

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

**Audit Committee**

**Date: Wednesday, 29th April, 2020  
Time: 6.30 pm  
Place: Virtual Meeting via MS Teams  
Contact: Colin Gamble  
Email: [committeesection@southend.gov.uk](mailto:committeesection@southend.gov.uk)**

**A G E N D A**

- 1 Apologies for Absence**
- 2 Declarations of Interest**
- 3 Minutes of the Meeting held on 15th January 2020 (Pages 1 - 4)**
- 4 Deloitte: Housing Benefit Subsidy Certification report for the year ending 31 March 2019 (Pages 5 - 24)**  
Report of the Executive Director (Finance and Resources) attached
- 5 Deloitte: Audit Plan to the Audit Committee, Audit for the year ending 31 March 2020 (Pages 25 - 50)**  
Report of the Executive Director (Finance and Resources) attached
- 6 Counter Fraud and Investigation Directorate Quarterly Performance Report (Pages 51 - 72)**  
Report of the Executive Director (Finance and Resources) attached
- 7 Internal Audit Service Quarterly Performance Report (Pages 73 - 100)**  
Report of the Executive Director (Finance and Resources) attached
- 8 Internal Audit Charter, Strategy and Audit Plan for 2020/21 (Pages 101 - 142)**  
Report of the Executive Director (Finance and Resources) attached
- 9 Audit Committee Assessment and Development Update (Pages 143 - 144)**  
Report of the Executive Director (Finance and Resources) attached
- 10 Information Item (Pages 145 - 158)**
  - CIPFA Audit Committee Update 30 (February 2020)
    - CIPFA Financial Management Code;
    - Responding to the Redmond Review: Results of CIPFA's Survey on Audit Committees;
    - Briefing on new guidance and resources

**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

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# **SOUTHEND-ON-SEA BOROUGH COUNCIL**

## **Meeting of Audit Committee**

**Date: Wednesday, 15th January, 2020**

**Place: Committee Room 1 - Civic Suite**

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Present: Councillor P Collins (Chair)  
Councillors L Burton (Vice-Chair), B Ayling, T Cox, M Davidson, N Folkard, S Habermel, M Kelly and I Shead

In Attendance: J Chesterton, E Allen, R Gill, S Dutton, C Fozzard, C Mercieca, C Gamble and A Barnes, C Wisdom (Deloitte)

Start/End Time: 6.30 - 7.50 pm

### **678 Apologies for Absence**

Apologies for absence were received from Mr K Pandya.

### **679 Declarations of Interest**

The following Councillors declared interests:

- (a) Councillor Cox – All items – Non-Pecuniary Interest: Member of the Shareholder Board
- (b) Councillor Davidson – All items – Non-Pecuniary Interest: Member of the Shareholder Board
- (c) Councillor Davidson – Agenda item No. 4 (Treasury Management Policy 2020/21) – Non-Pecuniary Interest: Non-executive Director of South Essex Homes

### **680 Minutes of the Meeting held on Wednesday 23rd October 2019**

Resolved:-

That the Minutes of the Meeting held on Wednesday 23<sup>rd</sup> October 2019 be confirmed as a correct record and signed.

### **681 Treasury Management Policy for 2020/21**

The Committee considered a report of the Executive Director (Finance and Resources) presenting the treasury management policy for 2020/21 comprising the following documents:

- Treasury Management Policy Statement for 2020/21;
- Treasury Management Strategy for 2020/21;
- Annual Treasury Management Investment Strategy for 2020/21.

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

Resolved:

That the treasury management policy for 2020/21, be endorsed.

**682 Risk Management Update**

The Committee considered a report from the Executive Director (Finance and Resources) providing an update on the revised risk management policy statement and strategy approved by Cabinet on 17<sup>th</sup> September 2019 and Council on 24<sup>th</sup> October 2019.

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

Resolved:

That the delivery of implementing the revised risk management policy statement and strategy, be noted.

**683 Counter Fraud and Investigation Directorate Quarterly Performance Report**

The Committee considered a report of the Executive Director (Finance and Resources) providing an update on the progress made by the Counter Fraud and Investigation Team (CFIT) in the formation of a new team and delivering the Counter Fraud Strategy and Work Programme for 2019/20.

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

Resolved:

That the performance of the Counter Fraud and Investigation Team over the last three months, be noted.

**684 Internal Audit Service Quarterly Performance Report**

The Committee considered a report of the Executive Director (Finance and Resources) providing an update on the progress made in delivering the Internal Audit Strategy for 2019/20.

It was noted that in addition to the originally planned audit work, the Team had been providing challenge, advice and support on a number of projects and initiatives and had taken over the responsibility for the Council's corporate approach to risk management.

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

Resolved:

That the progress made in delivering the 2019/20 Internal Audit Strategy, be noted.

**685      Audit Committee Assessment and Development Update**

The Committee considered a report of the Executive Director (Finance and Resources) providing an update on the assessment and development plans in respect of the Audit Committee.

The Chairman urged Councillors to complete the audit self-evaluation survey which would enable the content of the audit training session to be tailored to the training needs identified in the survey responses.

Resolved:

That the Audit Committee members complete the skills stocktake form emailed to the Committee on 20<sup>th</sup> December 2019 and reserve the date of the Audit Committee training session taking place at 6.30pm on 23<sup>rd</sup> March 2020.

**686      CIPFA Fraud and Corruption Tracker Summary Report November 2019**

The Committee received and noted the following information item:

- CIPFA Fraud and Corruption Tracker summary report 2019.

**Chair:** \_\_\_\_\_

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# Southend-on-Sea Borough Council

Agenda  
Item No.

4

Report of the Strategic Director (Finance and Resources)

to

**Audit Committee**

on

**29th April 2020**

Report prepared by: Deloitte Reporting Accountant

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**Deloitte: Housing Benefit Subsidy Claim assurance report for the Year ended 31 March 2019**

***A Part 1 Public Agenda Item***

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## **1. Purpose of Report**

- 1.1 To present the reporting accountant's Housing Benefit Subsidy Claim assurance report for 2018/19 to the Audit Committee.

## **2. Recommendation**

- 2.1 The Audit Committee accepts the Grant Claim and Return Certification Report for 2018/19.**

## **3. Background**

- 3.1 The arrangements for providing assurance to the Department of Work and Pensions (DWP) in respect of the Council's claim for subsidy towards expenditure on housing benefit have changes and are no longer overseen by Public Sector Audit Appointments Limited (PSAA). As a result the DWP have produced standardised assurance procedures and the Council is required to appoint its own reporting accountants to undertake that work.
- 3.2 Southend have appointed Deloitte to undertake that work and the report attached at Appendix 1 details the outcome of that work.
- 3.3 Due to the nature and volume of the work the Council undertakes administering the DWP's Housing Benefit arrangements it is inevitable that errors will be made, and the detailed nature of the assurance procedures performed by the reporting accountants will identify some of these errors, as is reflected in the results of the work. However the DWP's arrangements recognise this and includes a threshold of value of local authority errors that has an impact on the amount of subsidy that the Council receives. The Committee should note that the value of local authority errors reported in the return is below the DWP's threshold and therefore there has been no additional impact on the amount of subsidy received by the Council.
- 3.4 Following receipt of Deloitte's report the DWP have confirmed that there will be no change to the subsidy claimed for 2018/19, and that the position is now finalised.

## **4. Corporate Implications**

### **4.1 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.

### **4.2 Financial Implications**

Deloitte were appointed by the Council to undertake the DWP's assurance procedures following a competitive process, and the agreed cost for the work required is £21,000.

### **4.3 Legal Implications**

The Council is required to provide independent assurance from a reporting accountant to the DWP utilising their assurance procedures, to support the Council's claim for subsidy from the DWP. By considering this report, the Committee can satisfy itself that this requirement is being discharged.

### **4.4 People Implications**

None.

### **4.5 Property Implications**

None.

### **4.5 Consultation**

None.

### **4.6 Equalities and Diversity Implications**

None.

### **4.7 Risk Assessment**

The Council receives significant funding streams that require reporting accountants to provide assurance that the funding has been used in accordance with the funders' expectations. This funding would be at risk if the reporting accountants were not able to provide that assurance.

### **4.8 Value for Money**

None.

### **4.9 Community Safety Implications**

None.

### **6.11 Environmental Impact**

None.

## **5. Background Papers**

- National Audit Offices' Code of Audit Practice 2015
- DWP Housing Benefit (Subsidy) Assurance Process 2018/19

## **6. Appendix 1:**

**Deloitte's Housing Benefit Subsidy Claim assurance report for the Year ended 31 March 2019**

Housing Benefit Unit,  
Housing Delivery Division,  
DWP Business Finance & Housing Delivery Directorate,  
Room B120D,  
Warbreck House,  
Blackpool,  
Lancashire  
FY2 0UZ

**Housing Benefit (Subsidy) Assurance Process 2018/19 Module 6 DWP Reporting Framework Instruction (Applicable to England only) Reporting accountants' report for the Housing Benefit Subsidy claim form MPF720A, year ended 31 March 2019.**

**To: Housing Benefit Unit, Housing Delivery Division, DWP Business Finance & Housing Delivery Directorate, Room B120D, Warbreck House, Blackpool, Lancashire FY2 0UZ.**

**And: The Section 151 Officer of Southend on Sea Borough Council, Section 151 Officer.**

This report is produced in accordance with the terms of our engagement letter with the Southend on Sea Borough Council dated 9 July 2019 and the standardised engagement terms in Appendix 2 of HBAP Module 1 2018/19 issued by the Department for Work and Pensions (DWP) for the purpose of reporting to the Section 151 Officer of Southend on Sea Borough Council and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on form MPF720A dated 28/11/19.

This report should not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by the standardised engagement terms), without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the local authority and the DWP, we acknowledge that the local authority and/or the DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

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Housing Benefit (subsidy) Assurance Process Module 6

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This report is designed to meet the agreed requirements of Local Authority and the DWP as described in the DWP HBAP reporting framework instruction 2018/19.

This report should not therefore be regarded as suitable to be used or relied by any other party for any purpose or in any context. Any party other than the Local Authority and the DWP which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

### **Respective responsibilities of the Local Authority and the reporting accountant**

We conducted our engagement in accordance with HBAP Modules 1 and 6 2018/19 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

The Section 151 Officer of the Local Authority has responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. The section 151 Officer is also responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any officer of the Local Authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP.

### **Our approach**

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A 2018/19 dated 28/11/19 by the Section 151 Officer. The Section 151 Officer remains solely responsible for the completion of the MPF720A and is the signatory on the local authority's certificate on claim form MPF720A.

Our engagement was carried out in accordance with the DWP reporting framework instruction which has been prepared in accordance with the *International Standard on Related (ISRS) 4400, Engagement to perform agreed-upon-procedures regarding financial information*. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's form MPF720A dated 28/11/19 and to report the results of those procedures to the Local Authority and the DWP.

The results of these are reported on in appendices A, B, C and D.

## **Inherent limitations**

The procedures specified in DWP's HBAP Reporting framework instruction does not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the local authority's claim for Housing Benefit subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures or had we performed an audit or review of the local authority's claim for Housing Benefit subsidy on form MPF720A in accordance with generally accepted auditing or review standards, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

This engagement will not be treated as having any effect on our separate duties and responsibilities as the external auditor of the Local Authority's financial statements. Our audit work on the financial statements of the Local Authority is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. Our audit report on the Local Authority's financial statements is made solely to the Local Authority's members, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work was undertaken so that we might state to the Local Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Local Authority and the Local Authority's members, as a body, for our audit work, for our audit reports, or for the opinions we have formed in respect of that audit.

## **Summary of HBAP report**

### **Initial Testing**

In accordance with HBAP module 3, we completed an initial sample of cases for all general expenditure cells. Please refer to the Appendix where the results of our testing are described in further detail.

### **Cell 011: NHRA Rent Rebates – Misclassification of LA Error Overpayments**

Our initial test of 20 cases identified one error relating to a claim that included both NHRA and HRA expenditure. The LA, out of expediency, adjusted an overpayment relating to the NHRA portion of the claim in the HRA overpayment cell rather than the NHRA overpayment cell (one overall adjustment was performed across NHRA and HRA cells). This error did not and could not affect the amount of subsidy claimed; for this reason we concluded that extended testing was not appropriate for this error.

### **Cell 055: HA Rent Rebates – Earned Income**

Our initial test of 20 cases identified 1 claim (error value £21.84) where income was incorrectly input/assessed resulting in an underpayment of benefit. Given the nature of the population and the errors found, an additional sample of 40 cases where an assessment in the subsidy period was based upon income was tested.

### **Cell 055: Rent Rebates - Standard Income**

Our initial test of 20 cases identified 1 claim (error value £30.55) where income was incorrectly input/assessed resulting in an underpayment of benefit. Given the nature of the population and the errors found, an additional sample of 40 cases where an assessment in the subsidy period was based upon income was tested.

### **Cell 094: Rent Allowances - Misclassification of LA Error Overpayments**

Our initial test of 20 cases identified 1 case (error value £2.80) which was incorrectly classified as LA Error Overpayment instead of Eligible Overpayment. Given the nature of the population and the errors identified, an additional sample of 40 cases was selected from cell 66 for testing.

### **Cell 094: Rent Allowances - Standard Income**

Our initial test of 20 cases identified one error which had no effect on the amount of subsidy. Given the nature of the population and the errors identified, an additional sample of 40 cases where an assessment in the subsidy period was based upon income was tested.

### **Cell 094: Rent Allowances - Earned Income**

Our initial test of 20 cases identified 2 cases (total error value £44.17) where income was incorrectly input/assessed resulting in an underpayment of benefit. Given the nature of the population and the errors found, an additional sample of 40 cases where an assessment in the subsidy period was based upon income was tested.

### **Completion of Modules**

- Completion of Module 2
  - Testing of the module 2 was completed and no issues were identified.
- Completion of module 5
  - We have completed the questionnaire for the appropriate software supplier and no issues were identified.

## **Summary of testing arising from Cumulative Assurance Knowledge and Experience**

In line with the requirements of HBAP Modules we have undertaken CAKE testing based upon the preceding HBAP report. Where appropriate the Authority has completed testing of the sub populations for:

- Cell 061 HRA Rent Rebates - Standard Income Incorrectly Input/Assessed
- Cell 061 HRA Rent Rebates - Earned Income Incorrectly Input/Assessed
- Cell 066 HRA Rent Rebates - Misclassification of Technical Overpayments
- Cell 113 Rent Allowances - Misclassification of LA Error Overpayments
- Cell 094 Rent Allowances - Earned Income Incorrectly Input/Assessed
- Cell 102 Rent Allowances - Expenditure under the Rent Officer Arrangements: Rent Incorrectly Input
- Cell 094 Rent Allowances - Standard Income Incorrectly Input/Assessed
- Cell 094 Rent Allowances - Non-dependant Income Incorrectly Input/Assessed

We have re-performed a sample of the Authority's testing and confirm the tests we have carried out concur with the Authority's results. These results are outlined in the appropriate appendix.

### **Summary paragraph/ending of letter**

For the form MPF720A dated 28/11/19 for the year ended 31 March 2019 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the following results set out in Appendix A, B, C and D).

Firm of accountants: **Deloitte LLP**

Office: **St Albans**

Contact details (person, phone and email):

*Engagement Lead:*

**Craig Wisdom**

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Signature:

*Deloitte LLP*

Date: 29 November 2019

## Appendix A: Errors/Exceptions

### Software reconciliation of benefit granted to benefit paid

The Authority's benefit administration system (Northgate) performs a reconciliation of benefit granted to benefit paid; discrepancies identified through this reconciliation process are reported in the resulting SUB057 and SUB061 reconciliation reports. The reconciliation performed for the 2018/19 subsidy year identified the following unresolved discrepancies:

#### SUB057

Payment Type	Claim Type	Posted	Recon	Subsidy	Discrepancy
CREDS	PTEN	50,339,962.30	-609,265.27	50,934,764.88	-14,462.69
RENTS	LAHRA	16,565,798.66	-135,078.70	16,691,492.10	-9,385.26
RENTS	LANHRA	755,829.12	-70,466.31	826,311.65	16.22

*\*The amounts in the "Subsidy" column of the SUB057 schedule above reconcile to the claim form as follows:*

*Cell055 (£16,667,786.93) + Cell225b (£23,705.17) = £16,691,492.10*

*Cell094 (£50,921,624.39) + Cell225c (£13,140.49) = £50,934,764.88*

*Please note that this reconciliation was performed on the original claim form values, prior to the effect of any manual adjustments.*

#### SUB061

	Reconcile Total	Paid Total	Discrepancy
Rebates	17,321,627.78	17,322,416.80	789.02
Creditors	50,339,962.30	50,339,967.90	5.60

## Rent Rebates - Standard Income

Cell 061: Rent Rebates - Standard Income

Cell Total (061): **£16,496,276**

Cell Total - sub population: **£2,852,736**

Cell sub-population (# of cases): **754**

Headline Cell (055): **£16,667,787**

Testing performed in 2017/18 identified that the Local Authority had incorrectly input/assessed income resulting in over/underpayments of housing benefit. Our initial test of 20 cases identified 1 claim (error value £30.55) where income was incorrectly input/assessed resulting in an underpayment of benefit.

Given the nature of the population and the errors found, an additional sample of 40 cases where an assessment in the subsidy period was based upon income was tested. This additional testing identified:

- 6 cases where income was incorrectly input/assessed resulting in housing benefit being underpaid by a total of £3,351. Errors ranged in value from £0.36 to £2,156.
- 1 claim where income was incorrectly input/assessed resulting in housing benefit being overpaid by a total of £50.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy extrapolation purposes.

The result of the testing is set out in the table below:

Sample	Movement / brief note of error:	Original cell total: sub population	Sample error:	Sample value:		Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	SV]		[SE/SV]	[SE/SV times CT]
<b>Initial sample of 20 - 6 rent rebate standard income cases</b>	Standard income incorrectly input/assessed – Cell 061	£16,496,276	£0	£28,383			
<b>Additional testing sample – 40 cases</b>	Standard income incorrectly input/assessed – Cell 061	£2,852,736	£50	£143,750			
<b>Combined sample - 46 cases</b>	Standard income incorrectly input/assessed – Cell 061	<b>£2,852,736</b>	<b>£50</b>	<b>£172,134</b>		<b>0.03%</b>	<b>£836</b>
Corresponding adjustment:	Combined sample - Cell 061 is overstated						<b>-£836</b>
	Combined sample - Cell 065 is understated						£836
<b>Total corresponding adjustment</b>	<b>Total amendment of Cell 061 and 065</b>						<b>£836</b>

Rent Rebates - Earned Income

Cell 061: Rent Rebates - Earned Income

Cell Total (061): **£16,496,276**

Cell Total - sub population: **£875,484**

Cell sub-population (# of cases): **330**

Headline Cell (055): **£16,667,787**

Testing performed in 2017/18 identified that the Local Authority had incorrectly input/assessed income resulting in over/underpayments of housing benefit. Our initial test of 20 cases identified 1 claim (error value £21.84) where income was incorrectly input/assessed resulting in an underpayment of benefit.

Given the nature of the population and the errors found, an additional sample of 40 cases where an assessment in the subsidy period was based upon income was tested. This additional testing identified:

- 1 case where income was incorrectly input/assessed resulting in no impact on housing benefit.
- 2 cases where income was incorrectly input/assessed resulting in housing benefit being underpaid by £261.38. Errors range in value from £0.10 to £261.28.
- 3 cases where income was incorrectly input/assessed resulting in housing benefit being overpaid by a total of £910. Errors ranged in value from £2.21 to £892.90

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy extrapolation purposes.

The result of the testing is set out in the table below:

Sample	Movement / brief note of error:	Original cell total: sub population	Sample error:	Sample value:		Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	SV]		[SE/SV]	[SE/SV times CT]
<b>Initial sample of 20 - 4 Rent rebate earned income cases</b>	Earned income incorrectly input/assessed – Cell 061	16,496,276	£0	14,192			
<b>Additional testing sample – 40 cases</b>	Earned income incorrectly input/assessed – Cell 061	875,484	910	112,380			
<b>Combined sample - 44 cases</b>	Earned income incorrectly input/assessed – Cell 061	<b>875,484</b>	<b>£910</b>	<b>126,572</b>		<b>0.72%</b>	<b>£6,294</b>
Corresponding adjustment:	Combined sample - Cell 061 is overstated						<b>-£6,294</b>
	Combined sample - Cell 065 is understated						£6,294
<b>Total corresponding adjustment</b>	<b>Total amendment of Cell 061 and 065</b>						<b>£6,294</b>

Rent Allowances - Misclassification of LA Error Overpayments

Cell 113: Rent Allowances - LA Error & Administrative Delay Overpayments

Cell Total (113): **£66,440**

Cell Total - sub population: **£66,440**

Cell sub-population (# of cases): **443**

Headline Cell (094): **£50,921,624**

Testing performed in 2017/18 identified that the Local Authority had incorrectly classified claims as LA Error Overpayment when they should have been classified as Eligible Overpayment. Our initial test of 20 cases identified 1 case (error value £2.80) which was incorrectly classified as LA Error Overpayment instead of Eligible Overpayment.

Given the nature of the population and the errors identified, an additional sample of 40 cases was selected from cell 66 for testing. This additional testing identified 8 cases classified as LA Error Overpayment which should have been classified as Eligible Overpayment. The total error was £356.33 and errors ranged in value from £0.15 to £148.

The result of the testing is set out in the table below:

Sample	Movement / brief note of error:	Original cell total: sub population	Sample error:	Sample value:		Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	SV]		[SE/SV]	[SE/SV times CT]
<b>Initial sample of 20 - 2 Rent Allowance misclassification of LA error/admin delay cases</b>	Misclassification of LA error/admin delay – Cell 113 is overstated and Cell 114 is understated	66,440	2.80	122			
<b>Additional testing sample – 40 cases</b>	Misclassification of LA error/admin delay – Cell 113 is overstated and Cell 114 is understated	66,440	356	4,617			
<b>Combined sample - 41 cases</b>	Misclassification of LA error/admin delay – Cell 113 is overstated and Cell 114 is understated	66,440	£359	4,739		<b>7.58%</b>	<b>£5,035</b>
Corresponding adjustment:	Combined sample - Cell 113 is overstated						<b>-£5,035</b>
Corresponding adjustment:	Combined sample - Cell 114 is understated						£5,035
<b>Total corresponding adjustment</b>	<b>Total amendment of Cells 113 and 114</b>						<b>£5,035</b>

Rent Allowances - Expenditure under the Rent Officer Arrangements - Rent Incorrectly Input

Cell 102: Rent Allowances - Expenditure under the Rent Officer Arrangements

Cell Total (102): **£12,704,152**

Cell Total - sub population: **£12,704,152**

Cell sub-population (# of cases): **2,602**

Headline Cell (094): **£50,921,624**

Testing performed in 2017/18 identified that the Local Authority had incorrectly input rent resulting in over/underpayments of benefit. Our initial test of 20 cases identified no errors.

Given the nature of the population and the errors found, an additional sample of 40 cases was selected from cell 102 for testing. The additional testing identified:

- 2 cases where rent was incorrectly input resulting in housing benefit being overpaid by a total of £223.41. Errors ranged in value from £50.91 to £172.50.

The result of the testing is set out in the table below:

Sample	Movement / brief note of error:	Original cell total: sub population	Sample error:	Sample value:		Percentage error rate (to two decimal places):	Cell adjustment:
		[CT]	[SE]	SV]		[SE/SV]	[SE/SV times CT]
<b>Initial sample of 20 - 5 Rent Allowance Cell 102 cases</b>	Rent incorrectly input	12,704,152	£0	32,156			
<b>Additional testing sample – 40 cases</b>	Rent incorrectly input – Cell 102 is overstated and cell 113 is understated	12,704,152	223	231,836			
<b>Combined sample - 45 cases</b>	Rent incorrectly input – Cell 102 is overstated and cell 113 is understated	<b>12,704,152</b>	<b>£223</b>	<b>263,992</b>		<b>8% 0.0</b>	<b>751 £10,</b>
Corresponding adjustment:	Combined sample - Cell 102 is overstated						<b>-£10,751</b>
	Combined sample - Cell 113 is understated						751 £10,
<b>Total corresponding adjustment</b>	<b>Total amendment of Cells 102 and 113</b>						<b>751 £10,</b>

Rent Allowances - Standard Income

Cell 094: Rent Allowances - Standard Income

Cell Total (094): **£50,921,624**

Cell Total - sub population: **£7,837,796**

Cell sub-population (# of cases): **1,500**

Headline Cell (094): **£50,921,624**

Testing performed in 2017/18 identified that the Local Authority had incorrectly input/assessed income resulting in over/underpayments of benefit. Our initial test of 20 cases identified one error which had no effect on the amount of subsidy.

Given the nature of the population and the errors identified, an additional sample of 40 cases where an assessment in the subsidy period was based upon income was tested. This additional testing identified:

- 3 cases where income had been incorrectly input/assessed resulting in housing benefit being underpaid by a total of £208.34. Errors ranged in value from £5.88 to £131.34.
- 1 case where income had been incorrectly input/assessed resulting in no impact on the amount of housing benefit.
- 1 case where income had been incorrectly input/assessed resulting in housing benefit being overpaid by £3,530.16. The error was caused by an assessor selecting the wrong payment frequency for the claimant's benefit income. By establishing that the payment frequency for this category of benefit payment does not vary for different claims and querying the system in order to generate a report of all claims with the same benefit payment, we were able to establish that this particular error was absent from all other claims on the subsidy form, therefore this error is not extrapolated.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.



