

Public Document Pack
SOUTHEND-ON-SEA BOROUGH COUNCIL

Audit Committee

Date: Wednesday, 6th September, 2017

Time: 6.30 pm

Place: Committee Room 1 - Civic Suite

Contact: Colin Gamble

Email: committeesection@southend.gov.uk

A G E N D A

- 1 Apologies for Absence**
- 2 Declarations of Interest**
- 3 Minutes of the Meeting held on Wednesday 28th June 2017**
- 4 BDO: Audit Completion Report to the Audit Committee 2016/17**
Report of the Chief Executive (to follow)
- 5 Statutory Statement of Accounts 2016/17**
Report of the Chief Executive (to follow)
- 6 BDO: Progress Report to Those Charged with Governance**
(Pages 7 - 14)
Report of the Chief Executive attached.
- 7 Counter Fraud & Investigation Directorate, Quarterly Performance Report** (Pages 15 - 22)
Report of the Chief Executive attached.
- 8 Internal Audit, Quarterly Performance Report** (Pages 23 - 40)
Report of the Chief Executive attached.

To: The Chairman and Members of the Audit Committee

Information Items

None

Members:

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

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SOUTHEND-ON-SEA BOROUGH COUNCIL

Meeting of Audit Committee

Date: Wednesday, 28th June, 2017
Place: Committee Room 1 - Civic Suite

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Present: Councillor M Davidson (Chair)
Councillors H Boyd (Vice-Chair), B Ayling, A Bright, A Jones*,
J Moyies, G Phillips, C Willis and K Pandya

*Substitute in accordance with Council Procedure Rule 31.

In Attendance: J Chesterton, L Everard, E Allen, V Bateman, C Gamble, S Houlden,
D Helps, D Joyce (South Essex Homes),
D Lincoln (South Essex Homes), S Dolling, S May and D Barnes
(BDO)

Start/End Time: 6.30 p.m. / 8.50 p.m.

105 Apologies for Absence

Apologies for absence were received from Councillor Ware-Lane (Substitute: Councillor Jones) and Terry.

106 Declarations of Interest

(a) Councillor Davidson – South Essex Homes Annual Governance Statement 2016/17 – Board Member of South Essex Homes – Disqualifying non-pecuniary interest (was able to participate in the debate and vote by virtue of the dispensation agreed by the Standards Committee at its meeting held on 28th February 2017);

(b) Councillor Davidson – Matters relating to Southend Health and Wellbeing Board – Member of Southend Health and Wellbeing Board – Non-pecuniary interest;

(c) Councillor Jones – The Forum Governance Arrangements – Previous Member of the Forum Board – Non-pecuniary interest;

(d) Councillor Jones – Internal Audit Service, Quarterly Performance Report – Son worked for the National Crime Agency – Non-pecuniary interest

(e) Councillor Moyies – Matters relating to Southend Health and Wellbeing Board – Member of Southend Health and Wellbeing Board – Non-pecuniary interest;

(f) Councillor Moyies – Matters relating to Essex Partnership University NHS Foundation Trust – Council appointed representative of Essex Partnership University NHS Foundation Trust – Non-pecuniary interest;

(g) Councillor Willis – Matters relating to Southend Health and Wellbeing Board – Member of Southend Health and Wellbeing Board – Non-pecuniary interest.

107 Minutes of the meeting held on Wednesday 29th March 2017

Resolved:

That the minutes of the meeting held on Wednesday 29th March 2017 be confirmed and signed as a correct record.

108 Mental Health Direct Payments

The Committee considered a report of the Deputy Chief Executive (People) providing an update on progress following the audit report for Mental Health Direct Payments that commenced in June 2014 (with additional actions identified in June 2015). Following a review in October 2016 a revised completion date was agreed for 31st May 2017.

Resolved:

That the actions taken to address the issues arising from the Internal Audit report, be noted.

109 The Forum Governance Arrangements

The Committee considered a report of the Deputy Chief Executive (Place) detailing progress made in delivering the actions agreed in the Internal Audit Report issued in March 2017.

The Committee asked a number of questions which were responded to by officers.

Resolved:

That the context and the actions being taken to address the issues arising from the Internal Audit Report, be noted.

110 South Essex Homes Annual Governance Statement for 2016/17

The Committee considered a report of the Deputy Chief Executive (People) presenting the South Essex Homes Annual Governance Statement and supporting reports.

The Committee asked a number of questions which were responded to by officers.

In referring to the Service Level Agreements (SLA) with the Council, the Director of Finance (SEH) undertook to write to members of the Committee to inform them of the progress made in clarifying the specific monitoring/management responsibilities of the Lead SLA officers within the SLA documents.

Resolved:

That the assurances provided by South Essex Homes regarding the operation of its risk management, control and governance arrangements throughout 2016/17, be accepted.

111 Assurances and Continuous Development of the Risk Management Framework

The Committee considered a report of the Chief Executive regarding the adequacy of the Council's risk management framework.

The Committee asked a number of questions which were responded to by officers.

Resolved:

That the assurances provided in the submitted report, as well as the plans outlined and the direction of travel regarding the Council's risk management processes, be noted.

