

Public Document Pack
SOUTHEND-ON-SEA BOROUGH COUNCIL

Audit Committee

Date: Wednesday, 21st October, 2020

Time: 6.30 pm

Place: Virtual Meeting via MS Teams

Contact: Colin Gamble (Head of Democratic Services)

Email: committeesection@southend.gov.uk

AGENDA

- 1 Apologies for Absence**
- 2 Declarations of Interest**
- 3 Minutes of the Meeting held on Wednesday 12th August 2020 (Pages 1 - 4)**
- 4 Data Protection Report**
Report of Executive Director (Legal & Democratic Services) to follow
- 5 Deloitte: Update on Statement of Accounts audit 2019/20 (Pages 5 - 30)**
Report of the Executive Director (Finance and Resources) attached
- 6 Deloitte: Update on Annual Audit Letter and Whole of Government Accounts 2019/20 (verbal update)**
Verbal report of the Executive Director (Finance and Resources) (no papers)
- 7 Internal Audit Plan 2020/21 Update (Pages 31 - 50)**
Report of the Executive Director (Finance and Resources) attached
- 8 Internal Audit Service Quarterly Performance Report (Pages 51 - 82)**
Report of the Executive Director (Finance and Resources) attached
- 9 Counter Fraud & Investigation Team Quarterly Performance Report (Pages 83 - 136)**
Report of the Executive Director (Finance and Resources) attached
- 10 Information Item (Pages 137 - 194)**
 - PSAA – Quality of external audit service feedback

Chair & 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, 12th August, 2020

Place: via Microsoft Teams

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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, I Shead and K Pandya

In Attendance: A Barnes, R Harris, E Allen, R Gill, P Bates, J Chesterton,
C Fozzard, S Dutton
Also in attendance: C Wisdom and A Kleiman (Deloitte)

Start/End Time: 6.30 - 8.20 pm

243 Apologies for Absence

There were no apologies for absence at this meeting.

244 Declarations of Interest

The following Councillor declared an interest as indicated:

Cllr Davidson – All agenda items in so far as they related to South Essex Homes –
Non-pecuniary interest: Non-Executive Director of South Essex Homes.

245 Minutes of the Meeting held on 29 April 2020

Resolved:-

That the Minutes of the Meeting held on 29th April 2020 be confirmed as a correct
record and signed.

246 Internal Audit Service Quarterly Performance Report

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

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.

247 Head of Internal Audit Annual Report 2019/20

The Committee considered a report of the Executive Director (Finance and Resources) providing following information for the 2019/20 financial year:

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

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

Resolved:

That the Head of Internal Audit's Annual Report for 2019/20, be accepted and confirmed that the opinion of the Head of Internal Audit can be relied upon as a key source of evidence to support the Annual Governance Statement.

248 Counter Fraud & Investigation Directorate Quarterly Performance Report

The Committee considered a report of the Executive Director (Finance and Resources) setting out progress made by the Counter Fraud & Investigation Team in delivering the Counter Fraud Strategy and Work Programme for 2019/20 and introduced the Work Plan for 2020/21.

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

Resolved:

That the performance of the Counter Fraud & Investigation Team over the period since the last meeting of the Audit Committee held on 29th April 2020, be noted.

249 Deloitte's: External audit 2019/20 final report

The Committee considered a report of the Executive Director (Finance and Resources) summarising the results of the work completed to date for the 2019/20 financial year with regard to:

- The opinion on the Statement of Accounts; and
- The conclusion on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources (the VFM conclusion).

The Committee asked a number of questions which were responded to by officers and representatives from Deloitte.

Resolved:

That the report on the audit for the year ended 31 March 2020, be accepted.

250 Statutory Statement of Accounts and Annual Governance Statement 2019/20

The Committee considered a report of the Executive Director (Finance and Resources) presenting the Annual Governance Statement for 2019/20 together with actions for 2020/21 and an update on progress made with the 2019/20 action plan.

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

Resolved:

1. That the Annual Governance Statement for 2019/20, subject to any further views expressed by External Audit, be approved and be recommended to the Leader of the Council and Chief Executive for authorisation and signature, and incorporation in the Statement of Accounts 2019/20.

2. That the Statement of Accounts for 2019/20, be adopted and approved for publication.

251 Audit Committee Annual Report 2019/20

The Committee considered a report of the Executive Director (Finance and Resources) presenting the Audit Committee Annual Report 2019/20.

Resolved:

That the Annual Report for the Audit Committee for 2019/20 be approved and that the report be referred to the Council for information.

252 Information Items

The Audit Committee received and noted the following information items:

- CIPFA Audit Committee Update, Helping Audit Committees to be Effective, Issue 32;
- National Audit Office, Good Practice Guide for audit and risk committees on financial reporting and management during COVID-19; and
- IASAB publication 'Conformance with the PSIAS during the coronavirus pandemic.

Chairman: _____

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Southend-on-Sea Borough Council

Report of the Executive Director (Finance and Resources)

to

Audit Committee

on

21 October 2020

Agenda
Item No.

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Report prepared by: Deloitte External Auditor

Deloitte: Updated report to the Audit Committee on the audit for the year ended 31 March 2020

A Part 1 Public Agenda Item

1. Purpose of Report

1.1. This report summarises the final results of the work completed for the 2019/20 financial year with regard to:

- the opinion on the Statement of Accounts
- the conclusion on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources (the VFM conclusion).

2. Recommendation

1.2. The Committee accepts the updated Report to the Audit Committee on the audit for the year ended 31 March 2020.

3. Background

1.3. The Committee are reminded that the deadline for publication of the Statement of Accounts has been moved to 30 November because of the impact of the Covid-19 pandemic.

1.4. 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

1.5. 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.

1.6. Financial Implications

The fee for the audit work is set by Public Sector Audit Appointments Limited and agreed with the Council before the start of the audit. Issues arising during the course of the audit can impact on the audit fee payable.

1.7. Legal Implications

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

1.8. People Implications

None

1.9. Property Implications

None

1.10. Consultation

The contents of this report has been discussed and agreed with the Executive Director of Finance and Resources.

1.11. Equalities and Diversity Implications

None

1.12. Risk Assessment

Periodically considering whether the external auditor is delivering the agreed Annual Audit Plan helps mitigate the risk that this statutory requirement is not met.

1.13. Value for Money

The report includes the auditor's conclusion on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources (the VFM conclusion)

1.14. Community Safety Implications

None

1.15. Environmental Impact

None

5. Background Papers

None

6. Attachment: Deloitte Report to the Audit Committee on the audit for the year ended 31 March 2020 – dated October 2020



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Southend-on-Sea Borough Council

Report to the Audit Committee on the audit for the year ended 31 March 2020

Issued on 13 October 2020 for the meeting on 21 October 2020

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Introduction

The key messages in this report

I have pleasure in presenting our final report to the Audit Committee of Southend on Sea Borough Council (the Council) for the 2019/20 audit. The scope of our audit was set out within our planning report presented to the committee in April 2020.

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 financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

Status of the audit

Our audit is complete apart from receipt of the signed management representation letter and confirmation regarding subsequent events to cover to the date of signing and agreeing the signed version of the accounts to the latest working version.

In our last report to you we noted some key matters still outstanding:

- receipt and evaluation of information from Essex Council Pension Fund auditors;
- receipt and full review of final, updated financial statements;
- receipt and evaluation of the impact assessment in relation to adjusting, post balance sheet events in relation to national rulings regarding local government pensions schemes (namely McCloud and Goodwin – see page 13 for detail);
- completion of a limited number of normal risk procedures;
- completion of internal quality assurance procedures;

These matters have been resolved satisfactorily.

We have included a section in this report providing observations arising from the work on the areas of significant risk and other areas of audit focus reported to you in our audit planning report.

Our housing benefit subsidy assurance field work is in progress. As the reporting timeline for this is to report by 31 January, we will complete our procedures and report back to the outcome to this committee over the autumn.

It is still not clear whether the later assurance requirements in the year such as Teachers' Pensions will be required, we will update you on this in later meetings.

Conclusions from our testing

- We have not identified any significant uncorrected audit adjustments or disclosure deficiencies since the version approved at the July committee meeting.
- We have summarised any audit adjustments on page 20.
- Based on the current status of our audit work, and apart from the emphasis of matter included in relation to property valuation – see page 11, we envisage issuing an unmodified audit opinion, with no reference to any matters in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.
- We have considered the impact of the Covid-19 pandemic on our work – we include details on pages 6 and 7. Further details are included in our work on the valuation, where management's expert – Whybrow & Dodds - identified a material valuation uncertainty. This is common to 31 March 2020 valuations in the sector. This wording is reflected in our draft auditor's report. We did not identify any new financial statement or value for money significant risks as a result of the impact of the pandemic.
- We do not have any significant findings or internal control deficiencies to raise.

Introduction

The key messages in this report (continued)

Financial Sustainability and Value for Money

- In the CIES, following agreed adjustments, the Council reported an accounting surplus of £3.6m for the year (2018/19: £10.7m) which included net losses of £12.3m in respect of property revaluation (2018/19: net gain of £26.1m) and gains due to remeasurement of the pension liability of £21.4m (2018/19: £31.8m). At the provision of service line the Council showed better performance with a net deficit of £5.5m (2018/19: £47.2m). At year end the Council had usable reserves of £162.2m (31 March 2019: £154.9m) and unusable reserves of £342.4m (31 March 2019: £346.1m).
- Cash and cash equivalents held by the Council decreased to £42.8m from £46.4m as at 31 March 2019. However, there has been a large increase in resources held in short term investments increasing to £55.5m (31 March 2019: £20.8m). This is due to a surplus of funds received by 31 March 2020 being invested in fixed term deposits.
- In the prior year, we noted a funding gap had been identified in the Medium Term Financial Plan (“MTFP”) that totalled £18.6m to the end of 2023/24. This reflects ongoing budgetary pressures from reductions in funding and increasing costs of delivering services. The February 2020 iteration of the MTFP, whilst pre Covid-19, extends the outlook to 2024/25 when the funding gap is forecast to be £23.2m. We note the forecast view to 2023/24 in this latest iteration has improved slightly to a gap of £18.2m. An initial impact assessment of Covid-19 consequences has estimated additional budget pressures of £5.2m by the end of July 2020 potentially increasing to £9.5m by 31 March 2021. These budget pressures are in excess of additional forecast Covid-19 related income
- Our review of arrangements has concluded that the Council’s arrangements in respect of monitoring and managing this funding gap are adequate. This is discussed in further detail on page 15.
- As discussed on page 15, we considered arrangements around the Council’s capital schemes and its response to areas flagged by Ofsted as requiring improvement. Overall, the Council had adequate governance arrangements in these areas.
- We did not identify any significant risk related to Value for Money and we do not anticipate reporting any matters within our audit report in respect of the Council’s arrangements for securing the economy, efficiency and effectiveness of the use of resources.

Narrative Report & Annual Governance Statement

- We have reviewed the Council’s Annual Report & Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work.
- We have no significant matters to raise with you in respect of the Narrative Report. The version reviewed in July had already been updated for our proposed adjustments to ensure appropriately detail in relation to Covid-19 has been included. We also have no significant matters in respect of the Annual Governance Statement.

Duties as public auditor

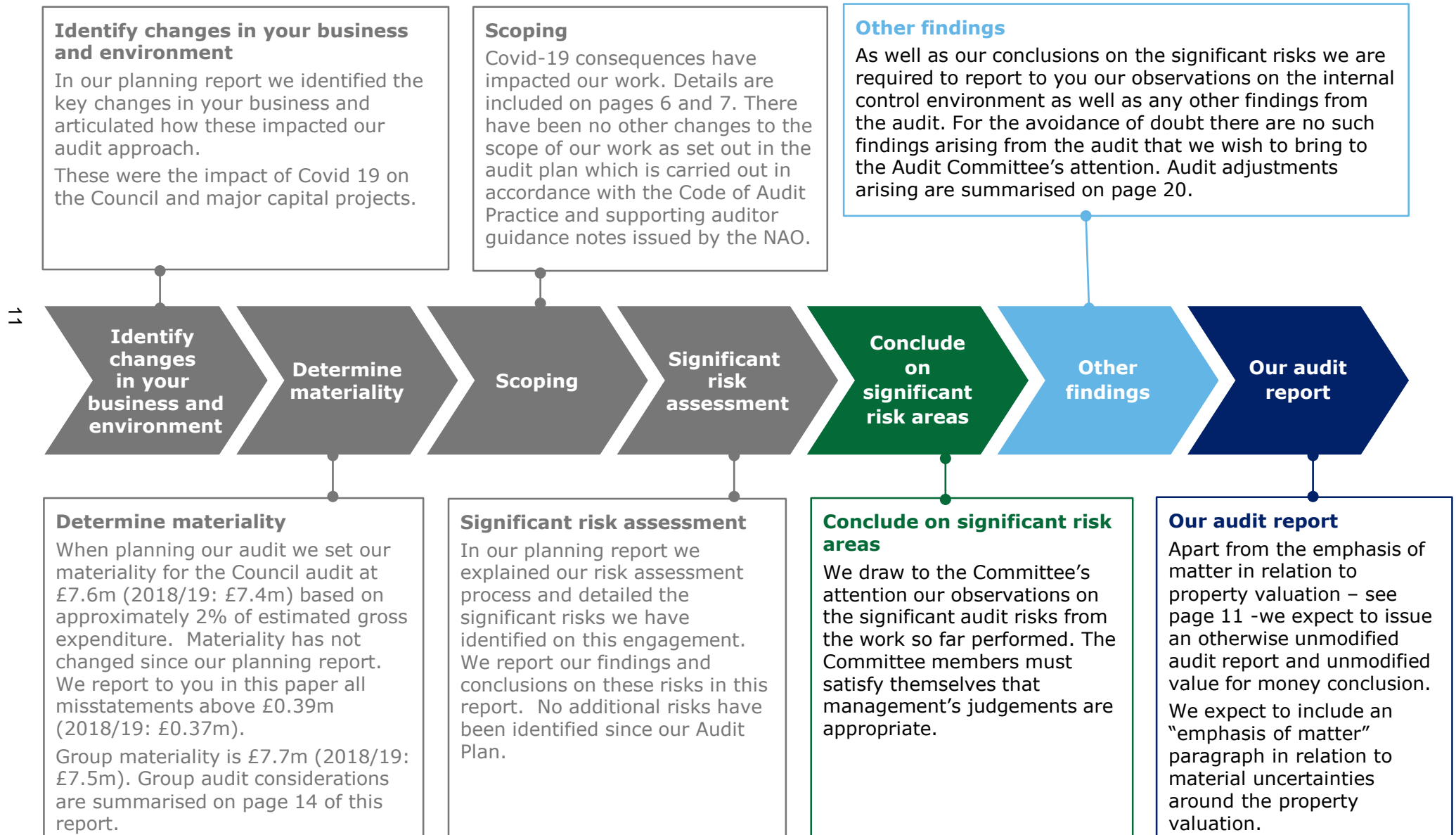
- We did not receive any formal queries or objections from local electors this year.
- We have not identified any matters that would require us to issue a public interest report. We have not had to exercise any other audit powers under the Local Audit and Accountability Act 2014.

Whole of Government Accounts

- The Council continues to be below the threshold for WGA reporting.

Our audit explained

We tailor our audit to your organisation



COVID-19 pandemic and its impact on our audit.

Requirements

CIPFA has issued guidance highlighting the importance of considering the impact of COVID-19 in preparation of the 2019/20 financial statements, including communicating risks and governance impacts in narrative reporting. This is consistent with the Financial Reporting Council's guidance to organisations on the importance of communicating the impact of COVID-19 and related uncertainties, including their impact on resilience and going concern assessments.

Entity-specific explanations of the current and expected effects of COVID-19 and the Council's plans to mitigate those effects should be included in the narrative reporting (including where relevant the Annual Governance Statement), including in the discussion on Principal Risks and Uncertainties impacting an organisation.

As well as the effects upon reserves, financial performance and financial position, examples of areas highlighted by CIPFA include the impact on service provision, changes to the workforce and how they are deployed, impacts upon the supply chain, cash flow management, and plans for recovery. Risks highlighted include those relating to subsidiaries and investments, capital programmes, and resilience of the community including partner organisations and charities.

Actions

A thorough assessment of the current and potential future effects of the COVID-19 pandemic is required including:

- A detailed analysis across the council's operations, including on its income streams, supply chains and cost base, and the consequent impacts on financial position and reserves;
- The economic scenario or scenarios assumed in making forecasts and on the sensitivities arising should other potential scenarios materialise (including different funding scenarios);
- Any material uncertainties relating to the council's financial position, the financial sustainability of the Council, and the potential requirement for a section 114 notice; and
- The effect of events after the reporting date, including the nature of non-adjusting events and an estimate of their financial effect, where possible

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Impact on the Council	Impact on annual report and financial statements	Impact on our audit
<p>We have considered the key impacts on the business such as:</p> <ul style="list-style-type: none"> • Interruptions to service provision. • Supply chain disruptions. • Unavailability of personnel. • Reductions in income. • The closure of facilities and premises. 	<p>We have considered the impact of the outbreak on the annual report and financial statements, discussed further on the next slide including:</p> <ul style="list-style-type: none"> • Principal risk disclosures • Impact on property, plant and equipment • Valuation of commercial or investment properties • Impact on pension fund investment measurement and impairment • Financial sustainability assessment • Events after the reporting period and relevant disclosures • Bad debts provision policy • Narrative reporting • Impairment of non-current assets • Allowance for expected credit losses 	<p>We have considered the impact on the audit including:</p> <ul style="list-style-type: none"> • Resource planning • Timetable of the audit • Impact on our risk assessment • Logistics including meetings with entity personnel.

Potential Impact on annual report and financial statements

Audit response

Impact on property, plant and equipment

The Royal Institute of Chartered Surveyors has issued a practice alert, as a result of which valuers have identified a material valuation uncertainty at 31 March 2020 for most types of property valuation. This has impacted the Council and has required specific disclosure in the financial statements. Consequently, this has resulted in an Emphasis of Matter in our audit report.

The Council has considered its approach to the measurement of property, plant and equipment (PPE). Where property held at current value is based on market valuations the Council considered with their valuers the impact that COVID-19 has had on current value. The Council also considered whether there are any indications of impairment of assets requiring adjustment at 31 March 2020.

The material uncertainty is disclosed in the Statement of Accounts and leads to an Emphasis of Matter in our audit opinion.

Valuation of commercial or investment properties

Following the COVID-19 pandemic, the fair value measurements for financial instruments and investment properties held by the Council needed to be reviewed against the conditions and assumptions at the measurement date. This presents some difficulties because of the volatility of the market at the measurement date and the potential for there to be a lack of reliable observable inputs. This required additional consideration in our work on year-end valuations.

The material uncertainty noted above also includes Investment Properties.

The Council's financial instrument portfolio is wholly made up of "Level 1" investments i.e. where there is a verifiable external source for the pricing. This reduces the level of uncertainty in regard to financial instruments.

Whilst the property fund assets carry a degree of uncertainty in regard to the valuation of the underlying property assets (similar to the uncertainty the Council has on its own property), this is not at a level where it gives rise to a material uncertainty to disclose in the audit opinion in respect of those property fund assets.

Impact on pension fund investment measurement

As a result of the COVID-19 pandemic pension fund investments have been subject to volatility.

We engaged early with the Essex County Council Pension Fund auditor to not only gather information for year-end measurements but to also understand any estimation techniques and any changes to those techniques that may be needed to measure the financial instruments. Where such volatility exists it may mean that the inputs used in the fair value measurement may change and may require a change of measurement technique, and consideration of the level of uncertainty in valuations where there is significantly more estimation.

We have received this report back from the Essex County Council Pension Fund auditor who had no matters to report and no adjustments were required to the financial statements. The auditor concluded the control environment at Essex was satisfactory.

Expected credit losses

The Council has considered the provision for credit losses for receivables, including for expected credit losses for assets accounted for under IFRS 9.

No issues in relation to this have arisen from our audit work.

	Potential Impact on annual report and financial statements	Audit response
<p>Covid related income received pre year end</p>	<ul style="list-style-type: none"> There were 2 main receipts of income related to Covid-19 that were received pre 31 March 2020 <ul style="list-style-type: none"> Covid-19 LA Support grant. This was the first tranche of £1.6bn passed out to Councils by MCHLG on March 27 2020. Southend received £5.4m. This grant was unringfenced and without conditions and therefore should be recognised in income with any unspent amounts carried in reserves. S31 Business Rates relief grant. This brought forward the receipt of business rate reliefs to ease cash flow pressures that would otherwise have been distributed over the course of 2020/21. The Council received £4.9m. The Council is required to report on this matter and the government can reclaim overpaid sums. It is correct to recognise this grant in receipts in advance (creditors) to release the income over the course of 2020/21. 	<ul style="list-style-type: none"> We note that after discussion and reference to guidance these have been treated correctly in the updated statement of accounts. The remaining Covid related income receipts received after the year end will be considered as part of the 2020/21 audit.
<p>Narrative and other reporting issues</p>	<p>The following areas need to be considered by local authorities as having being impacted on by the COVID-19 pandemic.</p> <ul style="list-style-type: none"> Narrative reporting as well as the usual reporting requirements will need to cover the effects of the pandemic on services, operations, performance, strategic direction, resources and financial sustainability. Reporting judgements and estimation uncertainty, the Council will need to report the impact on material transactions including decisions made on the measurements of assets and liabilities 	<p>We note that the updated narrative report adequately discloses matters related to Covid-19, including risks, potential impacts and other issues. The report is compliant with the guidance in this area.</p>

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Significant risks

Management override of controls

Risk identified

In accordance with ISA 240 (UK) management override is a 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 Council's controls for specific transactions.

Deloitte response

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

- The Council's results throughout the year did project both positive and negative divergences from budgets in operational areas. This was closely monitored and whilst some areas projected overspends, the underlying reasons were understood. We do note that earmarked reserves were drawn down at a greater level than planned – a £1.8m actual contribution against a planned £147k. There are adequate reserves to support this with earmarked reserves carried forward of £107.4m (31 March 2019: £106.7m)
- Senior management's remuneration is not tied to particular financial results.

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

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Journals

We have performed design and implementation testing of the controls in place for journal approval.

We have used Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.

We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting. No issues were noted.

Deloitte view

We have not identified any significant bias in the key judgements made by management based on work performed.

We have not identified any instances of management override of controls in relation to the specific transactions tested based on work performed.

Accounting estimates

We have performed design and implementation testing of the controls over key accounting estimates and judgements.

The key judgements in the financial statements are those selected as significant audit risks and other areas of audit interest: valuation of the Council's estate, correct treatment of capital spend and the valuation of the pension liability, as discussed elsewhere in this report.

We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We note that overall the areas more subject to estimation in the period were balanced and did not indicate a bias to achieve a particular result.

We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Significant risks (continued)

Valuation of property assets

Risk identified

The Council is required to hold property assets within Property, Plant and Equipment ("PPE"), Heritage Assets and Investment Properties at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.

Key judgements and our challenge of them

The Council held total assets across PPE, Heritage Assets and Investment Property of £854.1m at year end (31 March 2019: 851.4m). In PPE, the Council held £641.6m of property assets in Other Land a Buildings and Council Dwellings at 31 March 2020, a slight increase from the £640.9m held at 31 March 2019.

