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SOUTHEND-ON-SEA BOROUGH COUNCIL

Audit Committee

Date: Wednesday, 24th July, 2019
Time: 6.30 pm
Place: Committee Room 1 - Civic Suite
Contact: Colin Gamble (Head of Democratic Services)

Email: committeesection@southend.gov.uk

AGENDA

1   Apologies for Absence

2   Declarations of Interest

3   Minutes of the Meeting held on 27th March 2019

4   Teachers Pension Return 2017/18 - Progress report

Report of the Strategic Director (Transformation)

5   Internal Audit Service, Quarterly Performance Report 2018/19

Report of the Strategic Director (Finance and Resources)

6   Head of Internal Audit Annual Report 2018/19

Report of the Strategic Director (Finance and Resources)

7   Counter Fraud & Investigation Directorate, Annual Report for 2018/19

Report of the Strategic Director (Finance and Resources)

8   Deloittes: Final Report to Those Charged With Governance 2018/19

Report of the Strategic Director (Finance and Resources) – to follow

9   Adoption of the Annual Governance Statement 2018/19 and Statement of Accounts 2018/19

Report of the Strategic Director (Finance and Resources) – to follow

10   Counter Fraud & Investigation Directorate, Counter Fraud Plan and Strategy for 2019/20

Report of the Strategic Director (Finance and Resources)

11   Audit Committee Self-Assessment

Report of the Strategic Director (Finance and Resources)

12   Information Item

CIPFA Better Governance Forum:

- Audit Committee Update, Helping Audit Committees to be Effective, Issue 28: The Audit Committee Role in Supporting Counter Fraud and Anti-corruption

Members:

Cllr P Collins (Chair), Cllr L Burton (Vice-Chair), Cllr B Ayling, Cllr T Cox, Cllr M Davidson, Cllr N Folkard, Cllr S Habermel, Cllr M Kelly, Cllr I Shead and K Pandya

SOUTHEND-ON-SEA BOROUGH COUNCIL

Meeting of Audit Committee

Date: Wednesday, 27th March, 2019

Place: Committee Room 1 - Civic Suite

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Present: Councillor M Davidson (Chair)
Councillors N Folkard (Vice-Chair), B Ayling, A Bright, K Buck, L Burton, D Nelson and Mr K Pandya.

In Attendance: J Chesterton, A Barnes, R Harris, E Allen, M Dineen and C Wisdom (Deloitte).

Start/End Time: 6.30 - 8.00 pm

795   Apologies for Absence

Apologies for absence were received from Councillor Woodley (no substitute).

796   Declarations of Interest

There were no declarations of interest at this meeting.

797   Minutes of the Meeting held on 16th January 2019

Resolved:-

That the Minutes of the Meeting held on Wednesday 16th January 2019 be confirmed as a correct record and signed.

798   BDO: Grant Claims and Returns Certification report for the year ending 31st March 2018

The Committee considered a report of the Strategic Director (Finance and Resources) presenting the External Auditor's Grant Claim and Return Certification Report for 2017/18.

The Committee asked a number of questions which were responded to by officers. In reference to teachers' pensions reconciliations a progress report on the reasons and actions being taken to address the situation would be provided to the next meeting of the Committee by the Strategic Director of Transformation.

Resolved:

That the Grant Claim and Return Certification Report for 2017/18, be accepted.

799   Deloitte: Audit Plan to the Audit Committee, Audit for the year ending 31st March 2019

The Committee considered a report of the Strategic Director (Finance and Resources) presenting the Deloitte External Auditor's Audit planning report for 2018/19.

The Committee asked a number of questions which were responded to by officers and Mr C. Wisdom (Deloitte – Council's External Auditors).

Resolved:

That Deloitte's Audit planning report for 2018/19, be noted.

800   Counter Fraud and Investigation Directorate: Quarterly Performance Report

The Committee considered a report of the Strategic Director (Finance and Resources) setting out progress made by the Counter Fraud & Investigation Directorate (CFID) in delivering the Counter Fraud Strategy and Work Programme for 2018/19.

The Committee asked a number of questions which were responded to by officers.   The Committee also asked officers from CFID to provide an update/progress report to the next meeting concerning cybercrime.

Resolved:

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

801   Internal Audit Service, Quarterly Performance Report

The Committee considered a report of the Strategic Director (Finance and Resources) setting out the progress made in delivering the Internal Audit Strategy for 2018/19.

Resolved:

That the progress made in delivering the 2018/19 Internal Audit Strategy, be noted.

802   Internal Audit Charter, Strategy and Audit Plan for 2019/20

The Committee considered a report of the Strategic Director (Finance and Resources) presenting the Internal Audit Charter with the supporting Strategy and Audit Plan for 2019/20.

Resolved:

That the Charter, Strategy and Audit Plan for 2019/20, be approved.

803   Audit Committee Self-Assessment 2018/19 - Verbal Briefing

The Committee received a verbal briefing from the Head of Internal Audit presenting the Audit Committee self-assessment of good practice questionnaire, which is the tool used to assess performance against the good practice principles set out in CIPFA's 2018 Position Statement: Audit Committees in Local Authorities and Police.

The Committee noted that the questionnaire would be sent to the Committee for their comments/input and would also be completed by the Strategic Director (Finance and Resources), the Head of Internal Audit and current and previous audit partners. The officers would provide feedback on the results and next steps to the next meeting of the Committee.

Resolved:

That the Audit Committee Self-Assessment of Good Practice questionnaire be noted.

804   Information Item

The Audit Committee received and noted the following information items:

- Audit Committee Update, Helping Audit to be Effective, Issue 27;
- Local Government Application Note for the UK PSIAS (2019 Edition).

805   Vote of Thanks

The Committee thanked the Chair for the able way in which she had conducted meetings during the Municipal Year.

Chairman: _____

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Southend-on-Sea Borough Council

Report of Strategic Director (Transformation)

To

Audit Committee

On

24 July 2019

Report prepared by: Joanna Ruffle, Strategic Director (Transformation)

Teachers Pension Return 2017/18 – Progress report

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1. **Purpose of Report**

1.1 To update the Audit Committee on the reasons and actions taken to address the questions raised by the Committee at the meeting held on 27 March 2019.

2. **Recommendations**

2.2 **The Audit Committee notes the comments and the assurance that processes are in place to mitigate these concerns going forward with regard to the Teachers Pensions Return external audit certification arrangements.**

3. **Background**

3.1 At the Audit Committee in March 2019 a report was presented from BDO that noted some points with regard to the End of Year certificate for Teachers Pensions.

3.2 Within the findings of the BDO report it was identified there were some differences in the Councils payroll records and the EOYC. BDO noted however that these had been investigated by the Council and the differences explained as far as possible.

3.3 The report also noted that there was a delay in submitting the EOYC due to the additional time required to investigate these differences.

3.4 The report set out that there was a period of absence of a significant senior member of the payroll team (Senior Payroll and Technical Officer) who is responsible for managing the teachers' pension contributions and submissions to the pension scheme. During that absence staff within the team had to ensure that the pension's payments were submitted each month but were inexperienced, at that time, when undertaking this work. This resulted in some errors occurring.

Report Title	*Report Number*

3.5 During this time there was also a lot of movement with academy schools, resulting in adjustments having to be made.

3.6 When the Senior Payroll and Technical Officer returned from sickness absence they reviewed the period in question and updated a period of 9 months as a whole rather than individual months. This lead to difficulties in clarifying some of the discrepancies.

3.7 BDO's certification work has now been completed and their certification report was signed and submitted in May 2019, including reporting of the issues as outlined in **Appendix 1**.

4. Actions taken since the report

4.1 The Senior Payroll and Technical Officer has since reviewed this work and ensured that staff within the team are fully trained and understand the need to ensure records are maintained correctly going forward on a monthly basis. Staff in the team making submissions are under supervision and it was noted by BDO that no further problems have been experienced.

4.2 Upskilling a greater number of staff in this technical area will mitigate any risk caused by extended absence in the future.

4.3 The Senior Payroll and Technical Officer review the summaries on a regular basis, picking up and rectifying any queries early to avoid unnecessary delays in completing the return in future years.

5. Other Options

Not applicable

6. Reasons for Recommendations

6.1 To provide assurance on the completion of the End of Year Certificate and subsequent Audit in respect of Teachers Pensions.

7. Corporate Implications

7.1 Contribution to the Southend 2050 Road Map

Ensure financial regulations are adhered to.

7.2 Financial Implications

To ensure teachers pensions are correctly submitted and audited in accordance with required regulations.

7.3 Legal Implications

To meet external audit requirements.

7.4 People Implications

None

7.5 Property Implications

None

7.6 Consultation

Not applicable.

7.7 Equalities and Diversity Implications

To ensure all submissions are correct for the employees.

7.8 Risk Assessment

Failure to improve the monthly returns could contribute to difficulties in reconciliations and possible delays in the Audit.

7.9 Value for Money

Ensure the external auditors are provided with appropriate and adequate paperwork, in a timely fashion, to undertake the audit.

7.10 Community Safety Implications

None

7.11 Environmental Impact

None

8. Background Papers

BDO: grant claims and returns certification report for the year ending 31 March 2018 (reported to Audit Committee 27 March 2019)

9. Appendix 1

Extract in respect of Teachers Pension Return 2017/18 from updated BDO grant claims and returns certification report for the year ending 31 March 2018

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TEACHERS' PENSIONS

Local authorities that employ teachers are required to deduct pension contributions and send them, along with employer's contributions, to the Teachers' Pensions office (the body which administers the Teachers' Pension Scheme on behalf of the Department for Education). These contributions are summarised on form EOYCa, which the Council is required to submit to Teachers' Pensions.

The Department for Education requires that Form EOYC is certified but the work is not part of PSAA's certification regime. We therefore agreed a separate letter of engagement to provide an 'agreed-upon procedures' assurance report before the Government's deadline of 30 November 2018 for submitting the audited return.

FINDINGS AND IMPACT ON RETURN

Our testing identified that the total employer's contributions had been incorrectly included in the teacher's pension disclosure in form EOYC and that the total teacher's contributions had been incorrectly included in the employer's contributions disclosure in form EOYC.

Our work also identified some differences between the Council's payroll records and the form EOYC as follows:

- A difference of £321,240.38 between the total contributory salary reported by the Council's payroll records and the value reported in form EOYC, of which £293,457.17 has been explained by the Council.

- A difference of £23,792.46 between the total employer's contributions reported by the Council's payroll records and the value reported in form EOYC, of which £26,976.83 has been explained by the Council.

- A difference of £45,445.76 between the total teacher's contributions reported by the Council's payroll records and the value reported in form EOYC, of which £46,411.41 has been explained by the Council.

- A difference of £75,345.43 between the total contributions paid reported by the Council's payroll records and the value reported in form EOYC, of which £59,972.22 has been explained by the Council.

The Council has investigated and explained the differences as far as they consider to be possible, and are content for the remaining variances not to be investigated further. The deadline of 30 November 2018 was missed due to the additional time required to investigate these differences.

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Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

Audit Committee

on

24 July 2019

Report prepared by: Andrew Barnes, Head of Internal Audit

Internal Audit Services, Quarterly Performance Report

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 2018/19.

2. Recommendations

2.1 **The Audit Committee notes the progress made in delivering the 2018/19 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 12 July. This highlights where audits contained in the original plan considered by the Audit Committee in March 2018 have changed and why.

3.2 **Appendix 2** sets out the results of the work completed since the last progress report to the Audit Committee in March.

3.3 In addition to the originally planned audit work, the team has also been assisting the organisation with the work being undertaken to deliver Transforming Together, providing challenge and advice to the teams working on delivering the outcomes required for the Council to change. Different members of the audit team have been involved in different aspects of this work, each helping to shape the direction of travel being pursued by the Council.

3.4 The team has also been providing challenge, advice and support on a number of other issues, initiatives and projects that the Council is undertaking and dealing with, as outlined in Appendix 1 under "Advice and Support". Further to this the team has also been providing assistance to the Council's wholly owned subsidiary company Southend Care.

4. **Performance Targets and Resourcing**

4.1 As outlined in the Strategy presented to the March 2018 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 As at 25 June 2019:

- For the period 1 January 2019 – 31 March 2019 the team had 8 days of sickness absence which equates to 1.13 days per FTE

- Since then the team has had 4 days of sickness absence since 1 April 2019 which equates to 0.72 days per FTE

4.3 In terms of the jobs in the plan:

- 76% of audits have finalised reports issued

- 20% of audits are completed with the reports drafted and being discussed with the service managers

- 4% of audits are completed with the reports drafted and being reviewed by internal audit management

- 0% of audits have fieldwork nearing completion or the draft report being produced

- 0% of audits remain work in progress.

4.4 Since the last report to Audit Committee in March 2019 recruitment to two of the vacant posts has been successfully undertaken. That leaves the combined team with four vacancies. The salaries of the vacant posts are currently being used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.

4.5 The expected requirements of the internal audit service into the future are evolving and this has been assessed to determine the most appropriate team model utilising the resources available. This will then be implemented resulting in an appropriate mix of experienced staff, trainees who will be put through a relevant training programme and externally sourced skills. This will enable the team to deliver the internal audit service required by the organisations that it serves.

4.6 Stakeholder surveys are completed throughout the year as audits are completed. **Appendix 3** reflects the results of the surveys covering the audits undertaken since April 2019. The feedback obtained remains positive, with the results showing that stakeholders feel informed, consulted, and satisfied with the ability of the Internal Audit team to effectively articulate and evidence audit findings, desired outcomes and actions required. However in this period there was some dissatisfaction with the effectiveness of the reporting in reflecting the work done and the issues found. The team will work to address this in future reporting.

5. **Reasons for Recommendations**

5.1 **Internal audit are 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 appropriately reflects the conditions at the Council.**

6.   Corporate Implications

6.1   Contribution to the Southend 2050 Road Map

Audit work provides assurance and identifies opportunities for improvements that contribute to the delivery of all Southend 2050 outcomes.

6.2   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.

6.3   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.

6.4   People Implications

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

6.5   Property implications

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

6.6   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.

6.7   Equalities and Diversity Implications

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

6.8   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

- 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 while the service is being rebuilt.

6.9   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.

6.10   Community Safety Implications

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

6.11   Environmental Impact

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

7.   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

8.   Appendices

Appendix 1   Internal Audit Plan 2018/19

Appendix 2   Audit Assurance and Themes

       a   Satisfactory Assurance

       b   Partial Assurance

       c   Minimal Assurance

       d   Audits Revisited

       e   Other Audits and Grants

Appendix 3   Stakeholder survey results

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
Managing the Business			
All Aims			
T (JR)	**Information Governance, General Data Protection Regulation** To assess the robustness of the Council's arrangements for complying with the new General Data Protection Regulations to ensure this has been done in line with recognised good practice guidance / statutory requirements.	No	Completed February 2019.
FR (JC)	**Shareholder Board** To assess the robustness of the new governance arrangements established to oversee the financial and operational performance of the Council's wholly owned companies that are being used as an alternative method to deliver outcomes for residents.	No	Draft report being discussed with service.
T (JR)	**Southend 2050** **Transforming Together** To provide support and challenge as it plans and delivers the cultural change required to deliver the Council's 2050 outcomes. **Southend 2050 Outcomes** To assess the risks regarding the delivery of the outcomes and then agree the focus of any work with management.	No	Completed for 2018/19. Work started with the Transforming Together Group to identify and capture risks for delivering cultural change is key to developing the Council's approach to risk management going forward. See also the 2019/20 Audit Plan.
Managing Service Delivery Risks			
Safe			
PE	**Management Response to Quality Assurance Audits (2017/18)** To assess whether senior management's revised arrangements for ensuring prompt action is taken to address the improvements required where a children's social care file is assessed as 'inadequate' or 'inadequate critical', are operating effectively to minimise the risk to Children.	No	Current status report issued to Management July 2018. Implementation of recommendations scheduled for January to March 2019 (see below in Implementing Action Plans).

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Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
PE (JO'L)	**Assessment and Intervention of Families** (*Interim Management Review*) To assess whether there are suitable processes in place to make sure families are assessed promptly and that appropriate action is taken to keep children safe, where necessary.	No	Deleted. Change of approach being developed within Children's Services.
PE (BM)	**Children Centres Contract Management** To assess whether the contract is being effectively managed to ensure the planned outcomes for children and families are being delivered in compliance with the specified performance and/or quality standards, at the correct price.	No	Draft report being discussed with service.
PL/PE	**Safeguarding Arrangements –** services determined as: Housing Services, Transport Services, Leisure Services, Music and Arts Services To assess whether appropriate arrangements are in place to identify and effectively manage safeguarding risks when delivering the service.	No	Draft report being discussed with service.
PE / PL (SH)	**Social Care IT Case Management System, Project Implementation "Go Live" Readiness Assessment for Adults (Liquid Logic)** To independently challenge and report on the Project Team's assessment against the success criteria within the "Go Live" Readiness framework, prior to any decision being made by the Project Board to 'Go Live'.	No	Completed July 2018.
PE (SH)	**Social Care, Hospital Discharge Process** To assess whether there is a robust process in place to ensure people are discharged from hospital, to an appropriate setting, when they are ready, reducing the risk of re-admission.	No	Completed November 2018.
PE (JO'L)	**Social Care Payments to Individuals and Providers (Children's)** To assess whether the control framework in the new Liquidlogic case management system and the ContrOCC finance module are robust enough to ensure that accurate and timely social care payments are made.	Yes	Draft report being discussed with service.

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
PE (SH)	**Direct Payment Support Service Contract Management** To assess whether the contract is being effectively managed to ensure the planned services to support people to manage their direct payments is delivered, other specified performance and / or quality standards are met and the correct fee is paid to the contractor.	Yes	**Completed July 2019.**
PE (BM)	**Virtual School** To assess whether there are robust processes in place for the Virtual School to ensure that "Looked After Children" achieve the outcomes in their Personal Education Plans.	No	Audit deferred as external experts are being brought in to carry out an independent peer review. We will follow up the service's approach to dealing with any issues arising from that review.
Implementing Action Plans			
PE (JO'L)	• **Management Response to Quality Assurance Audits** To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.	No	Draft report being discussed with service.
	Clean		
PL (CR)	**Recycling, Waste and Street Cleansing Services Contract Management** To assess whether the contract is being effectively managed to ensure the planned outcomes and/or benefits for residents are delivered in compliance with the specified performance and quality standards, at the correct price.	Yes	**Completed July 2019.**

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
	Healthy		
PE (JL)	**Commissioned Service Contract Letting and Management** To assess whether the: • needs and outcomes required were properly assessed, appropriately translated into the contract and contract procedure rules were properly applied • contract is being effectively managed to ensure the planned outcomes and/or benefits for residents are delivered in compliance with the specified performance and quality standards, at the correct price.	Yes	Work deferred as service implementing a staffing restructure. Included in 2019/20 Audit Plan.
	Prosperous		
PL (PG)	**Highways Contract Management** To assess whether the highways block of contracts are being effectively managed.	Yes	Draft report being discussed with service.
PL (PG)	**Car Park Management Contract (Lot 1) Contract Management (2017/18)** To assess whether there are robust arrangements in place to ensure that the car park compliance (Lot 1) contract is delivering the planned outcomes and / or benefits in compliance with the specified performance and quality standards, at the correct cost / price.	Yes	Draft report is with the Audit Manager for review.
PL (PG)	**Car Park Management Contract (Lot 2) Contract Management (2017/18)** To assess whether the Car Park Management arrangements (cash collection) as part of the Parking Management contract are being effectively managed.	Yes	Draft report is with the Audit Manager for review.
PL (EC)	**Procurement Joint Venture Partner Better Queensway Regeneration project** To assess whether the needs and outcomes required are properly assessed, appropriately translated into the contract and Contract Procedure Rules are properly applied.	Yes	Completed March 2019.

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
PL (PG)	**South Essex Active Travel Project** To assess whether there are robust accounting, monitoring and transparency arrangements in place to ensure the outcomes set out in the original bid for funding will be met.	Yes	**Completed May 2019.**

Implementing Action Plans			
PL (EC)	• **Airport Business Park** To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.	Yes	Included in 2018/19 Audit Plan in error. Work undertaken during 2017/18 and reported to Audit Committee January 2018.
PL (EC)	• **Better Queensway** To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.	Yes	Completed December 2018.
	Excellent		
PL (CR)	**Building Control** To assess whether there are suitable processes in place to ensure a consistent, effective and commercial building control service is delivered in accordance with statutory building regulations.	Yes	Completed February 2019.
PL (NC)	**Cyber Security** To assess the robustness of arrangements to prevent a cyber-attack infiltrating the Council's systems.	Yes	Completed for 2018 /19. Response to the Local Government Association's 'stocktake' of resilience arrangements against cyber-attacks has been developed by the Council. Challenge and support role included in Audit Plan for 2019/20.