## Appendix B Observations

### Rent Rebates - Misclassification of Technical Overpayments

Cell 066: Rent Rebates - Technical Overpayments

Cell Total (066): **£10,436**

Cell Total - sub population: **£10,436**

Cell sub-population (# of cases): **171**

Headline Cell (055): **£16,667,787**

Testing performed in 2017/18 identified that the Local Authority had incorrectly classified Technical Overpayments as either LA Error Overpayment or Eligible Overpayment. Our initial test of 20 cases identified no cases affected by this error.

Given the nature of the population and the errors identified in 2017/18, an additional sample of 40 cases selected from cell 66 was tested. This test identified 1 case where the claimant had moved from one LAHRA property to another, and the system was not set to automatically offset any resulting overpayment; this resulted in cell 66 being overpaid by £93.03; the amount does not represent a true overpayment and consequently no other overpayment cells are underpaid.

As cell 66 attracts no subsidy, no other overpayment cells are under/overpaid and the amount of subsidy claimed for this case is correct, we have concluded that this error has had no impact on the amount of subsidy claimed.

### Rent Allowances - Earned Income

Cell 094: Rent Allowances - Earned Income

Cell Total (094): **£50,921,624**

Cell Total - sub population: **£12,011,086**

Cell sub-population (# of cases): **2,448**

Headline Cell (094): **£50,921,624**

Testing performed in 2017/18 identified that the Local Authority had incorrectly input/assessed income resulting in over/underpayments of benefit. Our initial test of 20 cases identified 2 cases (total error value £44.17) where income was incorrectly input/assessed resulting in an underpayment of benefit.

Given the nature of the population and the errors found, an additional sample of 40 cases where an assessment in the subsidy period was based upon income was tested. This additional testing identified:

6 cases where income was incorrectly input/assessed resulting in housing benefit being underpaid by a total of £917.75. Errors ranged in value from £0.45 to £779.28.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy extrapolation purposes.

Cell 094: Rent Allowances - Non-Dependant Income

Cell Total (094): **£50,921,624**

Cell Total - sub population: **£2,898,496**

Cell sub-population (# of cases): **527**

Headline Cell (094): **£50,921,624**

Testing performed in 2017/18 identified that the Local Authority had incorrectly input/assessed non-dependant income resulting in over/underpayments of benefit. Our initial test of 20 cases identified no errors.

Given the nature of the population and the errors found, an additional sample of 40 cases where an assessment in the subsidy period was based upon non-dependant income was tested. This additional testing identified:

2 cases where non-dependant income had been incorrectly input/assessed resulting in housing benefit being underpaid by a total of £439.06. Errors ranged in value from £19.65 to £419.41.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

Cell 011: NHRA Rent Rebates – Misclassification of LA Error Overpayments

Cell Total (011): **£50,921,624**

Headline Cell (011): **£50,921,624**

Our initial test of 20 cases identified one error relating to a claim that included both NHRA and HRA expenditure. The LA, out of expediency, adjusted an overpayment relating to the NHRA portion of the claim in the HRA overpayment cell rather than the NHRA overpayment cell (one overall adjustment was performed across NHRA and HRA cells) with following result:

Cell 23 is overstated and Cell 26 is understated by £164.87; Cell 65 is overstated by £74.34 and Cell 61 is understated by £164.87. The net result of the under and overstatements is that subsidy is being correctly claimed at £90.53.

The treatment was intentional and the calculations were performed correctly, resulting in the correct amount of subsidy claimed. We therefore consider this to be an error in a technical sense albeit one which did not and could not affect the amount of subsidy claimed; for this reason we concluded that extended testing was not appropriate for this error.

# Southend-on-Sea Borough Council

Agenda  
Item No.

5

Report of the Executive Director (Finance and  
Resources)

to

**Audit Committee**

on

**29th April 2020**

Report prepared by: Deloitte External Auditor

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**Deloitte: Audit planning report to the Audit Committee,  
Audit for the year ending 31 March 2020**

***A Part 1 Public Agenda Item***

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## **1. Purpose of Report**

- 1.1 To present the External Auditor's Audit planning report for 2019/20 to the Audit Committee.

## **2. Recommendation**

- 2.1 The Committee notes Deloitte's Audit planning report for 2019/20.**

## **3. Background**

- 3.1 As required by the National Audit Office's Code of Audit Practice (the Code), the external auditor must produce an audit planning document. This should set out how the auditors intend to carry out their responsibilities in light of their assessment of risk.
- 3.2 The report also includes an update on the work performed to date, including the interim visit and an update on the Covid-19 situation both broadly, and more specifically, as it relates to the local government and Southend contexts.
- 3.3 A senior representative of Deloitte (the appointed External Auditor to the Council) will present this report to the Audit Committee and respond to Members' questions.

## **4. Corporate Implications**

- 4.1 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.
- 4.2 Financial Implications
- The prescribed requirements of what needs to be undertaken by the external auditor is defined by the National Audit Office. The plan and fees proposed reflect the application of these requirements to this Council based upon an assessment of risk which is set out in the Audit Plan for 2019/20.

The cost to the Council of external audit for 2019/20 is planned to be £109,968 for the audit work delivered under the NAO's Code of Audit Practice.

#### 4.3 Legal Implications

The Council is required to have an external audit of its activities that complies with the requirements of the Code. By considering this report, the Committee can satisfy itself that this requirement is being discharged.

#### 4.4 People Implications

None

#### 4.5 Property Implications

None

#### 4.5 Consultation

The planned audit work has been discussed and agreed with the Executive Director (Finance and Resources).

#### 4.6 Equalities Impact Assessment

None

#### 4.7 Risk Assessment

Poor performance by the Council in the areas subject to review could result in either a qualified audit opinion or value for money conclusion and may also impact adversely on any corporate assessment.

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

#### 4.8 Value for Money

The Public Sector Audit Appointments Limited sets the fee formula for determining external audit fees for local authority external auditors, taking into account the results of market testing for the audit work that is now fully delivered by private sector audit firms.

#### 4.9 Community Safety Implications

None

#### 4.9 Environmental Impact

None

### 5. Background Papers

- The National Audit Office's Code of Audit Practice
- Public Sector Appointments Limited scale fees for local government bodies 2019/20

### 6. Attachment:

- Deloitte's Audit Plan to the Audit Committee, Audit for the year ending 31 March 2020



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## **Southend-on-Sea Borough Council**

Audit planning report to the Audit Committee for the year ended 31 March 2020

Issued 17 April 2020 for the meeting on 29 April 2020

**Deloitte Confidential: Public Sector**

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# Introduction

## The key messages in this report:

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the statement of accounts.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

We have pleasure in presenting our planning report to the Audit Committee for the 2020 audit. We would like to draw your attention to the key messages of this paper:

### Scope of our work

We note that there are a number of impacts to the audit as a result of Covid-19. These have been summarised later in this paper.

Our audit work will be carried out in accordance with the requirements of the Code of Audit Practice ('the Code') and supporting guidance published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General.

The Code sets the overall scope of the audit which includes an audit of the accounts of the Council and work to satisfy ourselves that the Council has made proper arrangements to secure value for money (VFM) in its use of resources. There have not been any changes to the Code itself, and therefore the scope of our work is broadly similar to the scope of work set for your auditor in the prior year. A new code will be applicable for next year's audit.

Our responsibilities as auditor, and the responsibilities of the Council, are set out in "*PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies*", published by Public Sector Audit Appointments Limited.

### Areas of focus in our work on the accounts

At the date of this report, our planning, risk assessment and fraud enquiry procedures are in progress. We have met with key officers, reviewed financial information and completed our interim audit. Based on procedures performed to date, we summarise below the areas of significant audit risk we have so far identified, these may be subject to change following completion of our remaining planning work. We will update the Audit Committee on any changes to our risk assessment at the next Audit Committee meeting.

- Valuation of properties – there is significant judgement over subjective inputs to the valuation. We note that the investment property portfolio, valued at £41.3m as at 31 March 2019, will present particular valuation complexities for this year end due to the Covid-19 impacts.
- Capitalisation of expenditure – The Council has greater flexibility over the use of its revenue compared to its capital resources. This provides a potential incentive to inappropriately classify spend as capital which does not meet the accounting criteria for classification as such.
- Management override of controls – auditing standards presume there is a risk that the accounts may be fraudulently misstated by management overriding controls. Key areas of focus are: bias in the preparation of accounting estimates; inappropriate journal entries; and transactions which have no economic substance.

# Introduction cont'd

## Areas of focus in our work on the accounts continued

Auditing standards also presume there is a risk of fraud in revenue recognition. Following an update to our analysis of the Council's income streams, we plan to continue to rebut this presumption. The key factors considered include: the amount of annual income from each source; the transaction size; the extent of any estimates; and the complexity of the recognition principles. Our conclusion is the same as that reached last year.

## Areas of focus in our work on VFM

The Code and supporting auditor guidance note require us to perform a risk assessment and to carry out further work where we identify a significant risk.

Our risk assessment to determine whether there are any significant risks is at an early stage. We expect to carry out the majority of our risk assessment procedures in April and May 2020. We will then perform update procedures in June, in particular to update for the findings of internal audit work completed in the latter part of the year, outturn performance against financial and operational metrics including the Medium Term Financial Strategy and the outcome of any findings from the work of regulators.

We note that the guidance directs auditors to not consider Covid-19 consequences as an area impacting the assessment of arrangements for 2019/20 but that this will form part of the risk assessment and evaluation for 2020/21.

Please note, we issued an unqualified VFM conclusion in 2018/19.

## Brexit

The arrangements following the UK's exit from the EU have progressed but the full impacts are not yet clear and several areas expected to develop have been placed on hold due the impact of Covid-19.

Our audit plan does not currently include any risks or procedures in respect of the Brexit impact upon the Authority. We will update the Audit Committee if any risks are identified as the eventual circumstances of the UK's exit become clear.

## Covid-19

The ongoing Covid-19 crisis continues to impact ways of working both for officers, members of the Council and the Deloitte audit team. The situation will have an impact on financial reporting for all local authorities. This includes adjustments to the central timetable for accounts submission. We include further detail on this on pages 7-8 of this planning paper.

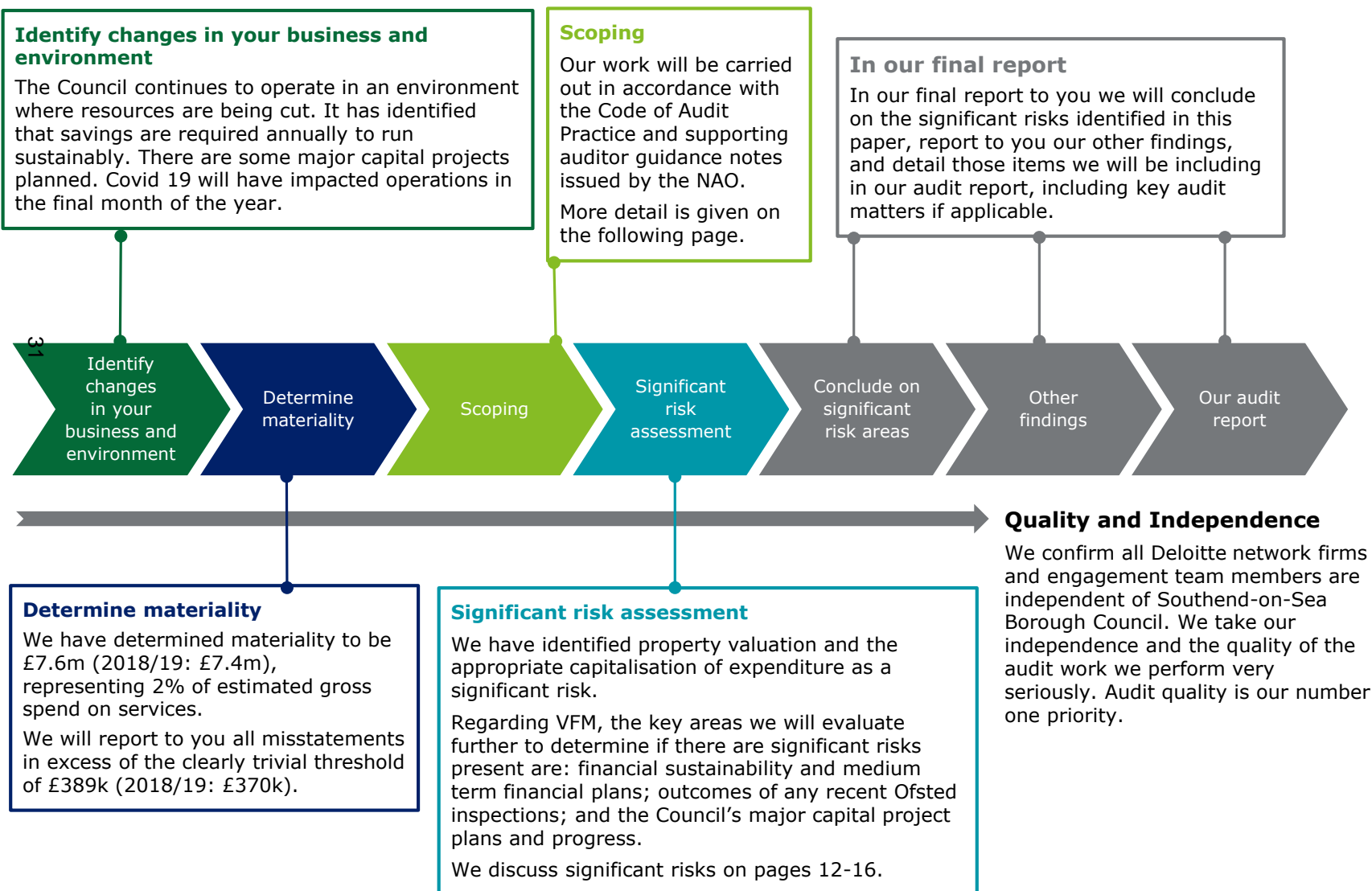
## Housing Benefit Assurance Procedures

In addition to our statutory audit, you have also appointed us to report to DWP in regard to your Housing Benefit Claim. Our report on the 2018/19 findings from this work has been included with the papers distributed for this Audit Committee.

We have also been appointed to perform this work on the 2019/20 return.

# Our audit of the statement of accounts explained

## We tailor our audit to your Authority



# Scope of work and approach

## We have the following areas of responsibility under the Code of Audit Practice

### Opinion on the Council's financial statements

We will conduct our audit in accordance with the Code of Audit Practice and supporting guidance issued by the National Audit Office ("NAO") and International Standards on Auditing (UK) ("ISA (UK)") as adopted by the UK Auditing Practices Board ("APB").

We report on whether the financial statements:

- Give a true and fair view of the financial position and income and expenditure
- Are prepared properly in accordance with the Code of Practice on Local Authority Accounting ("the Code").

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### Opinion on other matters

We are required to report on whether other information published with the audited financial statements is consistent with the financial statements.

Other information includes information included in the statement of accounts, in particular the Narrative Report. It also includes the Annual Governance Statement which the Council is required to publish alongside the Statement of Accounts.

In reading the information given with the financial statements, we take into account our knowledge of the Council, including that gained through work in relation to the body's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources.

### Whole Government Accounts

For Councils in scope, we are required to issue a separate assurance report on the Council's separate return required to facilitate the preparation of the Whole of Government Accounts. The impacts of Covid-19 on this process are not yet clear although the overall view seems to be this consolidation is required. Our work on the return is carried out in accordance with instructions issued by the NAO and typically focuses on testing the consistency of the return with the Council's financial statements, together with the validity, accuracy and completeness of additional information about the Council's transaction and balances with other bodies consolidated within the Whole of Government Accounts. We are also typically asked to report to the NAO on key findings from our audit of the accounts. The NAO has not yet issued its instructions for the current year.

### Value for Money conclusion

We are required to provide a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We carry out a risk assessment to identify any risks that, in our judgement, have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. The risk assessment enables us to determine the nature and extent of further work that may be required. This means that if we do not identify any significant risks, there is no requirement to carry out further work.

We also consider the impact of findings of other inspectorates, review agencies and other relevant bodies on their risk assessment, where they are relevant and available.

**Our responsibilities as auditor, and the responsibilities of the Council, are set out in "PSAA Statement of responsibilities of auditors and audited bodies: Principal Local Authorities and Police Bodies", published by PSAA**

# Scope of work and approach

## Coronavirus (Covid-19) outbreak - How is Deloitte responding?

Deloitte has been closely monitoring and managing our response to the Covid-19 situation since its inception in order to be able to respond as necessary. The health and safety of our people is paramount, but we are doing our utmost to ensure we can complete audits to required timetables. We summarise below how we are responding.

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### Impact on our audit and our response

We have Business Continuity Plan ('BCP') arrangements which align to ISO 22301. Our BCP for the firm has been enacted to consider and mitigate the impact of Covid-19 across our operations. The health and safety of our people and those we work with comes first. This includes the provision of advice and support to staff and associates, development of response plans, and upgrades to our IT infrastructure to increase capacity for secure remote working.

We have the capability to work remotely with our audited entities, utilising a number of collaboration tools, including Deloitte Connect (a tool that facilitates secure two-way dialogue between the Deloitte team and management to effectively manage engagement co-ordination) and MS Teams allowing us to collaborate and supervise activities.

We have adequate server capacity for all our people to work remotely and technological infrastructure such as our Sharepoint site that we have already been using with officers.

We are in regular contact with regulators as well as other Deloitte Member Firms to co-ordinate and understand the impact locally so we can execute global audits.

Internally, we have travel restrictions in place and the audit will therefore be completed remotely. We are also reviewing team compositions to try to minimise the risk of full teams being disrupted.

# Scope of work and approach

## Coronavirus (Covid-19) outbreak - Impact on our audit

The first table below reflects some general considerations. The second table reflects some impacts specific to the local government context and how Southend-on-Sea plan to respond to this.

Impact on the Council	Impact on the Council's Statement of Accounts	Impact on our audit
<ul style="list-style-type: none"> <li>Unavailability of personnel.</li> <li>Disruptions in or stoppages of non-essential business travel.</li> <li>The closure of facilities</li> <li>Increase in demand for some services and challenges in delivering such services</li> </ul>	<ul style="list-style-type: none"> <li>Principal risk disclosures</li> <li>Impairment of non-current assets</li> <li>Allowance for expected credit losses</li> <li>Fair value measurements based on unobservable inputs</li> <li>Onerous contracts and provisions arising from contractual penalties</li> <li>Events after the end of the reporting period</li> </ul>	<ul style="list-style-type: none"> <li>Focus on key areas of material change and uncertainty</li> <li>Resource planning</li> <li>Timetable of the audit</li> <li>Logistics regarding travel and meetings with Council personnel.</li> </ul>

### Specific changes impacting local government and how the Southend on Sea audit plan will respond (bold text)

The publication date for final, audited, accounts has moved from 31 July to 30 November 2020 for all local authority bodies.

**Discussions with management indicate an intention to adhere to the original audit scheduling (see p. 11) which aimed for the majority of work to be completed in June and July 2020. It is acknowledged that within this there may be 1-2 weeks slippage past the 31 July due to potential absences of key staff on both teams and the expected inefficiencies of working remotely. This plan also assumes that third party reports such as the pension report from the actuary and NNDR reports are made available within this timeframe.**

There will be disclosure requirements related to the impact of Covid-19.

**Management are aware of this. We will evaluate the disclosures made by officers to determine whether they comply with the relevant disclosure requirements.**

Audit is to be conducted remotely

**Our team will be using technology such as Microsoft Teams to facilitate the delivery of the audit whilst working remotely. We have an established practice with the finance team of transacting information over Sharepoint, our secure information storage portal, from last year's audit where we used this tool.**

Potentially heightened risks of fraud

**The team are receiving extra training and will maintain professional scepticism. Management should also consider any gaps in the control framework under the current circumstances giving greater rise to fraud risk.**

There may be material uncertainties to disclose in regard to property and other asset valuations

**We will evaluate this once the final valuation reports are provided.**

# Scope of work and approach

## Our approach

### **Liaison with internal audit**

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We plan to meet with the Head of Internal Audit to discuss the internal audit work performed and we will review the internal audit reports issued in the period. We will consider the findings from their work and where significant control weaknesses are identified, we consider the impact on the scope of our own work.

### **Approach to controls testing**

For controls considered to be 'relevant to the audit', our work involves evaluating the design of these controls and determining whether they have been implemented ("D & I").

We do not expect to place reliance on the operating effectiveness of controls in the current year.

Our assessment of the internal control environment has not been concluded. We will report to the Audit Committee any findings arising from further procedures.

We will consider any major changes to IT systems in year. This forms part of our ongoing risk assessment of IT systems and will involve Deloitte IT specialists as required.

### **Materiality**

The audit partner has determined materiality as £7.6m, based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.

We have used 2% of gross spend on services, adjusted to remove the effect of impairments and reversals of impairments against properties, as the benchmark for determining materiality as this is an area of focus for users of the accounts.

# Scope of work and approach

## Our approach

### Audit considerations regarding the Group Accounts

We have not been appointed the auditor of the material subsidiary trusts and companies within the group. In order to gain sufficient assurance over significant account balances in the group accounts, we will perform further audit procedures at the material components. The relevant components for audit procedures are shown in the table below. These are based on 2018/19 figures. Based on discussion with management, we do not anticipate significant changes for the 2019/20 audit period. This may be revised based on actual 2019/20 outturn.

Components	Service Expenditure 2018/19 £m	Net Assets 31/3/19 £m	%age of total Group Expenditure	%age of group Net Assets	Summary of work to be performed
Council	375.2	507.8	94.5%	97.5%	The Deloitte group audit team will perform full-scope audit procedures under the Code on this component.
Trust Funds ⌘	3.6	23.3	0.9%	4.5%	The Trust Funds are audited separately by a different firm with a timeline that may not meet audit deadlines. For the purpose of the group audit opinion for the Council's Statement of Accounts, material Trust funds will have specified tests performed by the group team focused on assets held.
South Essex Homes Limited	11.7	(5)	2.9%	(1.0%)	SEHL is audited separately by a different firm with a timeline that may not meet audit deadlines. For the purpose of the group audit opinion for the Council's Statement of Accounts, SEHL will have specified tests performed by the group team.
Southend Care Limited	6.6	(5.5)	1.7%	(1.1%)	SCL is audited separately by a different firm with a timeline that may not meet audit deadlines. For the purpose of the group audit opinion for the Council's Statement of Accounts, SCL will have specified tests performed by the group team.

### Group Materiality

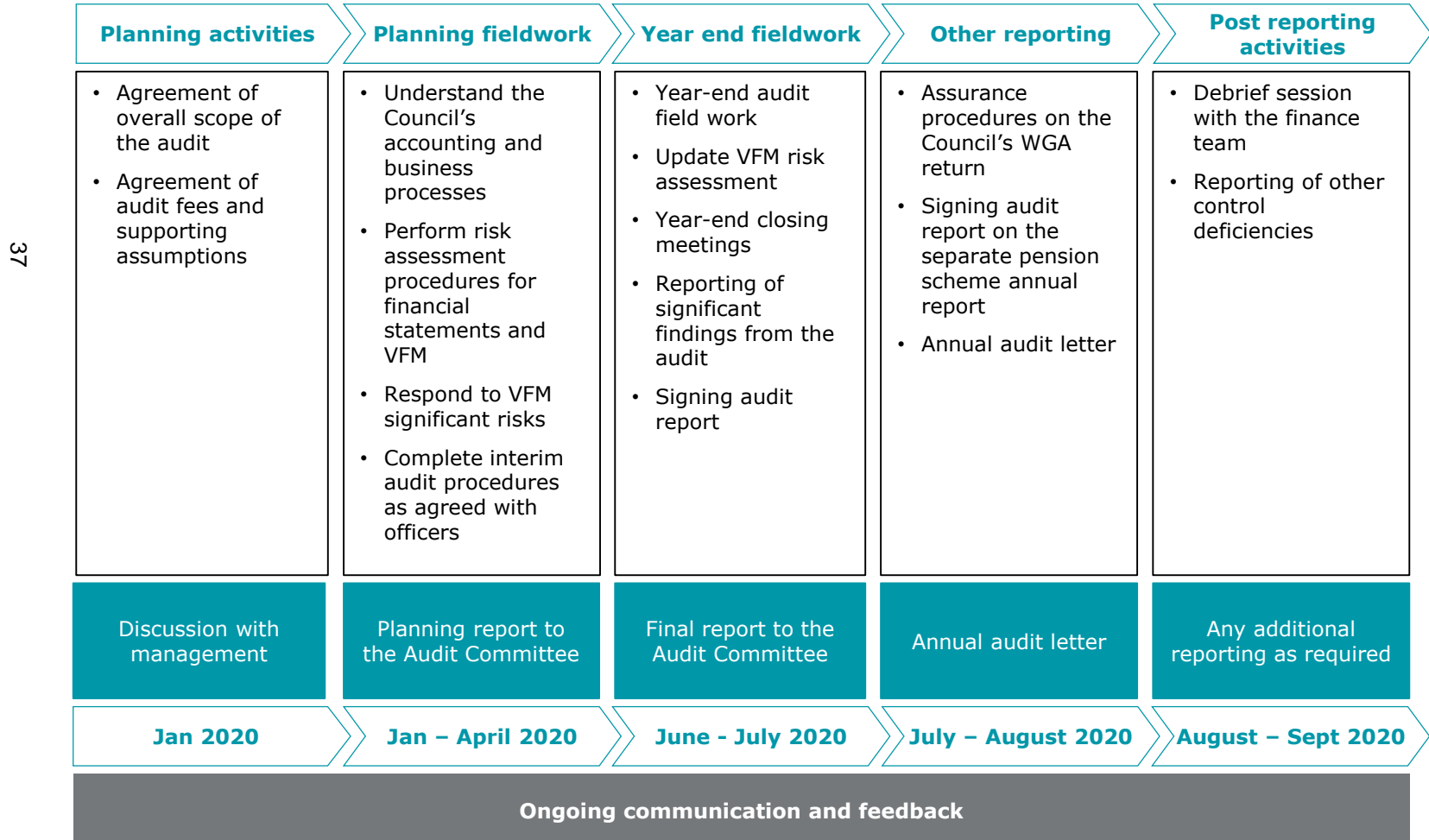
Materiality for the group is £7.7m in line, but slightly higher than, the Council-only materiality of £7.6m. In order to apply meaningful specified procedures to the non-Council, in-scope group entities, component materiality will be reduced accordingly based on the percentage of the group represented by each subsidiary and will be up to 40% of the group materiality figure of £7.7m.