This increase of £0.7m is the net impact of several factors principally:

Increasing factors – TOTAL: +£19.4m

- Additions of £16.5m
- Transfers from Assets Under Construction of £2.9m

Decreasing factors – TOTAL: -£18.7m

- Net revaluation impact of £4.6m
- Disposals impact of £1.3m
- Depreciation of £12.8m

Investment properties had immaterial movements due to disposals of -£0.9m, transfers in of +£0.2m and a revaluation increase of +£0.4m giving a carried forward valuation of £41m (31 March 2018: £41.3m).

The financial year to 31 March 2020 represented one year of the five year rolling programme in which 20% of the total asset portfolio was revalued at 1 April 2019. The main section revalued this year was Heritage Assets with a net impairment to carrying values of £11m.

In addition, the Council commissioned its valuer to perform a market review providing information on market changes across 2019/20. On the basis of information in this report, the Council elected to adjust the valuation of properties to account for market changes during 2019/20.

Deloitte response

- We tested the design and implementation of key controls in place around the property valuation.
- We obtained an understanding of approach adopted to the valuation, including assessing the valuer's qualifications, objectivity and independence and reviewing the methodology used.
- We tested a sample of inputs to the valuation.
- We used our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets including considering the assumptions made of movements between the valuation being performed at earlier stages in the year and the year-end.
- We tested a sample of revalued assets and reperformed the calculation of the movement to be recorded in the financial statements to check correctly recorded.
- We considered the impact of uncertainties relating to Covid 19 and the UK's exit from the EU upon property valuations in evaluating the property valuations and related disclosures.

Pier valuation

We note that there was increased judgement required in relation to Southend Pier. The asset was impaired by £10.1m from a brought forward valuation of £32.8m to a carried forward valuation at 31 March 2020 of £22.7m.

This is driven by evidence of increasing costs of maintaining the structure of the pier. In accounting terms, the need for heavy maintenance shortens the economic life of this asset as it stands. This shortening of its life plus factoring in the repair and maintenance costs the Council plans to spend have the overall impact of decreasing the valuation of the asset.

This was agreed with the Council's valuer and the Deloitte Real Estate specialist. It was also noted that similar obsolescence (economic life shortening) assumption increases were applied to other older assets appraised as part of the valuation.

We note the Pier is an unusual asset that is difficult to value and is the only one of its kind in the portfolio.

The conclusion to this matter and its presentation in the accounts is satisfactory.

Significant risks (continued)

Valuation of property assets – Material Uncertainty due to Covid-19

Material Uncertainty due to Covid 19

The Council's valuer has included disclosures in relation to Covid 19 in their report including the extracts below:

The outbreak of the novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.

This is a common feature of valuation reports prepared to 31 March 2020

Impact on Statement of Accounts

The Council is required to disclose the existence of this material uncertainty in the Statement of Accounts. This can be seen in Note 4 to the accounts, an extract of which is included below:

"[Covid 19] presented an unprecedented set of circumstances on which to base valuation judgements at the balance sheet date.

Asset valuations at 31 March 2020 are included on the basis of 'material valuation uncertainty' so a higher degree of caution should be attached to these valuations. However, they have been based on the best information available and are therefore a valid basis of valuation for this Statement of Accounts.

These include Property, Plant and Equipment, Investment Property valuations and indexation adjustments because of the market review undertaken by the external valuers."

Impact on Audit Opinion

An "emphasis of matter" is required to be included in our audit opinion to draw attention to management's disclosure:

"We draw attention to note 4, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the Council's property portfolio. As noted by the Council's external valuer, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the valuation of the property portfolio at the balance sheet date. Our opinion is not modified in respect of this matter."

Deloitte view

Overall, we have concluded that the net book value of property assets is not materially misstated. The Council's valuation assumptions are generally reasonable and fall within the expected range highlighted by Deloitte Real Estate.

Significant risks (continued)

Capital expenditure

Risk identified

The Council has a substantial capital programme of £233m over the next five years. The capital programme included £59.7m spend in 2019/20.

Determining whether or not expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards.

The Council has greater flexibility over the use of revenue resource compared to capital resource. There is also, therefore, an possible incentive for officers to misclassify revenue expenditure as capital.

Deloitte response

- We tested the design and implementation of controls around the capitalisation of costs.
- We selected a sample of capital items (including REFCUS) in the year to test whether they have been appropriately capitalised in accordance with the accounting requirements.

Deloitte view

Our work in this area has been completed satisfactorily with no issues noted.

Other matters

Defined benefits pension scheme

Background

The Council participates in the Essex Local Government Pension Scheme, administered by Essex County Council.

The net pension liability has decreased from £151.8m at 31 March 2019 to £144.5m at 31 March 2020 primarily as a result of movements in asset values and some changes in discount rate and inflation assumptions. This total includes the impact of the McCloud adjustments.

The Council's pension liability continues to be affected by the McCloud legal case in respect of potential discrimination in the implementation of transitional protections following changes in public sector pension schemes in 2015. The 31 March 2020 position as currently calculated, including the impact of McCloud, is stated as a £5.3m additional liability and has not moved materially in the year from its £4.7m opening position as at 1 April 2019.

In our July report to you, we noted ongoing discussions with the actuary regarding a potential amendment to this figure and that we were reviewing the response from the actuary. This matter has been concluded satisfactorily and there are no adjustments to raise as the actuary has adequately accounted for recent changes in its original calculation to give an outcome that is within the materially acceptable range.

In the current year there was an additional legal case - the Goodwin judgement - that has an impact on the scheme. The judgement is in respect of a Teacher's Pension case where there was deemed to be discrimination in spousal transfer on death of the member (where a male widower was deemed to be discriminated against through receiving a different level of benefits than a female widow).

In our July report, we noted we were reviewing the response from the actuary in relation to this matter. Overall, the conclusion is that an expected 0.2% impact to the liability would not lead to a materially incorrect calculation of the liability. This matter has been concluded satisfactorily with no adjustment required.

Deloitte response

We obtained a copy of the actuarial report produced by Barnett Waddingham, the scheme actuary, and agreed in the disclosures to notes in the accounts.

- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.
- We reviewed and challenged the assumptions made by Barnett Waddingham, including benchmarking as shown the table opposite.
- We obtained assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary.
- We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements for the year.
- We have reviewed and challenged the calculation of the impact of the McCloud case on pension liabilities.
- We reviewed the disclosures within the accounts against the Code.

	Council	Benchmark	Comments
Discount rate (% p.a.)	2.35	2.63	Reasonable, slightly prudent
Consumer Price Index (CPI) Inflation rate (% p.a.)	1.90	2.15	Reasonable, slightly optimistic
Salary increase (% p.a.) (over CPI inflation)	1.00	Council specific	Reasonable
Pension increase in payment (% p.a.)	1.90	2.15	Reasonable, slightly optimistic (in line with CPI)
Pension increase in deferment (% p.a.)	1.90	2.15	Reasonable, slightly optimistic (in line with CPI)
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 65)	21.80	21.80	Reasonable
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 45)	23.2	23.20	Reasonable

Deloitte view

Our work in this area has been completed satisfactorily with no issues noted.

Other matters (continued)

Group Accounts

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 have performed further audit procedures of the material components. The key components for audit procedures are shown in the table below. Porters Place LLP with expenditure/net assets of £5k has been disregarded.

Components	Expenditure (Cost of Services) 2019/20 £m	Net Assets 31/3/20 £m	%age of total Group Expenditure	%age of group Net Assets	Summary of work to be performed
Council	383.2	505	95%	97.1%	The Deloitte group audit team has performed full-scope audit procedures under the Code on this component. Matters arising are noted throughout this report
Trust Funds	1.3	23	0.32%	4.42%	The Trust Funds are audited separately by a different firm on a longer timeline. For the purpose of the group audit opinion, material Trust funds will have specified tests performed by the group team focused on assets held. Our work in this area has been completed satisfactorily with no issues noted.
South Essex Homes Limited	10.5	(3.1)	2.6%	(0.6%)	SEHL is audited separately by a different firm on a longer timeline. For the purpose of the group audit opinion, SEHL will have specified tests performed by the group team. Our work in this area has been completed satisfactorily with no issues noted.
Southend Care Limited	8.4	(4.6)	2.08%	(0.88%)	SCL is audited separately by a different firm on a longer timeline. For the purpose of the group audit opinion, SCL will have specified tests performed by the group team. Our work in this area has been completed satisfactorily with no issues noted.

Group Materiality

Materiality for the group is £7.7m with the Council stand alone materiality level set at £7.6m. In order to apply meaningful specified procedures to the non-Council, in-scope group entities, component materiality has been reduced accordingly based on the percentage of the group represented by each subsidiary and will be no more than 40% of the group materiality figure of £7.7m.

Conclusion on arrangements to secure economy, efficiency and effectiveness from the Council's use of resources

Background

Under the National Audit Office’s Code of Audit Practice, we are required to report whether, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Code and supporting Auditor Guidance Notes 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. We note that the NAO guidance indicates a low likelihood that Covid-19 forms a risk area impacting the assessment of arrangements for 2019/20. Rather 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 risk assessment

We set out the risk assessment procedures we had performed and our further planned procedures in our audit planning report including discussion with relevant officers and review of Council documentation including internal audit reports. We did not identify any further significant risks from our remaining risk assessment procedures. Our areas of focus included the below:

- **Financial Sustainability:** The 2020/21 budget is balanced i.e. there is sufficient funding for the £130.4m budget requirement for general fund net expenditure. This includes a £8.5m use of reserves. In the subsequent years however, a funding gap has been identified in the Medium Term Financial Plan that totals £23.2m to the end of 2024/25 as shown in the table below. As noted earlier, this is a pre-Covid assessment. This reflects ongoing budgetary pressures from reductions in funding and increasing costs of delivering services. Based on our further risk assessment procedures, including developing an understanding of the arrangements for measuring and closing budget gaps, we concluded that this was not a significant risk to our conclusion.

	2021/22	2022/23	2023/24	2024/25
Funding gaps per the MTFS:	£7.8m	£4.7m	£5.7m	£5.0m

- **Capital Plans:** There are significant capital projects planned in the medium term. Our review of the Council’s arrangements in respect of monitoring these schemes and mitigating associate risks did not give rise to a significant risk to our conclusion.
- **Ofsted reports:** We noted areas where the authority was identified as requiring improvement (as well as areas of strong practice) in recent Ofsted reports. Our review of the Council’s action plan to manage the required improvements, including working with other parties, did not give rise to a significant risk to our conclusion.

Deloitte view

Based on the current status of our audit work, we envisage issuing an unqualified “value for money conclusion”.

The expected form of our conclusion is as follows:
On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2020 we are satisfied that, in all significant respects, Southend on Sea Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Our audit report

Matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the financial statements

Our opinion on the financial statements is unmodified.



Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.



Emphasis of matter and other matter paragraphs

We include details on the other matter paragraph in relation to property valuations on page 11 of this report.

There are no other matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Our value for money conclusion

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).

Our conclusion on the Council's arrangements is unmodified.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performed and to ensure that they are fair, balanced and reasonable.

Our conclusion in this area is satisfactory.

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Your annual report

We are required to report by exception on any issues identified in respect of the Annual Governance Statement.

	Requirement	Deloitte response
Narrative Report	<p>The Narrative Report is expected to address (as relevant to the Council):</p> <ul style="list-style-type: none"> - Organisational overview and external environment; - Governance; - Operational Model; - Risks and opportunities; - Strategy and resource allocation; - Performance; - Outlook; and - Basis of preparation - Future sustainability and risks to this posed by Covid-19. 	<p>We have assessed whether the information given in the Narrative Report meets the disclosure requirements set out in guidance, is misleading, or is inconsistent with other information from our audit.</p> <p>We fed back some improvements that could be made in relation to the links between the numbers quoted in the narrative report and the financial statements, adding further details on risks to value for money/use of resources and the Covid-19 commentary.</p> <p>We have considered the sustainability narrative including the requirement to discuss and evaluate the impact of Covid-19 within this assessment. We have concluded satisfactorily on this matter.</p> <p>Our assessment of the impact of Covid-19 can be seen from page 6.</p> <p>In our last report, we noted that we were reviewing an updated version of this report. We have checked that the updated report complies with all the relevant requirements and we discussed some areas for potential enhancement going forwards. Overall we concluded satisfactorily in this matter.</p>
Annual Governance Statement	<p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in guidance, is misleading, or is inconsistent with other information from our audit.</p> <p>In our last report, we noted that we were reviewing an updated version of this report. We have checked that the updated report complies with all the relevant requirements. Overall we concluded satisfactorily in this matter.</p>

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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 help the Audit Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the Narrative Report.

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What we don't report

As you will be aware, our audit was 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 management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

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

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



for and on behalf of Deloitte LLP
13 October 2020

Appendices

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Audit adjustments

Unadjusted misstatements related to the prior year

The following misstatements in the current year and related to the prior year identified by the Council has been corrected by management in the 2019/20 accounts. We nonetheless communicate this to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/ (credit) income statement £m	Debit/ (credit) in net assets £m	Debit/ (credit) prior year retained earnings £m	Debit/ (credit) OCI/Equity £m
Better Queensway costs in Assets Under Construction adjusted from Property Plant and Equipment to REFFCUS (Revenue expenditure funded from capital under statute)	[1]	1.4	(1.4)		

[1] The Council's capital spend on Better Queensway is part of an overall Joint Venture project with Swan Housing. The Council identified the following issue regarding the related costs incurred in the prior year. It was determined that, whilst the project planning and management costs were capital in nature, it was incorrect to capitalise them as Assets Under Construction (AUC) as the asset being created will be owned by the Joint Venture rather than the Council. This makes it an item that cannot be capitalised under accounting standards. As it was capital in nature, this does qualify as REFFCUS – expenditure items that can be funded by capital resource under statute. The spend recognised as capital as at 31 March 2019 of £1.4m has therefore been reclassified. This remains however an error in the prior year accounts identified in the current year.

Disclosures

Disclosure misstatements

No uncorrected disclosure misstatements have been identified up to the date of this report.

Other disclosure recommendations

No such matters have been identified up to the date of this report.

Fraud responsibilities and representations

Responsibilities explained



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management 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. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

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Required representations:

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Council and its group.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified capitalisation of expenditure and management override of controls as key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance including the Head of Internal Audit.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements. We have reviewed the paper prepared by management for the on the process for identifying, evaluating and managing the system of internal financial control.

Concerns:

No significant concerns have been identified from our work

Independence and fees

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 that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	<p>The audit scale fee for 2019/20, in line with the scale fee provided PSAA, is £110k as broken down below. As a result of additional work due to Covid-19 and other matters there is an additional fee of £9k. Our fee for reporting on the housing benefit subsidy claim was reported at the planning stage as £21k and our fee for the Teachers' Pension Return is expected to be £6k.</p> <p>No other non-audit fees have been charged by Deloitte in the period.</p>
Non-audit services	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the Council'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	<p>We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTL network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.</p> <p>We are not aware of any relationships which are required to be disclosed.</p>

	Proposed £ (exc VAT)	Planned £ (exc VAT)
Code audit fee	110k	110k
Additional costs due to Covid-19	9k	-
Total audit*	119k	110k
Housing Benefit Assurance Work	21k	21k
Total fees	140k	131k

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.

*the additional fee of £9k due to covid-19 and other matters is subject to approval by PSAA

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Southend-on-Sea Borough Council

Report of the Executive Director (Finances & Resources)

to

Audit Committee

on

21 October 2020

Report prepared by: Andrew Barnes, Head of Internal Audit

Agenda
Item No.

7

Internal Audit Plan for 2020/21 update

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present to the Audit Committee, the updated Internal Audit Plan for 2020/21 following further consideration as a result of the impact of the Covid-19 pandemic and the consequent change in risk and priorities.

2. Recommendation

- 2.1 The Audit Committee approves the updated Internal Audit Plan for 2020/21.**

3. Background

- 3.1 The original Internal Audit Plan for 2020/21 was reported to the April 2020 meeting of the Audit Committee. As was noted in the report at that time 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 the Council effort were focussed on addressing the emergency facing the country and therefore the Borough making it more difficult to liaise with colleagues. At that time a piece of work on Covid-19 was included in the plan, however the scope of that was not established as the extent to which the pandemic would have an ongoing impact on the Borough and the operations of the Council was not clear.
- 3.2 The uncertainties regarding the length of time that lockdown would 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 meant that it was recognised that there would be a need for flexibility in both the things that internal audit focusses upon and the way that it undertakes it's work.
- 3.3 As a result, it was agreed that the Audit Plan would 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 the changes to the risk profile and therefore, the work planned for later in the year. As is usual practice, it was agreed that any proposed future amendments to the Audit Plan would be reported to the Audit Committee for approval.

- 3.4 The team have undertaken that review and have prepared the updated plan that is attached at **Appendix 1**. This documents the audits that have been added to the plan, with a high level scope of what the work plans to cover and the audits that have been removed from the plan that was approved in April with the reasons for that decision.
- 3.5 The Audit Charter for 2020/21 and the other documents of the Audit Strategy for 2020/21 that were reported to the April meeting remain appropriate and no changes are proposed to those at the current time.
- 3.6 At the time of producing this report the country is experiencing a second wave of the pandemic and therefore the need for flexibility in both the things that internal audit focusses upon and the way that it undertakes it's work remains important. It is possible that internal audit resources may be required to assist with addressing the Council's response effort. If that becomes the case then it will be discussed in the first instance with the Audit Committee Chairman and subsequently reported to the rest of the Committee, along with the anticipated impact on delivery of the Audit Plan.

4. Reasons for Recommendations

- 4.1 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.**

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.

5.2 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.

5.3 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.

5.4 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.

5.5 Property Implications

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

5.6 Consultation

This is set out in the Strategy.

5.7 Equalities and Diversity Implications

Not applicable to these documents.

5.8 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.

5.9 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.

5.10 Community Safety Implications

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

5.11 Environmental Impact

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

6. Background Papers

- Audit Committee Report on the Internal Audit Charter with the supporting Strategy and Audit Plan for 2020/21 reported to the 29 April 2020 meeting

7. Appendices

- Appendix 1: Updated Internal Audit Plan for 2020/21

Appendix 1: Updated Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Scope of work
Managing the Business			
All	Covid-19	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.
	Added audit: Financial Impact of Covid-19	No	To assess the robustness of the arrangements and /or financial modelling approach applied to: <ul style="list-style-type: none"> • estimating the medium-term financial impact of the pandemic to the Borough • ensuring capital programme priorities continue to meet the needs of the Borough.
All	IT Audit: Remote Working and Cyber Security Arrangements (2019/20)	Yes	To assess the robustness of arrangements that enable the majority of staff to work remotely, while maintaining critical cyber security functions.
All	IT Audit: Disaster Recovery and Continuity Planning Arrangements (2019/20)	Yes	To assess whether there are robust arrangements in place to ensure the design of the Council's IT Disaster Recovery (DR) planning documentation and processes are appropriate, complete and robust, and to explore whether there is sufficient assurance that the arrangements will operate in practice.
N&E (LR)	Removed audit: Neighbourhoods and Environment Performance Board	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. Removed from the 20/21 Audit Plan as part of the ongoing review of the Council's risk profile given the impact of Covid-19.
A&C (SB)	Removed audit: Adult Social Care Service Delivery	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. Removed from the 20/21 Audit Plan as part of the ongoing review of the Council's risk profile given the impact of Covid-19. In addition, initiatives being undertaken within the service to review adult social care practices. Replaced by Adults Social Care Recovery from Covid-19.

Appendix 1: Updated Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Scope of work
T (RP)	Health and Safety	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.
T (CT)	New audit: ICT Management and Delivery	Yes	Scope of the work to be determined.
<i>Implementing Action Plans</i> - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.			
None			
Managing Service Delivery Risks			
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 (NH)	National Productivity Investment Fund	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>
<i>Implementing Action Plans</i> - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.			
None			
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			
N&E (CR)	Removed audit: Private Sector Housing	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. Removed from the 20/21 Audit Plan as part of the ongoing review of the Council's risk profile given the impact of Covid-19. In addition, arrangements and processes are under review by management since the service transferred to the Executive Director for Neighbourhoods and Environment.

Appendix 1: Updated Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Scope of work
A&C (AA)	Rough Sleepers	Yes	<p>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.</p> <p>This will include the opportunities arising from the lessons learnt through the Covid-19 response.</p>
C&PH (JOL)	Children's Quality Assurance Framework (QAF)	No	<p>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.</p> <p>This will include the arrangements to assess the risks posed by the changes to ways of working as a result of Covid-19.</p>
A&C (SB)	Removed audit: Southend Care	No	<p>To assess the effectiveness of the arrangements for managing the delivery of services contained within the Southend Care Management Agreement.</p> <p>Removed from the 20/21 Audit Plan as part of the ongoing review of the Council's risk profile given the impact of Covid-19.</p>
G&H (GH)	Removed audit: Management of the South Essex Homes Partnership Agreement	No	<p>To assess the effectiveness of the arrangements for managing the delivery of services contained within the Partnership Agreement.</p> <p>Removed from the 20/21 Audit Plan as part of the ongoing review of the Council's risk profile given the impact of Covid-19.</p> <p>In addition, the service area is currently establishing ways to improve performance management and benchmarking arrangements.</p>
A&C (SB)	Essex Partnership University Trust (EPUT) Section 75 Agreement	Yes	<p>To assess the robustness of arrangements to ensure the delivery of the outcomes required from the Section 75 agreement are realised.</p>
G&H (GH)	Disabled Facilities Grant	Yes	<p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>

Appendix 1: Updated Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Scope of work
C&PH (JOL)	Troubled Families	Yes	<p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p> <p><i>Planned throughout the year to align with the Payment by Results claim windows set by the Ministry of Housing, Communities and Local Government.</i></p>
PE (BL)	Removed audit: Commissioning of a New Service	Yes	<p>To assess whether commissioning decisions were evidence based through clear and concise commissioning proposals, in order to meet the needs and outcomes required.</p> <p>Removed from the 20/21 Audit Plan as part of the ongoing review of the Council's risk profile given the impact of Covid-19.</p> <p>Interim Director of Commissioning is currently reviewing service operations.</p>
PL (CR)	Removed audit: Environmental Health	Yes	<p>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.</p> <p>Removed from the 20/21 Audit Plan as part of the ongoing review of the Council's risk profile given the impact of Covid-19.</p> <p>This service has also been significantly impacted by its role in delivering the Council's continuing response to Covid-19.</p>
C&PH (KR & AG)	Added audit: Covid-19 Local Outbreak Control Plan - Governance Arrangements	No	<p>To assess the robustness of arrangements which ensure Southend's Local Outbreak Plan fulfils its objective of protecting the health of the population of Southend.</p> <p>The work will also include the processes being developed for ensuring the expenditure of the ring fenced Test and Trace Support Grant is in line with the terms and conditions set by the Department of Health and Social Care, due to be reported 2021/22.</p>
A&C (SB)	Added audit: Adults Social Care Recovery from Covid-19	No	<p>To assess the robustness of measures to monitor and review the temporary changes to normal day to day processes / arrangements which aimed to ensure the care and support of vulnerable residents was prioritised eg. postponement of financial assessments for residents receiving care and relaxation in approval arrangements for changes to care packages.</p>
T&AC	Added audit: Covid-	Yes	<p>To assess the robustness of arrangements which</p>

Appendix 1: Updated Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Scope of work
(SP SB)	19 Volunteering		ensured sufficient safeguarding measures were considered when enrolling volunteers to provide essential support to vulnerable residents.
<i>Implementing Action Plans</i> - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service			
C&PH (MB / JOL)	Removed audit: Data Quality – Children’s Services	No	Removed from the 20/21 Audit Plan as part of the ongoing review of the Council’s risk profile given the impact of Covid-19. Some coverage will be provided by the work on Children’s Quality Assurance Framework (see above).
A&C (SB)	Removed audit: Adult Social Care Financial Assessments	Yes	Removed from the 20/21 Audit Plan as part of the ongoing review of the Council’s risk profile given the impact of Covid-19. Some coverage will be provided by the new Adults Social Care Recovery from Covid-19 review (see above).
A&C (AA)	Removed audit: Homelessness	Yes	Removed from the 20/21 Audit Plan as part of the ongoing review of the Council’s risk profile given the impact of Covid-19. Some coverage will be provided by the Rough Sleepers review (see above).
A&C (SB)	Direct Payment Support Service Contract Management	Yes	To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service
A&C / C&PH (SB / JOL)	Removed audit: Social Care Payments to Individuals and Providers	Yes	Removed from the 20/21 Audit Plan as part of the ongoing review of the Council’s risk profile given the impact of Covid-19. Some coverage will be provided by the new Adults Social Care Recovery from Covid-19 review (see above).

