will have the dual responsibility of overseeing their Directorate Risk Register and escalating risks to the Corporate Leadership Team for discussion within the Council's Corporate Risk Register. The Corporate Leadership Team, alongside the Audit Manager will assess, monitor and review risks, and where appropriate deescalate risks from the Corporate Risk Register. Risks that are managed to an acceptable level may be removed from the corporate risk register and included on the relevant directorate risk register.

The Corporate Leadership Team and those setting strategy and policy, will use horizon scanning and scenario planning to identify and consider the nature of emerging risks, threats and trends. New risk identification should be agile and may be ad hoc at Service, Directorate or Corporate level, or through the regular risk meetings.

3.2 Risk Assessment

The Council's methodology for risk **ASSESSMENT** is for the likelihood of the risk materialising, and the impact, should it materialise, to be scored using a defined criteria on a four-by-four grid. When assessing a risk there are two ratings to be confirmed from the analysis of the risk:

- The **RESIDUAL RISK SCORE** is the level of the risk after considering the mitigations currently in place.
- The **TARGET RISK SCORE** is the level at which the risk will fall within the Council's risk appetite and be accepted.

3.3 Prioritisation

The **PRIORITISATION** of risks will be dependent on the outcome of the analysis stage and the gap between the residual and target risk ratings.

When taking decisions regarding the appropriate action to manage a risk, consideration will be given to whether it is the likelihood or impact that we seek to reduce. It may be necessary to communicate with other individuals, teams, groups or boards, as others may need to understand the risk that is being managed, or their role in the control environment that needs to be in place.

A template Risk Register is in place for Corporate and Directorate Risk Registers, supported by the Pentana performance management system.

3.4 Risk treatment

RISK TREATMENT is the process to select, design and implement risk treatment options to support achievement of intended outcomes and manage risk to an acceptable level. Risk treatment options include:

- **Treating** – management action / control to lessen the probability or severity of the risk to bring the risk to within the Council’s risk appetite or to ensure that the opportunities available are being optimised.
- **Transferring** – passing to a third party, usually via a contract i.e. insurance – this would bring the activity within the council’s appetite and overall tolerance level. The transferred cost should be lower than the potential risk impact.
- **Tolerating** – accepting the current level of risk, because it is within the council’s defined appetite to do so and/or the cost of mitigations to reduce it further outweigh benefits to be gained in terms of affecting the likelihood or impact. The risk will still be logged and monitored.
- **Terminating** – ceasing the activity, as the risks are more significant than the benefits, exceeding the Council’s risk appetite or moves the overall level of risk over its tolerance for risk, and/or the cost of mitigations to rectify this far exceeds the resources available.

3.5 Risk Monitoring

Risks and their corresponding action plans need to be periodically reviewed and monitored to ensure changes are recognised and captured. The frequency of review should not be arbitrary, focus should be directed based on three factors:

1. The level of risk, more frequent attention to those of most significance.
2. Those risks where deadlines for actions are due, it is important to ensure actions are completed as planned and that they have had the expected effect on the risk rating.
3. Risks where the Residual and Target risk ratings are furthest apart, as these are the risks where the council is most exposed and greatest action is required to move to within appetite.

There is an expectation that risk registers are formally reviewed at least every six months.

3.6 Risk Reporting

Timely, accurate and useful risk reporting enhances the quality of decision-making and to support management and oversight bodies in meeting their responsibilities. This will be achieved through the regular Departmental and Corporate Risk Conversations and a half yearly briefing to Cabinet details priority strategic risks.

4. Risk Appetite and Tolerance

RISK APPETITE is the amount of risk that the Council is willing to seek or accept in the pursuit of its objectives.

The Council does not seek to avoid all risk. Acceptance of risk is subject to ensuring that potential benefits and risks are fully explored and that appropriate measures to mitigate risk are established before decisions are made. The Council further recognises that the appetite for risk will vary according to the activity undertaken and the ability to exercise controls and different appetites and tolerances to risk will apply.

The Orange Book – Management of Risk – Principals and Concepts includes thirteen categories of risk appetite, which include Governance, Strategy, Financial, Property, Commercial, and people. The risk appetite level for each category can be assessed using the following definitions: Averse, Minimal, Cautious, Open and Eager.

The Corporate Leadership Team will undertake an annual review of risk appetite across these categories. The risk appetites will be referred to when considering the planned treatment of a particular risk. Risks defined as ‘high’ will be managed down to a tolerable and targeted level wherever possible, however, it is important that risks across the Council are not over-controlled.

The **RISK TOLERANCE** of the Council is the boundaries of risk taking outside which the Council is not prepared to venture into the pursuit of its long-term objectives.

Effective communication regarding risk is essential to ensuring that the risk appetite being applied is ensuring risks are managed within the approved tolerance level.

The Risk Appetite and Tolerance of the organisation will be considered annually as part of the planned annual review of the framework, and changes to procedures and guidance made as required.

5. Evaluation of this strategy

We will review our processes to ensure they continue to be fit for purpose, by:

- Evaluating our approach the effectiveness of risk assurance through the Annual Governance Statement.
- Annually reviewing effectiveness of risk management activity during the year and reviewing the approach to ensure it remains in line with good practice.
- Every two years we will review and update the Policy and Strategy.

Appendix 1 - Roles and Responsibilities

Group / Individual	Role / Responsibility
Cabinet	<ul style="list-style-type: none"> • To ensure risk management roles and responsibilities are clear; • To have regard to the risks faced by the council within the Cabinet decision making process; • Agree the frequency of the review and challenge of the Corporate Risk Register; • Ensure there are clear processes for bringing significant issues to the attention of Cabinet or more rapidly when required; • Endorse the Council's Risk Management Policy Statement and Strategy.
All Councillors	<ul style="list-style-type: none"> • Support and promote risk management; • Consider the risks involved in any key decisions made.
Audit Committee	<ul style="list-style-type: none"> • To assure themselves that the Risk Management Framework is operating effectively and in accordance with the approved Policy and Strategy; • To provide independent assurance to Cabinet and Council on the above; • Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
Chief Executive and Corporate Leadership Team	<ul style="list-style-type: none"> • Establish the Council's approach to risk management, supported by the Audit Committee; • To ensure that the Corporate Risk Register reflects those departmental risks that may prevent the delivery of the Corporate Plan; • To act as the intermediary between Departmental and the Corporate Risk Registers and associated risk discussions; • Support and promote risk management throughout the Council; • To oversee the development / review of the Council's Risk Management Strategy / Framework; • To ensure engagement in risk and control mechanisms across their respective service areas; • Challenge the Corporate Risk Register at least six monthly; • Focus their agenda on gaps in controls and / or assurances • Brief Cabinet Portfolio Members on the risks associated with their areas of responsibility.
Extended Corporate Leadership Team	<ul style="list-style-type: none"> • Champion and ensure that risk management is implemented across their teams; • Identify relevant lead officers / risk owners as appropriate; • To ensure that Members are briefed on significant risks that fall within their theme / outcome and actions to address these; • Consider cross cutting, joint working and risks within partnership working;

Group / Individual	Role / Responsibility
	<ul style="list-style-type: none"> • Escalate risks as appropriate to CLT / Corporate Risk Register.
Internal Audit	<ul style="list-style-type: none"> • To offer independent, objective assurance and advice on risk management activity; • To undertake an audit of risk management arrangements and make recommendations on actions to be considered; • To provide assurance on the effectiveness of controls, including annual assessment of the council's risk management and internal control mechanisms as part of the Annual Governance Statement. • Head of Internal Audit attends CLT risk management discussion
Risk Management Function	<ul style="list-style-type: none"> • To be undertaken by the Policy & Performance Team. • To ensure that the Risk Management Framework, including the Policy Statement, Strategy and guidance, are kept up to date, reflect best practice and are relevant to the Council; • To provide support on risk management across the Council; • To co-ordinate the reporting of the corporate risk register to senior officers and Councillors and provide advice and challenge as appropriate, including the tracking of action plans in the risk register. • To support the identification of and analyse key new and emerging risks and report to CLT for consideration (horizon scanning); • Support communication of the risk management strategy and process, and update as appropriate, across the council through risk reviews and training sessions; • Promoting risk management awareness.
All Employees	<ul style="list-style-type: none"> • To understand the risks that relate to their role and activities and their role in reporting on and managing these; • To report new or emerging risks in a timely manner.

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Risk Management Toolkit

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Version	1
Status	Draft
Date	September 2024
Service	Strategy & Change
Owner	Suzanne Newman
Authorised By	TBC
Publication Date	TBC
Review Date	(every 2 years)

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1. Introduction

This Toolkit provides a methodology to help officers prepare and maintain service, departmental and corporate, risk registers. It should be used in conjunction with the Council's **Risk Management Policy Statement and Strategy**. These can be found on the council's intranet page: 'Risk Management'.

A consistent approach to Risk Management helps to promote common levels of understanding, however, other approaches to risk registers / matrices may be more appropriate for particular plans and projects. This toolkit, therefore, provides a framework to be used by service areas appropriate to their circumstances.

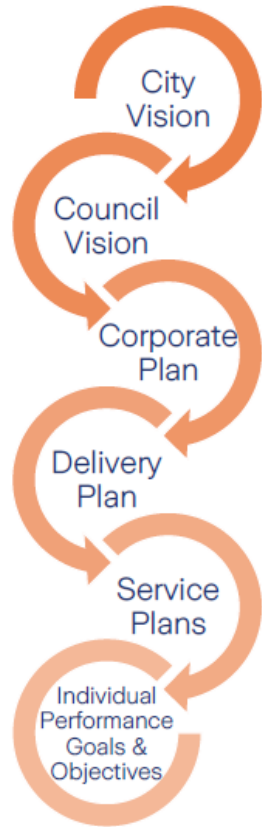
2. Purpose of this Toolkit

The purpose of this Toolkit is to help identify and manage key risks that services and departments may face. The information included in departmental risk registers (one register per Executive Director) is designed to incorporate key risks relating to service delivery and service improvement which impact on the directorates ability to meet its core objectives. When those risks become wider reaching and/or impact on the Council's ability to meet its strategic priorities (as outlined in the Corporate Plan), these risks will be escalated to the Corporate Risk Register.

3. Why manage Risk?

“Risk management involves understanding, analysing and addressing risk to make sure organisations achieve their objectives”

Institute of Risk Management



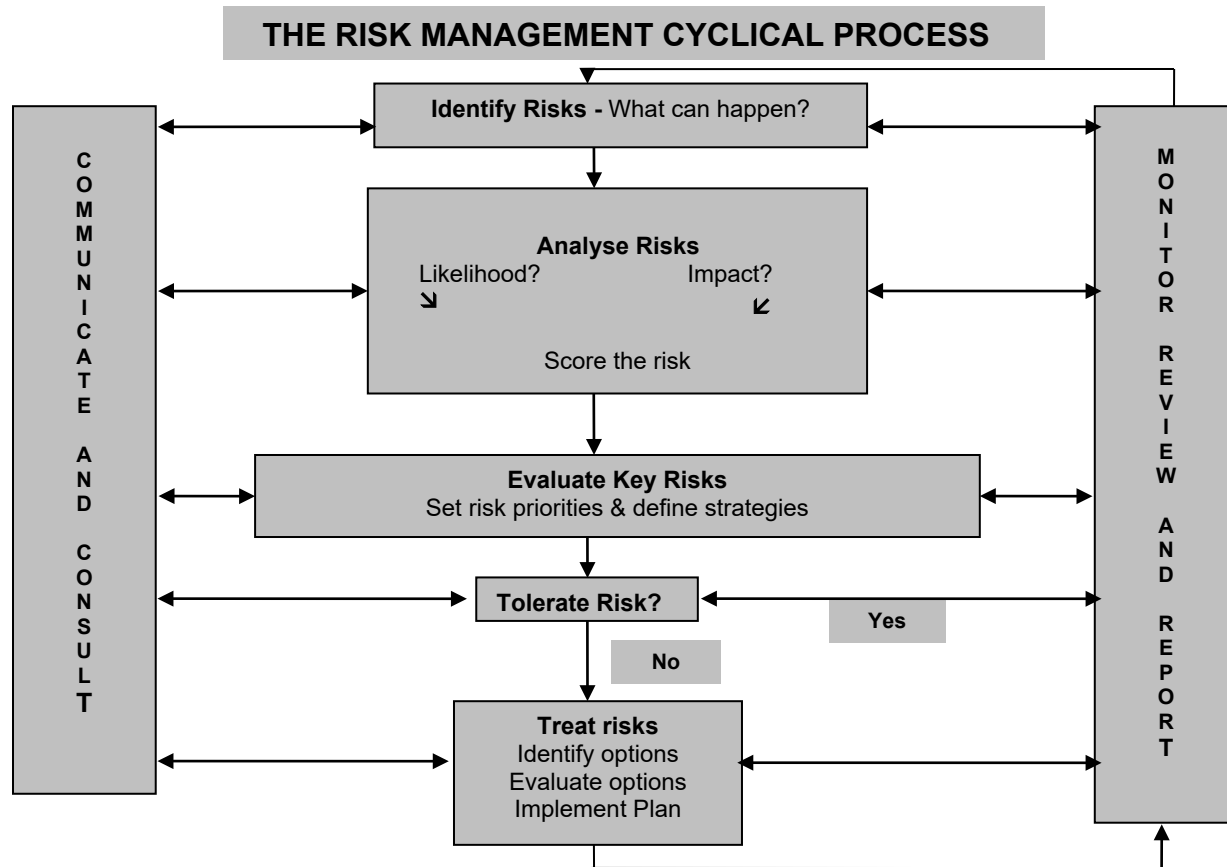
Risk is ever present and some amount of risk taking is inevitable if the Council is to achieve its aims and objectives.

Creating and maintaining a Risk Register will help to proactively manage the major risks that services or projects face. Effective risk management should mean fewer things go wrong and lower costs for the organisation. The process also stimulates debate about what level of risk the Council is willing to accept and why – that is, the levels of risk appetite and tolerance.

Many managers intuitively undertake risk management as part of their day-to-day business activities. However, identifying and recording the main risks to services also helps the Council identify and manage those risks that affect the whole organisation, including those that feed directly into the Corporate Risk Register and business continuity plans.

4. The Council’s Risk Management Cycle

The cyclical risk management process comprises a number of stages that need to be completed to carry out a full risk assessment. Risk assessments are best carried out as a group or team, with the Head of Service or senior managers and any relevant team or project members who can add knowledge and value to the process.



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5. Risk Identification and Control

Identification of risk

The Risk Register should not record incidents or issues:

- An **incident** is present, is causing disruption now and we are currently responding
- An **issue** is ongoing, the impact is certain, and we are adapting our approach in response.

Your starting point should be the corporate priorities and related actions set out in the Corporate Plan and how these interact with your service objectives as set out in your service or team plan. Risk identification should be undertaken only after service objectives and the activities which will support the achievement of these objectives are known.

Once the objectives have been established think about what may prevent, or threaten, the objective from being fully or partially met. These are your 'risks'. Remember to look at risks that are associated with improvement actions on your service plans.

Horizon Scanning

An important feature of risk identification is horizon scanning, both within and alongside other teams and departments.

Horizon scanning is a systematic method for:

- spotting potential causes of uncertainty
- ensuring adequate preparation and
- surviving threats.

It is NOT about predicting the future.

Horizon scanning supports the process of building organisational resilience and is one part of a suite of tools which can help practitioners understand and prepare for future risks.

Horizon scanning works as an “alerting and creative activity” to identify emerging issues to pick up early warning signals, and to provide insights into how to organise and explore weak signals.

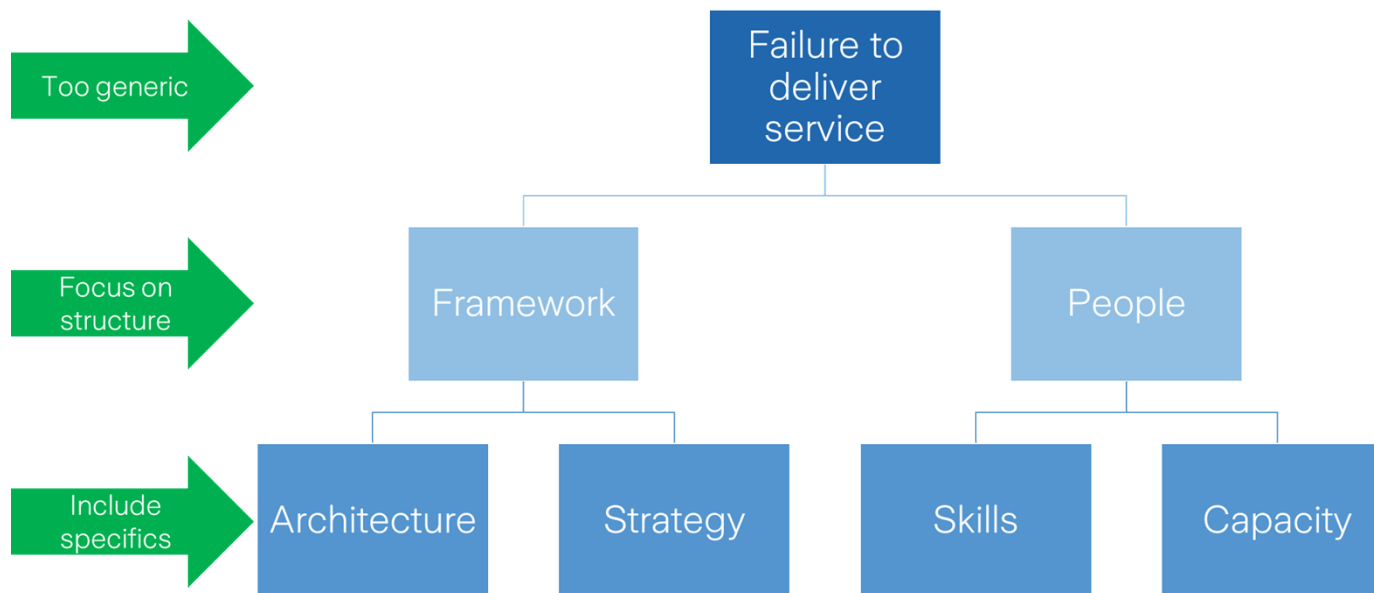
Articulating your risk

When identifying a risk consider the Political, Economical, Social, Technological, Legal and Environmental (PESTLE) factors which might impact on your ability to achieve your objectives.

When articulating your risk, include both a symptom and a result. There are three sections to scoping a risk:

Stage	1. Cause	2. Event	3. Effect
Key question	How and Why?	What, Where?	How big, How bad?
Typical phrasing	Risk Failure to... Lack of... Loss of... Uncertainty of... Partnership with...	...due to...	...resulting in ...

Be specific on why there is a risk, avoid assumptions and generalisations.



Once the risk has been identified and defined it is necessary to establish whether the risk is;

∞

- a) **Strategic** – risks that may be potentially damaging to the achievement of the Council's aims and objectives as set out in the Corporate Plan. These are likely to be included in the Corporate Risk Register.
- b) **Operational** – risks that are faced in the day-to-day delivery of services. If the impact of the risk is great enough, some of these risks could be included in the Corporate Risk Register, but most will be recorded and monitored on the Departmental Risk Register

Think about the most appropriate timeframe for your risk materialising and seek constructive challenge from colleagues and others about your assumptions.

Remember to think about the risk of fraud and corruption as part of your considerations.