# Continuous communication and reporting

## Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.

We note the planned schedule below has been impacted by Covid 19. See pages 7-8 for further detail, in particular the second table on page 8. The chart below reflects the standard, non-Covid 19 impacted timescale for the audit.



# Significant risks – statement of accounts

## Our risk assessment process

We consider a number of factors when deciding on the significant audit risks. These factors include:

- the significant risks and uncertainties previously reported in the narrative report and financial statements;
- the IAS 1 critical accounting estimates previously reported in the annual report and financial statements;
- our assessment of materiality; and
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements.

### Deloitte view

IAS 1 requires entities to make disclosures about the assumptions it has made about major sources of estimation uncertainty at the year end that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

If a matter does not meet this criterion, it should not be included in the disclosure on sources of estimation uncertainty.

### Inherent Red risks

- Council Budget/Financial Sustainability
- Recruit/Retain staff
- External challenges e.g. Brexit, government agenda, relationships with key partners
- Changes in government housing policy
- Access to regeneration funding
- Failure to integrate Health and Social Care
- Children's Services Improvement Plan
- Surface flooding and seafront cliff movement
- Cyber Security
- Waste contracts
- Major infrastructure
- Meet Local Plan deadlines

### IAS 1 Critical judgements and accounting estimates

- Future levels of funding
- Recognition of schools on the balance sheet
- PPE valuations
- Pension liability valuation

### Prior year significant risks

- Valuation of properties
- Management override of controls
- Pension liability assumptions

### Changes in environment

- Upcoming capital projects
- Southend 2050

We have noted above "inherent" risks scored as "Red". We note the Council Risk Register reflects inherent, current and target risks defined as follows:

**Inherent score** – the risk scored with no controls, assurances or actions in place.


**Current score** – the risk scored with controls, assurances and progressed actions.

**Target score** – the risk score with controls and assurances in place and linked actions completed.

The latest risk register indicated that no risks have a "Current" rating as "Red".

# Significant audit risks

## Risk 1 – Property Valuation

<b>Risk identified</b>	<p>The Council held dwellings of £365m and other land and buildings of £276m at 31 March 2019 which are required to be recorded at current or fair value at the balance sheet date. The authority also holds £41.3m of commercial investment property.</p>
	<p>The fixed asset portfolio is divided into five key asset categories. The Council's practice is to obtain a specific valuation of one of the five asset categories at the start of the year on a cyclical basis. This approach leads to the full asset portfolio being evaluated within each five-year period. In addition to this specific exercise the Council also obtains advice as to whether there has been a material change in the period up to the balance sheet date based on indices. Any changes based on index factors are then applied to the total asset base relevant to each index.</p>
	<p>Key judgements include:</p> <ul style="list-style-type: none"> <li>• Whether there has been a material change since the date of the last valuation</li> <li>• In the valuation of dwellings, defining appropriate beacon groups, such that the level of homogeneity of properties within each group is appropriate, and selecting appropriate comparators and, where relevant, making appropriate adjustments</li> <li>• In the valuation of schools, appropriate selection of the location and design of modern equivalents.</li> <li>• Assumptions applied to estimating values of "other properties", the category in scope for 2019/20 valuation, including correct application of different valuation methods to different property types.</li> </ul>
<b>Our response</b>	<p>We will test the design and implementation of key controls in place around the property valuation.</p> <p>We will use our valuation specialists, Deloitte Real Estate, to review the methodology and approach and to challenge the appropriateness of the year-end valuation, focusing on the key subjective inputs. We will use this to challenge whether the valuation movements are consistent with expectations seen in other data regarding the property market.</p> <p>Our specialists will also evaluate the methodology applied in and the outcomes of the full valuation of the "other properties" category, performed as at 1 April 2019 and will assess and challenge the index-based factor applied to the whole property portfolio to adjust the overall valuation to the balance sheet date.</p> <p>We note there are likely to be aspects of the property valuation exercise that have a greater degree of uncertainty linked to them as at 31 March 2020 due to the impact of Covid-19. This will be evaluated as part of our property valuation work involving property specialists from Deloitte Real Estate.</p>

# Significant audit risks

## Risk 2 – Capital Expenditure

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<b>Risk identified</b>	<p>As part of the Medium Term Financial Strategy, the Council has a substantial capital programme of £276m to the end of the 2024/25 period. This includes £71.0m in 2019/20.</p> <p>Determining whether or not expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards.</p> <p>The Council has greater flexibility of the use of revenue resource compared to capital resource. There is also, therefore, an incentive for officers to misclassify revenue expenditure as capital. We have therefore identified classification of capital expenditure as a fraud risk in the financial statements.</p>
<b>Our response</b>	<p>We will test the design and implementation of controls around the capitalisation of costs.</p> <p>We will select a sample of additions in the year to test whether they have been appropriately capitalised in accordance with the accounting requirements. This sample will include Assets Under Construction.</p>

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# Significant risks

## Risk 3 – Management override of controls

<b>Risk identified</b>	<p>In accordance with ISA 240 (UK and Ireland) management override of controls is a presumed significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Authority's controls for specific transactions. The key judgments in the financial statements are those which we have selected to be the significant audit risks; capitalisation of expenditure and valuation of the Authority's estate. These are inherently the areas in which management has the potential to use their judgment to influence the financial statements.</p>
<b>Our response</b>	<p>In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:</p> <ul style="list-style-type: none"><li>• We will risk assess journals and select items for detailed follow up testing. We do this by using computer-assisted profiling to identify journals which have characteristics of increased interest. We will then test the appropriateness of journal entries selected through this profiling activity, and other adjustments made in the preparation of financial reporting.</li><li>• We will review accounting estimates for evidence of bias that could, in aggregate, result in material misstatements due to fraud. Other areas of estimation in addition to the above include provisions (of which the most significant is the provision for NNDR appeals), bad debt provisions and estimation of depreciation based on a selection of useful economic lives.</li><li>• We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.</li><li>• We will consider whether the conditions resulting from Covid-19 impact the level of risk associated with potential frauds and adjust our procedures accordingly.</li></ul>

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# Value for money conclusion

## Our risk assessment process and significant risks

We are required to provide a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code and supporting auditor guidance note require us to perform a risk assessment to identify any risks that have the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. We are required to carry out further work where we identify a significant risk - if we do not identify any significant risks, there is no requirement to carry out further work.

Our risk assessment procedures include:

- Reading the Annual Governance Statement
- Considering local and sector developments and how they impact on the Council
- Enquiries with senior officers
- Reviewing reports issued by internal audit
- Reviewing other documentation of the Council including budget setting reports, financial and operational performance monitoring reports
- Reviewing reports issued by regulators.
- Understanding the arrangements in potential areas of significant risk – in particular the planning of the Council's finances and major capital projects.
- Review of effectiveness of working with partners and third parties including subsidiary entities.

- Considering any impact of the Southend 2050 plan. Southend 2050 is a strategy exercise that commenced in the 2018/19 period, inviting stakeholders to explore and envision what they would like the area to become and changes required to achieve this.

Our risk assessment to determine whether there are any further significant risks is ongoing, in particular to update for the findings of internal audit work completed in the latter part of the year, outturn performance against financial and operational metrics and the outcome of any findings from the work of regulators such as Ofsted.

We note that the NAO guidance indicates a low likelihood that Covid-19 consequences will form a risk area impacting the assessment of arrangements for 2019/20 but that this will form part of the risk assessment and evaluation for 2020/21. The response to Covid-19 is described as an "emerging risk" in this guidance (rather than a significant risk) unless clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the 2019/20 financial year.

Our 2018/19 risk assessment considered the areas of capital projects, Ofsted inspection reports and financial sustainability/planning as the key areas of VFM focus. Flowing from our risk assessment and resulting procedures our overall conclusion was a clean opinion in regard to VFM. This matched the conclusion reached by our predecessor in relation to the 2017/18 period.

We expect to carry out the majority of our risk assessment procedures in the remainder of April. We will then perform update procedures in June, in particular to update for the findings of internal audit work completed in the latter part of the year, outturn performance against financial and operational metrics including the Medium Term Financial Strategy and the outcome of any findings from the work of regulators.

# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to establish our respective responsibilities in relation to the audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes our audit plan, including key audit judgements and the planned scope.

### What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

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

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the statement of accounts and the other procedures performed in fulfilling our audit plan.

### Use of this report

This report has been prepared for the Audit Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

### Other relevant communications

We will update you if there are any significant changes to the audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

*Deloitte LLP*

**Deloitte LLP**

St Albans | 17 April 2020

# Appendix 1 - Fraud responsibilities and representations

## Responsibilities explained



### Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with officers and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



### Our Responsibilities:

- We are required to obtain representations from your officers regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the statement of accounts as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the risk of valuation of land and buildings, capital expenditure and management override of controls as key audit risks for your organisation.

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### Fraud Characteristics:

- Misstatements in the statement of accounts can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the statement of accounts is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

### We will request the following to be stated in the representation letter:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the statement of accounts may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
  - (i) officers;
  - (ii) officers who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the statement of accounts.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's statement of accounts communicated by officers, former officers, analysts, regulators or others.

# Appendix 1 - Fraud responsibilities and representations

## Inquiries

We will make the following inquiries regarding fraud:



### **Officers:**

- Officers assessment of the risk that the statement of accounts may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Officers process for identifying and responding to the risks of fraud in the entity.
- Officers communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- Officers communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether officers have knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve officers from outside the finance function in our inquiries.



### **Internal audit**

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

### **Those charged with governance**



- How those charged with governance exercise oversight of officers processes for identifying and responding to the risks of fraud in the entity and the internal control that officers have established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity.

# Appendix 2 - Independence and fees

## Independence

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2020 in our final report to the Audit Committee.
Non-audit fees	There are no non-audit fees other than the Housing Benefit work and the Teachers Pension work as set out in the following page.
Independence monitoring お	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with the Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.

## Appendix 2 - Fees

The professional fees expected to be charged by Deloitte in the period from 1 April 2019 to 31 March 2020 and as set out in our fee letter issued 29 April 2019 alongside some key assumptions regarding are as follows:

	Current year £'000
Audit under the NAO's Code of Audit Practice: Council	110
<b>Total audit</b>	<b>110</b>
Other assurance services – Housing Benefit work	21*
<b>Total fees</b>	<b>131</b>

\*The fee for the Housing Benefit Subsidy work is comprised of a £17k base fee and an estimated £4k additional charge for known additional validation procedures required due to errors found in the 2018/19 assurance process. This fee currently assumes no substantial changes due to Covid-19 and is therefore subject to change. We will update the Audit Committee accordingly.

It is not yet clear what the reporting requirements will be in relation to other assurance work performed such as the Teachers' Pension Return due to the impact of Covid-19. This is usually submitted in November. We will update the Audit Committee accordingly as soon as the scope of this work is known. For this and other similar certification work, as routine attest work with relatively low fee levels and often performed by the auditor, the work is not deemed to impact auditor independence.

# Appendix 3 - UK exit from the EU

## Navigating uncertainty – key questions for the audit committee



### **Is the Council set up to navigate the change?**

Have you assessed the impact of potential changes and identified key decision points?

Does your assessment include how Brexit could impact on your customers, supply chain and people?

Will additional financing facilities be needed?

Have you defined the options there are to respond? E.g. scenario or contingency planning?

Are you monitoring developments and are you ready to act proportionately at the right time?

Are all the right people involved? Does this include discussion with key stakeholders?

Are channels of communication clear, both internally and externally, and have company spokespeople been fully briefed?

### **FRC Letter to CFOs and Audit Committee Chairs, October 2018:**

"We encourage companies to provide disclosure which distinguishes between the specific and direct challenges to their business model and operations from the broader economic uncertainties which may still attach to the UK's position when they report. Where there are particular threats, for example the possible effect of changes in import/export taxes or delays to their supply chain, we expect these to be clearly identified and for management to describe any actions they are taking, or have taken, to manage the potential impact. In some circumstances this may mean recognising or remeasuring certain items in the balance sheet.

The broad uncertainties that may still attach to Brexit when companies report will require disclosure of sufficient information to help users understand the degree of sensitivity of assets and liabilities to changes in management's assumptions."

# Appendix 3 - UK exit from the EU

## Navigating uncertainty – key questions for the audit committee



### **Impact on internal planning, forecasting and strategy**

Is management using forward-looking indicators such as forward bookings, contact conversion rates and supplier forward pricing?

Is there a significant impact from foreign exchange changes and volatility?

Have cash reserves, financing requirements and longer term viability all been assessed?

Have opportunities as well as risks been considered?



### **Impact on internal and external audit**

Should the scope and plan for internal audit be amended to include contingency planning, or testing key risk indicators?

Should internal audit be asked to perform work on longer term viability?

Is there an impact on critical accounting judgments and areas of estimation uncertainty that need to be discussed with the external auditor?



### **Impact on external reporting**

Will disclosures on principal risks and uncertainties need to be revisited now Article 50 has been triggered and the draft Withdrawal Treaty has been published.

Does longer term viability statement account for the fact that the end of the exit negotiation period is now within the lookout period?

Have you developed a plan for appropriately detailed disclosure in management commentary or in the Statement of Accounts?



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# Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

**Audit Committee**

on

**29 April 2020**

Report prepared by Shaun Dutton, Acting Senior  
Investigations Officer

Agenda  
Item No.

**6**

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## **Counter Fraud & Investigation Team: Quarterly Performance Report**

### ***A Part 1 Public Agenda Item***

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#### **1. Purpose of report**

- 1.1 To update the Audit Committee on the progress made by the Counter Fraud & Investigation Team in delivering the Counter Fraud Strategy and Work Programme for 2019/20.

#### **2. Recommendation**

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

#### **3. Introduction**

- 3.1 The Counter Fraud & Investigation Team (CFIT) was formed on 7 October 2019 following the dissolution of the previous shared service agreement with Thurrock Council.
- 3.2 This team has been tasked with countering fraud, corruption, bribery and financial impropriety against the Council. It was initially comprised of 3 investigators and an intelligence analyst.
- 3.3 A Development Plan was created (Appendix 2) to define the tasks and objectives necessary to create an effective and efficient counter fraud service for the Council.
- 3.4 Unfortunately, an investigator and an intelligence analyst have resigned since the last quarterly report, halving the team's complement and presenting a significant challenge to our work. These resignations are not a reflection on the team, or the Council, and the officers concerned left on good terms and in pursuit of higher pay and a more diverse range of working opportunities.
- 3.5 These resignations nevertheless have had a substantial impact on the operational effectiveness of the team and our work in the meantime has been focused on the highest priority and time critical cases. In effect, the team has been 'holding ground' during this time and has been unable to engage the proactive work defined in the Work Plan (Appendix 1) or the developmental progress defined in the Development Plan.

- 3.6 Also, as a direct result of reduced operational capability, a backlog of cases requiring attention has accrued as the team's focus has narrowed towards the higher priority or time critical investigations.
- 3.7 However, this situation is not without opportunity to progress the team's development and evolution. Proposals have been drafted to change the constitution of the team to introduce a management and oversight post and replace the intelligence analyst with an operational investigator. These proposals are supported by senior management.
- 3.8 Furthermore, South Essex Homes, one of the key stakeholders in CFIT's work, have offered funding for an additional investigator on the team. This is a huge vote of confidence in the work and potential of the team and will substantially increase our operational effectiveness.
- 3.9 The result of these changes will be a team of four investigators led by an operationally capable manager. This will enable a faster pace of development and proactive work while continuing to manage our workload of active investigations and referrals.
- 3.10 A recruitment exercise has taken place and posts have been offered to two experienced investigators. It is expected that they will join the team once the current covid-19 lockdown situation causing working restrictions have been lifted.
- 3.11 Once the restructure of the team is formally approved a second recruitment exercise will be conducted to find a manager with the skills necessary for the proper oversight, accountability and conduct of criminal investigations, strategy and planning, partnership development and risk assessment.
- 3.12 Other activities that have taken place since the last quarterly report include:
- Enquiries to review the Employee Code of Conduct have been instigated
  - Information sharing agreements with South Essex Homes and the Housing Solutions Team have been drafted and are currently being considered by the respective parties
  - Discussions are ongoing with the DWP towards a joint working agreement
  - A monthly fraud update for all staff in partnership with Essex Police has been established and is now being regularly provided to Staff Communications for dissemination
  - An agreement and operating policy with the Revenues and Benefits Teams to promote closer working has been reached; this is supported by monthly meetings with the respective team leaders
  - Amendments have been made to the Council Tax and Benefits systems to alert operators if an individual is under investigation, these will also provide any specific instructions to the operator to protect the integrity of an investigation
  - The counter fraud message on Council Tax bills and accompanying information has been reviewed and strengthened
  - A meeting with Trading Standards to explore opportunities for joint working has been agreed. A meeting with CFIT, Trading Standards and Legal Services is being arranged to discuss what means the Council has at its disposal to combat Non-Domestic Business Rates fraud

- Adjustments have been made to our interview room to strengthen Health and Safety considerations.

#### **4. The coronavirus emergency**

- 4.1 The ongoing national emergency has impacted the work of the team insofar as we are unable to visit premises, suspects or witnesses and cannot interview suspects in an evidential capacity ie. a recorded interview under caution. However, we are continuing to receive referrals and there is much investigative work that can be done, and that needs to be done, before we get to that point in an investigation. Remote working has not diminished our abilities in this respect. We have therefore re-focused our work to progress investigations as far as practicable within the restrictions we are all currently working under. We anticipate that there will be a substantial body of operational work waiting for execution once the restrictions have been lifted and the arrival of the new recruits will be a timely expansion of resources.
- 4.2 The arrangements to assist businesses and individuals through the emergency via the Council's administration of funds and goods presents many challenges in terms of fraud. Criminals see such arrangements, often instigated on an ad-hoc basis initially, as an enormous opportunity for fraud. This is demonstrated by the fact that Action Fraud reported a 400% increase in reports of coronavirus-related frauds in March 2020. The Council's need to respond rapidly to the emergency must be balanced by the need to protect funds and ensure that they get to the right people. The Counter Fraud & Investigation Team and the Internal Audit Team have been active in providing advice to teams involved in emergency relief administration and this will continue going forward.
- 4.3 It will not be possible to protect the Council against all fraud during this time, as is also the case during normal functioning, but we are working to ensure that sufficient evidence is collected at the point of application to assist the retrospective identification and pursuit of offenders. We expect that several such cases will be referred to us and, through the increased quota of investigators, we will be fit and ready to progress this work once it starts to be identified.

#### **5. The threat from fraud**

- 5.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre published its Fraud and Corruption Tracker Summary Report in November 2019.
- 5.2 In it, they estimate that the total value of fraud detected or prevented by local authorities in 2018/19 to be approximately £253m. This represents a fraction of all fraud actually perpetrated against local authorities.
- 5.3 The areas identified to be at the highest risk of fraud were procurement, council tax single person discount and adult social care. The primary issue identified by local authorities in combatting fraud was insufficient counter fraud capacity and resource.
- 5.4 The four main fraud areas by volume that local authorities are tackling are council tax (£30.6m in 2018/19), disabled parking (Blue Badge fraud), housing and tenancy fraud (SBC uses £23k/year to put a value on unlawful subletting) and Business Rates.

- 5.5 Other significant areas of fraud highlighted by CIPFA (2018/19 figures quoted) are adult social care (£13.7m), insurance (£12.6m), procurement (£20.3m), no recourse to public funds / welfare assistance (not well known), economic and voluntary sector support and debt (£495k), payroll, recruitment, expenses and pension (£9.42m) and mandate fraud and manipulation of data (356 cases reported).
- 5.6 CIPFA's recommendations include:
- Local authorities to remain vigilant in identifying and preventing fraud throughout their procurement processes
  - Fraud prevention should be embedded in 'business as usual' across the organisation
  - All staff should receive fraud awareness training
  - Local authorities should ensure that they have a strong counter fraud leadership and fraud teams should be supported in presenting business cases for adequate resources
  - Local authorities should maximise opportunities to share data including with law enforcement and third-party experts
  - The importance of the fraud team's work should be built into both internal and external communication plans in line with the Fighting Fraud and Corruption Locally (FFCL) Strategy 2016-2019.
- 5.7 CFIT is already working to deliver against these recommendations through the work contained in the Counter Fraud Workplan 2019/20 (Appendix 1) and the Counter Fraud Development Plan (Appendix 2)

## **6. Investigations**

- 6.1 As reported in the previous report to Committee in January, CFIT had dealt with, or were investigating, 96 cases.
- 6.2 Since that report was compiled, we have received 102 new cases, making a total of 198 cases since the team was formed in October 2019.
- 6.3 Of this total:
- 135 investigations have been concluded.
  - 63 investigations are active:
    - 33 cases are currently being investigated.
    - 3 case are with Legal Services for prosecution.
    - 27 cases are awaiting assignment to an investigator.
- 6.4 A breakdown of these investigations by category is detailed in Appendix 3.

The success highlights for the team since October 2019 include <sup>1</sup>:

- Recovering, or assisting the recovery of through the service of notices, 5 properties creating a saving of £115,000 for the coming year
  - Recouping a total of £2,187.57 from Council Tax fraud and creating a saving of £2,364.09 for the coming year
  - Thwarting 4 fraudulent Right to Buy applications
  - Referring 2 employee cases to Human Resources for disciplinary action
  - Referring 7 cases to the DWP
  - Referring 5 cases to other Local Authorities or departments for action.
- 6.5 As part of a locally agreed arrangement with Essex Police, the team has met 60 Data Protection Act requests made for the prevention or detection of crime; 36 of these have been made since the last report to Committee.
- 6.6 Of the 96 cases detailed in last quarter's report, 62 were investigations inherited from the precursor agency and 34 were direct referrals October to December 2019. The 102 direct referrals received January to March 2020 is a 200% increase on the previous quarter and is testament to the work of the team in raising the profile of fraud risk and an increasing confidence in what we can achieve.

## **7. The National Fraud Initiative (NFI)**

- 7.1 The NFI is a central government exercise that matches electronic data within and between public sector bodies to prevent and detect fraud. These bodies upload their data to a central service which then produces data matching reports. This process runs on a 2 year cycle with the Council's next data submission expected at the end of this year.
- 7.2 Some of these data matches indicate fraud while others can highlight errors in the data that should be corrected. Where a department processes a match that indicates fraud it will be referred to CFIT for investigation.
- 7.3 CFIT became the key contact for the NFI in mid-October. Work has progressed to reinvigorate the Council's engagement with the initiative. CFIT acts as a central point of contact for the NFI at SBC and coordinates the Council departments' responses to NFI reports.
- 7.4 The key results from this exercise for this quarter are as follows:
- The NFI report matching Council Tax Single Persons Discount (SPD) to Electoral Register produced 16 accounts which had their SPD removed and recoupments totalling around £8,020
  - The NFI report matching Council Tax rising 18s produced 40 accounts which had their SPD removed and recoupments totalling £11,264.29
  - The NFI report matching Council Tax Reduction Scheme to HMRC Household Composition produced some referrals to CFIT and created an overpayment of £28,262.15 which has also been referred to DWP

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<sup>1</sup> note that '*recoupment*' denotes funds reimbursed to the Council or fines levied, and '*savings*' denotes anticipated expenses to the Council that would have been incurred had the offence gone undetected.

- The NFI report matching Council Tax Reduction Scheme to HMRC Earnings produced a referral to CFIT and a potential recoupment of £4,453.23
- The NFI report matching Duplicate records by invoice reference, invoice amount and creditor reference revealed errors of £605.81
- The NFI report matching Housing Benefit Claimants to HMRC Household Composition produced overpayments of £1,625.88.

The total recoverable (recoupment and savings) to the Council produced by this exercise so far is **£52,605.48**.

15 referrals were made to CFIT for further investigation.

- 7.5 One of the cases referred to CFIT as a result of the NFI has revealed a Council Tax Reduction Scheme overpayment of £4,427 which will be recouped alongside a £1,000 fine if the suspect accepts an administrative penalty as an alternative to prosecution. This investigation is still in progress.

## **8. The counter fraud work plan**

- 8.1 The Counter Fraud Work Plan (Appendix 1) should reflect the team's Development Plan (Appendix 2) as well as detailing the projects that will be undertaken over the course of the year.
- 8.2 The two plans together form the strategy for developing the team's capability and effectiveness, strengthening the Council's defence against fraud and corruption and improving the detection and pursuit of offenders.
- 8.3 As explained above, the team has suffered a significant, albeit temporary, reduction to its resource availability. As a result, it has been necessary to postpone several initiatives as there is insufficient manpower to conduct them safely and effectively and to focus the team's energy on the most pressing of our current investigations. The effected activities have been highlighted on the plan.

## **9. Corporate implications**

### **9.1 Contribution to the Southend 2050 Road Map**

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

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

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

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

A strong counter fraud stance and function improves the Council's reputation for responsible stewardship of public funds.