Appendix 1: Updated Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Scope of work
Active and Involved By 2050 we have a thriving, active and involved community that feel invested in our city			
A&C (SD)	Altered audit: 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. Moved to Advice and Support - please see below. Approach altered to better meet the needs of the service.
Implementing Action Plans - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service			
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)	Removed audit: 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). Removed from the 20/21 Audit Plan as part of the ongoing review of the Council's risk profile given the impact of Covid-19. Service area reviewing governance processes to monitor delivery of outcomes including establishing a Quality Assurance Framework.
T (SP)	Hayes Contract Management	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>

Appendix 1: Updated Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Scope of work
G&H (EC & RP)	Adult Community College Debt Collection	Yes	To assess the robustness of arrangements to collect debt fully and in a timely manner.
G&H (EC & RP)	Adult Community College Payroll	Yes	To assess the robustness of arrangements to accurately and properly pay non-salaried college staff.
G&H (GH)	Removed audit: Housing Pipeline	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. Removed from the 20/21 Audit Plan as part of the ongoing review of the Council's risk profile given the impact of Covid-19.
<i>Implementing Action Plans</i>			
<i>None</i>			
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)	Removed audit: Order, Delivery and Payment of Highways Works	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. Removed from the 20/21 Audit Plan as part of the ongoing review of the Council's risk profile given the impact of Covid-19.
N&E (CR)	Climate Change	No	To assess the adequacy of arrangements to deliver the outcomes required of the Climate Change Emergency Action Plan.
N&E (AW)	Transport Joint Venture	Yes	To assess the robustness of the governance arrangements which ensure the effective delivery of the joint venture arrangement.
N&E (SH)	Ongoing audit: Parking Enforcement Income Collection (2019/20)	Yes	To assess the robustness of arrangements for the proper and timely collection of Penalty Charge Notice (PCN) income in line with the Traffic Management Act 2004.

Appendix 1: Updated Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Scope of work
N&E (NH)	Local Transport Capital Block Funding - Highways Maintenance	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with.
N&E (NH)	Pothole Action Fund and Flood Resilience Fund	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with.
N&E (AW)	New audit: Department for Transport: Travel Demand Management Grant (awarded 29-7-20)	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with.
N&E (AW)	New audit: Department for Education: Additional Dedicated Home to School and College Transport Grant (awarded 11-8-20)	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with.
Implementing Action Plans - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.			
No work required			
Key Financial Systems			
All Outcomes			
F&R (CF)	Removed audit: Treasury Management	Yes	To assess the robustness of arrangements in place to deliver Treasury Management in line with the CIPFA Treasury Management Code of Practice. Removed from the 20/21 Audit Plan as part of the ongoing review of the Council's risk profile given the impact of Covid-19.
F&R (JC)	Accounts Payable – Batch Input Files (BIF)	Yes	To assess the robustness of arrangements to ensure that these payment files are accurate and secure.

Appendix 1: Updated Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Scope of work
Implementing Action Plans			
A&C (SB)	Removed audit: Social Care Debt Collection	Yes	To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service. Removed from the 20/21 Audit Plan as part of the ongoing review of the Council's risk profile given the impact of Covid-19.
Advice and Support			
All Outcomes			
All	Simple and Effective Governance	No	Provide ongoing support and challenge of the governance arrangements being developed, implemented and embedded by the Transforming Together team.
All	Getting to Know Your Business	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)	Waste Collection and Street Cleansing	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			
C&PH and A&C	New work: Liquid Logic / ContrOCC:	Yes	Provide support and challenge as new change request arrangements for these systems are being considered.

Appendix 1: Updated Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Scope of work
F&R/ and T	Ongoing work: Fire Safety	Yes	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.
C&PH (JOL)	Ongoing work: In House Foster Carers	No	To provide support and challenge to the service as they develop governance and reporting arrangements to support the delivery of the improvement action plan
Active and Involved			
By 2050 we have a thriving, active and involved community that feel invested in our city			
A&C (JL)	Removed work: Community Grants	Yes	To provide support and challenge as the new process for awarding community grants is developed and implemented. Removed from the 20/21 Audit Plan as part of the ongoing review of the Council's risk profile given the impact of Covid-19. Timeline for reviewing arrangements for awarding grants deferred by the service area.
A&C (SD)	Amended work: Fusion Contract Management (Audit approach altered to better meet needs of the service)	Yes	Internal Audit are providing support and challenge as the service navigates Covid-19 support arrangements with the contractor.
Opportunity and Prosperity			
By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people			
A&C (SD)	New work: Town Centre Engineerroom Working Group	No	To provide support and advice for establishing proportionate governance arrangements that appropriately support the Group in shaping and driving forward the town centre.
	New work: Adult Community College	Yes	To provide support and challenge on the robustness of the updated Financial Regulation document ahead of its presentation to the governing body.

Appendix 1: Updated Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Scope of work
<p>Connected and Smart</p> <p>By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure</p>			
G&H (EC)	Housing Infrastructure Grant	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 1: Updated 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	Job Resource allocation
Managing the Business	12%
Managing Service Delivery Risks	31%
Key Financial Systems	2%
Grant Claims	22%
Advice and Support	22%
Follow Ups	2%
Contingency	0%
Managing Delivery of the Audit Plan	9%
Total	100%

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

Appendix 1: Updated Internal Audit Plan 2020/21

Analysis Over Executive Director Responsibilities		
All	Cross Cutting	12%
F&R	Finance & Resources	5%
L&D	Legal & Democratic Services	0%
T	Transformation	7%
G&H	Growth & Housing	16%
N&E	Neighbourhoods & Environment	18%
C&PH	Children & Public Health	18%
A&C	Adults & Communities	15%
All	Contingency	0%
All	Managing Delivery of the Audit Plan	9%
	Total	100%

Analysis over the 5 Southend 2050 Themes		
1.	Pride & Joy	5%
2.	Active & Involved	3%
3.	Safe & Well	37%
4.	Opportunity & Prosperity	18%
5.	Connected & Smart	21%
6.	All	16%
	Total	100%

Appendix 1: Updated Internal Audit Plan 2020/21

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 (including the impact of the new National Institute for Health Protection (NIHP) replacing Public Health England to be formalised and operating from April 2021)
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
A&C	Deprivation of Liberty Safeguards (DoLS)
PH	Outcome Realisation of a Commissioned Service – deleted from 2019/20 Audit Plan
F&R	Income Management System – work stalled from the 2019/20 Audit Plan
N&E	Neighbourhoods and Environment Performance Board – deleted from 20/21 Audit Plan

Appendix 1: Updated Internal Audit Plan 2020/21

	after review of resources and risk profile resulting from impact of Covid-19
A&C	Adult Social Care Service Delivery - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19.
N&E	Private Sector Housing - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19. In addition the service is reviewing delivery processes and arrangements.
A&C	Southend Care - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19.
G&H	Management of the South Essex Homes Partnership Agreement - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19. In addition the service area is establishing ways to improve performance management and benchmarking arrangements.
A&C	Commissioning of a New Service - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19. In addition the service area is establishing ways to improve performance management and benchmarking arrangements.
N&E	Environmental Health- deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19.
C&PH A&C	Follow ups deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19; Data Quality, Adult Social Care Financial Assessments, Homelessness, Social Care Payments to Individuals and Providers & Social Care Debt Collection
G&H	Housing Pipeline - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19.
N&E	Order, Delivery and Payment of Highways Works - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19.
F&R	Treasury Management - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19.
A&C	Community Grants - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19.

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Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

Audit Committee

on

21 October 2020

Report prepared by: Andrew Barnes, Head of Internal Audit

Agenda

Item No.

8

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 2020/21.

2. Recommendations

- 2.1 **The Audit Committee notes the progress made in delivering the 2020/21 Internal Audit Strategy.**

3. Internal Audit Plan Status

- 3.1 **Appendix 1** sets out the current status of the audit work contained in the updated plan, reported to the Audit Committee in the previous item on this agenda, as at 9th October.
- 3.2 **Appendix 2** sets out the results of the work completed since the last progress report to the Audit Committee in August.
- 3.3 In addition to 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 provided support resource to assist with the Council's Track and Trace team in response to the Covid-19 pandemic, with the business support officer being seconded into that team.
- 3.5 The Head of Internal Audit has also been given responsibility for the re-integration of the counter fraud team to become an in-house service and for the Council's corporate approach to risk management.

- 3.6 Since the last Audit Committee meeting in August we have completed eight reports or opinions and we have three audits at draft report stage. As a result of the Covid-19 pandemic emergency a key focus for the team has been providing advice and support to new activities and changes to arrangements that the Council is having to implement at pace to respond to the pandemic that has dramatically affected the way that all services and everyone is having to work, as the onset of Covid-19 and subsequent lockdown had a significant impact on all areas of the public sector and all other sectors. Operationally, the Council has had to react quickly to rapidly changing circumstances. This has had an impact on the pace of progression for some of our audits, however we continue to work closely with services to progress the 2020/21 audit work, and are getting appropriate engagement from services.
- 3.7 In order to ensure that our work continues to focus on the areas of greatest risk to the Council, we have reconsidered our Audit Plan for 2020/21 that was initially presented to the Committee in April and this has been re-presented to the Committee as the previous agenda item for this meeting. As noted in that report the plan will remain under review, as will the utilisation of internal audit resources, in the context of the Council's ongoing response to the Covid-19 pandemic.

4. Performance Targets and Resourcing

- 4.1 As outlined in the Strategy presented to the April 2020 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 9th October 2020:
- For the period 1st April 2020 – 30th September 2020 the team had sickness absence which equates to 6 days per FTE. This is primarily as a result of two members of the team requiring long periods of sickness absence.
- 4.3 In terms of the jobs in the plan:
- 18% of audits have finalised reports issued
 - 5% of audits are completed with the reports drafted and being discussed with the service managers
 - 18% of audits are in progress
 - 7% of audits are being scoped and planned or have terms of reference produced
 - 52% of audits are resourced, but yet to be started.
- 4.4 As a result of our review of the Audit Plan because of the impact of Covid-19, of the Audit Plan presented to the April 2020 Audit Committee 16 audits have been removed from, and 11 audits added to the original plan. This has been explained more fully in the agenda item on the update of the Audit Plan. Work is now focussed on the delivery of that plan and progress is documented in Appendix 1.
- 4.5 No stakeholder surveys have yet been completed for 2020/21 because of the impact of Covid-19 and the redeployment of the Business Support Officer to assist with the Council's track and trace team.

- 4.6 Since the last report to the Audit Committee in August 2020, one Auditor and the Senior Auditor have left the team. This leaves the combined team with five vacancies.
- 4.7 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.
- 4.8 The expected requirements of the internal audit service into the future continue to evolve and the impact of Covid-19 is causing further deliberations to take place both at an industry and local level. An in-house team supported by suitably experienced contractors is currently assessed as being the most appropriate team model, utilising the financial resources available. This will be implemented to result in an appropriate mix of experienced staff, trainees who will be put through a relevant training programme and externally sourced skills. This will enable the team to deliver the internal audit service required by the organisations that it serves.

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 2020/21
- Appendix 2 Audit Assurance and Themes
 - a Partial Assurance
 - b Audits Revisited
 - c Other Audits and Grants

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Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 9 th October 2020
Managing the Business			
All	<p>Covid-19</p> <p>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.</p>	Yes	<p>As a result of Internal Audit's ongoing review of the Council's risk profile and in particular the impact of Covid-19 four new audits were identified. Please see Safe and Well for the following:</p> <ul style="list-style-type: none"> • Covid-19 Local Outbreak Governance Arrangements • Adults Social Care Recovery from Covid-19 • Covid-19 Volunteering • Financial Impact of Covid-19 – please see below
F&R (PB)	<p>Financial Impact of Covid-19:</p> <p>To assess the robustness of the arrangements and /or financial modelling approach applied to:</p> <ul style="list-style-type: none"> • estimating the medium term financial impact of the pandemic to the Borough • ensuring capital programme priorities continue to meet the needs of the Borough. 	No	<p>Planned October 2020 to March 2021. Resource being confirmed.</p>
All	<p>IT Audit: Remote Working and Cyber Security Arrangements (2019/20)</p> <p>To assess the robustness of arrangements that enable the majority of staff to work remotely, while maintaining critical cyber security functions.</p>	Yes	<p>Completed September 2020.</p>

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 9 th October 2020
All	<p>IT Audit: Disaster Recovery and Continuity Planning Arrangements (2019/20)</p> <p>To assess whether there are robust arrangements in place to ensure the design of the Council's IT Disaster Recovery (DR) planning documentation and processes are appropriate, complete and robust, and to explore whether there is sufficient assurance that the arrangements will operate in practice.</p>	Yes	Draft report being agreed with service management.
T (RP)	<p>Health and Safety</p> <p>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.</p>	No	Resource agreed. Planned for December 2020 to March 2021.
T (CT)	<p>ICT Management and Delivery</p>	N/A	Resource secured. Focus and timing to be determined.
<p>Implementing Action Plans - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.</p>			
None			
Managing Service Delivery Risks			
<p>Pride and Joy</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)	<p>National Productivity Investment Fund</p> <p>To certify, in all significant respects, that the conditions attached to the grant have been complied with.</p>	Yes	Completed September 2020.
<p>Implementing Action Plans - To check that actions agreed have been effectively implemented and</p>			

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 9 th October 2020
have been embedded into the day to day operation of the service.			
<i>None</i>			
<p>Safe and Well</p> <p>By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives</p>			
A&C (AA)	<p>Rough Sleepers</p> <p>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.</p> <p>This will include the opportunities arising from the lessons learnt through the Covid-19 response.</p>	Yes	Planned for December 2020 to March 2021.
C&PH (JOL)	<p>Children's Quality Assurance Framework (QAF)</p> <p>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.</p> <p>This will include the arrangements to assess the risks posed by the changes to ways of working as a result of Covid-19.</p>	No	<p>Resource being confirmed.</p> <p>Planned October to December 2020.</p>

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 9 th October 2020
A&C (SB)	<p>Essex Partnership University Trust (EPUT) Section 75 Agreement</p> <p>To assess the robustness of arrangements to ensure the delivery of the outcomes required from the Section 75 agreement are realised.</p>	Yes	<p>Resource being confirmed.</p> <p>Planned October to March 2020.</p>
G&H (GH)	<p>Disabled Facilities Grant</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	<p>Fieldwork nearing completion.</p>
C&PH (JOL)	<p>Troubled Families</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p> <p><i>Planned throughout the year to align with the Payment by Results claim windows set by the Ministry of Housing, Communities and Local Government.</i></p>	Yes	<p>Completed claim periods:</p> <ul style="list-style-type: none"> • April to end of June 2020 • July to end of September 2020 <p>Resource allocated for claims to end of December 2021 and March 2021.</p>
C&PH (KR & AG)	<p>Covid-19 Local Outbreak Control Plan - Governance Arrangements:</p> <p>To assess the robustness of arrangements which ensure Southend's Local Outbreak Plan fulfils its objective of protecting the health of the population of Southend.</p> <p>The work will also include the processes being developed for ensuring the spend on the ring fenced Test and Trace Support Grant is in line with the terms and conditions set by the Department of Health and Social Care (due to be reported 2021/22).</p>	Yes	<p>Planned October 2020 to March 2021.</p> <p>Resource being confirmed.</p>
A&C	<p>Adults Social Care Recovery</p>	Yes	<p>Planned October 2020 to March 2021.</p>

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 9 th October 2020
(SB)	from Covid-19: To assess the robustness of measures to monitor and review the temporary changes to normal day to day processes /arrangements which aimed to ensure the care and support of vulnerable residents was prioritised e.g. postponement of financial assessments for residents receiving care, relaxation in approval arrangements for changes to care packages.		Resource being confirmed.
T&AC (SP SB)	Covid-19 Volunteering: To assess the robustness of arrangements which ensured sufficient safeguarding measures were considered when enrolling volunteers to provide essential support to vulnerable residents	No	Planned October 2020 to March 2021. Resource being confirmed.
<i>Implementing Action Plans</i> -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)	Direct Payment Support Service Contract Management	Yes	Resource being confirmed. Planned October to December 2020.
Active and Involved By 2050 we have a thriving, active and involved community that feel invested in our city			
<i>Implementing Action Plans</i> - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.			
None			

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 9 th October 2020
<p>Opportunity and Prosperity</p> <p>By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people</p>			
G&H (EC)	<p>Better Queensway</p> <p>To assess the robustness of the Council's project management arrangements to deliver the required outcomes and benefits for the citizens of Southend.</p>	No	<p>Feedback provided. Draft report with Audit Manager for review.</p>
T (SP)	<p>Hayes Contract Management</p> <p>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.</p>	Yes	<p>Contract management resource secured. Still assessing the priorities for using this resource in the most effective way to support the Council in terms of the impact of Covid-19 has had on the delivery of services by contractors/providers.</p>
G&H (EC & RP)	<p>Adult Community College Debt Collection</p> <p>To assess the robustness of arrangements to collect debt fully and in a timely manner.</p>	Yes	<p>Resource confirmed. Planned for January to March 2020.</p>
G&H (EC & RP)	<p>Adult Community College Payroll</p> <p>To assess the robustness of arrangements to accurately and properly pay non-salaried college staff.</p>	Yes	<p>Resource confirmed. Terms of reference being drafted.</p>
<p>Implementing Action Plans - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.</p>			
<p><i>None</i></p>			

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 9 th October 2020
<p>Connected and Smart</p> <p>By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure</p>			
N&E (CR)	<p>Climate Change</p> <p>To assess the adequacy of arrangements to deliver the outcomes required of the Climate Change Emergency Action Plan.</p>	No	Draft report being agreed with the service area.
N&E (NH)	<p>Transport Joint Venture</p> <p>To assess the robustness of the governance arrangements which ensure the effective delivery of the joint venture arrangement.</p>	Yes	<p>Resource Confirmed.</p> <p>Planned for December 2020 to March 2021.</p>
N&E (SH)	<p>Parking Enforcement Income Collection</p> <p>To assess the robustness of arrangements for the proper and timely collection of Penalty Charge Notice (PCN) income in line with the Traffic Management Act 2004.</p>		Work in progress.
N&E (NH)	<p>Local Transport Capital Block Funding - Highways Maintenance</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	Completed September 2020.
N&E (NH)	<p>Pothole Action Fund</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	Completed September 2020.

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 9 th October 2020
N&E (AW)	<p>Department for Transport: Travel Demand Management Grant (awarded 29-7-20)</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	<p>Resource secured.</p> <p>Planned for October 2020 to March 2021.</p>
N&E (AW)	<p>Department for Education: Additional Dedicated Home to School and College Transport Grant (awarded 11-8-20)</p>		<p>Resource secured.</p> <p>Planned for November to December 2020.</p>
<p><i>Implementing Action Plans</i> - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.</p>			
No work required			
Key Financial Systems			
All Outcomes			
All	<p>Accounts Payable – Batch Input Files (BIF)</p> <p>To assess the robustness of arrangements to ensure that these payment files are accurate and secure.</p>	Yes	<p>Terms of reference being drawn up.</p>
<p><i>Implementing Action Plans</i></p>			
None			

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 9 th October 2020
Advice and Support			
All Outcomes			
All	<p>Simple and Effective Governance</p> <p>Provide ongoing support and challenge of the governance arrangements being developed, implemented and embedded by the Transforming Together team.</p>	No	<p>Work in progress.</p> <p>Members of the Internal Audit team attend the Transforming Together Behaviours and Culture work stream.</p>
All	<p>Getting to Know Your Business</p> <p>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.</p>	No	<p>Internal Audit currently supporting Children Services as they develop/review service plans, a financial recovery plan and assess risk.</p>
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)	<p>Waste Collection and Street Cleansing</p> <p>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.</p>	No	<p>Resource secured.</p> <p>Internal Audit need to determine the service's time lines on completing the options appraisal process.</p>

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 9 th October 2020
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			
C&PH and A&C	Liquid Logic / ContrOCC: Provide support and challenge as new change request arrangements for these systems are being considered.	Yes	Resource secured. Internal Audit need to determine the service's time lines on completing the options appraisal process.
F&R/ and T	Fire Safety 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.	Yes	Work in Progress
C&PH (JOL)	In House Foster Carers To provide support and challenge to the service as they develop governance and reporting arrangements to support the delivery of the improvement action plan.	No	Resource secured. Work not yet started. Internal Audit liaising with the service to determine timing.
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 (Approach altered to better meet needs of the service)	Yes	Internal Audit are providing support and challenge as the service navigates post Covid-19 arrangements with the contractor.

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 9 th October 2020
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)	Town Centre Engineerom Working Group: To provide support and advice for establishing proportionate governance arrangements that appropriately support the Group in shaping and driving forward the town centre.	Yes	Feedback being provided to Director of Regeneration and Growth as required.
G&H (EC)	Adult Community College: To provide support and challenge on the robustness of the updated Financial Regulation document ahead of its presentation to the governing body.		Completed. Feedback provided.
Connected and Smart By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure			
G&H (EC)	Housing Infrastructure Grant To provide advice and support as arrangements are developed which ensure Homes for England Housing Infrastructure Grant terms and conditions are properly met.	Yes	Terms or reference being agreed with the business.