Key Controls currently in place

Consider which controls (and assurance) are currently in place and helping you to manage your risk, record these in the Risk Register.

These controls include procedures, processes and management checks to manage / mitigate the risk on a daily basis and help ensure that it does not happen.

Identify the 'assurance' you have in place to check that those controls are working, appropriately and effectively. Assurance can be gained through performance monitoring or project groups.

The current controls should not include any future actions. Listing the current controls only allows us to assess the residual risk and challenge whether those controls are in fact a good use of resources.

Scoring residual risk

Assess the risks you have identified by considering what is currently in place to minimise (or 'mitigate') it.

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As part of this you will need to determine the potential impact of the risk on the council by using the **Impact Criteria** table (**Appendix 1**). For each of the categories along the top of the chart there is a rating for the following four impacts in the column on the right, the most appropriate one of which can be chosen as an assessment of risk:

1. Negligible
2. Material
3. Severe
4. Catastrophic

Once the impact has been established the likelihood of the risk occurring with current controls in place needs to be determined. Use the **Likelihood Criteria** table (**Appendix 2**) for this, by choosing which definition is suitable. The definition will be one of the following:

1. Unlikely

2. Likely
3. Very Likely
4. Almost Certain

The risk then needs to be scored using the **Risk Matrix (Appendix 3)** and the impact and likelihood definitions that you have just determined. You do this by following the chosen impact and likelihood along the matrix until they intersect to provide the **The Residual Risk Score** will be a number from 1 to 16, with 1 being the lowest level risk and 16 being the highest-level risk.

Risk appetite and tolerance – when scoring, it should be born in mind that the Council will focus on where it is prepared to take risks to achieve objectives (risk appetite), rather than identifying the extremes beyond which they cannot go (risk tolerance).

Risk appetite and risk tolerance are not fixed values but vary from situation to situation, person to person and over time and this can be set out by including the risk matrix, for each stage, using the risk matrix in Appendix 3.

Key Actions and Target Impact Score

Record in the register the key activity that you will undertake to manage and mitigate your risk. Consider a timeline for taking this action.

With the key actions in mind, now rescore the impact and likelihood based on the criteria in Appendix 3 and 3.

A risk manager and owner should be identified. These roles will ensure that controls and actions are owned and reviewed for effectiveness.

6. Risk Monitoring, escalation and de-escalation

As part of the continuous risk management process, it is vital that all service and project risk profiles, Departmental and the Corporate Risk Register are kept up to date. This means that regular reviews of their risk profiles should be undertaken:

Updates of departmental and corporate risks should be undertaken at least quarterly (or in line with governance reporting) and reviewed at corporate, departmental, service group and team meetings appropriately.

Things to bear in mind:

- Previously identified risks will change over time; It may be appropriate to deactivate risks.
- It may become necessary to escalate a risk if the situation has changed or the initial assessment has proven to be inaccurate. On the other hand, it may be possible to downgrade a risk.
- New risks identified will need to be added.

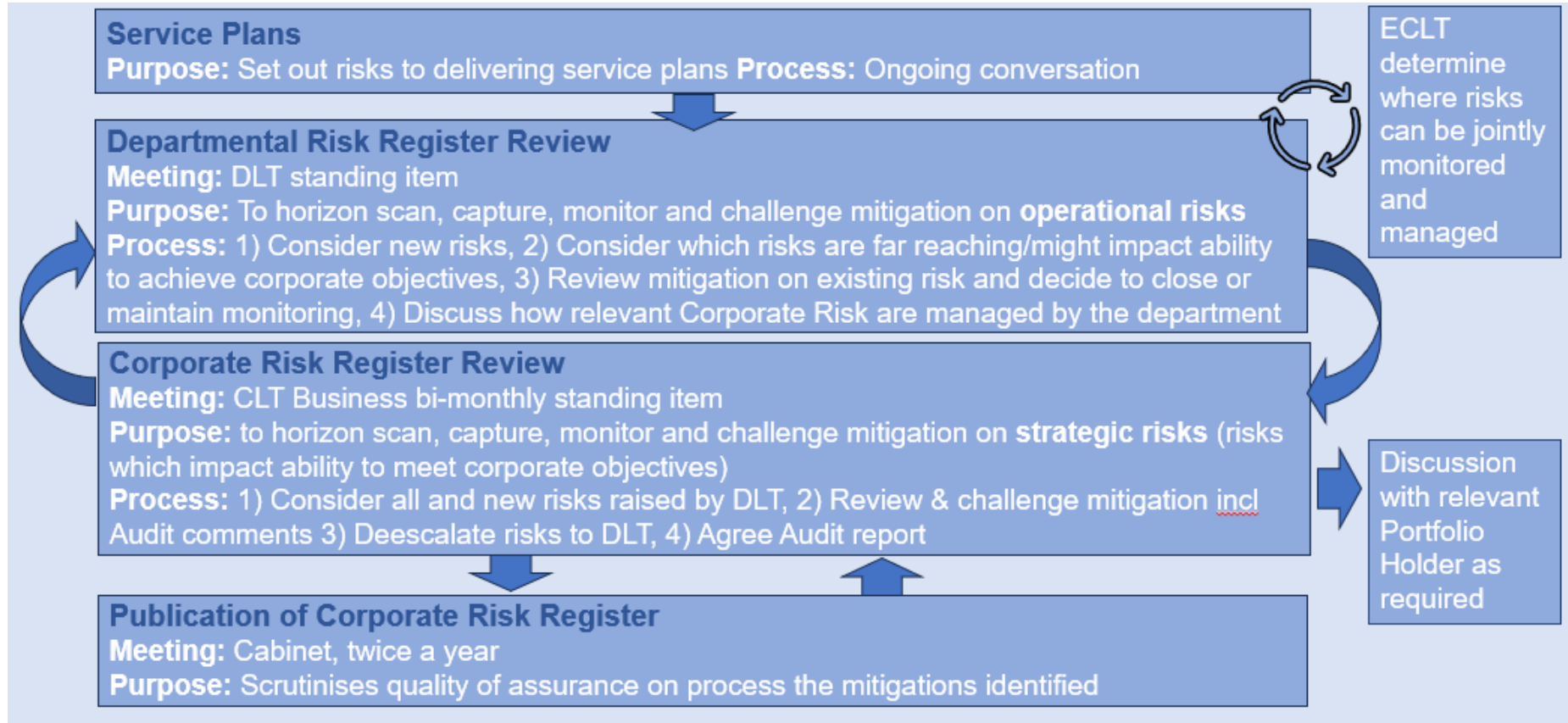
Constructive challenge should take place to ensure that listed controls and actions are effective. Any reassessment of a risk should be recorded with a direction of travel. This enables an ongoing indicator as to whether risks are being successfully managed.

When challenging consider:

- Are risks stale, staying the same or getting worse without explanation?
- Is this risk still relevant?
- Is the scoring reflective of the current environment?
- Are the controls still addressing the root cause of the risk?
- Is the risk over or under controlled in relation to risk appetite?
- Do any of these risk require escalation?
- Have I spoken to other service leads to co-ordinate approach?
- Does the risk rating seem right compared to other listed risks?

Risk registers can be monitored through the Pentana performance management software – support for this can be provided by the Policy & Performance Team.

The monitoring, escalation and de-escalation process is set out below.




7. Risk Register Maintenance


The Corporate Risk Register is regularly monitored and reviewed by the Corporate Leadership Team and then Cabinet every 6 months. Updates should:

- Review the actions which have been identified to further mitigate risk;
- Provide an update on the progress to achieving the action;
- Give a red, amber, green (RAG) rating the action being able to maintain the risk score, defined

Performance Rating Guidance

Red  The action will not be achieved, therefore, affecting the ability to control the risk and / or the risk score.

Amber  The action is in danger of not being achieved affecting the ability to control the risk and/ or the risk score.

Green  Action has not missed any target dates and will be achieved.

Actions which have been completed and can add assurance to the risk.

Appendix 1 – Impact criteria

	1. Health & Safety	2. Service Provision /Business Continuity	3. Financial	4. Project	5. Reputation	6. Environment	<u>Impact</u>
Risks	Fatality	Service delivery affected over one month (up to 50% of residents affected or aware) Statutory / critical service delivery will cease for a period of time without any affective contingency. (e.g. Housing Benefits etc.)	Over £1m or > 10% of total budget individually (service area) or cumulatively (departmental)	>10% over budget / schedule slippage. Doesn't meet primary objectives	National Publication (name & shame) by external audit, inspectorates leading to a loss of control over the running of Council operations. Front page of national newspaper.	Major widespread pollution including flooding, ecology, landscape and damage to the environment.	'Catastrophic' 4
	Permanent Injury	Delivery affected up to one month (up to 25% of residents affected or aware) Loss of a non-critical service for a significant period of time (Leisure, Corporate Communications, HR etc.)	Between £500k - £1m or 6 – 10% of total budget individually (service area) or cumulatively (departmental)	6– 10% over budget / schedule slippage. Failure to meet secondary objectives	Minor coverage in national press or local front-page press article leading to a reduced ability to affectively deliver one or more services.	Major local pollution including flooding, ecology, landscape and damage to the environment.	'Severe' 3

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HSE Reportable Incident	Delivery affected by 1 – 2 weeks (up to 10% of residents affected or aware). Some disruption or inconvenience to service delivery & customers. (Reduced staffing, late opening, temporary loss of IT).	Between £50k - £499k or 2 – 5% of total budget individually (service area) or cumulatively (departmental)	2 – 5% over budget / schedule slippage. Reduction in scope or quality	Disgruntled local groups or individuals possibly leading to internal complaints & time-consuming research into the cause of complaints. Local press article and / or ombudsman enquiry.	Minor widespread pollution including flooding, ecology, landscape and damage to the environment.	‘Material’ 2
1 st Aid Given	Minor disruption to service up to 5% of residents affected or aware.	Under £50k or <=1% of total budget individually (service area) or cumulatively (departmental)	< 1% over budget / schedule slippage. Minor reduction in quality or scope	Rumour and gossip	Localised pollution including flooding, ecology, landscape and damage to the environment.	‘Negligible’ 1

Appendix 2 – Impact criteria table (continued)

	7. Service or project effectiveness	8. Value for Money	9. Physical infrastructure	10. Digital infrastructure	11. Compliance	<u>Impact</u>
Risks	The Service/ Project is almost entirely failing to meet the needs of the target customers.	The service is grossly inefficient and wasteful of resources (staff time and money). Substantial improvements or cost savings could be possible. 30% or more	An event that could cause a major loss or damage resulting in widespread or total service disruption. Assets may not ever be fully recoverable e.g. loss of life through negligence, uninsured cash, documents, electronic data.	A total cyber or failure event that could cause major loss or damage, reputational damage, resulting in total service failure and long-term outages. Key electronic information could be irretrievably lost or carry a huge cost of retrieval/ replacement. Financial impact could be huge in terms of loss of income, repair or fines.	The Council faces serious penalties or prosecution & criticism from institutions such as Police, Courts, Ombudsman, Data protection and Freedom of Information Commissioner etc. Customers are treated unfairly & may suffer damage by the council.	‘Catastrophic’ 4
	The service / project does not meet some significant needs of its customers. The service being provided is only partly effective.	Clear resource savings are accessible but are not being exploited. 10% to 30%	An event could cause some service disruption or involve the police, insurance company, external audit or other external bodies. Assets are more likely to be recoverable after a period of time. Includes injury through negligence.	A widespread cyber or failure event that could cause major loss or damage, reputational damage, and almost total service failure for an extended period of time or at a critical time. Some electronic information could be irretrievably lost or carry a large cost of retrieval/ replacement. Financial impact could be large in terms of loss of income, repair or fines.	The council may face criticism and be ordered to comply with legislation by an external body as a result of a breach.	‘Severe’ 3

	<p>Opportunities for improvement are not being exploited. The service / project should be more effective and could better meet its customer's requirements.</p>	<p>Some efficiency or cost savings could be made for the benefit of the service.</p>	<p>Temporary loss of a recoverable asset that may and minor service disruption.</p>	<p>A cyber or failure event that could cause material outages to some key service areas for an extended time. Key electronic information could be lost or carry a cost of retrieval / replacement. Financial impact could be material in terms of repair, or fines.</p>	<p>The council may commit largely undetectable breaches in legislation and internal procedures that could have other minor effects on reputation, service delivery etc.</p>	<p>'Material' 2</p>
	<p>All other risks below material.</p>	<p>All other risks below material.</p>	<p>Minor vandalism.</p>	<p>A minor cyber or service failure with no loss of electronic information, and for a short period only. Key systems recoverable with no loss and minor financial implications.</p>	<p>All other material risks.</p>	<p>'Negligible' 1</p>

Appendix 2 – Likelihood criteria

RISKS		
Description	Possible Indicators	Likelihood Rating
More than 75% chance of occurrence	Regular occurrence. Circumstances frequently encountered – daily/weekly/monthly.	‘Almost Certain’ 4
40%-75% chance of occurrence	Likely to happen at some point with the next 1-3 years Circumstances occasionally encountered (few times a year)	‘Very Likely’ 3
10% - 39% chance of occurrence	Only likely to happen once every 3 or more years	‘Likely’ 2
Less than 10% chance of occurrence	Has happened rarely/never before.	‘Unlikely’ 1

Appendix 3 – Risk matrix

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Impact / Consequence	Catastrophic	4	4 (Medium)	8 (High)	12 (Very High)	16 (Very High)	Risk tolerance level – Risks above this level will need particular resources and focus
	Severe	3	3 (Low)	6 (Medium)	9 (High)	12 (Very High)	
	Material	2	2 (Low)	4 (Medium)	6 (Medium)	8 (High)	
	Negligible	1	1 (Low)	2 (Low)	3 (Low)	4 (Medium)	
			1	2	3	4	
			Unlikely <25%	Likely 26-50%	Very Likely 51-75%	Almost Certain >75%	
			Likelihood				

Risk acceptance level (activity below which attracts minimum effort and resources)

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Meeting: Audit Committee
Date: 23 October 2024
Classification: Part 1
Key Decision: No
Title of Report: Annual Report – Comments, Complaints and Compliments
– 2023/24

Executive Director: Claire Shuter, Executive Director Strategy and Change
Report Author: Val Smith, Customer Service Manager, Information
Governance, Complaints and Resolution
Executive Councillor: Councillor Daniel Cowan

1. Executive Summary

1.1. This report is to:

- Provide performance information about general comments, complaints and compliments received across the Council for 2023/24.
- Provide an annual report concerning compliments, concerns and complaints received about the Council's Children and Adults' social care functions.
- Report to councillors on the findings of certain Local Government and Social Care Ombudsman investigations.
- Provide assurance that the above complaints systems are effective.

2. Recommendations

2.1 It is recommended that the Committee:

- a. Note that the Council has the necessary structures in place to manage complaints received through the General and Children's and Adult Social Care statutory complaint processes.
- b. Note that the Council has the necessary structures in place to manage comments, compliments and concerns received.
- c. Note the contents of the annual letter of the Local Government and Social Care Ombudsman.
- d. Note the summary of complaints upheld by the Ombudsman following their investigation.
- e. Note the change to a two stage General complaints process from 1 September 2024 and the associated timescales for response.
- f. Note the preparations which are being made for full compliance by April 2026 with the Ombudsman's Complaint Handling Code.

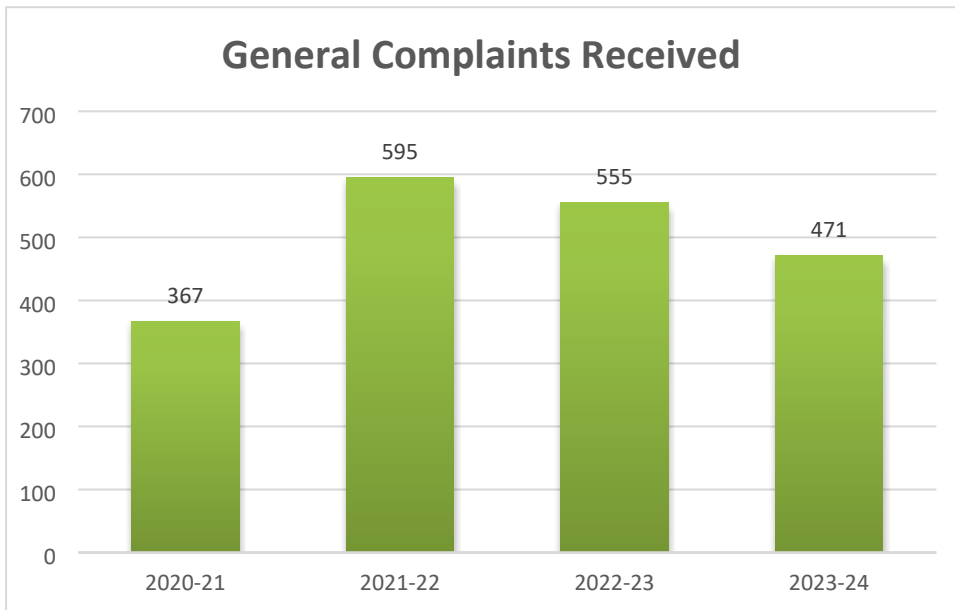
3. Background

- 3.1 Southend-on-Sea City Council is responsible for over 500 services and has a population of over 180,000 residents in around 85,000 households. There is rising demand for social care services for adults, children and the most vulnerable and many residents face cost-of-living issues.
- 3.2 When things go wrong, it is important that the Council has effective procedures for considering complaints and a positive complaints culture which:
- Promotes a positive relationship between the Council and service users,
 - Allows an issue to be resolved before it becomes worse,
 - Learns from complaints, resolving individual complaints and using data from complaints to drive improvement.
- 3.3 It is also important to understand where things are going well and the Council records compliments concerning its services, relating both to individual officers and services.
- 3.4 This report provides assurance in relation to four separate but associated processes:
- General Comments, Complaints and Compliments
 - Children’s Statutory Complaints
 - Adult Statutory Complaints
 - Local Government and Social Care Ombudsman (LGSCO) complaints.

4. General Complaints Process

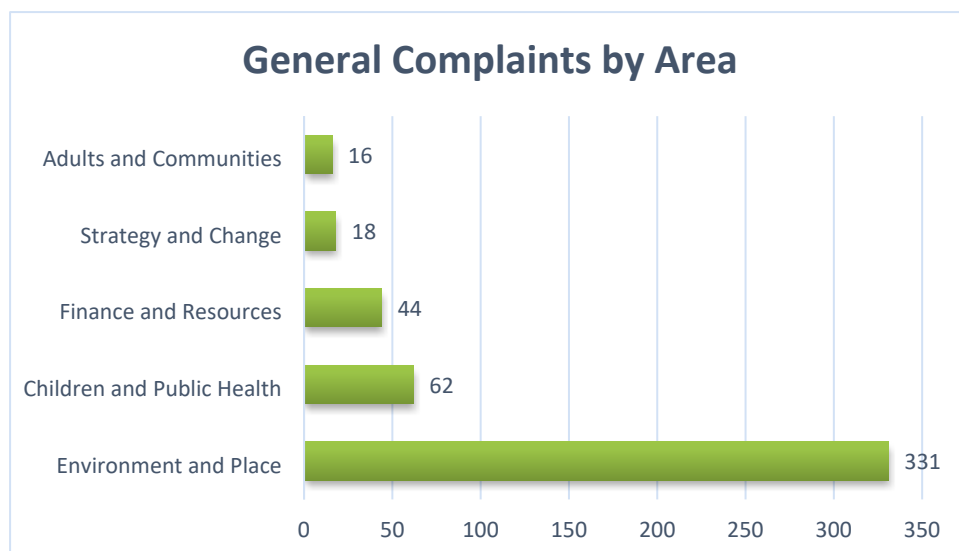
- 4.1 Complaints which do not have a specialist process are considered under the General Comments, Complaints and Compliments procedures (sometimes referred to as corporate complaints). For the period covered by this report there were three stages to the process.
- 4.2 471 complaints were received through the General complaint process in 2023/24 continuing the trend in reduction of complaints towards the levels received before the pandemic.