112 2017-18 Corporate Risk Register

The Committee considered a report of the Chief Executive presenting the 2017/18 Corporate Risk Register.

The Committee asked a number of questions which were responded to by officers.

On consideration of the report, the Director of Finance and Resources undertook to provide a response to specific observations on the Risk Register, including the need to clarify the risk scoring for Housing Policy (Risk 4) and Information Management (Risk 11)

Resolved:

That the 2017/18 Corporate Risk Register, be noted.

113 Internal Audit Services, Quarterly Performance Report

The Committee considered a report of the Chief Executive presenting the summary results of 2016/17 completed audit reviews.

The Committee asked a number of questions which were responded to by officers.

Resolved:

1. That the assurance provided by the audit work completed this quarter, be noted.

2. That the appointment of the Institute of Internal Audit to complete the independent, external review of Internal Audit's compliance with the UK Public Sector Internal Audit Standards, be approved.

114 Counter Fraud & Investigation Directorate: Annual Report for 2016/17

The Committee considered a report of the Chief Executive presenting the Counter Fraud & Investigation Directorate's (CFID) Annual Report for 2016/17.

The Committee asked a number of questions which were responded to by officers

In noting that localised (Southend) data/information was produced for the quarterly Fraud and Investigation reports, Members considered it would be helpful for an annual summary to be included in the Annual Report.

Members requested an update report to be produced on the progress of the review of the counter fraud policies and procedures for submission to the next meeting of the Committee.

Resolved:

That the performance of the Counter Fraud & Investigation Directorate over the last year, be noted.

115 BDO: Progress Report to Those Charged with Governance

The Committee considered a report of the BDO External Auditor on progress in delivering the 2016/17 Annual Audit Plan.

Resolved:

That the progress made in delivering the Annual Audit Plan for 2016/17, be accepted.

116 Head of Internal Audit Annual Report 2016/17

The Committee considered a report of the Chief Executive providing the following for the 2016/17 financial year:

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

The Committee asked a number of questions which were responded to by officers.

On consideration of the report, Members considered that it would be helpful for a paper to be produced setting out the number and nature of the authority's trading companies together with an overview of the associated governance arrangements.

Resolved:

That the Head of Internal Audit's Annual Report for 2016/17, be accepted.

117 Annual Governance Statement 2016/17

The Committee considered a report of the Chief Executive presenting the Annual Governance Statement for 2016/17, together with the actions for 2017/18 and an update on progress made with the 2016/17 actions.

Resolved:

That the Annual Governance Statement 2016/17, be approved and recommended to the Leader of the Council and Chief Executive for authorisation and signature.

118 BDO: Planning Letter 2017/18

The Committee considered a report of the BDO External Auditor presenting the External Audit Planning Letter for 2017/18.

Resolved:

That the planning letter for 2017/18, be approved.

Chairman: _____

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**Report of the Chief Executive
to
Audit Committee
on
6th September 2017**

Report prepared by: BDO External Auditor

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

1. Purpose of Report

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

2. Recommendation

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

3. Background

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

4. Corporate Implications

- 4.1 Contribution to Council's Aims and Priorities

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

- 4.2 Financial Implications

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

- 4.3 Legal Implications

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

- 4.4 People and Property Implications

None

4.5 Consultation

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

4.6 Equalities Impact Assessment

None

4.7 Risk Assessment

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

4.8 Value for Money

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

4.9 Community Safety Implications and Environmental Impact

None

5. Background Papers

None

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

SOUTHEND-ON-SEA BOROUGH COUNCIL

Progress report to those charged with governance

August 2017



INTRODUCTION

Summary of progress

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

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

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

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

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

2016/17 Annual Audit Plan - progress summary as at 29 August 2017

Area of work	Scope / Associated deadlines	Status	Outputs / Date
Planning	Risk assessment and formulation of the audit plan. Detailed audit plan to be issued outlining direction of the audit.	Work completed.	Planning Letter 2016/17 Reported to the Audit Committee in June 2016. Audit Plan 2016/17 Presented to the Audit Committee in March 2017.
Interim audit	Audit of the key financial systems that support the financial statements of accounts. To be completed prior to commencement of the audit of the financial statements in June 2017.	Work completed.	Where such deficiencies are significant we also report them in our Audit Completion Report to the Audit Committee.
Financial Statements audit	Audit of the draft financial statements to determine whether they give a true and fair view of the Council's financial affairs and the income and expenditure for the year. Deadline for issue of audit opinion and publication of the statement of accounts is 30 September 2017.	Work substantially complete. Audit Completion Report to the Audit Committee being presented to the 6 September meeting.	Audit Completion Report to the Audit Committee Target issue date August 2017. Opinion on the financial statements Target issue date August 2017.
Whole of government accounts audit	Audit of the consolidation pack for consistency with the audited statement of accounts. Consolidation pack opinion – deadline set as 30 September 2017.	Work in progress.	Opinion on the WGA Consolidation Pack Target date 29 September 2017.

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

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

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Southend-on-Sea Borough Council

Agenda
Item No.