Appendix 2a: Status of 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	Job Resource allocation
Managing the Business	12%
Managing Service Delivery Risks	31%
Key Financial Systems	2%
Grant Claims	22%
Advice and Support	22%
Follow Ups	2%
Contingency	0%
Managing Delivery of the Audit Plan	9%
Total	100%

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

Appendix 2a: Status of Internal Audit Plan 2020/21

Analysis Over Executive Director Responsibilities		
All	Cross Cutting	12%
F&R	Finance & Resources	5%
L&D	Legal & Democratic Services	0%
T	Transformation	7%
G&H	Growth & Housing	16%
N&E	Neighbourhoods & Environment	18%
C&PH	Children & Public Health	18%
A&C	Adults & Communities	15%
All	Contingency	0%
All	Managing Delivery of the Audit Plan	9%
	Total	100%

Analysis over the 5 Southend 2050 Themes		
1.	Pride & Joy	5%
2.	Active & Involved	3%
3.	Safe & Well	37%
4.	Opportunity & Prosperity	18%
5.	Connected & Smart	21%
6.	All	16%
	Total	100%

Appendix 2a: Status of Internal Audit Plan 2020/21

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 (including the impact of the new National Institute for Health Protection (NIHP) replacing Public Health England to be formalised and operating from April 2021)
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
A&C	Deprivation of Liberty Safeguards (DoLS)
PH	Outcome Realisation of a Commissioned Service – deleted from 2019/20 Audit Plan
F&R	Income Management System – work stalled from the 2019/20 Audit Plan
N&E	Neighbourhoods and Environment Performance Board – deleted from 20/21 Audit Plan

Appendix 2a: Status of Internal Audit Plan 2020/21

	after review of resources and risk profile resulting from impact of Covid -19
A&C	Adult Social Care Service Delivery - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid -19.
N&E	Private Sector Housing - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid -19. In addition the service is reviewing delivery processes and arrangements.
A&C	Southend Care - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid -19.
G&H	Management of the South Essex Homes Partnership Agreement - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid -19. In addition the service area is establishing ways to improve performance management and benchmarking arrangements.
A&C	Commissioning of a New Service - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid -19. In addition the service area is establishing ways to improve performance management and benchmarking arrangements.
N&E	Environmental Health- deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid -19.
C&PH A&C	Follow ups deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid -19; Data Quality, Adult Social Care Financial Assessments, Homelessness, Social Care Payments to Individuals and Providers & Social Care Debt Collection
G&H	Housing Pipeline - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid -19.
N&E	Order, Delivery and Payment of Highways Works - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid -19.
F&R	Treasury Management - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid -19.
A&C	Community Grants - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid -19.

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Appendix 2a: Audit Assurances and Themes

Assurance



Arrangements to deliver financial assistance duties under Section 17 of the Children's Act

Objective

To assess the suitability of arrangements in place to identify, approve, monitor and understand spend in relation to the Section 17 budget, to ensure the most effective use of financial resources on an ongoing basis.

Summary

Section 17 of the Children's Act 1989 (the Act) states that it is the general duty of every local authority to safeguard and promote the welfare of children within their area who are in need and, so far as it is consistent with that duty, to promote the upbringing of such children by their families.

In addition, the Act makes it clear that such services are extended to the family, or a specific family member where a child in need is identified.

Financial assistance in terms of goods or services, or in exceptional circumstances cash, can be provided to a child, parent or carer under Section 17(6) of the Act to address identified needs to safeguard and promote a child's welfare where there is no other legitimate source of financial assistance. When such assistance is being provided, any application needs to be justifiable and the management of any budget relating to support under this section of the Act must align to the local authority's financial regulations.

Management requested a review of Section 17 spending to contribute to an action plan as part of the Children's Services Demand and Reducing Spend Plan. Management welcomed improvements from this review to identify necessary actions which would help inform effective management of Section 17 spend.

During the financial year 2019/20, the Council spent a total of £743,138 on financial assistance under Section 17, with a variety of spend, including the provision of cash payments and allowances. Cash payments for the period totalled £79,380, equating to 11% of the total spend.

Social workers are actively using the Section 17 budgets to provide financial assistance to children and their families where a child in need has been identified. This is being provided through the use of the Council's purchasing and cash payment systems and controls, with required approvals present.

The Council does not define what Section 17 funding can be used for, nor does it provide guidance / guidelines to social workers to help determine what type and level of funding should be used in scenarios, including consideration of alternative funding / support available to inform consistency. Whilst this review did not identify any immediate anomalies or unreasonable spend, this risk remains and it is not possible to formally conclude on reasonableness without clarity of expectations on what the funding can be used for.

Appendix 2a: Audit Assurances and Themes

Assurance



Cash payments have continued to be made and it is recognised by Management that these need to reduce and be replaced by the alternative methods available. By using the purchase ordering system to procure goods and services, this ensures that information about spend and approval is captured in a timely manner and reduces the risk of potential fraud from the misuse of cash. Furthermore, the potential to use procurement cards would also help stop unnecessary cash payments but also provide an immediate audit trail through real-time statements / transaction listings to monitor potential misuse.

Often there is a requirement under the Act for Children's Services to provide support where other Council teams cannot, but it is recognised that Management want greater joint working arrangements in place to inform efficiencies when dealing with individual cases, for example, temporary accommodation, as well as informing greater value for money by using Council commissioned arrangements and alternative, longer term support solutions.

Developing some guidance for practitioners to give clarity over the financial assistance that can be provided under Section 17 spend, increasing management oversight to ensure that the spend across teams remains reasonable whilst also using the data available to identify and follow-up trends will help ensure financial assistance is used in the best way to safeguard and promote the welfare of children. Improving the understanding of the Section 17 spend through analysis of the data available would allow Management to gain a better understanding of the spend profile and allow improved targeting of the available resource.

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.

Information Governance, General Data Protection Regulations

Original Objective

To assess whether the Council has an appropriate programme of work to ensure compliance with General Data Protection Regulations (GDPR) and the Data Protection Act 2018

Summary

Progress has been made in implementing the recommendations raised as part of the previous audit report dated February 2019.

Those recommendations which have been implemented to enhance the Council's compliance with the requirements of GDPR are in respect of the following areas:

- A number of GDPR-related policies have been updated in January 2020 and were subsequently approved by the Good Governance Group with future review periods outlined. The Policies are publicised on the intranet and made available to all staff.
- GDPR training, covering Data Protection and Cyber Security, for all staff has been rolled out with completion rates being reported to and monitored by the Good Governance Group.
- At the time of the audit work significant improvement in the completion of Subject Access Requests (SARs) within statutory response deadlines was noted, especially in relation to Children's services with the Good Governance Group receiving regular updates on compliance which, in turn, enables escalation processes with appropriate senior management as necessary. More recently, since the onset of the Covid 19 circumstances, it is reported that increased delays in SARs response times are being noted. The performance reporting arrangements to the GGG should ensure appropriate action is taken to address this
- The proactive use of the post-GDPR compliant Whole Essex Information Sharing Forum (WEISF) template to record new and renewed Information Sharing Agreements.
- The Information Asset Register (IAR) is now on the council's performance management system (Pentana) and can be downloaded into an Excel Spreadsheet extract as and when required.

Appendix 2b: Audits Revisited

For the remaining recommendations, management has made progress in addressing the majority of these original recommendations, but further work is required to help the Council ensure and demonstrate compliance with GDPR requirements. These include:

- Updating the current Business-As-Usual (BAU) action plan, to ensure this is an accurate record of all the work necessary to move GDPR to a BAU position and all actions are owned by officers with target dates for completion. Furthermore, the BAU plan will be updated to reflect other actions required in response to the other outstanding recommendations, including the update of the Information Asset Register.
- Arrangements to alert and prompt the review of Information Sharing Agreements for removal from Pentana, if redundant.
- Arrangements for ensuring the Information Asset Register (IAR) is an accurate and complete record of the information assets the Council holds.
- Implementing an incremental plan for the holistic review of the IAR, its components and contents. Approval of the plan by the GGG with subsequent progress reporting of completion against set timescales would improve the rigour around these arrangements. This plan was identified as a solution to support the closure of a number of the original recommendations that help inform the information presented in the IAR, specifically:
 - Prioritising areas for review such as Information Mapping within the Record of Processing Activities (ROPA) to support the process performed by management to inform the on-going completeness and accuracy of Information Mapping.
 - To identify, understand and risk assess the critical and non-critical IT systems, how the data is used, including its retention / deletion and the security of the system itself. This will inform suitable solutions for ensuring GDPR compliance of all applicable systems.
- Identifying contract managers still requiring training from a GDPR perspective and updating the GGG with progress on this. In addition, producing generic guidance on managing contracts with a GDPR element would be an incremental step in raising awareness of the necessary requirements.
- Revisiting past arrangements for identifying all contracts involving personal data at the time GDPR was introduced, and for those still live taking appropriate action to ensure the Council has met its obligations and formally confirmed its requirements for ensuring the safety of personal data held by contractors on the Council's behalf. In particular, this should cover the approach adopted for contracts below £25K and those requiring formal change control procedures as part of contractual arrangements that need to be followed. Presenting the findings to the GGG will allow appropriate challenge and risk implications to be considered.

Appendix 2b: Audits Revisited

- Agreeing a plan to implement and adopt Office 365 which has been identified as the GDPR-compliant approach to managing email to improve the way data is shared and stored. This project plan should consider all aspects applicable to rolling out a new way of working with the Good Governance Group receiving periodic updates, approving proposals around retention schedules and other decisions that impact the Council's ability to meet key requirements of GDPR.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented
9	3	6	2

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Appendix 2c: Other Audits and Grant Claims

IT Audit: Remote Working and Cyber Security Arrangements

Objective

To evaluate the design of the Council's security controls developed to prevent, detect and respond to security and data incidents given the increased reliance on technology by Council staff working from home and the potential for emerging opportunistic threats.

Summary

As organisations move away from their physical premises, and become increasingly reliant on remote access technology, any disruption caused by cyber security attacks or IT outages will have a significantly greater operational impact. Furthermore, the usual manual or physical workarounds used to overcome these issues may be unavailable.

A required shift to remote working and prioritising business operations have brought some immediate risks to organisation, which includes:

- Security controls not being applied to new systems or tools hastily stood up to support employees with remote working that 'just works'.
- Existing processes and good practices may be sidestepped by, or not available to, employees.
- Employees may be more susceptible to social engineering attacks.
- Reliance on remote access systems may make organisations more vulnerable to distributed denial of service (DDOS) attacks.
- Employees will be required to work with technologies they are not familiar with, potentially resulting in new security risks being introduced.

As a result of the Covid-19 lockdown measures and the resultant increased remote working requirements, management implemented a rapid deployment of the Office 365 suite and ensured that sufficient licenses were available for the secure virtual private network (VPN) tool. Multi-factor authentication was also implemented to ensure user access was secure.

User access management processes specifically relating to leavers and privileged access users require strengthening of existing controls and implementing new processes.

Ensuring there is proactive monitoring of the network for security vulnerabilities and potential cyber-attacks will improve the overall IT security arrangements in place.

Drafting and implementing policies and procedures to cover key IT risks such IT Asset Management, Shadow IT and Patch Management will help to reduce the use of unauthorised devices and software, as well as reduce the likelihood of any devices being vulnerable to security exploitation.

To provide further assurances on the effectiveness of controls, a more substantive testing programme would need to be completed, preferably after the implementation of recommended actions raised as part of this high-level review of the remote working control environment.

Appendix 2c: Other Audits and Grant Claims

Objective

To confirm that grant allocations for 2019/20 received from the Department for Transport and the Ministry of Housing, Communities and Local Government have been spent in accordance with the relevant scheme's terms and conditions.

Pothole Action Fund

Purpose of funding

Funding was provided to assist with plans to repair potholes.

Conclusion

It was confirmed that spend was compliant in that:

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

Opinion: Unqualified

National Productivity Investment Fund

Purpose of funding

Funding was provided to support the town centre redevelopment improvement project.

Conclusion

It was confirmed that spend was compliant in that:

- it fell within the definition of "capital" for accounting purposes
- work undertaken related to town centre redevelopment.

Opinion: Unqualified

Appendix 2c: Other Audits and Grant Claims

Local Transport Capital Block Fund

Purpose of funding

To assist in delivering transport improvement schemes, which can include:

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

Conclusion

It was confirmed that spend was compliant in that it fell within the definition of "capital" for accounting purposes.

Some issues were identified that did not impact on the ability to confirm the grant expenditure, but required attention from the service area. Evidence that works had been completed, such as records of site visits or photos showing works completed, were not always available. Work was undertaken by engineers to re-visit works and verify that they had been completed in line with the invoices paid.

Opinion: Unqualified

Troubled Families Programme, Payments by Results Scheme Grant 2020/21 - claim periods ending June and September 2020

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 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.

Appendix 2c: Other Audits and Grant Claims

Troubled Families Outcome Plan 2020-21 and Covid-19 update

The MHCLG signed off the updated Troubled Families Outcome Plan 2020-21 on 29th April 2020, with some advisory suggestions on how the outcome plan could be improved. Some minor changes were made, based on those suggestions, and the plan was finalised by the Team Manager shortly after.

In June, the Team Manager was updated by Government on the measuring and evidencing of attendance during Covid-19. The proposal will come into effect when agreed by Ministers, and an appendix added to the outcome plan to reflect those changes.

Conclusion – claim period to June 2020

Between May 2020 and June 2020, 21 PBR claims were presented to 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 the low number of claims, the Team Manager extended these checks and reviewed all the cases submitted.

One of the 21 claims was withdrawn because it was found to have already been claimed in April 2020.

Internal Audit randomly selected three claims for review, all of which had been checked by the Team Manager. For two of these cases, suitable evidence was available to support:

- entry into the programme
- a claim for significant and sustained progress.

The third case reviewed was withdrawn from the claim because the Early Help and Family Support Plan had not been in place long enough to demonstrate significant and sustained progress. Subsequently, the Team Manager withdrew two further claims where it was also felt that significant and sustained progress could not be demonstrated. This resulted in 17 claims being signed off and submitted to the MHCLG.

Conclusion – claim period to September 2020

Between July and September 2020, 64 PBR claims were presented to audit, prior to submission to the MHCLG.

The Team Manager had audited six cases to confirm appropriate evidence has been provided. This is slightly less than the usual 10%, but appropriate given the Team Manager had brought many of the cases together. One of the cases audited by the Team Manager was withdrawn ahead of the Internal Audit review taking place as it did not meet the necessary criteria to make a claim.

Internal Audit randomly selected seven claims for review, one of which had been checked by the Team Manager. For all of the cases reviewed, suitable evidence was available to support:

- entry into the programme
- a claim for significant and sustained progress.

Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

Audit Committee

on

21 October 2020

Report prepared by Shaun Dutton, Acting Senior
Investigations Officer

Agenda
Item No.

9

Counter Fraud & Investigation Team: Quarterly Performance Report

A Part 1 Public Agenda Item

1. Purpose of report

- 1.1 To update the Audit Committee on the progress made by the Counter Fraud & Investigation Team (CFIT) in delivering the Counter Fraud Strategy and Work Programme the Work Plan for 2020/21.

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 This report has been drafted on 1 October 2020 due to annual leave. As such, it covers a relatively short period of time since the last report in August.
- 3.2 The two investigators who joined the team in July 2020 are now fully trained and are dealing with a full caseload. They are producing results and developing into valuable assets for the team.
- 3.3 However, another investigator on the team has recently departed on maternity leave. While we wish her and her family all the best for the future, this represents a significant loss of knowledge and experience for the team, albeit temporarily. At this time, we are assessing the impact of this loss on our operational activity to ascertain whether it will be necessary to recruit a temporary replacement.
- 3.4 The work to fill a Counter Fraud & Investigation Manager's post is progressing and recruitment for this post is being worked on with HR. This post represents an increase in investigative capacity for the team and once all posts are occupied this may mitigate the temporary loss described above.
- 3.5 The team continue to progress operational work and have embarked upon an active programme of visiting and interviewing suspects and witnesses. This has had a marked effect on the progress of many current investigations.

- 3.6 As a result of the loss of staff earlier in the year and the impact of the pandemic restrictions, CFIT currently has a significant backlog of investigations waiting for attention. We are working hard to address this but the reduction of pandemic restrictions has resulted in an increase in referrals to the team. It is too early to determine whether the current staff levels are sufficient to address this backlog in a timely manner.
- 3.7 While this backlog exists, CFIT will not be embarking on the proactive detection activities detailed in the Work Plan (Appendix 1). We must address the frauds we know about before we start seeking more work. This situation will be kept under review and proactive activity will commence as soon as it allows.
- 3.8 The Fraud Awareness Course is now complete and the Workforce Development Team (WFD) are finalising it ready for release to staff. The course will initially be mandatory for all staff in key departments recommended by CFIT and new starters. The course will become mandatory for all staff across the Council once WFD have completed a revision of the staff annual learning plans arrangements. The course is comprised of two e-learning modules; the first gives an overview of fraud and the second provides more detail on the causes of fraud, the different threats the Council faces, and what staff can and should do about it.
- 3.9 The course has been developed in close collaboration with WFD and has been delivered at a minimal cost to the Council. Apart from being an excellent example of joint working, this course is also a trail blazer for a new way of developing professional training materials using in-house expertise.
- 3.10 The course is supported by a library of information available in the Council's online Knowledge Hub.
- 3.11 The success of the course will be measured through online feedback and an anticipated increase in the referrals and enquiries that are received by CFIT.
- 3.12 CFIT continues in its efforts to improve collaboration with other teams across the council and to highlight the threats from fraud. Formal joint working arrangements have been agreed with South Essex Homes and the Monthly Fraud Alert continues to reach an expanding audience.

4. The National Fraud Initiative (NFI)

- 4.1 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.
- 4.2 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.
- 4.3 The most recent NFI exercise was restricted as the previous Counter Fraud Service did not pay it significant attention. CFIT became the key contact for the NFI in mid-October 2019 and a lot of work was done to re-invigorate the Council's engagement with this initiative.
- 4.4 This engagement has so far assisted in **£52,605.48** being identified as recoverable funds for the Council and 15 fraud investigations. This is expected to improve in the next cycle which is just commencing, as CFIT is now fully engaged in the process from its commencement.

- 4.5 The NFI has published its report on the 2018-2020 exercise (Appendix 2) which claims that **£245m** of fraud and error was detected nationally of which £215.8m was detected in England. The highest amounts of fraud detected and recovered were in Housing Benefit and Council Tax Single Person Discount.
- 4.6 The next cycle began on 30 September 2020 and all relevant teams in the Council have been engaged to ensure the data collection and upload phase runs as smoothly as possible.
- 4.7 The NFI central team will then run the data matching exercise and report any data anomalies (referred to as 'matches') identified to the Council in February 2021.

5. Investigations

- 5.1 This report marks one year since the formation of the current team and CFIT have dealt with, or are investigating, 310 cases to date.
- 5.2 Since the last report to the Committee, we have received 58 new cases, this is a slight but significant increase considering this report covers a shorter timeframe (please also note footnote 3 on Appendix 3).
- 5.3 Of this total:
- 220 investigations have been concluded (57 since the last report).
 - 90 investigations are active:
 - 47 cases are currently being investigated
 - 3 case are with Legal Services for prosecution
 - 40 cases are awaiting assignment to an investigator or being assessed.
- 5.4 A breakdown of these investigations by category is detailed in Appendix 3.
- 5.5 There has been a further slight increase in the number of cases awaiting assignment to an investigator; this is a result of the new investigators being supported into their roles and the transfer of cases from the investigator now on maternity leave. Now that the new investigators are fully operational, this is expected to be reversed in the coming months. The rate of cases being concluded is accelerating (28 between April and July, 57 between July and September) and this is expected to continue.
- 5.6 The success highlights for the team since October 2019 include¹:
- The conclusion of 220 investigations
 - Recovering, or assisting the recovery of through the servicing of notices, 6 properties creating a saving of £138,000 for the coming year
 - Recoupment of a total of £2,663.21 from Council Tax fraud and creating a saving of £2,564.09 for the coming year
 - Preventing 4 fraudulent Right to Buy applications
 - Referring 5 employee cases to Human Resources for disciplinary action

¹ 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.

- Referring 18 cases to the DWP
- Referring 15 cases to other Local Authorities or departments for action
- Assisting in the prevention of £65,000 in Business Grant payments
- Coordinating the NFI resulting in £52,605.48 of identified recoupments (savings not calculated).

5.7 As part of a locally agreed arrangement with Essex Police², the team has met 136 Data Protection Act requests made for the prevention or detection of crime; 26 of these have been made since the last report to Committee.

6. Corporate implications

6.1 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.

6.2 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.

6.3 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."*

² These figures also include occasional requests from other sources such as Local Authorities, they do not include Freedom of Information requests or Subject Access Requests which are dealt with outside our normal casework. The majority of our DPA response is to Essex Police.

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

6.4 People Implications

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

6.5 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.

6.6 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.

6.7 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.

6.8 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.

6.9 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.