This Graph shows the number of complaints received and a comparison with the previous three years.



- 4.3 492 complaints were resolved in 2023/24. Of these 61% were responded to in time. In the final quarter of the year there was a concerted effort to resolve overdue complaints. This meant that complaints were resolved which had been received earlier than 2023/24. Although this had to be done it also had a short term impact as it suppressed in year performance. Performance in 2024/25 is improving, and current in-month performance (August 2024) is 88%.
- 4.4 Of those complaints resolved, 47% were upheld. Where a complaint was upheld, the most common response was a meaningful apology (47%) or an offer of a service or solution to put things right (37%).
- 4.5 The most common reason for making a complaint (80%) was that a poor level of service had been provided or a procedure had not been followed correctly. 56% of such complaints were upheld. In 11% of complaints, staff were said by the person complaining to have been rude or unhelpful, 67% of these complaints were upheld.
- 4.6 These figures indicate that the Council has the correct policies, procedures, and standards in place, but they are not always followed. When this happens the Council has a culture where mistakes are openly acknowledged, and action is taken to put things right.
- 4.7 Of the complaints received and responded to in 2023-24 through the General complaint process, 78% were resolved at stage 1, 16% at stage 2 and 6% at stage 3.
- 4.8 The complaints received through the General complaint process in 2023-24 related to the service areas shown in the table below. The number for Environment and Place, while a reduction from 350 in the previous year, is noticeably higher than that of other services. This is usual because of the

universal services they provide (for example waste collections) which regularly involve large numbers of residents. Another factor is that other services have statutory complaint, appeal and review processes which take areas of their work outside of the general complaints arena.



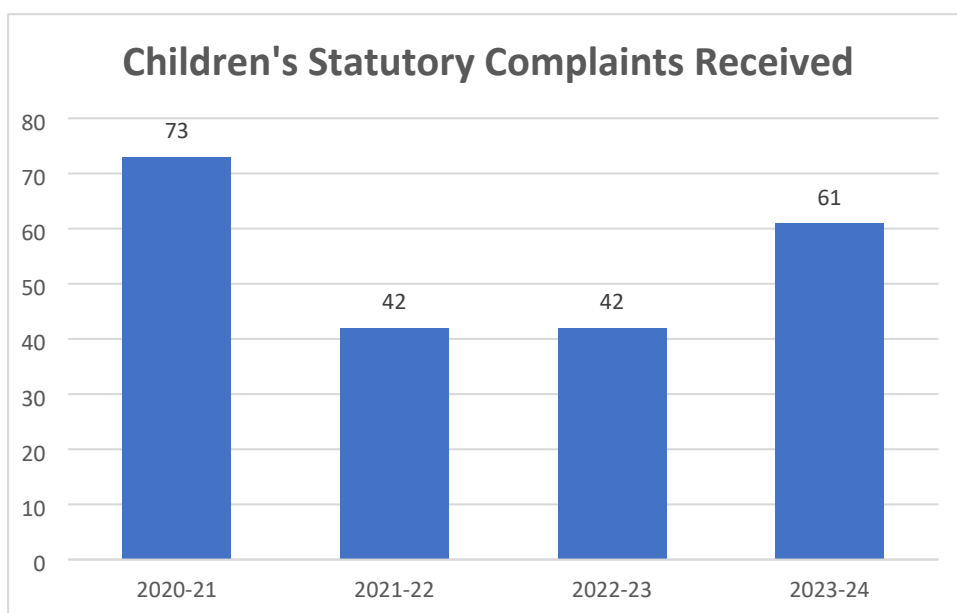
- 4.9 The Local Government and Social Care Ombudsman has issued a Complaint Handling Code with which all Local Authorities must comply by April 2026.
- 4.10 To allow Councils time to adapt to the requirements of the new Code, the Ombudsman will not use it as an enforceable standard in their investigations before April 2026. Councils are however encouraged to align their processes with the Code as soon as can practicably be achieved, and no later than 31 March 2026.
- 4.11 The new Code requires a two stage complaints process. As an interim measure and a first step towards Code compliance, the third stage of the Council's General Complaint process has been abolished, effective from 1 September 2024.
- 4.12 The revised two stage process has kept the previous response time standards (15 working days for Stage 1 complaints and 20 for Stage 2) but now includes an option for extension to response times in complex cases. This more closely aligns with the requirements of the new Code. Further adjustments will be made prior to April 2026 to ensure processes and timescales fully comply with the new Code.
- 4.13 At stage 1 of the revised process the complaint will usually be investigated by a team or service manager. If the complainant remains dissatisfied, at stage 2 of the process the complaint will usually be investigated by a Head of Service or Director. At both stages, the response should be agreed with the responding officer's manager prior to despatch.

- 4.14 The stage 2 response will be the final position of the Council and must be a reconsideration of the Stage 1 response, not simply a repetition. The person considering the complaint at stage 2 should not be the same person that considered the complaint at stage 1.
- 4.15 A programme of work is underway to prepare for further alignment with all aspects of the Code. These include:
- Training for staff who regularly respond to complaints, delivered by the Ombudsman’s service (delivery September and October 2024).
 - The formation of a representative group of staff to work as a Community of Practice, exploring how the Code is best implemented in practice.
 - The identification and allocation of roles and responsibilities prescribed by the Code.
- 4.16 The Ombudsman is working with a group of twenty councils to trial the implementation of the Code. Further guidance and best practice will be developed through this pilot and the Council’s complaint process will need to flex to take these into account.
- 4.17 The Code will require an annual report concerning complaint performance to be published. The format, once prescribed, is likely to alter the nature of this report going forward.

5. Children’s Statutory Social Care Complaints Process

- 5.1 The Children’s Act 1989 provides the statutory basis for a three stage complaint process. Complaints about children’s services which do not fall under the Act, follow the General complaints process instead.
- 5.2 61 complaints were received through the Children’s Social Care complaint process in 2023/24. The number of complaints received is returning to the levels seen before the pandemic.

This Graph shows the number of complaints received and a comparison with the previous three years.



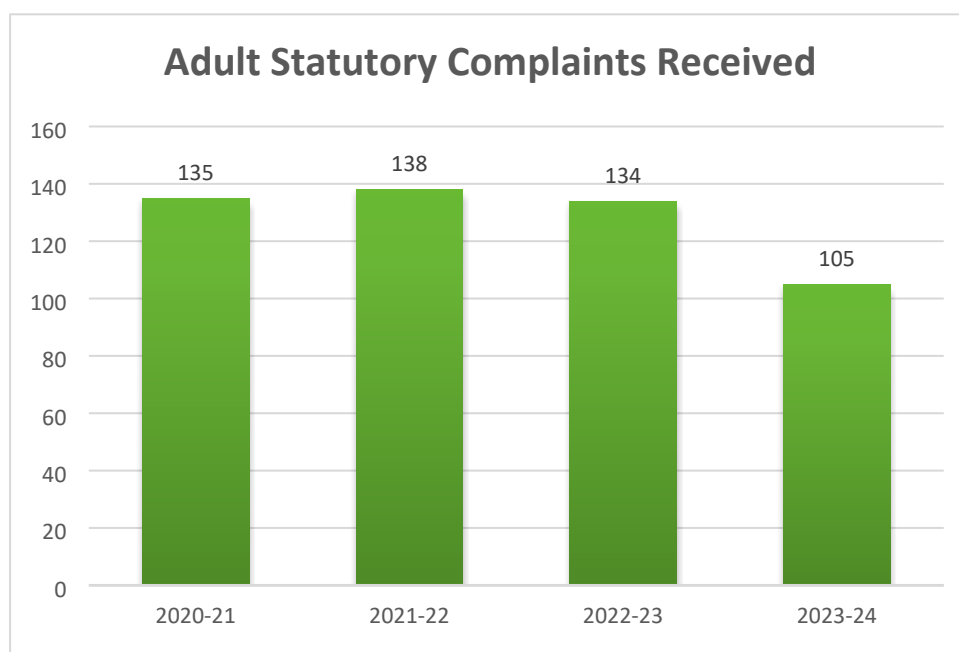
- 5.3 61 complaints were resolved through stage 1 of the process. These should be responded to within ten days, or twenty days for more complex complaints. 34% were responded to in ten days and 56% within 20 days. Throughout the year services have reported that they have found it difficult to prioritise the handling of complaints against the other demands on their time.
- 5.4 Five complaints went to Stage 2 of the process. 60% were completed within timescale. No complaints received in 2023/24 were escalated to Stage 3 (although one from the previous year was heard).
- 5.5 Of the complaints resolved, 33% were fully or partially upheld. The top three issues raised, making up 46% of complaints, were:
- Conduct or behaviour of an officer.
 - Lack of professionalism.
 - Insufficient support.
- 5.6 The root cause of a complaint is often a perception that the support provided is not sufficient or timely and officers are slow at decision making. Some complainants feel our staff can be unprofessional and do not follow our own processes and procedures and the decisions made can be confusing, biased, or arbitrary.
- 5.7 The majority of complaints are made by a parent or parental figure. A total of eleven complaints were received directly from children or young people. Two of these were received directly from a child (defined as those under 18 years of age) and nine were received from care-leavers in the 18 to 24 age range. Two of these young people were assisted by an advocate.
- 5.8 During 2024 the level of performance reporting to Children's Services concerning complaints in their area has increased with weekly reporting to senior managers and those handling complaints now taking place. The manager of the Complaints Support service regularly attends Children's Services management meetings to discuss complaints performance. Although

the Ombudsman’s new Complaint Handling Code does not apply to statutory complaints, the principles it advocates are universal. Learning from the proposed Community of Practice (see paragraph 4.13 above) will therefore also be applied to this type of complaint, as will the complaint handling training being delivered by the Ombudsman service.

6. Adult Statutory Social Care Complaints Process

- 6.1 The Local Authority Social Services and National Health Service Complaints (England) Regulations 2009 provides the statutory basis for a single stage complaint process for Adult Social Care. Where complaints about adult social services do not fall under the Act, the General complaints process is followed instead.
- 6.2 Complaints concerning external providers of social care for adults (such as residential care homes or care provided at home) which are raised directly with them are not recorded by the Council.
- 6.3 105 complaints were received through the statutory Adult Social Care complaint process in 2023/24. Two complaints were then instead investigated through the Safeguarding process. The number of complaints received has reduced when compared to previous years.

This Graph shows the number of complaints received and a comparison with the previous three years.



- 6.4 Adherence to response times is measured by compliance with the agreed dates set out in the individual complaint plans. The agreed date is generally set at 15 working days to align with the General complaints process. Out of the 103 complaints responded to, 48 complaints (47%) were responded to within 15 days.

6.5 Of the complaints resolved:

- 50% of complaints regarding services provided by Domiciliary Care providers were fully or partially upheld.
- 100 % of complaints regarding services provided by Residential Care providers were upheld (1 complaint).

Internal Council Services

6.6 There were 70 complaints regarding internal Council services, three of which were withdrawn. Of the remaining 67 complaints, 54% received a response within 15 working days.

6.7 The top three issues raised were:

- Care charges not properly explained.
- The quality of service provided.
- Insufficient level of support being provided.

6.8 55% of complaints regarding internal Council services were fully or partially upheld.

Domiciliary Care Services

6.9 There were 33 complaints regarding Domiciliary Care services. 39% received a response within 15 working days.

6.10 The top three issues raised were:

- The timing of calls
- Financial loss.
- The quality of service.

6.11 64% of complaints regarding Domiciliary Care services were fully or partially upheld.

Residential Care Services

6.12 There were two complaints regarding Residential Care homes. One concerned the attitude of staff and was not upheld; the other concerned the quality of service and was upheld in part. Neither complaint was responded to within 15 working days.

6.13 The Council's Contracts, Quality and Complaints Teams continue to work with residential and domiciliary care providers to address issues and effect improvements in complaints handling.

6.14 During 2024 the level of performance reporting to Adult Services concerning complaints in their area has increased with weekly reporting to senior managers and those handling complaints now taking place. The manager of the Complaints Support service has been working with the Head of Practice

Governance in Adult Services to better extract learning from adult social care complaints.

- 6.15 Although the Ombudsman's new Complaint Handling Code does not apply to statutory complaints, the principles it advocates are universal. Learning from the proposed Community of Practice (see paragraph 4.13 above) will therefore also be applied to this type of complaint, as will the complaint handling training being delivered by the Ombudsman service.

7. Compliments, Concerns and Comments

- 7.1 In 2023-24, there were 257 compliments recorded (112 through the general process, 31 through the Adult and 114 through the Children's social care process).
- 7.2 Unlike complaints, compliments do not need a specific response, and so there is a possibility that compliments are under-recorded as they may have been made verbally or in an email and not then passed on to be formally recorded and reported.
- 7.3 In 2023/2024 compliments have been recorded from diverse sources, such as directly from social care users or their families, from residents using universal services, from staff of partner organisations and from visitors to the city.
- 7.4 The attributes frequently mentioned when complimenting individual officers are professional; taking time to listen; caring; helpful; friendly, compassionate, and cheerful.
- 7.5 There is appreciation of the beauty of the city's open spaces and the Council's upkeep of them. Some feedback, particularly in the field of social care, is heartfelt and describes life changing positive interventions by officers.
- 7.6 Compliments such as these are direct feedback from the people we serve. They are both inspiring for individual staff and provide an insight from an independent perspective into what good customer service looks like.
- 7.7 Regulations require the local authority to record Adult social care 'concerns' however Adult and Community Services received no feedback to be logged as a 'comment' or 'concern' about its social care services in 2023/2024.
- 7.8 Some people wish to provide feedback to help improve services, but they do not wish to make a formal complaint, and the Council's Comments process facilitates that.

8. Monitoring and reporting

- 8.1 Performance monitoring concerning complaints has been substantially increased in 2024. Performance and overdue complaint data is reported monthly to Corporate Leadership Team. Performance is reported as a key indicator quarterly in the Corporate Performance Report to Cabinet.

Outstanding complaints are monitored by the Complaint Support service and reports are provided weekly to Executive Directors and complaint handlers. Complaints are monitored by the Complaints Manager for any trends/emerging themes.

9. Local Government and Social Care Ombudsman

9.1 This section constitutes the report of the Monitoring Officer concerning complaints to the Local Government and Social Care Ombudsman (the Ombudsman) throughout the year and fulfils the Monitoring Officer's reporting duty under section 5(2) of the Local Government and Housing Act 1989 and the Local Government Act 1974.

9.2 The Monitoring Officer must provide councillors with a summary of the findings on all complaints relating to the Council where in 2023/24 the Ombudsman has investigated and upheld a complaint.

9.3 The Ombudsman investigates complaints about 'maladministration' and 'service failure', generally referred to as 'fault'. They consider whether any fault has had an adverse impact on the person making the complaint, referred to as an 'injustice'. Where there has been a fault which has caused an injustice, the Ombudsman may suggest a remedy.

9.4 The Council works with the Ombudsman to resolve complaints made to them. Most complaints are resolved without detailed investigation.

9.5 The Ombudsman writes a letter to the Council each year providing commentary and statistics concerning the matters raised with them over the previous year. The statistics are focused on three key areas:

Complaints upheld – The Ombudsman upholds complaints when they find some form of fault in an authority's actions, including where the authority accepted fault before they investigated. This year, the Ombudsman has also provided the number of upheld complaints per 100,000 population.

Compliance with recommendations – The Ombudsman recommends ways for authorities to put things right when faults have caused injustice and monitor their compliance with the recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

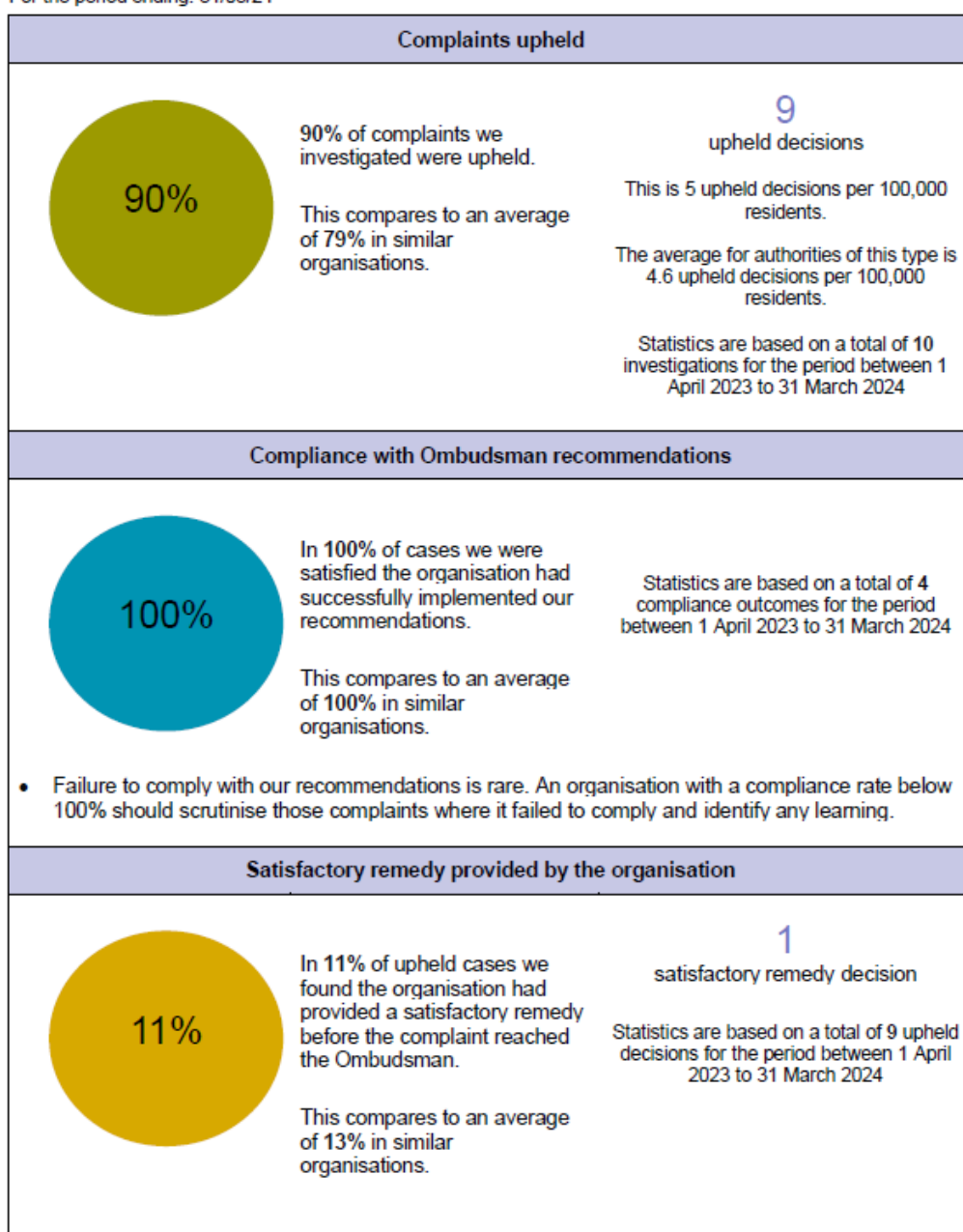
Satisfactory remedy provided by the authority - In these cases, the authority upheld the complaint, and the Ombudsman agreed with how it offered to put things right.