### **9.2 Financial Implications**

The Counter Fraud & Investigation Team's work 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.

### 9.3 Legal implications

The Accounts and Audit Regulations 2015 section 3 states that:

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

- *Facilitates the effective exercise of its functions and the achievement of its aims and objectives*
- *Ensures that the financial and operational management of the authority is effective*
- *Includes effective arrangements for the management of risk.”*

The Crime and Disorder Act 1998 section 17 places a duty on the local authority to:

*“...exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area.”*

The work of CFIT contributes to the delivery of these obligations.

Where fraud or corruption is proved the Council will:

- Take the appropriate action which could include disciplinary proceedings, civil action and criminal prosecution
- Seek to recover losses using criminal and civil law
- Seek compensation and costs as appropriate

### 9.4 People Implications

People issues that are relevant to delivering individual investigations, or the Workplan, will be considered as part of each piece of work.

### 9.5 Property implications

Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as the proceeds of crime. Such action will benefit the Council by returning social housing stock for the use of those in most need, recovering the assets of those who seek to profit from criminal behaviour and deterring others from considering such activity.

### 9.6 Consultation

The progress with investigations and delivery of the Workplan are periodically discussed with Directors before being reported to Corporate Management Team and the Audit Committee.

### 9.7 Equalities and Diversity Implications

The relevance of equality and diversity is considered during the initial planning stage of the each investigation and piece of development work delivered.

### 9.8 Risk assessment

Failure to operate a strong anti-fraud and corruption culture puts the Council at risk of increased financial loss from criminal activity. Such a culture should be led and supported by the Corporate Management Team.

While risk cannot be eliminated from the Council's activities, implementing counter fraud and corruption policies and culture will contribute to managing this more effectively.

#### 9.9 Value for money

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

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

#### 9.10 Community Safety Implications

These issues are only considered if relevant to a specific investigation, or piece of development work, undertaken.

#### 9.11 Environmental Impact

These issues are only considered if relevant to a specific investigation or piece of development work.

## Appendices

- Appendix 1: Counter Fraud Work Plan 2019/20
- Appendix 2: Counter Fraud Development Plan
- Appendix 3: Breakdown of CFIT investigations

## Southend-on-Sea Borough Council

Finance & Resources Service

Executive Director Finance & Resources : Joe Chesterton

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

### Counter Fraud & Investigation Team

Working to make  
lives better  
www.southend.gov.uk



## Appendix 1 – Counter Fraud Work Plan 2019/20

Risk area	Tasks	Target date	Current status	Responsible officer	Completed date
Council wide	Establish a 'business as usual' functioning of the Counter Fraud Team as per the tasks detailed in the Development Plan up to the 3 months checkpoint.	January 2020	On target with all vital tasks either completed or in progress. Those tasks that are outstanding relate to non-vital requirements. This has been disrupted due to the loss of staff and now pandemic restrictions.	Shaun Dutton	In progress
Council wide	Revised policies for Counter Fraud, Bribery & Corruption and Money Laundering to be produced.	January 2020	The revised policies were initially by the predecessor team, as part of the joint service arrangement, and have subsequently been updated to reflect the change in arrangements.	Shaun Dutton	Completed
	Counter Fraud internal publicity campaign to be launched to coincide with the publication of the above.		Posters for display in common staff areas have been prepared and an all-staff email is being drafted in preparation for the publication of the new policies.		Completed
Business Rates	Pro-active audit of empty commercial premises.	January 2020	Awaiting authorisation from BR dept to begin planning. This initiative has been postponed due to resource shortage.	Shaun Dutton	POSTPONED



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<b>Risk area</b>	<b>Tasks</b>	<b>Target date</b>	<b>Current status</b>	<b>Responsible officer</b>	<b>Completed date</b>
Council tax	Joint working agreement with DWP for cases involving the Council Tax Reduction scheme.	January 2020	Meeting with the DWP held in early January 2020. Discussions are ongoing; we are currently waiting for certain responses from the DWP.	Shaun Dutton, Caroline Mercieca	In progress
Council wide	Internal Council-wide counter fraud awareness / publicity campaign to include posters in prominent common areas and information emails.	January 2020	Fraud awareness posters are now in place throughout the Civic Centre. An all-staff information email has been distributed.  Monthly Fraud Awareness updates are being provided to Staff Communications for dissemination.	Shaun Dutton	Ongoing
Council wide	Fraud awareness training to be offered to staff, consideration to be made for material to be tailored to specific business areas, fraud awareness training to be included in new staff induction sessions.	February 2020	Planning for this was in progress, but this has been postponed due to the current resource shortage.	Shaun Dutton	POSTPONED
Housing	Pro-active audit of SBC tenancies.	March 2020	Planning for this was in progress, but this has been postponed due to the current resource shortage.	Shaun Dutton	POSTPONED
Housing	Postal information campaign to targeted tenancy areas to encourage reporting of concerns about fraud.	April 2020	Planning for this is in progress.	Shaun Dutton	In progress
Housing	Review of SBC tenancy terms and conditions to strengthen the counter fraud message and encourage cooperation with the counter fraud team.	April 2020	Planning for this is in progress. The tenancy T&Cs are being reviewed in April and South Essex Homes are have agreed that we can contribute to this process.	Shaun Dutton	In progress

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Risk area	Tasks	Target date	Current status	Responsible officer	Completed date
Proactive fraud drives	<p>Introduce initiatives to engage public support to counter fraud against the council focussing initially on social housing fraud and council tax fraud.</p> <p>These activities are part of the 3-6 months Development Plan.</p>	April 2020	<p>High level planning and consideration of appropriate tactics has started.</p> <p>Tactics include:</p> <ul style="list-style-type: none"> <li>• The use of social media</li> <li>• Making reporting fraud easy, <i>the Council public facing website has been reviewed and updated.</i></li> <li>• Targeted mail drops to high risk areas</li> <li>• Including counter fraud information with other SBC publicity initiatives <i>this has been delayed due to resource issues.</i></li> <li>• Targeted proactive operations</li> <li>• Joint working with other SBC departments and partner agencies, <i>meetings have been arranged with trading standards to discuss joint working, discussions are in hand with the DWP.</i></li> </ul>	Shaun Dutton	In progress.

Risk area	Tasks	Target date	Current status	Responsible officer	Completed date
Council wide	<p>Raise the fraud awareness of all staff through engagement with key stakeholders and a training programme for all new starters and employees in high risk areas.</p> <p>These activities are part of the 3-6 months Development Plan.</p>	April 2020	<p>Planning for this is in progress.</p> <p>Key stakeholders have been identified and a dialogue has been established, most notably:</p> <ul style="list-style-type: none"> <li>• South Essex Homes has a Counter Fraud presence on their floor weekly and are receiving monthly progress reports</li> <li>• The Council Tax department are receiving monthly progress reports and a 'fast track' for dealing with CT fraud has been developed (not yet implemented)</li> <li>• Monthly fraud awareness updates are being provided to Staff Communications to disseminate to all staff.</li> </ul>	Shaun Dutton	In progress
Counter fraud	Develop a Financial Investigator capability.	To start by April 2020	<p>One of the team members is already on the pathway to becoming an accredited Financial Investigator.</p> <p>Enquiries are in progress for her to undergo the next stage of training with the NCA. We are currently awaiting course dates. <i>This has been deferred due to the officer in question being unable to commence a period of training due to personal circumstances.</i></p>	Shaun Dutton	In progress

Risk area	Tasks	Target date	Current status	Responsible officer	Completed date
Blue Badge	Updated training to be delivered to CEOs with updated supporting materials. Information sharing agreement with Essex Police. Joint pro-active operation with ACPOA and Essex Police Community Policing Team to target Blue Badge abuse.	June/July 2020	Planning for this is in progress.	Shaun Dutton	In progress
Council wide	Complete the Development Plan up to the 9 months checkpoint	July 2020	Awaiting implementation.	Shaun Dutton	In progress
Counter fraud	Develop 'income generation' opportunities through: <ul style="list-style-type: none"> <li>Counter fraud training initiatives for SBC partners and service providers</li> <li>An investigation and prosecution service to local Housing Associations</li> </ul>	July 2020	This is aspirational at this time and development will be dependent upon how the team progresses over the coming 6 months. Some initial discussions have been had with Estuary Housing to explore what interest there may be for such a service. This has been well received.	Shaun Dutton	In progress

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## Southend-on-Sea Borough Council

Finance & Resources Service

Executive Director Finance & Resources : Joe Chesterton

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

### Counter Fraud & Investigation Team

Working to make  
lives better  
www.southend.gov.uk



## Development plan

Aims and targets to develop CFIT to full operational capabilities over 3, 6 and 9 months.

3 months 07/10/2019 – 07/01/2020				
Aim	Activities	Actions	Responsibility	Comments
'Business as usual' for the receipt and investigation of referrals to CFIT.	Ongoing investigation of current cases.	<ul style="list-style-type: none"> <li>Ongoing investigation of current cases.</li> </ul>	Investigation officers	Ongoing
	Process established for the receipt and investigation of new referrals and oversight.	<ul style="list-style-type: none"> <li>Define the process for the receipt and investigation of new referrals and oversight.</li> </ul>	SIO/Management	Completed
	Enabling the tools necessary for the assessment and investigation of referrals.	<ul style="list-style-type: none"> <li>Equifax or similar</li> <li>Land registry</li> <li>NAFN</li> <li>PNLD</li> <li>Operational forms</li> <li>Search kits</li> <li>Portable printer</li> <li>CD/DVD reader</li> <li>PNBs</li> <li>Vehicles</li> <li>PoSHFA</li> <li>Property storage</li> <li>File storage</li> <li>Internet use</li> <li>Lone worker alarms</li> </ul>	SIO/Management	<ul style="list-style-type: none"> <li>E Resolved</li> <li>L Completed</li> <li>N Completed</li> <li>P Completed</li> <li>O Completed</li> <li>S Completed</li> <li>P Completed</li> <li>C Completed</li> <li>P Completed</li> <li>V Completed</li> <li>P Completed</li> <li>P Completed</li> <li>F Completed</li> <li>I Completed</li> <li>L In progress</li> </ul>



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		<ul style="list-style-type: none"> <li>• Establish an archive/destruction regime</li> <li>• Establish a legal update information feed</li> </ul>		<ul style="list-style-type: none"> <li>• E Completed</li> <li>• E Completed</li> </ul>
	Create Standard Operating Procedures	<ul style="list-style-type: none"> <li>• Create Standard Operating Procedures</li> </ul>	SIO/Management	Ongoing
	Review relevant SBC policies	<ul style="list-style-type: none"> <li>• Review relevant SBC policies and amend as necessary</li> </ul>	SIO/Management	Completed 28/10/2019
	Letting people know who and what we are and how to contact us	<ul style="list-style-type: none"> <li>• Review and amend public facing web page</li> <li>• Review and amend intranet web page</li> <li>• Announcement email to all staff</li> <li>• Poster campaign in Civic Centre</li> </ul>	SIO/Management	<ul style="list-style-type: none"> <li>• R Completed</li> <li>• R Completed</li> <li>• A Completed</li> <li>• P Completed</li> </ul>
	Develop a case management system	<ul style="list-style-type: none"> <li>• Create a case management file structure</li> <li>• Create a standard file structure</li> <li>• Define the process</li> </ul>	SIO	Completed
	Begin the assessment, tasking, investigation and disposal process for all new investigations	<ul style="list-style-type: none"> <li>• Begin the assessment, tasking, investigation and disposal process for all new investigations</li> </ul>	All officers	Completed
	Establish a casework/caseload review regime	<ul style="list-style-type: none"> <li>• Establish a casework/caseload review regime</li> </ul>	SIO	Completed
	Establish a working arrangement/agreement with key stakeholders	<ul style="list-style-type: none"> <li>• Essex Police</li> <li>• DWP</li> <li>• SEH</li> <li>• Council Tax</li> </ul>	SIO and all officers DWP Meeting arranged 17/01/2020	<ul style="list-style-type: none"> <li>• E Completed</li> <li>• D Ongoing</li> <li>• S Completed</li> <li>• C Completed</li> </ul>

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		<ul style="list-style-type: none"> <li>• Legal</li> </ul>		<ul style="list-style-type: none"> <li>• L Completed</li> </ul>
	Establish team resources and roles according to function and workload	<ul style="list-style-type: none"> <li>• Review workload</li> <li>• Projected workload</li> <li>• Review resources</li> <li>• Match resources to workload – gap analysis</li> <li>• Business case for updated resource requirement</li> </ul>	SIO and management	<ul style="list-style-type: none"> <li>• Completed</li> </ul>
<b>6 months 07/01/2020 – 07/04/2020</b>				
<b>Aim</b>	<b>Activities</b>	<b>Actions</b>	<b>Responsibility</b>	<b>Comments</b>
Continue 'business as usual' from above.	Continue 'business as usual' from above.	Continue 'business as usual' from above.	SIO and all officers	Ongoing
Increase CFIT's exposure and engagement to prevent and detect fraud.	Engage the public in counter fraud activities Initiatives to engage the public	Develop and deploy initiatives such as: <ul style="list-style-type: none"> <li>• targeted mass postage of leaflets to SBC,</li> <li>• adding fraud awareness to SBC website front page,</li> <li>• investigate piggy backing on other SBC publicity initiatives</li> </ul>	SIO/Management and all officers	<ul style="list-style-type: none"> <li>• T Postponed</li> <li>• A Completed</li> <li>• I Ongoing</li> </ul>
	Raise fraud awareness for all SBC staff Training program for all existing and new starter training	<ul style="list-style-type: none"> <li>• Develop fraud awareness training materials for existing staff</li> <li>• Develop fraud awareness training materials for new starters</li> <li>• Liaise with HR and Training to develop a delivery regime</li> </ul>	SIO and all officers	Awaiting resource
	Investigate initiatives to assist the prevention and detection of crime	<ul style="list-style-type: none"> <li>• NFI</li> <li>• NAFN</li> <li>• Central Government</li> </ul>	SIO and all officers	<ul style="list-style-type: none"> <li>• Ongoing</li> <li>• Completed</li> <li>• Ongoing</li> </ul>

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		<ul style="list-style-type: none"> <li>initiatives</li> <li>Other initiatives</li> </ul>		<ul style="list-style-type: none"> <li>Ongoing</li> </ul>
	Review new and developing threats from fraud	<ul style="list-style-type: none"> <li>Adapt training materials to reflect the current threats from fraudsters</li> <li>Establish 'all staff' information channel to highlight the continuing threat of fraud (staff email?)</li> </ul>	SIO and all officers	<p>Providing a monthly fraud awareness update to Staff Comms for distribution.</p> <p>Have joined the Essex Police Fraud Alert System to inform this.</p>
Increase CFIT's abilities to proactively detect fraud.	Proactive initiatives	<ul style="list-style-type: none"> <li>Targeted housing operations</li> <li>Operations with other departments – investigate potential</li> </ul>	SIO	<ul style="list-style-type: none"> <li>T postponed</li> <li>O enquiries ongoing</li> <li>Meeting arranged with Trading Standards.</li> </ul>
	Review the initiatives to assist the prevention and detection of crime above for potential proactive operations	Dependent on results from the above enquiries		Ongoing

Ensure CFIT is fit for purpose	Review of casework / caseloads, results, volume and character of referrals	Analysis of casework / caseloads, results, volume and character of referrals to determine: <ul style="list-style-type: none"> <li>• Successes and failures</li> <li>• Weaknesses in processes</li> <li>• Key relationships are working</li> <li>• The tools available to investigators are adequate</li> <li>• Training needs</li> <li>• Priorities going forward</li> </ul>	SIO/Management	Awaiting sufficient resource to make this exercise useful.
	Restructure of the team to ensure adequate investigative capability and manpower to achieve the work Plan.	<ul style="list-style-type: none"> <li>• Define optimum team structure</li> <li>• Review job descriptions</li> <li>• Liaise with HR to achieve this structure</li> <li>• Recruit as necessary.</li> </ul>	SIO/Management	<ul style="list-style-type: none"> <li>• D complete</li> <li>• R complete</li> <li>• L ongoing</li> <li>• R ongoing</li> </ul>

9 months 07/04/2020 – 07/07/2020				
Aim	Activities	Actions	Responsibility	Comments
Continue 'business as usual' from above.	Continue 'business as usual' from above.	Continue 'business as usual' from above.	SIO and all officers	Ongoing
Review use of credit searches	Review use of credit searches	Review use of credit searches	SIO	Complete
Improve service delivery	Act on findings of the analysis above	Dependent upon the findings	SIO/Management	Ongoing
	Staff development	Identify training and other opportunities for staff development for offer to staff	SIO/Management	Ongoing
Continue CFIT's exposure and engagement to prevent and detect fraud.	Continue activities as described above	Continue activities as described above: <ul style="list-style-type: none"> <li>• Public engagement</li> <li>• Staff awareness</li> <li>• New initiatives</li> <li>• 'Horizon scanning' for new threats</li> </ul>	SIO/Management and all officers	Ongoing

### Appendix 3 - Breakdown of CFIT investigations as of April 2020<sup>1</sup>

Category	Cases since last report (January 2020)	Total since CFIT formation (October 2019)	Active investigations (being investigated, awaiting allocation or with Legal Services)	Closed investigations
<b>Transport</b> (Blue Badge, parking permits etc.)	8	24	4	20
<b>Schools</b> (including Early Years)	3	5	1	4
<b>Council Tax and Business Rates</b>	35	59	30	29
<b>Cybercrime</b>	1	3	0	3
<b>DWP</b>	0	3	0	3
<b>Grant Fund fraud</b>	0	1	1	0
<b>Housing</b> (unlawful subletting, Right to Buy fraud etc.)	38	71	14	57
<b>Money Laundering</b>	2	6	1	5
<b>Procurement</b>	2	5	3	2
<b>Social Care</b> (Direct Payment fraud etc.)	1	7	3	4
<b>Employee</b>	7	9	6	3
<b>Miscellaneous</b> (immigration, fraudulent cheques, mischievous referrals etc.)	5	5	0	5
<b>TOTALS</b>	<b>102</b>	<b>198</b>	<b>63</b>	<b>135</b>

<sup>1</sup> Figures are correct as of 08/04/2020

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# Southend-on-Sea Borough Council

## Report of the Executive Director (Finance and Resources)

to

## Audit Committee

on

29<sup>th</sup> April 2020

Report prepared by: Andrew Barnes, Head of Internal Audit

Agenda  
Item No.

7

### 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 2019/2020

#### 2. Recommendations

- 2.1 **The Audit Committee notes the progress made in delivering the 2019/20 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 17 April 2020. This highlights where audits contained in the original plan considered by the Audit Committee in March 2019 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 January.
- 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.
- 3.5 Since October 2019 the Head of Internal Audit has also been assisting with the re-integration of the counter fraud team to become an in-house service.
- 3.6 More recently the team has been providing advice on an ad hoc basis, and support to new activities and changes to arrangements that the Council is having to implement at pace to respond to the Covid-19 emergency that has dramatically affected the way that all services and everyone is having to work.

#### 4. Performance Targets and Resourcing

- 4.1 As outlined in the Strategy presented to the March 2019 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 31<sup>st</sup> March 2020:
- the team has had 17.5 days of sickness absence since 1<sup>st</sup> April 2019 (which impacts on productivity) and equates to 2.89 days per FTE
  - in terms of the jobs in the plan:
    - 51% of audits have finalised reports issued
    - 9% of audits are completed with the reports drafted and being discussed with the service managers
    - 9% of audits are completed with the reports drafted and being reviewed by internal audit management
    - 16% of audits are work in progress
    - 14% of audits are having their Terms of Reference determined and agreed.
- 4.3 Of the Audit Plan presented to the March 2019 Audit Committee 6 audits have been removed for various reasons, including positive external assessment feedback, changes to government expectations being forthcoming, services moving to different line management and the impact of Covid-19 on the capacity of services to be audited at the current time.
- 4.3 Stakeholder surveys are completed throughout the year as audits are completed. **Appendix 3** reflects the results of the 7 surveys covering 7 audits undertaken since April 2019. The feedback in this period is very strong showing that stakeholders find the service to be knowledgeable, flexible, communicative, collaborative and of value to the organisation. The results also show that there is some scope for improvement around articulating our understanding of information provided by services and issues surrounding it, keeping services updated with progress and being fully consistent between our discussed findings and reported findings.
- 4.4 The shared team with Castle Point has a resource structure consisting of:
- two Audit Managers (both in post)
  - two Senior Auditors (one post vacant)
  - four Auditors (two posts vacant)
  - cash (from the vacant posts) to buy in specialist and other services on behalf of both sites.
- 4.5 That leaves the shared team with three 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. 4.6 The expected requirements of the internal audit service into the future continue to evolve and the impact of Covid-19 is causing further consideration to take place. This continues to be monitored and assessed to determine the most appropriate team model utilising the financial resources available. Work also continues integrating two recently recruited members of staff into the team.

Once the current team resourcing and integration activities are complete, this will then be implemented to provide 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.

## **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
- lack of management capacity to support and develop the team, while processing work in a timely manner and providing strategic leadership to the team and support to the Council
- possibility that the external 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 periodically considers whether it provides a value for money service.

## 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 2019/20

Appendix 2 Audit Assurance and Themes

a Satisfactory assurance

b Follow ups

c Other audits and grants

Appendix 3 Stakeholder survey results

## Appendix 1: Internal Audit Plan 2019/20

Dept & (Lead)	Service Activity	Fraud risk	Status at 17 April 2020
Fm			
<b>Managing the Business</b>			
<b>All Outcomes</b>			
All	<b>Risk Management Strategy</b> To lead on the Council's work to embed a robust and efficient risk management framework into its wider governance arrangements.	No	Risk Management Policy Statement and Strategy agreed by Cabinet September 2019.  Agreed Implementation Action Plan to test and roll out the new approach between October 2019 to May 2020.  <b>Work in progress, but timelines will need to be extended due to the disruption caused by Covid-19.</b>
PL (ST)	<b>IT Risk Assessment</b> To undertake a baseline assessment of IT risks against a standard good practice framework and use this to develop the IT element of the Audit Plan going forward.	No	<b>2019/20 work complete.</b>  <b>To be revisited as part of Audit Plan for 2020/21 to take account of the new service delivery arrangements currently being implemented.</b>
<b>Implementing Action Plans</b>			
F&R (JC)	<b>Shareholder Board</b> To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.	No	<b>Work in progress.</b>  <b>Completed April 2020.</b>  <b>Completed April 2020.</b>
L&D (JW)	<b>Emergency Planning</b> To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.	No	
L&D (JW)	<b>Business Continuity</b> To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.	No	

## Appendix 1: Internal Audit Plan 2019/20

Dept & (Lead)	Service Activity	Fraud risk	Status at 17 April 2020
T (JR)	<b>Information Governance, General Data Protection Regulations</b> 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 prepared.
<b>Managing Service Delivery Risks</b>			
<b>Pride and Joy</b> By 2050 Southenders are fiercely proud of and go out of their way to champion what our city has to offer.			
PL (NH)	<b>Local Transport Capital Block Funding - Flood Resilience</b> To certify, in all significant respects, that the conditions attached to the grant have been complied with.	Yes	Completed September 2019.
PL (NH)	<b>National Productivity Investment Fund – Town Centre Redevelopment Improvement Project</b> To certify, in all significant respects, that the conditions attached to the grant have been complied with.	Yes	Completed September 2019.
<b>Implementing Action Plans</b>			
No work required			
<b>Safe and Well</b> By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives			
PE (BM)	<b>Children Centres Contract Management (2018/19)</b> 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	Completed July 2019.

## Appendix 1: Internal Audit Plan 2019/20

Dept & (Lead)	Service Activity	Fraud risk	Status at 17 April 2020
PE (GH)	<b>Homelessness and Rough Sleeping</b> To assess the robustness of arrangements for quickly and effectively supporting people facing homelessness to prevent this from happening and where it does that this is brief and non-recurrent.	Yes	<b>Draft report with the Audit Manager.</b>
PE (JOL)	<b>Independent Reviewing Officers</b> To assess the effectiveness of Independent Reviewing Officers in ensuring children's needs are met and their outcomes improved through the support and services that they receive, enabling them to reach their potential.	No	<b>Draft report being prepared.</b>
PE (JL)	<b>Commissioning of a New Service</b> To assess whether commissioning decisions were evidence based through clear and concise commissioning proposals, in order to meet the needs and outcomes required.	Yes	<b>Draft Terms of Reference with Audit Manager.</b>
PE (JL)	<b>Outcome Realisation of a Commissioned Service</b> To assess whether the delivery of a commissioned service is being effectively managed to ensure the planned outcomes and / or benefits for residents anticipated by the commissioning process are delivered.	Yes	<b>Draft Terms of Reference with Audit Manager.</b>
PE (GH)	<b>Private Sector Housing</b> To assess the effectiveness of the Private Sector Housing offer in regeneration of the housing market to ensure inclusive, healthy and safe places to live.	Yes	<b>Moved to 2020/21 Audit Plan. New start date agreed as service moved to Executive Director Neighbourhoods &amp; Environment and needs to be embedded before audited.</b>
PE (JOL)	<b>In House Foster Carers</b> To assess the effectiveness of the 'Fostering Team Action Plan' in ensuring appropriate processes are developed to allow for statutory requirements to be met and good practice followed, supporting safe and high quality placements for children.  (Please note the focus of the audit has changed as a result of the action plan developed after the 'Diagnostic and review of fostering services' undertaken as part of the Partner's in Practice arrangements).	Yes	<b>Work in progress.</b>

## Appendix 1: Internal Audit Plan 2019/20

Dept & (Lead)	Service Activity	Fraud risk	Status at 17 April 2020
PL (CR)	<b>Environmental Health</b> To assess whether there are robust arrangements in place to ensure concerns and referrals received are properly and effectively dealt with and statutory responsibilities discharged to protect and improve the wellbeing of residents.		<b>Work in progress halted due to end of year service priorities.</b>  <b>Agreed with service to resume audit work May 2020. This was ahead of Covid-19 so timing will need to be renegotiated.</b>
PE (SB)	<b>Deprivation of Liberty Safeguards (DoLS)</b> To assess the robustness of arrangements which ensure when a person is deprived of liberty, is necessary and in their best interests.		Removed from the 2019/20 Audit Plan as initial audit enquiries identified that work is underway to fundamentally change the arrangements for how DoLS are managed.  The audit has been added to the Risk Watch List for the 2020/2021 Audit Plan.
PE (SB)	<b>Adult Social Care Financial Assessments</b> To assess the robustness of the process that determines eligibility for financial support towards care needs to ensure it is accurate, transparent and accessible.	Yes	<b>Draft report with the Head of Internal Audit for review.</b>
PE (MB / JOL)	<b>Data Quality – Children’s Services</b> To assess the robustness of arrangements to confirm that data entered into the care management system (LCS) by social care staff, which is then used to produce performance indicators for senior management, is reliable.	No	<b>Draft report being discussed with the service.</b>
PL (PG)	<b>Building a Safer Future</b> To assess the Building Control team’s preparedness for implementing the changes to Building Regulations and Fire Safety emanating from the Hackitt Enquiry published in December 2018.	No	Removed from the 2019/20 Audit Plan as the required changes emanating from the Hackitt Enquiry have not been confirmed by government.