6.10 Community Safety Implications

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

6.11 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 2020/21
- Appendix 2: NFI report 2020
- 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

Appendix 1 – Counter Fraud Work Plan 2020/21

Working to make
lives better
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KEY:

Denotes proactive initiatives
Denotes prevention/protection initiatives
Denotes development activities

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Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
Counter fraud	Maintain business as usual through management of the caseload, timely investigation of referrals towards a prompt, efficient and fair resolution, proactive fraud detection initiatives and the provision of advice and training to the wider council.	Ongoing	Business as usual is being maintained, two new investigators have joined the team, a programme of work (below) has been drafted.	4	Shaun DUTTON	Ongoing
Business Rates	Pro-active audit of empty commercial premises.	TBD	This is dependent upon the pressures on the Business Rates team easing. Therefore aspirational at this time.	2-4	Shaun DUTTON	
Council Tax	Joint working agreement with DWP for cases involving the Council Tax Reduction scheme.	TBD	A meeting with the DWP was held in January 2020. Discussions are ongoing but are dependent upon a response from the DWP.	2	Shaun DUTTON Caroline MERCIECA	
Council	Internal publicity campaign to highlight the	TBD	This was in progress during	1	Shaun	



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Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
wide	work and reporting mechanisms of the fraud team.		the previous Work Plan but interrupted by the Covid-19 pandemic. Some of this is dependent upon the reoccupation of Council buildings. This is partially fulfilled through the distribution of monthly fraud updates to staff and may also be partially fulfilled through the instigation of fraud awareness training. These activities should be ongoing throughout the year.		DUTTON	
Council wide	Fraud awareness training to be developed and mandated for all staff.	September 2020	The course content has been finalised and delivery by e-learning has been agreed. The presentation of the course is in its final stages and we expect the course to be made available to all staff in the near future. It is anticipated that Senior Management support will be provided to make this course mandatory for all staff.	1	Shaun DUTTON	
Council wide	Fraud awareness training to be delivered to all new staff as part of the induction process.	September 2020	If the above is successful, the online training will be mandatory for all new starters. Therefore, a shorter presentation will be developed to introduce new staff to fraud awareness during induction training.	1	Shaun DUTTON	
Housing	Pro-active audit of SBC tenancies.	September	This date is aspirational	4	Shaun	

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Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
		2020	depending on how quickly the team recovers the backlog of work created by the Covid-19 crisis. Discussions will be held with South Essex Homes to determine how to best identify tenancies most at risk of fraud.		DUTTON James COUSEN	
Housing	Postal information campaign to targeted tenancy areas to encourage reporting of concerns about fraud.	TBD	As above, discussions will be held with South Essex Homes to determine how to best identify areas most at risk of fraud. The target date will be reviewed dependent upon other operational workloads.	2	Shaun DUTTON James COUSEN	
Housing	Review of SBC tenancy terms and conditions to strengthen the counter fraud message and encourage cooperation with the counter fraud team.	TBD	The South Essex Homes' tenancy T&Cs are due to be reviewed. South Essex Homes are aware that we wish to contribute. We are waiting for information as to when this review will take place.	1	Shaun DUTTON	
Council wide	Fraud risk and process analysis of areas of the Council's business at high risk of fraud: <ul style="list-style-type: none"> • Procurement • Housing • Housing applications • School admissions • Blue badge applications • Council Tax • Business Rates 	Start November 2020	Planning. This is dependent upon how the team and its workload develops.	2-4	Shaun DUTTON	

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Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
	<ul style="list-style-type: none"> • Online services • Social Care Direct payments • Recruitment • Others dependent upon current research Policy review, process improvement recommendations where appropriate, service-specific training to be delivered where required.					
Blue Badge	Review of the process on how Blue Badge fraud is dealt with and training for ACPOA staff. Pro-active Blue Badge fraud exercise, possibly a joint exercise with ACPOA and Essex Police.	February 2021	Planning. Enquiries are being made to identify a means of tracing the keepers of offending vehicles if they do not provide their details (Essex Police and Traffic Management).	4	Shaun DUTTON	
Business Rates	Research project to determine best practice and effective methods of combatting Business Rates fraud. Establish a working group between CFIT, Trading Standards, Business Rates and Legal Services to review the Council's capabilities and determine realistic opportunities for prevention, detection and action against offenders.	March 2021	The research project has been assigned and initial enquiries among other local authorities have started. A meeting has been discussed with some of the interested parties regarding the BR issue but was interrupted by the Covid-19 crisis. This may have to wait until the pressure on the BR team is eased.	2	Shaun DUTTON Caroline MERCIECA	

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Counter fraud	Explore joint working opportunities with other SBC teams, particularly parking, Regulatory Services and Trading Standards. Explore the possibility of information/intelligence sharing hub.	Ongoing	Some initial conversations, albeit superficial, have taken place. This may be dependent upon how the Covid-19 pandemic pans out and the pressure some of these teams are working under.	2	Shaun DUTTON	
Counter fraud	Develop a financial investigator capability.	Late 2021	This aspiration has been delayed by circumstance and now cannot be started until late 2021.	2	Shaun DUTTON Caroline MERCIECA	Delayed
Various	Investigate the use of technology and data matching to identify and target the risks of fraud against the Council. Develop targeted proactive exercises to act on the results.	TBD	This is aspirational and dependent upon a variety of factors such as information sharing agreements, the availability, cost and complexity of tools required to do this, staff training etc. Enquiries into the feasibility of this will be conducted as and when workload commitments allow.	2-4	Shaun DUTTON	
Counter fraud	Develop 'income generation' opportunities through: <ul style="list-style-type: none"> Counter fraud training initiatives for SBC partners and service providers An investigation and prosecution service to local Housing Associations 	TBD	This is aspirational at this time and development will be dependent upon how the team progresses over the coming 6 months. This cannot be explored at the expense of our ongoing workload commitments or proactive and prevention activities.	TBD	Shaun DUTTON	

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National Fraud Initiative Report

July 2020

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National Fraud Initiative Report

2020 Report

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Foreword

The fundamental challenge that public bodies face with fraud is that it is a hidden crime – those committing it actively try to conceal it so we must be proactive in our efforts to seek it out.

I am therefore delighted to report that the National Fraud Initiative, the Cabinet Office's data matching service, has enabled participating organisations to prevent and detect £245 million fraud and error in the period 1st April 2018 to 4th April 2020¹. This brings cumulative outcomes for NFI participants to £1.93 billion.



This fraud and error has been detected and prevented by the hard working staff at the 1,200 public and private sector organisations that participate in the National Fraud Initiative.

Reducing the amount of fraud in systems is a huge challenge to your organisations. We remain committed to supporting you by developing the National Fraud Initiative, and working with its community of users to drive fraud out of public services, ensuring that taxpayers' money is spent where it is needed most.

The National Fraud Initiative has the ability to quickly address emerging risks through the targeted data matching pilots that are carried out throughout the two year cycle. Most of these pilots come from your suggestions, however the scale of government COVID-19 emergency relief now offers a significant opportunity for fraudsters.

It is for this reason that we plan to extend the National Fraud Initiative remit to help ensure COVID-19 emergency relief funding is only accessed by those that are entitled.



...this fraud and error has been detected and prevented by the hard working staff that participate in the National Fraud Initiative”

The initial focus will look for irregularities in the funding distributed through local authorities. This will include, but is not limited to Business Support Grant data, such as grant recipients and business rates system data.

We are already actively engaging with stakeholders in the public and private sector to understand how the National Fraud Initiative can be further developed to highlight fraud across more of the COVID-19 support packages.

The use of data and effective data matching is a central element of our efforts to ensure that COVID-19 financial support is not lost to fraud and error.

The National Fraud Initiative has shown the effectiveness of this approach both in the last NFI exercise, and cumulatively since its inception.

This report demonstrates this across many areas of the public sector, and its use in the COVID-19 spend areas shows our commitment to seek out, find and tackle fraud and error across the public sector.

Lord Agnew, Minister of State at the Cabinet Office and Her Majesty's Treasury

¹ The nearest date to 31st March 2020 management information was available to produce this report.

About the National Fraud Initiative

The National Fraud Initiative (NFI), conducted by the Cabinet Office, involves data matching to help in the prevention and detection of fraud.

The NFI provides multiple solutions, ranging from real time point of application fraud prevention checks through to the national data matching exercise which helps those that take part detect active fraud cases within systems.

Data for the NFI is provided by some 1,200 participating organisations from the public and private sectors including local authorities, government departments, private registered providers of social housing (also known as housing associations) and pension schemes. The NFI works with public audit agencies in all parts of the UK.

Data matching involves comparing sets of data electronically, such as the payroll or benefit records of a body, against other records held by the same or another body to see to what extent they match.

This data is usually comprised of personal information².

Participating organisations receive the resulting data matches for consideration and investigation where appropriate.

The data matching identifies inconsistencies that require further investigation and allows potentially fraudulent claims and payments to be identified.

No assumption can be made as to whether there is fraud, error or another explanation until the investigation process is completed.

Once an investigation has been completed, the body can take appropriate action which may be to prosecute cases of fraud, recover overpayments, make good underpayments and update records as appropriate. There is also an opportunity to identify system weaknesses and review controls.

The NFI is conducted using the data matching powers conferred on the Minister for the Cabinet Office by Part 6 of and Schedule 9 to the Local Audit and Accountability Act 2014.

The legal basis for processing personal data is that processing is necessary for the performance of a task carried out in the public interest. Certain public sector bodies are required to provide data for the NFI on a mandatory basis.

In addition, bodies can provide data for matching on a voluntary basis.

This report includes all NFI outcomes recorded in the period 1st April 2018 to 4th April 2020.

These outcomes include NFI 2018/19 (the national data matching matches released at the end of January 2019), as well as those from the FraudHub, AppCheck and ReCheck products. Outcomes from incomplete investigations will be captured and reported as part of the next NFI exercise.



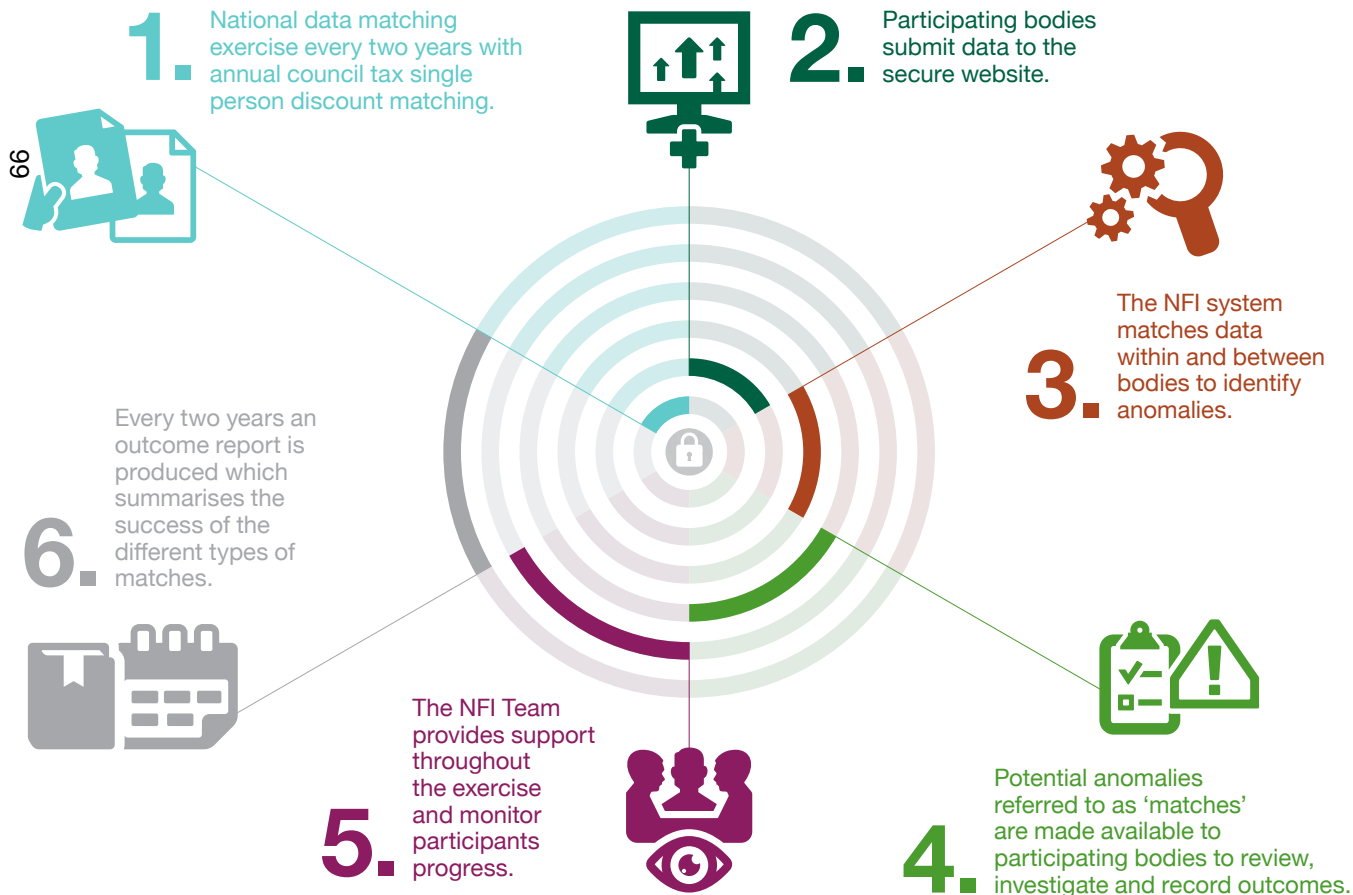
² The data requirements for the NFI exercise are set out in **data specifications**.

The NFI product portfolio

National Exercises

Data is collected from organisations across the UK for national fraud detection batch matching every two years. Matches are accessed through a secure web application.

The NFI matching cycle



A fraud prevention tool that helps organisations to stop fraud at the point of application, thereby reducing administrative and future investigation costs.



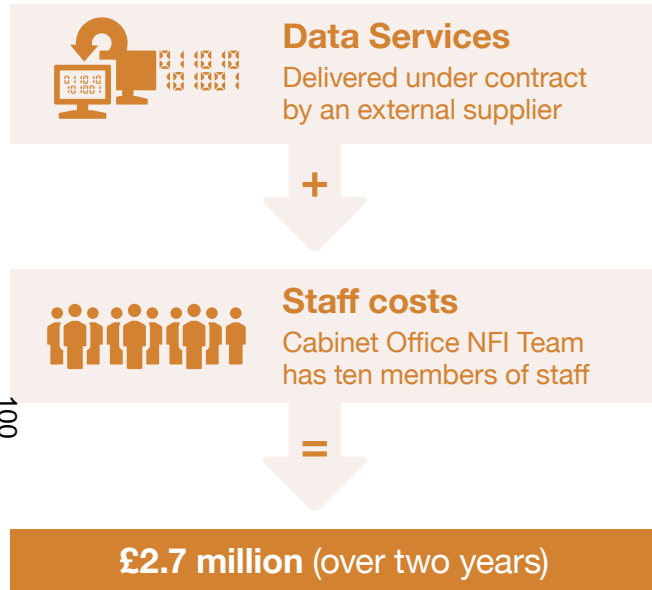
A flexible batch matching tool that allows an organisation to repeat national batch matching at a time to suit them.



FraudHub enables individual organisations or groups of neighbouring organisations to regularly screen more than one dataset with the aim of detecting errors in processing payments, or benefits and services.

Cost of running the NFI

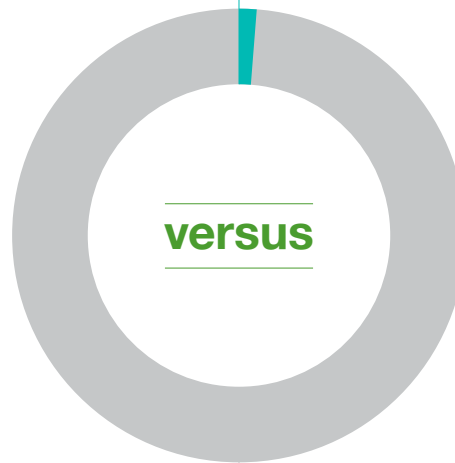
Main expenditure



Income



£2.8 million fee income



£245 million outcomes

Example fees³

2018/19 National

- London Borough Council **£4,150**
- Mid-sized council **£2,200**
- Police **£1,000**
- NHS Foundation Trust **£1,000**



Sliding scale from **£275** for 250 searches to **£850** for 1,000 searches, or **£1,850** annual membership (unlimited searches)



£300 per dataset for 1-20 datasets, or **£250** per dataset (20+)

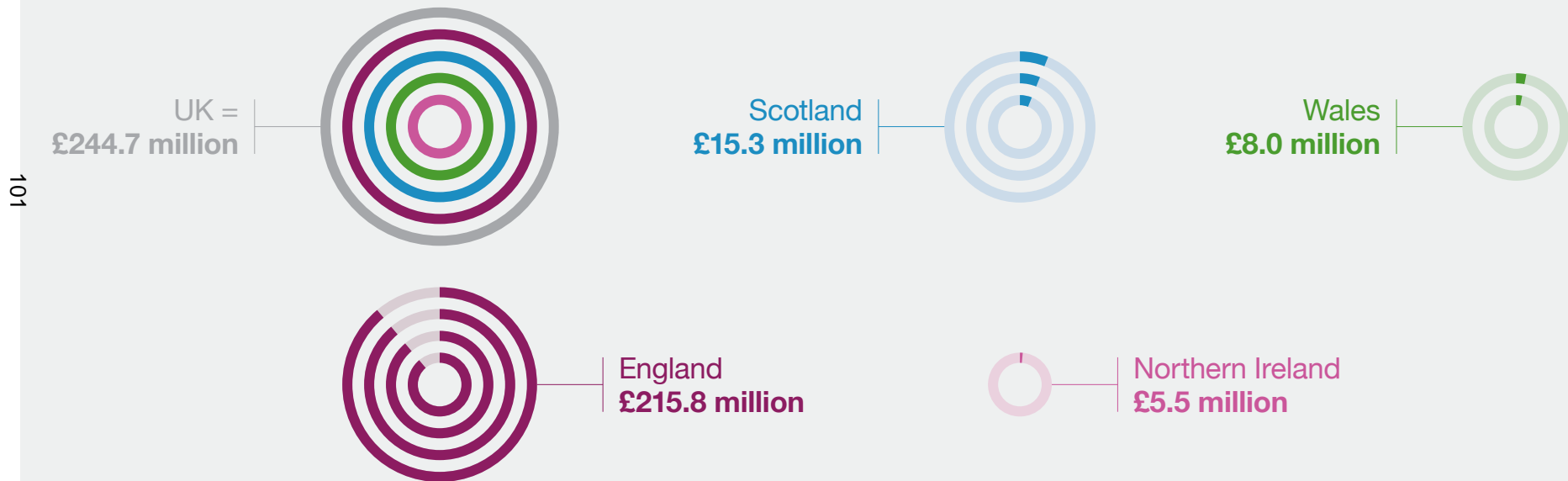


£1,840 to £7,640 annual membership dependent on type of public sector body

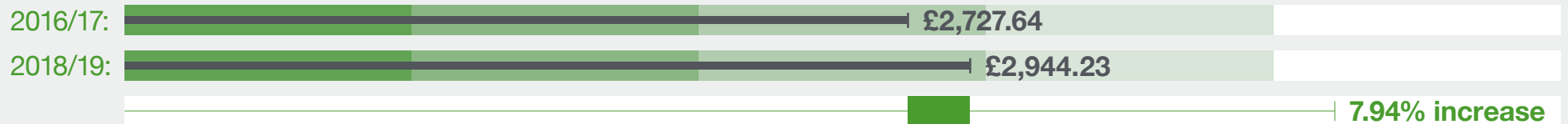
³ The NFI work programme and scale of fees are consulted on prior to each exercise.

Fraud, overpayments and errors identified and prevented across the UK (2018 to 2020)

Results for the period 1st April 2018 to 4th April 2020:



UK financial outcomes per case (categorised by participants as error or fraud):



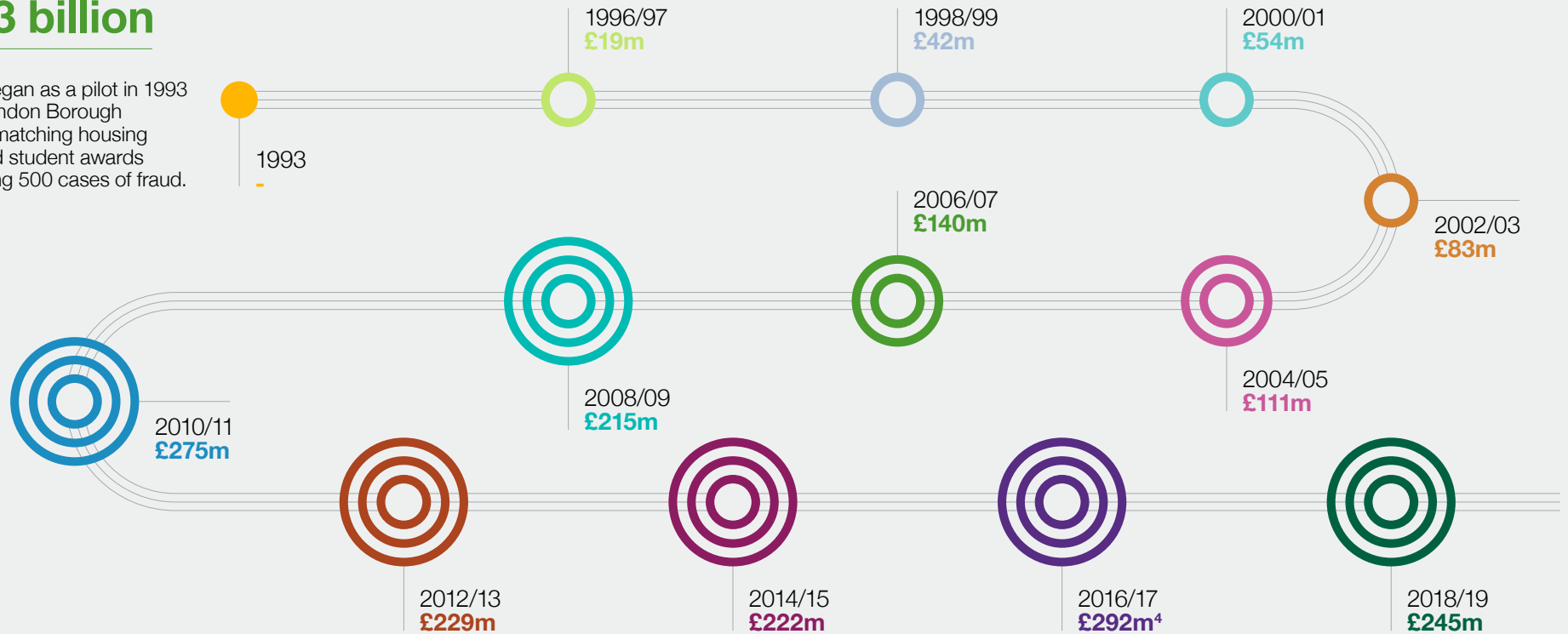
Fraud, overpayments and errors identified and prevented across the UK (1996 to 2020)

The NFI results for the UK over time:

£1.93 billion

The NFI began as a pilot in 1993 with 13 London Borough Councils, matching housing benefit and student awards data, finding 500 cases of fraud.

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⁴ Pension related outcomes in the previous NFI exercise were overstated by £9 million due to a formula error. The corrected overall total is shown in this graphic.

An analysis of the NFI results in England (2018 to 2020)

The results in England total: **£215.8 million**

The main categories of fraud identified by the NFI in England relate to:



The exercise produced the following significant results in England:



The £215.8 million also includes a number of pilot matches. More details about pilots can be found on **page 28**. Results were as follows:

	Number of cases	Actual outcomes £ million	Amount recovered £ million
HMRC information sharing ⁵	2,481	3.9 (Estimates £4.9 million)	3.4
State Benefits	81	0.2 (Estimates £0.2 million)	0.1
Utilities	8,465	- (Estimates £3.2 million)	-
Total including estimates	11,027	12.4	3.5



⁵ Outcomes from the HMRC information sharing pilot are split across the relevant dataset area for example, housing benefits, council tax, etc.

An analysis of recovery rates in England

Once overpayments have been identified, public bodies can take appropriate action to recover the money.

At the end of this reporting period, public bodies had taken action to recover 88.6% of total frauds detected compared to 79% for the equivalent period to the end of March 2018.



“...public bodies had taken action to recover 88.6% of total frauds detected”

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Table 1 – Recovery rates in England

Dataset	Fraud detected (actual not estimated) £ million	Amount in recovery £ million	Recovery rate %
Housing Benefit	26.3	21.5	82%
Council Tax Single Person Discount	17.2	15.9	92%
Pensions	7.3	6.9	94%
Creditor Payments	5.1	5.4 ⁶	106%
Council Tax Reduction	4.2	3.7	88%
Private Residential Care Homes	2.7	2.7	100%
Personal Budgets	0.8	0.7	95%
Other	0.7	0.5	70%
Payroll	0.5	0.2	40%
Pilots (excluding HMRC pilot ⁷)	0.2	0.1	83%
Right to Buy	0.03	0.03	100%
Total	65.1	57.7	88.6%

⁶ This includes amounts from 2016/17 that were retrospectively marked as recovered in this reporting period.

⁷ Outcomes from the HMRC information sharing pilot are split across the relevant dataset area for example, housing benefits, council tax, etc.