7

Report of Chief Executive

to

Audit Committee

on

6 September 2017

Report prepared by: Daniel Helps, Senior Manager for
Counter Fraud & Investigation

Counter Fraud & Investigation Directorate: Quarterly Performance Report

Executive Councillor – Councillor Moring

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present the first quarterly performance report outlining the work of the Counter Fraud & Investigation Directorate in delivering the Annual Counter Fraud and Investigation Work Plan.

2. Recommendation

- 2.1 **The Audit Committee notes the performance of the Counter Fraud & Investigation Directorate to date.**

3. Performance

- 3.1 The Counter Fraud & Investigation Directorate (CFID) has made good progress in delivering the 2017/2018 work plan for cases of reported fraud, with:
- **65** investigations being conducted
 - **33** sanctions being delivered in the first quarter (this number excludes referrals to HR and other agencies as CFID has no control over the outcome).
- 3.2 **Appendix 1** outlines the flow of cases into CFID so far since 1st April 2017.

4. Fraud Risk Assessment

- 4.1 Local authorities have followed Fighting Fraud Locally, The Local Government Fraud Strategy, which sought to define minimum standards for councils to apply to ensure there was sufficient recognition of fraud in local government.
- 4.2 This strategy was reviewed in 2016 and was re-named 'Fighting Fraud & Corruption Locally', developed with input from a number of bodies including the Cabinet Office, Home Office, Local Government Association and local authorities. The strategy highlights the most common fraud types faced by local government as:
- Housing Tenancy fraud (reported separately to South Essex Homes)
 - Procurement fraud

- Insurance fraud
 - Social Care fraud
 - Blue Badge Scheme fraud
 - Revenues Fraud.
- 4.3 The CFID annual strategy continues to recognise these fraud threats and has undertaken proactive work to ensure the system of internal control was effective in protecting the Council from fraud.
- 4.4 CFID reported to the last Audit Committee, its intention to create a more detailed analysis of the fraud risks the Council faces by conducting team by team reviews.
- 4.5 Senior Management from CFID have met with Directors and agreed the programme of delivery of Fraud Risk Assessment workshops across business areas within the Council.
- 4.6 These workshops will ensure that the emerging crime threats are captured and acknowledged by the business areas, as well as identify opportunities to better protect the Council with remedial action.
- 4.7 **Appendix 2** outlines the delivery plan for the Counter Fraud Work Plan, including the Fraud Risk Assessment process.

5. Policy Review and Revision

- 5.1 As detailed at previous Audit Committees, CFID agreed to review and update (as appropriate) existing Council policies as they relate to countering fraud and economic crime, such as money laundering and bribery and corruption.
- 5.2 CFID has reviewed and is in the process of updating the following Council policies:
- Counter Fraud, Bribery & Corruption Policy
 - Counter Money Laundering Policy
 - Whistleblowing Policy
 - Cyber Crime Policy.
- 5.3 These will shortly be distributed to relevant officers for review and comment.

6. Corporate Implications

- 6.1 Contribution to Council's Aims and Priorities
- Work undertaken to reduce fraud and enhance the Council's counter fraud and corruption culture contributes to the delivery of all its aims and priorities.
- 6.2 Financial Implications
- Proactive fraud and corruption work acts as a deterrent against financial impropriety and might identify financial loss and loss of assets.
- Any financial implications arising from identifying and managing the fraud risk will be considered through the normal financial management processes.
- Proactively managing fraud risk can result in reduced costs to the Council by reducing exposure to potential loss and insurance claims.

6.3 Legal Implications

The Accounts and Audit Regulations 2015 Section 3 requires that:

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

- *facilitates the effective exercise of its functions and the achievement of its aims and objectives*
- *ensures that the financial and operational management of the authority is effective*
- *includes effective arrangements for the management of risk.*

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

6.4 People Implications:

Where fraud or corruption is proven the Council will:

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

6.5 Property Implications

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

6.6 Consultation: None

6.7 Equalities Impact Assessment: None

6.8 Risk Assessment

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

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

6.9 Value for Money

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

6.10 Community Safety Implications and Environmental Impact: None

7. Appendices

- Appendix 1: Case Summary to 31 July 2017
- Appendix 2: Counter Fraud Work Plan for June to October 2017

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Appendix 1 Counter Fraud & Investigation Directorate

Case Summary to 31st July 2017

	Fraud Type				
Case Status	Revenue	Housing Application Fraud	Blue Badge	Other	Total

Case Load, Referrals:

Received (between 1/4/17 – 31/7/17)	8	1	27	10	46
Passed to another agency	0	0	0	0	0
Investigation created	7	1	27	9	44
Closed	1	0	0	1	2

Outcomes Achieved **These Figures represent the status of investigations conducted by the Directorate that commenced during 2017 but also those received in previous years but concluded in between April 2017 – July 2017

Formal Caution	0	0	0	0	0
Referred to Other Agency	0	0	1	0	1
Prosecution	1	0	0	1	2
Housing Application Stopped	N/A	1	N/A	0	1
Blue Badge Recovered	N/A	N/A	4	0	4
Warning Issues	0	0	26	0	26
Referred to HR	N/A	N/A	N/A	3	3
Staff Dismissal	0	0	0	1	1
No Further Action	1	1	9	3	14

Value of Proven Fraud April 2017 – July 2017 (concluded investigations)