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
PE (JO'L)	**Data Quality of Children's Service's Key Performance Indicators** To assess whether there are adequate and effective arrangements in place to produce accurate, complete and timely performance indicators for senior management.	No	Completed January 2019.
PL (NC)	**IT Enterprise Change Management** To assess the adequacy and effectiveness of the Council's formal processes that ensure any changes to the IT environment (e.g. through applications or infrastructure) are introduced in a controlled and coordinated manner to minimise the risk of disruption to Council services.	No	Completed July 2018.
Implementing Action Plans			
PL (NC)	• **Unit 4 Business World (formerly Agresso) System Access Control** To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.	Yes	**Completed May 2019.**
FR (JC)	• **Procurement Cards (2017/18)** To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.	Yes	Completed September 2018.
	Key Financial Systems		
	All Aims		
T (JR)	**Payroll, Self-Serve Module (2017/18)** To assess whether the new arrangements for processing and approving expense, mileage and overtime allowance claims are working effectively.	Yes	Completed February 2019.

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
FR (JC)	**Financial systems work to support the production of the Council's Financial Statements** To confirm that selected key objectives and associated controls within financial systems: • are designed to prevent or detect material financial errors • have been in place during 2018/19 and therefore, can be relied when producing the Council's Statement of Accounts.	Yes	Deleted as the new external auditor has confirmed that they do not plan to utilise this work.
T (JR)	**Payroll** To assess the robustness of arrangements which ensure staff are paid the right amount at the right time in line with Council policies and legislative requirements.	Yes	Draft report being discussed with service.
	Grant Claims		
PE	**Disabled Facilities Grant** To certify, in all significant respects, that the conditions attached to the grant have been complied with.	Yes	Work Completed. Certification submitted to MHCLG September 2018.
PL	**Highways Maintenance Challenge Fund** To certify, in all significant respects, that the conditions attached to the grant have been complied with.	Yes	Work Completed. Certification submitted to DFT September 2018.
PL	**Local Transport Plan Block Funding** To certify, in all significant respects, that the conditions attached to the grant have been complied with.	Yes	Work Completed. Certification submitted to DFT September 2018.
PL	**Pothole Action Fund** To certify, in all significant respects, that the conditions attached to the grant have been complied with.	Yes	Work Completed. Certification submitted to DFT September 2018.

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
PE	**Troubled Families Intervention** To challenge Troubled Families Payment By Result (PBR) Grant returns to ensure they are in line with the Department for Communities and Local Government requirements.	Yes	Work Completed. Report on the April to August 2018 submissions reported to September Audit Committee. Completed August to December 2018 submissions reported to March Audit Committee. Completed January to March 2019 submissions reported to March Audit Committee. **Completed April to June 2019 submissions.**
Advice and Support			
All Aims			
	Good Governance Group To attend and provide independent support and challenge to the work of the Group.		The Head of Internal Audit attends and supports.
T (JR)	**Corporate Establishment** To provide support and challenge to the cross departmental working group established to identify how to create and maintain a complete and accurate personnel establishment list within Agresso.	Yes	Completed for 2018/19. Challenge and support role included in Audit Plan for 2019/20.

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
	Prosperous		
PL (EC)	**Airport Business Park** To provide, as required, on-going support and challenge to ensure the council's arrangements for use of the Local Growth Fund (LGF), can demonstrate compliance with grant conditions detailed in the Service Level Agreement (SLA) with Essex County Council[1]. Grant conditions primarily focus on ensuring: • expenditure is spent in accordance with all legal requirements • compliance with government reporting requirements	Yes	Completed for 2018/19. (No work required for the period January to March 2019).
	Excellent		
PE (BM)	**Early Years Funding – Nursery School Settings** To provide ongoing support and challenge of the arrangements currently in place and being developed within the funded childcare provision to ensure: • the accuracy of the funding being approved by the Group Manager, Early Years • providers are fulfilling their duties in line with agreements.	Yes	Completed for 2018/19. Deferred until implementation of new system. Work is included on the Risk Watch List as part of the 2019/20 Audit Plan.
PE (SH)	**Adults Pre - payment cards** To assess whether effective arrangements are being developed to manage the issue of as well as approve and monitor expenditure on, pre-payment cards given to clients: • in receipt of direct payments • where the Council acts as the official receiver for Court Protection purposes.	Yes	Draft report being discussed with service.

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[1] The LGF is awarded by the South East Local Enterprise Partnership (SE LEP). Essex County Council is the Accountable Body to government for the SELEP's Growth Deal with government.

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
PL (SD)	**Safety Of Gas Boilers** To assess whether robust processes have and are being followed by the Council when examining issues raised by a complainant regarding potential non-compliance with Gas Safety (Installation and Use) Regulations.	Yes	Feedback provided. Draft report being discussed with service.
PL (PG)	**Sustainable Motion** To support colleagues in undertaking due diligence work of the Community Interest Company's financial statements submitted as part of a procurement exercise.	Yes	New Completed November 2018.
FR (JC)	**Income management system implementation** To provide support and challenge to the project team planning and delivering the implementation of the new income management system.	Yes	Completed for 2018/19. Feedback provided. Implementation of new system included in 2019/20 Audit Plan.
T (JR)	**Recruitment contract and system implementation** To provide support and challenge to the project team planning and delivering the implementation of the new recruitment contract and system.	Yes	Completed for 2018/19. Feedback provided. Implementation of new system included in 2019/20 Audit Plan.
FR (JC)	**P2P new supplier process** To provide support and challenge as the project team introduce workflow to automate the current manual process for adding new suppliers to Business World (Agresso). With the recent upgrade to Business World in has become possible to use workflow to automate the new supplier process	Yes	Completed for 2018/19. Feedback provided. Work is included on the Risk Watch List as part of the 2019/20 Audit Plan.

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
Safe			
PE (JO'L)	**Early Help Maturity Model** To support the Council in bringing partner organisations together to work collaboratively in achieving the agreed outcomes for families and young people beyond 2020 when the local Troubled Families funding comes to an end (see also Grants above).	No	Completed for 2018/19. All partner workshop December 2018. Challenge and support from Internal Audit focused around the Data Maturity Model.
PE (SH)	**Social Care Payments to Individuals and Providers (Adult's)** To provide support and challenge whilst the control framework is being designed into the new Liquidlogic case management system and the ContrOCC finance module, to help ensure accurate and timely social care payments are made to individuals and providers.	Yes	Draft report being discussed with service.
Healthy			
PE (SH)	**Aids and Adaptations Works Processes** To provide support and challenge to the Aids and Adaptations Team in developing a process for assessing the works exceeding the £30K Disabled Facilities Grant limit provided by the Ministry of Housing and Local Government. (see also Grant Claims above)	Yes	Addition to Audit Plan August 2018. Internal briefing note issued August 2018.
Managing Service Delivery			
Delivering the internal audit service involves: • audit planning and resourcing • managing Audit Plan delivery which includes overseeing contractor work • reporting to Corporate Management Team and Audit Committee.			
Implementing the outstanding actions arising from the External Quality Assessment undertaken by the Institute of Internal Auditors issued October 2017.			

	Risk Watch List
All	Ethical Governance
LD	Business Continuity Revisited
FR	Debt Management
LD	Emergency Planning Revisited
PL	Rechargeable Works
PE	Empty Homes Fund
PE	Family Mosaic Contract Management
PE	Financial Monitoring of Direct Payments Revisited
PE	Housing Allocations Revisited
PE	Quality Assurance in Adult Services
PE	Quality Assurance in Early Help and Family Support
PE	Residential Care Placements
PE	S75 Equipment Services Revisited
PL	Departmental Project Assurance Arrangements Revisited
PL	Development Control, Planning Application Consultation Process
PL	Environmental Health
PL	IT Disaster Recovery
PL	Licensing Revisited
PL	Parking Management
PL	Smart City Governance Arrangements
PL	The Forum Revisited

These are other potential audits that may be considered for inclusion in the Audit Plan during the year should resources permit.

Audit Activities	Resource allocation
Managing the Business	7%
Managing Service Delivery Risks	57%
Key Financial Systems	5%
Grant Claims	6%
Advice and Support	8%
Contingency	5%
Managing Delivery of the Audit Plan	12%
Total	**100%**
Total Council Audit Plan Days	**607**

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.

Analysis Over Departments		
All	Cross Cutting	4%
FR T LD	Finance and Resources Transformation Legal and Democratic Services	13%
PE	People	39%
PL	Place	27%
All	Contingency	5%
All	Managing Delivery of the Audit Plan	12%
	Total	**100%**

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Appendix 2a: Assurance and Themes

Assurance

High	Satisfactory	Partial	Minimal
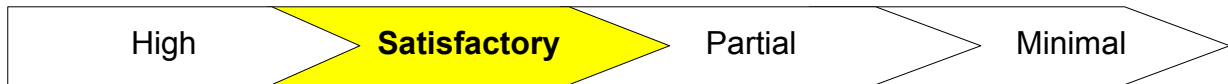
Recycling, Waste and Street Cleaning Services Contract Management

Objective

To assess whether there are robust arrangements in place to ensure that the recycling, waste and street cleansing contract is delivering the planned outcomes and/or benefits in compliance with the specified performance and quality standards, at the correct cost.

Themes

The contract is robustly managed through:

- A widespread suite of key performance indicators that include customer satisfaction targets;

- Client contract managers' checking of contractor reported achievement against system data;

- Client contract managers' own calculations of performance failure points, from which above a threshold accumulated amount, deductions in financial amounts payable to the contractor may be made, incentivising the contractor to avoid failure; and

- Contractually specified increases in some key performance targets over the life of the contract driving continual improvement incentivised by contractor need to avoid above threshold accumulative performance failure points.

An improvement opportunity available is:

- Identifying firm proposals in the Annual Service Improvement Plan, agreed with the contractor, for improving services in response to customer feedback and suggestions for improvement identified through the 'Customer Satisfaction Survey' and 'Annual Report' and contract performance management meetings.

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Appendix 2b: Audit Assurances and Themes

Assurance

High	Satisfactory	**Partial**	Minimal

Direct Payment Support Services Contract Management (July 2019)

Objective

To assess whether the contract is being effectively managed to ensure the Council's key outcomes for the service and service users are delivered, whilst also ensuring sound financial arrangements are in place.

Summary

The specification of the Direct Payment (DP) Support Service Contract (the contract), effective from May 2018, makes clear the outcomes to be achieved through its delivery, examples include:

- a DP service which contributes to delaying and reducing the need for long-term care and support

- an increase in the number of individuals employing their own staff to meet their needs

- individuals having the information they need to make decisions about the use of DP to meet their assessed needs.

This outcome based approach is positive as it allows the contractor flexibility in how to deliver the service. Performance measures now need to be formally agreed with the contractor to ensure:

- expectations of what a positive outcome looks like is consistent and clear

- lack of progress towards outcomes is quantifiable, can be identified quickly and the contractor supported (where appropriate) to improve.

The contract outlines various ways in which the Council will oversee and monitor the delivery of the contract, including monthly operational and quarterly contract meetings, regular activity returns and an annual satisfaction survey. These arrangements were not implemented until late Q3 of 2018/19, but are beginning to take place as expected. Work is underway to extend the current scope of these arrangements to give as much assurance over the effectiveness of the contract as possible, for example, by using the Satisfaction Survey to get more feedback on the qualitative outcomes detailed in the contract.

As the contractor holds large sums of DP money on behalf of service users, it would be beneficial for the Council to get ongoing assurance that these monies are being properly accounted for. In addition, ensuring service user account statements are received 4 weekly, in line with the contract requirement, and using these to review the balances will allow the Council to:

- claw back any unspent funds, minimising surpluses held by the contractor

- identify any over / under spends and refer these cases to Social Workers to ensure service user needs are still being met, reassessing where necessary.

Appendix 2b: Audit Assurances and Themes

Assurance

High	Satisfactory	**Partial**	Minimal

Further work is needed to get assurance the contractor is providing service users with paper statements on a six-monthly basis which includes supplying sufficient guidance on:

- the responsibility for the service user to check the statements to ensure expenditure is accurate

- action to be taken should they have any queries over the statements contents.

The Council is now working proactively with the contractor to encourage service users to sign up for online access to their accounts where possible.

Number of actions agreed: 12

Appendix 2c: Audit Assurances and Themes

Assurance

High | Satisfactory | Partial | **Minimal**

South East Active Travel Programme Governance Arrangements

Objective

To assess whether there are robust accounting, monitoring and transparency arrangements in place to ensure the outcomes set out in the original bid[1] are met.

The audit was included in the annual audit plan at the request of the Director of Planning and Transport and the Deputy Chief Executive (Place) who wanted independent assurance over compliance with the grant's terms and conditions.

Summary

The audit was undertaken following a request from Senior Management for independent assurance over the performance of the programme and its ability to meet the outcomes outlined in the original bid, agreed with the Department for Transport.

There are appropriate arrangements in place at a programme management level to monitor the programme's spend and ensure it is delivering to budget.

The risk register in place contains appropriate detail but some risks from the original grant bid were not included, as they had not yet materialised. Including these risks will ensure they are monitored and can continue to be effectively mitigated.

Fortnightly reporting to the Programme Manager by Workstream Leaders, and monthly meetings between the team ensure appropriate arrangements are in place to monitor the programmes progress at programme level. Monitoring arrangements need extending to include the contributions made by third party organisations included in the original grant bid.

Strategic Leads from the three councils and key stakeholders (including travel providers), attend the Programme Board which is '*accountable for managing the delivery of the programme'* and receive high level summaries of the progress of work streams, budgets and risks, which is positive.

A high level 'Team Plan' has been developed for 2018/19 that outlines the key lines of work to be undertaken during the year to achieve the KPIs outlined in the original bid. Extending this to include action owners and timeframes for delivery would provide more accountability for deliverables across the programme. Reporting this to the Programme Board alongside progress against the KPIs would give more assurance over the programme's progress, and enable more effective challenge of performance.

The Project Board receive similar information to the Programme Board. Providing a highlight report to support this would allow them to focus their attention on the key issues and achievements of the programme that they need to be aware of. In

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[1] The bid for the Access Fund Grant awarded by the Department for Transport

Appendix 2c: Audit Assurances and Themes

Assurance

addition, more information is needed to allow the board to effectively fulfil their responsibility for *'overseeing the execution of the Legal and Financial responsibilities afforded to the Council by way of being lead body of the programme'.*

To ensure the terms and conditions of the grant are complied with going forward, members of the programme team should undertake some targeted training on:

- the Council's Contract Procedure Rules

- the rules in respect of State Aid.

Purpose of these audits

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

Unit 4 Business World System Access Controls Revisited

Opinion: Partial assurance

Original Objective

To assess whether there are adequate arrangements in place for ensuring that at any point in time, individual staff members' access to the functions within the Unit 4 Business World (U4BW) (formerly named Agresso) system is in accordance with the needs of their job role.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Closed
9	0	0	8	3

Summary

The Council's three overarching IT security policies still require review and approvals by the Council's Senior Information Risk Owner to ensure they align with good practice and continue to meet the needs of the organisation.

It was not deemed practical to limit requests for new users to managers only. Instead, an alert has been developed within Unit 4 Business World (U4BW) that notifies managers when a new user request has been made and advises them to contact HR if they believe there to be a mistake.

Work has been undertaken to develop user management procedures that make clear the process for granting, amending and revoking access by ICT staff. Further work is needed to develop a monitoring process that gives assurance these procedures are being consistently adhered to. More work is also needed to manage the business' expectations around time for requests to be actioned, and ICT will work with HR to ensure managers have greater awareness around these.

A significant piece of work is needed to address how user access permissions are granted, and this will be achieved in the main through the development of a corporate establishment. This will allow permissions to be driven by job roles with pre-set access profiles linked to that job role, rather than the current practice of copying profiles between individuals, which increases the potential for inappropriate access to be given.

In the short term, work will be undertaken within ICT:

- for existing ICT staff, to review access to particularly risky (e.g. Accounts Payable) or sensitive (e.g. HR) profiles and ensure staff only have this access where it is essential to their role

- to continue issuing new staff with only basic level access unless requests for enhanced permissions are made by line managers.

The HR Service Manager - Operational Services will continue to monitor those with access to the full HR profile on an annual basis.

ICT will continue monitoring the use of profiles not linked to an individual e.g. SYSTEM. Further work is needed to monitor the creation of U4BW profiles:

- not linked to individuals i.e. accounts such as TESTUSER or SYSTEM

- where there is a risk of ghost employees being set up.

Login and password settings have been aligned to the Active Directory for those staff that are not automatically connected to U4BW via their network login.

There remains a need for the Unit 4 Business World Review Group to review the alerts currently set up within U4BW to ensure inappropriate activity within the U4BW modules (e.g. Accounts Payable, Payroll) can be pro-actively identified, minimising the impact on the Council.

Appendix 2e: Other Audits and Grant Claims

Troubled Families Programme, Payments by Results Scheme Grant

Objective

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

Background

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

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

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

Conclusion

Between March and June, 65 PBR claims were presented for audit prior to submission to the MHCLG.

The Team Manager reviews a minimum of 10% of claims to confirm appropriate evidence has been provided.

Of the 65 claims presented, the Team Manager reviewed 20. Internal Audit randomly selected nine claims for review, which included four checked by the Team Manager. For all but one claim, suitable evidence was available to support:

- entry into the programme
- a claim for either significant and sustained progress, or continuous / subsequent employment.

One claim submitted under the significant and sustained progress outcome was withdrawn as evidence was not available to demonstrate that the school's original concerns around children arriving late to school had been suitably addressed as required by the Council's agreed Outcomes Plan.

This is the only case that has been withdrawn since September 2018 which demonstrates that the Team Manager's quality assurance checks are generally working effectively

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Appendix 3: Stakeholder Surveys, Compliance with Professional Standards

Setting up and planning the audit (PSIAS 1200 / 2200)		
1	Did we show a good level of knowledge and understanding of your service when discussing the potential scope and objective to be covered by the audit before fieldwork took place?	100%
Performing the audit (PSIAS 2300)		
2	Did we work effectively with you when doing the audit to minimise the impact on your service?	100%
3	Were we able to talk knowledgeably with you about information provided to us and queries we had during the audit?	100%
Communicating results (PSIAS 2400) and Improving governance, risk management and control processes (PSIAS 2100)		
4	Did we keep you informed of the progress of the audit and issues arising from the work in timely manner?	100%
5	Did we effectively explain to you where we felt action was required to improve your arrangements and why?	100%
6	Was the report fair and reflective of the work done by audit and the issues found as discussed with you?	50%
Independence and Objectivity (PSIAS 1100)		
7	Did we provide relevant evidence to back up our findings if required?	100%
8	At the end of the audit, did you understand the rationale for the overall opinion given?	100%
Managing the Internal Audit Activity (PSIAS 2000)		
9	Do you think internal audit adds value to the Council?	100%

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Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

Audit Committee

on

24 July 2019

Report prepared by: Andrew Barnes, Head of Internal Audit

Head of Internal Audit Annual Report 2018/19

A Part 1 Public Agenda Item

1.   Purpose of Report

1.1   To provide for the 2018/19 financial year:

- the rationale for and an audit opinion on the adequacy and effectiveness of Southend-on-Sea Borough Council's (the Council's) risk management, control and governance processes

- a statement on conformance with the UK Public Sector Internal Audit Standards (the Standards) and the results of the Quality Assurance and Improvement Programme.

2.   Recommendation

2.1   The Audit Committee accepts the Head of Internal Audit's Annual Report for 2018/19.

3.   Background

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

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

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

- using a combination of Internal Audit and management risk assessments (including those set out in risk registers)

- in consultation with Directors, Deputy Chief Executives and the Chief Executive, to ensure work is focused on key risks.

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3.4   Quarterly meetings are then held with the Chief Executive, the Deputy Chief Executives and the Strategic Director (Finance and Resources) to:

- reflect on the original risk profile and work planned

- determine whether any changes are required to it or the Audit Plan.