## Appendix 1: Internal Audit Plan 2019/20

Dept & (Lead)	Service Activity	Fraud risk	Status at 17 April 2020
PE (JOL)	<b>Early Help and Family Support Quality Assurance Framework</b> To assess the effectiveness of the Assurance Framework in supporting the Edge of Care Team to ensure that the right decisions are made to meet children's needs and keep them safe.	No	<b>Removed from the 2019/20 Audit Plan as 2019 Ofsted Inspection confirmed that Early Help Services 'work effectively with families to promote children's welfare and reduce risk'.</b>  <b>In addition 'Families are involved in evaluating the help they receive; they report that things are better following intervention'.</b>
PE (GH)	<b>Disabled Facilities Grant</b> To certify that, in all significant respects, the conditions attached to the grant have been complied with.	Yes	Completed September 2019.
PE (JOL)	<b>Troubled Families</b> To certify that, in all significant respects, the conditions attached to the grant have been complied with.	Yes	Report on the July to September 2019 submissions completed September 2019.  <b>Work complete.</b>  <b>Report on October 2019 to April 2020 submissions completed April 2020.</b>
<b>Implementing Action Plans</b>			
PL (PG)	<b>Building Control</b> 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 2019.
PE (JOL)	<b>Management Response to Quality Assurance Audits (2018-19)</b> To assess whether the actions agreed in the original audit dated July 2018 have been implemented and are now effectively embedded into the day-to-day operation of the service.	No	Completed October 2019.

## Appendix 1: Internal Audit Plan 2019/20

Dept & (Lead)	Service Activity	Fraud risk	Status at 17 April 2020
PE (JOL)	<b>Social Care Payments to Individuals and Providers – Children (2018-19)</b> To assess the robustness of the arrangements identified in the previous memo issued in June 2018, in ensuring that accurate and timely social care payments are made to individuals and providers.	Yes	Completed October 2019.
<b>Active and Involved</b> By 2050 we have a thriving, active and involved community that feel invested in our city			
<b>Implementing Action Plans</b>			
PL (PG)	<b>South Essex Active Travel (SEAT) Governance Arrangements</b> To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.	Yes	<b>Draft report being discussed with the service.</b>
<b>Opportunity and Prosperity</b> By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people			
T (JR)	<b>Hayes Contract Management</b> To assess whether there are robust arrangements in place to ensure that the contract is delivering the planned outcomes and / or benefits in compliance with the specified performance and quality standards, at the correct cost.	Yes	<b>Date for work to be re-determined with the service, as the service is currently focused on Covid-19 initiatives and ensuring optimum utilisation of the Council's human resources.</b>
PL (PG)	<b>Parking Enforcement Income Collection</b> To assess the effectiveness of arrangements for the timely collection of this income in line with the expectations set out in the Corporate Debt Policy (November 2017).	Yes	<b>Terms of reference being drawn up.</b>
PL (PG)	<b>Rechargeable Works</b> To assess the effectiveness of arrangements for recharging third parties for the cost of making good accidental damage to Council assets.	Yes	Work in progress.

## Appendix 1: Internal Audit Plan 2019/20

Dept & (Lead)	Service Activity	Fraud risk	Status at 17 April 2020
<b>Implementing Action Plans</b>			
No work required			
<p align="center"><b>Connected and Smart</b></p> <p align="center">By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure</p>			
PL (ST)	<b>IT Audit – Focus: Disaster Recovery and Continuity Planning</b> The focus of these audits has now been determined following the IT Risk Assessment work (see Managing the Business above).	Yes	Terms of reference and timings of work being discussed with service due to the disruption caused by Covid-19.
PL (ST)	<b>IT Audit – Focus: Service delivery and problem management</b> The focus of these audits has now been determined following the IT Risk Assessment work (see Managing the Business above).	Yes	
PL (PG)	<b>Local Transport Capital Block Funding - Highways Maintenance</b> To certify that, in all significant respects, the conditions attached to the grant have been complied with.	Yes	Completed September 2019.
PL (PG)	<b>Pothole Action Fund</b> To certify that, in all significant respects, the conditions attached to the grant have been complied with.	Yes	Completed September 2019.
<b>Implementing Action Plans</b>			
No work required			
<b>Key Financial Systems</b>			
<b>All Outcomes</b>			
T (JR)	<b>Payroll (2018/19)</b> 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	Completed August 2019.

## Appendix 1: Internal Audit Plan 2019/20

Dept & (Lead)	Service Activity	Fraud risk	Status at 17 April 2020
F&R (JC)	<b>Housing Benefits</b> To assess whether the key controls effectively prevent or detect material financial errors, on a timely basis, so that information from the system can be relied upon when producing the Council's statement of accounts.	Yes	<b>Completed April 2020</b>
F&R (JC)	<b>Council Tax</b> To assess whether the key controls effectively prevent or detect material financial errors, on a timely basis, so that information from the system can be relied upon when producing the Council's statement of accounts.	Yes	<b>Completed April 2020</b>
F&R (JC)	<b>Accounts Payable – Batch Input Files (BIF)</b> To assess the robustness of arrangements to ensure that these payment files are accurate and secure.	Yes	<b>Terms of reference being drawn up.</b>
F&R (JC)	<b>Income Management System</b> To assess the robustness of the new system to ensure that all income is accounted for in an accurate, secure and timely manner.	Yes	<b>Initial planning and scoping work completed.</b> <b>Terms of reference to be agreed with service.</b>
PE (SB)	<b>Social Care Debt Collection</b> To assess the effectiveness of arrangements for the timely collection of this income in line with the expectations set out in the Corporate Debt Policy (November 2017).	Yes	<b>Draft report being discussed with the service.</b>
<b>Implementing Action Plans</b>			
T (JR)	<b>Payroll</b> To check that actions agreed have been effectively implemented and are now embedded into the day to day operation of the service.	Yes	New addition to the Audit Plan from the Risk Watch list (see Appendix 2a) as in house resource increased. <b>Work in progress.</b>

## Appendix 1: Internal Audit Plan 2019/20

Dept & (Lead)	Service Activity	Fraud risk	Status at 17 April 2020
<b>Advice and Support</b>			
<b>All Outcomes</b>			
PL (AL)	<b>Cyber Security</b> To provide support and challenge over the robustness of the arrangements for implementing the improvement actions identified by the Local Government Association's 'stock take' of resilience arrangements against cyber-attacks.	Yes	Timing being aligned to the council's internal reporting arrangements for updates arising from the LGA 'stock take'.  Progress is being reported to the Good Governance Group at each meeting.  <b>Work complete until the next independent 'stock take' is undertaken.</b>
All	<b>Transforming Together &amp; Southend 2050</b> To provide support and challenge to the organisation as these continue to develop.	No	The Head of Internal Audit has been supporting the work of the Transforming Together Team this quarter as work on 'simple and effective governance' develops.  <b>Work in progress, but this will need to be re-visited following the impact caused by Covid-19 and the Head of Internal Audit will continue to support.</b>
All	<b>Information Asset Register Group</b> To provide support and challenge to the group as the Information Asset Register continues to develop.	No	<b>Removed from the Audit Plan as the Information Asset Register Group did not meet.</b>
GGG <sup>1</sup>	<b>Subject Access Requests Children's Services</b> To provide support and challenge around the robustness of arrangements for responding to these requests in the required time frames.  (Working with the Transformation Service's Service Design Team)	No	<b>Work halted after improved response times to Subject Access requests resulted from the recruitment of extra staff and additional training being provided.</b>  <b>Good Governance Group continue to receive updates on response times at each meeting.</b>

<sup>1</sup> Good Governance Group

## Appendix 1: Internal Audit Plan 2019/20

Dept & (Lead)	Service Activity	Fraud risk	Status at 17 April 2020
<p align="center"><b>Pride and Joy</b></p> <p align="center">By 2050 Southenders are fiercely proud of, and go out of their way, to champion what our city has to offer.</p>			
No work planned.			
<p align="center"><b>Safe and Well</b></p> <p align="center">By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives</p>			
PL (AL)	<p><b>Fire Safety</b></p> <p>To provide support and challenge to the working group to ensure that fire safety arrangements are appropriate and effectively managed to make buildings safe and feel safe, now and in the future.</p>	Yes	Work in progress.
<p align="center"><b>Active and Involved</b></p> <p align="center">By 2050 we have a thriving, active and involved community that feel invested in our city</p>			
No work planned.			
<p align="center"><b>Opportunity and Prosperity</b></p> <p align="center">By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people</p>			
PL (EC)	<p><b>Better Queensway Joint Venture</b></p> <p>To provide support and challenge as the organisation develops and implements governance arrangements to monitor the delivery of the programme through the Joint Venture Limited Liability Partnership.</p>	Yes	<p>Support being provided to the Project team and the Council's Partnership Board to assess, capture and manage risk.</p> <p>Further work planned with the Board for January 2020.</p> <p><b>Work completed for 2019/20. The Risk Register is now regularly presented to the Council's Partnership Board.</b></p> <p><b>See Audit Plan 2020-21 for next phase of audit work.</b></p>

## Appendix 1: Internal Audit Plan 2019/20

Dept & (Lead)	Service Activity	Fraud risk	Status at 17 April 2020
All	<b>Corporate Establishment</b> To provide support and challenge over the development of a corporate establishment, with the purpose of ensuring a complete and accurate personnel establishment list within Agresso and realisation of associated benefits.	Yes	Timing to be determined once the project timeline has been agreed.  <b>Now added to the 2020-21 Risk Watch List. Need to determine the current priority of this piece of work given disruption caused by Covid-19.</b>
PE / F&R  (BM / JC)	<b>Use of the Basic Need Capital Grant for Schools</b> To support the Council in determining its role and responsibilities in ensuring value for money for the provision of increased pupil places.	Yes	Completed April 2019.
<p style="text-align: center;"><b>Connected and Smart</b></p> <p style="text-align: center;">By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure</p>			
PL (PG)	<b>Highways Improvement Plan</b> To provide support and challenge over the robustness of the arrangements for implementing the agreed improvement actions and for measuring the positive impact of the actions.	No	Feedback provided covering the clarity of ownership and agreed target dates for actions detailed in the Improvement Plan.  Recently appointed Executive Director Neighbourhoods and Environment is reviewing current plan to address the above, as well as ensuring clarity of actions and outcomes.  Arrangements for monitoring delivery of the Improvement Plan will be considered for potential inclusion in the 2020/2021 Audit Plan.  Completed November 2019.  <b>Included in the Risk Watch List for the 2020/21 Audit Plan.</b>

## Appendix 1: Internal Audit Plan 2019/20

Dept & (Lead)	Service Activity	Fraud risk	Status at 17 April 2020
<b>Managing Service Delivery</b>			
<p>Delivering the internal audit service involves:</p> <ul style="list-style-type: none"> <li>• audit planning and resourcing</li> <li>• managing Audit Plan delivery which includes overseeing contractor work</li> <li>• reporting to senior management and the Audit Committee.</li> </ul>			
<p>Implementing the outstanding actions arising from the external quality assessment undertaken by the Institute of Internal Auditors undertaken in October 2017.</p>			

## Appendix 2a: Internal Audit Plan 2019/20

Risk Watch List	
PE	The effectiveness of the Children's Services Quality Assurance and Practice Framework
PE	Adherence to terms and conditions of the Early Years grant funding (advice and support 2019/20)
PE	Delivery of outcomes from the block contract with Southend Care
PE	Monitoring the delivery of outcomes for older people placed in residential care
PE	Implementation of the Special Education Needs Inspection Action Plan
PE	Essex Partnership University NHS Foundation Trust S75 Agreement
F&R	Counter Fraud and Investigations delivery against the Service Level Agreement with Thurrock Council (New alternative arrangements now being implemented)
PL	Management of the ICT Liquid Logic and / or Logicalis contract
PE	Delivery of outcomes from the Locality delivery model in Adult Social Care
PL	Environmental Health (Now added to the 2019/20 Audit Plan)
T	Payroll revisited (Now added to the 2019/20 Audit Plan)
PE	Vibrance contract management revisited
T	Governance architecture for service delivery
F&R	Implementation of the automated P2P new supplier process (advice and support 2019/20)
PE	Deprivation of Liberty Safeguards (DoLS)
PL	Building a Safer Future

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

## Appendix 2a: Internal Audit Plan 2019/20

<b>Audit Activities</b>	<b>Resource allocation</b>
Managing the Business	3%
Managing Service Delivery Risks	42%
Key Financial Systems	13%
Grant Claims	6%
Advice and Support	7%
Follow Ups	8%
Contingency	11%
Managing Delivery of the Audit Plan	10%
<b>Total</b>	<b>100%</b>
<b>Total Council Audit Plan Days</b>	<b>583</b>

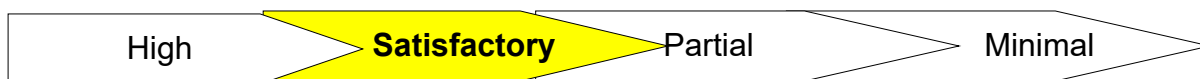
The days required to revisit and retest action plans from previous reports are included under each heading.

The Total Council Audit Plan Days reflects the higher cost of buying in external contractors to cover internal vacancies.

<b>Analysis Over Departments</b>		
All	Cross Cutting	4%
F&R	Finance and Resources Service	11%
L&D	Legal and Democratic Services	3%
T	Transformation Service	4%
PE	People	32%
PL	Place	25%
All	Contingency	11%
All	Managing Delivery of the Audit Plan	10%
	<b>Total</b>	<b>100%</b>

## Appendix 2a: Audit Opinion and Summaries

### Assurance



### Housing Benefits 19-39

#### Objective

To assess whether the key controls in the Housing Benefits system effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing Southend on Sea Borough Council's (the Council) statement of accounts.

#### Overall Opinion

Satisfactory Assurance: Most business management processes are operating effectively, with a few exceptions. Most risks to delivering objectives are understood but not always completely mitigated to an acceptable level.

Number of actions agreed: 2

### Council Tax 19-40

#### Objective

To assess whether the key controls in the Council Tax system effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's statement of accounts.

#### Overall Opinion

Satisfactory Assurance: Most business management processes are operating effectively, with a few exceptions. Most risks to delivering objectives are understood but not always completely mitigated to an acceptable level.

Number of actions agreed: 2

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## Appendix 2b: Audits Revisited

### Purpose of these Audits

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

### Emergency Planning

To assess whether the actions agreed in the original audit dated May 2018 have been implemented and are now effectively embedded into the day-to-day operation of the service.

### Original Objective

To assess whether the Council has robust arrangements in place for responding to a civil emergency, in line with the requirements of the Civil Contingencies Act 2004 (CCA) and other relevant good practice / updates.

### Action Implementation Level

#### Opinion: Satisfactory assurance

There was proactive management as well as timely delivery of most actions, with evidence they were embedded into working practices.

### Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Closed
30	2	0	0	0

### Summary

The recommendations raised in the original report are being reported to the Corporate Management Team as being substantially completed.

The Council has already gathered a lot of intelligence about potential civil emergencies via the Essex Resilience Forum and this has been used to inform contingency planning.

The Council has made significant progress in implementing the recommendations raised as part of the previous audit dated May 2018:

- the Council has access to emergency plans which have been produced by the Essex Resilience Forum. These include details and inputs from all key partners.
- a consolidated risk register has been produced, and auxiliary local risk policies have been developed for local circumstances such as specific areas at a high risk of flooding.
- the Council have updated the training schedule to ensure the strategic responders have all attended or are due to attend face-to-face training. An e-learning module has also been rolled out to new joiners as recommended training, to increase the awareness of Emergency Planning across the

## Appendix 2b: Audits Revisited

organisation. There are plans for this to become mandatory for all staff, however this is still under review.

- an on-going incident and exercise log have been created, which shows all calls made / incidents reported and includes action taken, outcome and lessons learnt.
- agreements are in place with key suppliers to confirm they will be available when needed in relation to a civil emergency event.

Work is ongoing to:

- decide what training should be added to the schedule of mandatory training for some, or all groups of staff.

assess Rest Centres to ensure facilities within them (e.g. kitchens, washrooms, toilets) meet the required potential need during an incident, given the potential amount of time they could be needed.

### Business Continuity

#### Original Objective

To assess whether the Council has effective arrangements in place to enable services (particularly critical ones) to continue to be provided in the event of a disaster occurring.

#### Action Implementation Level

##### Opinion: Satisfactory assurance

There was proactive management as well as timely delivery of most actions, with evidence they were embedded into working practices.

#### Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Closed
3	1	1	0	1

#### Summary

The recommendations raised in the revisited audit report are being reported to the Corporate Management Team as being substantially completed.

The Council has made good progress in implementing the recommendations raised as part of the previous revisited audit dated March 2018. The Council has prioritised the recommendations accordingly and good progress has been made in respect of the following areas of activity:

- The Emergency Planning and Business Continuity teams have been merged to form the Resilience team, allowing more flexible, reactive team roles and greater collaboration.

## Appendix 2b: Audits Revisited

- There has been a shift in the online applications used by the Council to enable more reactive and flexible working in the event of an incident. This includes:
  1. The movement towards use of Microsoft Teams which allows all team members to attend a conference call together which was previously not possible.
  2. The Council are also in the process of adopting Clearview for the use of Business Impact Assessments. These are currently paper based but will be developed into electronic versions. Reminders can be set on Clearview to ensure that all Business Impact Assessments (BIAs) are updated on a regular basis.
  3. The use of Everbridge<sup>1</sup> has also declined due to the cost and system limitations, and a cascade system has instead been trialled and adapted for the lessons learnt during its first test. This system has proven to be much more effective when tested.
- A Business Continuity training module has also been rolled out to new joiners as a recommended e-learn module, to increase the awareness of business continuity across the organisation. There are plans for this to become mandatory for all staff, however this is still under review.
- The Resilience Team have been proactive in ensuring the members of the CMT are booked to attend Business Continuity training.

Further work is being undertaken to:

- update Business Impact Assessments (BIAs) to ensure they are up-to-date and are input into the central database. This will help ensure proper actions are being taken in the event of an incident.
- ensure training of staff responsible for the Business Continuity Plan (BCP) and Incident Management Strategy (IMS) has taken place and records of this training are up to date.
- ensure key staff and new joiners have received training and decide whether all staff should receive a degree of business continuity training. This will enable the Council to be more robust in the event of an incident occurring.

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<sup>1</sup> Emergency communications tool that sends alerts to staff mobile devices

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## **Appendix 2c: 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 October 2019 and April 2020, 376 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. Due to a number of claims coming from different teams within the Council and partners for the first time, the Team Manager extended these checks and reviewed 99 cases of the cases submitted.

Internal Audit randomly selected 39 claims for review, which included 12 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.

The one claim that was withdrawn was for continued employment, but due to the mother already being employed for three hours a week at the start of the programme, it did not meet the entry criteria. Having only one claim withdrawn from the numbers reviewed demonstrates that the Team Managers quality assurance checks are working effectively.

One of the cases submitted had previously been withdrawn as evidence was not available to demonstrate the mother's engagement with substance misuse agencies or a reduction in her cannabis use as required by the Council's Outcome Plan. This was reported in the Audit Committee update in October 2019. Further evidence has now been provided during this claim to demonstrate this outcome has been met and the case has therefore been included in this claim.

## **Appendix 2c: Other Audits and Grant Claims**

### **Troubled Families Programme Extension 2020/21**

Early in 2020 the MHCLG announced that they would be extending the Troubled Families programme for a further 12 months, up until March 2021.

As a result of the extension, the Financial Framework issued by MHCLG has been updated and the Troubled Families Team Manager has consulted with Internal Audit and updated the Outcome Plan to reflect the changes required. This is currently with MHCLG for review and agreement.

### 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
<b>Performing the audit (PSIAS 2300)</b>		
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?	93
<b>Communicating results (PSIAS 2400) and Improving governance, risk management and control processes (PSIAS 2100)</b>		
4	Did we keep you informed of the progress of the audit and issues arising from the work in timely manner?	92
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?	93
<b>Independence and Objectivity (PSIAS 1100)</b>		
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
<b>Managing the Internal Audit Activity (PSIAS 2000)</b>		
9	Do you think internal audit adds value to the Council?	100

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# Southend-on-Sea Borough Council

Report of the Executive Director (Finances & Resources)

to

**Audit Committee**

on

**29<sup>th</sup> April 2020**

Report prepared by: Andrew Barnes, Head of Internal Audit

Agenda  
Item No.

8

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**Internal Audit Charter, Strategy and Audit Plan for 2020/21**

***A Part 1 Public Agenda Item***

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## **1. Purpose of Report**

- 1.1 To present to the Audit Committee, the Internal Audit Charter with the supporting Strategy and Audit Plan for 2020/21.

## **2. Recommendation**

- 2.1 The Audit Committee approves the Charter, Strategy and Audit Plan for 2020/21.**

## **3. Background**

- 3.1 The Accounts and Audit Regulations 2015 (Regulations) make it a requirement for internal audit to take into account public sector internal auditing standards or guidance in delivering the service.
- 3.2 The UK Public Sector Internal Audit Standards (the Standards) require the service to produce a:
- Charter
  - a risk based plan that:
    - takes into account the:
      - requirement to produce an annual internal audit opinion
      - Council's assurance framework.
    - incorporates or is linked to a strategic or high level statement of how:
      - the service will be delivered and developed in accordance with the Charter
    - it links to the Council's Ambition and Outcomes.

#### **4. Charter, Strategy and Audit Plan**

4.1 In order to comply with the Standards, the approach proposed for delivering the service, is set out in the:

- Charter, that defines the purpose, authority and responsibility of the service
- Strategy, that outlines how the service will be delivered in line with the Charter and includes the:
  - Internal Audit Plan for 2020/21
  - statement showing how audit work completed during the year will provide assurance regarding the mitigation of the Council's strategic risks
  - How We Will Work With You Statement.

4.2 The following paragraphs explain key amendments to the documents which were last presented to the Audit Committee in April 2019. These are also highlighted in **bold** within the documents themselves for ease of reference.

#### **5. Charter (Appendix 1)**

5.1 The minor amendments made to the Charter this year relate to:

- changes in officer roles
- updates to CIPFA's Role of the Head of Internal Audit 2019
- changed arrangements for the Counter Fraud and Investigation Team.

#### **6. Strategy (Appendix 2)**

6.1 The Strategy sets out:

- the ethical framework audit staff are expected to comply with
- the basis for the audit opinion and the audit approach to be adopted
- the approach to assessing risk and assurance as part of the audit planning process
- the Audit Plan, resource assessment and performance indicators
- how the service will work with key staff, members and groups within the Council
- how the team will operate on a day to day basis
- how it will assess its compliance with relevant professional standards and report upon this.

6.2 A few very minor amendments have been made to the Strategy this year. These are cosmetic and don't change the manner in which the audit service provided is delivered under the Collaborative Working Agreement. The Strategy also sets out the team's performance indicators for the year.

- 6.3 As outlined in the Strategy, activities are only considered for inclusion in the Audit Plan if:
- they are assessed as being significant enough to require periodic independent review
  - this independent assurance is not being provided elsewhere (e.g. Ofsted).
- 6.4 The coverage provided within the proposed Audit Plan for 2020/21 (Appendix 2a) is based upon the audit approach outlined in the Strategy which complies with the requirements of the Standards.
- 6.5 The Audit Plan looks to provide some assurance regarding the delivery of the Council's Ambition and Outcomes and as many Corporate Risks as possible. Other factors that influence what is in this year's Audit Plan include, for example:
- when activities were last reviewed and the results of that work
  - whether there are any significant changes involving an activity e.g. new IT software, loss of key staff etc.
  - the level of spend and corporate profile of the activity
  - emerging risks highlighted by senior management or other sources.
- 6.6 Much of the work to produce the Audit Plan has been undertaken in the period when Council officers have been required to work from home due to the covid-19 emergency lockdown and therefore it has been more difficult to liaise with colleagues, although this has been overcome through the use of Microsoft Teams, which is now working well, enabling colleagues to meet remotely in an effective way.
- 6.7 However the current uncertainties regarding the length of time that lockdown will continue, the government strategy for coming out of lockdown, the expectations of the Council in assisting with work to address the challenges posed by Covid-19, the Council's response and the impact on the arrangements to deliver Council services moving forward, all mean that it should be recognised that there will be a need for flexibility in both the things that internal audit focusses upon and the way that it undertakes its work.
- 6.8 In addition the external auditors will be delivering their work on the 2020/21 financial year under a revised National Audit Office - Code of Audit Practice, that governs the work of external auditors of local public bodies under the Local Audit and Accountability Act 2014. The revised Code specifies the following value for money arrangements reporting criteria:
- financial sustainability
  - governance
  - improving economy, efficiency and effectiveness.
- 6.9 Internal audit will liaise with external audit in respect of the work that they will be undertaking to meet the requirements of the revised Code of Audit Practice and seek to deliver internal audit work that supports those requirements.