Prosecution £17,091.31	Cautions and Warnings £19,500	Financial Saving £3,750
Housing application stopped £18,000		TOTAL £58,341.31

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Appendix 2 - Counter Fraud & Investigation Directorate

Counter Fraud Work Plan for June to October 2017

Risk area	Tasks	Planned for	Current status
Council-wide	Agree Plan Fraud Risk Assessment workshops with Directors: <ul style="list-style-type: none"> • Department for Place • Department for People • Resources. 	June 2017	Completed
Council-wide	Conduct Fraud Risk Assessment workshops in these areas: <ul style="list-style-type: none"> • Department for Place • Department for People • Finance & Resources. 	September – October 2017	Awaiting workshops.
Council-wide	UK Bribery Act (UKBA) Compliance Review. A questionnaire will be distributed to all Managers to ensure UKBA compliance.	Was June 2017 Now August 2017	Initial testing of the 'online' questionnaire system identified issues. A new solution has been identified is being used to conclude the information capture.
Council-wide	Counter Money Laundering (CML) Compliance Review. A questionnaire will be distributed to all staff to ensure CML compliance.	Was June 2017 Now August 2017	Initial testing of the 'online' questionnaire system identified issues. A new solution has been identified is being used to conclude the information capture.
Council-wide	Process the results from the Fraud Risk Assessment workshops & produce report and action plan.	October 2017	Awaiting workshops.
National Fraud Initiative, Data Matching Exercise	Investigate high level recommended data matches until the 2017 exercise is complete.	Will report progress made on quarterly basis	Results being assessed. Regular performance reporting will commence in June 2017.

Appendix 2 - Counter Fraud & Investigation Directorate
Counter Fraud Work Plan for June to October 2017

Risk area	Tasks	Planned for	Current status
Investigate cases of suspected fraud and economic crime.	Investigate cases of suspected fraud or economic crime.	Will report progress made on quarterly basis	Investigations are ongoing and are reported quarterly in Appendix 1.

Southend-on-Sea Borough Council

Agenda
Item No.

8

Report of the Chief Executive

to

Audit Committee

on

6th September 2017

Report prepared by: Linda Everard, Head of Internal Audit

Internal Audit Services, Quarterly Performance Report

Executive Councillor – Councillor Moring

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To update the Audit Committee on the progress made in delivering the Internal Audit Strategy for 2017/18.

2. Recommendations

- 2.1 **The Audit Committee notes the progress made in delivering the 2017/18 Internal Audit Strategy.**

3. Internal Audit Plan Status

- 3.1 **Appendix 1** sets out the current status of the audit work planned for the year as at 14th August 2017. This highlights where audits contained in the original plan considered by the Audit Committee in March 2017 have changed and why.
- 3.2 The only audit where the proposed focus of the work has changed is the Social Care IT Case Management System, Project Implementation review. In order to add the most value to officers at this stage as well as provide suitable independent audit assurance to management, the focus is now to:
- provide a framework that can be used to assess whether the project is ready to 'go live'
 - evaluate the robustness of the assessments made before any decisions are made to 'go live'.
- 3.3 The programme is now substantially resourced. Resources are just being finalised for some quarter four work. The decision has been taken to limit the use of contractors between January to March 2018 as the team has limited capacity to support them. As reported previously, this then leads to delays in processing reports and finishing audits. So contractors will only be used where specialist skills are needed and the work is time critical.
- 3.4 There is no contingency left in the budget. However, if new risks emerge during the remainder of the year, jobs will be deleted / postponed to accommodate the work.

4. Performance Targets

- 4.1 As outlined in the Strategy presented to the March 2017 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.
- 4.2 So as at 14th August 2017:
- the team has not had any sickness absence since April 2017 (which impacts on productivity)
 - in terms of the jobs in the plan:
 - terms of reference have been produced for 9%
 - 21% audits are in progress
 - reports are being produced or discussed for 21% audits.
- 4.3 A programme of stakeholder surveys has been produced and these will be completed throughout the remainder of the year as audits are completed.
- 4.4 Progress in addressing actions arising from stakeholder surveys and the 2016/17 assessment of compliance with professional standards will be reported to the Audit Committee in January 2018.

5. Shared Service Board

- 5.1 The next meeting is scheduled for 7th September 2017. The main agenda items being to:
- review the various refreshed working agreements between the respective parties for internal audit and counter fraud and investigation services, as these need to be in place by 1 October 2017
 - consider the assessment documents proposed for capturing stakeholder views on performance:
 - at Head of Internal Audit / Group Manager, Counter Fraud & Investigation level
 - in delivering the services defined in the joint working agreements
 - when dealing with services on individual audits / investigations.
- 5.2 The work programme for the Board and the performance information to be provided to it going forward will be considered at a future meeting.

6. Resourcing

- 6.1 The refreshed Joint Working Agreement for Internal Audit will set out that all the posts for the combined team will be part of the Council's establishment. Castle Point Borough Council will commit to:
- provide funding to cover the level of audit coverage that it requires
 - indemnify the Council against an appropriate level of costs incurred should the joint working agreement cease.
- 6.2 This approach has been taken as it is felt that:
- this will increase the chance of filling the remaining vacancies
 - it will create a more cohesive team.