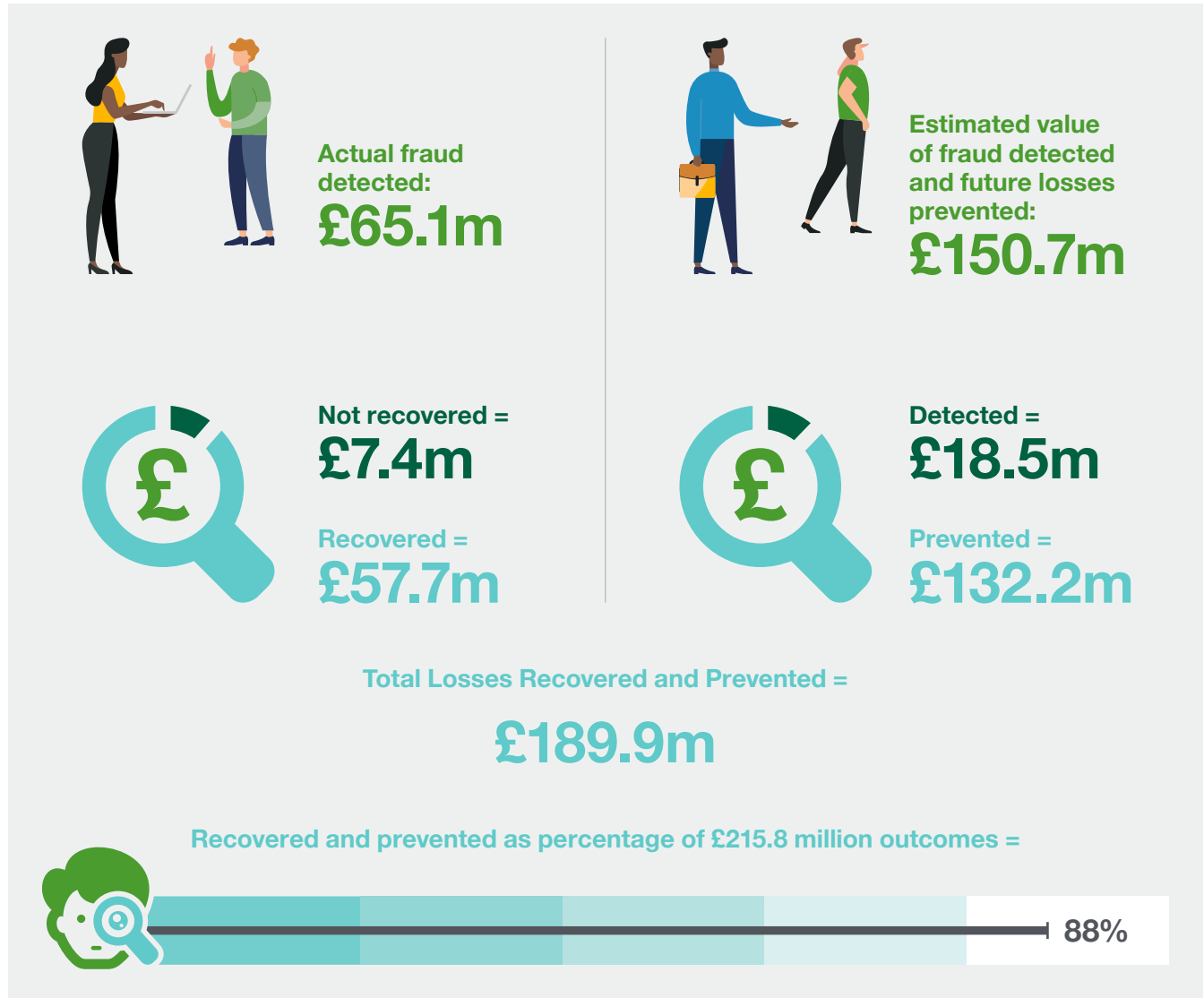
Recovery rate/impact of the NFI on public finances



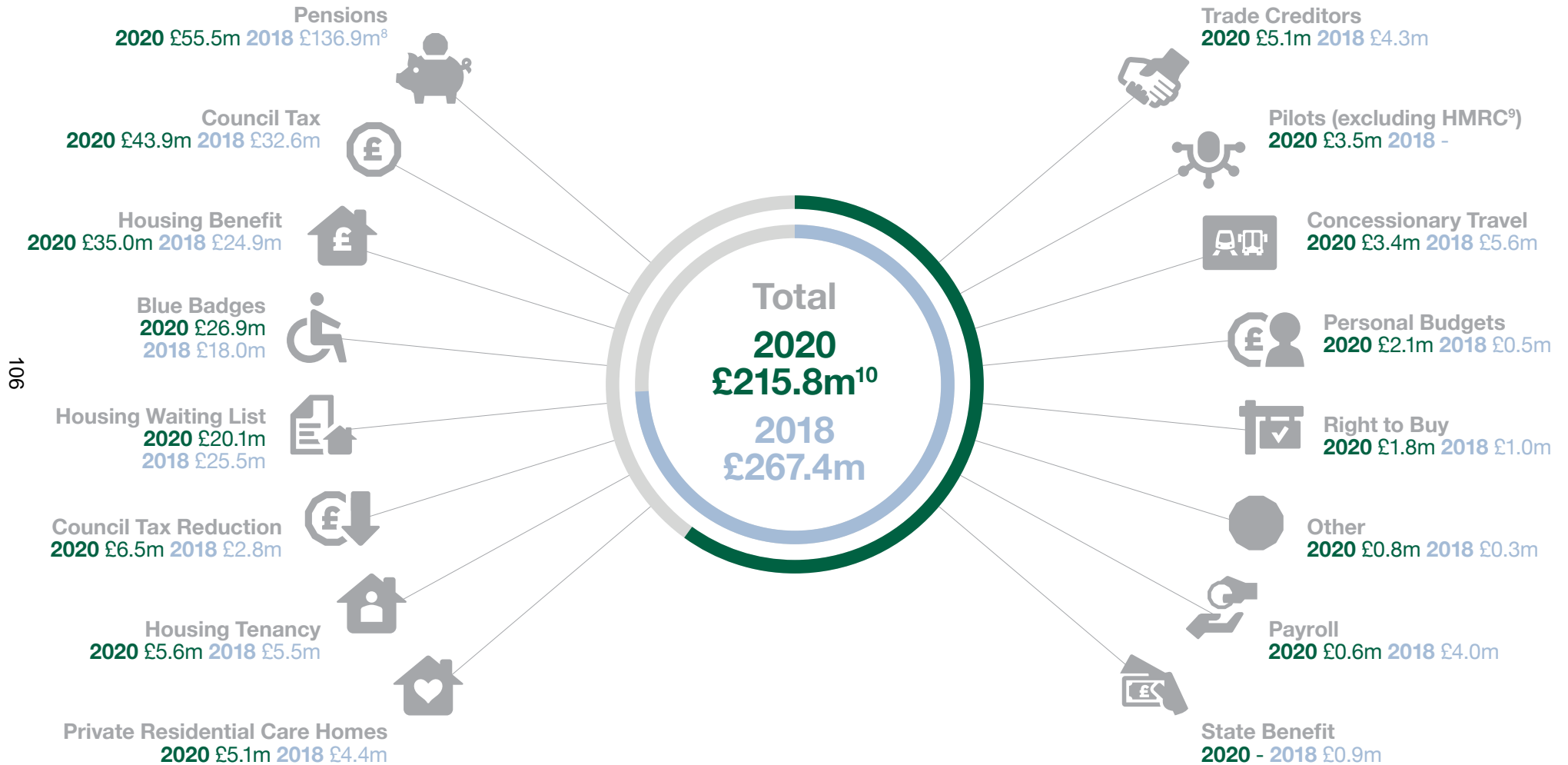
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£215.8 million

= The total amount of fraud, overpayments and error identified and prevented by NFI participants in England during the period 1st April 2018 to 4th April 2020.



Outcomes in England by risk area



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⁸ Pension related outcomes in the previous NFI exercise were overstated by £7.9 million due to a formula error. The corrected figure is shown in this graphic.

⁹ Outcomes from the HMRC information sharing pilot are included in the headings above, as applicable.

¹⁰ Due to rounding, numbers presented throughout this report may not add up precisely to the totals indicated and percentages may not precisely reflect the absolute figures for the same reason.

Main messages for 2018 to 2020 by data set

Pensions: £55.5 million



Individuals obtaining the pension payments relating to a deceased person.

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The Office for National Statistics, Occupational Pension Schemes Survey¹¹ published June 2019, concluded that the total membership of occupational pension schemes in the UK was an estimated 45.6 million in 2018, compared with 41.1 million in 2017. Active membership of occupational pension schemes was 17.3 million in 2018, split between the private (11.0 million) and public sector (6.3 million). Active membership of private sector defined contribution occupational schemes was 9.9 million in 2018, representing an increase of 28.6% on 2017 levels (7.7 million). There was a decrease in the number and value of pension cases from £136.9 million in 2016/17 to £55.5 million in 2018/19. The decrease can be attributed to:

- Some pension schemes had a backlog of investigations in 2014/15 that came through in 2016/17 (see Table 2);
- Some schemes have a backlog from 2018/19 that has not yet been reported; and
- Fewer large pension schemes elected to participate on a voluntary basis in June 2019.

Table 2 – Comparison of pension related overpayments 2012/13 to 2018/19

	2012/13		2014/15		2016/17		2018/19	
	Number of cases	£ m	Number of cases	£ m	Number of cases	£ m	Number of cases	£ m
	2,990	75.9	3,592	85.1	3,763	136.9	2,876	55.5
Average outcome per case	£25,385		£23,692		£36,381		£19,289	

Testimonials:

Armed Forces Pensions

“I have been working on the matches provided by the NFI since the 2002 exercise and have found the NFI mortality screening service really useful in helping to identify numerous cases where we would have otherwise not have known there had been a change. The site is very secure, but easy to navigate and filter necessary information for our pension scheme. I look forward to working with the NFI Team to identify further improvements to the service.”

Preeti Sudra, Senior Pensions Administrator Equiniti Group plc (Administrators for Armed Forces Pensions).

NHS Business Services Authority

“The NHS Business Services Authority aims to identify and prevent fraud throughout all aspects of the business. The opportunities provided by the National Fraud Initiative (NFI), through taking part in matching exercises with other organisations, are invaluable in not only identifying fraud, but also by helping to highlight approximately £1.6 million of pension overpayments in 2019, it also prevented any further loss of monies. Alongside the financial value, the simplicity of the process and the support provided by the NFI team cannot be understated when considering the benefits of participating in NFI exercises.”

A spokesperson from the NHS Business Services Authority.

¹¹ Office for National Statistics, **Occupational Pension Schemes Survey, UK: 2018**, June 2019.

Main messages for 2018 to 2020 by data set

Council Tax: £43.9 million



Individuals falsely declaring they live alone or who fail to notify when a second adult moves into the property. Therefore, not qualifying for the Council Tax single person discount they have claimed.

According to the Valuation Office Agency Valuation List as at 9 September 2019 there were 8.3 million dwellings in England that were subject to either a discount or to a premium on their council tax. Of these, 7.8 million dwellings were entitled to a discount as a result of being occupied by single adults. This represents 31.9% of all dwellings¹².

Across the UK, the CIPFA 2019 Fraud and Corruption Tracker¹³ concludes that for local authorities, council tax single person discount (SPD) fraud has grown the most out of all fraud risk areas, with an estimated increase of £3.6 million since 2017/18.

The annual NFI match between Council Tax and Electoral Register data to tackle Council Tax single person discount (SPD) abuse has once again provided substantial returns for councils. Outcomes from the 2018/19 and 2019/20 exercises are £43.9 million (37,000 SPDs cancelled) compared to £32.6 million reported for the 2016/17 and 2017/18 exercises (30,343 cancelled). This is an increase of 34.7%.

The majority of outcomes come from matching individuals in receipt of a council tax single person to electoral register data (83.6%). The HMRC information sharing pilot generated £2.8 million additional overpayments from matches that provided information on individuals residing at an address, accounting for 24.6% on the overall increase to council tax outcomes.

There has also been success from the new mandatory data match introduced in 2016/17. All SPD claims are now matched against the wider range of NFI datasets to again obtain more information about the individuals residing at an address.

This resulted in the identification of 1,130 incorrect claims for single person discount and approaching £1 million overpayments which are similar levels to 2016/17.

The optional enhanced Council Tax SPD service introduced in 2016/17, that combines both public and private sector credit reference agency data, has also achieved good results identifying £3.2 million overpayments by the 17 councils that purchased the service. This service is available in addition to the mandatory annual matching and is charged for on a per record basis.



¹² Ministry of Communities and Local Government, **Local Authority Council Tax base England 2019**, 19 February 2020.

¹³ CIPFA, **Fraud and Corruption Tracker 2019**, 18 November 2019.

Main messages for 2018 to 2020 by data set

Housing Benefit: £35.0 million



Individuals claiming housing benefits who failed to declare an income or change of circumstances.

In May 2020, the DWP reported Housing Benefit overpayments due to fraud or error of £1.1 billion (an overpayment rate of 6.0%), compared to £1.3 billion (an overpayment rate of 6.3%), in 2018/19. Of the £1.1 billion, £0.6 billion of housing benefit overpayment was recovered¹⁴. DWP reports the main cause of overpayments on Housing Benefit is incorrect information about earnings and employment.

Housing benefit outcomes are £35 million, compared with the 2016/17 figure of £25 million. These outcomes were recorded by local councils and the DWP. It is assumed that the increase in overpayments of 41% is attributable to improved processes in the referral of matches by councils, and the subsequent investigation by the DWP. Table 3 shows how outcomes have been reported in 2018 and 2020.

Housing benefit overpayments identified through matching to student loans continues to generate the most outcomes. Local councils alone identified 1,055 cases with an actual overpayment value of £3.9 million. This represents 45% of the total housing benefit actual overpayments recorded by councils.

We continue to work closely with the DWP to ensure we maximise the benefits of the NFI, while avoiding duplication with the Housing Benefit data matching undertaken by the DWP through the Verify Earning and Pensions Service¹⁵.

In line with the NFI 2018 to 2022 strategic themes this will include exploring access to other state benefit data such as Universal Credit.

Table 3 – Analysis of housing benefit overpayments by source (includes estimates)

	2018		2020	
	2014/15 reported after 31 March 2016 £ million	Reported between 1 April 2016 and 31 March 2018 £ million	2016/17 reported after 31 March 2018 £ million	Reported between 1 April 2018 and 4 April 2020 £ million
Outcomes from local councils	14.0	8.0	3.0	10.0
Outcomes from DWP	-	3.0	8.0	14.0
Total	14.0	11.0	11.0	24.0

¹⁴ DWP, **Fraud and error in the benefit system: 2019 to 2020 estimates (revised 29 May 2020)**, 29 May 2020.

¹⁵ The Verify Earning and Pensions service (VEPS) allows councils to verify earnings and pensions information from claimants using real-time information from Her Majesty's Revenue and Customs.

Main messages for 2018 to 2020 by data set

Housing Benefit: £35.0 million



Individuals claiming housing benefits who failed to declare an income or change of circumstances.



Case study:

Coventry City Council

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Coventry City Council identified 35 cases from the NFI matches in the first half of the 2019/20 financial year, resulting in overpayments totalling £154,350.

These included five cases relating to housing benefit claimants who had failed to declare their student loan totalling £38,200;

a housing benefit claimants to personal alcohol license match identified an overpayment of £20,500 due to a non-commercial tenancy¹⁶;

eight HMRC earnings and capital cases where the council tax reduction scheme claimants had failed to declare employment totalling £40,200;

and five HMRC household composition cases where other persons should have been liable for the council tax or household income was not fully declared totalling £40,000.



¹⁶ A private tenancy must be on a commercial basis in order for Housing Benefit to be paid. The relationship between tenant and landlord may cause that tenancy to be considered non-commercial and disqualify Housing Benefit payments.

Main messages for 2018 to 2020 by data set

Blue Badges: £26.9 million



Potential misuse of blue badge parking passes belonging to someone who had died. This may be continued use of the pass by relatives of the deceased, forgery of a pass in the name of a deceased person, use of a stolen badge.

As at 31st March 2019 there were 2.29 million Blue Badges held in England according to the Department for Transport Statistics¹⁷. There were 1,432 prosecutions for misuse of Blue Badges between 1st April 2018 and 31st March 2019 an increase of 17.9% since 2017/18. The majority of prosecutions (99%) in England were targeted at a non-badge holder using another person's badge.

During this reporting period, the number of blue badges cancelled increased to 46,750 from 31,223 in 2016/17. The estimated value of blue badges cancelled between reporting periods increased from £18 million to £26.9 million an increase of 49.4%. The increase is due to more councils and transport authorities cancelling more badges.



Number of blue badges cancelled

2018
31,223

2020
46,750



Number of organisations

2018
90

2020
109

¹⁷ Department for Transport, **Blue Badge Statistics, England: 2019**, 4 December 2019.

Main messages for 2018 to 2020 by data set

Blue Badges: £26.9 million



Potential misuse of blue badge parking passes belonging to someone who had died. This may be continued use of the pass by relatives of the deceased, forgery of a pass in the name of a deceased person, use of a stolen badge.

Case study:

Cumbria County Council

The NFI exercise identified 1,100 matches for Cumbria County Council where a blue badge was in circulation but the owner of the badge was identified as deceased. Match Key Rule and the Death Verification Level information provided in the report, was used to assist in prioritising and investigating these matches.

For 311 (28%) of the matches the investigation found that the deaths were already known to the council or that the owner of the blue badge had died after the badge had expired.

For the remaining 789 (72%) validation checks were used to confirm the quality of the data and to verify that an individual's identity and postcode matched the data on the Blue Badge Information System.

For some matches the investigation was extended and the relatives of the owner of the blue badge were contacted by telephone or letter to confirm whether the owner had died. The outcome of investigations found that in all cases the relatives had failed to notify the council about these deaths so the blue badges were cancelled.

The NFI estimated value of cancelling a blue badge is £575 which represents the value of parking charges up to the point of cancellation plus an estimate of future fraud losses prevented. This means that the NFI has helped the council identify and cancel 789 blue badges with an estimated value of £453,675.

Main messages for 2018 to 2020 by data set

Housing Waiting List: £20.1 million



Social housing waiting list applicants who were not entitled to social housing because they had misrepresented their circumstances.

The most recent Ministry of Housing, Communities and Local Government housing statistics¹⁸ show that as at the end of March 2019 there are 1.2 million households on social housing waiting lists in England. Removing applicants who are not eligible will enable councils to allocate social housing to those in genuine need.

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Housing waiting lists matching has resulted in 6,092 ineligible applications for social housing having been removed by 94 councils during 2018/19. An increase from the 75 councils in 2016/17.

Applying the Cabinet Office estimate of fraud or loss presented of £3,240¹⁹ per property this equates to £20.1 million for 2018/19 compared to £25.5 million in 2016/17. The higher level in 2016/17 can be attributed to the fact that this was the first time this match had been introduced and some bodies used this as an opportunity to validate their housing waiting list and clear ineligible applicants.



¹⁸ Ministry of Housing, Communities & Local Government, **Table 600: numbers of households on local authorities' housing waiting lists, by district, England, from 1997**, 28 January 2020.

¹⁹ See 'Report calculation methodology – England only 2018 to 2020' on **page 37** for more details about the NFI estimate methodology.

Main messages for 2018 to 2020 by data set

Housing Waiting List: £20.1 million



Social housing waiting list applicants who were not entitled to social housing because they had misrepresented their circumstances.

Sandwell Council

In order to join the Sandwell housing waiting list, applicants must have either lived in Sandwell for five years or be able to demonstrate a local connection through their parents, brother, sister or adult child. Applicants can also join the housing waiting list if there is a proven need to live in Sandwell. Since January 2019, Sandwell Council have been using AppCheck to verify data given by applicants at the registration stage, enabling them to identify fraudulent applications, which in the past would have potentially satisfied the application requirements and have been accepted on the housing waiting list.



Case studies:

Contradictory and False Information

Whilst vetting a number of housing applications, one application that would normally have satisfied processes and would have been registered on the housing waiting list, was identified by AppCheck as containing contradictory information. The applicant had stated that they had been living in Sandwell for the five-year qualifying period. However, AppCheck highlighted that the individual had been living and claiming benefits in Birmingham.

As well as false information being given on the application form, the applicant had also provided a landlord's reference, which gave false information to qualify for housing. An investigation was carried out and further evidence was obtained, which proved that the applicant had only been residing in Sandwell for one year. An interview under caution was conducted where the applicant admitted that they had provided false information to register and obtain housing with Sandwell Council.

Concealed Rent Arrears Uncovered

An applicant had declared that they had not been living in Sandwell and were relying on the local connection of a relative. This would have satisfied the registration criteria. AppCheck identified that the applicant had been linked to an address in Blackpool.

However, the address had not been declared on the application form as an address they had resided at in the past six years. Further checks were made, and it was identified that the applicant had resided at the Blackpool address.

It was also discovered that the applicant had rent arrears outstanding at the address, which were again not disclosed on the application form. It was concluded that the address had been concealed intentionally because of the poor conduct of a previous tenancy to gain social housing unlawfully.

In both of these cases, as false information was provided, the applications were refused, saving the council over £3,000 per application, and the applicants were excluded from making a further submission for 12 months.



Main messages for 2018 to 2020 by data set

Council Tax Reduction: £6.5 million



Individuals claiming Council Tax reduction who failed to declare an income or change of circumstances.

Since 1 April 2013 local authorities in England have been responsible for administering Council Tax Reduction Schemes (CTRS) in their own area (also referred to as Council Tax Support)²⁰. Some authorities chose to adopt the default scheme²¹. Under the regulations liability for Council Tax can be reduced by applying a discount:

- Worked out as a percentage of a council tax bill;
- Of a set amount as set out in the local scheme; or
- Equal to the whole amount of the council tax bill – so that the amount payable is nil.

The most recent analysis of Council Tax Reduction Schemes for the 2017/18 financial year, carried out by the New Policy Institute in April 2017²², found that out of 326 councils:

- 277 had reduced the amount of CTRS available through minimum payments or band caps;
- 12 have made alternative changes such as removing the second adult rebate; and
- 37 local authorities had kept their CTRS the same since 2013.

However, through the next NFI exercise we expect to see an increase in the number and amount of CTRS payments. As part of its response to COVID-19, the government announced in the Budget on 11 March 2020 that it would provide local authorities in England with £500 million of new grant funding to support economically vulnerable people and households in their local area²³.

The expectation is that the majority of the hardship fund will be used to provide council tax relief, alongside existing local council tax support schemes.

Council Tax Reduction Scheme data was matched for the first time in 2016/17 and achieved £2.8 million. Outcomes from 2018/19 showed that this is a significant risk area with councils able to identify £6.5 million across 2,688 cases.

The average reported saving per case was £1,578 (excluding estimated forward savings) compared to £1,130 in 2016/17.

The HMRC information sharing pilot contributed to the increase in this area resulting in £3.1 million outcomes from Council Tax Reduction to both Earnings and Capital and Household Composition.

²⁰ HM Government, **The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012**, 27 November 2012.