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

3.6   All individual audit reports are discussed with the relevant Group Managers, Directors and Deputy Chief Executives before being finalised.

3.7   The opinion and summary findings from audit reviews are reported to the Corporate Management Team and the Audit Committee throughout the year.

4   Head of Internal Audit Opinion for the year ended 31 March 2019

4.1   Governance comprises of the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. Such arrangements can take many forms and still be effective. Appropriate assurance is then required that these processes are fit for purpose and being applied throughout the organisation.

4.2   During 2018/19 the Council undertook a major engagement exercise that has been used to create the shared ambition for the borough and desired outcomes for its residents, visitors, students and other stakeholders. As a result the Council is aiming to transform the way that it operates and governance arrangements are being revised so that the Council becomes structured and can work in a way that is appropriate to deliver the required outcomes.

4.3   These represent significant changes to way the Council is operating and the new governance arrangements have only recently been determined, with other elements continuing to evolve, and therefore need to be properly embedded and assurance obtained that they are working effectively as intended, before they can be considered to be operating effectively.

4.4   Therefore, the remainder of this report should be read within this context.

4.5   With regards to the assurance provided by audit work undertaken, in these areas, the design and operation of the Council's risk management, control and governance framework in place for the year was satisfactory overall.

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

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

- the design and operation of the underpinning governance and assurance framework

- the range of individual opinions arising from risk based and other audit assignments that have been reported during the year taking into account the relative significance of these areas

- whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales.

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

5. Supporting Commentary

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

5.2 The following paragraphs then:

- summarise findings from all the work completed this year

- highlight the key areas requiring improvement.

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

Managing the Business

5.4 CIPFA's 'Delivering Good Governance in Local Government' outlines 7 principles that underpin effective governance:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

B. Ensuring openness and comprehensive stakeholder engagement

C. Defining outcomes in term of sustainable economic, social and environmental benefit

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

F. Managing risks and performance through robust internal control and strong public financial management

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

5.5 During the year the Council embarked on a major engagement exercise, involving extensive conversations with those that live, work, visit, do business and study in the borough (Principle B). These conversations aimed to develop a vision of what the borough should be like in 2050. The information gained from this engagement has been used to develop a shared and jointly owned **ambition** for Southend in 2050.

5.6 In order to deliver the ambition the Council identified 23 desired **outcomes**, that would deliver that ambition, providing a focus on actions that need to be delivered through a Road Map for delivery to 2023 (Principle C). For each of the 23 outcomes an initial delivery plan has also been developed and now work is being undertaken on what the outcomes will require in the medium term. Work has also started on developing an outcome based investment approach to budgeting, so that resources become aligned to 2050 desired outcomes rather than being organised with a departmental focus. This is the start of a significant change in mind-set and practice across the organisation. In addition, the Council revised its commissioning framework to move the organisation to an outcome based commissioning organisation, aimed at ensuring alignment with the 2050 outcomes, the annual procurement plan, contract procedure rules and market position statements going forward. (Principle D)

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5.7   To deliver what is required, the Council has recognised the need to change the way that it works, so that it can become more agile, more efficient, more entrepreneurial and more engaged with residents and customers. Therefore the Council has embarked on a transformation programme, that has identified the necessary conditions to put the Council in the right place to achieve its ambitions. This has been complemented by a revised leadership programme to ensure the right leadership skills and capacity are in place for what will be needed going forward. (Principle E)

5.8   The Council has also engaged with staff to refresh its set of values. These have now become 'inclusive, collaborative, honest and proud'. It also agreed to refresh the expected behaviours of staff and councillors to become: 'driving positive change, trust and respect, demonstrating strong leadership, act with integrity and behaving responsibly and building relationships to work well together'. These are being used to form the basis of the Council's new appraisal process. (Principle A)

5.9   The Council simplified its officer governance structure, to ensure more effective stewardship of public resources and to deliver the best possible outcomes through Southend 2050. This has seen the introduction, from April 2019, of four new boards, focussing on: investment, growth & infrastructure, commissioning and innovation & design, that will report into CMT along with a revised Good Governance Group that will now also encompass information management and focus on promoting simple and effective governance.

5.10   Previously it has been reported that the arrangements for identifying, recording and monitoring **corporate risks** were good and in compliance with the Council's Risk Management Strategy and Toolkit. The level of understanding about how to apply this was also sound. But the process was not being applied as well or consistently at service level, thus reducing the assurance available that these risks were being properly documented and communicated; and as a result, efficiently and effectively mitigated or managed. (Principle F)

5.11   In a practical sense, there is a strong understanding of risks being faced by individual Directors and a discipline around the production of the Corporate Risk Register, but the value obtained from the process is not being optimised. Better arrangements were needed to effectively move risks up and down the organisation as required. There were some gaps in assurance and insufficient evidence of managing the impact for some risks, despite the regular update and reporting. Some managers and team leaders still needed assistance to:

•   fully understand the objectives of and risks relating to the services they were delivering

•   understand what evidence they needed to obtain to provide assurance that these processes were designed and / or being applied properly by their staff, consistently throughout the year.

5.12   During the year the responsibility for risk management has been transferred to the Head of Internal Audit who is now working to refresh the risk management framework so that it operates in a proportionate, practical way, focussing on adding value and minimising the investment of resources required to support the service and corporate process.

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5.13 Overall, the changes in approach that are being applied represent significant change for the Council and it remains early days in the implementation of that change. As a result it is recognised that there is still much work to be done to properly deliver and embed the changes to the ways of working and culture that are being sought. Once the changes have been more fully implemented there will be a need to seek assurance that they are working effectively as intended, before they can be considered to be operating effectively.

5.14 However, as demonstrated above, the Council's overall developing approach to governing and managing itself is consistent with the principles outlined by CIPFA and therefore provides a good platform from which to continue the ongoing work.

5.15 A comprehensive programme of work was scoped in advance of **General Data Protection Regulations** (GDPR), supported by a specialist third party review to ensure it covered the necessary areas. Implementation was overseen by a range of governance forums, most importantly the Corporate Information Governance Group (CIGG), with senior membership. However, there are a number of significant issues which need to be addressed before the Council can regard GDPR compliance as 'business as usual'. The highest priority issues are:

- Subject Access Requests (SARs): the Council has not met statutory response deadlines for a number of the SARs initiated since the 1st April 2018

- Contracts: the Council has not quantified the number of contracts that will require variations to comply with GDPR

- IT Systems: the Council has seven systems from which it may not be possible to delete data (required to comply with GDPR), including key systems such as the Business World system, used for HR, the widely used Civica Document Management System (DMS) and the archived care management system, CareFirst.

5.16 The **Shareholder Board** was established in November 2017 and met for the first time in September 2018. The main objective for the Board is to consider the governance, risk framework, performance and financial performance of the Council's companies. The Terms of Reference have been approved by Cabinet which set these objectives.

5.17 As the Board is still relatively new and has only met once, there is a need for the Board Members to be supported in the delivery of their role and for the Terms of Reference (ToR) to reflect all the functions that the Board need to undertake as part of their roles and responsibilities, as defined in the ToR.

Service Delivery Risks

5.18 A key objective for Internal Audit is to give a view on whether the Council's risk management and control processes are robust enough to enable services to effectively contribute to the Council's Corporate Aims for 2018/19.

Safe

5.19 A review of management response to the children's **social care file quality assurance audits** has been undertaken. The review found that the stages within the process for improving cases that the quality assurance audits identified as inadequate was well designed, and when fully embedded should improve cases previously found to be inadequate in a timely way.

5.20 Support has been given to improve the monitoring around the process to ensure it is consistently followed, and deviations from it are identified at the earliest opportunity.

5.21 The effectiveness of these arrangements was re-reviewed later in the year and it was found that whilst there was proactive management, as well as timely delivery of some actions, with evidence they were embedded into working practices, there were other actions that still needed to be fully addressed.

5.22 There is evidence that there are some areas of good practice in respect of **safeguarding** within the Council's wider service lines (that were examined as part of this review), however there are also inconsistencies between services and a need to better share knowledge and best practice between services.

5.23 The Project Team (the Team)'s self-assessment of **readiness for "Go Live"** for the **Adults (Liquid Logic)** system against the success factors agreed with the Project Board (the Board) was found to be well documented. In addition, the Team demonstrated a clear understanding of the majority of mitigating actions that were required ahead of "Go Live" and had plans in place to address many of them.

5.24 The audited "Go Live" assessment presented to the Board was considered alongside other inputs from the Team and was used by the Board to inform their final decision to "Go Live".

5.25 The revisit audit work on **Social Care Payments to Individuals and Providers - Children** confirmed gaps in arrangements for making payments to providers and service users via the Children's Services database and ContrOCC is reducing the assurance that payments made are accurate and valid. There is scope to:

- improve the review of proposed payments ahead of authorisation

- introduce checks by the various social care teams to ensure payments made outside of LCS are correct and align with arrangements agreed with providers and /or service users.

5.26 Going forward there are plans to significantly improve arrangements by transferring all payments on to LCS thereby making the Children's Database obsolete.

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5.27   Access permissions within ContrOCC and LCS require review to ensure there is appropriate segregation in place between:

- both systems
- the payment process.

5.28   The challenge and support provided to **Social Care Payments to Individuals and Providers – Adults Services** was particularly focused on known weaknesses in arrangements identified in previous audits. As the work progressed, its coverage broadened out into other related areas.

5.29   Therefore, during this work, advice and support has been given with regard to the design of processes to ensure:

- ContrOCC system access granted to users responsible for approving payments is in line with the Council's Scheme of Delegation
- manual adjustments are only made when appropriate, and that their use is independently monitored to confirm this
- batch interface files between the ContrOCC finance module and the Council's key financial system Unit 4 Business World had limited risk of manual intervention. In addition, there are timely reconciliations between the systems to confirm the accuracy of payments due to be made
- suitable restrictions and clear processes exist regarding the ability to undertake 'system rollbacks' on LAS to minimise their occurrence to a small number of circumstances. This is significant because of the knock on impact on ContrOCC, especially where payments have already been made.

5.30   Review of the **Direct Payment Support Service Contract Management** confirmed that the contract itself is based on good practice, as it includes clear outcomes that the Council wishes to achieve. However, the lack of formal performance measures means what success looks like hasn't been defined, which leaves it open to interpretation, potentially impacting the delivery of the outcomes for service users and the Council.

5.31   There are various requirements built into the contract that should enable the Council to gain adequate assurance over the contractor's delivery, if used consistently. These include requirements for regular meetings, monitoring returns and satisfaction surveys.

5.32   Formalising the council's monitoring arrangements of direct payment monies held by the contractor on behalf of service users will also give the council assurance that the considerable sums held are being properly accounted for.

Clean

5.33 Review of the **Recycling, Waste and Street Cleaning Services Contract Management** confirmed that the contract is robustly managed through:

- A widespread suite of key performance indicators that include customer satisfaction targets;

- Client contract managers' checking of contractor reported achievement against system data;

- Client contract managers' own calculations of performance failure points, from which above a threshold accumulated amount, deductions in financial amounts payable to the contractor may be made, incentivising the contractor to avoid failure; and

- Contractually specified increases in some key performance targets over the life of the contract driving continual improvement incentivised by contractor need to avoid above threshold accumulative performance failure points.

5.34 Improvement opportunities also exist in respect of identifying firm proposals in the Annual Service Improvement Plan, agreed with the contractor, for improving services in response to customer feedback and suggestions for improvement identified through the 'Customer Satisfaction Survey' and 'Annual Report' and contract performance management meetings.

Healthy

5.35 The success of the **hospital social care team** in achieving consistently low **Delayed Transfers of Care** is due to the commitment and experience of staff in post. Strengthening arrangements identified below will help to ensure that this can continue:

- introducing KPI's monitoring the timeliness of assessments and reviews of service users after discharge from hospital, driven by data within Liquid Logic (LAS)

- developing an understanding of reasons for re-admissions within Southend will allow social care to address the reasons behind them where appropriate, and provide directed support to those who need it.

5.36 The team have been proactively actioning the areas for strengthening arrangements as they have been identified during the audit. This has included:

- formalising arrangements for improving the resilience of the hospital social work team to ensure there is an adequate cover when sickness or high demand for the service arises

- improving IT functionality to enable more flexible / reactive working.

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Prosperous

5.37 The Internal Audit team worked closely with the **Corporate Procurement** and **Better Queensway Project** teams to review processes and procedures and develop learning as the procurement of a joint venture partner progressed to ensure that a robust and compliant process was followed.

5.38 There were individual audits at the various key stages of the process i.e. post:

- Selection Questionnaire evaluation and moderation,

- Invitation to detailed solutions

- Invitation to Refined Solutions; and

- throughout the Final Tender stage.

5.39 Recommendations were discussed and agreed after each stage and ahead of the next stage to strengthen processes. A key deliverable was the development of an evaluation and moderation tool, which clearly mapped across the key elements of the offer at the final tender stage to the requirements in each of the technical (qualitative) questions and the requirements set out in the objectives.

5.40 This provided a clear evidence tool and rationale for determining the value for money outcome in relation to the final tender submission.

5.41 The approach adopted of providing live feedback and assurance has been positively received and proved to be effective in terms of working together with colleagues to achieve the desired outcomes for the Council.

5.42 Review of the **South Essex Active Travel Programme Governance Arrangements** Training is needed to strengthen the SEAT team's skills and knowledge in relation to:

- the Councils Contract Procedure Rules

- rules and regulations relating to State Aid.

5.43 Legal advice obtained confirmed that State Aid had not been breached and thus notification to the EU commission was not required.

5.44 Programme management arrangements were evolving during the audit and are generally good but reporting to the Programme and Project Boards should be more focused to enable full understanding of progress against promised KPI outputs and enable performance to be appropriately challenged.

Excellent

5.45 **Building Control** continue to deliver a suitable service to the residents of Southend, but their market share of Building Control applications is reducing each year.

5.46 There is a need for the Building Control team to introduce a strategy to set out the overall objectives for the service, performance quality targets that can be used to assess the quality of the service that Building Control deliver and how the Council will respond to market changes so that it can retain a stable market share.

5.47 The review of the **Data Quality of Children's Services Key Performance Indicators** found no exceptions in the calculations for the four Key Performance Indicators (KPIs). This is mainly due to the Operational Performance & Intelligence team implementing a well controlled KPI process with recognised good practice data quality procedures.

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5.48 However, there is an opportunity to improve the consistency in documenting quality assurance (QA) outcomes to ensure senior management can be fully confident that the data produced has been through appropriate QA procedures to ensure it is accurate.

5.49 While the process for producing the KPIs is satisfactory, the audit did identify issues with the timeliness of data entered by social workers that could have a significant impact on the information produced by the reporting process

5.50 The revisit of the **IT Enterprise change management** work confirmed that satisfactory progress had been made in addressing the issues identified by the original work, however there remained work to be done in each of the three areas assessed: change, configuration and release.

5.51 The revisit of the **Unit 4 Business World system access control** confirmed that there remains a need to review Corporate Information Security, Acceptable Use and ICT Infrastructure policies to ensure they:

- align with good practice

- continue to meet the needs of the Council

- have been appropriately approved by the Council's Senior Information Risk Owner (SIRO).

5.52 The revisit of the **Procurement Cards** work confirmed that satisfactory progress had been made in addressing the issues identified by the original work, although not all of the management actions had been fully completed.

Key Financial Systems

5.53 The **payroll self-serve module** was upgraded in November 2018. The module has embedded well and due to the automated features, it has improved the overall controls, including the facility for employees to scan in the supporting evidence for their claims.

5.54 The main areas that need to be reviewed and update are listed below:

- Expenses and Allowance Policies

- Validation limits.

5.55 Our review of the **payroll system** confirmed that there are robust processes in place to ensure annual changes are properly configured at the start of the financial year and staff access permissions to Payroll on Business World is restricted only to those who need it.

5.56 The current guidance for staff confirms the steps involved in processing the payroll, but more information is needed to clarify the purpose of reports that are run and the checks that are undertaken.

5.57 Pay forms for starters, leavers and amendments, overtime outside of self-serve, first aid and additional run payments are manually input onto Business World. These are not always independently reviewed to confirm they are accurate. Extending the current monthly spot check to include a selection of the manually input allowances and additional run transactions will help identify when the two-step process has been circumvented.

5.58 BACS payment runs are checked and signed off by two Officers ahead of being processed.

Implementing Action Plans

5.59   Internal Audit input agreed actions into Pentana[1] once audit reports were issued. Management then used this to monitor their implementation via Departmental Management Team meetings.

5.60   Internal Audit only revisited and retested action plans where a partial or minimal assurance opinion was given. Management closed down agreed actions in reports with high and satisfactory audit opinions once they were satisfied they had been properly dealt with. Internal Audit has been working proactively with departments to enhance this process, to enable management to be able to more effectively check that appropriate evidence is presented when agreed actions are to be signed off.

Proactive Advice and Support

5.61   The knowledge obtained through the proactive advice and support work undertaken during the year was also taken into account in coming to the overall opinion given. In 2018/19, this work included:

- providing support and challenge to the cross departmental working group established to identify how to create and maintain a complete and accurate **establishment list** within Unit 4 Business World

- providing ongoing support and challenge of the arrangements currently in place and being developed within the **funded childcare provision** to ensure the accuracy of the funding being approved by the Group Manager, Early Years and that providers are fulfilling their duties in line with agreements

- assessing whether effective arrangements are being developed to manage the issue of as well as approve and monitor expenditure on **pre-payment cards** given to clients in receipt of direct payments and where the Council acts as the official receiver for Court Protection purposes.

- whether robust processes had been followed when examining issues raised by a complainant regarding potential non-compliance with **Gas Safety** (Installation and Use) Regulations

- supporting colleagues undertaking due diligence work of the **Sustainable Motion** Community Interest Company's financial statements submitted as part of a procurement exercise

- providing support and challenge to the project team planning and delivering the implementation of the **new income management system**

- providing support and challenge to the project team planning and delivering the implementation of the **new recruitment contract and system**

- providing support and challenge as the project team introduce workflow to automate the current manual process for adding new suppliers to Business World (Agresso). With the recent upgrade to Business World in has become possible to use workflow to automate the **new supplier process**

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[1] Pentana is the Council's Corporate Performance Information System.

- supporting the Council in bringing partner organisations together to work collaboratively in achieving the agreed outcomes for families and young people beyond 2020 when the local **Troubled Families** funding comes to an end

- providing support and challenge whilst the control framework was being designed into the new Liquidlogic case management system and the ContrOCC finance module, to help ensure accurate and timely social care payments are made to individuals and providers

- providing support and challenge to the Aids and Adaptations Team in developing a process for assessing the works exceeding the £30K Disabled Facilities Grant limit provided by the Ministry of Housing and Local Government.

Grant Claims

5.62 It was possible to certify that grant terms and conditions had been complied with for the following grant claims:

- Disabled Facilities Capital Grant Determination

- Highways Maintenance Challenge Fund – Flooding

- Highways Maintenance Challenge Fund – Street Lights

- Local Transport Capital Block Funding.

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

6. Compliance with Professional Standards

Head of Internal Audit Opinion

6.1 The Institute of Internal Auditors assessed the in-house team as fully meeting most of the Standards, as well as the Definition, Core Principles and the Code of Ethics in October 2017 (classified as "Generally Conforms", the highest rating).

Good assessments were achieved in relation to:

- reflection of the Standards

- focus on performance, risk and adding value

- the quality assurance and improvement programme.

Needs improvement assessments were given in relation to:

- coordinating and maximising assurance

- the efficiency of its operations.

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Quality and Improvement Programme

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

- on-going supervision and review of individual audit assignments completed by in-house staff or contractors working to in-house staff

- reporting on a limited set of performance targets to the Audit Committee each quarter (for all work done including that of external suppliers)

- reviewing the independent external assessment of compliance with the Standards in October 2017 which is required at least every five years.

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

6.4   Due to resource constraints, the only independent file reviews of work completed this year was undertaken as part of the independent review.

6.5   **Appendix 3** summarises the results of the independent external assessment of compliance against each element of the Standards.

6.6   **Appendix 4** sets out the remaining actions that still need to be implemented arising from the:

- Head of Internal Audit's assessment of compliance as reported in the Annual Report presented to the Audit Committee in July 2018

- independent external review.