6.3 Therefore, the combined structure will consist of:

- two Audit Managers (both in post)
- two Senior Auditors (both posts vacant)
- four Auditors (two posts vacant)
- cash (in the form of vacant posts) to buy in specialist services at both sites.

6.4 The team will be going out to advertise for a Senior Auditor in September 2017. Some budget has been set aside to fund such an appointment for the last quarter. If this campaign is unsuccessful, it is unlikely this money will be spent.

7. Independent Assessment of the Internal Audit Service

7.1 A summary of the approach to be adopted to the External Quality Assurance review is attached at **Appendix 2**. The Institute of Internal Auditors will start the document review in September 2017 as this can be done remotely. The reviewer will then be on site between 2nd and 4th October 2017.

7.2 The results of this review will be reported to the Audit Committee in due course.

8. Corporate Implications

8.1 Contribution to Council's Aims and Priorities

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

8.2 Financial Implications

The Audit Plan will be delivered within the approved budget.

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

8.3 Legal Implications

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

8.4 People and Property Implications

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

8.5 Consultation

The audit risk assessment and the Audit Plan are periodically discussed with the Chief Executive, Deputy Chief Executives and Directors before being reported to Corporate Management Team and the Audit Committee.

All terms of reference and draft reports are discussed with the relevant Deputy Chief Executives and Directors before being finalised.

8.6 Equalities Impact Assessment

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

8.7 Risk Assessment

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

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 process work in a timely manner and provide strategic leadership to the team
- possibility that the external supplier won't deliver contracted in work within the required deadlines to the expected quality standards
- need to maintain relationships with clients / partners until the service has been rebuilt.

8.8 Value for Money

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

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

8.9 Community Safety Implications and Environmental Impact

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

8. Background Papers

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

9. Appendices

Appendix 1 Internal Audit Plan 2017/18

Appendix 2 Independent review of the Internal Audit Service

Appendix 1: Internal Audit Plan 2017/18

Dept	Council activity and focus of audit work	Fraud risk	Status 14th August 2017
Managing the Business			
Aim: Excellent			
CE	Asset Register To assess the arrangements for ensuring there are accurate and complete records for managing the Council's assets.	Yes	Terms of Reference being produced.
All	Complaints Handling To assess whether stage one and two complaints have been handled in compliance with the policy.	No	Draft report being produced.
PL / PE	Departmental Project Assurance Arrangements To assess the design and effectiveness of the departments arrangements for monitoring the deliver of significant projects. To review the project management toolkit used by the department to assess whether it could be used as a corporate model.	No	Work in progress.
CE	Emergency Planning To assess the robustness of the Council's preparedness to respond to a civil emergency under the Civil Contingencies Act 2004.	No	Planned for August to September 2017.
CE	Information Governance, General Data Protection Regulation To undertake a baseline assessment of IT risks against a standard good practice framework and use this to develop the IT element of the Audit Plan going forward.	No	Planned for January 2018.
PL	IT Risk Assessment To undertake a baseline assessment of IT risks against a standard good practice framework and use this to develop the IT element of the Audit Plan going forward.	No	Work in progress.
All	Risk Management To work with the Council to embed risk management into its day to day operations.	No	Terms of Reference being reviewed by Chief Executive.
Implementing Action Plans			
CE	Business Continuity	No	Planned for October to December 2017.

Appendix 1: Internal Audit Plan 2017/18

Dept	Council activity and focus of audit work	Fraud risk	Status 14th August 2017
Managing Service Delivery Risks			
Aim: Safe			
PE	Actions from Children's Quality Assurance File Audits To assess whether the arrangements which give senior management assurance that key actions identified from Quality Assurance audits are addressed in the agreed timeframes, have been fully embedded in day to day working.	No	Planned for October to December 2017.
PE	Child Residential Placements To assess the robustness of arrangements for approving residential placements for children.	Yes	Terms of Reference being agreed.
PL	Community Safety Partnership To evaluate the clarity and understanding of its governance framework including its objectives, roles and responsibilities and reporting requirements.	No	Work in progress.
PE	Data Quality To assess the robustness of arrangements in place which ensure accurate and timely information is produced for a sample of performance indicators reported to senior management.	Yes	Planned for October to December 2017.
PE	Drug and Alcohol: Contract Management To assess whether contracts are being effectively managed.	Yes	This work is being deleted as the service is in the process of re-letting these contracts.
PE	Early Help and Family Support: Quality Assurance Tool To assess the robustness of the Quality Assurance Framework operated by the Early Help Family Support team which is designed to provide management with good quality, independent evidence that cases are being managed in accordance with relevant assessment and / or legislative guidance.	Yes	Planned for December 2017 to March 2018.
PE	Ofsted Improvement Plan To confirm the robustness of the Council's arrangements for implementing a sample of actions identified in the Ofsted Improvement Plan to ensure they become embedded into day to day working practises.	No	Terms of Reference agreed.