9.6 In their letter, the Ombudsman has expressed concern that in two instances in the reporting period, agreed recommendations were not complied within the agreed timescales. The Ombudsman reminds us that they should be kept

informed when there are delays and the Council should identify at the draft decision stage whether the timescales proposed are feasible. The Ombudsman also notes that during the year they had cause to raise concerns about failures to respond on time to investigation enquiries and draft decisions. The Ombudsman is pleased to note in their letter that in response, the Council took immediate action, and a significant improvement has been seen.

9.7 Statistics from the annual review letter of the Ombudsman are as follows (full details and the Ombudsman’s annual letter are available on the [LGSCO website](#)).

Southend-on-Sea City Council
For the period ending: 31/03/24



9.8 In 2023/24, 61 approaches were made to the Ombudsman in respect of Southend-on-Sea City Council.

9.9 56 decisions were made by the Ombudsman, as follows:

Advice given	2
Closed after initial enquiries	23
Incomplete/invalid complaint	3
Referred back for local resolution	18
Not upheld	1
Upheld	9
Number of decisions made	56

9.10 The Ombudsman concluded 10 detailed investigations in respect of Southend-on-Sea City Council in the period between 1 April 2023 and 31 March 2024 with 9 complaints being upheld. The percentage rate upheld is high because only cases where there is a higher likelihood of fault are referred for investigation. The number of complaints requiring investigation by the Ombudsman is comparable with previous years.

Year	21/22	22/23	23/24
Number of detailed investigations	8	7	10
Number of detailed investigations upheld	7	6	9
Upheld rate	88%	86%	90%

9.11 The following is a summary of the 9 upheld Ombudsman Investigations:

9.11.1 Benefits and Tax (1 investigation):

The complainant was liable for business rates from June 2019 to March 2021, but the Council delayed and did not send a bill until November 2021. There was fault by the Council in failing to contact the complainant directly after receiving his contact details but there was no evidence the complainant ever

contacted the Council himself and so the injustice claimed was not as a direct result of the Council's fault. No remedial action was required.

9.11.2 Education and Children's Services (4 Investigations):

The Council did not issue a final Education, Health and Care Plan within the timescales required by a Tribunal's order. This caused avoidable frustration and uncertainty. To remedy the fault found, the Council agreed to apologise, make symbolic payments, fund a specialist advocate, arrange, and take part in mediation and issue an amended final plan.

The Council was at fault for delaying consideration of a complaint at stage two of the children's statutory complaints procedure. To remedy the fault the Council agreed to start a stage two investigation by allocating the complaint to an Independent Investigator within a month of the date of the Ombudsman's decision.

A complaint was made about how the Council safeguarded the complainant's great-grandchild and about its role in their care. He also complained about how the Council responded to his children's statutory complaint. The Council was at fault for delay at stage two and three of the statutory complaint procedure. The delay caused the complainant avoidable frustration, for which the Council agreed to make a symbolic payment. The Council also agreed to complete stage three of the statutory complaint procedure.

A complaint was made to the Ombudsman concerning failure to complete Stage 2 of the statutory children's complaint procedure within the prescribed timescale. The Ombudsman upheld the complaint and to remedy the fault the Council agreed to complete a Children Act statutory complaints procedure stage 2 investigation with 65 working days of the Ombudsman's final decision.

9.11.3 Housing (4 Investigations):

A complaint was made that the Council failed to assist the complainant when she reported domestic abuse. The Council was at fault for not considering if the complainant should be considered as homeless in February 2019, March 2022, and August 2022. As a result, she remained in a property where she was at risk of domestic abuse until early July 2023. To remedy the fault the Council agreed to apologise and make a symbolic payment to remedy the injustice caused. The Ombudsman noted that the Council had already made changes to its processes to prevent such a fault reoccurring.

A complaint was made about the way the Council dealt with the complainant's homelessness application, eviction from a hostel and allocated banding priority to his housing application. The Ombudsman did not investigate the complainant's concerns about his eviction from the hostel and decision he was intentionally homeless because he could have appealed to the courts

about the decision. The Ombudsman found no evidence of fault in the way the Council considered and allocated the complainant's banding priority. Fault was however found because the Council delayed carrying out a review of the complainant's housing banding causing uncertainty. However, the injustice caused to the complainant had already been remedied as he had been able to bid at a higher priority for 20 months (while the review was delayed).

A complaint was made about the Council's actions when the complainant became homeless. The Council failed to properly consider whether it owed the complainant a relief duty sooner and placed the complainant and her child in unsuitable emergency accommodation. The Council did not consider the complainant's request to review its decision of temporary accommodation. It also offered her two properties which were unsuitable for her health needs and too far from her child's school. These faults caused the complainant distress, frustration, uncertainty, and financial loss. To remedy the fault, the Council agreed to apologise to the complainant, offer her a symbolic payment, reimburse her with costs resulting from the Council's faults and review the suitability of her temporary accommodation. The Council also agreed to make service improvements to prevent a recurrence of fault.

A complaint was made that the Council had unreasonably refused to provide interim accommodation to relieve the complainant's homelessness. The Ombudsman found there was some fault in the process the Council followed on receiving a referral from another local authority. This did not cause the complainant an injustice as the Council has since followed the correct process and the outcome remained the same. No remedial action was required.

9.12 The following is a summary of the 1 Ombudsman Investigation which was not upheld:

9.12.1 Planning and Development:

A complaint was made that the Council had failed to properly investigate or take appropriate action in relation to breaches of planning control at a site next to his home. Activity at the site was disturbing the complainant's sleep and affecting his health and wellbeing. The Ombudsman decided there was no evidence of fault in the way the Council had investigated the complainant's reports of breaches of planning control or in its decision not to take formal enforcement action.

10. Conclusion

10.1 The processes continue to deliver a professional response to individual complaints and robust complaint monitoring. However, compliance with timescales in all types and stages of complaints requires improvement.

- 10.2 The Council is co-operating fully with the Ombudsman and successfully collaborating with them to identify the appropriate resolution for complaints made. Compliance with the Ombudsman's timescales declined during 2023/24 but has since recovered.
- 10.3 The Council has plans in place to meet the requirements of the Ombudsman's Complaint Handling Code in time for its enforcement from April 2026.

11. Reasons for Decisions

To ensure the Council continues to have transparent, effective, and compliant procedures for complaints.

12. Other Options

None. Reporting of general complaint performance is required by the Local Government and Social Care Ombudsman as demonstration of good practice. Reporting concerning social care complaints and Ombudsman decisions is required by law.

13. Financial Implications

A robust complaint process with thorough investigation and a positive approach reduces the likelihood of financial remedies being recommended by the Ombudsman.

14. Legal Implications

These reports ensure compliance with legislation requires that statutory processes be in place to deal with complaints relating to child and adult social care and to produce annual reports concerning them. These reports also need to be shared with the Care Quality Commission and the Department of Health.

The report of the Monitoring Officer ensures section 5/5A of the Local Government and Housing Act 1989 (which requires the Monitoring Officer is required to prepare a formal report on all upheld Ombudsman complaint decisions) is met.

The Advocacy Services and Representations Procedure (Children) (Amendment) Regulations 2004 confer a duty on local authorities to provide information about advocacy services and offer help to obtain an advocate to a child or young person wishing to make a complaint. This requirement is met by the process.

15. Policy Context

None

16. Carbon Impact

None

17. Equalities

The complaints processes are open to all and have multiple methods of access for customers. Adjustments to the processes are made for those who require it because of a protected characteristic.

Although most commonly the processes are accessed through e-mail and on-line forms, traditional methods such as post are available and where necessary a complaint can be transcribed over the telephone or be made in person.

This supports those who might otherwise be inhibited from using the process, perhaps through vulnerability.

18. Consultation

None recently.

19. Appendices

None

20. Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	10.10.24
Monitoring Officer	Susan Zeiss	10.10.24
Executive Director(s)	Claire Shuter	10.10.24
Relevant Cabinet Member(s)	Cllr Cowan	11.10.24

Title:	CIPFA's Financial Management Code: Council Self-Assessment Compliance Status Update (Sept 2024)
Meeting:	Audit Committee
Date:	23 October 2024
Classification:	Part 1
Key Decision:	No
Report Authors:	Pete Bates, Director of Financial Services, Caroline Fozzard, Senior Finance Lead (Strategy, Sustainability and Governance), Andrew Barnes, Head of Internal Audit
Executive Councillor:	Councillor Collins - Cabinet Member for Finance, Assets and Investments

1. Executive Summary

- 1.1 To provide an update to the Audit Committee of the Council's continued compliance with CIPFA's Financial Management Code and to report on progress against the action plan that resulted from the Council's previous self-assessment undertaken in March 2024.

2. Recommendations that Audit Committee:

- 2.1 **Notes that the Council's latest mid-year self-assessment continues to demonstrate overall compliance with CIPFA's Financial Management Code.**
- 2.2 **Notes the progress against the Financial Management Code action plan that was reported to the Audit Committee on 24 April 2024.**
- 2.3 **Notes the next annual self-assessment of the Council's compliance status against CIPFA's Financial Management Code will be undertaken and reported to the Audit Committee in April 2025.**

3. Background

- 3.1 In October 2019 CIPFA published the Financial Management Code (FM Code) which was designed to support good practice in financial management and to assist local authorities in demonstrating their approach to delivering financial sustainability. It essentially sets the standards for financial management arrangements for local authorities.
- 3.2 It is based on a series of principles that are supported by specific standards which are considered necessary to provide the strong foundation to:
- Financially manage the short, medium and long-term finances of a local authority
 - Manage financial resilience to meet unforeseen or unpredictable demands on services
 - Manage unexpected shocks in their financial circumstances.
- 3.3 The FM Code has six core principles and within those it has 17 minimum standards (A-Q) that came into effect from 1 April 2020, with the first full year of compliance being the 2021/22 financial year.
- 3.4 The importance and significance for all local authorities to understand and seek compliance with the FM Code has been highlighted by the significant financial challenges facing the country and local government generally. The Council is now dealing with the combination of huge increases in service demand post the pandemic and cost of living impacts on our local residents, together with significantly higher operating costs across almost every aspect of the organisation, linked to high levels of inflation over a sustained period.
- 3.5 This operating environment across the whole Local Government sector has clearly had a significant impact on the sector's financial resilience and future sustainability. The details of the impact on the Council's approved financial plans for 2024/25 have been reported within the Finance and Corporate Performance Report 2024/25 – Period 4¹.
- 3.6 The challenge of delivering a balanced financial outturn for 2024/25 is significant and it is in the best interests of the Council for all Officers and Elected Members to work closely and collaboratively together at pace to control all areas of identified overspending and to ensure that any adverse variances are brought back as close as possible to the approved budget for 2024/25. This means that some very difficult choices and prioritisation of existing approved spending plans for both capital and revenue during 2024/25 continue to be considered.
- 3.7 Continuing to remain a financially resilient and sustainable local authority is a significant challenge now and in future years. Medium term financial and business planning has been made more difficult by the uncertainty around Government departmental spending plans, given the recent change in Government. The detailed analysis of the Chancellor's budget speech on 30 October and the announcement containing the parameters of the future Local Government finance settlement will be critical for the Council's financial and business planning. A one-year settlement is expected this time around. but it is hoped that in the subsequent year, the Government will return to developing 3-year Comprehensive Spending Reviews for Government departments. However challenging this may be, it would at least provide greater certainty to the sector.

¹<https://democracy.southend.gov.uk/documents/s63321/Report%20of%20Exec%20Director%20Finance%20and%20Resources.pdf>

4. Internal Audit of the Council’s arrangements to maintain Financial Sustainability

4.1 On behalf of Internal Audit, PWC have undertaken a review of the Council processes in place to monitor its long-term financial stability. The draft report identified “that the Council has a governance structure in place to support the development of the Medium-Term Financial Strategy. There are also monitoring arrangements in place that will allow leadership to have oversight of the Council’s spend against budget. This has enabled the Council to have clear sight of the risks related to financial stability, including the ongoing weakness of Local Government finances, demand pressures and the subsequent impact on Southend’s financial position. Southend will need to deliver significant savings in the next five years to balance its budget. This will require the Council to transform its operations to deliver these savings.” A summary of the final report will be reported to the next Audit Committee.

5. Progress against the last self-assessment action plan

5.1 In March 2024 the Council reviewed and refreshed the self-assessment against each of the 17 standards contained within the FM Code. Officers in finance and audit reviewed the Council’s current practices, and the evidence of their utilisation, to complete that self-assessment. Officers reviewed the evidence of the Council’s current arrangements compared to the FM Code’s expectations and expressed their degree of confidence about how well these arrangements met the FM Code’s expectations.

5.2 This resulted in a RAG rating that is being used to report the status of compliance against each standard:

Red	Not compliant
Amber	Compliant but with scope for further improvement
Green	Compliant

5.3 The results of the latest review undertaken by officers is represented by the diagram shown at Appendix 1. This illustrates that the Council was self-assessed as still achieving overall compliance with the expectations of the FM Code. The Council meets the minimum expectations for all 17 standards, with good compliance for 15 standards and demonstrable compliance, but with recognised scope for further improvement for the remaining 2 standards.

5.4 For these 2 standards it was felt that further strengthening is still required, particularly around enhanced awareness and consistent embedding across the Council’s wide range of services. In addition, there are new considerations that have now been introduced including the requirement to develop and submit Local Productivity Plans to Central Government and locally the need to evaluate the impact of the Council’s new governance arrangements for Transformation and Performance.

5.5 The proposed action plan and progress to 30 September is included at Appendix 2. This plan outlines the steps that the Council is taking to deliver further improvements to existing arrangements to ensure enhanced compliance with the expectations of the FM code while also supporting the delivery of the Council’s aims and priorities. This work will also be included in the Council’s Change Programme underpinning the delivery of the new Corporate Plan.

5.6 The following table sets out our assessment of the progress made against each of the standards that were self-assessed as requiring further improvement and the anticipated rating at the time of the next assessment in April 2024:

Financial Management Standard	Self-Assessment RAG rating	Anticipated RAG rating at the next Self-Assessment
A – The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM)	Amber	Amber
E – The financial management style of the authority supports financial sustainability	Amber	Amber

5.7 The challenges that have been set out in paragraphs 3.4 to 3.7 have meant that the Council's capacity and focus has been directed at investigating the financial sustainability challenges that it faces, taking immediate remedial actions and planning future mitigations. Whilst the actions set out in Appendix 2 remain valid and appropriate, the momentum of delivery has slowed whilst the focus of officers has been placed on the need to urgently reduce all non-essential expenditure and / or generate extra income whilst maintaining local service provision.

5.8 It should be noted that, although most of the Local Government sector, including the Council, continues to face challenges to its future financial sustainability, this is not due to any weakening of its local financial management arrangements. The arrangements have actually helped the Council to identify and highlight the scale of the local financial challenges, cost drivers and impact in a timely manner. Most of these unavoidable external factors, including increases in service costs and demand, are affecting the whole Local Government sector.

5.9 It should also be noted that the National Audit Office's Code of Audit Practice 2020 for external audit of local government that took effect from the audit of the 2020/21 financial year has updated the approach that external auditors will be taking to delivering their review of the Council's Value for Money (VFM) arrangements. The Council's findings from the self-assessment against the FM Code forms part of the evidence provided to the external auditors to inform their yearly review. Following external audit's most recent review of our arrangements for delivering VFM the 2022/23 Auditors' Annual Report (considered at Item 8 on tonight's agenda) concluded that there were no significant weaknesses in the Council's arrangements to maintain financial sustainability.

5.10 However, one significant weakness is being reported by our external auditors in relation to the Council's governance arrangements for 2022/23, specifically with regards to the Council's leadership (including member/officer relationships), governance and decision-making which was also noted in the LGA Corporate Peer Challenge in October 2022.

5.11 In addition to the improvements recommended for the 2 standards rated as amber that are reported in the action plan at Appendix 2, additional work to ensure consistency and embedding of arrangements throughout the Council was also proposed to further enhance the already compliant arrangements in respect of the following 5 standards:

- C: The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control
- I: The authority has a rolling multi-year medium term financial plan consistent with sustainable service plans. [Levels of resilience testing have been enhanced to assess the potential impact of changes in the type and cost of demand on the overall medium-term financial plan.]
- L: The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget. [It is difficult to engage with stakeholders when the Council does not currently have any certainty over the Government's future departmental spending plans and have only received a one-year settlement
- M: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions
- N: The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

5.12 Progress to 30 September in these four areas is as follows:

- C: The Council is:
 - undertaking a review of the Constitution that sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people, to ensure that this provides the most effective way of working.
 - undertaking a review of risk management arrangements to ensure that these are operating effectively across the organisation.
 - working to deliver against a refreshed Corporate Plan 2024-2028 that sets out our areas of focus in four overarching priorities, details the outcomes we wish to achieve, the actions we will take to deliver them and how we will resource the necessary activity. It covers the council's priorities and is an important tool to help focus our effort and resources on the right areas.
 - working to deliver against a refreshed set of Service Plans for 2024/25 that provide the Golden Thread between the work of individuals and teams to support delivery of the Corporate Plan.
- I: The Council:
 - will give consideration to the final agreed management actions from the Financial Sustainability Audit and how they will be implemented in the next refresh of the MTFs as part of the 2025/26 budget round.
- L: The Council:
 - has highlighted the scale of the financial challenges and the requirement for difficult choices on service levels to be made in the future.
 - has committed to recast its medium-term financial plan (potential scale of budget gap 2025/26 – 2029/30) to the November 2024 Cabinet meeting.
- M: The Council:
 - continues to bring Value for Money considerations into sharper focus across all services given the significant financial challenges the Council faces.

- has shifted the focus of the work being undertaken on project and programme activity to the transformation programme and creating a centre of excellence and community of best practice.
 - N: The Corporate Leadership Team receive monthly financial performance reports that highlight all budget variances and emerging risks that require the development of remedial savings plans and / or appropriate spending reductions. A link to the report for Period 4 can be found on page 2 of this report. The development and content of the report will be kept under review to ensure it remains relevant and appropriate.
- 5.13 Whilst demonstrating best practice in all areas would always be ideal it is acknowledged that with the finite level of resources available, sensible judgements need to be made. The Council needs to have confidence in its arrangements and compliance with the Code, but also to ensure that arrangements are proportionate and represent a good use of limited available resources. The proposals in this report will be kept under review but it is considered that this fine balance has been achieved, and no extra costs will be incurred as a result of this assessment and recommended way forward.

6. Reasons for Decisions

- 6.1 One of the purposes of the Audit Committee is to provide independent assurance on the adequacy of the internal control framework, therefore understanding the Council's compliance with the expectations of CIPFA (the sectors' standard setter) in respect of financial management assists the Committee to achieve this purpose.

7. Other Options

- 7.1 Other improvements could be recommended but the ones in this report balance the need to have confidence in the Council's arrangements whilst ensuring that they are proportionate and represent a good use of limited resources.