- 6.10 As a result, the Audit Plan will be reviewed in the autumn, once the ongoing impact of the covid-19 situation and the changes to the way that the Council works as a result are better understood, to re-assess whether there are any changes to the risk profile and therefore, the work planned for later in the year. As is usual practice, any proposed future amendments to the Audit Plan will be reported to the Audit Committee for approval.
- 6.11 Appendix 2b identifies where audit reviews provide some assurance regarding the management of the Council's corporate risks.
- 6.12 The How We Will Work With You Statement (Appendix 2c) outlines the consultation and engagement that internal audit undertakes with management for the different elements of internal audit work.

## **7. Corporate Implications**

### **7.1 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.

### **7.2 Financial Implications**

Financial risk is one of the categories used when assessing the risk profile of all the activities that the Council delivers.

The Audit Plan will be delivered within the agreed budget for the service.

### **7.3 Legal Implications**

The Accounts and Audit Regulations 2015, Section 5 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.

The Standards require:

- the Audit Committee to approve (but not direct) the annual internal Audit Plan and this report discharges that duty
- the Audit Committee to then receive regular updates on its delivery, as provided by the quarterly performance report
- the Head of Internal Audit to provide an annual audit opinion on the Council's risk management, control and governance arrangements and report on this to the Audit Committee, which is delivered to its July meeting.

### **7.4 People Implications**

People risk is another of the categories used when assessing the risk profile of all the activities that the Council delivers.

Resourcing issues relating to the team are covered in the Strategy.

### **7.5 Property Implications**

Property risk is another of the categories used when assessing the risk profile of all the activities that the Council delivers.

### **7.6 Consultation**

This is set out in the Strategy.

## 7.7 Equalities and Diversity Implications

Not applicable to these documents.

## 7.8 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 on the Council's ability to deliver its corporate Ambition and Outcomes.

The key team risks are:

- its inability to recruit or retain staff
- that external suppliers won't deliver contracted in work within the required deadlines to the expected quality standards
- that it becomes increasingly difficult to:
  - engage staff in service departments within the audit process
  - obtain information at all or in a timely way, so that a full review can be completed
  - discuss and agree opinions and action plans as the resources to implement them become more stretched.

Additional time has been built into the Audit Plan for managing external contractors.

Internal Audit maintains an audit risk assessment which is explained in the Strategy.

## 7.9 Value for Money

Internal Audit undertook a service review in 2013/14 which demonstrated that the cost of the service was competitive. This was reconfirmed as part of the external service review completed in September 2016, and supported by the external assessment that was undertaken in October 2017.

This needs to be taken in conjunction with the other indicators reported upon quarterly, when assessing whether the service provides value for money.

## 7.10 Community Safety Implications

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

## 7.11 Environmental Impact

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

## **8. Background Papers**

- The Accounts and Audit Regulations 2015
- UK Public Sector Internal Audit Standards
- CIPFA Local Governance Application Note for the UK Public Sector Internal Audit Standards
- CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2019
- CIPFA: Audit Committee Practical Guidance for Local Authorities and A Toolkit for Local Authority Audit Committees.

## **9. Appendices**

- Appendix 1: Internal Audit Charter
- Appendix 2: Internal Audit Strategy
  - Appendix 2a: Internal Audit Plan for 2020/21
  - Appendix 2b Audit assurance linked to the Council's corporate risks
  - Appendix 2c: How We Will Work With You Statement



## **Internal Audit Charter**

Subject to annual review by Head of Internal Audit  
Reported to the Audit Committee: April 2020

## Appendix 1: Internal Audit Charter

### Introduction

This Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards (the Standards) and the CIPFA Local Government Application Note.

The Charter will be reviewed annually and presented to the Audit Committee for approval.

### Service Objective

The key objective for Internal Audit is to complete sufficient work in order to enable it to provide an independent and objective annual opinion on the adequacy and effectiveness of the Council's governance processes, risk management and internal controls established to enable it to achieve its planned outcomes.

This includes the Council's working arrangements with partners, contractors and third parties.

In doing this, Internal Audit aims to:

- deliver a high quality, cost effective service in line with best practice and professional standards
- work constructively with management to support new developments and major change programmes
- be pragmatic and proportionate with its recommendations, having regard not just to risk, but also the cost of controls
- be flexible and responsive to the needs of the organisation in all its work
- help promote an anti-fraud and corruption culture within the organisation.

### Responsibilities

Internal Audit is '*an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control and governance processes*'<sup>1</sup>.

In a local authority, internal audit:

- provides independent and objective assurance to the organisation, its Members and the Corporate Management Team regarding the design and operation of its risk management, control and governance processes
- assists the **Executive Director (Finance and Resources)** in discharging his responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

It is management's responsibility to:

- establish and maintain appropriate governance arrangements and internal control systems

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<sup>1</sup> Institute of Internal Auditors

## Appendix 1: Internal Audit Charter

- ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

### Statutory Role

Internal Audit is a statutory service in the context of the Local Audit and Accountability Act 2014 and its supporting Accounts and Audit Regulations 2015, which state in Part 2, Internal Control, Section 5, that:

*“A relevant authority must 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.*

*Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:*

- *make available such documents and records*
- *supply such information and explanation*

*as are considered necessary by those conducting the internal audit.”*

This is reinforced by the Standards (1000 Purpose, Authority and Responsibility) which require that Internal Audit be provided with *access to records, personnel and physical properties relevant to the performance of engagements.*

Internal Audit operates under the Chief Financial Officer's statutory authority to visit any Council land or premises should this be required.

This statutory framework is supported by the Council's Financial Regulations.

### Independence and Accountability

Internal Auditors must conform to the Standards, Code of Ethics as well as those relating to any professional body they are members of. The Code of Ethics includes two essential components i.e.:

- Principles that are relevant to the profession and practices of internal auditing
- Rules of Conduct that describe behaviour norms expected of internal auditors.

These are defined in more detail in the Strategy but cover Integrity, Objectivity, Confidentiality and Competency.

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors have no operational responsibilities. Where the Head of Internal Audit is responsible for other services, arrangements are in place to ensure that any:

- internal audit work in these areas, is subject to appropriate independent review
- conflicts of interest are avoided.

## **Appendix 1: Internal Audit Charter**

Internal Audit determines its priorities in consultation with 'Those Charged with Governance'. The Head of Internal Audit has direct access to and freedom to report in his own name and without fear of favour to, all officers and Members and particularly 'Those Charged with Governance' including the Chief Executive and Chair of the Audit Committee. This independence is further safeguarded by ensuring that the Head of Internal Audit's annual appraisal / performance review is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chair of Audit Committee contribute to this performance review. The Head of Internal Audit must confirm to the Audit Committee, at least annually, on the organisational independence of the service.

Internal Audit may also provide advisory and related client service activities, the nature and scope of which are agreed with the Council. They are intended to add value and improve an organisation's risk management, control and governance processes, examples of which include counselling, advice, facilitation and training. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit.

Accountability for the response to the advice and recommendations of Internal Audit lies with management, who either accept and implement the advice or formally reject it.

All Internal Audit staff are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

When co-ordinating activities internal audit may seek to rely on the work of other assurance and consulting service providers. A consistent approach is adopted for the basis of reliance and internal audit will consider the competence, objectivity and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work provided by other providers of assurance and consulting services. Where reliance is placed upon the work of others, internal audit remains responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

### **Internal Audit Scope**

The scope of Internal Audit includes the entire control environment and therefore all of the Council's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and management risk assessments (including those set out within Council's risk registers). Extensive consultation also takes place with key stakeholders.

The framework used for evaluating the Council's governance, risk management and control arrangements (as required by the Standards) is set out in the supporting Strategy.

If circumstances arise whereby assurances are to be provided to parties outside the Council, the nature of and approach to be adopted to providing them will be discussed with relevant senior management.

## Appendix 1: Internal Audit Charter

The Head of Internal Audit can consider accepting proposed consulting engagements (should resources allow), based on their potential to improve the management of risks, add value and improve the organisation's operations. Accepted engagements must also be included in the Audit Plan.

### Reporting Lines and Relationships

Responsibility for ensuring that statutory internal audit arrangements are in place has been delegated to the **Executive Director (Finance & Resources)** (Section 151 Officer) who is a member of the Corporate Management Team. These arrangements form a key element of the Council's corporate governance framework.

Therefore the **Executive Director (Finance & Resources)** discharges the administrative responsibilities for managing the internal audit service whilst it reports functionally to the Audit Committee. Details of the functional role of the Audit Committee in this respect are set out in its Terms of Reference (including its annual work programme).

In discharging this function role, the Audit Committee receives reports that cover the results of internal audit activity and details of Internal Audit performance, including progress on delivering the Audit Plan.

In addition, Internal Audit provides an annual report and opinion to senior management and the Audit Committee on the adequacy and effectiveness of the Council's system of internal control including its risk management, control and governance arrangements.

The Head of Internal Audit also:

- has regular briefings individually with the Chief Executive, **Executive Directors and other Directors and Heads of Service**
- attends the Council's Good Governance Group which includes the Section 151 Officer and Monitoring Officer and reports to the Head of Paid Service.

Further details of how internal audit works with key officers, management and Members are set out in the Strategy, Appendix 2c, How We Will Work With You Statement.

No information or reports concerning audit work undertaken on behalf of the Council will be released to anyone not working for the Council, without its permission.

### Internal Audit Standards

There is a statutory requirement for Internal Audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'UK Public Sector Internal Audit Standards' (the Standards) as defined by the Institute of Internal Auditors (IIA) in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA), which are based upon the International Professional Practices Framework (IPPF). These Standards have been adopted by the Council's Internal Audit Service.

## Appendix 1: Internal Audit Charter

Therefore its Mission (as set out in the IPPF) is '*to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight*'. In delivering this, the service commits to operating in accordance with the IPPF's core principles, which requires that it:

- demonstrates integrity
- demonstrates competence and due professional care
- is objective and free from undue influence (independent)
- aligns with the strategies, objectives and risks of the organisation
- is appropriately positioned and adequately resourced
- demonstrates quality and continuous improvement
- communicates effectively
- provides risk-based assurance
- is insightful, proactive and future-focused
- promotes organisational improvement.

With regard to the application of these Standards only, the Council's Audit Committee takes the role of the 'board' and Corporate Management Team, that of 'senior management'.

In accordance with the Standards, Internal Audit is subject to a quality assurance and improvement regime. This consists of an annual self assessment of the service against the Standards, on-going performance monitoring of individual reviews and an external assessment at least every five years by a suitably qualified, independent assessor. The results of all of this activity are reported to the Corporate Management Team and the Audit Committee, along with details of any instances of non-conformance. Where non-conformance is considered significant, this will also be included within the Council's Annual Governance Statement.

The Accounts and Audit Regulations 2015 require local authorities to produce an Annual Governance Statement in accordance with proper practices. CIPFA's Delivering Good Governance guidance has been given 'proper practice' status by the Ministry of Housing, Communities and Local Government for this purpose. Therefore, the Head of Internal Audit aims to comply with the **CIPFA Statement on The Role of the Head of Internal Audit in Public Service Organisations 2019**, wherever possible, as required by the guidance.

### Internal Audit Resources

It is a requirement that Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and maintain their professional competence through an appropriate on-going development programme.

The Head of Internal Audit is responsible for appointing the staff of the Internal Audit Service and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills.

## Appendix 1: Internal Audit Charter

In addition to in-house audit staff, the Head of Internal Audit may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

The Head of Internal Audit is responsible for ensuring that the resources of the Internal Audit Service are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby she / he concluded that resources were insufficient, he must formally report this to the **Executive Director (Finance & Resources)** and, if the position is not resolved, to the Audit Committee.

The Internal Audit budget is reported to Cabinet and Full Council for approval annually as part of the overall Council budget.

### Fraud and Corruption

Managing the risk of fraud and corruption is the responsibility of management, not Internal Audit. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption to occur.

The **Council's Counter Fraud & Investigation Team (the Team)** will investigate allegations of fraud and corruption in line with the Council's **Counter Fraud, Bribery and Corruption Strategy**. **The Head of Internal Audit is managing the Team and will ensure that the Internal Audit Service** work collaboratively with the **Team** where necessary, to ensure system or process weaknesses identified during investigations are addressed.

The Head of Internal Audit must also be informed of all suspected or detected cases of fraud, corruption, bribery or impropriety in order to consider the adequacy of the relevant controls, and evaluate the implication of fraud and corruption for the annual opinion on the control environment.

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## **Internal Audit Strategy**

Subject to annual review by Head of Internal Audit

Reported to the Audit Committee: April 2020

## Appendix 2: Internal Audit Strategy

### Introduction

The Internal Audit Charter sets out the service objective for Internal Audit, which is to provide an annual opinion on the adequacy and effectiveness of the Council's governance, risk management and control processes, designed to deliver its Ambition and Outcomes.

This Strategy sets out how the service will be delivered and developed in accordance with the Charter and how it links to the delivery of the Council's Ambition and Outcomes.

### Code of Ethics

All internal auditors working for the Council will comply with:

- the Code of Ethics contained within the UK Public Sector Internal Audit Standards (the Standards) which define:
  - principles that are relevant to the profession and practice of internal auditing
  - rules of conduct that describe behaviour norms expected of internal auditors.
- the ethical standards of any professional body they are members of
- the Nolan Committee's *Seven Principles of Public Life* as reported in the Constitution.

The four key principles the Code of Ethics adopts are as follows:

- The **integrity** of internal auditors establishes trust and this provides the basis for reliance on their judgement.
- Internal auditors:
  - exhibit the highest level of professional **objectivity** in gathering, evaluating and communicating information about the activity or process being examined
  - make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.
- Internal auditors respect the value and ownership of information they receive and do not disclose information (**confidentiality**) without appropriate authority unless there is a legal or professional obligation to do so.
- Internal auditors apply the knowledge, skills and experience (**competency**) needed in the performance of internal auditing services.

Inappropriate disclosure of information or breaches of the Code of Ethics by internal auditors could be a disciplinary offence.

All staff working on the Council's audits will be required to sign an Ethical Governance Statement. In house staff will be required to declare any interests prior to starting an audit and to formally update their statement as part of their six monthly appraisal meetings.

## **Appendix 2: Internal Audit Strategy**

### **Basis for Annual Audit Opinion**

In summary, the audit opinion will be based upon an assessment of:

- the design and operation of the key processes operated by the Council in order to manage its business (e.g. governance arrangements)
- the range of individual opinions arising from risk-based and other audit assignments delivered during the year (e.g. service activities and financial systems)
- an assessment of how robustly actions agreed are implemented and whether this is achieved in a timely manner
- the outcome of any other relevant work undertaken (whether internally or externally) where independent assurance is provided about the operation or performance of a service / system.

### **Audit Approach**

The audit approach is designed to provide the Council with assurance that its risk management, control and governance processes are robust enough to ensure its Ambition and Outcomes will be delivered.

It also takes into account, where applicable, the need for the Council to gain assurance that any partnership or other agreement to which it is party, is also operating successfully to achieve this end.

The framework used for evaluating the Council's, risk management, control and governance arrangements (as required by the Standards) is set out below.

### **Governance**

Over a suitable period, an assessment will be made of the adequacy of governance process in accomplishing the following objectives:

- promoting appropriate ethics and values within the Council
- ensuring effective organisational performance management and accountability
- communicating risk and control information to appropriate areas of the Council
- co-ordinating the activities of, and communicating information among, the Audit Committee, external and internal auditors and management.

In doing this, Internal Audit will:

- evaluate the design, implementation and effectiveness of ethics-related objectives, programme and activities
- assess whether the information technology governance supports the delivery of the Council's Ambition and Outcomes.

## **Appendix 2: Internal Audit Strategy**

### **Risk Management**

In determining how effective risk management arrangements are, assessments will be made of whether:

- the Council's Outcomes and Roadmap support and align with its Ambition
- significant risks are identified and assessed
- appropriate risk responses are selected that align risks with the Council's risk appetite
- relevant risk information is captured and communicated in a timely manner across the Council, enabling staff, management, Members and the Audit Committee to carry out their responsibilities.

This information will be gathered from many sources including audit assignments undertaken each year.

Risk exposures relating to governance, operations and information systems will also be evaluated regarding the:

- achievement of the Council's Ambition and Outcomes
- reliability and integrity of financial and operational information
- effectiveness and efficiency of operations and programmes
- safeguarding of assets
- compliance with laws, regulations, policies, procedures and contracts.

Internal Audit will also evaluate the potential for the occurrence of fraud, corruption, bribery, theft or financial irregularities and how the Council manages these risks.

### **Control**

An evaluation will be made of the adequacy, effectiveness and efficiency of controls in responding to risks within the Council's governance, operations and information systems (taking into account the same areas outlined in the bullet points in the risk exposures paragraph above).

### **Types of Assurance Provided**

Audit assignments will apply one or a combination of approaches which include assessing:

- the adequacy of system design
- whether:
  - key controls within a system, process or service are operating effectively
  - outcomes from systems, processes or services are in line with expectations.

Internal Audit will make recommendations for improving any services, systems or processes audited with a view to promoting continuous improvement.

## Appendix 2: Internal Audit Strategy

Any knowledge gained from consultancy engagements will be incorporated into the evaluation of the Council's, risk management, control and governance processes.

### Limitations

Internal Audit will not:

- assume management responsibilities
- control the risks of the Council
- establish and maintain any systems of internal control
- determine operational policies or procedures
- necessarily detect fraud, corruption, bribery, theft or financial irregularities as part of its work, as management is responsible for mitigating these risks.

### Risk Assessment

A risk based approach will be used to identify areas for review, which takes into account the risk maturity of the Council. The risk assessment will be based upon professional judgement but be informed by:

- key corporate and service level documents (e.g. plans and risk registers)
- regular discussions with the Chief Executive, **Executive Directors and other Directors**
- at least annual discussions with all Directors and periodic discussions with Group and Service Managers as required
- the work of the Good Governance Group
- the audit risk assessment
- horizon scanning to establish potential new risks that may materialise during the year
- outcomes from other relevant, independent audits, inspections or work undertaken.

An audit risk assessment will be maintained which includes all service activities as well as key financial systems and business management processes. This helps identify activities that:

- are 'higher risk' because, for example, they are inherently complex, material or susceptible to fraud but well controlled
- will not be audited unless a specific, one off risk arises or their general risk profiles increases.

It is more important for higher risk activities, that management obtain periodic, independent evidence that the controls remain appropriate and are consistently applied. A significant control failure in these areas could have a serious impact on the Council's ability to deliver its services and overall Ambition and Outcomes.

## Appendix 2: Internal Audit Strategy

In assessing the level of assurance required and therefore the priority attached to each Council service, account will be taken of:

- financial risk
- outward facing risks (including reputational risk)
- operational risks (including those relating to partnerships)
- legal and political risks
- people and property risks (including health & safety and safeguarding)
- inherent risk (including that of fraud).

The audit risk assessment will be discussed at least annually with the Chief Executive, **Executive Directors and other Directors**. An annual assessment will be made with the **Executive Director (Finance & Resources)** as to whether any assurance is required regarding key financial systems to support the production of the Statement of Accounts.

Internal Audit will decide which action plans to revisit on a risk basis. Where it is determined that further work is required to ensure agreed actions have been properly implemented, this will involve re-testing to ensure:

- this is the case
- the strengthened control arrangements are firmly established in the day to day running of the service.

### Assurance Framework

Before producing the Audit Plan, an assessment will be made of the evidence already available regarding the:

- operation of individual services
- management of corporate, strategic or operational risks
- effectiveness of the Council's governance arrangements.

This evidence will be recorded as part of the audit risk assessment documentation. As part of planning the audit, the value of this evidence will be evaluated by assessing:

- what risks and controls such assurance covers
- at what stage in the process it takes effect (see Three Lines of Defence model outlined below) and therefore how quickly it would mitigate the risk
- how reliable it is, which is likely to include some re-performance work to confirm the validity of the findings before it is relied upon for audit purposes.

## Appendix 2: Internal Audit Strategy

### Coordinating the Three Lines of Defence

First Line of Defence	Second Line of Defence	Third Line of Defence
Risk Owners / Managers	Risk Control and Compliance	Risk Assurance
Operational management	Corporate management type functions	Internal Audit
Delivers the service	Limited independence	Greater independence
Reports through the normal line management structure	Reports primarily to management	Reports to the Audit Committee

### Audit Plan

As at April 2020, the service still has a number of vacant posts. Therefore, the service will remain reliant on external contractors during the year, which will reduce the number of days that can be delivered from the Council's internal audit budget.

In the interim, a staff resource needs assessment will be maintained for the in-house resource to calculate the capacity of this element of the service. A view will then be taken about external resources required to:

- cover vacancies
- deliver audits that require specialist skills.

A programme of audits will be agreed with senior management based on the assessment of risk outlined above. The Audit Plan will:

- mainly focus on:
  - risk based reviews that assess how well core services are being delivered
  - revisiting previous audits to ensure that agreed action plans have been properly implemented, so the controls are fully embedded in the day to day operations of the service or process.
- include time for:
  - some work on:
    - the Council's arrangements for managing its business
    - key financial systems and grant claims
    - providing advice and support
  - audit planning, managing audit plan delivery which includes managing contractors; and reporting.

The remaining schools will only be audited at the Council's request, should there be concerns about their performance.

## Appendix 2: Internal Audit Strategy

Therefore the Audit Plan, attached at Appendix 2a, reflects the results of the risk assessment and the information gathered about the Council's assurance framework. The impact of the covid-19 emergency and the disruption that this has caused to the usual operations of the Council has meant that the planning procedures have been performed using a slightly different approach this year, with more remote working.

However the Audit Plan shows how the work will provide evidence that risks relating to the delivery of the Council's response to the covid-19 emergency and its Ambition and Outcomes are being managed effectively. Appendix 2b maps audit work against corporate risks.

A contingency budget has been included in the Audit Plan. Requests received to use this budget will be risk assessed before being approved. Once this budget has been fully used, any risks that arise during the year will be considered against the risk profile of the work already planned and the audit risk assessment before:

- a review is deleted and replaced by a new audit
- additional audit resource is purchased if necessary, in exceptional circumstances.

Consultancy engagements, if accepted in year, will also be included in the Audit Plan.

Changes to the Audit Plan will be reported to senior management for review and the Audit Committee for approval.

Fraud and corruption risks will be considered when determining the focus of each relevant audit. Any investigations into fraud, corruption, bribery, theft or financial irregularities that arise will be undertaken by the **Counter Fraud and Investigation Team (the Team) now under the management of the Head of Internal Audit**. The Internal Audit team will work closely with the **Team** to ensure an effective and integrated service is provided.

### Resources

Southend-on-Sea Borough Council and Castle Point Borough Council have signed an Internal Audit Collaborative Working Agreement to use their combined internal audit resources to provide a service to both Councils. The core team is then supplemented as required, by resources obtained via framework contracts with external suppliers. This service is managed by a jointly appointed Head of Internal Audit.

The strategy will be to continue with this mixed economy approach to resourcing the service as long as costs remain competitive, productivity is high and quality standards are met, as measured by delivery of the agreed performance indicators.

Work will be allocated to staff with the appropriate skills, experience and competence to complete it. Where the Head of Internal Audit is responsible for an area being audited, arrangements will be made for the work to be supervised and reviewed by an appropriately qualified person from outside the service.

Up to date job profiles will be maintained reflecting modern professional requirements.

## **Appendix 2: Internal Audit Strategy**

Staff will not be allowed to audit the same area for more than three consecutive years thus preventing over-familiarity and complacency that could influence objectivity.

### **Training and Development**

Staff development needs will be continually assessed and fed into the service's training plan to ensure that appropriate skills are available to deliver the Strategy. Consideration will also be given to the need for staff to meet mandatory continued professional development requirements.

Staff will maintain individual training logs that satisfy relevant professional standards. These will be reviewed by line managers at least every six months as part of the corporate performance appraisal process.

Opportunities to purchase tailored training with other organisations will continue to be explored.

### **Service Performance Indicators**

When the service is more fully resourced and settled, the suite of indicators that will be used to measure performance will cover economy, staff productivity, efficiency and effectiveness and consist of:

- delivering 100% of the Audit Plan by the 30 April
- issuing draft reports to the service within 15 days of the final meeting to discuss the findings from the fieldwork
- delivering 75% of total available staff days on delivering the Audit Plan
- losing less than five days per full time equivalent due to sickness absence
- operating in the manner set out in the Standards at team and individual audit level as evidenced by:
  - the annual internal review completed by the Head of Internal Audit
  - five yearly independent, external performance assessments.
- completing a representative sample of stakeholder surveys that assess compliance with element of the Standards:
  - reporting the results regularly to the Audit Committee, with actions to be taken to improve performance, where required
  - reflecting the results in the annual performance assessment reported upon in the Head of Internal Audit Annual Report.
- discharging the duties set out in the CIPFA Statement on the Head of Internal Audit role, wherever possible
- demonstrating periodically that the cost of the service is competitive.