²¹ HM Government, **The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012**, 18th December 2012

²² NPI, **Key Changes to Council Tax Support in 2017/18**, 5 April 2017.

²³ Ministry for Housing Communities and Local Government, **COVID-19 hardship fund 2020-21 – local authority guidance**, March 2020.

Main messages for 2018 to 2020 by data set

Council Tax Reduction: £6.5 million



Individuals claiming Council Tax reduction who failed to declare an income or change of circumstances.

Case study:

London Borough of Barnet

The London Borough of Barnet completed a comprehensive review of the NFI reports using the new fraud risk scoring to prioritise resources on matches that scored over 75%. As a result they were able to report overall overpayments of £572,613.

Examples of successful outcomes include: Metropolitan Police Amberhill data identified two Council Tax Reduction scheme customers who appeared to be using false identities. Investigations resulted in both claims being cancelled generating overpayments of £83,989 and £26,364.

Housing Benefit to Student Loans identified five cases of undeclared student loan income with overpayments amounting to £43,193.

HMRC data matched to Council Tax Reduction Scheme helped to establish that a claimant had been living abroad since 2013 generating an overpayment of £13,140. Another match from the same report identified a non-dependant who had not moved out of the property in 2009 when the customer said they had. The overpayment in this case amounted to £28,113.



Main messages for 2018 to 2020 by data set

Housing Tenancy: £5.6 million



Social housing tenants who were subletting or had multiple tenancies unlawfully.

There has reportedly been a steady downward trend in the number of housing and tenancy related frauds detected/prevented during 2018/19, decreasing by roughly 20% from 2017/18. This trend likely indicates successful efforts by local authorities to tackle housing fraud and remove illegally sublet properties from the system. However, housing fraud including succession and false applications continues to be a high risk for councils²⁴.

117 Outcomes from the 2018/19 tenancy matches increased by 1.82% compared to 2016/17, which was due to a small increase in the number of properties recovered to 60 from 58 in 2016/17.

Each property recovered can be reallocated to those in genuine need, so the NFI will continue to seek ways to help councils fight social housing fraud, such as repeating the HMRC information sharing pilot (see **page 28** for more details).



Case study:

Royal Borough of Greenwich

The Royal Borough of Greenwich has recovered four social housing properties as a result of matches to HMRC data. In one case it was discovered a current tenant owned five other properties across the country, some of which had been purchased under the Right to Buy scheme.

None of the properties had been declared by the tenant when she subsequently declared herself homeless when applying for social housing. The tenant died prior to being interviewed under caution and left an estate of over £1.5 million with no will.

The council are pursuing financial recovery of the costs that were incurred as a result of having provided emergency/temporary accommodation to another household.

²⁴ CIPFA, **Fraud and Corruption Tracker 2019**, 18 November 2019, page 10.



Main messages for 2018 to 2020 by data set

Housing Tenancy: £5.6 million



Social housing tenants who were subletting, were not entitled to social housing because of their status in the UK, or had multiple tenancies unlawfully.

Case study:

Housing Tenant to Housing Benefit

A Housing Tenants to Housing Benefit Claimants match identified housing benefit was being paid for the same tenant at two different properties. It was discovered the tenant had been offered temporary accommodation by one council but had identified alternative housing in a neighbouring council area and moved into that property instead. However, the allocation of the first property was inaccurately recorded.

Investigation confirmed that the property had been cancelled as a temporary accommodation option (so rent was not being paid over to the landlord), but it was not cancelled on the housing management system and housing benefit payments continued to be paid into a rent account that was not in use. This created a £25,422.46 overpayment.

This case was closed and monies transferred with no financial loss to the council but also prompted a review of the interface between systems and how it links with the temporary accommodation process.





Main messages for 2018 to 2020 by data set

Concessionary Travel: £3.4 million



Potential misuse of concessionary travel passes belonging to someone who has died.

A statutory bus concession for older and disabled people has been in place since 2001. In 2008, the concession was extended to cover free local bus travel between 0930 and 2300 to older and disabled people anywhere in England. This statutory concession is referred to as the English National Concessionary Travel Scheme. In London, the statutory concession for London residents covers the whole London Local Transport Network.

Some administering authorities may offer a resident discretionary enhancements over and above the statutory scheme, including free travel outside the statutory time period or on other transport modes for example, London residents aged 60 plus who are below the statutory concessionary travel age can obtain a 60 plus Oyster card. This allows free travel on bus, tube, tram, DLR, London Overground, TfL Rail and most National Rail services.

In 2018/19, the Department for Transport reported there were 9.1 million older and disabled concessionary travel passes in circulation and the net spend was £1.1 billion. In total there were 861 million concessionary bus journeys in England in 2018/19²⁵.

The number of concessionary passes updated, cancelled or hot-listed²⁶ in 2018/19 as a result of an NFI match was 151,815 a decrease from 234,154 in 2016/17. As a result, the estimated value of fraud losses prevented in the same reporting period decreased from £5.6 million in 2016/17 to £3.4 million in 2018/19.

The decrease in the number of passes updated, cancelled or hot-listed may be linked to a reduction in the number of bodies undertaking additional voluntary matching as this resulted in around 82,000 cancelled passes in the previous reporting period with an estimated value of around £2 million.

The reason for this reduced take-up will be explored to ensure the NFI continues to offer data matching solutions that best meet the needs of voluntary participants.

²⁵ Department for Transport, **Concessionary Travel Statistics 2018/19**, 17 December 2019.

²⁶ Hot-listed is a term used where a pass has been deactivated for a specific reason, in this case as the person is believed to be deceased.

Other case studies

Case study:

Bedford Borough Council

Bedford Borough Council's Investigation Service was alerted to discrepancies in identity documents following a NFI match between the Council's payroll and Metropolitan Police Amberhill false identity data. They established that an employee had used false documents to obtain a post as a night care assistant and for Disclosure & Barring Service (DBS) clearance to work.

Enquiries revealed her true identity and that she had overstayed her visa and had no right to work or reside in the UK. She stated she obtained the false ID documents for as little as £200.

She pleaded guilty to three charges related to using a false identity to gain employment and was sentenced to nine months' imprisonment suspended for 12 months, ordered to complete 80 hours unpaid work and given a 20-day Rehabilitation Activity Requirement (RAR).

Cllr Michael Headley, portfolio holder for finance, said: "It's particularly important that people who are working with children or vulnerable adults are exactly who they say they are."



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Matches benefiting other public bodies

The main benefit of a UK-wide data matching exercise is that it enables matches to be made between bodies and across national borders.

For public bodies that take part in the NFI but may not always identify significant outcomes from their own matches, it is important to appreciate that other bodies and sectors may benefit significantly.

Data from the 2018/19 NFI exercise benefited wider public bodies, both within and outside England, enabling them to take action on 9,370 cases with actual overpayments of £14.3 million²⁷.

Most of these outcomes are from cross-body housing benefits, council tax reductions and housing waiting list matches.

Table 4 – How English bodies benefited from data provided by participants outside England



Number of cases

Local government
5,456

Central government
3,265

NHS
468

Other
181

Total
9,370



Actual outcomes

Local government
£8m

Central government
£5.1m

NHS
£0.6m

Other
£0.6m

Total
£14.3m

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²⁷ Actual overpayments exclude estimates of fraud prevented.

Pilots undertaken by the NFI during 2018 to 2020 in England

HMRC information sharing pilot

After a successful initial information sharing pilot with HMRC in spring 2019, just over 2.2 million matches were released to all local councils in August 2019.

Matches were across 7 datasets (council tax reduction scheme; housing benefit claimants; housing tenants; personal budgets; private residential care homes; right to buy; and council tax single persons discount) and targeted three fraud risks:

- Undeclared property ownership
- Non or under declaration of earnings and capital
- Misrepresentation of household composition

Outcomes for the pilot totalled £8.8 million across all three targeted risk areas, specifically:

- Undeclared Earnings and Capital from Household Composition – £5.3 million
- Undeclared Earnings and Capital – £2 million
- Undeclared Property Ownership – £1.4 million

Outcomes for Household Composition matches were most significant at £5.3 million, making up 61% of total outcomes. This was due to the number of matches released and its applicability to both Council Tax single person discount fraud and Council Tax Reduction Scheme fraud which local councils have prioritised and for which, results are often quicker.

As a result of the success of the pilot the NFI will seek to undertake a further pilot as part of the NFI 2020/21, subject to the agreement of HMRC and approval to use the Digital Economy Act.

As part of this pilot we will:

- Exclude Right to Buy and Personal Budgets datasets as they did not deliver benefits in the first pilot;
- Build matches into the main NFI 2020/21 exercise;
- Reduce false positives that were identified in the first pilot; and
- Refine matching rules and risk scoring to allow for better prioritisation of matches by councils.

We anticipate that these changes would allow even greater benefits to be realised by securing better engagement and improving the effectiveness of the resources invested in reviewing these matches.

We anticipate outcomes from a further pilot could range between £16 million and £36 million depending on levels of engagement from local councils in England.



Pilots undertaken by the NFI during 2018 to 2020 in England

Case study:



Tameside Council

Tameside Council identified over £200,000 in potential savings from the 2018/19 NFI reports.

In one particular housing benefit case a non-dependant had failed to declare employment going back to December 2016, this resulted in recovery of £3,277.12 overpaid council tax reduction.

The council also used the output from the NFI HMRC information sharing pilot to identify a significant number of housing benefit and council tax reduction claims with discrepancies, such as inaccurate information provided on application forms and failure to notify a change in circumstances. Proactive follow up investigations stopped further fraud or error.

A spokesperson from Tameside said:

“The Council has found the data to be very useful in supporting the identification of cases where claimants have provided false information and/or failed to notify the Council of changes that affect benefit entitlement. All of which shows the accuracy and benefit of NFI data files.”

Water Companies

We have worked closely with the Water Industry to leverage insight from NFI data to address specific risks in this sector. We undertook a pilot which sought to address two risks:

- Non-entitlement to discounted tariffs
- Misrepresentation of void properties

The pilot used NFI data to flag where individuals were potentially not in receipt of benefits which qualified them for a discounted water tariff or where a property that was recorded as void by the water company was in fact occupied. 13% of the records matched in the pilot identified potential fraud or error.

Outcomes totalled £3.1 million in respect of void properties showing to be occupied and £172,000 in respect of non-entitlement to discounted tariffs. Investigations are ongoing and so further outcomes are expected.

In addition to helping utility companies detect more fraud and error cases, the NFI data is also helping them to verify genuine customers.

Following this pilot the NFI team is now rolling out this data matching model to other water companies in the wider utilities sector.

Business Rates

The NFI undertook a pilot to identify fraud and error within business rates whereby businesses evade rates by claiming discounts/reliefs to which they are not entitled.

For the pilot just over 200,000 records from 30 local councils were matched to each other and other external datasets.

The pilot resulted in nearly £316,000 of overpayments particularly in relation to non-entitlement to Small Business Rate Relief where companies were claiming reliefs on multiple properties.

NFI forward look

COVID-19 pandemic

The COVID-19 pandemic has already impacted on the NFI work programme in 2020 and 2021.

Following a consultation we have confirmed that the NFI will be extended to support local councils in identifying potential fraud across several government stimulus packages, in particular where local councils administer payments, for example, Business Support Grants.

Alongside this the NFI is also working with government departments on if/how the NFI can support them.

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Expansion of NFI data matching purposes

Throughout 2019/20 we have been working towards passing an important piece of secondary legislation which would allow the NFI to expand the purposes of data matching. The Minister for the Cabinet Office currently has the power to conduct data matching exercises for one purpose: to help in the prevention and detection of fraud.

The Local Audit and Accountability Act 2014 (LAAA), however, provides that four additional purposes for data matching can be added to Schedule 9 (by affirmative regulations) and the Schedule can also be modified. The NFI is hoping to add all four new purposes for data matching exercises, which are to assist in the:

- Prevention and detection of crime (other than fraud)
- Apprehension and prosecution of offenders
- Prevention and detection of errors and inaccuracies
- Recovery of debt owing to public bodies

Analysis has already shown that these new data matching purposes could have far reaching benefits across the public sector.

During 2020/21 we will be looking to implement the purposes, through a parliamentary statutory instrument that will amend the LAAA. Alongside this we will develop a plan of appropriate data matching pilots for each purpose successfully included.



NFI forward look

Strategic Objectives

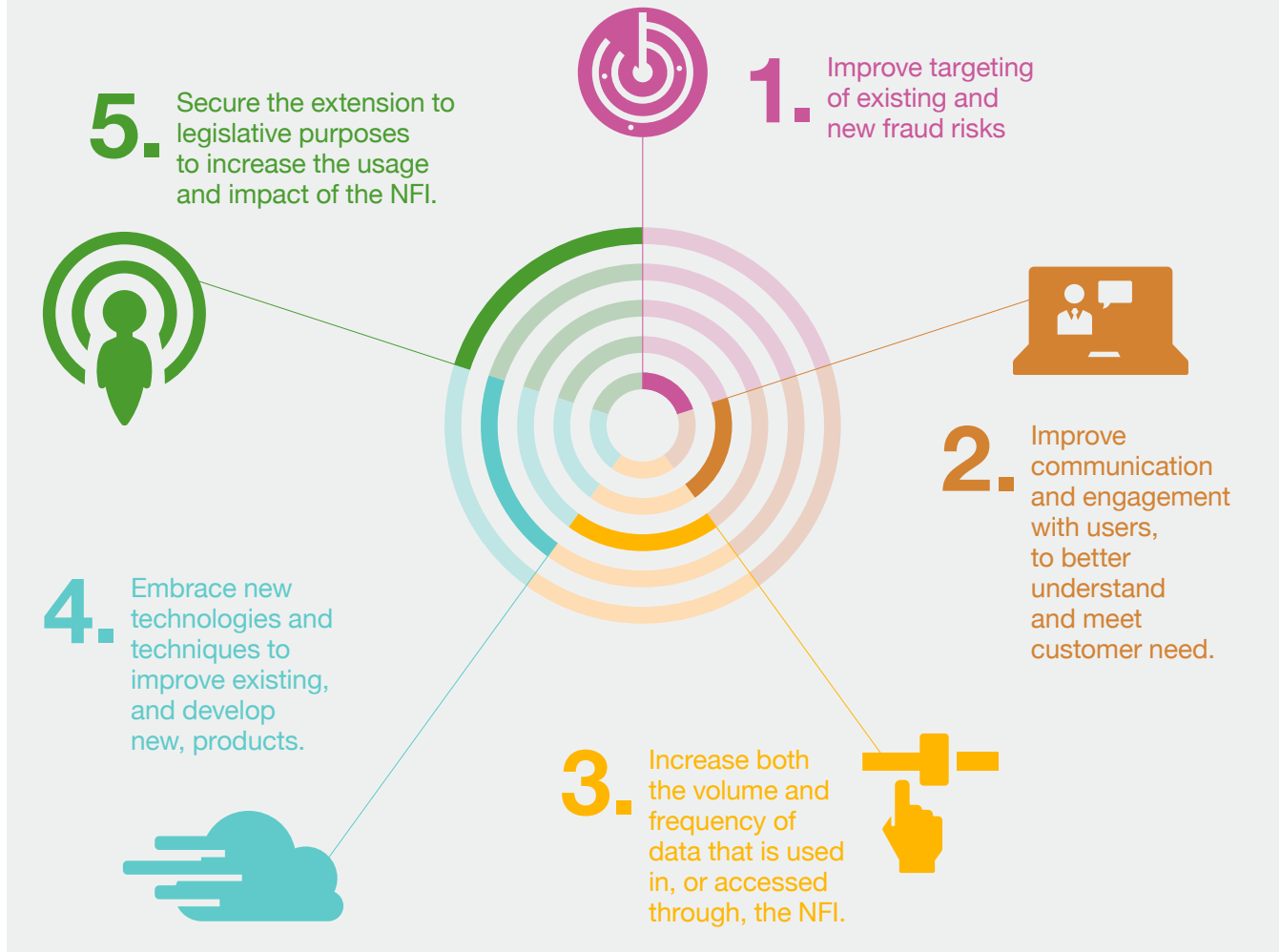
The extension to cover COVID-19 emergency funding and the expansion of the data matching purposes are both aligned with the NFI strategic objectives.

As is other work outlined in this report including pilots, enhancements to the risk scoring and securing HMRC data for NFI 2020/21.

In addition, the NFI team will seek to identify and deliver other work streams that further contribute to the strategic objectives set out in Figure 1.



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Figure 1 – NFI Strategy Objectives 2018 – 2022



How the NFI is improving

In the 2018 report, we set out five strategic objectives for the NFI to 2022 (Figure 1). We have made good progress in all areas such as:

You said	Our response in 2018	We did
 <p data-bbox="264 523 542 810">“Management Information reports are not intuitive or easy to use.”</p>	<p data-bbox="600 523 936 769">“As part of our continuous improvement strategy, we will develop management information tools, upgrade navigation options and improve web app functionality to better suit the user.”</p>	<p data-bbox="981 523 1886 545">We made significant improvements to the 2018/19 web application including:</p> <ul data-bbox="981 561 2123 858" style="list-style-type: none"> – Interactive dashboards and widgets allowing users to select the management Information that they want to regularly view – Better signposting to management information – A Global Search option – A Fraud Risk score match view – Hide/Show columns – Improved report design
 <p data-bbox="273 896 542 1136">“There is a lack of engagement with users.”</p>	<p data-bbox="600 896 824 1018">“We recognise the challenges around successful user engagement.</p> <p data-bbox="600 1034 891 1257">As part of our strategy, we will identify the right people to ensure NFI becomes a fundamental aspect of every organisation’s counter fraud work”.</p>	<p data-bbox="981 896 2065 954">We introduced a twice yearly newsletter for NFI participants that includes updates on pilots, case studies, user insight and articles on issues across the UK regions.</p> <p data-bbox="981 970 1998 1002">We ran six user engagement sessions across the UK and exhibited at over 35 events.</p> <p data-bbox="981 1018 2042 1082">In addition, two factsheets on COVID-19 counter fraud measures were issued in April and May 2020.</p>

How the NFI is improving

In the 2018 report, we set out five strategic objectives for the NFI to 2022 (Figure 1). We have made good progress in all areas such as:

You said

“Currently the matches provided contain many false positives and only about 10% are worth investigating.”

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Our response in 2018

“We will tighten matching rules, and risk scoring, improving the accuracy and quality of existing NFI data matching techniques.

We will also look to add additional data sources from both the public and private sector.”

We did

We introduced risk scoring of 2018/19 matches – a review of the effectiveness of this approach is now underway ahead of the 2020/21 exercise. We will seek to incorporate the main messages into our risk scoring of future matches. An analysis of matches processed in 2018/19 and 2016/17²⁸ shows:

- The number of matches processed in 2018/19 were just under 1.3 million compared to 1.2 million in 2016/17.
- In 2018/19, 65,029 (5.1%) of the 1.3 million matches processed were marked error, fraud or referred to DWP compared to 75,621 (6.4%) in 2016/17. There are currently limitations in these statistics as a Closed – Fraud or Error status cannot be attributed to all report level outcomes. We estimate this would add a further 140,000 fraud or error cases to the above figures, increasing the percentage from 5.1% to 14.2%. We intend to review the usability of the outcome status options for 2020/21 and make improvements where needed, in order to improve the completeness of these statistics for future reporting periods.
- The number of matches that were already known about by the participant decreased from 13.32% of processed in 2016/17 to 11.52% of processed in 2018/19.
- During 2018/19 a new Closed – Not selected for Investigation option was provided for users – 20% of matches were given this status that would previously have been Closed – No issue or left as not processed. This intelligence will help us improve matching techniques to reduce false positives in 2020/21.

We brought in regular data feeds from the DWP, Companies House and Credit Reference Agencies. Using the Digital Economy Act 2017 we worked with HMRC on a pilot to incorporate data on household composition, household earnings and property ownership.

The pilot helped councils prevent and detect overpayments in the region of £8.8 million up to 27th March 2020.

²⁸ These figures exclude ReCheck, AppCheck and FraudHub cases.

Comparison of NFI outcomes in England by risk area 2018 to 2020

Dataset	Example activity area	2020 £ million	2018 £ million
Pensions	Individuals obtaining the pension payments of a dead person	55.5	136.9 ²⁹
Council Tax	Individuals who did not qualify for the council tax single person discount because they were living with other countable adults	43.9	32.6
Housing benefits	Individuals claiming housing benefit who failed to declare an income or change of circumstances	35.0	24.9
Blue badges	Potential misuse of blue badge parking passes belonging to someone who has died	26.9	18.0
Housing waiting lists	Social housing waiting list applicants who were not entitled to social housing	20.1	25.5
Council tax reduction scheme	Individuals claiming Council Tax reduction who failed to declare an income or change of circumstances	6.5	2.8
Housing tenancy	Social housing tenants who were subletting or had multiple tenancies unlawfully	5.6	5.5
Private residential care homes	Payments to private care homes by a council for the care of a resident where the resident had died	5.1	4.4

²⁹ Pension related outcomes in the previous NFI exercise were overstated due to a formula error. The corrected total is shown in this table.



Comparison of NFI outcomes in England by risk area 2018 to 2020

Dataset	Example activity area	2020 £ million	2018 £ million
Trade creditors	Traders who intentionally or unintentionally submitted duplicate invoices for payment	5.1	4.3
Pilots	Various (excludes HMRC information sharing)	3.5	-
Concessionary travel	Potential misuse of concessionary travel passes belonging to someone who has died	3.4	5.6
¹²⁹ Personal budgets	Individuals claiming a personal budget who failed to declare an income or change of circumstances or were deceased	2.1	0.5
Right to Buy	Social housing tenants who were not entitled to right to buy because they had multiple tenancies unlawfully	1.8	1.0
Other	Other miscellaneous outcomes not linked specifically to the above categories	0.8	0.3
Payroll	Employees working for one organisation while being on long-term sick leave at another	0.6	4.0
State benefit	Individuals claiming state benefits who failed to declare an income or change of circumstances	-	0.9
Total		215.8³⁰	267.4

³⁰ Due to rounding, numbers presented throughout this report may not add up precisely to the totals indicated and percentages may not precisely reflect the absolute figures for the same reason.