6.7   A key focus for the team has been to ensure internal audit files and its audit approach complies with the new requirements of the General Data Protection Regulations.

6.8   Senior management has chosen not to implement the Standard relating to the appointment and removal of the Head of Internal Audit as the Council's normal HR practices would already mitigate this perceived potential risk.

Resourcing

6.9   Since the last Head of Internal Audit annual report to the Audit Committee there has been significant change within the team. The Head of Internal left in May 2018 and was replaced in July 2018.

6.10   One of the two Audit Managers left the team and work is currently underway to replace him. Following the successful recruitment to two of the vacant posts completed in June there remain four vacancies out of ten posts,. The salaries of the remaining vacant posts continue to be used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.

6.11   Therefore, during 2018/19, the continued lack of specific capacity within the team has had an impact on the service's performance and its ability to deliver its normal performance targets.

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6.12   The expected requirements of the internal audit service into the future are evolving and this has been assessed to determine the most appropriate team model utilising the resources available. This will then be implemented resulting in an appropriate mix of experienced staff, trainees who will be put through a relevant training programme and externally sourced skills. This will enable the team to deliver the internal audit service required by the organisations that it serves.

6.13   The remainder of this report needs to be considered within this context.

Audit Plan 2018/19

6.14   The target was to deliver 100% of the Audit Plan by mid-May so that the Head of Internal Audit Annual Opinion could be included in the Council's Annual Governance Statement, which has to be produced by 31 May. In the event, as at 31 May 2019 most pieces of audit work had all of the audit work delivered, although not all of the reporting had been completed and finalised. As at the final reporting point in July, all pieces of audit work have all of the audit work delivered, reports drafted and issued to services, but there remain 12 reports that have yet to be fully agreed and finalised

6.15   Appendix B shows the final status of the Audit Plan which is a comparison of actual audit work completed against work planned at the start of the year.

Other Performance Indicators

6.16   As much of the work this year has continued to be resourced through framework contracts, a more limited set of performance indicators have been reported upon.

6.17   Sickness absence remained low at 3.2 days per FTE compared to a target of less than 5 days per FTE for in-house staff.

6.18   Stakeholder surveys are designed to assess compliance with some of the less tangible elements of the UK Public Sector Internal Audit Standards (the Standards). During the year, officers were interviewed and surveyed in respect of our audit work completed by both in-house staff and contractors. **Appendix 5** summarises the final survey results for 2018/19. Overall, the level of compliance remains high, particularly with regard to internal audit adding value to the Council (100%).

Other Disclosures

6.19   As required by the Standards, I can confirm that the Internal Audit service has:

- operated in a manner that maintains its organisational independence throughout the year, with the exception of the transfer of risk management into the responsibilities of the Head of Internal Audit. As a result independent assurance over the delivery of risk management will need to be obtained from an alternative source in future

- been able to determine the scope of reviews, perform the work and report on its findings without interference neither has there been any inappropriate resource limitations imposed upon it.

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7. Issues for the Annual Governance Statement

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

8. Corporate Implications

8.1 Contribution to the Southend 2050 Road Map

Audit work provides assurance and identifies opportunities for improvements that contribute to the delivery of all Southend 2050 outcomes.

8.2 Financial Implications

The Audit Plan has been 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 Accounts and Audit Regulations 2015 require 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.

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 Implications

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

8.5 Property implications

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

8.6 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.

8.7 Equalities and Diversity Implications

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

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8.8 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 ambition and outcomes.

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

- 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 while the service is being rebuilt.

8.9 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.

8.10 Community Safety Implications

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

8.11 Environmental Impact

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

9.   Background Papers

- The Accounts and Audit Regulations 2015

- UK Public Sector Internal Audit Standards

- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards

10.   Appendices

Appendix 1	Assurance Summary 2018/19
Appendix 2	Internal Audit Plan 2018/19 as at 12 July 2019
Appendix 3	Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2018 /19
Appendix 4	Compliance with the UK Public Sector Internal Audit Standards Action Plan as at 12 July 2019
Appendix 5	Stakeholder Surveys, Compliance with Professional Standards

Audit Plan Areas	Level of Assurance				
	High	**Satisfactory**	**Partial**	**Minimal**	**No Opinion**
Managing the Business			• **Information Governance GDPR (Feb 2019)**		• **Corporate Establishment (Mar 2019)** • **Recruitment contract and system implementation (Feb 2019)** • **Southend 2050 (ongoing)** • **Transforming Together (ongoing)**

Audit Plan Areas	Level of Assurance				
	High	**Satisfactory**	**Partial**	**Minimal**	**No Opinion**
Managing Service Delivery Risks		• **Data Quality of Children's Services Key Performance Indicators (Jan 2019)** • **Social Care, Hospital Discharge Process (Nov 2018)** • **Recycling, Waste and Street Cleaning Services Contract Management (Jul 2019)**	• **Building Control (Feb 2019)** • **Direct Payment Support Service Contract Management (May 2019)**	• **South Essex Active Travel Programme Governance Arrangements (Oct 2018)**	• **Management Response to Quality Assurance Audits 17-12 (Jul 2018)** • **Better Queensway Benefits Management, Advice and Support 18-33 (Dec 2018)** • **Airport Business Park (Nov 2018)** • **Safety of gas boilers (Mar 2019)** • **Early help maturity model (Dec 2018)** • **Social Care Payments (Mar 2019)**

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Audit Plan Areas	Level of Assurance				
	High	**Satisfactory**	**Partial**	**Minimal**	**No Opinion**
Key Financial Systems		• **Payroll, self-serve module (Feb 2019)**			• **Income management system (Mar 2019)** • **P2P new supplier process (Feb 2019)**

	Action Implementation Level				
	High	**Satisfactory**	**Partial**	**Minimal**	**No Opinion**
Audits Revisited		• **Procurement Cards (P-Cards) (Sep 2018)** • **IT Enterprise Change Management (Jun 2018)**	• **Unit 4 Business World System Access Controls (May 2019)** • **Social Care Payments to Individuals and Providers - Children (Jun 2019)**		

Grant Claims	Level of Assurance	
	Unqualified	**With Qualification**
	Disabled Facilities Capital Grant Determination **Highways Maintenance Challenge Fund – Flooding** **Highways Maintenance Challenge Fund – Street Lights** **Local Transport Capital Block Funding** **Troubled Families Programme, Payments by Results Scheme Grant (May, Jul, Sept, Oct 2018 and Mar 2019)**	

Schools Audit Programme	Action Implementation Level			
	High	Satisfactory	Partial	Minimal

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
	Managing the Business		
	All Aims		
T (JR)	**Information Governance, General Data Protection Regulation** To assess the robustness of the Council's arrangements for complying with the new General Data Protection Regulations to ensure this has been done in line with recognised good practice guidance / statutory requirements.	No	Completed February 2019.
FR (JC)	**Shareholder Board** To assess the robustness of the new governance arrangements established to oversee the financial and operational performance of the Council's wholly owned companies that are being used as an alternative method to deliver outcomes for residents.	No	Draft report being discussed with service.
T (JR)	**Southend 2050** **Transforming Together** To provide support and challenge as it plans and delivers the cultural change required to deliver the Council's 2050 outcomes. **Southend 2050 Outcomes** To assess the risks regarding the delivery of the outcomes and then agree the focus of any work with management.	No	Completed for 2018/19. Work started with the Transforming Together Group to identify and capture risks for delivering cultural change is key to developing the Council's approach to risk management going forward. See also the 2019/20 Audit Plan.
	Managing Service Delivery Risks		
	Safe		
PE	**Management Response to Quality Assurance Audits (2017/18)** To assess whether senior management's revised arrangements for ensuring prompt action is taken to address the improvements required where a children's social care file is assessed as 'inadequate' or 'inadequate critical', are operating effectively to minimise the risk to Children.	No	Current status report issued to Management July 2018. Implementation of recommendations scheduled for January to March 2019 (see below in Implementing Action Plans).

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Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
PE (JO'L)	**Assessment and Intervention of Families** (*Interim Management Review*) To assess whether there are suitable processes in place to make sure families are assessed promptly and that appropriate action is taken to keep children safe, where necessary.	No	Deleted. Change of approach being developed within Children's Services.
PE (BM)	**Children Centres Contract Management** To assess whether the contract is being effectively managed to ensure the planned outcomes for children and families are being delivered in compliance with the specified performance and/or quality standards, at the correct price.	No	Draft report being discussed with service.
PL/PE	**Safeguarding Arrangements –** services determined as: Housing Services, Transport Services, Leisure Services, Music and Arts Services To assess whether appropriate arrangements are in place to identify and effectively manage safeguarding risks when delivering the service.	No	Draft report being discussed with service.
PE / PL (SH)	**Social Care IT Case Management System, Project Implementation "Go Live" Readiness Assessment for Adults (Liquid Logic)** To independently challenge and report on the Project Team's assessment against the success criteria within the "Go Live" Readiness framework, prior to any decision being made by the Project Board to 'Go Live'.	No	Completed July 2018.
PE (SH)	**Social Care, Hospital Discharge Process** To assess whether there is a robust process in place to ensure people are discharged from hospital, to an appropriate setting, when they are ready, reducing the risk of re-admission.	No	Completed November 2018.
PE (JO'L)	**Social Care Payments to Individuals and Providers (Children's)** To assess whether the control framework in the new Liquidlogic case management system and the ContrOCC finance module are robust enough to ensure that accurate and timely social care payments are made.	Yes	Draft report being discussed with service.

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
PE (SH)	**Direct Payment Support Service Contract Management** To assess whether the contract is being effectively managed to ensure the planned services to support people to manage their direct payments is delivered, other specified performance and / or quality standards are met and the correct fee is paid to the contractor.	Yes	**Completed July 2019.**
PE (BM)	**Virtual School** To assess whether there are robust processes in place for the Virtual School to ensure that "Looked After Children" achieve the outcomes in their Personal Education Plans.	No	Audit deferred as external experts are being brought in to carry out an independent peer review. We will follow up the service's approach to dealing with any issues arising from that review.
Implementing Action Plans			
PE (JO'L)	• **Management Response to Quality Assurance Audits** To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.	No	Draft report being discussed with service.
	Clean		
PL (CR)	**Recycling, Waste and Street Cleansing Services Contract Management** To assess whether the contract is being effectively managed to ensure the planned outcomes and/or benefits for residents are delivered in compliance with the specified performance and quality standards, at the correct price.	Yes	**Completed July 2019.**

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
	Healthy		
PE (JL)	**Commissioned Service Contract Letting and Management** To assess whether the: • needs and outcomes required were properly assessed, appropriately translated into the contract and contract procedure rules were properly applied • contract is being effectively managed to ensure the planned outcomes and/or benefits for residents are delivered in compliance with the specified performance and quality standards, at the correct price.	Yes	Work deferred as service implementing a staffing restructure. Included in 2019/20 Audit Plan.
	Prosperous		
PL (PG)	**Highways Contract Management** To assess whether the highways block of contracts are being effectively managed.	Yes	Draft report being discussed with service.
PL (PG)	**Car Park Management Contract (Lot 1) Contract Management (2017/18)** To assess whether there are robust arrangements in place to ensure that the car park compliance (Lot 1) contract is delivering the planned outcomes and / or benefits in compliance with the specified performance and quality standards, at the correct cost / price.	Yes	Draft report is with the Audit Manager for review.
PL (PG)	**Car Park Management Contract (Lot 2) Contract Management (2017/18)** To assess whether the Car Park Management arrangements (cash collection) as part of the Parking Management contract are being effectively managed.	Yes	Draft report is with the Audit Manager for review.
PL (EC)	**Procurement Joint Venture Partner Better Queensway Regeneration project** To assess whether the needs and outcomes required are properly assessed, appropriately translated into the contract and Contract Procedure Rules are properly applied.	Yes	Completed March 2019.

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
PL (PG)	**South Essex Active Travel Project** To assess whether there are robust accounting, monitoring and transparency arrangements in place to ensure the outcomes set out in the original bid for funding will be met.	Yes	**Completed May 2019.**

Implementing Action Plans			
PL (EC)	• **Airport Business Park** To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.	Yes	Included in 2018/19 Audit Plan in error. Work undertaken during 2017/18 and reported to Audit Committee January 2018.
PL (EC)	• **Better Queensway** To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.	Yes	Completed December 2018.
	Excellent		
PL (CR)	**Building Control** To assess whether there are suitable processes in place to ensure a consistent, effective and commercial building control service is delivered in accordance with statutory building regulations.	Yes	Completed February 2019.
PL (NC)	**Cyber Security** To assess the robustness of arrangements to prevent a cyber-attack infiltrating the Council's systems.	Yes	Completed for 2018 /19. Response to the Local Government Association's 'stocktake' of resilience arrangements against cyber-attacks has been developed by the Council. Challenge and support role included in Audit Plan for 2019/20.

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
PE (JO'L)	**Data Quality of Children's Service's Key Performance Indicators** To assess whether there are adequate and effective arrangements in place to produce accurate, complete and timely performance indicators for senior management.	No	Completed January 2019.
PL (NC)	**IT Enterprise Change Management** To assess the adequacy and effectiveness of the Council's formal processes that ensure any changes to the IT environment (e.g. through applications or infrastructure) are introduced in a controlled and coordinated manner to minimise the risk of disruption to Council services.	No	Completed July 2018.
Implementing Action Plans			
PL (NC)	• **Unit 4 Business World (formerly Agresso) System Access Control** To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.	Yes	**Completed May 2019.**
FR (JC)	• **Procurement Cards (2017/18)** To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.	Yes	Completed September 2018.
	Key Financial Systems		
	All Aims		
T (JR)	**Payroll, Self-Serve Module (2017/18)** To assess whether the new arrangements for processing and approving expense, mileage and overtime allowance claims are working effectively.	Yes	Completed February 2019.

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
FR (JC)	**Financial systems work to support the production of the Council's Financial Statements** To confirm that selected key objectives and associated controls within financial systems: • are designed to prevent or detect material financial errors • have been in place during 2018/19 and therefore, can be relied when producing the Council's Statement of Accounts.	Yes	Deleted as the new external auditor has confirmed that they do not plan to utilise this work.
T (JR)	**Payroll** To assess the robustness of arrangements which ensure staff are paid the right amount at the right time in line with Council policies and legislative requirements.	Yes	Draft report being discussed with service.
	Grant Claims		
PE	**Disabled Facilities Grant** To certify, in all significant respects, that the conditions attached to the grant have been complied with.	Yes	Work Completed. Certification submitted to MHCLG September 2018.
PL	**Highways Maintenance Challenge Fund** To certify, in all significant respects, that the conditions attached to the grant have been complied with.	Yes	Work Completed. Certification submitted to DFT September 2018.
PL	**Local Transport Plan Block Funding** To certify, in all significant respects, that the conditions attached to the grant have been complied with.	Yes	Work Completed. Certification submitted to DFT September 2018.
PL	**Pothole Action Fund** To certify, in all significant respects, that the conditions attached to the grant have been complied with.	Yes	Work Completed. Certification submitted to DFT September 2018.

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
PE	**Troubled Families Intervention** To challenge Troubled Families Payment By Result (PBR) Grant returns to ensure they are in line with the Department for Communities and Local Government requirements.	Yes	Work Completed. Report on the April to August 2018 submissions reported to September Audit Committee. Completed August to December 2018 submissions reported to March Audit Committee. Completed January to March 2019 submissions reported to March Audit Committee. **Completed April to June 2019 submissions.**
	Advice and Support		
	All Aims		
	Good Governance Group To attend and provide independent support and challenge to the work of the Group.		The Head of Internal Audit attends and supports.
T (JR)	**Corporate Establishment** To provide support and challenge to the cross departmental working group established to identify how to create and maintain a complete and accurate personnel establishment list within Agresso.	Yes	Completed for 2018/19. Challenge and support role included in Audit Plan for 2019/20.

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
	Prosperous		
PL (EC)	**Airport Business Park** To provide, as required, on-going support and challenge to ensure the council's arrangements for use of the Local Growth Fund (LGF), can demonstrate compliance with grant conditions detailed in the Service Level Agreement (SLA) with Essex County Council[1]. Grant conditions primarily focus on ensuring: • expenditure is spent in accordance with all legal requirements • compliance with government reporting requirements	Yes	Completed for 2018/19. (No work required for the period January to March 2019).
	Excellent		
PE (BM)	**Early Years Funding – Nursery School Settings** To provide ongoing support and challenge of the arrangements currently in place and being developed within the funded childcare provision to ensure: • the accuracy of the funding being approved by the Group Manager, Early Years • providers are fulfilling their duties in line with agreements.	Yes	Completed for 2018/19. Deferred until implementation of new system. Work is included on the Risk Watch List as part of the 2019/20 Audit Plan.
PE (SH)	**Adults Pre - payment cards** To assess whether effective arrangements are being developed to manage the issue of as well as approve and monitor expenditure on, pre-payment cards given to clients: • in receipt of direct payments • where the Council acts as the official receiver for Court Protection purposes.	Yes	Draft report being discussed with service.

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[1] The LGF is awarded by the South East Local Enterprise Partnership (SE LEP). Essex County Council is the Accountable Body to government for the SELEP's Growth Deal with government.

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
PL (SD)	**Safety Of Gas Boilers** To assess whether robust processes have and are being followed by the Council when examining issues raised by a complainant regarding potential non-compliance with Gas Safety (Installation and Use) Regulations.	Yes	Feedback provided. Draft report being discussed with service.
PL (PG)	**Sustainable Motion** To support colleagues in undertaking due diligence work of the Community Interest Company's financial statements submitted as part of a procurement exercise.	Yes	New Completed November 2018.
FR (JC)	**Income management system implementation** To provide support and challenge to the project team planning and delivering the implementation of the new income management system.	Yes	Completed for 2018/19. Feedback provided. Implementation of new system included in 2019/20 Audit Plan.
T (JR)	**Recruitment contract and system implementation** To provide support and challenge to the project team planning and delivering the implementation of the new recruitment contract and system.	Yes	Completed for 2018/19. Feedback provided. Implementation of new system included in 2019/20 Audit Plan.
FR (JC)	**P2P new supplier process** To provide support and challenge as the project team introduce workflow to automate the current manual process for adding new suppliers to Business World (Agresso). With the recent upgrade to Business World in has become possible to use workflow to automate the new supplier process	Yes	Completed for 2018/19. Feedback provided. Work is included on the Risk Watch List as part of the 2019/20 Audit Plan.

Dept & (Lead)	Service Activity and focus of the audit	Fraud risk	Status at 26 June 2019
	Safe		
PE (JO'L)	**Early Help Maturity Model** To support the Council in bringing partner organisations together to work collaboratively in achieving the agreed outcomes for families and young people beyond 2020 when the local Troubled Families funding comes to an end (see also Grants above).	No	Completed for 2018/19. All partner workshop December 2018. Challenge and support from Internal Audit focused around the Data Maturity Model.
PE (SH)	**Social Care Payments to Individuals and Providers (Adult's)** To provide support and challenge whilst the control framework is being designed into the new Liquidlogic case management system and the ContrOCC finance module, to help ensure accurate and timely social care payments are made to individuals and providers.	Yes	Draft report being discussed with service.
	Healthy		
PE (SH)	**Aids and Adaptations Works Processes** To provide support and challenge to the Aids and Adaptations Team in developing a process for assessing the works exceeding the £30K Disabled Facilities Grant limit provided by the Ministry of Housing and Local Government. (see also Grant Claims above)	Yes	Addition to Audit Plan August 2018. Internal briefing note issued August 2018.
	Managing Service Delivery		

Delivering the internal audit service involves:

• audit planning and resourcing

• managing Audit Plan delivery which includes overseeing contractor work

• reporting to Corporate Management Team and Audit Committee.

Implementing the outstanding actions arising from the External Quality Assessment undertaken by the Institute of Internal Auditors issued October 2017.

	Risk Watch List
All	Ethical Governance
LD	Business Continuity Revisited
FR	Debt Management
LD	Emergency Planning Revisited
PL	Rechargeable Works
PE	Empty Homes Fund
PE	Family Mosaic Contract Management
PE	Financial Monitoring of Direct Payments Revisited
PE	Housing Allocations Revisited
PE	Quality Assurance in Adult Services
PE	Quality Assurance in Early Help and Family Support
PE	Residential Care Placements
PE	S75 Equipment Services Revisited
PL	Departmental Project Assurance Arrangements Revisited
PL	Development Control, Planning Application Consultation Process
PL	Environmental Health
PL	IT Disaster Recovery
PL	Licensing Revisited
PL	Parking Management
PL	Smart City Governance Arrangements
PL	The Forum Revisited

These are other potential audits that may be considered for inclusion in the Audit Plan during the year should resources permit.