Appendix 1: Internal Audit Plan 2017/18

Dept	Council activity and focus of audit work	Fraud risk	Status 14th August 2017
PE / PL	<p>Social Care IT Case Management System, Project Implementation (Liquid Logic)</p> <p>To provide a framework to enable an assessment to be made of the readiness of the new Social Care IT Case Management System for Children's and Adults services to 'Go Live'.</p> <p>To independently challenge and report on the Project Team's assessment against the success criteria within the framework, prior to any decision being made by the Project Board to 'Go Live'.</p>	No	Work in progress.
PE	<p>Social Care Payments to Individuals and Providers</p> <p>To assess whether the control framework being designed into the new Liquidlogic case management system and the ContrOCC finance module, is robust enough to ensure that accurate and timely social care payments are made to individuals and providers.</p>	Yes	Work in progress.
PE	<p>Special Education Needs</p> <p>To assess the arrangements for ensuring all Special Education Need (SEN) Statements are converted to Education Health and Care (EHC) Plans by the 2018 deadline.</p>	Yes	Finalising resources for this work.
Implementing Action Plans			
PE	<p>Children's Services Safeguarding Performance Indicators</p> <p>To assess the progress made in improving the robustness of arrangements for producing performance data for nationally reported safeguarding indicators.</p>	No	This work is being postponed until 2018/19 when the new Social Care IT Case Management system is operational.
PE	Direct Payments, Financial Monitoring	Yes	Planned for October to December 2017.
PE	Direct Payments, Mental Health	Yes	Draft report being produced.
PL	Licensing	Yes	Planned for October to December 2017.
PE	Social Care IT Case Management System Contract Procurement	Yes	Finalising resources for this work.

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Dept	Council activity and focus of audit work	Fraud risk	Status 14th August 2017
Aim: Clean			
PL	Recycling, Waste and Street Cleansing Services Contract Management To assess whether the Recycling, Waste and Street Cleansing Services contract is being effectively managed.	Yes	Planned for October to December 2017.
PL	Southend Energy (OVO) To assess the Council's arrangements for monitoring delivery of the expected benefits from the partnership / contract arrangements.	Yes	Fieldwork complete. Draft report being produced.
Aim: Healthy			
PE	Adult Care Transformation Project To map, assess the risks relating to and assurances in place to ensure the changes being made to service delivery arrangements are effectively implemented.	No	Work in progress.
PE	Commissioning Partners Governance Arrangements To assess the adequacy of governance arrangements for the delivery of joint commissioning work between the Council and the Clinical Commissioning Group (CCG).	Yes	Terms of Reference being discussed with client.
PE	Integrated Commissioning To map, assess the risks relating to and assurances in place to ensure the manner in which this operates is effectively and tangibly contributes to the delivery of corporate objectives.	No	Planned for October to December 2017.
PE	Local Authority Trading Company (LATC) To evaluate the Council's arrangements for monitoring the delivery of service delivery targets set out in the Block Contract with the LATC.	No	Planned for October to December 2017.
PL	Leisure Services (Fusion) Contract Management To assess whether the Leisure contract is being effectively managed.	Yes	Draft report being produced.

Appendix 1: Internal Audit Plan 2017/18

Dept	Council activity and focus of audit work	Fraud risk	Status 14th August 2017
PE	Section 75 Agreement with South Essex Partnership University NHS Foundation (SEPT) for Mental Health Services To assess the robustness of the Council's arrangements for monitoring the delivery of social care services to adults of working age as set out in the Section 75 partnership agreement.	Yes	Finalising resources for this work.
Implementing Action Plans			
PE	Family Mosaic Contract Management	Yes	Deleted as this service area has now been restructured.
PL	The Forum Governance Arrangements	Yes	Deleted but will discuss what to do with the outstanding actions with the Deputy Chief Executive (Place).
Aim: Prosperous			
PL	Airport Business Park Project Assurance To: <ul style="list-style-type: none"> follow up the implementation of recommendations from audit work in 2016/17 identify and gain assurance over the proper implementation of the project's key milestones. 	Yes	Planned for October to December 2017.
PE	Better Queensway To: <ul style="list-style-type: none"> follow up the implementation of recommendations from audit work in 2016/17 identify and gain assurance over the proper implementation of the project's key milestones. 	Yes	Planned for November 2017.
PL	Car Park Management Contract (Lot 1) Contract Management To assess whether the Parking Compliance arrangements (issuing and collecting Parking Charge Notices) as part of the Parking Management contract are being effectively managed.	Yes	Planned for October to December 2017.

Appendix 1: Internal Audit Plan 2017/18

Dept	Council activity and focus of audit work	Fraud risk	Status 14th August 2017
PL	Car Park Management Contract (Lot 2) Contract Management To assess whether the Car Park Management arrangements (cash collection) as part of the Parking Management contract are being effectively managed.	Yes	Planned for October to December 2017.
PE	Corporate Procurement Team, Procure to Pay (P2P) To assess the effectiveness of the new arrangements introduced by the Corporate Procurement team to monitor compliance with P2P requirements.	No	Draft current status report being finalised with clients. Further work is planned for November 2017 when an audit view will be given.
PL	Highways Contract Management To assess whether the highways block of contracts are being effectively managed.	Yes	Planned for October to December 2017.
PL	Highways Contract Management: Use of the Insights System (Symology) To assess the robustness of the Council's arrangements for properly instructing the contractor to undertake work, confirm work has been done and payment due is accurate.	Yes	Planned for October to December 2017.
CE	Leases and Licences To assess whether lease and license records are complete, reviewed in a timely manner and all income due is collected.	Yes	Draft report with Head of Internal Audit to review.
PL	The Hive Business Incubation Centre To assess the robustness of arrangements for monitoring the delivery of the City Deal outputs detailed in the Service Level Agreement with the provider.	Yes	Fieldwork complete. Draft report being produced.
Implementing Action Plans			
PE	Corporate Procurement Team, Procure to Pay (P2P)	Yes	Planned for November to December 2017.
PE	Housing Allocations	Yes	Work in progress.
PE	"P" Cards	Yes	Planned for October to December 2017.
CE	Right to Buy	Yes	Fieldwork complete.