8. Financial Implications

- 8.1 Any financial implications arising from effectively managing the Council's financial position will be considered through the normal financial management processes. Proactively managing the Council's finances results in improved utilisation of limited resources, better VFM including reduced costs and where possible, improved outcomes for local residents.

9. Legal Implications

- 9.1 The Accounts and Audit Regulations 2015 require the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions.

10. Carbon Impact

- 10.1 Any carbon impact arising from managing the Council's finances will be considered through the Council's normal business management processes.

11. Equalities

11.1 Corporate equalities considerations have been considered in the drafting of the financial management arrangements and any specific equality related risks have been identified for the Council.

12. Consultation

12.1 Consultation has taken place with key stakeholders.

13. Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	11/10/2024
Monitoring Officer	Susan Zeiss	11/10/2024
Executive Director	Joe Chesterton	11/10/2024
Relevant Cabinet Member	Cllr Collins: Cabinet Member for Finance, Assets and Investment	14/10/2024

14. Background papers

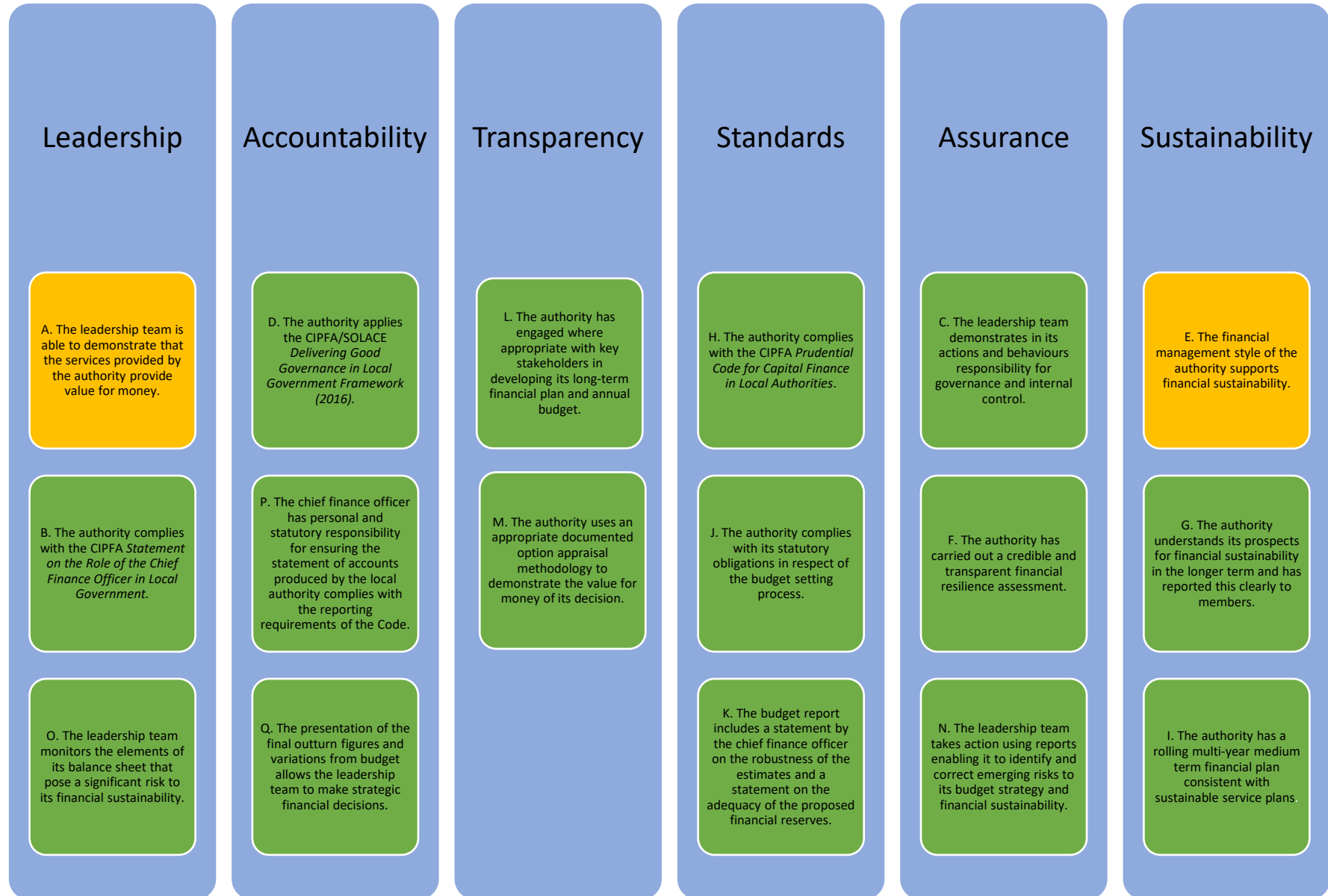
- CIPFA’s Financial Management Code 2019
- CIPFA’s Financial Management Code Guidance Notes 2020

15. Appendices

- Appendix 1 – Illustration of Self-Assessment Findings
- Appendix 2 – FM Code Progress Against Action plan

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Financial Management Code – Illustration of Self-Assessment Findings



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FINANCIAL MANAGEMENT CODE – SELF ASSESSMENT UNDERTAKEN IN APRIL 2024

ACTION PLAN FOR STANDARDS WHERE SOME IMPROVEMENTS ARE PROPOSED – PROGRESS UPDATE

	Financial Management Standard	RAG rating	Actions needed	Ownership	End date	Progress to 30 th September 2024
111 A	The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM)	Amber	<p>To strengthen awareness of the importance of Value for Money (VFM) and further increase understanding within the Council of what represents VFM in a local context, so that continued prominence and consideration can be given to evidencing its delivery in all reports, discussions and operational arrangements.</p> <p>To further embed the Knowing Your Business (KYB) Programme to aid understanding of the key cost and income drivers and their impact on securing economy, efficiency and effectiveness from all Council's resources.</p> <p>To assess and evaluate performance by service leads against the delivery of the savings and income generation, planned overspend reductions and cost avoidance targets agreed as part of the approved budget plans for 2024/25.</p> <p>To support the development and submission to Government of Local Productivity Plans which set out how the Council will improve the efficiency of service performance and ensure the best use is made of taxpayers' money.</p> <p>To evaluate the impact of the Council's new governance arrangements for Transformation and Performance reporting and delivery, ensuring all service leads are accountable for achieving enhanced evidence of VFM across all aspects of their delivery arrangements in 2024/25.</p>	Corporate Leadership Team	March 2025	<p>The outgoing external auditors have undertaken their review of the Council's VFM arrangements as part of completing their audit of the 2022/23 Statement of Accounts. The results of the 2022/23 audit show they have identified no significant weaknesses in respect of arrangements to deliver financial sustainability, but one significant weakness in relation to governance. The incoming external auditors are yet to complete their review of the 2023/24 arrangements.</p> <p>There has been continued Leader/Chief Executive briefings with all staff and increased communications around the current financial situation, emphasising the increased importance of financial accountability across all services.</p> <p>The Council developed its first productivity plan and submitted it to Government in July 2024.</p> <p>As part of approving service plans and budget allocations for 2024/25, there is clear accountability, with named officers tasked with implementing approved budget initiatives.</p> <p>The Corporate Leadership Team received a briefing note on Zero Based Budgeting. They are considering which services would be appropriate for a review of that nature and the approach that should be taken.</p> <p>The P4 Finance Performance Report set out that 76% of the approved savings were forecast to be achieved by the end of the financial year. Work is ongoing to try to improve the delivery of the remaining initiatives or to develop alternative proposals.</p> <p>A Members Resources Panel has been created and is scheduled to meet after the Chancellor's budget speech on 30 October. Its anticipated remit will include:</p> <ul style="list-style-type: none"> - overseeing the work of the Transformation Board and Finance and Performance Board - undertaking analysis on key risk areas of the budget - evaluating financial challenges - generating ideas for risk mitigation

Meeting: Audit Committee
Date: 26 October 2024
Classification: Part 1
Key Decision: No
Title of Report: Counter Fraud & Investigation Team: Quarterly Performance Report October 2024

Executive Director: Joe Chesterton: Executive Director (Finance and Resources)
Report Author: Shaun Dutton: Counter Fraud & Investigation Manager
Executive Councillor: Cllr Paul Collins: Cabinet Member for Finance, Assets and Investments

1. Executive Summary

- 1.1 The purpose of this report is to inform the Audit Committee about the work done by the Counter Fraud & Investigation Team (CFIT) in delivering the Counter Fraud Strategy and Work Programme for 2024/25.

2 Recommendations

- 2.1 That the Audit Committee notes the performance of the Counter Fraud & Investigation Team over the last three months.

3 Background

- 3.1 CFIT is dedicated to protecting the funds and assets of Southend-on-Sea City Council (the Council). The team protects the Council from fraud, corruption, and losses resulting from criminal behaviour. We pursue those that commit crime against the Council and recover losses where possible.

4 Summary of work

- 4.1 The volume of internal investigations the team is currently dealing with is starting to show signs of easing with 6 referrals being received this period. The team still currently has 21 active cases representing 18.5% of the total caseload, 2 of which are being prosecuted. However, several of these are expected to be concluded soon.

While the situation may be easing, this work continues to demand a disproportionate amount of human resource from the team.

4.2 This period, CFIT conducted the following proactive fraud detection and deterrence exercises:

- Operation Egret was a high visibility blue badge fraud deterrence exercise, conducted in partnership with APCOA, that targeted an area of reported high-volume blue badge misuse. Very few blue badges were inspected which is a good indicator that the exercise was a successful deterrent. Residents have remarked on the effect this exercise has produced. The result also suggests that many of the blue badges usually on display in the area are being misused and APCOA will increase patrols there.
- Operation Crow was a tenancy fraud exercise and 95 properties were visited. The analysis of the results of this have been delayed due to annual leave.
- Operation Chiffchaff was a plain clothes blue badge fraud detection and deterrence exercise. 40 badges were inspected with 4 expired badges taken out of circulation and one formal warning issued. The response from legitimate blue badge holders was overwhelmingly positive.

4.3 The funding to expand the team by one permanent investigator is being considered as part of the budget considerations for 2025/26 and our apprentice will be taking up the current investigator vacancy in October 2024.

This will increase CFIT's capacity to deal with its caseload and increase prevention activities and should result in increased productivity and returns for the Council.

4.4 A substantial and long-running investigation into a wide range of allegations in one service area of the Council is ending and reports have been issued to senior management concerning the findings of this investigation to assist with the ongoing reorganisation of that area.

4.5 There have been several reports of school admission fraud this period, resulting in one prosecution so far. CFIT will be issuing advice to the School Admissions Team to improve their evidence collection and preservation procedures.

5 The threat from fraud

5.1 Fraud has grown rapidly in recent years and now accounts for more than 40% of all crime in England and Wales. Estimates by the National Crime Survey show that there were 4.6 million fraud offences committed in the year ending March 2021. This is equal to the total theft and violent crime offences combined¹.

However, the police have only 2% of their resources dedicated to fraud investigation, despite it making up more than 40% of all crime². An inspection of the police's response to fraud found that these offences are generally not considered to be a priority³.

Although the national response to the threat from fraud is improving, the scale of the threat is beyond the resources of our law enforcement agencies to tackle it

¹ Victims Commissioner, 2021

² House of Commons Justice Committee, 2022

³ Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services, 2019

alone. A significant focus of this response is focused on enabling businesses, individuals, and local authorities to protect themselves.

- 5.2 An indication of the increasing threat to the Council is demonstrated by a 2013 estimate⁴ suggesting that fraud may be costing UK local authorities £2.1bn a year. This compares to a 2017 estimate⁵ that the total annual loss to local authorities from fraud may be as high as £7.8bn.

This is a rise of £1.4bn a year: although the increase is likely to be exponential, using this figure extrapolates to **£14.8bn** in UK local authority loss from fraud in 2022.

- 5.3 The national fraud guidance for local authorities⁶ is placing an increased emphasis on proactive fraud prevention initiatives and our Work Plans are guided by this.

6 Investigations

- 6.1 Since 1 April 2024, CFIT have dealt with, or are investigating, 267 cases (121 of these cases started prior to that date, so CFIT has received 146 new cases this financial year).

- 6.2 Of the total 267 investigations:

- 154 have been concluded
- 113 are active:
 - 47 are currently being investigated
 - 11 are being prosecuted
 - 55 are waiting for assignment to an investigator

21 of the active cases concern Council employees. 19 of these are being actively investigated and 2 are being prosecuted. This represents 18.5% of the total caseload which, as mentioned above, is expected to reduce soon.

A breakdown of these investigations can be found at **Appendix 2**.

- 6.3 CFIT's current prosecutions relate to:

- 2 concerning procurement fraud (awaiting sentencing date)
- 1 concerning covid grant fraud (due to be sentenced in November)
- 2 concerning ex-employees for fraud offences (1 due to be sentenced in October)
- 4 concerning blue badge offences (including theft and forgery offences)
- 1 concerning school admissions fraud
- 1 concerning social care fraud.

Where offenders are waiting to be sentenced, this is the result of guilty pleas.

⁴ National Fraud Office 2013

⁵ Centre for Counter Fraud Studies, University of Portsmouth, 2017

⁶ *Fighting Fraud and Corruption Locally: A strategy for the 2020s*, Local Government Association, 2020

6.4 Results this period include⁷:

- The case against an ex-employee for career polygamy⁸ was resolved following an offer to reimburse the loss to the Council and pay full costs: total recovery of £3,708.15
- A conviction for grant fraud resulting in a £120 fine and the award of £595 costs and £159.95 in compensation to the Council
- A conviction for blue badge fraud resulting in a £80 fine and the award of £830 cost to the Council
- The recovery of £500 of incorrectly awarded Single Person Discount
- The cancellation of two applications for selective school places saving £12,000⁹
- The removal of 5 expired blue badges from circulation to prevent misuse, saving £2,875¹⁰
- The detection of 2 fraudulent housing applications resulting in those tenants being moved to smaller properties and the recovery of 2 bedrooms, saving £23,000¹¹
- Answering 15 requests for information under the Data Protection Act, mainly from Essex Police
- Assessing 5 Right to Buy applications¹²
- Reviewing 4 social tenants with rent accounts in credit of more than £1,000¹³

6.5 The total benefit to the Council from CFIT's activities this period is **£43,668** which brings the total benefit since 1 April 2024 to **£90,297**.

As mentioned in the previous report to the Committee, this is below what would be expected at this time of the year; this is a result of the team's vacant investigator post and the impact of a significant volume of internal investigations.

⁷ 26/06/2024 to 04/09/2024

⁸ 'Career polygamy' refers to someone who takes up full-time employment with more than one employer, usually taking advantage of work from home policies.

⁹ School places are valued at £6,000 which represents the cost of one year of secondary education. These cases involve parents from outside the catchment area making fraudulent applications for places they would not be entitled to unless they lived within the catchment area. This denies a place for a child within the catchment area who would still need educational funding.

¹⁰ Blue badge misuse is valued at £575 which represents the loss of parking revenue from a year of misuse.

¹¹ 2 bedrooms equates to the recovery of a property, valued at £23,000 which represents the cost to the authority to house a family in temporary accommodation for a year.

¹² CFIT assess all Right to Buy applications submitted to South Essex Homes and conducts further enquiries as necessary

¹³ This is a 'red flag' for subletting or money laundering: CFIT have a rolling programme of reviewing these accounts to detect these offences, this is currently 'ad-hoc' work that fits around the team's core functions

7 Work plan 2024/25

- 7.1 The Work Plan is progressing well and a further tenancy fraud detection and deterrence exercise is being planned.
- 7.2 Once the nights start to draw in and the weather deteriorates, work will commence on the staff training actions specified in the plan.
- 7.3 Discussions with Learning and Development are also taking place to revise and renew the Council's fraud awareness e-learning package and to develop a whistleblowing e-learning course.
- 7.4 The team's Work Plan 2024/25 can be found at **Appendix 1**.

8 Fraud prevention

- 8.1 CFIT's Fraud prevention strategy is comprised of:
- Raising the awareness of the risk of fraud in all staff
 - Maintaining adequate controls in policies and procedures
 - Highlighting new frauds and information sharing
 - Deterrence by having a high visibility in the community by conducting proactive detection and deterrence exercises.
- 8.2 The *Fighting Fraud in Local Government* and *Money Laundering Awareness* courses, both written by CFIT, are available and are now mandatory for all Council staff.
- 8.3 The Monthly Fraud Update is a monthly newsletter published by CFIT for staff and the public highlighting current risks of fraud and providing advice as to how people can protect themselves. This now has over 2,000 subscribers, some of which represent groups; enquiries with subscribers suggest that the newsletter reaches approximately 3,000 residents and staff.
- 8.4 CFIT engages with the Internal Audit team to provide fraud risk assessments and recommendations to strengthen any identified vulnerabilities in high-risk areas of the Council's business. We advise on the risks and suggest ways to strengthen their protections. Specialist Fraud Risk Assessment training will be undertaken in November which will equip the team with the skills and knowledge to develop a Council-wide fraud risk assessment. This is essential to providing effective fraud prevention measures.
- 8.5 CFIT regularly issues fraud alerts to various teams across the Council to highlight current and emerging frauds that affect their areas of the Council's business. CFIT have issued 10 such alerts since 1 April 2024.
- 8.6 CFIT has information exchange agreements with Essex Police and HMRC and these channels are very active.

- 8.7 The team's proactive fraud detection and deterrence work has been publicised in the local press. While deterrence is difficult to measure, we know anecdotally, for example, that the social housing population are aware of our tenancy fraud operations. This may go some way to deterring this activity and encouraging law-abiding tenants to report concerns to the team.
- 8.8 While not all our successful prosecutions are published in the press, we issue press releases for all of them, and most are taken up for publication. The publication of these results is an important deterrence tactic. This year, one of our convictions for blue badge fraud was published on the front page of the local press.
- 8.9 CFIT will be developing a specialist fraud risk assessment capability and this will progress plans to develop a Council-wide fraud risk assessment to inform those areas of the business that are at risk how they might better protect the public purse.
- 8.10 CFIT is very active in promoting policy and procedure changes to strengthen the Council's defences against external fraud and internal corruption, as mentioned above.

9 The National Fraud Initiative (NFI)

- 9.1 The NFI is a central government exercise that matches electronic data within and between public sector bodies to prevent and detect fraud. These bodies upload their data to a central service which then produces data matching reports. This process runs on a 2-year cycle.
- 9.2 An example of this is matching household non-dependents who have turned 18 with households in receipt of Council Tax Single Person Discount (SPD) (the non-dependent ceases to be such when they reach this age and SPD can no longer be claimed).
- 9.3 CFIT operates as the local coordinator and key contact for the NFI at the Council: centrally organising the upload of data, the training of officers, and the processing of returns. The team investigates data matches that suggest fraud may have been committed.
- 9.4 The next NFI cycle has recently commenced with the first data extraction and upload commencing on 30 September 2024.

10 Reasons for decisions

- 10.1 No decisions relevant for the Committee are required or have been made this period.

11 Other options

- 11.1 Not applicable.