Audit Activities	Resource allocation
Managing the Business	7%
Managing Service Delivery Risks	57%
Key Financial Systems	5%
Grant Claims	6%
Advice and Support	8%
Contingency	5%
Managing Delivery of the Audit Plan	12%
Total	**100%**
Total Council Audit Plan Days	**607**

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.

Analysis Over Departments		
All	Cross Cutting	4%
FR T LD	Finance and Resources Transformation Legal and Democratic Services	13%
PE	People	39%
PL	Place	27%
All	Contingency	5%
All	Managing Delivery of the Audit Plan	12%
	Total	**100%**

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Ref	Standard	Generally Conforms	Partial Conforms	Does Not Conform	N/A
Ref	**Definition of Internal Auditing**				
Ref	**Code of Ethics**	✓			
1	Integrity	✓			
2	Objectivity	✓			
3	Confidentiality	✓			
4	Competence	✓			
Ref	**Attribute Standards**				
1000	**Purpose, Authority and Responsibility**		✓		
1010	Recognising Mandatory Guidance in the Internal Audit Charter		✓		
1100	**Independence and Objectivity**	✓			
1110	Organisational Independence		✓		
1111	Direct Interaction with the Board		✓		
1112	Head of Internal Audit Roles Beyond Internal Auditing	✓			
1120	Individual Objectivity	✓			
1130	Impairments to Independence or Objectivity	✓			
1200	**Proficiency and Due Professional Care**	✓			
1210	Proficiency	✓			
1220	Due Professional Care	✓			
1230	Continuing Professional Development	✓			
1300	**Quality Assurance and Improvement Programme**	✓			
1310	Requirements of the Quality Assurance and Improvement Programme	✓			
1311	Internal Assessments	✓			
1312	External Assessments	✓			

Ref	Standard	Generally Conforms	Partial Conforms	Does Not Conform	N/A
1320	Reporting on the Quality Assurance and Improvement Programme	✓			
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	✓			
1322	Disclosure of Non-conformance	✓			
Ref	**Performance Standards**				
2000	**Managing the Internal Audit Activity**	✓			
2010	Planning	✓			
2020	Communication and Approval	✓			
2030	Resource Management	✓			
2040	Policies and Procedures	✓			
2050	Coordination and Reliance		✓		
2060	Reporting to Senior Management and the Audit Committee	✓			
2070	External Service Provider and Organisational Responsibility for Internal Audit		✓		
2100	**Nature of Work**	✓			
2110	Governance	✓			
2120	Risk Management	✓			
2130	Control	✓			
2200	**Engagement Planning**	✓			
2201	Planning Considerations	✓			
2210	Engagement Objectives	✓			
2220	Engagement Scope	✓			
2230	Engagement Resource Allocation	✓			
2240	Engagement Work Programme	✓			

Ref	Standard	Generally Conforms	Partial Conforms	Does Not Conform	N/A
2300	**Performing the Engagement**		✓		
2310	Identifying Information		✓		
2320	Analysis and Evaluation	✓			
2330	Documenting Information	✓			
2340	Engagement Supervision	✓			
2400	**Communicating Results**	✓			
2410	Criteria for Communicating	✓			
2420	Quality of Communications		✓		
2421	Errors and Omissions	✓			
2430	Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'				✓
2431	Engagement Disclosure of Non-conformance		✓		
2440	Disseminating Results	✓			
2450	Overall Opinions	✓			
2500	**Monitoring Progress**	✓			
2600	**Resolution of Senior Management s Acceptance of Risks**	✓			
	TOTAL OUT OF 64	**53**	**10**	**0**	**1**

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Action required	Current status	Date
Attribute Standards		
1100 Independence and Objectivity		
1111 Direct Interaction with the Board		
Re-establish annual Audit Committee performance assessments in line with good practice.	New good practice guidance was published in May 2018. Good practice workshop undertaken with the Audit Committee in September 2018. An assessment of compliance with CIPFA's best practice expectations undertaken at the end of 2018/19, report with proposed actions being taken to Audit Committee in July 2019.	HoIA, Ongoing
1200 Proficiency and Due Professional Care		
1230 Continuing Professional Development		
Continue with the recruitment programme for professional audit staff during 2017/18.	No further recruitment was undertaken in 2017/18. During 2018/19: - Head of Internal Audit was appointed from July to replace the previous incumbent who left at the end of May - a Senior Auditor on the team was promoted to Audit Manager - a current Council employee has been seconded into an Audit trainee role and has now been made permanent - a campaign to recruit a Senior Auditor and an Auditor has made appointments to both roles. The next step will be to reconsider how the resources available can be configured into the most appropriate team model.	HoIA, Ongoing

Action required	Current status	Date
Create and then recruit to the Business Support function that will support both the Internal Audit and Counter Fraud & Investigation Directorate.	The Business Support Team is in the process of taking over the relevant functions from the two teams. The capacity of the team to deliver the increased workload is being monitored. Subsequent changes to the team have necessitated another round of recruitment.	HoIA, Ongoing
1300 Quality Assurance and Improvement Programme		
Re-introduce cold file reviews when more fully staffed and include a sample of contractor files.	This has now been built into the Audit Strategy presented to Audit Committee in March 2019 and will be implemented as soon as is practical. This is not currently a priority due to the positive outcome of the PSIAS Inspection in October 2017, but will be introduced when there is sufficient resource in the team.	HoIA, Ongoing
1311 Internal Assessments		
Reinstate a full set off performance indicators once the team is more fully resourced with in-house staff.	This has now been built into the Audit Strategy presented to Audit Committee in March 2019 and is now being implemented.	Implemented
Performance Standards		
2000 Managing the Internal Audit Activity		
2010 Planning		
Summarise the activities considered significant enough to warrant periodic, independent challenge by internal audit. Present the list periodically to senior management and the Audit Committee as part of the audit planning process.	This was part of the papers drawn up to support the 2019/20 Audit Plan.	Implemented

Appendix 4: Compliance with UK Public Sector Internal Audit Standards Action Plan (SBC Version) as at 12 July 2019

Action required	Current status	Date
Consider how to split out time allocated to a review on: • pure audit work • advice and support.	The time recording system has been amended to capture advice and support given throughout audits.	Implemented
2030 Resource Management		
When resources allow, arrange more regular meetings with individual Group Managers as required, to help progress work in the Audit Plan.	These sessions have been taking place throughout 2018/19 as audits have been planned and set up. This work will continue.	AMs, Ongoing
2040 Policies and Procedures		
Refresh the Audit Manual and supporting forms to reflect: • updates in the Standards • current working practices • any issues arising from the independent external assessment.	Most of this work is still in progress. It will take longer than anticipated to complete due to the changes in the senior management team. Work is also needed to update the Audit Manual to ensure the audit approach will be compliant with the General Data Protection Regulations (GDPR) from May 2018.	AMs, Ongoing
2050 Co-ordination and Reliance		
At all clients, further develop the "other assurance" element of the audit risk assessments particularly with regard to corporate business management processes, as part of the 2018/19 audit planning round.	This work commenced as part of the Audit Planning process in 2018/19. This has been developed throughout the year as audit work is completed and as part of the 2019/20 audit planning process.	AMs, Ongoing

Action required	Current status	Date
2100 Nature of Work		
2110 Governance		
Assess whether an ethical governance audit should be included in 2018/19 Audit Plan.	This was considered as part of the audit planning for 2019/20, and will remain on the issues to be considered for inclusion at each planning assessment.	HoIA, ongoing
2200 Engagement Planning		
2210 Engagement Objectives		
Make sure that the audit approach makes the links to performance management as part of the planning process.	The audit planning form requires auditors to consider what criteria or measures of success management have established to determine whether the activity's objectives are being achieved. Focus is being given to assess the effectiveness and appropriateness of these measures in future audits.	Implemented

84

Action required	Current status	Date
2300 Performing the Engagement		
2330 Documenting Information		
Set up a project to check all files and destroy whatever is necessary to comply with the Retention Policy.	This project is well underway with document disposal and retention work being undertaken on all client files. Disposal of paper files is complete and the review of electronic files continues. The team are awaiting the publication of a corporate retention schedule detailing requirements around personal data held in areas such as electronic personnel files. A Disposal and Retention Log is in use, which also serves as the service's Information Asset Register.	Implemented
2400 Communicating Results		
2410 Criteria for Communicating		
Include an instruction in the operational protocol that meetings should always be held to: • feedback findings at the conclusion of fieldwork • discuss the draft report.	Operational protocol documents for in house staff (Audit Management Checklist) and the "Ways of Working" document with contractors are clear about discussing draft reports with clients. Both documents need to be amended to clarify expectations that: • findings will be fed back during the audit, so there are no surprises • all auditors will have a final feedback meeting on conclusion of the fieldwork.	Implemented

85

Appendix 4: Compliance with UK Public Sector Internal Audit Standards Action Plan (SBC Version) as at 12 July 2019

Action required	Current status	Date
Reassess the reporting templates as part of updating the Audit Manual, to see how underlying issues with the Council's governance arrangements could be highlighted.	This will be reassessed after senior management have undertaken the review of the risk management, control and governance arrangements that is due following the introduction of the council's new vision and strategic framework. This is still work in progress.	AMs, Ongoing
2420 Quality of Communications		
Build triggers into the Audit Manual that remind staff to keep clients informed of when reports can be expected and if there are delays in producing them.	Work has been undertaken to: • amend the Planning, Fieldwork and Reporting sections of the Audit Management Checklist for in house staff • add this to the "Ways of Working" document with contractors. *(Also see Standard 2030 About Resource Management regarding monitoring delivery of work which also contributes to this action).*	Implemented
Reinstate target for issuing draft reports once the team is more fully resourced.	This has now been built into the Audit Strategy presented to Audit Committee in April 2018 and will be a focus of the team from now on.	Implemented
Complete the project on upgrading / refreshing how we use APACE, our time recording / performance management data base.	This work has been paused whilst the Business Support Manager reviews the list of improvements and changes required to the database's functionality with the new Head of Internal Audit.	BSM, Ongoing

Action required	Current status	Date
Use APACE effectively to timetable the delivery of audits and monitor progress against both budgets and timelines.	APACE, in conjunction with the Internal Audit Resource Schedule, is now being used to: • allocate, phase and cost audits • allow the Business Support Team to monitor the delivery of audits against both the Audit Plan and the financial profile. Reports on job budget monitoring are being provided to the team on a weekly basis. Opportunities to do this more effectively are being considered in the projected noted above.	Implemented
Include a requirement in the Audit Manual about: • issuing the guidance to and discussing it with clients within the draft terms of reference • attaching it as an appendix to the report.	This is now being included in the report as part of the opinion section.	Implemented
2431 Engagement Disclosure of Non-Conformance		
Consider updating the Audit Manual with a small section covering this particular situation and referencing PS2431.	This is still work in progress.	AMs, Ongoing

Appendix 4: Compliance with UK Public Sector Internal Audit Standards Action Plan (SBC Version) as at 12 July 2019

Action required	Current status	Date
2500 Monitoring Progress		
Introduce the process for management to provide the Audit Committee with this assurance for reports with high and satisfactory audit opinions.	The Business Support Team is currently working on this project with Council officers.	BSM, Ongoing
Finalise the arrangements for reporting to Audit Committee on management sign off of action plans for audit reports with high or satisfactory opinions.	The Business Support Team is currently working on this project with Council officers.	BSM, Ongoing
Design the content and format of a report to go to Audit Committee, for each client that shows the progress made by services in addressing agreed actions, for each live audit report.	The Business Support Team is currently working on this project with Council officers.	BSM, Ongoing

Key:

- $_\infty$HoIA, Head of Internal Audit
- $^\infty$AM, Audit Manager
- BSM, Business Support Manager

Appendix 5: Stakeholder Surveys, Compliance with Professional Standards

Setting up and planning the audit (PSIAS 1200 / 2200)		
1	Did we show a good level of knowledge and understanding of your service when discussing the potential scope and objective to be covered by the audit before fieldwork took place?	79%
Performing the audit (PSIAS 2300)		
2	Did we work effectively with you when doing the audit to minimise the impact on your service?	79%
3	Were we able to talk knowledgeably with you about information provided to us and queries we had during the audit?	86%
Communicating results (PSIAS 2400) and Improving governance, risk management and control processes (PSIAS 2100)		
4	Did we keep you informed of the progress of the audit and issues arising from the work in timely manner?	93%
5	Did we effectively explain to you where we felt action was required to improve your arrangements and why?	93%
6	Was the report fair and reflective of the work done by audit and the issues found as discussed with you?	93%
Independence and Objectivity (PSIAS 1100)		
7	Did we provide relevant evidence to back up our findings if required?	90%
8	At the end of the audit, did you understand the rationale for the overall opinion given?	93%
Managing the Internal Audit Activity (PSIAS 2000)		
9	Do you think internal audit adds value to the Council?	100%

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Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

Audit Committee

on

24 July 2019

Report prepared by: David Kleinberg, Assistant Director for Counter Fraud & Investigations

Counter Fraud & Investigation: Annual Performance Report

A Part 1 Public Agenda Item

1. **Purpose of Report**

1.1 To update the Audit Committee on the progress made by the Counter Fraud & Investigation team in delivering the council's Counter Fraud Strategy and Work Programme for 2018/19.

2. **Recommendation**

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

3. **Annual Report**

3.1 This is the fifth year of the strategic alliance with Thurrock Council to tackle all forms of fraud and economic crime at Southend-on-Sea Borough Council. During those 5 years the collaboration has detected **£5,945,842** in fraud at Southend and returned **£1,089,494** to the council's finances.

3.2 The annual report shown at **Appendix 1** highlights the significant impact the team has made in tackling fraud over the last year, detecting **£1,935,940** of fraud and recovering **£354,300**.

3.3 The report includes a year on year comparison of investigations conducted over the last 5 years as well as the value of detected fraud since 2014. The report shows an upward trend in cases of detected fraud highlighting that the service is improving the general awareness of fraud and embedding counter fraud activity in council services.

3.4 Analysis of the team's performance over the last year shows that for every **£1** spent by the council on the Counter Fraud & Investigation service it has detected **£1.67** of fraud.

4. **Corporate Implications**

4.1 Contribution to Council's Aims and Priorities

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

4.2 Financial Implications

4.2.1 Proactive counter fraud work acts as a deterrent against financial impropriety and identifies financial loss and loss of assets.

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

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

4.3 Legal Implications

4.3.1 The Accounts and Audit Regulations 2015 Section 3 requires that:

'The relevant authority must ensure that is 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.'*

4.3.2 The work of the service contributes to the delivery of this.

4.4 People Implications

4.4.1 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.

4.5 Property Implications

4.5.1 Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity. This action will benefit the authority by means of returning housing stock to those in need or gaining the assets of those who seek to profit from their criminal behaviour.

4.6 Consultation: None

4.7 Equalities Impact Assessment: None

4.8 Risk Assessment

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

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

4.9 Value for Money

4.9.1 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.

4.10 Community Safety Implications and Environmental Impact: None

5. Background Papers

- 2017/18 Annual Fraud Indicator – Crowe Clark & Whitehall

6. Appendices

- Appendix 1: CFID Annual Report 2018/19

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Counter Fraud & Investigation

See it. Report it. Stop it.

Annual Report 2018/19

Foreword

"The estimated annual loss to local government from fraud has increased considerably from £2.1bn in 2016 to £8bn a year in 2019.

In context of local government finance, the LGA reported on the 2018/19 finance settlement a £5.8bn funding gap by 2020.

Preventing fraud, disrupting those who seek to take public money, protecting the vulnerable and recovering losses is our priority."

David Kleinberg,
Assistant Director for Counter Fraud & Investigations

This is the 5th year of the strategic alliance between Thurrock & Southend-on-Sea Borough Councils to fight fraud and economic crime. During that period the service has detected £30m of fraud repatriated 162 social housing properties to those in need as well as the safeguarding of 87 adults and children from harm.

The service has been recognised by government and other public bodies alike as a centre of excellence in reducing harm and detecting fraud in public finance. The government's 'Counter Fraud Fund Programme' invested in our service to strengthen our capability and also to help others. Over 40 public bodies have been supported by us in their own crime fighting initiatives all over the UK.

In the last year a new specialised element of the department was created with the support of government. Known as NATIS – the National Investigation Service, it is a ring-fenced function removed from the 'usual' counter fraud activity of the department. As a partnered function with the police regional organised crime and counter terror network it supports local authorities suffering from the most serious criminality.

Having these specialist functions hosted in Southend and Thurrock mean that the knowledge, skills and capabilities to protect our councils, residents, visitors and businesses are prepared for the modern threats faced.

The function has detected more fraud than ever before following increased investment in the service, leading to large high value and complex crime being detected. The service has been working hard to harness the data gathered over the last 5 years to prevent more fraud and protect our frontline services better. This year we are increasing the collaboration with our Internal Audit Services to enhance controls and fraud-proof our systems.

Performance and Partnerships

Our key role is to protect Thurrock, Southend and Castle Point Councils from fraud and economic crime. We also have a national remit providing expertise to other public bodies to reduce economic crime.

This work is provided by the specialist capabilities not present in other public authorities, including:

- Criminal Intelligence – Strategic Assessment Programmes, helping organisations understand the threats they face and implementing plans to deal with them
- Digital Forensics – providing access to electronic evidence in investigations to international standards (ISO17025)
- Criminal Finances – providing officers, accredited by the National Crime Agency to investigate, restrain and confiscate criminal proceeds
- Cyber Resilience – providing advanced technology and expertise to protect public bodies from cyber crime

£30m
Detected

£4.6m
Recovered

42
Public Bodies Supported

109
Insider Threats Apprehended

42
Adult & Children Safeguarding Cases

6
Organised Crime Groups (OCGs) Disrupted

98
Convictions

8
Police Forces Supported

Governance & Accountability

A Shared Services Board was formed in May 2017 with senior executives from Thurrock Council, Southend-on-Sea Borough Council, South Essex Homes and Castle Point Borough Council, which continues to meet on a quarterly basis.

The board considers the work of CFI team across the partners as well as opportunities to develop more collaboration ensuring good quality, professional services are provided that meet each individual organisation's needs.

The provision of a national capability brings with it national responsibilities and oversight. Recognising our role and responsibilities, we sought assistance from national bodies to implement an appropriate inspection regime to provide assurance over our work.

The governance structure overseeing the directorate's work is now formed of several independent bodies:

Local & Central Government – Standards & Audit Committees
- Monitoring of Performance against each annual strategy for the bodies to provide assurance of crime risk and organisational governance

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services
- Annual inspection to monitor use of police data by the Directorate and its use in investigative work

Investigatory Powers Commissioner's Office
- Inspections to monitor the use of investigative tactics regulated by the Regulation of Investigatory Powers Act 2000, Investigatory Powers Act 2016 and Human Rights Act 1998

Home Office - National Police Information Risk Management Team
- Inspections to monitor the security of data used in the department

Governance & Accountability

College of Policing
- Delivery of Accredited programmes for all the officers in the directorate, including Professionalising Investigation Practice (PIP) & Intelligence Professionalisation Programme (IPP) accreditations

United Kingdom Accreditation Service
- Inspections to monitor our forensics activity for criminal casework

UK Forensic Science Regulator
- The Regulator ensures that the provision of forensic science services by CFID across the criminal justice system is compliant to an appropriate regime of scientific quality standards.

National Crime Agency – Proceeds of Crime Regulator
- CFID uses a number of powers afforded by Parts 2, 5 and 8 of the Proceeds of Crime Act 2002. The National Crime Agency is the regulator of these powers. An inspection in to CFID's use of the powers will take place in July 2018.

UK Accreditation Service
- CFI has its own forensic laboratory to deal with digital media, recovering material from electronic devices for use in in criminal or civil outcomes. All laboratories conducting this work in the UK must now be accredited to ISO17025 (International Standards). CFID has worked towards this accreditation for 2 years. This year the final inspection will take place to accredit CFID's laboratory to ISO17025 standards.