Appendix 1: Internal Audit Plan 2017/18

Dept	Council activity and focus of audit work	Fraud risk	Status 14th August 2017
Aim: Excellent			
CE	Debt Management To assess whether the new corporate Debt Management strategy is being properly and consistently applied.	Yes	Planned for December 2017 to March 2018.
CE	Housing Benefits: Risk Assessment of New Claims To work proactively with officers to provide assurance that the proposed new automated risk profiling arrangements to determine the level of verification checks required to confirm entitlement, will be fit for purpose.	Yes	The need for this work is being reassessed as a result of the roll out of Universal Credit for all new claims.
PE	Pre-payment Cards: Letting of Contract To support the procurement exercise by challenging and advising on the robustness of controls for safeguarding Council and / or client monies loaded onto prepaid cards.	Yes	Terms of reference being produced.
PL	Rechargeable Works To assess whether the processes for collecting income for accidental damage to the highway have been effectively embedded into day to day working.	Yes	Planned for October to December 2017.
Implementing Action Plans			
PE	Section 75 Partnership Agreement, Integrated Equipment Service	Yes	Draft report with the Head of Internal Audit to review.
PL	Works Contract Letting, St Helen's Roman Catholic School	Yes	Finalising resources for this work.
Aim: All			
CE	Apprenticeship Levy To assess the Council's arrangements for using the levy to develop an effective apprenticeship scheme.	Yes	Postponed until 2018/19 when the Council's scheme will be developed.
PL	IT Change Management To assess whether there is an effective, corporate process for managing changes made to IT systems used by services.	No	Draft report with the Head of Internal Audit to review.
PL	IT Systems and Network Access Controls To assess the effectiveness of controls in place to restrict access to important Council system and network functions.	Yes	Terms of Reference being produced.

Appendix 1: Internal Audit Plan 2017/18

Dept	Council activity and focus of audit work	Fraud risk	Status 14th August 2017
CE	Payroll, Self-Serve Module To assess whether the new arrangements for processing and approving expense, mileage and overtime allowances are working effectively.	Yes	Terms of Reference being produced.
PL	Smart City Project To: <ul style="list-style-type: none"> determine the various elements of the project assess the adequacy of the governance arrangements for delivering the project. 	Yes	Work in progress.
<i>Implementing Action Plans</i>			
PL	IT Infrastructure and Asset Management	No	Finalising resources for this work.
CE	Welfare Reform	No	Work in progress.
Key Financial Systems			
Aim: All Aims			
CE	Financial systems work to support the production of the Council's Financial Statements To confirm that key controls in each of the key financial systems: <ul style="list-style-type: none"> are designed to prevent or detect material financial errors, and have been in place during 2017/18 and therefore, can be relied upon when producing the Council's Statement of Accounts. 	Yes	Currently discussing proposed coverage with BDO before producing a Terms of Reference.
CE	Accounts Payable To assess whether the key control objectives in the Accounts Payable system effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's Statement of Accounts.	Yes	Draft report being produced.
CE	Payroll To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.	Yes	Draft report with the Head of Internal Audit to review.

Appendix 1: Internal Audit Plan 2017/18

Dept	Council activity and focus of audit work	Fraud risk	Status 14th August 2017
CE	Other Key Financial Systems Approach to this work is still to be confirmed. To use computer-assisted audit techniques (CAATs) to automate audit testing and allow for a deeper analysis of large data sets.	Yes	These systems are currently being risk assessed. An approach and programme of work will be then be produced.
Grant Claims			
	To certify, in all significant respects, that the conditions attached to the grant have been complied with.		
PL	<ul style="list-style-type: none"> BEST Growth Hub 	Yes	It has been agreed with Essex County Council that this work is no longer required.
PL	<ul style="list-style-type: none"> Coastal Communities Fund 	Yes	Deleted as the Council did not receive any grant funds in 2016/17.
PE	<ul style="list-style-type: none"> Disabled Facilities Grant 	Yes	Work in progress.
PL	<ul style="list-style-type: none"> Highways Maintenance Challenge Fund 	Yes	Work in progress.
PL	<ul style="list-style-type: none"> Local Transport Plan Block Funding 	Yes	Work in progress.
PL	<ul style="list-style-type: none"> Local Growth Fund 	Yes	Completed.
PL	<ul style="list-style-type: none"> Pothole Action Fund 	Yes	Work in progress.
PE	Troubled Families Programme, Payments by Results Scheme Grant To challenge Troubled Families Payment By Result (PBR) Grant returns are in line with the Department for Communities and Local Government requirements.		Report on the May / June 2017 grant claim work is being produced.
Advice and Support			
To provide independent review, support and challenge to assist with the delivery of the groups' objectives and work programme.			
	Attendance at Groups To provide supportive, critical challenge as required		
	<ul style="list-style-type: none"> External Grant Funding Group 		Attend as required.