12 Financial implications

12.1 As included in the report above at para 6.5.

13 Policy context

13.1 This report is made in the context of the following policies:

- Counter fraud and corruption policy and strategy
- Counter money laundering policy and strategy
- Whistleblowing policy and procedure

14 Consultation

14.1 Consultation has not been required.

15 Contribution to the Council's aims and objectives

15.1 The team's work to reduce fraud, protect the council from fraud and corruption, to pursue offenders and to recoup properties and money from the convicted contribute to the delivery of all the council's aims and objectives.

15.2 It does this by protecting and recovering the assets and funds that the council holds.

15.3 Furthermore, proactive fraud and corruption work, alongside the reactive prosecution of offenders, acts as a deterrent for such activities and assists in the identification of financial loss and loss of assets.

15.4 Such proactive counter fraud work can result in reduced costs to the Council by protecting it against potential loss and civil or insurance claims.

16 Legal implications

16.1 The Accounts and Audit Regulations 2015 section 3 states 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."

16.2 The work of the Counter Fraud & Investigation Team contributes to the delivery of this.

16.3 Where fraud or corruption is proved the Council will:

- Take the appropriate action which could include disciplinary proceedings, civil action, and criminal prosecution.

- Seek to recover losses using criminal and civil law.
- Seek compensation and costs as appropriate.

17 Carbon impact

- 17.1 The Counter Fraud & Investigation Team operates in the community and therefore some travel is necessary. This is usually performed in private vehicles due to the requirement to visit multiple sites over a geographic spread during a day.
- 17.2 However, the Counter Fraud & Investigation Team reduces its carbon footprint by:
- Operating an electronic case management system minimising the use of paper and printing. All documentary evidence is scanned electronically and, except where circumstances prevent it, the original is destroyed. This minimises physical storage requirements.
 - Travelling by public transport wherever possible such as for court appearances, for example.
 - Conducting meetings with external stakeholders remotely, minimising unnecessary travel.
 - All CFIT officers have undergone Carbon Literacy training.
 - Planning operational activity to minimise private vehicle use i.e., combining all necessary journeys on one day.

18 Equalities

- 18.1 The Counter Fraud & Investigation Team are committed to treating everyone equally and with respect.
- 18.2 All CFIT officers have undergone Equality and Diversity training. Our operational activity complies with the Equality Act 2010, the Human Rights Act 1998, the European Convention on Human Rights, and relevant legislation to ensure a fair and objective investigation and prosecution such as the Police and Criminal Evidence Act 1984, the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016, and the Criminal Procedure and Investigations Act 1996.

19 Risk assessment

- 19.1 Failure to operate a strong anti-fraud and corruption culture puts the Council at risk of increased financial loss from criminal activity. Such a culture should be led and supported by the Senior Management Team.
- 19.2 While risk cannot be eliminated from the Council's activities, implementing counter fraud and corruption policies and culture will contribute to managing this more effectively.

20 Value for money

20.1 An effective Counter Fraud and Investigation Team should save the Council money by:

- Reducing the opportunities to perpetrate fraud; this is reducing potential losses to future budgets.
- Detecting fraud promptly and applying relevant sanctions where it is proved; this limits the losses to fraud and corruption.
- Pursuing perpetrators to recover losses and to seek compensation; this limits the losses to fraud and corruption.
- Recovering properties; this reduces the strain on the social housing stock and reduces the cost of temporary accommodation to future budgets.
- Limiting the cost of investigation and pursuit of offenders by the application of alternate sanctions where appropriate; this provides a cost-effective service.
- Generating an income for the Council through the provision of counter fraud awareness training to the Council's partners and service providers and the provision of an investigation/prosecution service to appropriate partners.

21 Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	9 October 2024
Monitoring Officer	Susan Zeiss	9 October 2024
Executive Director	Joe Chesterton	9 October 2024
Relevant Cabinet Member	Cllr Paul Collins	14 October 2024

22 Appendices

Appendix 1: Counter Fraud Work Plan 2024-25

Appendix 2: Breakdown of CFIT investigations since 1 April 2024

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Southend-on-Sea City Council

Executive Director (Finance and Resources): Joe Chesterton

Civic Centre, Victoria Avenue, Southend-on-Sea, Essex SS2 6ER

01702 215000

www.southend.gov.uk



Appendix 1 – Counter Fraud Work Plan 2024-2025

KEY:

Denotes proactive activities
Denotes prevention/protection activities
Denotes development activities

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Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
Counter fraud	Maintain business as usual through management of the caseload, timely investigation of referrals towards a prompt, efficient and fair resolution, proactive fraud detection initiatives and the provision of advice and training to the wider council.	Ongoing	Business as usual is being disrupted due to a vacancy and the high volume of internal investigations being undertaken. The following two activities are aimed at addressing this.	5	Shaun DUTTON	ONGOING
Counter fraud	Recruit to fill the vacant Fraud Investigator post.	July 2024	The recruitment campaign failed to identify suitable candidates for the role. The current strategy is to offer the team's apprentice the role when she qualifies at the end of October. This officer will take up the permanent role at the beginning of November.	2	Shaun DUTTON	

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
Counter fraud	Expand the complement of the Counter Fraud Team to address the workload and increase returns	March 2025	A business case for the expansion of the Counter Fraud Team has been written and is under review as part of the preparation of the 2025/26 budget.	2	Shaun DUTTON	
Council wide	Internal publicity campaign to highlight the work and reporting mechanisms of the fraud team.	Ongoing	Avenues to increase the team's profile across the Council are being explored.	1	Shaun DUTTON	ONGOING
		Ongoing	Continue to publish the monthly fraud newsletter to staff and residents.	1	Shaun DUTTON	ONGOING
		November 2024	Publicity campaign to highlight International Fraud Awareness Week.	1	Shaun DUTTON	
Housing	Pro-active fraud detection and deterrence exercises on social tenancies.	July 2024	To be targeted in areas at high risk of subletting. Appropriate areas of activity will be determined during the planning stage.	6	Shaun DUTTON	03/08/2024
		September 2024		6	TBC	
		March 2024		6	TBC	
Council wide	Fraud risk and process analysis of areas of the Council's business at high risk of fraud through participation in internal audits.	Ongoing	This work will be performed alongside Internal Audit's programme of work with risk assessment findings incorporated into their reports. This has the effects of adding more weight to any recommendations made and	2-5	Shaun DUTTON	ONGOING

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
			contributing to a closer working relationship between the two teams. Funding has been provided for specialist fraud risk assessment training for one officer, this will take place in November.			
Council wide	Feedback improvements in policy and procedure arising from investigative activities	Ongoing	Continue to issue specific post-investigation reports recommending process / policy improvements that would provide a greater protection against fraud where appropriate.	2-5	Shaun DUTTON	ONGOING
Blue Badge	Proactive fraud detection and deterrence exercise on Blue Badges	August 2023	Plain clothes enforcement exercise. Areas of activity to be determined at the planning stage but targeted at areas of reported high incidence of blue badge fraud.	6	Shaun DUTTON	30/08/2024
Housing	Updated housing fraud training to SEH tenancy staff and possibly service engineers.	TBA	This is in the planning stage and will be updated once the training package has been updated and SEH have been consulted.	1	Shaun DUTTON	
Blue Badge	Updated blue badge enforcement training to APCOA CEOs	TBA	This is in the planning stage and will be updated once the training package has been updated and APCOA have been consulted.	1	Shaun DUTTON	

Housing	Pro-active checks on Council tenants who have a rent account credit in excess of £1,000	Ongoing	SEH are providing monthly lists of tenants who have large rent account credits. Checks on the largest credits are being performed as an additional service as and when the team's workload allows.	1	Shaun DUTTON	ONGOING
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Appendix 2 - Breakdown of CFIT investigations as of April 2024¹

Category	Total new cases since 1 April 2024	Active investigations (being investigated, awaiting allocation or with Legal Services)	Closed investigations since 1 April 2024
Transport (Blue Badge, parking permits etc.)	29	13	28
Schools (including Early Years)	5	3	3
Council Tax²	29	38	30
Business Rates	0	2	1
Covid-19 related grants	0	2	0
DWP	3	1	3
Grant Fund fraud	1	0	2
Housing (unlawful subletting, Right to Buy fraud etc.) ³	55	21	56
Money Laundering	0	2	0
Procurement	1	2	1
Social Care (Direct Payment fraud etc.)	3	7	0
Employee	17	21	26
Miscellaneous (immigration, fraudulent cheques, mischievous referrals etc.)	3	1	4
TOTALS	146	113	154

The figures are not intended to add across - how the figures add up: CFIT have dealt with, or are dealing with, 267 cases (active cases and closed cases 113+154=267), 121 of these cases started prior to 1 April 2024 and 146 started after this date (121+146=267).

¹ Figures correct as of 04/09/2024

² These figures include Council Tax Reduction Scheme frauds

³ These figures include excess rent account and Right to Buy assessments

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Meeting:	Audit Committee
Date:	23 October 2024
Classification:	Part 1
Key Decision:	No
Title of Report:	Internal Audit: Quarterly performance report
Executive Director:	Joe Chesterton: Executive Director (Finance & Resources)
Report Author:	Andrew Barnes: Head of Internal Audit and Counter Fraud
Executive Councillor	Cllr Collins: Cabinet Member for Finance, Assets and Investment

1. Executive Summary

- 1.1 The purpose of this report is to update the Audit Committee on the progress made in delivering the Internal Audit Strategy and Plan for 2024/25.

2. Recommendations

- 2.1 **That the Audit Committee notes the progress made in delivering the 2024/25 Internal Audit Strategy and Plan.**

3. Background

- 3.1 The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, internal control and governance processes, taking into account public sector internal auditing standards or guidance.
- 3.2 The Council's internal audit team is in place to meet that requirement.

4. Internal Audit Plan Status

- 4.1 **Appendix 1** sets out the current status of the audit work planned for the year as at 2nd October 2024.
- 4.2 **Appendices 2a, 2b, 2c & 2d** set out the results of the work completed since the last progress report to the Audit Committee in July 2024.

4.3 To ensure that our work remains focussed on the areas of greatest risk to the Council, we continue to consider our Audit Plan for 2024/25 that was reported to the Committee in April 2024. There have been further changes to the audit plan since it was last reported to the Committee in July:

- Two additional advice and support audits are now included: Preparedness for the Procurement Act 2023 and Zero Based Budgeting
- An additional follow up audit has been added in respect of Direct Payments
- Two audits have been deferred to 2025/26: the Identification and Completion of Highways Works and Staff Pay follow up
- The LGA Peer Review audit has been removed from the plan as actions are now considered to be embedded into business as usual and are no longer being managed as a defined programme of works.

4.4 In addition to the Advice and Support items detailed at Appendix 1, the team has been providing support on work and arrangements that the Council is undertaking in respect of:

- updates to the Council's Risk Management Framework
- updates to the Council's Digital Governance arrangements
- helping the Adaptations and Commissioning team update their Housing Assistance Policy.

5. Performance Targets and Resourcing

5.1 As outlined in the Strategy presented to the April 2024 Audit Committee, the team will be reporting on a more limited set of indicators this year given the amount of work that is still being contracted out.

5.2 For the period 1 April 2024 – 30 September 2024 the team have had an average of 1.2 days of sickness absence.

5.3 In terms of the 66 jobs now included in the audit plan, including work carried over from previous years:

- 15% of audits are complete with finalised reports issued
- 19% of audits are complete with draft reports being prepared or discussed with the service
- 19% of audits are in progress
- 18% of audits are being scoped with the service
- 24% of audits are yet to start
- 3% of audits have been deferred into 2025/26
- 1% of audits have been removed from the audit plan.

5.4 Stakeholder surveys are paused currently as they are being reviewed to ensure they align with the new Global Internal Audit Standards (GIAS) (see also meeting agenda item 12). This review will be completed once the consultation on public sector considerations for the GIAS has been completed, at which point the surveys

will re-commence and be completed throughout the rest of the year as audits are finalised.

5.5 Since the last report to the Audit Committee in July there has been one change to the staffing of the team, with our new Audit Apprentice joining the team in September.

5.6 As a result the team currently has four vacancies. The salaries of the vacant posts are being used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.

6. Reason for decision

6.1 Internal audit is an assurance function providing assurance to assist the Audit Committee to effectively discharge its responsibilities as per its Terms of Reference. The delivery of the internal audit plan will assist the Audit Committee with obtaining assurance that the Annual Governance Statement for the year appropriately reflects the conditions at the Council.

7. Other options

7.1 The internal audit delivery model currently operated at the Council will be reviewed and challenged as part of the transformation programme. Other options identified as part of that work will be reported to the Committee for consideration.

8. Financial implications

8.1 The Audit Plan will be delivered within the approved budget.

9. Legal implications

9.1 The Accounts and Audit Regulations 2015 make it a requirement for the Council 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.

9.2 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.

10. Policy context

10.1 This report is made in the context of the following policies:

- Internal Audit Charter and Strategy
- Risk Management Policy Statement and Strategy
- Counter fraud and corruption policy and strategy
- Whistleblowing policy and procedure.

11. Carbon impact

11.1 The Internal Audit Team operates across all Council sites and Castle Point Borough Council sites, therefore some travel is necessary. This is usually performed in private vehicles due to the requirement to visit multiple sites over a geographic area spread during a day.

11.2 However, the Team reduces its carbon footprint by:

- Operating electronic working paper and audit management arrangements, minimising the use of paper and printing. All documentary evidence is scanned electronically minimising physical storage requirements
- Travelling by public transport wherever possible
- Conducting meetings with external stakeholders remotely

All internal audit officers have undergone Carbon Literacy training to enhance their understanding of the carbon challenge.

12. Equalities

12.1 The Team are committed to treating everyone equally and with respect.

12.2 All officers have undergone Equality and Diversity training. Our daily activities comply with the Equality Act 2010, the Human Rights Act 1998, and the European Convention on Human Rights.

13. Consultation

13.1 The audit risk assessment and the Audit Plan are periodically discussed with the Chief Executive and Executive Directors before being reported to the Audit Committee. All terms of reference and draft reports are discussed with the relevant Managers, Directors and / or Executive Directors before being finalised.

14. Contribution to the Council's aims and objectives

14.1 Audit work provides assurance and identifies opportunities for improvement that contribute to the delivery of all Corporate Plan objectives, as referenced at Appendix 1.

15. Risk assessment

15.1 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 the Corporate Plan objectives.

15.2 The main risks the team continues to manage are the:

- potential loss of in-house staff and the ability of the service to replace this resource in a timely manner
- lack of management capacity to support and develop the team, while processing work in a timely manner and providing strategic leadership to the team and support to the Council
- possibility that the external suppliers won't deliver contracted-in work within the required deadlines to the expected quality standards
- need to maintain relationships with clients / partners while the service is being rebuilt.

16. Value for money

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

Internal Audit also periodically considers whether it provides a value for money service, and this will be revisited as part of the transformation programme.

17. Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	9 October
Monitoring Officer	Susan Zeiss	9 October
Executive Director	Joe Chesterton	9 October
Relevant Cabinet Member	Cllr Collins: Cabinet Member for Finance, Assets and Investment	14 October

18. Background papers

- 18.1
- 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.

19. Appendices

- 19.1 • **Appendix 1:** Internal Audit Plan 2024/25
- **Appendix 2a:** Opinions and Themes – Partial Assurance
- **Appendix 2b:** Opinions and Themes – Satisfactory Assurance
- **Appendix 2c:** Opinions and Themes – Audits Revisited
- **Appendix 2d:** Opinion and Themes – Other Audits and Grants

Appendix 1: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Status as at 2 October 2024
Managing the Business			
All Objectives			
F&R (PB)	<p>Financial sustainability (2023/24)</p> <p>To assess the robustness and effectiveness of the arrangements to manage the financial implications of the transformation programme and prepare a balanced budget for 2024/25 and future periods.</p>	Yes	Draft report being reviewed by HOIA
S&C (CT)	<p>Cyber Security – awareness and training (2023/24)</p> <p>To assess the robustness and effectiveness of the arrangements to ensure all officers and Members have the necessary awareness to spot and avoid potential cyber security risks.</p>	Yes	Completed September 2024
S&C (CT)	<p>IT Asset Management (2023/24)</p> <p>To assess the adequacy of arrangements to manage both the software and hardware assets within the IT estate, including the extent of Shadow IT.</p>	Yes	Draft report being produced
S&C	<p>Freedom of Information Requests</p> <p>To assess the adequacy of the processes in place to ensure responses to FOI's are robust, appropriate and timely, while ensuring sensitive / personal data remains secure.</p>	No	Work in Progress
S&C	<p>Complaints</p> <p>To assess the robustness of arrangements to ensure complaints are dealt with effectively, within relevant timeframes and in line with the required policies, procedures and / or codes.</p>	No	Planned for Q2

Appendix 1: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Status as at 2 October 2024
S&C	<p>LGA Peer Review</p> <p>To assess the robustness of the arrangements to deliver the programme of work required to address the issues arising from the LGA Peer Review.</p>	No	<p>Removed from plan</p> <p>Actions from the LGA peer review are now considered to be implemented and embedded in business as usual and are no longer being managed as a defined programme of work.</p>
All	<p>Performance Management</p> <p>To assess the adequacy of arrangements in place to monitor and manage the effective delivery of services, objectives, targets and outcomes at service level through to corporate priorities.</p>	Yes	Planned for Q4
S&C	<p>Health and Safety</p> <p>To assess the suitability of arrangements in place to manage H&S risks within the organisation and related to service delivery, to an acceptable level.</p>	No	Planned for Q4
S&C	<p>Governance Arrangements for Council Companies</p> <p>To assess the robustness of the governance arrangements in place to gain assurance over performance and delivery of the Council's companies and joint ventures.</p>	Yes	Planned for Q4
<i>Implementing Action Plans</i>			
S&C	<p>IT Strategy</p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.</p>	No	Draft report with the business
S&C	<p>IT Disaster Recovery</p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.</p>	No	Draft report with the business

Appendix 1: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Status as at 2 October 2024
Managing Service Delivery Risks			
A Growing City with a Strong and Prosperous Community			
E&P	<p>The Local Plan</p> <p>To assess the adequacy of arrangements in place to ensure the successful delivery of the Local Plan in accordance with the anticipated timetable.</p>	No	Planned for Q4
A&C	<p>Pier and Foreshore</p> <p>To assess the suitability of arrangements to deliver effective management of the Pier and foreshore.</p>	Yes	Planned for Q4
E&P	<p>Private Sector Housing, Selective Licensing</p> <p>To assess the adequacy of arrangements to ensure Selective Licensing is suitably and consistently applied and income received, while achieving its objectives of reducing ASB, crime and deprivation while improving property conditions of rented accommodation.</p>	Yes	Planned for Q4
Implementing Action Plans			
E&P (NH)	<p>Highways Capitalised Maintenance Programme (2023/24)</p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.</p>	Yes	Completed July 2024
F&R	<p>Corporate Asset Management</p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.</p>	Yes	Planned for Q4

Appendix 1: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Status as at 2 October 2024
A Safe City with a Good Quality of Life			
A&C (TH)	<p>Tackling Poverty Strategy (2023/24)</p> <p>To assess the robustness of arrangements to ensure delivery of the strategy and the progress of that delivery.</p>	No	Draft report being produced
A&C (TS)	<p>Adult Social Care Living Well Strategy Action Plan (2023/24)</p> <p>To assess the robustness of arrangements to ensure delivery of the action plan and the progress of that delivery.</p>	No	Draft report with the business
C&PH	<p>Children’s Quality Assurance Framework (2023/24)</p> <p>To assess the effectiveness of the arrangements to embed into business as usual the tool used to assess the quality of social work practice, which is key to ensuring the council delivers better outcomes to young people and families.</p>	Yes	Work in progress
E&P (GH)	<p>Empty Homes Strategy (2023/24)</p> <p>To assess the robustness of arrangements to ensure delivery of the strategy and the progress of that delivery.</p>	No	Completed July 2024
A&C	<p>Community Investment Grant (2022/23)</p> <p>To assess the robustness of arrangements that ensure grant monies passed to the community are being properly accounted for and delivering outcomes for the citizens of Southend.</p>	Yes	Completed July 2024