Finances

The Counter Fraud & Investigation team is hosted at Thurrock Council with staff seconded to the function from Southend-on-Sea Borough Council or other agencies. Other partners can join the service with a financial contribution or with the secondment of staff into the team.

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

Overall CF&I Budget 2018/19

	Contribution	Contributor
	£945,876	Thurrock Council
	£704,459	Southend Council
	£106,187	Other Partners
Total Budget	**£1,756,522**	

Return on Investment (2014-2019) Thurrock Council

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Detected Fraud	£680,478	£1,278,010	£1,622,604	£4,562,032	£1,179,987	£2,613,094
Service Budget	£336,302	£472,327	£880,637	£909,556	£939,313	£945,876
Money Recovered	(£190,000)	(£326,075)	(£701,418)	(£3,729,705)	(£889,097)	(£941,155)
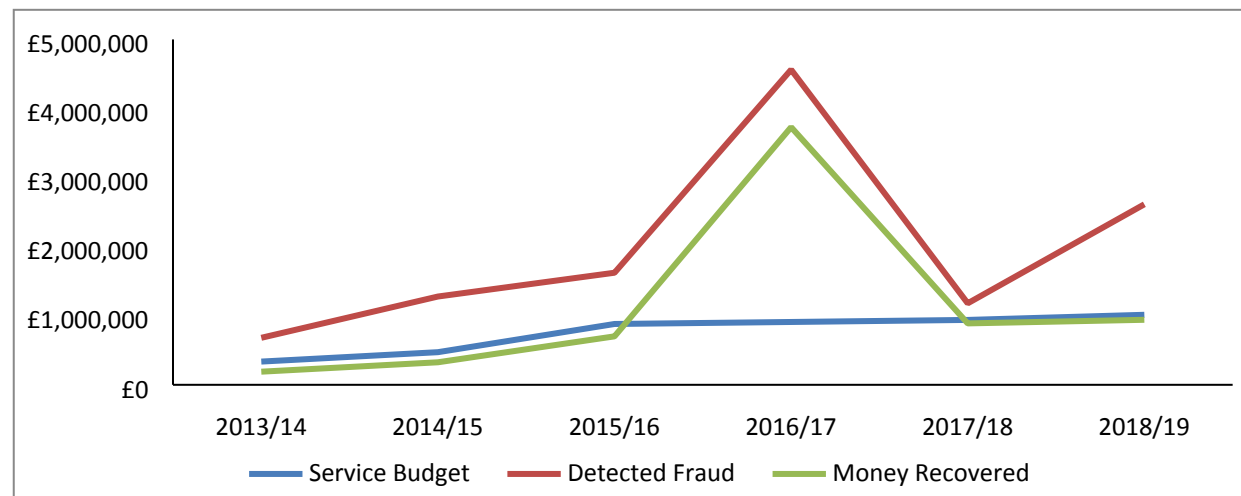
Return on Investment (2014-2019) Southend-on-Sea Borough Council

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Detected Fraud	£252,054	£585,696	£1,887,589	£729,145	£555,418	£1,935,940
Service Budget	£195,075	£195,075	£397,075	£196,610	£185,301	£704,459
Money Recovered	(£190,000)	(£326,075)	(£59,478)	(£128,725)	(£30,916)	(£354,300)
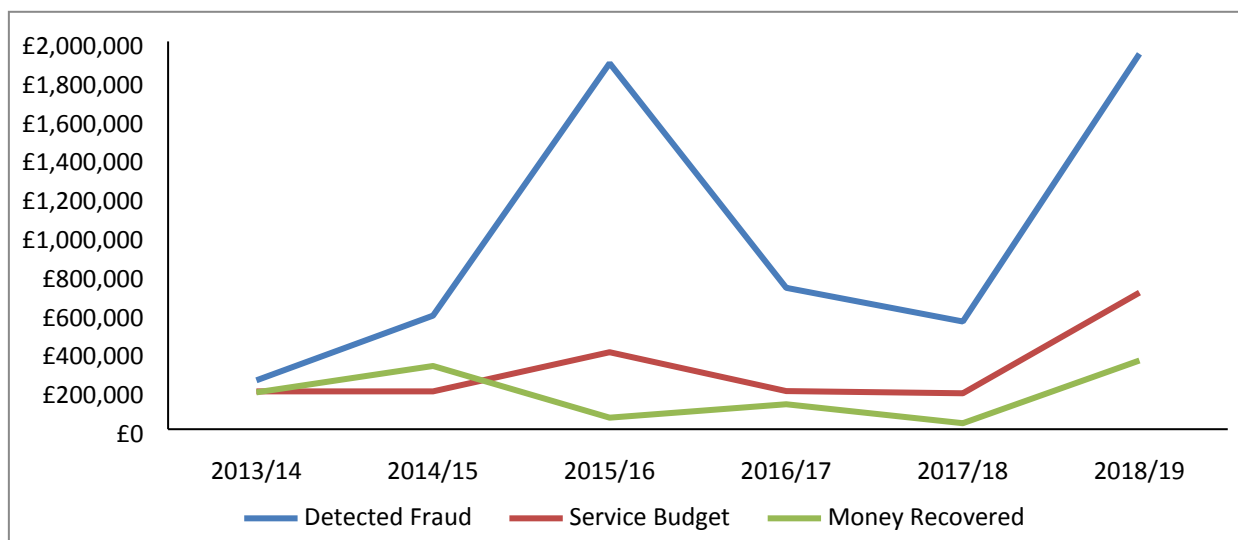
Return on Investment (2016-2019) Castle Point Borough Council

	2016/17	**2017/18**	**2018/19**
Detected Fraud	£40,000	£263,400	£115,000
Service Budget	£60,000	£60,000	£60,000
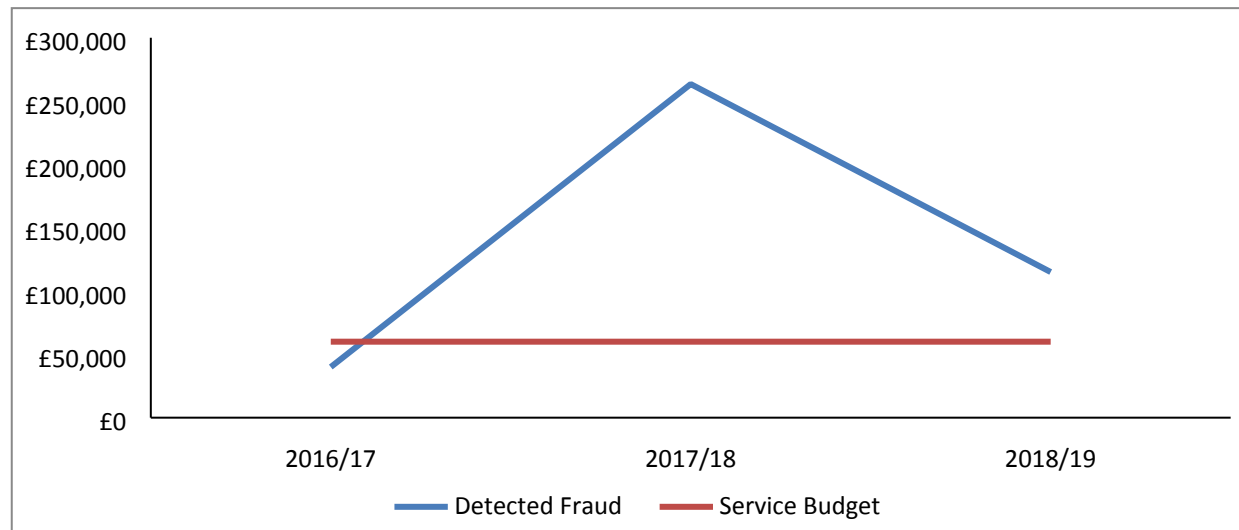
Strategic Assessment

The Counter Fraud & Investigation team's primary focus is the protection of the council and its partners, around the UK, from economic crime.

Local authorities were provided with a framework in 2016 for countering fraud known as the Fighting Fraud and Corruption Locally strategy.   That strategy provided a limited assessment of the threats impacting on local government, without a national understanding of the problem or how to deal with the threat holistically.

The loss figures used in that strategy were also from 2013 as the data in the sector is poor. The most notable gaps in that strategy were the understanding of fraud in Social Care, Cyber Crime or Money Laundering. All of these areas have seen an increase to team's casework detecting offences for councils around the UK.

CFID's commissioned its own assessments supported by the Cabinet Office which were concluded in April 2018. This assessment provided a better understanding of the full threat picture and its impact on local government.

CFID developed a new Fraud Loss Matrix[1] which provides partners a better understanding of the threats and what they should be doing about it.

Strategic Assessment

Procurement Fraud £4.4bn

Social Care Fraud £800m

Cyber Crime £1.8bn

Revenue Fraud £1bn

Money Laundering £1bn

Housing Fraud £1.8bn

Insider Threat £1bn

Transport Fraud £48m

Economic Crime in Local Government

Insurance Fraud £555m

Grants Fraud £94m
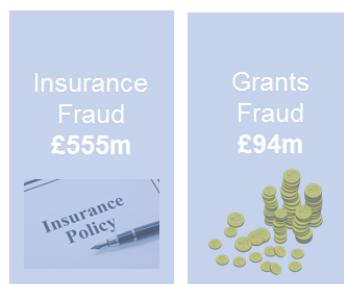
The *Threats* **£12.9bn** Cost local government *annually*

This was supported by publications from Crowe Clark Whitehall https://www.croweclarkwhitehill.co.uk/wp-content/uploads/sites/2/2017/11/Annual-fraud-indicator-2017.pdf

Operational Activity

Social Housing Fraud

Last year 40 social housing properties were recovered by the team in 2018/19. Recovering properties lost due to fraud and preventing further housing stock being lost ensures the use of temporary accommodation for those in need is reduced. Had these properties not been recovered then the potential loss to the public purse would have exceeded £1million.

Socia

Propertie

Case Example

A married couple were granted a three bed social housing property in 1998 which they then applied to buy, being offered a £104,900 discount under the Right to Buy Scheme. However following investigation by CFID it was found the couple were sub-letting this property.

They tenants employed letting agents, turned the property into a House of Multiple Occupancy and were receiving between £1600 - £1800 rental income a month from students who believed they had found a legitimate property to rent. Meanwhile both were not paying the required £140 rent per week and were living in a privately rented five bed house. Following an execution of a Magistrates warrant and interviews of the suspects, an unlawful profit order was made for £6990 at a County Court and the property was recovered. The couple were sentenced at Crown Court, with the judge handing out an eight month immediate custodial sentence.

Operational Activity

Insider Threats

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

His Honour Judge Owen-Jones said:

'It's extremely sad and disheartening to see someone with your background in court charged with these crimes. 'It's the hard working residents of Southend who suffer – they are the council taxpayers.'

Case Example

A report from Southend-on-Sea Borough Council's Finance Team identified an insider, employed as a Private Sector Housing Manager, who was undertaking suspicious activity. Between 2016 and 2017 the staff member defrauded the authority of £307,401 through an abuse of their position. They did this through the creation of false suppliers to the council, forged quotes, invoices and letters of application to steal the council's finances.

They were able to prolong their activities by relying on the good will and trust of their colleagues and the negligence of their manager. Suspicions were raised when an Accounts Payable officer identified two suppliers with the same bank details. When challenged, the staff member became evasive and approached a Procurement Officer to delete material they had submitted.

This was referred to CFID through Internal Audit and the staff member was suspended from duty and interviewed under caution. During this interview they lied and attempted to present themselves as a victim of fraud. The investigation was lengthy and complex and involved three arrests, the execution of two search warrants, joint working with Essex Police, digital forensic analysis of computers and phones, the examination of thousands of documents, the analysis of over 50 forged documents, over 100 witness statements and over 500 items of evidence. Due to the excellent work of the investigating team the former-staff member entered guilty pleas to four counts of fraud by abuse of position and was sentenced to 18 months' immediate imprisonment.

Social Care Fraud

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

In one case a non-EU national was receiving care from Social Care but was not entitled to any public funds. This was referred to CFID as it was thought that this person was also working 'cash in hand'. It was identified that the person was in fact working more a multi-national company and had in fact used false documents and a 'friends' bank account to launder the illegally gained salary. A search took place at the suspects address and evidence of the offending was identified. This also highlighted a second suspect who was also arrested and interviewed. This has resulted in the matter being passed to prosecutors to ensure the perpetrators face justice.

Transport Fraud

In one case someone was found to be using their dead fathers blue badge when not entitled to. They were interviewed by CFID officers and they explained that they had used the badge as they were late for prayers and could not find anywhere else to park. This type of crime, although to some may seem minor, is a very emotive offence and residents within the local authority area regard this crime type as one of the most important issues to combat.

The suspect in this case had to pay over £250 and now has a criminal record.

Operational Activity
Joint Working

CFID works closely with policing partners and other law enforcement bodies to protect the public purse. Intelligence is lawfully shared under statute, including the new Data Protection Act 2018 where crime is suspected.

CFID's Criminal Intelligence Unit works closely with law enforcement to develop intelligence that will assist in protection of the public. Over the last year *32 Alerts* and guidance notes were disseminated by CFID across all our local authority and public partner service areas.

The Criminal Intelligence Unit has also disseminated *295 Intelligence Reports* to other agencies to assist with their criminal investigations.

CFID's specialist expertise has been used by other local authority services to protect the public including tactical support to other enforcement teams in Planning, Trading Standards and Housing to Human Resources, Procurement and ICT.

In one case CFID received information from an anonymous source alleging that a Thurrock woman employed as a nurse in the NHS was working under a false identity. This information was reviewed and assessed by CFID intelligence. It was treated as urgent and sent to NHS Counter Fraud where it was allocated to an investigator as a priority. NHS Counter Fraud worked with CFID to develop areas of intelligence that the NHS Counter Fraud team were unable to develop due to the unprecedented access CFID has to intelligence tools.

Intelligence Cycle

Dissemination

Direction

Analysis

National Intelligence Model

Collection

Evaluation

Collation
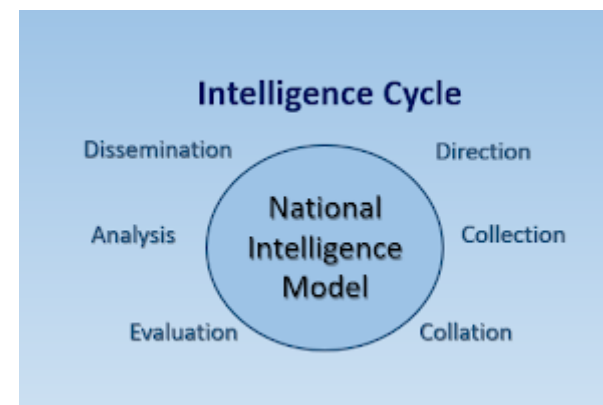
Results

The Counter Fraud & Investigation team presents all of its cases to Legal Services across the different partners, or in some cases the Crown Prosecution Service where serious criminality is identified. A framework of different sanctions, redress and punishment outcomes are then considered by a Lawyer independently of the investigation team.

This process includes the use of the Code for Crown Prosecutors in consideration of any criminal litigation.

In 2018/19 the number of fraud cases identified by the team increased, as did the number of sanctions delivered.

The overall fraud detected figure for **2018/19** is **£5,497,805**

This figure has increased from the **2017/18** figure of **£3,138,836.**

The following tables detail the investigations, sanctions and compliance activities completed by the team across partner for 2018/19. The tables has been developed to show details of all sanction types as opposed to previous reports which only showed prosecutions, value and 'other'. This table enables a clearly understanding of the work conducted by CFID as it relates to solely CFID investigations:

Results

Comparison to Previous Years (Concluded Investigations)

The table below shows the number of investigations completed year on year, since the inception of CFID,

Year	Thurrock Council	Southend Council	Castle Point Council	Poplar HARCA	Other Partners	Total
2014/15	205	339	N/A	N/A	0	544
2015/16	256	225	N/A	15	18	514
2016/17	110	112	15	27	38	302
2017/18	142	136	12	21	13	324
2018/19	314	162	22	57	26	576

Comparison to Previous Years (detected fraud)

The table below shows the detected fraud value year on year since the inception of the Counter Fraud & Investigation team.

Year	Thurrock Council	Southend Council	Castle Point Council	Poplar HARCA	Other Partners	Total
2014/15	£1,823,300	£585,697	N/A	N/A	£1,230,930	£3,639,927
2015/16	£1,312,038	£1,887,589	N/A	N/A	£5,569,330	£8,768,957
2016/17	£4,562,031	£375,302	£40,000	£191,000	£1,790,475	£6,958,808
2017/18	£1,499,894	£687,742	£263,400	£448,900	£2,238,900	£5,138,836
2018/19	**£2,613,094**	**£1,935,940**	**£115,000**	**£833,771**	**£0.00**	**£5,497,805**

The total value of fraud detected during April 2014 to June 2019 is **£30,004,333**

Delivery of the Proactive Work Programme

The work programme implemented across Southend-on-Sea, Castle Point & Thurrock Councils was delivered fully last year. The purpose of the programme is to ensure that there is an enterprise-wide acknowledgement of the risks from fraud and economic crime and the areas most at risk have mechanisms to both prevent and detect suspicious activity.

southend on sea BOROUGH COUNCIL

Counter Fraud & Investigation
Counter Fraud Work Plan

Risk area	Tasks	Planned for	Current status	Responsible CFID Officer	Completed Activity Date
Council-wide	Revised policies for Counter Fraud, Bribery & Corruption and; Counter-Money Laundering to be produced	January 2019	Draft policies were distributed to the statutory officers, which take account of the enhanced strategies in place. The draft documents were also distributed to the council's leadership group for comment and consideration. The final draft are now submitted to the Audit Committee for approval.	David Kleinberg	Completed January 2019
Council-wide	Fraud risk matrix assessment to be delivered to all service areas	Dec 2018 – March 2019	These have been presented to corporate directors, directors and senior departmental management teams. It has now been agreed that service managers will be meeting with the CFID Investigation Manager to discuss the matrix. This will be during the remainder of 2018/19.	Michael Dineen	Initial phase completed in November 2018. On-going meetings with service managers now taking place. Planned dates to be concluded in March 2019.

Delivery of the Proactive Work Programme

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BOROUGH COUNCIL

Counter Fraud & Investigation
Counter Fraud Work Plan

Risk area	Tasks	Planned for	Current status	Responsible CFID Officer	Completed Activity Date
Council-wide	UK Bribery Act (UKBA) Compliance Review. A questionnaire will be distributed to all Managers to ensure UKBA compliance.	November 2018	The questionnaire was submitted to the council's managers for completion. That data is now being analysed for consideration of further actions for compliance.	Michael Dineen	Completed January 2019
Council-wide	Counter Money Laundering (CML) Compliance Review. A questionnaire will be distributed to all staff to ensure CML compliance.	November 2018	The questionnaire was submitted to the council's managers for completion. That data is now being analysed for consideration of further actions for compliance.	Michael Dineen	Completed January 2019
Proactive Fraud Drives	Conduct proactive activity to disrupt and detect fraud affecting the council.	Throughout 2018/19	Proactive work continues to be undertaken across the high-risk areas. Monthly meetings are taking place with housing and council tax to conduct pro-active operations.	Michael Dineen	Completed. Detected Council Tax Fraud reported in Corporate Matrix. These results are being fed into next year's plan.

Delivery of the Proactive Work Programme

Counter Fraud & Investigation
Counter Fraud Work Plan

Risk area	Tasks	Planned for	Current status	Responsible CFID Officer	Completed Activity Date
Investigation Review	Review of insider threat investigations with Human Resources to reviews action and learning points	Throughout 2018/19	Meetings took place with Heads of Service & HR to evaluate insider threat cases.	Michael Dineen	Completed.
Fraud Awareness Training	Training to be delivered to high risk areas – housing officers, housing allocations, temporary accommodation and right to buy	Ongoing to March 2019	Training has been delivered to Revenues, Procurement, Childcare, Essential Living Fund, Finance (Payments).	Michael Dineen / Nicola Spencer	Completed
Fraud Awareness Training	CFID to present a Fraud awareness presentation to all new employees during their 'Induction Day'. Highlighting the pathway of reporting fraud/crime and also highlighting their obligations under council policy.	Throughout 2018/19	Training sessions are conducted with all new employees attending the Induction Sessions.	Michael Dineen	Ongoing, until year-end.