For 2020/21, performance targets will consist of:

- delivering 100% of the Audit Plan by the July Audit Committee
- those relating to sickness and stakeholder surveys.

Performance against targets set will be reported to senior management and the Audit Committee each quarter.

## Appendix 2: Internal Audit Strategy

### Delivering Audit Assignments

An audit manual will be maintained that guides staff in the performance of their duties. It will be reviewed regularly to reflect changes in working practices and standards. This will ensure that auditors obtain and record sufficient evidence to support their conclusions, professional judgements and recommendations. The standard of files will be such that an experienced auditor, with no previous connection with the audit, will be able to ascertain what work was performed, re-perform it if necessary and support the conclusions reached.

The service will adhere to the Council's clear desk policy with regard to client information and audit files.

Audit files will be retained in accordance with the Council's file retention and disposal policy and comply with the General Data Protection Regulation requirements.

Generally audit files and records are confidential. They will only be shared with the service being audited and external audit. If wider distribution is required, permission must first be obtained from the Head of Internal Audit.

### How We Will Work With You

**Appendix 2c** sets out how the service will work with key officers, management and Members within the Council, which includes details of who will receive key documents and reports.

Internal Audit will liaise with senior management regarding the timing of individual assignments wherever possible.

Terms of Reference and Draft Reports will be discussed and agreed to be factually correct with Group and Service Managers and Directors before being finalised with the **Executive Directors, as appropriate**.

Distribution lists are contained on the front of each report and are agreed in principle, with senior management.

Internal Audit reports contain a disclosure stating they should not be shared with anyone else without the permission of the Head of Internal Audit.

Audit reports will generally be designed to:

- give an opinion on the risk and controls in the area under review
- set out the issues arising, detail the action management is going to take to address them, identify who is accountable for each action and note appropriate delivery dates.

Those weaknesses giving rise to significant risks that are not agreed will be brought to the attention of senior management and if necessary the Audit Committee.

## **Appendix 2: Internal Audit Strategy**

The Head of Internal Audit Annual Report will include:

- an annual opinion on the adequacy and effectiveness of the Council's risk management, control and governance processes
- a summary of work completed
- a statement of conformance with the Standards and the results of the Quality Assurance and Improvement Programme
- a comparison of actual work completed compared to what was planned as well as performance against its targets
- issues relevant to the preparation of the Annual Governance Statement
- progress in dealing with issues arising from any external performance assessment.

### **Audit Committee**

To support the work of the Audit Committee, Internal Audit will:

- develop agendas and attend meetings
- facilitate the Committee's review of its own remit and effectiveness, if required
- help identify any training needs and work with others to ensure that these are met.

### **External Audit**

Internal Audit will maintain an appropriate working relationship with the Council's external auditors, sharing documentation and reports as required to support the audit of the Statement of Accounts and any other work undertaken.

### **Partners**

Internal Audit will continue to explore opportunities to work effectively with internal audit services of partner organisations where this is beneficial. It will continue to look to make best use of joint audit resources as well as provide opportunities to share learning and good practice.

### **Quality Assurance and Improvement Programme**

The service will maintain a quality assurance and improvement programme that covers all aspects of internal audit activity. The internal assessment will reflect feedback obtained from:

- ongoing supervision and review of individual assignments
- stakeholder surveys
- regular monitoring of service delivery via agreed performance targets
- an annual self assessment of compliance with the Standards
- a periodic assessment of compliance with the CIPFA statement on the Role of the Head of Internal Audit in Local Government.

## **Appendix 2: Internal Audit Strategy**

Opportunities for peer reviews or independent challenge of the self assessment will continue to be proactively explored.

The combined Internal Audit Service is required to have an external assessment of its compliance with the Standards, at least every five years by a qualified, independent assessor from outside the organisation. This was undertaken by the Institute of Internal Auditors in October 2017.

When this assessment is next due, the Head of Internal Audit must (as per the Standards section 1312) discuss and agree with the Audit Committee the:

- form of external assessment (e.g. full external assessment or self assessment with independent validation)
- qualification and independence of the external assessor including any potential conflict of interest risks
- person who will act as the internal sponsor for this process.

The results of the quality assurance programme will be reported upon in the Head of Internal Audit's Annual Report. Progress made against any improvement plans will be reported to senior management and the Audit Committee.

### **Appendices**

- **Appendix 2a: Internal Audit Plan for 2020/21**
- **Appendix 2b: Audits assurance linked to corporate risks**
- **Appendix 2c: How We Will Work With You Statement**

## Appendix 2a: Internal Audit Plan 2020/21

Managing the Business			
All	<b>Covid-19</b>	Yes	To assess the robustness of arrangements that ensure challenges and opportunities resulting from the Covid-19 emergency are effectively actioned, governed and the desired outcomes are realised.
All	<b>IT Audit: remote working and cyber security arrangements</b>	Yes	To assess the robustness of arrangements that enable the majority of staff to work remotely, while maintaining critical cyber security functions.
N&E (LR)	<b>Neighbourhoods and Environment Performance Board</b>	No	To assess the effectiveness of the Board in gaining suitable assurance over the arrangements in place to achieve the outcomes required of Neighbourhoods and Environment in relation to the wider 2050 agenda.
A&C (SB)	<b>Adult Social Care Service Delivery</b>	Yes	To assess the effectiveness of any proposed new arrangements for managing the delivery and continuous improvement of adult social care services to achieve improved outcomes for individuals.
T (RP)	<b>Health and Safety</b>	No	To assess the robustness of the arrangements for ensuring employees and the public are adequately protected from harm whilst also complying with Council policy and legislation.
<b>Implementing Action Plans</b>			
None			
Managing Service Delivery Risks			
<p><b>Pride and Joy</b></p> <p>By 2050 Southenders are fiercely proud of and go out of their way to champion what our city has to offer.</p>			
N&E (NH)	<b>National Productivity Investment Fund</b>	Yes	To certify, in all significant respects, that the conditions attached to the grant have been complied with. <i>Planned July to September 2020</i>
<b>Implementing Action Plans</b>			
None			

## Appendix 2a: Internal Audit Plan 2020/21

<b>Safe and Well</b> By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives			
N&E (CR)	<b>Private Sector Housing</b>	Yes	To assess the effectiveness of the Private Sector Housing offer in regeneration of the housing market to ensure inclusive, healthy and safe places to live.  <i>From the 2019/20 audit plan.</i>
A&C (AA)	<b>Rough Sleepers</b>	Yes	To assess the adequacy of arrangements to ensure effective support is given to vulnerable people in order to achieve the outcomes within the Housing, Homelessness and Rough Sleeping Strategy, while achieving value for money.
C&PH (JOL)	<b>Children's Quality Assurance Framework (QAF)</b>	No	To assess the robustness of arrangements for ensuring that the QAF effectively monitors and evaluates the services delivered to children and to the standards that enable children and young people's welfare to be safeguarded and promoted and their needs met.
A&C (SB)	<b>Southend Care</b>	No	To assess the effectiveness of the arrangements for managing the delivery of services contained within the Southend Care Management Agreement.
G&H (GH)	<b>Management of the South Essex Homes Partnership Agreement</b>	No	To assess the effectiveness of the arrangements for managing the delivery of services contained within the Partnership Agreement.
A&C (SB)	<b>Essex Partnership University Trust (EPUT) Section 75 Agreement</b>	Yes	To assess the robustness of arrangements to ensure the delivery of the outcomes required from the Section 75 agreement are realised.
G&H (GH)	<b>Disabled Facilities Grant</b>	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with.  <i>Planned July to September 2019</i>
C&PH (JOL)	<b>Troubled Families</b>	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with.  <i>Planned throughout the year to align with the Payment by Results claim windows set by the Ministry of Housing, Communities and Local Government.</i>

## Appendix 2a: Internal Audit Plan 2020/21

Implementing Action Plans			
C&PH (MB / JOL)	Data Quality – Children’s Services	No	To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.
A&C (SB)	Adult Social Care Financial Assessments	Yes	
A&C (Abi?)	Homelessness	Yes	
A&C (SB)	Direct Payment Support Service Contract Management	Yes	
A&C / C&PH (SB / JOL)	Social Care Payments to Individuals and Providers	Yes	
Active and Involved			
By 2050 we have a thriving, active and involved community that feel invested in our city			
A&C (SD)	Fusion Contract Management	Yes	To assess the effectiveness of contract management arrangements in place to gain assurance that the health and safety arrangements are robustly managed while still delivering the wider outcomes of the contract.
Implementing Action Plans			
None			
Opportunity and Prosperity			
By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people			
G&H (EC)	Better Queensway	No	To assess the robustness of the Council’s project management arrangements to deliver Better Queensway.
C&PH (BM)	Special Education Needs and / or Disabilities Provision	No	To assess the effectiveness of arrangements in place to ensure better outcomes are achieved for children and young people with Special Education Needs and / or Disabilities (SEND).

## Appendix 2a: Internal Audit Plan 2020/21

T (SP)	<b>Hayes Contract Management</b>	Yes	To assess whether there are robust arrangements in place to ensure that the contract is delivering the planned outcomes and / or benefits in compliance with the specified performance and quality standards, at the correct cost.  <i>From the 2019/20 audit plan.</i>
G&H (EC & RP)	<b>Adult Community College Debt Collection</b>	Yes	To assess the robustness of arrangements to collect debt fully and in a timely manner.
G&H (EC & RP)	<b>Adult Community College Payroll</b>	Yes	To assess the robustness of arrangements to accurately and properly pay college staff.
G&H (GH)	<b>Housing Pipeline</b>	Yes	To assess the robustness of the governance arrangements in place to ensure the right decisions are made in a way that is evidence based and transparent.

### **Implementing Action Plans**

None

### **Connected and Smart**

By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure

N&E (NH)	<b>Order, Delivery and Payment of Highways Works</b>	Yes	To assess the robustness of the end-to-end process, from ordering through to payment and the registration of works in the relevant asset management records.
N&E (CR)	<b>Climate Change</b>	No	To assess the adequacy of arrangements to deliver the outcomes required of the Climate Change Emergency Action Plan.
N&E (AW)	<b>Transport Joint Venture</b>	Yes	To assess the robustness of the governance arrangements which ensure the effective delivery of the joint venture arrangement.
N&E (NH)	<b>Local Transport Capital Block Funding - Highways Maintenance</b>	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with.  <i>Planned July to September 2020</i>
N&E (NH)	<b>Pothole Action Fund and Flood Resilience Fund</b>	Yes	

### **Implementing Action Plans**

No work required

## Appendix 2a: Internal Audit Plan 2020/21

Key Financial Systems			
All Outcomes			
F&R (CF)	<b>Treasury Management</b>	Yes	To assess the robustness of arrangements in place to deliver Treasury Management in line with the CIPFA Treasury Management Code of Practice.
Implementing Action Plans			
A&C (SB)	<b>Social Care Debt Collection</b>	Yes	To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.
Advice and Support			
All Outcomes			
All	<b>Simple and Effective Governance</b>	No	Provide ongoing support and challenge of the governance arrangements being developed, implemented and embedded by the Transforming Together team.
All	<b>Getting to know your business</b>	No	Provide ongoing support and challenge of the arrangements being developed and implemented to challenge Council services about what they do, why they do it and how they do it, to ensure that the Council is delivering the right things effectively and financially sustainable.
Pride and Joy			
By 2050 Southenders are fiercely proud of, and go out of their way, to champion what our city has to offer.			
N&E (IK)	<b>Waste Collection and Street Cleansing</b>	No	Provide support and challenge to the project team during the options appraisal process of the procurement arrangements that are currently underway for new waste collection and street cleansing operations.
Safe and Well			
By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives			
No advice and support work currently planned.			

## Appendix 2a: Internal Audit Plan 2020/21

<p style="text-align: center;"><b>Active and Involved</b></p> <p style="text-align: center;">By 2050 we have a thriving, active and involved community that feel invested in our city</p>			
A&C (JL)	<b>Community Grants</b>	Yes	To provide support and challenge as the new process for awarding community grants is developed and implemented.
<p style="text-align: center;"><b>Opportunity and Prosperity</b></p> <p style="text-align: center;">By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people</p>			
No advice and support work currently planned.			
<p style="text-align: center;"><b>Connected and Smart</b></p> <p style="text-align: center;">By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure</p>			
G&H (EC)	<b>Housing Infrastructure Grant</b>	Yes	To provide advice and support as arrangements are developed which ensure Homes for England Housing Infrastructure Grant terms and conditions are properly met.

## Appendix 2a: Internal Audit Plan 2020/21

### Managing Service Delivery

Delivering the internal audit service involves:

- audit planning and resourcing
- managing Audit Plan delivery, which includes overseeing contractor work
- reporting to senior management and the Audit Committee.

Audit Activities	Resource allocation
Managing the Business	8%
Managing Service Delivery Risks	48%
Key Financial Systems	2%
Grant Claims	5%
Advice and Support	6%
Follow Ups	5%
Contingency	17%
Managing Delivery of the Audit Plan	8%
<b>Total</b>	<b>100%</b>
<b>Total Council Audit Plan Days</b>	<b>673</b>

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.

## Appendix 2a: Internal Audit Plan 2020/21

Analysis Over Executive Director Responsibilities		
All	Cross Cutting	4%
F&R	Finance & Resources	2%
L&D	Legal & Democratic Services	0%
T	Transformation	12%
G&H	Growth & Housing	14%
N&E	Neighbourhoods & Environment	15%
C&PH	Children & Public Health	7%
A&C	Adults & Communities	20%
All	Contingency	17%
All	Managing Delivery of the Audit Plan	8%
	<b>Total</b>	<b>100%</b>

Analysis over the 5 Southend 2050 Themes		
1.	Pride & Joy	5%
2.	Active & Involved	5%
3.	Safe & Well	39%
4.	Opportunity & Prosperity	13%
5.	Connected & Smart	23%
6.	All	15%
	<b>Total</b>	<b>100%</b>

## Appendix 2a: Internal Audit Plan 2019/20

Risk Watch List	
These are other potential audits that may be considered for inclusion in the Audit Plan during the year should resources permit	
G&H	Building a Safer Future
A&C	Data Quality – Adult Social Care
C&PH	In House Fostering Team
A&C	Liquid Logic Phase 2 – Introduction of Portals
G&H	Empty Homes Strategy
C&PH	SMART Southend
T	Corporate Establishment
F&R	Accounts Payable
N&E	Highways Improvement Plan
N&E	Community Safety
N&E	Cemeteries and Crematorium
F&R	Development of Corporate Approach to Procurement and Contract Management
A&C	Homecare Contract
C&PH	Public Health
C&PH	Children's Services Financial Recovery Plan
C&PH	Children Missing from Education
C&PH	Victory Park Academy
F&R	Asset Management of the Corporate Estate
C&PH	Adherence to Terms and Conditions of the Early Years Grant Funding
A&C	Better Care Fund Section 75 Agreement

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## Appendix 2b: Audit assurance linked to the Council's corporate risks

	Corporate Risks as at January 2020	Audit work providing assurance in 2020/21
137	<p><b>1 Council Budget and Financial Sustainability</b></p> <p>Risk that failure to address the financial challenge by effectively managing the growing demand for services and enhancing local income streams will threaten the medium to long term financial sustainability of the Council, leading to a significant adverse impact on Council services.</p>	<p>Social Care Payments to Individuals and Providers (follow up)</p> <p>Social Care Debt (follow up)</p> <p>Adults Social Care Financial Assessments (follow up)</p> <p>Adult Social Care Service delivery (follow up)</p> <p>Adult Community College Debt Collection</p> <p>Adult Community College Payroll</p> <p>Transport Joint Venture</p> <p>Waste Collection and Street Cleansing (Advice and Support)</p> <p>Order, delivery and Payment of Highways Works</p> <p>Getting to know your Business (Advice and Support)</p> <p>Simple and Effective Governance (Advice and Support)</p> <p>Fusion Contract Management</p> <p>(Note: a number of audits consider financial management and therefore contribute to the assurance provided that money is being spent / used properly)</p>
2	<p><b>Workforce</b></p> <p>Risk that the Council will not have the appropriate staffing resources, with the right skills working in the right places within collaborative teams, resulting, in part, from a failure to effectively embed the arrangements with the new recruitment partner, leading to a lack of workforce capacity resulting in a failure to achieve the Council's ambitions.</p>	<p>Hayes Contract Management</p> <p>Health and Safety</p>

## Appendix 2b: Audit assurance linked to the Council's corporate risks

	Corporate Risks as at January 2020	Audit work providing assurance in 2020/21
3	<b>Key External Challenges</b> Risk that the impact of, or a failure to take advantage of, the Government's agenda and the lead up to Brexit, may hamper the ability of the Council to achieve key priorities.	Risk Management Strategy Covid 19 Rough Sleepers
4	<b>Housing</b> Risk that a failure to implement plans to address rising homelessness and failure to implement the Housing, Homelessness and Rough Sleeping strategy will lead to further street and other homelessness, increased use of temporary accommodation & an inability to meet rising housing demand over the next 20 years.	Homelessness (follow up) Rough Sleeping Private Sector Housing Disabled Facilities Grant Housing Pipeline Better Queensway Management of the South Essex Homes Partnership Agreement
5	<b>Local Infrastructure</b> Risk that failure to maintain levels of access to regeneration funding opportunities will significantly restrict future infrastructure improvements in the borough	National Productivity Investment Fund (Grant) Local Transport Capital Block Funding (Grant) Pothole Action Fund (Grant) Homes for England Housing Infrastructure Grant
6	<b>Health and Social Care</b> Risk that the implementation of Sustainability and Transformation Partnership (STP) proposals and implementation of the Localities Model does not result in effective health and social care outcomes for residents resulting in increased health inequalities, worsening health outcomes and significant cost increases.	Integrated Care System (Risk watch List) Adults Social Care Service Delivery Essex Partnership University Trust (EPUT) S75 Agreement Community Grants (Advice and Support) Direct Payment Support Service Southend Care

## Appendix 2b: Audit assurance linked to the Council's corporate risks

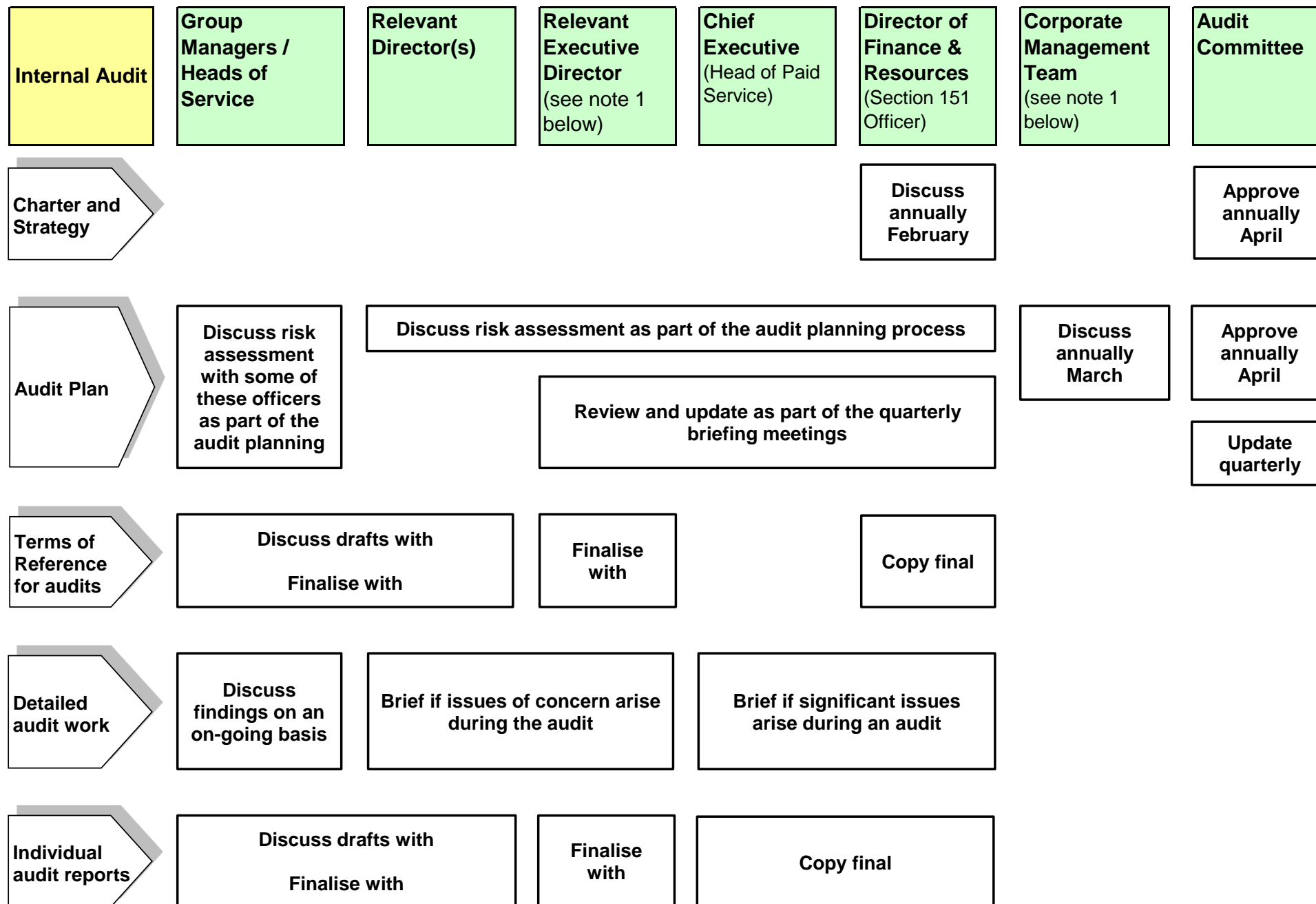
	Corporate Risks as at January 2020	Audit work providing assurance in 2020/21
7	<b>Flooding / Cliff Slip</b> Risk that surface water flooding, breach of sea defences and/or seafront cliff movement, will result in damage to property and infrastructure as well as significant disruption	Local Transport Capital Block Funding - Flood Resilience (Grant) Neighbourhoods and Environment Performance Board
139	<b>Information Management and Cyber Security</b> Risk that a failure to ensure the Council has a coherent and comprehensive approach to data protection, including its cyber security arrangements, will result in a data breach or cyber-attack, leading to significant financial and reputational damage to the Council	IT Risk Assessment IT Audit – remote working and cyber security arrangements
9	<b>Children Services</b> Risk that the actions and expected outcomes from the Children's Services Improvement Plan are not achieved within expected timescales, resulting in a failure to deliver the outcomes anticipated by the Council's roadmap for the children in need of support.	Data Quality – Children's Services (follow up) Troubled Families (Grant) Children's Services Quality Assurance Framework
10	<b>Waste Management</b> Risk of contractor failing to meet contractual requirements to effectively manage waste arrangements results in a loss of service quality and additional financial liability for the Council.	Waste Collection and Street Cleansing (Advice and Support)

## Appendix 2b: Audit assurance linked to the Council's corporate risks

	Corporate Risks as at January 2020	Audit work providing assurance in 2020/21
11	<b>Major Developments</b> Risk that failure of partners to progress major infrastructure developments (e.g. Seaways, Airport Business Park and Queensway) will result in significant financial and reputational damage to the Council.	Better Queensway Joint Venture
12	<b>Local Plan</b> Risk that the failure to meet deadlines and make sufficient progress in producing a Local Plan will lead to Secretary of State intervention, resulting in reputational damage to the Council and the potential imposition of unwanted planning policies	No work planned
140		
13	<b>Climate Change Emergency</b> Risk that failing to implement changes needed to reduce the Borough's carbon footprint will cause an inadequate contribution to the reduction in carbon emissions required.  This will result in significant adverse impact on the Borough, and if the climate adaptation measures being implemented are also inadequate, there will be further implications for the Council in needing to respond to climate events in the Borough.	Climate Change

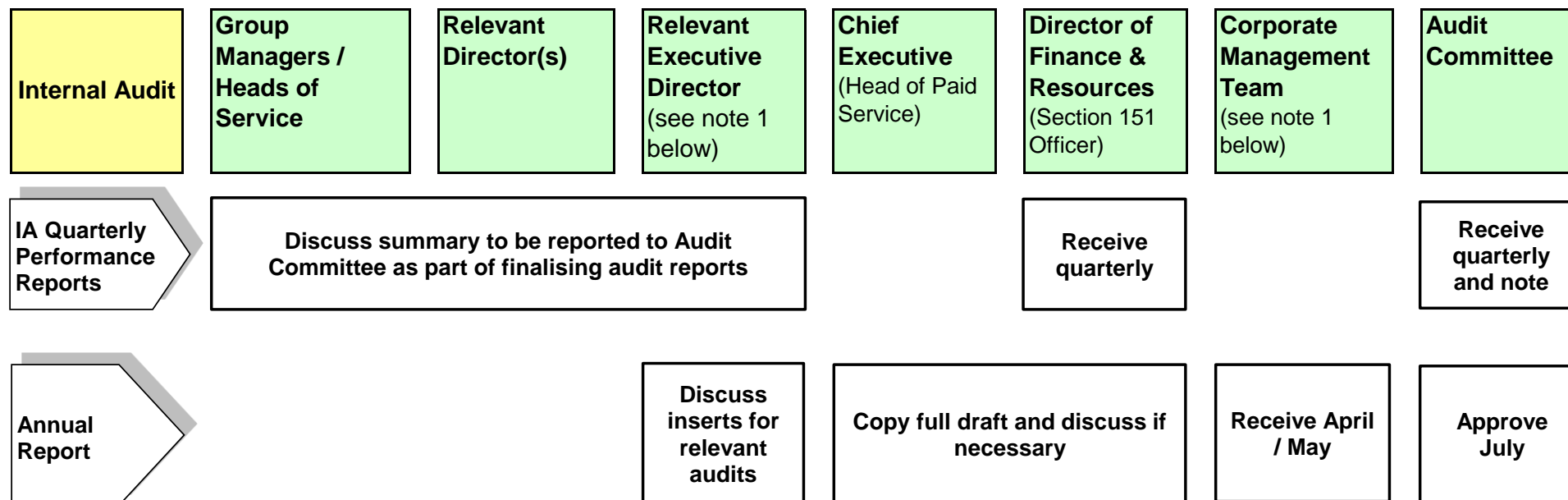
# How We Will Work With You Statement

Appendix 2c



## How We Will Work With You Statement

Appendix 2c



Note 1 These groups include the Council's Monitoring Officer

# Southend-on-Sea Borough Council

Report of the Executive Director (Finance and  
Resources)

to

**Audit Committee**

on

**29 April 2020**

Report prepared by: Andrew Barnes, Head of Internal Audit

Agenda  
Item No.