Appendix 1: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Status as at 2 October 2024
C&PH (LMM)	<p>Foster Carers (2023/24)</p> <p>To assess the robustness of arrangements to attract, retain and manage foster carers to ensure these are delivering the required outcomes for vulnerable citizens.</p>	Yes	Draft report with the Head of Internal Audit
A&C	<p>Disabled Facilities Grant (No. 31/5515)</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	Work in progress
C&PH	<p>Supporting Families Programme</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p> <p><i>Planned throughout the year to align with the Payment by Results claim windows as required by Department for Levelling Up, Housing & Communities.</i></p>	Yes	<p>April – June claims: work complete and submission made 26th June.</p> <p>No submissions in Q2 due to changing audit requirements. Further submissions will be made and audited in Q3.</p>
A&C	<p>Southend Treatment and Recovery Service, Contract Management</p> <p>To assess the robustness of arrangements in place to ensure that the contract is delivering the planned outcomes and benefits in compliance with the specified performance, quality standards and legislative requirements, at the correct cost.</p>	Yes	Planned for Q3
A&C	<p>Approved Mental Health Practitioner (AMHP) Service</p> <p>To assess the suitability of arrangements to provide an effective and efficient AMHP provision in line with the requirements outlined in the Mental Health Act 1993.</p>	No	Terms of reference with the service

Appendix 1: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Status as at 2 October 2024
A&C	<p>Commissioning Quality and Improvement Team</p> <p>To assess the adequacy of arrangements to monitor the quality of care provision delivered to service users and provide support and / or intervention as required.</p>	Yes	Terms of reference being produced
A&C	<p>Children’s Residential Placements</p> <p>To assess the adequacy of arrangements in place to obtain value for money and quality of provision for residential care placements made with Children’s providers.</p>	Yes	Draft report being produced
A&C	<p>Domestic Abuse</p> <p>To assess the suitability of arrangements to deliver the Southend Domestic Abuse Strategy 2023-26, including fulfilling the authority’s statutory duties as per the Domestic Abuse Act 2021.</p>	No	Draft report being produced
C&PH	<p>SEND Quality Assurance</p> <p>To assess the effectiveness of the multi-agency quality assurance process in ensuring Education, Health and Care Plans are high quality and person centred, identifying the young persons full range of needs.</p>	No	Planned for Q3
C&PH	<p>Early Years Placement Provision</p> <p>To assess the adequacy of arrangements implemented to meet the expanded childcare requirements in April 2024, and how lessons learned from this are feeding into support readiness of the service for further expansion in September 2024.</p>	Yes	Work in progress

Appendix 1: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Status as at 2 October 2024
C&PH	<p>Independent Reviewing Service</p> <p>To assess the effectiveness of Independent Reviewing Service in ensuring children’s needs are met and their outcomes improved through the support and services that they receive, enabling them to reach their full potential.</p>	No	Work in progress
A&C	<p>Unallocated Case Waiting List</p> <p>To assess the arrangements in place to ensure unallocated Adult Social Care cases have suitable oversight to ensure associated risks are understood and suitably managed, with cases being escalated for action appropriately.</p>	No	Terms of reference with the business
A&C	<p>Carers</p> <p>To assess the suitability of arrangements to ensure Carers legal rights to assessments and support in line with the Care Act are being met, with carers being given the same recognition, respect and parity as those they support.</p>	Yes	Draft report being produced
E&P	<p>Temporary Accommodation</p> <p>To assess the arrangements in place to ensure there is sufficient availability of Temporary Accommodation to meet local need, whilst achieving quality of service and value for money.</p>	Yes	Terms of reference with the business
<i>Implementing Action Plans</i>			
E&P	<p>Rough Sleepers</p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.</p>	No	Planning underway

Appendix 1: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Status as at 2 October 2024
E&P	<p>Housing Allocations</p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.</p>	Yes	Planning underway
F&R	<p>NEW: Direct Payments</p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.</p>	Yes	Planning underway
A Clean City with a Resilient Environment			
E&P	<p>Identification and Completion of Highways Works</p> <p>To assess the robustness of the end-to-end process for undertaking highways works, from identification and ordering, through to payment and the registration of works in the relevant IT systems</p>	Yes	Deferred to 2025/26 due to other audit work being undertaken in the service area
E&P	<p>Highways Contract Management</p> <p>To assess the robustness of arrangements in place to ensure that the contract is delivering the planned outcomes and benefits in compliance with the specified performance, quality standards and legislative requirements, at the correct cost.</p> <p>Where areas for improvement are found, seek assurance these are being considered in the letting of the new contract.</p>	Yes	Work in progress
E&P	<p>Fleet Management</p> <p>To assess the adequacy of arrangements to ensure the Council's vehicle fleet meets service need and is appropriately maintained, with robust policies and procedures in place to govern its access and use.</p>	Yes	Draft report with the business

Appendix 1: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Status as at 2 October 2024
E&P	<p>Asset Inspection and Maintenance</p> <p>To assess the suitability of processes within the Infrastructure and Environment Directorate to identify, inspect and maintain assets within the public realm, ensuring the health and safety of residents and visitors.</p>	Yes	Planned for Q4
E&P	<p>Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance Blocks): No.31/6681</p> <p>To certify that, in all significant respects, the conditions attached to the grants have been complied with.</p>	Yes	Completed September 2024
E&P	<p>Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance Blocks) Specific Grant Determination (2023/24) Traffic Signal Obsolescence Grant (TSOG) and Green Light Fund (GLF): No.31/6681</p> <p>To certify that, in all significant respects, the conditions attached to the grants have been complied with.</p>	Yes	Completed September 2024
E&P	<p>Local Transport Capital Block Funding (Pothole Fund): No.31/6680</p> <p>To certify that, in all significant respects, the conditions attached to the grants have been complied with.</p>	Yes	Completed September 2024
E&P	<p>Safer Roads Fund: No.31/6572</p> <p>To certify that, in all significant respects, the conditions attached to the grants have been complied with.</p>	Yes	Planned for Q4

Implementing Action Plans

None planned

Appendix 1: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Status as at 2 October 2024
A Transforming Council Delivering Efficient, Cost-Effective Services			
F&R (EB)	<p>My Southend (new platform) (2023/24)</p> <p>To assess the progress of delivery of the programme in accordance with the plan and the effectiveness of the project governance arrangements to deliver the benefits to citizens, businesses, tourists, councillors and the Council, required from the new platform.</p>	Yes	Completed September 2024
S&C (SP)	<p>Staff Pay</p> <p>To assess the robustness of processes for ensuring accurate and valid payments are made to staff when these are outside of standard salary payments.</p>	Yes	Draft report issued to the service
F&R	<p>Adult Social Care Financial Assessments & Charging</p> <p>To assess the robustness of the financial assessment process to ensure it is timely, being applied consistently and administered in line with the necessary legislation and policies.</p>	Yes	Planned for Q3
S&C	<p>IT Cloud Governance</p> <p>To assess the adequacy of IT cloud governance arrangements to ensure the security of data, integration of systems and alignment with organisational objectives.</p>	Yes	Terms of reference with the business
S&C	<p>IT Project Management and Change Control</p> <p>To assess the effectiveness of arrangements to ensure IT projects are appropriately identified, developed, progressed and managed through to delivery.</p>	Yes	Terms of reference with the business

Appendix 1: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Status as at 2 October 2024
S&C	<p>Front Door Redesign Project Management</p> <p>To assess the effectiveness of arrangements to ensure the front door redesign project is delivered on time and within budget, while achieving the identified benefits.</p>	Yes	Work in progress
Implementing Action Plans			
S&C	<p>Staff Pay</p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.</p>	Yes	Pushed back to 2025/26 due to original report still being finalised
Key Financial Systems			
All Objectives			
F&R (PR)	<p>National Non-Domestic Rates (2023/24)</p> <p>To assess the robustness of arrangements and processes for ensuring accurate billing and collection of National Non-Domestic Rates.</p>	Yes	Completed September 2024
F&R	<p>Treasury Management</p> <p>To assess the robustness of arrangements and processes for ensuring secure and effective treasury management of the Council's financial resources.</p>	Yes	Planned for Q4
S&C	<p>Payroll</p> <p>To assess the robustness of arrangements which ensure staff are paid the correct amount at the right time in line with Council policies and legislative requirements.</p>	Yes	Planned for Q3

Appendix 1: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Status as at 2 October 2024
Implementing Action Plans			
S&C	<p>Business World Enterprise Resource Planning Programme of Work (2023/24)</p> <p>To assess whether the actions agreed in the original audit report issued in July 2022 and revisited in April 2023, have been implemented and are now effectively embedded into the day-to-day management of the project.</p>	Yes	Completed July 2024
<i>None planned.</i>			
Advice and Support			
A Growing City with a Strong and Prosperous Community			
F&R	<p>Financial Sustainability (including Getting to Know your Business Initiatives)</p> <p>Provide ongoing support and challenge of the arrangements in place to deliver the council's Budget Transformation Programme 2022/23 to 2025/26 which aims to ensure the council remains financially stable and resilient for the future.</p>	Yes	Draft report being discussed with the service
E&P	<p>Letting of the Leisure Services Contract</p> <p>To provide timely, independent assurance that the re-procurement of the Leisure Contract is being effectively managed to ensure the procurement process complies with, where relevant, regulations, policies and procedures and is administered fairly, in order to identify the most economically advantageous and effective solution.</p>	Yes	Work in progress

Appendix 1: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Status as at 2 October 2024
E&P	<p>Fossetts Farm</p> <p>To provide advice, support and independent challenge and oversight of the project, and the arrangements around it, as it develops, to help ensure best value is secured for the Council.</p>	Yes	Work in progress
S&C	<p>Utilisation of Business World</p> <p>To provide advice, support and challenge to the project to help ensure the Council maximises the in-built functionality and associated benefits of the Business World ERP system.</p>	Yes	<p>Work in progress.</p> <p>The focus of this audit has changed slightly due to the ongoing project to develop and improve the Business World system.</p>
S&C	<p>Transformation Programme</p> <p>To provide advice, support and challenge over programme processes and key documents as they are established to ensure that the Transformation Programme delivers the defined benefits within the desired timeframes.</p>	No	<p>Terms of reference with the business</p> <p>The approach of this audit has changed to advice and support as the transformation arrangements within the Council continue to develop.</p>
A Clean City with a Resilient Environment			
E&P	<p>Letting of the Parking Contract</p> <p>To provide timely, independent assurance that the re-procurement of the Parking contract is being effectively managed to ensure the procurement process complies with, where relevant, regulations, policies and procedures and is administered fairly, in order to identify the most economically advantageous and effective solution.</p>	Yes	Work in progress
A Transforming Council Delivering Efficient, Cost-Effective Services			
S&C	<p>Data Strategy (2023/24)</p> <p>To provide support and challenge to the development and implementation of a refreshed Data Strategy for the Council.</p>	Yes	Draft report being prepared

Appendix 1: Internal Audit Plan 2024/25

ED	Service Activity	Fraud risk	Status as at 2 October 2024
S&C	<p>HR Policy & Process Reviews</p> <p>To provide advice, support and challenge to the HR and Transformation teams as key staff policies are reviewed, updated and implemented.</p>	Yes	<p>Review undertaken and feedback provided on the following policies:</p> <ul style="list-style-type: none"> • Safer recruitment and selection • Allowances • Employing reservists • Expenses <p>Further work to be undertaken in due course</p>
F&R	<p>NEW: Preparedness for the Procurement Act 2023</p> <p>To provide advice, support and challenge over the Councils arrangements and readiness to implement the requirements of the Procurement Act 2023.</p>	Yes	<p>Resource being identified</p>
F&R	<p>NEW: Zero Based Budgeting</p> <p>To provide advice, support and challenge over project processes and key documents as they are established to ensure that the Council's Zero Based Budgeting efforts deliver defined benefits within the desired timeframes.</p>	Yes	<p>Terms of reference being developed</p>

Appendix 1: Internal Audit Plan 2024/25

Managing Delivery of the Internal Audit Service

Delivering the internal audit service involves:

- audit planning and resourcing
- managing Audit Plan delivery, which includes overseeing contractor work
- keeping up to date with the council's changing risk profile to ensure the Audit Plan remains relevant
- reporting to senior management and the Audit Committee.

Audit Activities	Resource allocation
Managing the Business	21%
Managing Service Delivery Risks	47%
Key Financial Systems	5%
Grant Claims	5%
Advice and Support	7%
Follow Ups	8%
Managing Delivery of the Audit Plan	7%
Total	100%
Total Council Audit Plan Days	817

Analysis Over Executive Director Responsibilities

E&P	Environment and Place	32%
S&C	Strategy and Change	32%
F&R	Finance and Resources	7%
C&PH	Children and Public Health	9%
A&C	Adults and Communities	21%
	Total	100%

Appendix 1: Internal Audit Plan 2024/25

Analysis over the 4 Southend Corporate Plan objectives		
1.	A growing city with a strong and prosperous community	13%
2.	A safe city with a good quality of life	36%
3.	A clean city with a resilient environment	16%
4.	A transforming Council delivering efficient, cost-effective services	34%
	Total	100%

Appendix 2a: Internal Audit Plan 2024/25

Risk Watch List	
A&C	Sexual Health Service
F&R	Critical Contracts Exit strategies
F&R	School Audits – assess assurance available from council teams that the role of the schools Finance team to determine the assurance their function may give overall
All	Environmental, Social & Governance (ESG)
All	South Essex Councils (previously ASELA)
All	Social Media
A&C	Integrated Care System
A&C	Southend Care Ltd Partnership Agreement 2022-2031
F&R	Social Value - Implementation of Strategy / Policy
F&R	Corporate Procurement Strategy 2022- 2027
E&P	New Highway Enforcement Policies
G&H	Building Safety Bill
F&R	Financial Sustainability
E&P	Better Queensway
A&C	Children to Adults Transition of Services
A&C	Safeguarding Adults Board
E&P	Economic Delivery Strategy
All	Service Delivery Cost Recovery
All	Sickness Absence Management
F&R	Business World, Project Benefit Realisation
A&C	South East Essex Alliance
A&C	Libraries
E&P	Housing Development
E&P	Climate Change
E&P	Parks Service Delivery
E&P	Private Sector Housing: Damp, Mould and Condensation

Appendix 2a: Internal Audit Plan 2024/25

F&R	Adult Social Care Debt Collection
C&PH	Southend Adult Community College
E&P	Licensing
S&C	MySouthend Phase 2
All	ICO Action Implementation following the Data Breach
E&P	Waste Contract, Mobilisation and Contract Management
E&P	Highways Contract Letting

Appendix 2a: Audit Opinion and Themes

Assurance



Cyber Security – Awareness and Training

Objective

To assess the robustness and effectiveness of the arrangements to ensure all officers and Members have the necessary awareness to spot and avoid potential cyber security risks

Themes

A comprehensive and appropriate training programme is essential to ensure that all employees have an awareness of cyber security risks and issues, are vigilant to cyber-attacks and know what actions to take if the Council is subject to such an attack.

This audit focused on the training and awareness arrangements for officers and Members in reaction to potential cyber security risks.

In particular, we reviewed the monitoring of cyber training completion, and responsibilities of the training programme. We noted that there were inadequate processes and controls in place to ensure the training programme is completed, and that there is a lack of consequences for employees who do not meet their training responsibilities.

There is an opportunity to further strengthen the controls and processes as follows:

- Create and implement a policy dedicated to cyber security training or include the relevant content in another relevant policy. Having such a policy in place and available to all staff and Members will allow them to understand the expectations of them in their role by setting clear standards. This will ensure staff and Members understand that cyber security is a priority within the Council and help to foster a culture of security awareness. The policy would also demonstrate what they need to do to maintain an awareness of cyber security risks and issues and who to report or escalate to in the event of such an attack.
- Detailing clear roles and responsibilities for the key stakeholders involved in the cyber security training and awareness will help ensure that there is no confusion over individual roles, with the potential for duplication of effort, or important issues not being addressed. Each of those involved will be clear in what is required from them to ensure the training programme is delivered and driven effectively. It will also help enable improved teamwork and collaboration across these departments and eliminate any gaps in the process that currently exist.

Appendix 2a: Audit Opinion and Themes

Assurance

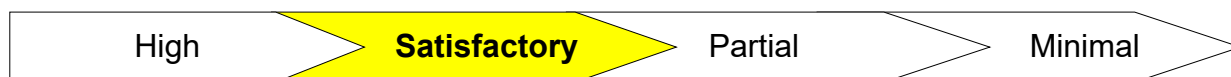


- Put in place measures to ensure that all staff and Members undertake and complete the mandatory modules within the set deadlines, and there are clear implications for employees who do not meet these targets. Ensuring that staff and Members are completing the necessary training will mean they are adequately prepared to identify or deal with cyber security threats leading to the potential for unauthorised access to Council systems, data breaches and financial losses. Additionally, no stakeholder has responsibility for ensuring that mandatory training requirements are met by Members.
- Ensure that those in the role of Digital Champion for their respective departments attend the annual cyber security workshops conducted by the IT Security team. As this role expects that they will then relay the training to their departments, it is imperative that these workshops are attended and the key messages disseminated in order for all email / IT users to receive the additional training, information and understanding.
- Follow up the completion of the automated Microsoft training that is assigned as a result of a failed phishing simulation to ensure that this has been undertaken. This data is currently available and monitored by IT Security, but is not actively chased for completion.
- Upgrade the current Learning Management System to allow managers within the Council to actively monitor the mandatory training completion rates of their teams. We noted that they are accountable to ensure that all staff and Members have completed their mandatory e-learning but have no way to effectively track this. We understand that these improvements have been proposed within the Council and are currently under consideration.

Number of actions agreed: 6

Appendix 2b: Audit Opinion and Themes

Assurance



Community Investment Fund

Objective

To assess the robustness of arrangements that ensure grant monies passed to the community by the Southend-on-Sea City Council (the “Council”), are being properly accounted for and delivering outcomes for the citizens of Southend.

Themes

We have assessed the overall governance arrangements in place for the Community Investment Fund and Community Investment Board. This has included the arrangements for appointing Community Investment Board members, arrangements for awarding the Community Investment Fund and the monitoring and reporting arrangements around the Community Investment Fund. We identified appropriate controls in many areas, particularly the arrangements around awarding the investments to various organisations.

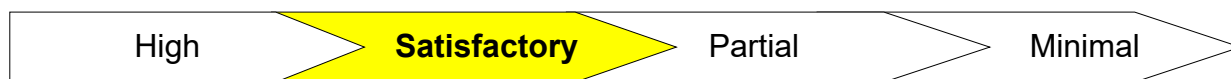
We identified four recommendations, none of which represent high risk findings:

- A centralised version control template should be designed to capture all policy and procedure documents across the Community Investment Funds process
- All governance information and arrangements should be documented in one document, which board members can access and obtain information from
- A recruitment document which captures the end-to-end process of recruiting a board member onto the Community Investment Board should be developed
- The monitoring of expenditure process should be conducted annually, as planned, for all investments. Consideration should also be given to the risk level associated with investments and their value individually, so that a proportionate approach can be taken.