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Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

Audit Committee

on

24 July 2019

Report prepared by: David Kleinberg, Assistant Director for Fraud & Investigations

Counter Fraud & Investigation: Annual Strategy & Work Programme for 2019/20

A Part 1 Public Agenda Item

1. **Purpose of Report**

1.1 To present to the Audit Committee Counter Fraud & Investigation strategy and work programme for 2019/20.

2. **Recommendation**

2.1 **The Audit Committee agrees the the Counter Fraud & Investigation strategy and work programme for 2019/20.**

3. **Counter Fraud Service with Thurrock**

3.1 This year Southend-on-Sea Borough Council has renewed its agreement with Thurrock Council to deliver a corporate counter fraud & investigation service, managing the risk from fraud and economic crime.

3.2 The agreement with Thurrock pools counter fraud resources across the two authorities as well as share the infrastructure and national agreements already in place with Thurrock with other bodies such as the Home Office, National Police Chiefs Council, Cabinet Office and Regional Organised Crime Unit network.

3.3 These agreements ensure that the CF&I team are able to utilise intelligence to focus its work, managing the risk of each individually reported fraud appropriately to inform resource allocation.

3.3 This collaboration recognises the positive impact the previous 5-years have had on Southend-on-Sea Borough Council, improving the council's response to fraud and economic crime. Last year the service demonstrated a return on investment of £1.67 for every £1 spent, as well as passing the £1m mark in income to the council from the work of the team.

4. **Counter Fraud & Investigation Strategy**

4.1 This year the CF&I team has implemented its 'Control Strategy' that leads the work of the service focusing on specific risk areas to ensure crimes affecting the most vulnerable are prioritised. These areas not only include crime directly affecting areas such as social care and social housing but also attacks on areas

that are abused by organised crime. **Appendix 1** outlines that work and the focus of the service over the ensuing next year.

5. Corporate Implications

5.1 Contribution to Council's Aims and Priorities

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

5.2 Financial Implications

5.2.1 Proactive counter fraud work acts as a deterrent against financial impropriety and identifies financial loss and loss of assets.

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

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

5.3 Legal Implications

5.3.1 The Accounts and Audit Regulations 2015 Section 3 requires that:

'The relevant authority must ensure that is 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.'*

5.3.2 The work of the service contributes to the delivery of this.

5.4 People Implications

5.4.1 Where fraud or corruption is proven the Council will:

- take the appropriate action which could include disciplinary proceedings and prosecution

- seek to recover losses using criminal and civil law

- seek compensation and costs as appropriate.

5.5 Property Implications

5.5.1 Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity. This action will benefit the authority by means of returning housing stock to those in need or gaining the assets of those who seek to profit from their criminal behaviour.

5.6 Consultation: None

5.7 Equalities Impact Assessment: None

5.8 Risk Assessment

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

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

5.9   Value for Money

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

5.10   Community Safety Implications and Environmental Impact: None

6.   Background Papers

- 2017/18 Annual Fraud Indicator – Crowe Clark & Whitehall.

7.   Appendices

- Appendix 1: Counter Fraud & Investigation Annual Strategy & Work Programme for 2019/20.

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Foreword

"Last year we detected more fraud than previous years. The £1.9m detected represents social housing for 415 properties or 63 social care placements.

Increasing our resilience to the risk of fraud is our priority to ensure the most vulnerable of our society are not affected by the impact of fraud on our frontline services.

David Kleinberg,
Assistant Director for Counter Fraud & Investigations

The Counter Fraud & Investigation Directorate began operating at an advanced level following government sponsorship in 2014. That grant investment in the service ensured that the best possible resources and capabilities could be leveraged at the issue of fraud and economic crime.

Having the best tools and resources still requires a continually refreshed understanding of the threats local government face and a focus of activity. The service has been part of the Government Counter Fraud Profession, with David Kleinberg the CF&I Assistant Director being seconded to write its standards from 2016.

In 2018 the new part of the department was launched – known as NATIS - the National Investigation Service, which has supported over 40 public authorities across the UK facing serious and organised crime.

Having the new NATIS function working side-by-side with Counter Fraud & Investigation provides access to an enhanced intelligence picture to protect the most vulnerable.

This new strategy & plan takes account of that additional resource and capability – the first of its kind anywhere in the UK, here in Southend-on-Sea.

Counter Fraud & Investigation

See it.   Report it.   Stop it.

Our Control Strategy

This year we install our control strategy which defines how we will be working over the next 12 months. This means that all the casework we adopt will be assessed and progressed in consideration of the 4 Questions below.

The Counter Fraud & Investigation team's partnership with the National Investigation Service ensures that we are able to identify at an earlier stage intelligence relating to the key priorities below, particularly those affecting the most vulnerable of society.

Who are We?

A specialist function to protect public finance from fraud and serious crime, using our legal framework as a local authority service

What is Our Purpose?

1 Protect the public purse from crime

2 Support the wider-public sector with shared, advanced capabilities

What are Our Priorities?

Crimes affecting a vulnerable adult or child

Insider threats in local government

Organised crime targeting local government

Improving local government's resilience to cyber crime

How do we Succeed?

Always acting Ethically in everything that we do, working to our values, attitudes and principles

Consider opportunities to work collaboratively with others for the benefit of our purpose, sharing our knowledge, experience and expertise

Apply the 4 'P' Strategy to Prevent, Protect and Prepare local government for economic crime, pursing offenders where necessary

Ensure our teams are fully equipped to respond to the threats faced from economic crime

Counter Fraud & Investigation

See it.   Report it.   Stop it.

Fraud Risk Profile

Last year we implemented a risk profile for the entire council to identify the Top 10 Risks faced from fraud and economic crime. That analysis used national intelligence from partner law enforcement agencies, proven cases by the CF&I team and the baseline strategy for local government known as Fighting Fraud & Corruption Locally.

Southend-on-Sea Borough Council
Annual Fraud Impact Measurement Matrix

	Procurement Fraud	Cyber Crime	Housing Tenancy Fraud	Money Laundering	Council Worker Fraud & Corruption
Annual Council Spend	£118,281,000	N/A	£24,544,000	£122,000,000	£65,385,000
Annual Potential Impact Percentage	4.76%	N/A	4.04%	0.89%	1.07%
Annual Potential Impact	£5,630,176	£1,600,000	£991,578	£1,085,800	£699,620
Under Investigation	£100,000	£0	£701,000	£2,000	£6,874
Proven	£726,884	£0	£0	£731,884	£307,401

	Social Care Fraud	Grants Fraud	Insurance Fraud	Blue Badge Fraud	Revenues Fraud
Annual Council Spend	£78,132,000	£266,333	£1,919,081	£10,584,200	£89,976,000
Annual Potential Impact Percentage	4.70%	3.02%	3.99%	3.86%	1.22%
Annual Potential Impact	£3,672,204	£8,043	£76,571	£408,550	£1,097,707
Under Investigation	£82,800	£5,480	£1,600	£45,900	£53,450
Proven	£6,216	£23,389	£0	£33,000	£107,166

Total Potential Loss Impact	£15,270,249
Total Amount Under-Investigation	£999,104

Total Proven in 2018/19	£1,935,940

Counter Fraud & Investigation

See it.   Report it.   Stop it.

Proactive Work Plan

Risk Area	Activity	When	Current Status	Responsible Officer	Date Complete
Council-wide	Launch a new e-Learning Package for Countering Fraud, Bribery, Corruption and Money Laundering.	July – Sep 2019		Michael Dineen	
Council-wide	Develop an early intervention risk matrix for social housing tenants targeted by criminality.	July 2019 – June 2020		Philip Butt	
Council-wide	Cyber crime risk assessment across the council.	Nov 2019		Dave Nash	
Council-wide	Enhancing counter fraud and money laundering controls for Social Care Finance.	Nov 2019		Michael Dineen	
Council-wide	Renewed Education & Marketing Campaign for Countering Fraud, Bribery, Corruption and Money Laundering	January 2020		Nicholas Coker	
Revenues	Use of Data Matching Solution to compare NNDR data with law enforcement data.	Sep 2019 – Dec 2019		Nicholas Coker	

Counter Fraud & Investigation

See it.   Report it.   Stop it.

New Fraud Awareness Campaign

This year we launch the 'See it, Report it, Stop it' campaign, highlighting the risks the council face from fraud and economic crime as well as some of the case studies and enhanced methods of prevention we utilise.

The campaign will include targeted awareness events for high-risk council areas such as Procurement, Finance, Housing and Social Care.

The following posters have also been designed to highlight the impact of fraud on the council:

Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

Audit Committee

on

24th July 2019

Report prepared by: Andrew Barnes, Head of Internal Audit

Audit Committee, self-assessment against good practice

A Part 1 Public Agenda Item

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1. **Purpose of Report**

1.1 To report to the Audit Committee the findings of the self-assessment against good practice undertaken at the end of 2018/19.

2. **Recommendations**

2.1 **The Audit Committee notes the results of the self-assessment against good practice undertaken at the end of 2018/19 and approves the proposed actions set out in Appendix 2.**

3. **Self-assessment against good practice**

3.1 A local authority has a duty to ensure that it fulfils its responsibility for adequate and effective risk management, internal control and governance and for the economy, efficiency and effectiveness of its activities. The Council's Audit Committee has a key role in overseeing and assessing the risk management, internal control and corporate governance arrangements, and for advising the full Council on the adequacy and effectiveness of these arrangements.

3.2 In its publication Audit Committees: Practical Guidance for Local Authorities and Police, the Chartered Institute of Public Finance and Accountancy (CIPFA) sets out a range of suggestions and comments about the operation of an audit committee. Some of the items are considered best practice and some are suggestions on other ways of delivering the function.

3.3 The document includes a checklist of areas that are considered best practice and recommends that the operation of the Committee should be reviewed against this checklist to identify areas for improvement within existing arrangements. Expectations are set out to cover the following themes:

- Purpose and governance

- Functions

- Membership and support

- Effectiveness of the Committee

4. How the Audit Committee operates

4.1 The Audit Committee is well established, with the Committee's Terms of Reference reviewed periodically as part of refreshing the Constitution.

4.2 Membership is reviewed annually. In 2018/19, it consisted of nine members with one co-opted member, who has relevant specific financial and audit experience in local government. The Terms of Reference require that at least one member should have financial expertise.

4.3 Members have received some training during the year to support them with an enhanced understanding of how to discharge their duties.

4.4 The Terms of Reference specify that the committee will meet four times per year, although further meetings can be arranged on an ad hoc basis as the Audit Committee deems appropriate. Four meetings were held within the last financial year, with the July meeting timed to consider the Council's assurance statements, financial statements and any issues raised by the external auditor, to meet the statutory publication deadline.

4.5 In order for the Committee to operate effectively it requests reports to be presented to it by officers and auditors regarding activities that fall within its remit.

4.6 The Strategic Director (Finance and Resources), Internal Audit and External Audit regularly attend at the Committee's request. Other officers attend as necessary to present specific reports.

4.7 In discharging its duties, the Committee meets its responsibilities through self-assessment and review, requesting assurances from officers and receiving reports from the auditors and other officers.

4.8 The Audit Committee completed an annual self-assessment this year (see the findings at **Appendix 1**). This demonstrated that the Audit Committee has operated in line with recommended good practice guidance, although there are the following issues arising from this exercise:

- Clarity of understanding about the role and purpose of the audit committee across the council

- Clarity about the arrangements to hold the committee to account for its performance

- Clarity about whether an annual evaluation is undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas

- Clarity about whether the audit committee has considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them

- Clarity about coverage of core areas and where this has been found to be limited, the plans in place to address this

- Undertaking an assessment of membership of the committee against the core knowledge and skills framework

- The committee obtaining feedback on its performance from those interacting with the committee or relying on its work

- The committee evaluating whether and how it is adding value to the organisation, having an action plan in place to address weaknesses and publishing an annual report to account for its performance and explain its work.

4.9   From these findings an overall assessment against the good practice requirements has been prepared (see the results at **Appendix 2**). This suggests a number of actions that could be undertaken to enhance the current arrangements of the Audit Committee, enabling it to discharge its responsibilities as effectively as possible, meeting best practice expectations.

5.   Reasons for Recommendations

5.1   Enabling the Audit Committee to effectively discharge its responsibilities, as per the Terms of Reference, in the most effective way possible to achieve best practice, will assist the Audit Committee with obtaining the necessary assurances and being able to provide assurance to Full Council, including that the Annual Governance Statement appropriately reflects the conditions at the Council.

6.   Corporate Implications

6.1   Contribution to the Southend 2050 Road Map

The Audit Committee's work provides assurance and identifies opportunities for improvements that contribute to the delivery of all Southend 2050 outcomes.

6.2   Financial Implications

The Audit Committee's work is delivered within the approved budget.

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

6.3   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.

6.4   People Implications

People issues that are relevant to the Audit Committee are considered as part of the review.

6.5   Property implications

None.

6.6   Consultation

The results of the Audit Committee self-assessment have been discussed with the Chair and Vice-Chair of the Committee and the Strategic Director (Finance and Resources).

6.7   Equalities and Diversity Implications

None.

6.8   Risk Assessment

Failure to operate a robust assurance process (underpinned by an effective Audit Committee) 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.

6.9   Value for Money

Opportunities to improve value for money in the delivery of services are sometimes identified by the Audit Committee and recommendations made as appropriate.

6.10   Community Safety Implications

None.

6.11   Environmental Impact

None.

7.   Background Papers

- The Accounts and Audit Regulations 2015

- UK Public Sector Internal Audit Standards

- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards

- CIPFA: Audit Committees: Practical Guidance for Local Authorities and Police 2018

8.   Appendices

Appendix 1   Results of Audit Committee self-assessment questionnaires

Appendix 2   Audit Committee self-assessment analysis

Audit Committee self-assessment of good practice

This questionnaire provides a high-level review that incorporates the key principles set out in CIPFA's 2018 Position Statement: Audit Committees in Local Authorities and Police (also attached to the email distributing this checklist). Where an audit committee has a high degree of performance against the good practice principles, this is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support planning of the audit committee work programme, training plans and can also inform an annual report.

Good practice questions	Yes	Partly	No	Comments
Audit committee purpose and governance				
1 Does the authority have a dedicated audit committee?	7			
2 Does the audit committee report directly to full council? (applicable to local government only)	7			
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	7			
4 Is the role and purpose of the audit committee understood and accepted across the authority?	2	4	1	
5 Does the audit committee provide support to the authority in meeting the requirements of good governance?	7			
6 Are the arrangements to hold the committee to account for its performance operating satisfactorily?	2	5		Currently not very clear what the arrangements are

Appendix 1: Results of self-assessment

Good practice questions	Yes	Partly	No	Comments
Functions of the committee				
7 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? • good governance • assurance framework, including partnerships and collaboration arrangements • internal audit • external audit • financial reporting • risk management • value for money or best value	5	2		No private meetings of the Committee with auditors
8 Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	3	2	2	
9 Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	3	2	2	Currently Committee scrutinises treasury management, but so far has not considered the other areas suggested by CIPFA
10 Where coverage of core areas has been found to be limited, are plans in place to address this?	3	4		
11 Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	5	1	1	

Good practice questions	Yes	Partly	No	Comments
Membership and support				
12 Has an effective audit committee structure and composition of the committee been selected? This should include: • separation from the executive • an appropriate mix of knowledge and skills among the membership • a size of committee that is not unwieldy • consideration has been given to the inclusion of at least one independent member	 7 6 7 7	 1		
13 Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?	6			1 unsure
14 Does the chair of the committee have appropriate knowledge and skills?	5	2		
15 Are arrangements in place to support the committee with briefings and training?	7			More briefings on developments would help
16 Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		2	4	1 unsure
17 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	7			
18 Is adequate secretariat and administrative support to the committee provided?	6	1		

Appendix 1: Results of self-assessment

Good practice questions	Yes	Partly	No	Comments
Effectiveness of the committee				
19 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	1	1	3	2 unsures
20 Are meetings effective with a good level of discussion and engagement from all the members?	6	1		
21 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	4	3		Probably could engage wider
22 Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	4	3		This aspect of the Committee's role could be developed further
23 Has the committee evaluated whether and how it is adding value to the organisation?	2	1	4	
24 Does the committee have an action plan to improve any areas of weakness?	2	1	3	1 unsure
25 Does the committee publish an annual report to account for its performance and explain its work?	2	1	3	1 unsure

	Good Practice Requirement	Y/N/P	Comments	Action Required
Audit Committee Purpose and Governance				
1	Does the Council have a dedicated Audit Committee?	Yes	None	None
2	Does the Audit Committee report directly to the Council?	Yes	This is set out in the Council's Constitution and the Audit Committee's Terms of Reference. Minutes of Audit Committee meetings get reported at the subsequent Council meeting.	None
3	Do the Terms of Reference clearly set out the purpose of the committee in accordance with CIPFA's Position of Statement?	Yes	The Audit Committee's Terms of Reference are set out in the Constitution.	None
4	Is the role and purpose of the Audit Committee understood and accepted across the Council?	Partly	In recent years, training relevant to the role and function of the Audit Committee has been restricted to committee members rather than all councillors. Historically, very few directors or group managers attend the Audit Committee other than those whose functions directly support its work. There is no standard officer briefing or training on this. Therefore, it is possible understanding at these levels is less consistent.	Invite other members to the Audit Committee training that is provided each year. Produce an Audit Committee Annual Report outlining its work for Full Council (see also 6 below).
5	Does the Audit Committee provide support to the Council in meeting the requirements of good governance?	Yes	The Audit Committee reviews the Annual Governance Statement and the Statement of Accounts, to ensure they reflect the requirements of good governance.	None

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	Good Practice Requirement	**Y/N/P**	**Comments**	**Action Required**
6	Are the arrangements to hold the Audit Committee to account for its performance operating satisfactorily?	Partly	The Audit Committee has not produced an Annual Report to Council for some time. This could involve members undertaking an assessment of compliance with good practice guidance and also include: • an annual review of its terms of reference • proposed work plan for the following year • summary of the evidence considered throughout the year • a conclusion on whether they had received sufficient assurance to approve the Annual Governance Statement. The Annual Report could then be presented to Council by the Chair of the Audit Committee.	Produce an Audit Committee Annual Report for Full Council covering the items included within the comments.

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	Good Practice Requirement	Y/N/P	Comments	Action Required
Functions of the Audit Committee				
7	Do the Audit Committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?	Yes	The purpose of the Audit Committee, set out in its Terms of Reference, is consistent with the good practice guidance. The core areas identified in CIPFA's position statement are all reflected in the Terms of Reference.	None
	• good governance			
	• assurance framework			
	• internal audit			
	• external audit			
	• financial reporting			
	• risk management			
	• value for money or best value			
	• counter fraud and corruption.			
8	Is an annual evaluation undertaken to assess whether the Audit Committee is fulfilling its Terms of Reference and that adequate consideration has been given to all core areas?	Partly	This has not been done for some time and could be addressed as part of the Audit Committee Annual Report.	Produce an Audit Committee Annual Report for Full Council covering the items included within the requirements.