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Dept	Council activity and focus of audit work	Fraud risk	Status 14th August 2017
	<ul style="list-style-type: none"> Good Governance Group 		The Head of Internal Audit attends.
PE	Early Years Funding – Nursery Settings in Schools To assess the effectiveness of the arrangements being developed to confirm the accuracy of funding claimed by the Council for schools.	Yes	Terms of Reference being produced.
CE	RIPA To work with the Counter Fraud & Investigation Directorate to provide the Director of Legal & Democratic Services with support to set up a process for auditing the use of social media sites and the internet for investigative or official business, across all departments, in line with the requirements of the Council's RIPA Policy.	No	Work in progress.
PL	Safety of Gas Boilers in the Council Estate To assess whether robust processes have and are being followed by Southend on Sea Borough Council (the Council) when examining issues raised by a complainant regarding potential non-compliance with Gas Safety (Installation and Use) Regulations.	Yes	Work completed and feedback provided.

Managing Delivery of the Audit Plan

	Audit Planning, Resourcing
	Managing Contractor Work
	Reporting to Management Team and Audit Committee
	Contingency
	Preparing for statutory, independent external assessment against UK Public Sector Internal Audit Standards

Implementing action plans

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

Appendix 1: Internal Audit Plan 2017/18

Dept	Council activity and focus of audit work	Fraud risk	Status 14th August 2017
Schools Audit Programme			
Aim: Prosperous			
PE	Virtual School The robustness of the processes in place which ensure Looked After Children achieve the outcomes in their Personal Education Plans.	Yes	Draft report with the Head of Internal Audit to review.
PE	Schools Audit Programme To assess whether individual schools have adequate and effective governance, information and asset management as well as financial management and reporting arrangements in place.		
	<ul style="list-style-type: none"> Earls Hall Primary School 	Yes	Draft report with client.
	<ul style="list-style-type: none"> Leigh North Street Primary School 	Yes	Draft report with client.
Other Clients			
PE	Adult Social Care Local Authority Trading Company To develop an internal audit risk assessment, Charter, Strategy and Audit Plan for 2017/18.	Yes	Research completed. Just confirming our appointment with the Deputy Chief Executive (People) and the Chief Executive.

Appendix 1: Internal Audit Plan 2017/18

Resource Allocation	
Audit Activities	Resource allocation
Managing the Business	10%
Managing Service Delivery Risks	69%
Key Financial Systems	5%
Grant Claims	4%
Advice and Support	3%
Managing Delivery of the Audit Plan	9%
Total	100%
Total Council Audit Plan Days	928

The days required to revisit and retest action plans from previous reports are included under each heading.

The Total Council Audit Plan Days:

- reflects the:
 - higher cost of buying in external contractors to cover internal vacancies
 - time required this year to organise the external inspection of the service by the Institute of Internal Auditors as required by the UK Public Sector Internal Audit Standards
- excludes the schools work programme which is funded separately.

Analysis Over Departments		
		%
CE	Chief Executive	17%
PE	People	43%
PL	Place	37%
All	Cross cutting	3%
	Total	100%

Appendix 2: Independent review of the Internal Audit Service

The External Quality Assessment (EQA) Process

For each client, this will involve an examination and assessment of:

- **the internal audit charter:** the scope of internal audit activities, policies, reporting lines, independence and objectivity
- **related governance structures, policies and relationships in action:** the terms of reference for the audit committee, the three lines of defence model, key interactions with the senior executive team and other stakeholders
- **the internal audit strategy and annual plans:** how risk based plans are designed, resourced and updated to satisfy the organisations expectations
- **the way assurance is coordinated for the audit committee** to avoid duplication and gaps in order to optimise the use of assurance resources within the three lines of defence model
- **quality assurance arrangements:** processes and performance measurement
- **processes:** including the use of internal audit technology
- **engagement files and reports:** a cross section from the audit plan
- **reporting** and follow-up arrangements.

Initially, this will involve a desk review of documents supplied as well as the evidence included in the self assessments against the Standards completed for each of the team's clients.

When on site, the reviewer will:

- look at audit files selected from the audit plans to give an in-depth view of key subject matter and the performance of internal audit staff and contractors
- discuss internal audit's performance with key stakeholders and staff.

When completing the file reviews, the reviewer has been requested to cover:

- the work of each in-house auditor
- each type of audit approach the team uses e.g. contract audit, risk based approach etc.
- each contractor (to a limited degree).

In-house staff will be surveyed. Consideration is being given as to whether to also survey services, given the level of client feedback the team already obtains.

A detailed report with recommendations will be provided at the conclusion of the work which will include:

- an assessment of Internal Audit's conformance to the Standards with a summary of results
- a view on the maturity of the Internal Audit service as well as examples and suggestions on how excellence can be achieved.

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