**9**

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## **Audit Committee assessment and development update**

### ***A Part 1 Public Agenda Item***

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#### **1. Purpose of Report**

- 1.1 To update the Audit Committee on the assessment and development plans in respect of the Audit Committee.

#### **2. Recommendations**

- 2.1 **That those Audit Committee members who have yet to complete the skills stocktake form complete this and note that the training date that was arranged for 23 March will be re-scheduled following the end of lockdown due to Covid-19.**

#### **3. Audit Committee assessment**

- 3.1 CIPFA's 'Audit Committees: Practical Guidance for Local Authorities and Police' (2018) outlines that it is good practice for the Audit Committee to periodically assess its effectiveness and then take steps to deliver improvement. Part of this is ensuring that the Committee has the appropriate knowledge and experience, skills and competencies to deliver its responsibilities effectively.
- 3.2 For that reason we have been undertaking the skills and knowledge stocktake, so that we can gauge the position of the current Audit Committee and where additional support may be required.
- 3.3 The skills stocktake that has been distributed to all Members and substitutes for completion, requires further responses from the Audit Committee to enable proper conclusions to be drawn about which aspects would benefit from additional support, and this will then be used to help inform the training to be provided following the end of lockdown due to Covid-19.

#### **4. Reasons for Recommendations**

- 4.1 **The purpose of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework, the internal control environment, oversee the integrity of the financial reporting and annual governance processes and to oversee internal and external audit. Therefore it needs a combined membership that is appropriately skilled to deliver this purpose.**

## **5. Corporate Implications**

### **5.1 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 and the Audit Committee have a role to play to obtain assurance about the effectiveness of that audit work.

### **5.2 Financial Implications**

An effective Audit Committee contributes to the assurance provided to the Council about the effectiveness of financial arrangements.

### **5.3 Legal Implications**

The Accounts and Audit Regulations 2015 require the Council to operate an internal audit function and the Audit Committee have a role to play to obtain assurance about the effectiveness of that audit work.

### **5.4 People Implications**

None identified.

### **5.5 Property implications**

None identified.

### **5.6 Consultation**

The approach to undertaking the skills stocktake and the form itself was agreed with Chair of the Audit Committee and the Executive Director (Finance and Resources).

### **5.7 Equalities and Diversity Implications**

None identified.

### **5.8 Risk Assessment**

Failure to operate a robust assurance process (which incorporates the role of 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 ambition and outcomes.

### **5.9 Value for Money**

None identified.

### **5.10 Community Safety Implications**

None identified.

### **5.11 Environmental Impact**

None identified.

## **6. 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 Better Governance Forum**

## Audit Committee Update

Helping audit committees to be effective

**Issue 30**

**CIPFA Financial Management Code**

**Responding to the Redmond Review: Results of CIPFA's Survey on Audit Committees**

**Briefing on new guidance and resources**

**February 2020**

## Introduction

Dear audit committee member,

This is the 30<sup>th</sup> issue of Audit Committee Update, providing briefings on areas of interest to audit committee members. It is in fact ten years since the first issue of Audit Committee Update in January 2010! We have covered a lot of topics in that time and we will soon be releasing a compendium edition of some of these articles.

This issue includes details of the new CIPFA Financial Management Code which aims to support and embed robust financial management and understanding of financial sustainability in the local government sector. In this issue, we set out how the Code can be used in the work of the audit committee. We are also highlighting aspects of CIPFA's response to the Redmond Review - the study commissioned by the government to review the local audit framework. In particular, it considers the role of the audit committee in responding to audit recommendations.

The remainder of this issue focuses on keeping you up to date with our regular briefings covering recent legislation, reports and guidance.

I hope you will find this issue interesting, informative and helpful in your work on the committee.

Best wishes

Diana Melville

CIPFA Better Governance Forum

## 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.

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## Receive our briefings directly

This briefing will be sent to contacts 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](mailto: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](http://www.cipfa.org/Register). To receive mailings from the Better Governance Forum you will need to opt-in. See My Preferences under 'My CIPFA' on the website one you have logged in.

## Previous issues of Audit Committee Update

You can download all the previous issues from the CIPFA Better Governance Forum 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	<a href="#">Issue 7</a>
Commissioning, Procurement and Contracting Risks	<a href="#">Issue 8</a>
Reviewing Assurance over Value for Money	<a href="#">Issue 9</a>
Issues from 2013	
Public Sector Internal Audit Standards and Updates to Guidance on Annual Governance Statements	<a href="#">Issue 10</a>
Local Audit and Accountability Bill, the Implications for Audit Committees, Update of CIPFA's Guidance on Audit Committees	<a href="#">Issue 11</a>
Issue 12 – the content in this issue has been replaced by more recent issues.	
Issues from 2014	
Reviewing the Audit Plan, Update on the Local Audit and Accountability Act	<a href="#">Issue 13</a>
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	<a href="#">Issue 16</a>
The Audit Committee Role in Reviewing the Financial Statements	<a href="#">Issue 17</a>
Self-assessment and Improving Effectiveness, Appointment and Procurement of External Auditors	<a href="#">Issue 18</a>
Issues from 2016	
Good Governance in Local Government – 2016 Framework, Appointing Local Auditors	<a href="#">Issue 19</a>
CIPFA Survey on Audit Committees 2016	<a href="#">Issue 20</a>
The Audit Committee and Internal Audit Quality	<a href="#">Issue 21</a>
Issues from 2017	
Developing an Effective Annual Governance Statement	<a href="#">Issue 22</a>
2017 edition of the Public Sector Internal Audit Standards, Risks and Opportunities from Brexit	<a href="#">Issue 23</a>

<b>Issues from 2018</b>	
The Audit Committee Role in Risk Management	<a href="#">Issue 24</a>
Developing an Effective Annual Governance Statement	<a href="#">Issue 25</a>
CIPFA Position Statement on Audit Committees in Local Authorities and Police 2018	<a href="#">Issue 26</a>
<b>Issues from 2019</b>	
Focus on Local Audit National Audit Office Report: Local Authority Governance	<a href="#">Issue 27</a>
The Audit Committee Role in Counter Fraud	<a href="#">Issue 28</a>
CIPFA Statement on the Role of the Head of Internal Audit External Audit Arrangements for English Local Government Bodies	<a href="#">Issue 29</a>

## Workshops and training for Audit Committee members in 2020 from CIPFA

### Developing 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 internal audit, risk management, assurance planning and improving the effectiveness of the committee.

16 September London

17 September York

29 September Manchester

### Police audit committee member development day

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

13 May London

14 May York

### Development day for local government audit committees

The 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.

Dates in November/December to be confirmed

CIPFA events information and dates are available on the website: [www.cipfa.org/Events](http://www.cipfa.org/Events).

### In-house training and facilitation

In-house audit committee training and tailored guidance tailored is available. We can also support an evaluation of the committee and facilitate improvement.

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 [customerservices@cipfa.org](mailto:customerservices@cipfa.org) or [diana.melville@cipfa.org](mailto:diana.melville@cipfa.org).

## The CIPFA Financial Management Code

The CIPFA Financial Management Code was published in October 2019 following a public consultation. It applies to all parts of local government, including local authorities, police and fire and rescue organisations. The aim of the Code is to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time, this is a Code which sets out the standards of financial management for local authorities. It builds upon existing standards and guidance to provide a comprehensive picture of financial management in the authority.

The Code is of interest to audit committee members in a number of different ways:

- It sets out expectations of good public financial management. Supporting strong public financial management is one of the purposes of the audit committee.
- The Code supports the establishment of wider governance arrangements, in particular the role of leadership and accountability. The audit committee will consider these when reviewing the adequacy of governance and the Annual Governance Statement.
- Having effective assurance arrangements in place is a necessary part of financial management. This includes an effective audit committee and also the contribution of internal audit and oversight of external audit arrangements.

This briefing will set out the core principles of the Code and describe the steps that local government bodies are likely to be taking over the next year to ensure that they comply with the principles. It will also identify the opportunities for the audit committee to play its part in adopting the Code.

### Principles of the Code

The Code has six principles of good financial management practice:

- Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to **professional standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

The principles are further supported by a series of standards but the Code does not seek to prescribe the detailed financial management processes that local authorities should adopt. Authorities should take into account their financial profile and areas of risk when designing their financial management arrangements.

A crucial aspect of the Code is that financial management should be the collective responsibility of each authority's organisational leadership team. It is in this aspect that there is a clear link to the governance framework for local government: *Delivering Good Governance in Local Government, Framework*.

## Applying the Code in Practice

During the course of 2020/21 steps should be taken to implement the Code, assessing whether current arrangements are in alignment with the principles. Many of the standards in the Code reflect existing guidance and requirements so, in theory, they should already be in place. Other aspects reflect recognised good practice that many authorities will have adopted already, however this will not be universal. Throughout the year there will be opportunities to review and reflect on financial management practice and strengthen arrangements where necessary. CIPFA has described the financial year 2020/21 as a 'shadow' year for the Code. By 31 March 2021, local authorities should be able to demonstrate that they are working towards full implementation of the code.

## The role of the Audit Committee

The Code provides an opportunity for the evaluation of current financial management arrangements and the audit committee should review the outcome of the assessment. This might take the form of a report or presentation to the committee and an action plan for any significant areas requiring improvement. Support from the committee will be helpful for the successful implementation of that action plan.

The committee also has a role to play in ensuring that the assurance arrangements are working robustly. This includes the role of the committee in supporting good governance arrangements and internal audit. It also means that the effectiveness of the audit committee is also an important dimension. If the audit committee is weak and ineffective then it will not be providing effective assurance as required by the Code.

The Code references the CIPFA position statement and guidance publication, [Audit Committees Practical Guidance for Local Authorities and Police](#) so committees should use the improvement tools within that as a basis for their own self-assessment.

The following questions will help the audit committee to understand how the Code is being used and the results of an evaluation.

Key questions to ask:	
1	Is an evaluation against the Code being planned and who will be responsible for this?
2	Will internal audit be contributing to the review or will they be including the Code within their planned audit work?
3	Are there any findings from the review that should be considered for inclusion in the Annual Governance Statement action plan?
4	To what extent do we comply with the Code?
5	What are the results of the assessment of financial sustainability?

Diana Melville

Governance Advisor

## Responding to the Redmond Review, CIPFA's response relating to audit committees

The review chaired by Sir Tony Redmond was established in July 2019 and charged with reviewing the implementation of the Local Audit and Accountability Act, as well as related issues concerning the value of audit reports and the transparency of local government financial reporting. It followed reports from the National Audit Office (NAO) [on Local Authority Governance](#) and [Local Auditor Reporting](#) and the [Public Accounts Committee](#) (PAC).

The issues raised by the NAO and PAC reports included concerns about the resilience and effectiveness of the local audit market. These concerns have taken on a higher profile over the last few months with a large number of authorities experiencing delays with the audit of their financial statements. The reports also raised concerns about the adequacy of response from some local authorities when auditors raised issues or made recommendations or issued a qualified value for money conclusion. In particular there was concern that audit committees were not robust and influential enough.

CIPFA has made a comprehensive response to the Redmond Review and this can be viewed on the [CIPFA website](#). This article will focus on just one aspect of the review and CIPFA's response - the effectiveness of an authority's response to audit recommendations and the part played by the audit committee.

### Questions asked by the Redmond Review Consultation

Chapter 7 of the consultation issued by the Redmond Review was concerned with *The Framework for Responding to Audit Findings*. Specific questions included:

- To whom should external auditors present audit reports and findings?
- What is the membership of the audit committee?
- How should local authorities track implementation of recommendations made by internal audit, external audit and relevant statutory inspectorates?
- Should there be a role for an external body in tracking action taken in response to modified audit opinions and/or statutory recommendations and public interest reports?

The consultation document also noted the absence of statutory guidance on audit committees. Guidance is of course available from CIPFA - the [Position Statement](#) can be downloaded from the website and a more detailed publication is also available, titled *Audit Committees Practical Guidance for Local Authorities and Police*. These do not have statutory backing however.

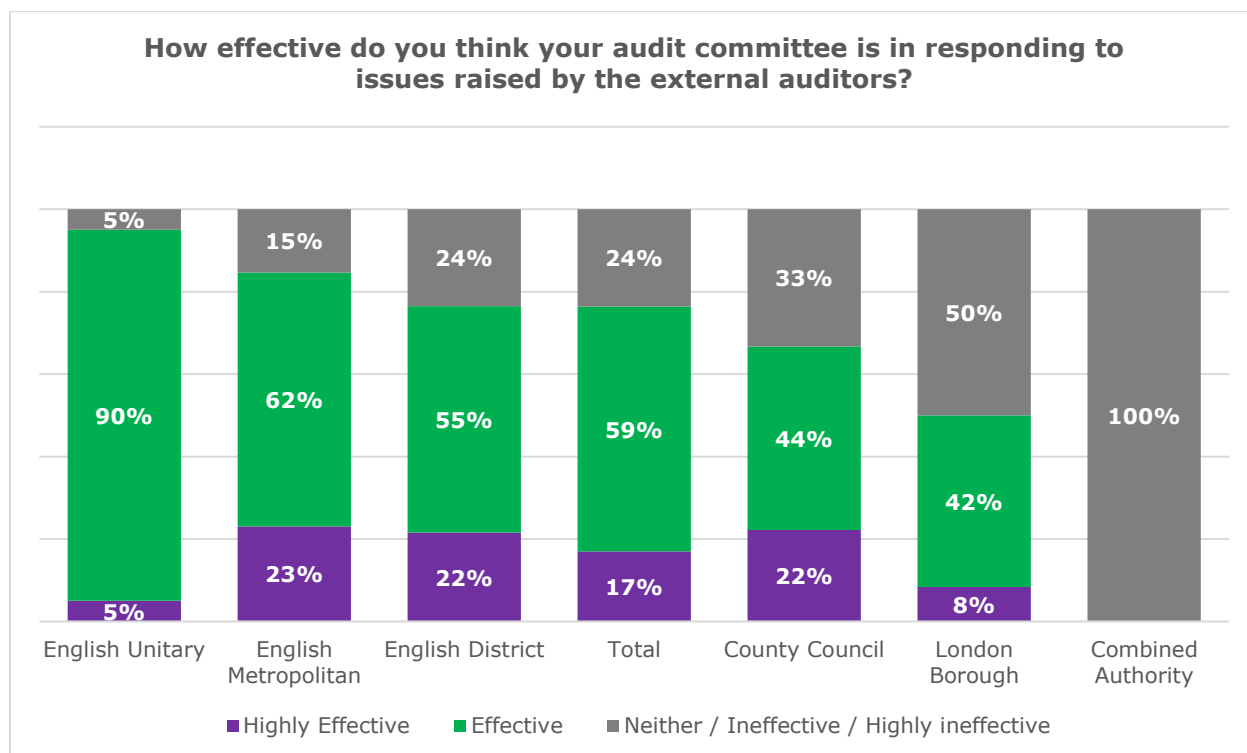
### CIPFA's Survey on Audit Committees

In responding to the consultation CIPFA was keen that it explored views on areas for improvement with its stakeholders. Accordingly, CIPFA issued a survey to heads of internal audit in English councils. The survey asked questions about the effectiveness of that council's audit committee in responding to audit recommendations, reporting to full council and options for change. Key results of the survey were included in the CIPFA response, with a separate appendix of results broken down by council type. This can be downloaded from the [CIPFA website](#).

### Key results

The survey confirmed the results from CIPFA's earlier surveys that audit committees in local authorities are larger than in other parts of the public sector. The mean size was 8.5 and the maximum size was 17 members. 67% of the committees did not have a co-opted independent member on the committee.

We asked heads of internal audit how effective they thought their audit committee was in responding to issues raised by the external auditors. 17% thought their committee was highly effective and a further 59% saying they were effective. The breakdown of results by council type can be seen in the bar chart below.



The results show that there is room for improvement across many councils, which is in line with the earlier conclusions from the NAO report.

We also asked if the audit committee reported on its activities to full council. Only 72% did so. In addition, for 31% of those who did report to full council, the report took the form of providing the minutes of the meeting. This is likely to mean that the conclusion of the local audit and any recommendations would not have a high profile amongst the wider council membership. CIPFA considers that there is scope to improve reporting and accountability from the audit committee to full council.

### CIPFA's recommendations

CIPFA considers that improvements could be made to audit committees in local authorities, enabling them to respond more effectively to audit recommendations. These include:

- Making the establishment of an audit committee a statutory requirement. This was supported by 94% of respondents to CIPFA's survey.
- Statutory guidance should be produced to support audit committees and be principles based (ideally based on CIPFA's Position Statement). The guidance should include the following:
  - recommendations on an effective structure, including the size of the committee
  - support for the non-political nature of the committee
  - recommendations for the inclusion of co-opted independent members and an option for the chair to be a co-opted independent. 68% of respondents to the survey agreed that all local government audit committees should have a mix of councillors and co-opted independent members
  - include appropriate recommendations on the reporting requirements of the committee to support accountability to decision makers
  - specifications on core functions and responsibilities

CIPFA also highlighted issues experienced by police audit committees, which are made up of co-opted independent members acting as an advisory committee to support both the Police and Crime Commissioner and Chief Constable. The key areas were the ability to recruit and retain knowledgeable and experienced independent members and the need for guidance to support the working relationships between the committee members and senior staff or PCC or chief constable to ensure that the audit committee is able to add value.

## Next steps

The Redmond Review is expected to report in the summer. If changes to the role, structure or responsibilities of audit committees are proposed then the Secretary of State will have to consider whether to accept them. Any proposals could be the subject of further consultation, so any changes will not happen overnight. CIPFA is of the view that where the impact and effectiveness of audit committees can be improved then remedial steps should be taken sooner rather than later.

The following key questions should be used to consider what could be done to make improvements.

Key questions to ask:	
1	Does the audit committee follow the guidance in the CIPFA Position Statement? Do all audit committee members have access to it and the supporting guidance publication?
2	Has a self-assessment, or other review, of the committee been undertaken in the last 12 months? Improvement tools are available in the CIPFA guidance publication to assist this.
3	Can any changes be made to make the structure of the committee as effective as possible? For example reducing the size of the committee, particularly if there are more than eight members or adding co-opted independent members.
4	Can we improve the reporting on the work of the audit committee to full council, particularly in respect of local auditors' conclusions and recommendations?
5	Is the committee receiving enough support in the form of training and guidance? Have knowledge and skills been assessed to identify where training is needed most?

## CIPFA resources

The CIPFA Position Statement and briefings from our surveys of audit committees can be downloaded from the CIPFA website. Please visit [www.cipfa.org/services/support-for-audit-committees](http://www.cipfa.org/services/support-for-audit-committees) to access this material.

The publication [Audit Committees, Practical Guidance for Local Authorities and Police](#) is available as a digital version. Many authorities do have this publication already and should be able to make it available to audit committee members at no additional cost.

Support for audit committees from CIPFA is also available with open events, in-house training or facilitation and advisory reviews.

Diana Melville  
Governance Advisor

## Recent developments you may need to know about

### Legislation, regulations and consultations

#### **New Code of Audit Practice**

Following consultation, the NAO has laid a new [Code of Audit Practice](#) before Parliament. It is expected to come into effect for April 2020. The Code must be followed by all local auditors in England. The Wales Audit Office and Audit Scotland have their own codes.

The most significant change is to the auditors' work on value for money arrangements. Instead of issuing a conclusion on whether arrangements are adequate or not, auditors will present a commentary and make recommendations where they consider improvements should be made. It is hoped that this will provide more value to audit clients. The Code encourages timely reporting of any issues rather than waiting until the conclusion of an audit. Again, this is to be welcomed.

Although the code comes into force in April it will apply to audits of the financial year 2020/21. This means that audit reporting for 2019/20 will continue in accordance with the current code. Audit committees will first see the effects of the new code when their local auditor presents their plan for the 2020/21 audit.

The NAO issue guidance notes to auditors to supplement the code. They are planning to consult on new guidance during 2020.

#### **Auditors' work on value for money arrangements**

The NAO have issued an updated auditor guidance note, [Auditors' Work on Value for Money \(VFM\) Arrangements](#) to support the audit of 2019/20. The auditor is responsible for providing an opinion on the VFM arrangements and the guidance sets out the overall criterion:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

The more detailed criteria are: informed decision making, sustainable resource deployment and working with partners and other third parties.

When the local auditor reports findings to the audit committee they will not provide a specific conclusion against each aspect; only whether the overall criterion has been met or not. Where the auditor considers there may be significant risks to VFM they will need to consider whether any additional work is required before reaching their conclusion.

### Reports, recommendations and guidance

#### **The Principles of Public Life: 25 years**

To mark its anniversary, the [Committee on Standards in Public Life](#) has made a series of short films on the principles and what they mean in practice. The videos will be useful for training and raising awareness of the principles amongst staff and all holders of public office.

#### **Sustainability and Good Governance**

This is a briefing from the [CIPFA Better Governance Forum](#) that examines the importance of sustainability to good governance and considers different aspects within the principles that underpin the annual governance statement. The briefing also includes some key questions to support the annual review.

## **Financial Resilience Index**

CIPFA's [Financial Resilience Index](#) is a comparative analytical tool that may be used by chief financial officers to support good financial management, providing a common understanding within a council of their financial position. The indicators take publicly available data and compare similar authorities across a range of factors. It is available on the CIPFA website.

## **Local authority investment in commercial property**

The [NAO report](#) reviews the arrangements for managing investments in commercial property. Local external auditors have indicated to the NAO that there is room for improvement in the governance and risk mitigation arrangements of some authorities over their commercial investments.

## **Brydon review: The quality and effectiveness of audit**

The [Brydon review](#) is the latest in a series of reviews in the last year on external audit and regulation. Key conclusions and recommendations include separating audit from the accounting profession and reinforcing its role as a public interest function.

Whilst the review focuses on corporate audit, it will inevitably have implications for local audit since the firms providing local audit also provide company audit. The Redmond Review (to be published later in 2020) will need to take the recommendations of the Brydon Review into account.

## **Aid to audit committees in evaluating audit quality**

The [Audit Quality Practice Aid for Audit Committees](#) from the Financial Reporting Council is written for private sector audit committees but includes some useful questions for any audit committee to use when meeting with external audit.

## **Local Audit - Quarterly monitoring**

This is the first [Quarterly Monitoring Report](#) from Public Sector Audit Appointments (PSAA) on the 2018/19 audits and includes a table on delayed audit opinions by firm.

## **Local Audit Quality Forum**

The presentations from the November event are available to download from the [Public Sector Audit Appointments website](#). The materials include an update from PSAA on the delays to the finalisation of the audit of accounts at many authorities and good practice sessions.

## **Performance Tracker 2019**

Published by the Institute for Government and CIPFA, [Performance Tracker 2019](#) projects the demand and spending on nine public services for the next five years: GPs, hospitals, adult social care, children's social care, neighbourhood services, police, prisons, courts, and schools.

The report finds that all public services analysed have seen some decline in performance – either in their quality (the standard of public service provided and how satisfied users are) or scope (the range of services provided and the number of people able to access them).

## **Round-up for audit committees**

A summary of recent NAO reports and guidance relevant for audit committees is available from the [NAO website](#).

## **CIPFA Fraud and Corruption Tracker (CFaCT) survey**

CIPFA has published the [summary report](#) from its survey of fraud and corruption experienced by local authorities in 2018/19. The three greatest areas of perceived fraud risk continue to be procurement, council tax single person discount and adult social care.

## **Local government in Scotland**

Most of Scotland's 32 councils are increasingly relying on money from reserves to keep up with demand for services and balance their budgets according to the latest report [Local Government in Scotland](#) from the Accounts Commission.

## **NHS financial management and sustainability**

The NAO's latest report on [NHS financial management and sustainability](#) concludes that the short-term fixes that DHSC, NHS England and NHS Improvement put in place to manage resources in a constrained financial environment are not sustainable. Delivery of long-term financial sustainability is at risk unless every organisation is on a realistic path to breaking even.

## **Review of Public Services Boards**

A review of the [Public Service Boards](#) by the Wales Audit Office has found that changes are needed if they are to realise their full potential. The report says that public bodies haven't always taken the opportunity to effectively organise and resource the work of public service boards and they are not consistently being scrutinised or held to account.

## **Financial management and governance – Community and town councils 2018-19**

The Wales Audit Office have published an [overview report](#) of the audits of town and community councils. 218 councils either failed to comply with their statutory requirements, or mis-stated information in their annual return.

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