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	Good Practice Requirement	Y/N/P	Comments	Action Required
9	Has the Audit Committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Partly	The Audit Committee has retained the role of scrutinising the treasury management function. This has not been done for some time and could be addressed as part of the Audit Committee Annual Report.	Produce an Audit Committee Annual Report for Full Council covering the items included within the requirements.
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Partly	This has not been done for some time and could be addressed as part of the Audit Committee Annual Report.	Produce an Audit Committee Annual Report for Full Council covering the items included within the requirements.
11	Has the Audit Committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Yes	In accordance with the Terms of Reference.	None

	Good Practice Requirement	Y/N/P	Comments	Action Required
Membership and Support				
12	Has an effective Audit Committee structure and composition of the committee been selected? This should include:			
	• separation from the executive	Yes	All Audit Committee members are Councillors or independent members.	None
	• an appropriate mix of knowledge and skills among the membership	Yes	However a membership skill assessment has not been completed, so it is not clear what their skill set is.	Undertake a skills assessment of Audit Committee members.
	• size of committee that is not unwieldy	Yes	The size of the Audit Committee is determined by proportional representation.	None
	• consideration has been given to the inclusion of at least one independent member.	Yes	One independent member sits on the Committee.	None
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council?	Yes	The post was advertised and interviews were held with the Chairman and Vice Chairman at the time of the appointment.	
14	Does the chair of the Audit Committee have appropriate knowledge and skills?	Yes	The chair has been replaced this year, however the new chair has been the Audit Committee chair in previous years, so is familiar with the relevant guidance and has attended training sessions on the Audit Committee's role.	None

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	Good Practice Requirement	**Y/N/P**	**Comments**	**Action Required**
15	Are arrangements in place to support the Audit Committee with briefings and training?	Yes	Relevant information items are circulated to members with the meeting agenda's whenever they become available (e.g. CIPFA Audit Committee briefings). Training is provided on an annual basis and when requested, but needs are not formally assessed for discussed.	Discuss with the new Chair whether additional support, briefings and training is required.
16	Has the membership of the Audit Committee been assessed against the core knowledge and skills framework and found to be satisfactory?	No	A membership skill assessment has not been completed, so it is not clear what their skill set is.	Undertake a skills assessment of Audit Committee members.
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	Yes	Key people that deal with the Audit Committee are positive about it. No adverse feedback received to date.	None
18	Is adequate secretariat and administrative support to the Audit Committee provided?	Yes	Agenda's, meeting papers and minutes are circulated in appropriate timescales. No adverse feedback received to date.	None
Effectiveness of the Committee				
19	Has the Audit Committee obtained feedback on its performance from those interacting with it or relying on its work?	No	This has not been done for some time and could be addressed as part of the Audit Committee Annual Report.	Produce an Audit Committee Annual Report for Full Council covering the items included within the requirements.

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	Good Practice Requirement	Y/N/P	Comments	Action Required
20	Are meetings effective with a good level of discussion and engagement from all the members?	Yes	Feedback from members and other interacting with the Committee indicate that this is the case.	None
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Yes	Officers are called into meetings occasionally when the Audit Committee wishes to find out more about something.	Consider whether further officers should be requested to attend the Audit Committee on an as required basis.
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Yes	This has not been done for some time and could be addressed as part of the Audit Committee Annual Report.	Produce an Audit Committee Annual Report for Full Council covering the items included within the requirements.
23	Has the Audit Committee evaluated whether and how it is adding value to the organisation?	No	This has not been done for some time and could be addressed as part of the Audit Committee Annual Report.	Produce an Audit Committee Annual Report for Full Council covering the items included within the requirements.
24	Does the committee have an action plan to improve any areas of weakness?	No	This has not been done for some time and could be addressed as part of the Audit Committee Annual Report.	Produce an Audit Committee Annual Report for Full Council covering the items included within the requirements.
25	Does the Audit Committee have an action plan to improve any areas of weakness?	No	Previously, this was part of the annual performance review and reporting process. Progress in implementing any actions was reported to the Audit Committee at its January meeting.	Produce an Audit Committee Annual Report for Full Council covering the items included within the requirements.

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CIPFA Better Governance Forum
CIPFA Counter Fraud Centre

Audit Committee Update
– helping audit committees to be effective

The Audit Committee Role in Supporting Counter Fraud and Anti-corruption

Regular Briefing on New Developments

March 2019

Dear Audit Committee Member,

I hope you find this issue helpful and informative.

CIPFA believes that audit committees have a valuable role to play in supporting good governance, strong public financial management and effective internal audit and external audit. These briefings are one of the ways that we provide support direct to audit committee members.

The focus for this issue is providing support and oversight for the organisation's counter fraud and anti-corruption arrangements. The audit committee can make a helpful contribution to the fight against fraud by helping to ensure that public bodies' arrangements are fit for purpose and that fraud risks are recognised and acted on. Improving resilience to fraud will help to safeguard public money and services and give greater confidence to citizens and service users that resources are used effectively. We are making this issue available to the audit committees of our CIPFA Counter Fraud Centre members as well as Better Governance Forum members.

All our resources for audit committees are signposted on our website: www.cipfa.org/services/support-for-audit-committees, including the Position Statement on Audit Committees in Local Authorities and Police.

Best wishes

Diana Melville
Governance Advisor
CIPFA

Sharing this document

Audit Committee Update is provided to subscribers of the Better Governance Forum for use within their organisations. Please feel free to circulate it widely to your organisation's audit committee members and colleagues. It can also be placed on an intranet. It should not be shared with audit committee members of organisations that do not subscribe to the Better Governance Forum or disseminated more widely without CIPFA's permission.

Audit Committee Update is covered by CIPFA's copyright and so should not be published on the internet without CIPFA's permission. This includes the public agendas of audit committees.

Receive our briefings directly

This briefing will be sent to the main contact of organisations that subscribe to the CIPFA Better Governance Forum with a request that it be sent to all audit committee members.

If you have an organisational email address (for example jsmith@mycouncil.gov.uk) then you will also be able to register on our website and download any of our guides and briefings directly. To register now, please visit www.cipfa.org/Register.

Previous issues of Audit Committee Update

Members of organisations that subscribe to the CIPFA Better Governance Forum can download all the previous issues from the website. Click on the links below to find what you need.

Principal Content	Link
Issues from 2010 and 2011– the content in these issues has been replaced by more recent issues.	
Issues from 2012	
Assurance Planning, Risk Outlook for 2012, Government Response to the Future of Local Audit Consultation	Issue 7
Commissioning, Procurement and Contracting Risks	Issue 8
Reviewing Assurance over Value for Money	Issue 9
Issues from 2013	
Public Sector Internal Audit Standards and Updates to Guidance on Annual Governance Statements	Issue 10
Local Audit and Accountability Bill, the Implications for Audit Committees, Update of CIPFA's Guidance on Audit Committees	Issue 11
Reviewing Internal Audit Quality, New CIPFA Publication, Audit Committees Practical Guidance for Local Authorities and Police, Regular Briefing on Current Issues	Issue 12
Issues from 2014	
Reviewing the Audit Plan, Update on the Local Audit and Accountability Act, Briefing on Topical Governance Issues	Issue 13
Issues 14 and 15, the content in these issues has been replaced by more recent issues.	
Issues from 2015	
What Makes a Good Audit Committee Chair? Governance Developments in 2015	Issue 16
The Audit Committee Role in Reviewing the Financial Statements, Regular Briefing on Current Developments	Issue 17
Self-assessment and Improving Effectiveness, Appointment and Procurement of External Auditors, Regular Briefing on Current Issues	Issue 18
Issues from 2016	
Good Governance in Local Government – 2016 Framework, Appointing Local Auditors, Regular Briefing on Current Issues	Issue 19
CIPFA Survey on Audit Committees 2016, Regular Briefing on Current Issues	Issue 20
The Audit Committee and Internal Audit Quality, Briefing on Topical Issues	Issue 21
Issues from 2017	
Developing an Effective Annual Governance Statement, Regular Briefing on Current Developments, Audit Committee Training	Issue 22
2017 edition of the Public Sector Internal Audit Standards, Understanding the Risks and Opportunities from Brexit, Recent Developments and Resources	Issue 23

Issues from 2018	
The Audit Committee Role in Risk Management, Regular Briefing on Current Developments	
Developing an Effective Annual Governance Statement	
CIPFA Position Statement on Audit Committees in Local Authorities and Police 2018	
Issues from 2019	
Focus on Local Audit National Audit Office Report: Local Authority Governance	

Workshops and training for audit committee members in 2019 from CIPFA

Introduction to the knowledge and skills of the audit committee
This training course will provide more in-depth knowledge of the core areas of an audit committee's functions, including risk management, assurance planning and improving the effectiveness of the committee.
- 19 September, Leeds
- 16 October, London
- 17 October, Birmingham

Development day for police audit committees
These events are suitable for members of the joint audit committees supporting police and crime commissioners (PCCs) and chief constables. These events are run in conjunction with CIPFA's Police Network.

- Dates to be confirmed

Development day for local government audit committees
This workshop is suitable for audit committee members or those working with the audit committee in local government. It will cover an update on new developments and legislation relevant to the audit committee role. In addition, it will feature the new governance framework, internal audit developments and other key topics.
- 13 November, London
- 5 December, Birmingham
Other dates in late 2019 or early 2020 will be announced later in the year.

The above events can all be accessed using prepaid places for the CIPFA Better Governance Forum. CIPFA events information and dates will be available on the website in due course.

In-house training and facilitation

In-house audit committee training and guidance tailored to your needs is available. Options include:

- key roles and responsibilities of the committee
- effective chairing and support for the committee
- working with internal and external auditors
- public sector internal audit standards
- corporate governance
- strategic risk management
- value for money
- fraud risks and counter fraud arrangements

- reviewing the financial statements
- assurance arrangements
- improving impact and effectiveness.

For further details, contact our in-house training team or email diana.melville@cipfa.org or visit the CIPFA website for further details on the support we have available for audit committees.

New development from 2019: support for councillors in local authorities

CIPFA is working with the Centre for Public Scrutiny to provide events and resources to support councillors in their roles. Events will be half-day sessions at a range of locations. Topics include financial reporting, governance and procurement.

The following events are now open for booking:

Understanding your Council's Financial Reporting Requirements

This new CIPFA network workshop is designed specifically to provide elected members with greater insight into the financial reporting requirements of their authority, giving them the knowledge and confidence to deliver effective engagement, scrutiny and challenge of the statement of accounts as part of their overall governance role.

- 30 May, London
- 5 June, Leeds

Ensuring Good Governance in Decision Making and Delivery of Council Services

This event will introduce the key elements of local authority governance, including the principles of good governance, the importance of culture and ethics, and lessons to be learned from governance failures.

- 19 June 2019, London
- 20 June 2019, York

Please note these events cannot be booked using a network subscription prepaid place.

The Audit Committee Role in Counter Fraud

Introduction

Counter fraud is an important part of an organisation's governance, risk management and internal control arrangements. It therefore sits squarely within the remit of the audit committee. In the public sector there is strong expectation of stewardship of public money, public accountability and effective use of resources, so helping to ensure that the organisation is more resilient to the risks of fraud and corruption is an important responsibility.

Whilst most audit committees have some oversight of fraud and corruption, sometimes this can be limited to reports on investigations undertaken. It is more effective for the audit committee to have a wider understanding of fraud and corruption risks and to have oversight of the full range of anti-fraud and corruption activity. This briefing will expand on the role of the audit committee and help understanding about the exposures to fraud and corruption and the need to ensure robust arrangements are in place.

Understanding your fraud and corruption risks

Fraud and corruption are risks experienced by all organisations, but the experience and exposure to fraud and corruption varies according to a number of factors.

- The types of fraud to which an organisation may be vulnerable will vary according to the type of services it provides.
- Fraud and corruption trends will change over time and may be more significant for some organisations over others.
- The strength of an organisation's internal control environment will be a significant factor when considering its vulnerability to fraud.
- The strength of an organisation's governance arrangements, particularly ethical standards, will be important in developing an anti-fraud culture and ensuring appropriate behaviours are in place amongst both staff and the governing body.
- Awareness of fraud risks and warning signs amongst staff, together with appropriate arrangements for raising concerns, will influence whether potential fraud or corruption is reported for investigation.
- Whether an organisation has adequate arrangements in place to support both proactive anti-fraud and corruption work and investigations of referrals will influence whether and how quickly fraud is detected, investigated and brought to an appropriate resolution.

Within the public services there are surveys and analysis that provide insight into the types and levels of fraud experienced. CIPFA's Fraud and Corruption Tracker (CFaCT) provides an analysis based on actual fraud detected and prevented by local authorities in the UK. The most recent report found that the total value of fraud detected or prevented in 2017/18 was £302m. Housing fraud (including illegal sub-letting and abuse of right to buy) accounted for 71.4% of the value of fraud, as each individual case can be substantial, though there are differences in how authorities calculated the 'worth' of the frauds they experienced. Other types of fraud account for a much higher volume of activity with council tax fraud (such as falsely claiming a single person discount or other reduction) accounting for 70% of cases.

The National Fraud Initiative is a data matching programme led by the Cabinet Office and the lead audit bodies of Scotland, Wales and Northern Ireland. Results from the latest exercise were that £301m in fraud, overpayments and errors were identified and prevented.

In central government the Cabinet Office leads on initiatives to support counter fraud arrangements. A recent report on the level of detected fraud within central government and health was £119m. This excludes tax and welfare frauds.

Some fraud risks can come from within the organisation itself. Examples could include the abuse of the procurement process or manipulation of financial systems to secure illegal payments. A few recent examples illustrate the potential sophistication or scale of an internal fraud:

- The London Borough of Barnet suffered a fraud valued at £2m as a result of the abuse of systems by an employee of a contracted service provider. See press report.
- A business rates officer at Rochdale Borough Council abused his position to obtain £80,000. See press report.
- The former head of Westminster Council's pension fund was jailed for seven years after stealing more than £1m from the authority. See press report.

Ensuring your organisation has robust arrangements

The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption can be downloaded from the CIPFA website. It sets out the arrangements a public sector organisation should have in place to maintain resilience to fraud and support good governance.

The Code has five principles:

- acknowledge the responsibility of the governing body for countering fraud and corruption
- identify the fraud and corruption risks
- develop an appropriate counter fraud and corruption strategy
- provide resources to implement the strategy
- take action in response to fraud and corruption.

As part of your membership of the CIPFA Better Governance Forum or CIPFA Counter Fraud Centre, we have made available to your organisation a tool that assesses your arrangements against the CIPFA Counter Fraud Code and helps to identify areas for improvement. This includes a reporting function to facilitate easy reporting of results to senior management and the audit committee. The chart below provides an example of the assessment report.
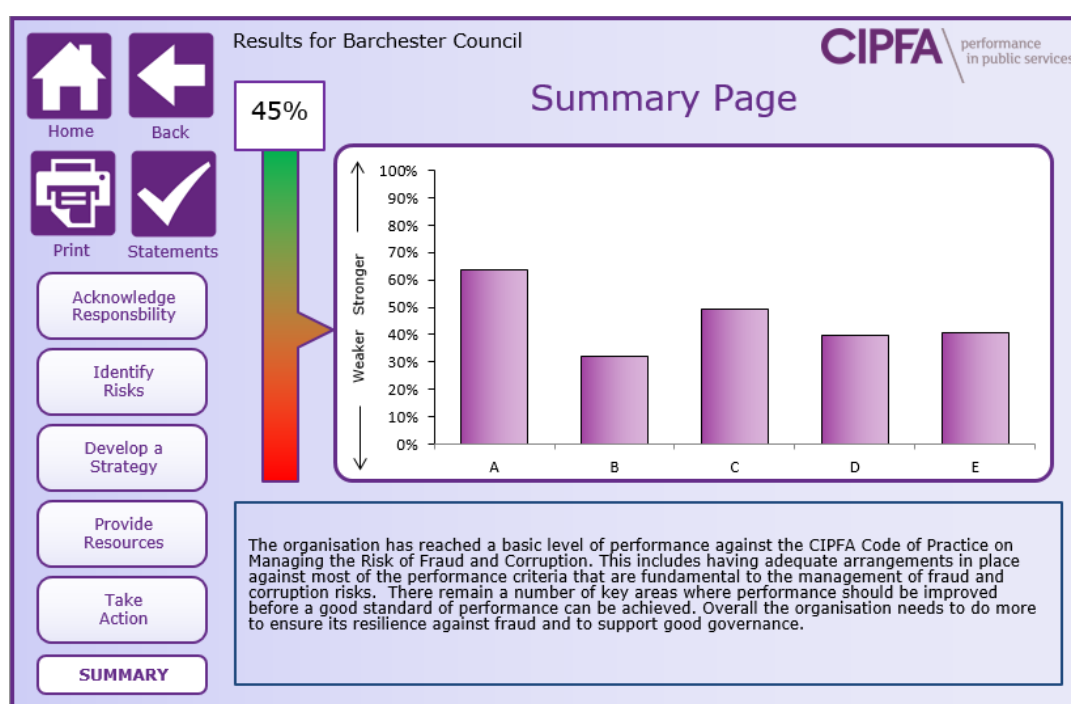
The audit committee's role

CIPFA's guidance, Audit Committees, Practical Guidance for Local Authorities and Police, sets out the key responsibilities of the committee in relation to fraud and corruption. However, it is also important to recognise that the wider work of the audit committee in supporting effective governance, risk management, internal control and audit arrangements also contributes to the organisation's resilience to fraud.

Committee members should be aware of the recommended best practice for their sector. The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption sets standards for effective counter fraud arrangements within public sector organisations. There are also reports and strategies that are specific to individual sectors such as The Government Counter Fraud Profession for central government, Fighting Fraud and Corruption Locally for local authorities and Integrity Matters by HMICFRS.

All organisations should have a counter fraud and corruption strategy that sets out plans and objectives to address risks. The audit committee should review the strategy when it is introduced, comment on the plans and monitor the activity. It is helpful to bring a fraud risk assessment before the committee so that it is sighted on the key areas of risks and trends. This provides a useful context when reviewing the strategy.

When reviewing the activity of the counter fraud function, the committee should be made aware of any resourcing issues and improvement plans. If an assessment of the effectiveness of counter fraud arrangements has been undertaken, the results should be shared with the audit committee. Internal audit may also provide some assurance over the management of fraud risks. There is guidance to internal auditors on providing assurance in accordance with the Public Sector Internal Audit Standards: The Internal Audit Role in Counter Fraud.

If your organisation does suffer a significant fraud then the committee should support a constructive review to identify the control failures and make improvements. The organisation should learn from the incident, and the audit committee is well placed to ensure that this happens.

CIPFA's guidance on the Annual Governance Statement (AGS) recommends that the adequacy of counter fraud arrangement is included in the annual review. The audit committee should consider whether there are any significant issues arising from the review that should be included in the AGS and action plan.

Overall, the audit committee is well placed to support the development of adequate counter fraud and anti-corruption arrangements as part of their role to support good governance and robust internal controls.

Key questions to ask

1	Has a fraud and corruption risk assessment been undertaken and what are the key risks for our organisation?
2	How effective are our counter fraud arrangements? Has a self-assessment or audit been carried out?
3	How do we make sure that staff are aware of warning indicators of fraud and know how to raise concerns or seek advice?
4	Does a member of the governing body take a lead role in promoting ethical behaviour and supporting counter fraud and corruption initiatives?
5	Does the audit committee focus on overall arrangements and the strategy or has it principally focused on individual investigations?

Diana Melville
Governance Advisor CIPFA

Recent developments you may need to know about

Consultations

CIPFA Financial Management Code

CIPFA is currently consulting on a new code of practice. The Financial Management Code will for the first time set standards of financial management for local government in the UK.

The draft FM Code is based on a series of principles supported by specific standards and statements of practice. They are considered necessary to provide the strong foundation within local authorities to enable them to:
- manage short, medium and long-term finances
- manage financial resilience to meet foreseen demands on services
- manage unexpected shocks in their financial circumstances.

Demonstrating compliance with the CIPFA FM Code will be the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team.

The consultation is open until 30 April 2019. The consultation draft and response form is available on the CIPFA website.

Reports, recommendations and guidance

CIPFA Statement on the Role of the Head of Internal Audit

The 2019 edition of the CIPFA Statement will be published on 9 April. The statement sets out five principles that define the role and sets out the responsibilities of the organisation and the head of internal audit to ensure the role meets the standard. The support of the audit committee is a critical factor helping to ensure that professional standards can be met and that there are appropriate reporting relationships in place.

To mark the launch of the Statement, a free networking event is taking place at CIPFA's base in Mansell Street London. The launch will feature CIPFA Vice President Carolyn Williamson and Chief Executive Rob Whiteman and a panel of heads of internal audit. The event is open to audit committee members, internal auditors and members of leadership teams. For more details and to book online please see the CIPFA website.

Local Government Application Note

CIPFA has updated its Application Note that accompanies the Public Sector Internal Audit Standards for internal auditors in local government. Internal audit should follow this as well as the standards. The publication includes a checklist to support evaluation against the standards, which is a key part of the internal audit's quality assurance and improvement programme.

As part of their annual opinion on governance, risk management and internal control, the head of internal audit should report on the results of the quality assurance and improvement programme to the audit committee. This should include the results of the external assessment, which must take place at least once every five years.

Reviewing the Annual Governance Statement (AGS)

Local government bodies are required to publish an AGS alongside their financial statements each year. The audit committee plays an important role in the process, considering how effective the governance arrangements have been in the year and reviewing the AGS itself prior to approval and publication.

Issue 25 of Audit Committee Update provided advice and support to audit committees in this role. A copy can be downloaded from the CIPFA website.

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