Number of actions agreed: 4

Appendix 2b: Audit Opinion and Themes

Assurance



Empty Homes Strategy

Objective

To assess Southend City Council's strategic plan for the identification and monitoring of empty homes including the approach to bringing empty homes back in to use.

Themes

SCC's Empty Homes Team is comprised of the Empty Homes Officer. A recent change in the approach to dealing with empty homes involves collaboration with owners of properties to bring their homes back into use, as opposed to using legislative tools such as Compulsory Purchase Orders (CPOs) and Empty Dwelling Management Orders (EDMOs). These tools have previously been the standard action to ensure owners utilise their empty properties.

A spreadsheet of empty homes is maintained for the purpose of oversight and reporting. We identified two properties within SCC's case management system, Uniform that had been inadvertently omitted from the spreadsheet. It was recommended that the Empty Homes Officer should conduct more regular reconciliations with the Council Tax list to ensure properties are being appropriately identified by both teams.

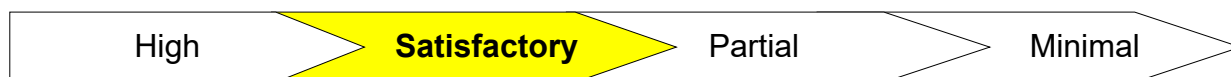
At the time of the audit (February 2024), the Empty Homes Team had registered the highest number of empty homes returned to use since 2020/21, however, it was identified that the Key Performance Indicator (KPI) lacked substantive value without contextual information around total numbers of empty homes.

There was no distinction within the KPI to enable users to distinguish between genuinely empty properties that have been brought back into use in the City and those properties that were put on "monitor" status by the Empty Homes Officer but turned out to not be empty. As a result, the performance figure being reported appeared higher than in reality, as some of the properties may have never been truly empty. The definition should be clarified to prevent confusion and potential misrepresentation.

Number of actions agreed: 7

Appendix 2b: Audit Opinion and Themes

Assurance



National Non-Domestic Rates

Objective

To assess the robustness of arrangements and processes for ensuring accurate billing and collection of National Non-Domestic Rates (NNDR).

Themes

This audit focussed on the processes and systems ensuring accurate and timely collection of National Non-Domestic Rates, including a review of refund and write-off processes, and quality monitoring.

We performed testing on VOA updates, relief applications, write-offs, and refunds, and found no inaccuracies in relation to issued charges or applied authorisation limits. There are, however, opportunities to strengthen the controls in place to reduce the risk of fraud and error and support the ongoing effectiveness of the service in relation to authorisation procedures for write-offs and refunds.

Reconciliation processes across the organisation with respect to NNDR income are robust and regularly completed.

Appropriate systems access is assessed and reviewed via Staff Interest Forms, which were under review at the time of the audit. We identified several improvements to these documents and the relevant processes, which were fed into the review during the audit work. Following the implementation of these updates, further testing was completed, and additional improvements have been identified to both the new Velocity form for refreshed, and the initial set-up, Staff Interest form.

Weekly quality monitoring checks are completed for all staff, providing a suitable control to support accuracy and enable appropriate corrections. Changing approach to look at a percentage of cases as opposed to a fixed number will increase the overall effectiveness of the control, by ensuring proportionate coverage of completed tasks.

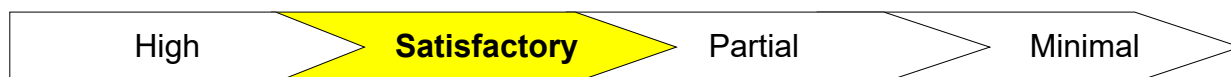
Authorisation levels within the Northgate system are not aligned with the prescribed levels for all staff. Although rationale and suitable senior staff approval was provided in respect of this, recommendations have been made to ensure appropriate system-based controls are in place to support appropriate authorisations.

As part of Phase 1 of the Council's Front Door Transformation Project, a new staffing structure has been in place within the service since July 2024. This new structure provided increased dedicated resources and seeks to deliver enhanced leadership reporting lines, additional supervision, oversight focus and monitoring for NNDR. Due to the timing of the audit, the new structure has not been reviewed as part of this audit.

Number of actions agreed: 11

Appendix 2b: Audit Opinion and Themes

Assurance



My Southend

Objective

To assess the progress of delivery of the programme in accordance with the plan and the effectiveness of the project governance arrangements to deliver the benefits to citizens, businesses, tourists, councillors and the Council, required from the new platform.

Themes

Internal Audit found that the governance arrangements in place for Phase One of the project provided appropriate oversight and challenge and ensured that decisions were based on complete and timely information.

Key project stakeholders have been effectively identified and engaged, through regular internal and external communications and Councillor briefing sessions.

In order to meet its hard deadline to migrate to the new platform by the 31st July 2024, the project determined and agreed, what it referred to as an MVP (Minimum Viable Product). This consisted of a number of forms and integrations with other Council systems which could be successfully migrated / replicated within the time available.

The project undertook a robust prioritisation process to determine the scope of the Minimal Viable Product (which the project could successfully go live with within the time available) and this covered 98% of the transactions that had been initiated in 2023.

The risks and impacts associated with the MVP were regularly discussed at Steering Committee meetings, to ensure minimal disruption to services and workarounds were established and agreed with those service areas not covered by MVP.

Detailed planning has rightly focused on the MVP and go live. The migration to the new platform was successfully completed on 2nd July and the project's focus will now turn to the completion of Phase One and delivery of non-MVP items. It will be important to ensure that momentum is not lost and that a detailed plan is put in place for these activities as soon as possible. This will help to provide clarity to those services with workarounds in place and highlight any areas where actions need to be expedited.

Following the completion of Phase One further work is required to determine the scope, benefits and delivery plans for future phases of the project, which in particular takes into account the deliverables and dependencies of the Front Door Project.

Management have agreed robust implementation dates with Internal Audit for the completion of the actions which have been identified, which are expected to be completed by January 2025.

Number of actions agreed: 5

Appendix 2c: 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.

Highways Capitalised Maintenance Programme

Original Objective

To assess the robustness of the Council's end-to-end arrangements for managing the Highways Capitalised Maintenance programme of works, which supports the delivery of improvements to the Council's pavements and highways for the benefit of the citizens of Southend.

Summary findings

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Closed
4	1	2	-	-

During February 2022 Internal Audit conducted an advisory piece of work and provided management with feedback and interim recommendations to strengthen the programme's control environment and to realise the expected outcomes and benefits of strategic relevance from the capital investments made by the Council.

From initial interviews with staff and review of documentation provided during January 2023, it became apparent that the arrangements in place to manage the delivery of the improvements to the City's pavements and highways had not changed since the original audit.

Overall responsibility for these works transferred over to the Highways team along with the associated resource on the 1st February 2023.

Internal Audit followed up progress during April 2024 and found that good progress has been made in implementing the agreed actions, the majority of which are now embedded into the day-to-day operation of the management of the programme.

These include:

- the development of a project proposal with clear scopes of work agreed by Investment Board, with a full Business Case now to be developed to secure additional funding
- developing robust plans that ensure the programme can be delivered on time and within budget
- clarification of the programme's governance processes and associated roles and responsibilities
- the introduction of a change control process that will ensure proposed changes are impact assessed against the agreed programme aims and the available resources.

Further work is needed to progress the development of a full business case for Investment Board approval of additional programme funding, and to fully document the Change Control process followed by the programme.

Appendix 2c: Audits Revisited

Management have agreed revised implementation dates for completion of the remaining elements, which are expected to be complete by 31st October 2024.

Business World ERP

Original Objective

To assess the robustness of the Project governance arrangements to deliver the benefits required from the planned upgrade of Business World, which aims to provide the Council with an Enterprise Resource Planning (ERP) system that is fit for purpose and effectively underpins all service outcomes delivered by the Council.

Summary findings

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Closed
3	3	-	-	1

During July 2022 Internal Audit conducted an advisory piece of work and provided management with feedback and interim recommendations to strengthen the Project's control environment, prior to moving forward with Phase Two.

From initial follow up interviews with staff during April 2023 it became apparent that rather than implement these changes immediately, management had opted to introduce additional project controls ahead of the more complex second phase and at that time the arrangements in place had not changed since the original audit.

Since the completion of our original audit the Project has successfully completed Phase One, the migration of Business World to the cloud, without major outages or impact to the business.

Internal Audit followed up progress again during May 2024 and found that good progress had been made in implementing the agreed actions, the majority of which are now embedded into the day-to-day operation of the management of the project. These include:

- clarification of the Project's governance, decision making, escalation processes and associated roles and responsibilities
- the development of robust resource plans to identify any bottlenecks, single points of failure and key utilisation information
- the introduction of processes to ensure Project benefits, risks and issues are managed and monitored to avoid negatively impacting upon the Project aims, and
- the introduction of a change control process that will ensure proposed changes are impact assessed against the agreed Project aims and the available resources.

Minor further work is needed to clarify the project's reporting arrangements to the wider Council to ensure awareness and support for the project and to ensure that the Change Control process in place is fully documented.

Management have agreed revised implementation dates for completion of the remaining elements, which are expected to be complete by 31st October 2024.

Appendix 2d: Other Audits and Grant Claims

Supporting Families Programme - April to June 2024

Objective

To assess compliance with the terms and conditions of the Department for Levelling Up, Housing and Communities relating to the claims for year April 2024 to March 2025 with the Supporting Families Programme Guidance 2022 to 2025.

Background

Effective from 1 April 2023, a new outcomes framework has been implemented that includes ten headline outcomes enabling more detailed reporting on the problems families are facing, clarifying what looks good for these outcomes and what levels of evidence would be expected when measuring these outcomes.

The Department for Levelling Up, Housing and Communities outline that this next phase of the programme aims to see vulnerable families thrive, building their resilience by:

- providing effective, whole family support to help prevent escalation into statutory services;
- driving system change locally and nationally, working with local authorities and their partners to create joined up local services;
- identifying families in need, providing the right support at the right time, and tracking their outcomes in the long term.

The Council has agreed to achieve measurable outcomes with a minimum of 322 families assisted by March 2025 under this Programme.

Internal Audit are required to review a minimum of 10% of claims to ensure there is suitable evidence to support the payment by results claim.

Summary and Conclusion of work

From April to June 2024, 27 supporting families claims were presented on the new outcomes in phase 3 of the programme, prior to submission to the DLUHC.

Internal Audit reviewed a sample of 10% of all cases, providing a representative sample of the claims outlined above. For all claims suitable evidence was available to support a claim for:

- entry into the programme; and
- a claim for significant and sustained progress against all problems identified at the point of engagement and during intervention.

Opinion: Unqualified

Appendix 2d: Other Audits and Grant Claims

Local Transport Capital Block Funding - Integrated Transport

Purpose of Funding

To assist in delivering small scale improvements to local transport networks, which can include:

- road markings and re-surfacing
- upgrades to traffic signals
- bridge strengthening
- installation / replacement of sign lights and street lights
- upgrades to electronic bus information screens.

Conclusion

It was confirmed that spend was compliant in that it:

- fell within the definition of "capital" for accounting purposes
- work undertaken related to the areas outlined above.

Opinion: Unqualified

Local Transport Capital Block Funding - Pothole Fund

Purpose of Funding

Funding was provided to assist with plans to repair potholes across the city.

Conclusion

It was confirmed that spend was compliant in that:

- it fell within the definition of "capital" for accounting purposes
- work undertaken related to pothole repairs in the city.

Opinion: Unqualified

Appendix 2d: Other Audits and Grant Claims

Local Transport Capital Block Funding – Traffic Signal Obsolescence and Green Light Fund

Purpose of Funding

Funding was provided to address the backlog in traffic signal maintenance and upgrading works, including replacing obsolete equipment and tune up traffic signals to better reflect current traffic conditions and get traffic flowing.

Conclusion

It was confirmed that planned spend was compliant in that:

- it fell within the definition of "capital" for accounting purposes
- planned works related to those areas outlined above.

Opinion: Unqualified

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Meeting:	Audit Committee
Date:	23 October 2024
Classification:	Part 1
Key Decision:	No
Title of Report:	Revised Internal Audit Standards Update
Executive Director:	Joe Chesterton: Executive Director (Finance & Resources)
Report Author:	Andrew Barnes: Head of Internal Audit and Counter Fraud
Executive Councillor	Cllr Collins: Cabinet Member for Finance, Assets and Investment

1. Executive Summary

- 1.1 The purpose of this report is to update the Audit Committee on the revised Internal Audit professional standards.

2. Recommendations

- 2.1 **That the Audit Committee notes the update.**

3. Background

- 3.1 The Accounts and Audit Regulations 2015 make it a requirement for the Council to undertake an effective internal audit programme to evaluate the effectiveness of its risk management, internal control and governance processes.
- 3.2 The Internal Audit team are currently required to work to the Public Sector Internal Audit Standards (PSIAS). These standards, which are based on the mandatory elements of the International Professional Practices Framework (IPPF) of the Global Institute of Internal Auditors (IIA), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
- 3.3 New Global Internal Audit Standards (GIAS) were issued in January 2024, which the IIA has determined will become globally effective from January 2025. They will then replace the IPPF, the mandatory elements of which are the basis for the current PSIAS.

- 3.4 The Relevant Internal Audit Standard Setters for Local Government are the Chartered Institute of Public Finance and Accountancy (CIPFA) and they have been working as part of the UK Public Sector Internal Audit Standards Advisory Board (IASAB) to carry out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use.
- 3.5 The IASAB have indicated that there will not be a separate document for the UK public sector as there is with current practice. Instead, it is expected public sector considerations will be captured as an appendix to the GIAS. Consultation was planned for mid-September 2024, but at the time of writing this has not yet been published. It is anticipated that the new material will be effective from April 2025, although early adoption has been encouraged.

4. The Revised Standards

4.1 The standards have been organised into five domains.

4.2 Domain I: Purpose of Internal Auditing

The purpose statement is intended to assist internal auditors and internal audit stakeholders in understanding and articulating the value of internal auditing.

Internal auditing strengthens the organisation's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight and foresight.

Internal Audit enhances the organisations:

- *Successful achievement of its objectives*
- *Governance, risk management and control processes*
- *Reputation and creditability with its stakeholders*
- *Ability to serve the public interest*

Internal auditing is most effective when:

- *It is performed by competent professionals in conformance with the GIAS, which are set in the public interest*
- *The internal audit function is independently positioned with direct accountability to the board*
- *Internal auditors are free from undue influence and committed to making objective assessments.*

4.3 Domain II: Ethics and Professionalism

Domain II replaces the IIA's former Code of Ethics and outlines the behavioural expectations for professional Internal Auditors, including Chief Audit Executives.

While Internal Auditors are responsible for their own conformance, the Chief Audit Executive is expected to support and promote conformance by providing opportunities for training and guidance.

4.4 Domain III: Governing the Internal Audit Function

It is recognised that Domain III will be subject to some changes when the public sector guidance is released, and further updates will be provided to senior management and Audit Committee once this has been made available.

However, its contents is pertinent to highlight in this report as it includes the responsibilities of senior management and the Board.

It outlines the requirements for the Chief Audit Executive to work closely with the Board to establish the internal audit function, position it independently and oversee its performance. It also details senior managements' responsibilities and promotes strong governance of the internal audit function.

4.5 Domain IV: Managing the Internal Audit Function

This domain is the responsibility of the Chief Audit Executive, and includes strategic planning, obtaining and deploying resources, building relationships, communicating with stakeholders and ensuring and enhancing performance of the function.

4.6 Domain V: Performing Internal Audit Services

Domain V underpins the effective planning and conduct of individual internal audit engagements. This covers the planning and undertaking of engagement work to develop findings and conclusions, collaboration with management to identify recommendations and develop action plans that address findings, and communication with key parties throughout.

5. **Current Status**

5.1 The Internal Audit services has undertaken a light touch self-assessment against the requirements of each domain and is working to update and strengthen current practice to ensure compliance with the updated standards.

Further work will be undertaken to ensure good-practice and compliance once the public sector application note has been published.

There are some areas where we have identified that more significant work is needed and the Head of Internal Audit is working to develop in these areas that include:

- introducing an annual internal Quality Assurance programme to provide assurance on conformance with the standards and internal policies, and the effectiveness of methodologies
- development of an Internal Audit team skills matrix to capture competencies within the team, identify skill gaps and aid individual and team training plans
- identifying and considering the Council's other assurance and advisory sources, and developing a methodology for evaluating them to provide a basis for which Internal Audit may be able to rely on their work

6. Reason for decision

- 6.1 No decision required from the Committee at this point. The report is to inform the Committee about the forthcoming changes and provide an update on the Internal Audit teams response to the information available to date.

7. Other options

- 7.1 None applicable, as the Internal Audit Service is required to comply with the GIAS.

8. Financial implications

- 8.1 At this time there are not anticipated to be any significant financial implications relating to implementing the new GIAS.

Staff time required to review the requirements and implement any changes has been built into existing team resource schedules.

There may be a requirement for all-team training to be undertaken by an external body, especially in relation to Domain II.

9. Legal implications

- 9.1 The Accounts and Audit Regulations 2015 make it a requirement for the Council 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.

10. Policy context

- 10.1 This report is made in the context of the following policies:

- Internal Audit Charter and Strategy
- Risk Management Policy Statement and Strategy

11. Carbon impact

11.1 The Internal Audit Team operates across all Council sites and Castle Point Borough Council sites, therefore some travel is necessary. This is usually performed in private vehicles due to the requirement to visit multiple sites over a geographic area spread during a day.

11.2 However, the Team reduces its carbon footprint by:

- Operating electronic working paper and audit management arrangements, minimising the use of paper and printing. All documentary evidence is scanned electronically minimising physical storage requirements
- Travelling by public transport wherever possible
- Conducting meetings with external stakeholders remotely

All internal audit officers have undergone Carbon Literacy training to enhance their understanding of the carbon challenge.

11.3 This approach is not anticipated to change under the revised standards.

12. Equalities

12.1 The Team are committed to treating everyone equally and with respect.

12.2 All officers have undergone Equality and Diversity training. Our daily activities comply with the Equality Act 2010, the Human Rights Act 1998, and the European Convention on Human Rights.

13. Consultation

13.1 Consultation is planned by CIPFA to address the public sector application of the new GIAS, but at the time of writing this report that has yet to be issued.

14. Contribution to the Council's aims and objectives

14.1 Audit work provides assurance and identifies opportunities for improvement that contribute to the delivery of all Corporate Plan objective.

15. Risk assessment

15.1 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 the Corporate Plan objectives.

16. Value for money

16.1 As part of the internal quality assurance arrangements to be introduced, Internal Audit will periodically consider whether it provides a value for money service.

17. Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	9 October
Monitoring Officer	Susan Zeiss	9 October
Executive Director	Joe Chesterton	9 October
Relevant Cabinet Member	Cllr Collins: Cabinet Member for Finance, Assets and Investment	14 October

18. Background papers

- 18.1
- The Accounts and Audit Regulations 2015
 - Global Internal Audit Standards 2024 (available here: [globalinternalauditstandards_2024january9_editable.pdf \(theiia.org\)](https://theiia.org/globalinternalauditstandards_2024january9_editable.pdf))