Comparison of NFI outcomes in England by case 2018 to 2020

Dataset	2020 Number of cases	2018 Number of cases
Pensions Pension payments stopped/adjusted	2,876	3,763
Council Tax single person discount Council Tax single person discount claims stopped	36,728	30,343
Housing benefit fraud, error and overpayments relating to:		
– Local government employees	754	798
– Central government pensioners	1,281	353
– Individuals receiving a local government pension	1,852	298
– Students	1,055	1,361
– NHS employees	282	313
– Other	679	743
Social housing/Right to Buy		
– Properties recovered	60	58
– Right to Buy wrongly awarded	17	4
– Applicants removed from a housing waiting list	6,092	7,601
Transport		
– Blue badges cancelled	46,750	31,223
– Concessionary travel passes cancelled	151,815	234,154
Social care		
– Residents in private care homes	292	275
– Personal Budgets	92	163
– Other social care	50,027	-
Payroll Total employees dismissed or resigned	21	53
Creditor payments Duplicate creditor payments	1,062	884
Council tax reduction scheme	2,688	1,613
Total	304,423	314,061



Report calculation methodology 2020 – England only

Data match	Detected Fraud £ million	Estimated Fraud £ million	Total £ million	Basis of calculation of estimated outcomes
Pensions	7.3	48.2	55.5	Annual pension multiplied by the number of years until the pensioner would have reached the age of 85.
Council Tax	17.2	26.7	43.9	Annual value of council tax single person discount multiplied by two years.
Housing benefits	26.3	8.7	35.0	Weekly benefit reduction multiplied by 21 weeks.
Blue badges	-	26.9	26.9	£575 per blue badge cancelled to reflect the estimated annual cost of blue badge fraud, the likelihood that badges are misused and the duration that fraudulent misuse will continue.
Housing waiting list	-	20.1	20.1	£3,240 per applicant removed from the waiting list, based on the annual cost of temporary accommodation, the likelihood that individuals on the waiting list would be provided a council property, and the duration for which fraud or error may continue undetected.
Council Tax reduction scheme	4.2	2.3	6.5	Weekly change in council tax discount multiplied by 21 weeks.
Housing tenancy	-	5.6	5.6	£93,000 per property recovered based on average four year fraudulent tenancy and an estimate of the duration that the fraud may have continued undetected. This includes temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies.
Private Residential care homes	2.7	2.4	5.1	£7,000 per case based on average weekly cost of residential care multiplied by 13 weeks.
Trade creditors	5.1	-	5.1	Not applicable.



Report calculation methodology 2020 – England only

Data match	Detected Fraud £ million	Estimated Fraud £ million	Total £ million	Basis of calculation of estimated outcomes
Pilots (excluding HMRC)	0.2	3.4	3.5	Water utility companies: In cases where a resident is found to be living at an address yet the property has been declared as void, the annual water charge will be used. In cases where a resident has incorrectly claimed a discounted tariff, the average amount of annual discount across the three most popular discounted tariffs will be used.
Concessionary travel	-	3.4	3.4	Number of passes cancelled multiplied by £24, based on the cost of reimbursement to bus operators for journeys made under the concessionary pass scheme and the duration of fraudulent pass misuse.
Personal budgets	0.8	1.3	2.1	Monthly reduction in personal budget payment multiplied by 3 months (the average duration that personal budget payments continue following the death of the recipient).
Right to Buy	-	1.8	1.8	£65,000 per application withdrawn based on average house prices and the minimum right to buy discount available. A regional variation applies in London of £104,000 per application withdrawn, to reflect the maximum value of Right to Buy discount available.
Other	0.8	-	0.8	
Payroll	0.5	0.1	0.6	£5,000 per case where the employee is dismissed or resigns.
Total	65.1	150.7³¹	215.8	

³¹ Due to rounding, numbers presented throughout this report may not add up precisely to the totals indicated and percentages may not precisely reflect the absolute figures for the same reason.



Contact us

We are always on the lookout for participants to help with ongoing improvements to the NFI. If you would like to get involved, please contact us at **nfiqueries@cabinetoffice.gov.uk**

For more information about the NFI please visit our website:

<https://www.gov.uk/government/collections/national-fraud-initiative>

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Appendix 3 - Breakdown of CFIT investigations as of October 2020¹

Category	Cases since last report (July 2020)	Total since CFIT formation (October 2019)	Active investigations (being investigated, awaiting allocation or with Legal Services)	Closed investigations
Transport (Blue Badge, parking permits etc.)	1	34	8	26
Schools (including Early Years)	0	5	0	5
Council Tax and Business Rates²	30	114	45	69
Cybercrime	1	4	1	3
DWP	3	6	0	6
Grant Fund fraud	0	2	1	1
Housing (unlawful subletting, Right to Buy fraud etc.)	6	93	17	76
Money Laundering	1	7	1	6
Procurement	0	5	3	2
Social Care (Direct Payment fraud etc.)	1	9	5	4
Employee	2	11	7	4
Miscellaneous (immigration, fraudulent cheques, mischievous referrals etc.)	8	20	2	18
TOTALS	69³	310	90	220

¹ Figures are correct as of 01/10/2020

² These figures include covid-19 relief grant fraud as they are administered by Business Rates

³ The previous report's figures included the number of referrals currently being assessed (11 at the time; there are no such cases for this report). These referrals progressed to investigations and thus have been subsumed in the current figures. This has resulted in these cases being double counted in both this report (in the investigations) and the previous one (in assessments). Therefore, the true number of entirely new cases is 58 plus the referrals now being investigated comes to 69. To avoid this in the future, the numbers of referrals under assessment will be omitted from these reports as they will inevitably be included in the following report.

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PSAA Quality of Audit Service feedback survey

Research report
December 2019



To view more research from the Local Government Association's Research and Information team please visit: <http://www.local.gov.uk/local-government-intelligence>

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Background and Methodology

Public Sector Audit Appointments (PSAA) monitors the performance of the audit firms it has appointed to undertake audits under the Local Audit and Accountability Act 2014. The results of their monitoring provide audited bodies and other stakeholders with assurance that quality audits are being delivered.

In order to inform this monitoring process, it is vital that PSAA understand the views of the bodies it appoints the auditors for, establishing how useful the audit process and outputs are and considering how auditors can improve in this regard. To this end, PSAA commissioned the Local Government Association's (LGA) Research and Information team to conduct two anonymous surveys seeking the views and experiences of directors of finance and Audit Committee Chairs, respectively, in relation to audits relating to the 2018/19 financial year and taking place during 2019/20. The generic name 'Audit Committee' is used in this report.

This is a report of the survey's findings. The main body of this survey covers the questions sent to directors of finance, with brief comparisons drawn from the questions sent to Audit Committee Chairs. The full results of the questions sent to Audit Committee Chairs can be found in Appendix A.

The surveys were conducted using two online forms. An email containing a survey link was sent, on the one hand to the directors of finance or equivalent of all 486 audited bodies served by PSAA, and on the other hand to the 451 chairs of those organisations' Audit Committees. The overall number of directors of finance was greater than the number of Audit Committee Chairs because in some instances, information on the Audit Committee Chair was unavailable. The surveys were available to complete during the period November to December 2019.

The final overall response rate for the directors of finance part of the research was 40 per cent (193 directors of finance). The final overall response rate for the Audit Committee Chairs' part of the research was much lower at 17 per cent (75 Audit Committee Chairs). This level of response rate means that these results should not be taken to be more widely representative of the views of all councils. Rather, they are a snapshot of the views of this particular group of respondents.

PSAA views the feedback of Audit Committee Chairs as being very important for the assessment and improvement of audit firm performance in fulfilling their obligations under the contract. PSAA has encouraged the participation of this group of responders and will continue to engage through a variety of means, including the bi-annual Local Audit Quality Forums, as a mechanism

for obtaining views and feedback from Audit Committee Chairs. In order to give due prominence to the views and comments expressed in the survey received from this group, we have included their comments and response charts alongside the analysis of the director of finance responses where most appropriate. We provide a full analysis from the Audit Committee Chairs in Appendix A.

Summary of results:

Skills and tools of the audit team

- More than 9 out of 10 directors of finance agreed that their auditor clearly explained what the key audit risks were for their organisation.
- Between 40 and 60 per cent of finance directors agreed that their auditor was timely and worked on a no surprises basis.
- Around 60 per cent of finance directors agreed that the audit team had the skills to deliver the audit.
- Under 60 per cent of finance directors agreed that the audit team made good use of information technology to streamline the audit.

Communications

- Around 70 per cent of finance directors agreed that the auditor kept them informed of progress throughout the audit year, and a similar proportion agreed that the auditor clearly explained what work had been completed to address the key risks identified.
- Around 80 per cent of finance directors agreed that the auditor, when presenting the audit closure report, clearly explained the work undertaken and conclusions reached.
- Around 65 per cent of finance directors agreed that the auditor's reports and communications provided insight into the organisation's financial reporting practices.
- Around half of directors of finance who experienced significant differences in views between management and the audit team agreed that these differences in views were clearly explained and information was provided on a timely basis.

Fee variations

- Almost 80 per cent of finance directors reported that their auditor had proposed an additional audit fee at some point during the process.
- More than 82 per cent of these agreed that the audit team explained the reasons for the proposed additional fee.
- Under 30 per cent of these agreed that the audit team explained how the proposed additional fee might be avoided in future years, where appropriate.
- Over 60 per cent of these agreed that the additional fee was reported to the Audit Committee in a timely manner.

Auditor changes

- Just over 20 per cent of finance directors reported that there had been a change in the appointed audit firm.
 - Of these, around 50 per cent agreed that they were satisfied with the management of the transition by the new firm.
- Just over 40 per cent of finance directors reported that there had been a change in the engagement lead.
 - Of these, around 65 per cent agreed that they were satisfied with how the handover was managed.
- Just over 40 per cent of finance directors reported that there had been a change in the audit manager.
 - Of these, just over 50 per cent agreed that they were satisfied with how the handover was managed.
- Just under half of finance directors reported that their audit opinion had been delayed beyond 31 July 2019.
 - Of these, just over 40 per cent agreed that the need to do this and the underlying reason was communicated on a timely basis.
 - Of these, around 15 per cent agreed that the auditor made arrangements to minimise disruption to the organisation.

Meeting expectations

- Just over 60 per cent of finance directors agreed that the audit service provided met expectations for the provision of the audit as set out in the audit firm's method statement.

Themes emerging from comments provided by finance directors

- Themes mostly expressed dissatisfaction or concern with various features of the audit, including proposals of additional fees; lack of communication and delays; poorly managed team changes; the audit team's lack of experience and resources; and more specific concerns around the audit approach, McCloud issues and accounting issues.
- A small number of respondents also expressed dissatisfaction with PSAA and/or MHCLG.
- However, several comments expressed a good working relationship especially with the local audit team and their ability to deliver a satisfactory service under challenging conditions.

Introduction

Public Sector Audit Appointments (PSAA) is specified by the Secretary of State for Housing, Communities and Local Government under the Local Audit and Accountability Act 2014 (the Act 2014) and the Local Audit (Appointing Person) Regulations 2015 (regulations) as the appointing person for principal local government bodies in England, including local police and fire bodies.

Under the PSAA national auditor appointment scheme, auditor appointments were made to 486 authorities comprising organisations in the public sector (local government, police and fire and rescue) that opted in (98%) for the five-year period 2018/19 to 2022/23. The Regulations require PSAA to 'monitor compliance by a local auditor against the contractual obligations in an audit contract'. PSAA carries out an annual programme of work to provide assurance to audited bodies and other stakeholders that quality audits are being delivered.

An important element of the monitoring programme is how the audit firms have managed relations with the audited bodies. In order to inform this monitoring process, it is vital that PSAA obtains customer feedback to understand the views of the bodies it appoints the auditors for, establishing how useful the audit process and outputs are and considering how auditors can improve in this regard. To that end, PSAA commissioned the LGA's Research and Information team to conduct survey research surveys seeking the views and experiences of directors of finance and Audit Committee Chairs, respectively, in relation to audits taking place in 2019/20 relating to the 2018/19 financial year which is the first year of the new contract.

This is a report of the survey's findings. The main body of this survey covers the questions sent to directors of finance, with brief comparisons drawn from the questions sent to Audit Committee Chairs. The full results of the questions sent to Audit Committee Chairs can be found in Appendix A.

Methodology

The surveys were conducted by the LGA's Research and Information team using two online forms. An email containing a survey link was sent to the directors of finance or equivalent of all 486 audited bodies served by PSAA, and to the 451 chairs of those organisations' Audit Committees. The overall number of directors of finance was greater than the number of Audit Committee Chairs because in some instances, information on the Audit Committee Chair was unavailable. All authorities received a survey, even in the case of the 100 authorities where the audit was still in progress as of 30 November 2019. The surveys were available to complete online between November and December 2019. A number of reminders to non-responders were issued during this period.

The final overall response rate for the directors of finance part of the research was 40 per cent (193 directors of finance). Table 1 shows finance director respondents broken down by the firm responsible for auditing their organisation.

Audit firm	Contract split (%)	Respondents (%)	Respondents (Number)
BDO	6%	5%	9
Deloitte	6%	5%	9
Ernst & Young	30%	35%	67
Grant Thornton	40%	40%	78
Mazars	18%	16%	30
Total	100%	100%	193

The final overall response rate for the Audit Committee Chairs part of the research was 17 per cent (75 Audit Committee Chairs). Table 2 shows Audit Committee Chair respondents broken down by the firm responsible for auditing their organisation.

Region	Contract split (%)	Respondents (%)	Respondents (Number)
BDO	6%	7%	5
Deloitte	6%	4%	3
Ernst & Young	30%	35%	26
Grant Thornton	40%	33%	25
Mazars	12%	21%	16
Total	100%	100%	75

Where tables and figures report the base, the description refers to the group of people who were asked the question and the number in brackets refers to the number of respondents who answered each question. Please note that bases vary throughout the survey.

Where the response base is less than 50, care should be taken when interpreting percentages, as small differences can seem magnified. Therefore, where this is the case in this report, the non-percentage values are reported, in brackets, alongside the percentage values. Where this is the case, any significant analysis is not reliable and only the top line data findings will be shown.

Throughout the report percentages in figures and tables may add to more than 100 per cent due to rounding.

In the survey the word 'auditor' covers the firm and the audit partner. Audit Committee is used to refer to the committee that the auditor reports to. The Engagement Lead (EL) is the audit partner or director who is the individual responsible for the audit and signs the opinion.

PSAA quality of audit service feedback survey

This section contains analysis of the full set of results of the part of the survey relating to finance directors. Each sub-section includes:

- An overall summary of the finance director results;
- A breakdown of the finance director results by audit firm;
- A brief comparison with the Audit Committee Chairs results;
- And a selection of representative quotes provided by the finance director respondents.

Efficiency and effectiveness of the audit

Finance director respondents were asked to say the extent to which they agreed with a set of statements related to the efficiency and effectiveness of their audit. More than nine out of 10 (92 per cent) said they strongly agreed or tended to agree that the auditor clearly explained what the key audit risks were for their organisation. Three fifths (60 per cent) said they strongly agreed or tended to agree that documentation and information requests were made on a timely basis. Half (50 per cent) strongly agreed or tended to agree that outputs and fieldwork were provided and completed in line with the agreed timetable; slightly less than half (44 per cent) tended to disagree or strongly disagreed with this statement. Finally, more than half (55 per cent) strongly agreed or tended to agree that communications were made on a no surprises basis.

Table 3: To what extent do you agree or disagree with the following statements in relation to efficiency and effectiveness of the audit?					
Statements	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree
The auditor clearly explained what the key audit risks are for your organisation.	48%	44%	6%	2%	1%
Documentation and information requests were made on a timely basis.	20%	40%	11%	17%	11%
Outputs and fieldwork provided and completed in line with agreed timetable.	18%	32%	6%	18%	26%
Communications were made on a no surprises basis.	23%	32%	11%	21%	13%

Base: all finance director respondents (193)

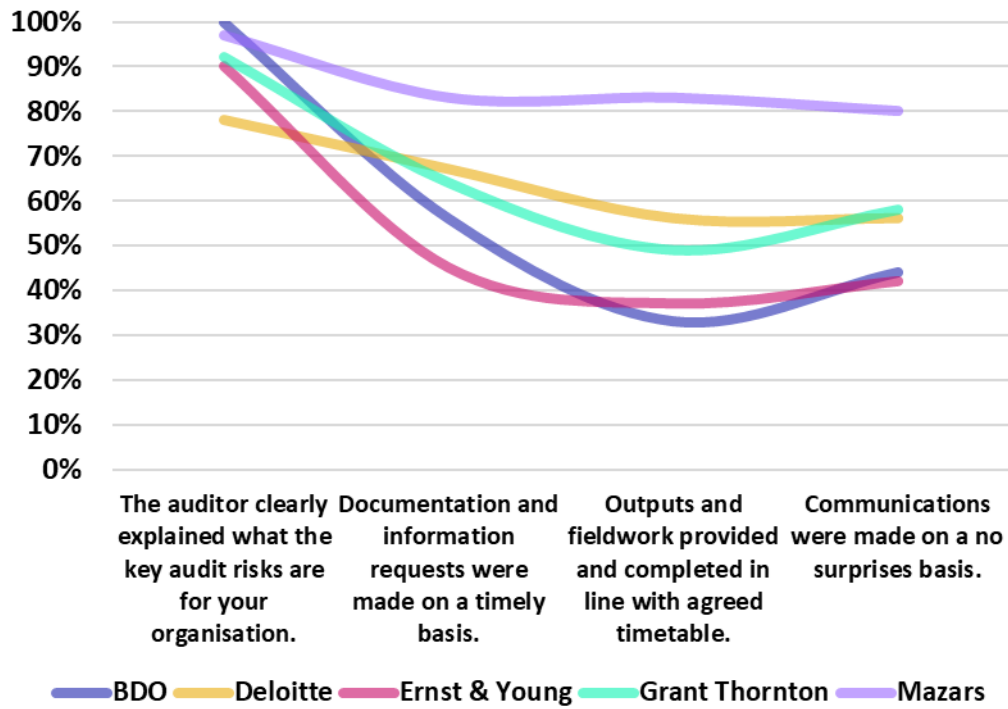


Figure 1. To what extent do you agree or disagree with the following statements in relation to efficiency and effectiveness of the audit? Percentage selecting “strongly agree” or “tend to agree” by audit firm

Table 4: To what extent do you agree or disagree with the following statements in relation to efficiency and effectiveness of the audit? Percentage selecting “strongly agree” or “tend to agree” by audit firm

Statements	BDO	Deloitte	Ernst & Young	Grant Thornton	Mazars
The auditor clearly explained what the key audit risks are for your organisation.	100%	78%	90%	92%	97%
Documentation and information requests were made on a timely basis.	56%	67%	45%	64%	83%
Outputs and fieldwork provided and completed in line with agreed timetable.	33%	56%	37%	49%	83%
Communications were made on a no surprises basis.	44%	56%	42%	58%	80%

Base: all finance director respondents (193)

The comments that finance director respondents provided identify a wide variety of working practices ranging from highly positive to highly negative. According to one respondent, “Good working relationships meant audit queries were raised and resolved in a timely manner.” Another reported that “Early Audit Planning ensured the audit went well,” and another said “We appreciate the hard work of the local audit team in making sure that the audit was completed by 31st July, which is a very challenging deadline for an authority of our size.” On the other hand, one respondent reported that “the firm were clearly not prepared for the volume of work in taking on so many LA audits at the same time.” Another said of their firm that “they struggled to make the deadlines, a lot of very late requests for evidence,” and another reported that they received a late phone call one Friday to say that the audit was not taking place, where the audit was due to start on the following Monday.

Skills and tools of the audit team

Finance director respondents were asked to say the extent to which they agreed with a set of statements related to the skills and tools of the audit team. More than three fifths (61 per cent) said they strongly agreed or tended to agree that the audit team had the skills (including necessary knowledge and understanding) to deliver the audit. Almost three fifths (56 per cent) said they strongly agreed or tended to agree that the audit team made good use of information technology to streamline the audit. Nearly three quarters (74 per cent) strongly agreed or tended to agree that the auditor could be approached to act as a sounding board when required.

Table 5: To what extent do you agree or disagree with the following statements in relation to the skills and tools of the audit team?

Statements	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree
The audit team had the skills (including necessary knowledge and understanding) to deliver the audit.	20%	41%	13%	19%	6%
The audit team made good use of information technology to streamline the audit.	24%	32%	25%	12%	7%
The auditor can be approached to act as a sounding board when required.	41%	33%	17%	7%	2%

Base: all finance director respondents (190)

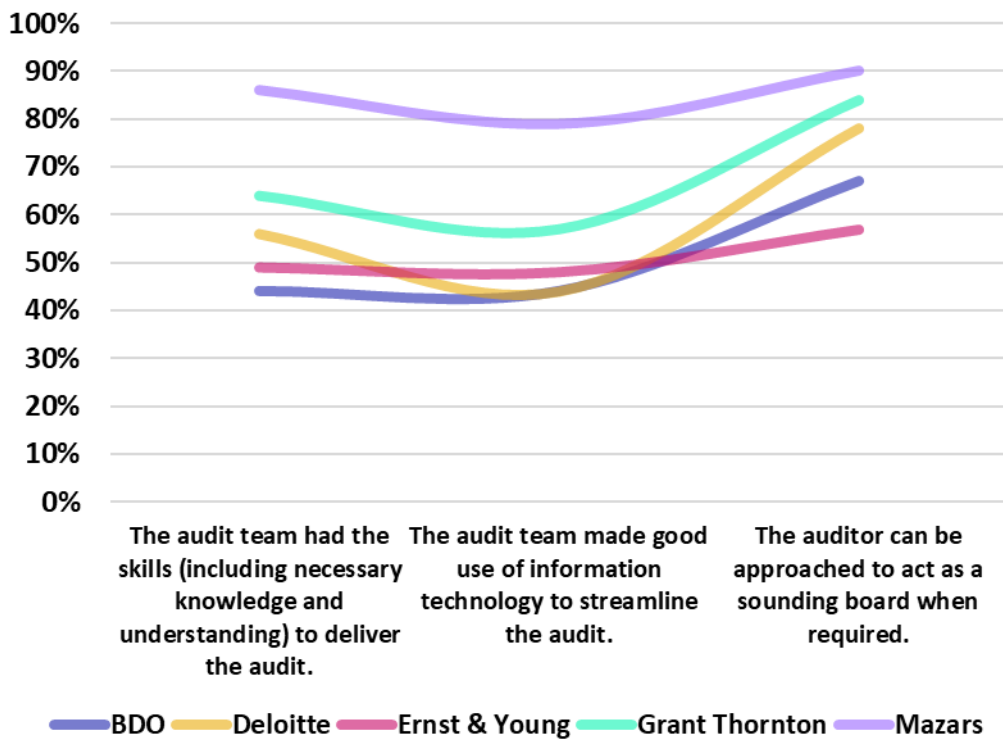


Figure 2. To what extent do you agree or disagree with the following statements in relation to the skills and tools of the audit team? Percentage selecting "strongly agree" or "tend to agree" by audit firm

Table 6: To what extent do you agree or disagree with the following statements in relation to the skills and tools of the audit team? Percentage selecting “strongly agree” or “tend to agree” by audit firm

Statements	BDO	Deloitte	Ernst & Young	Grant Thornton	Mazars
The audit team had the skills (including necessary knowledge and understanding) to deliver the audit.	44%	56%	49%	64%	86%
The audit team made good use of information technology to streamline the audit.	44%	44%	48%	57%	79%
The auditor can be approached to act as a sounding board when required.	67%	78%	57%	84%	90%

Base: all finance director respondents (190)

According to the open text comments, there were in some cases “overall very knowledgeable auditors that adopted a pragmatic approach,” but many comments reflected “a great deal of 'train the auditor' activity,” “issues regarding the quality of the audit staff used and lack of experience,” and “little to no knowledge of local government specifics.” In one case, “the audit took place in an organisation they had previously audited and yet I discovered basic errors from the council side which any capable auditor could have discovered with a reasonable degree of capability.”

Communications

Finance director respondents were asked to say the extent to which they agreed with a set of statements related to the audit team’s communications with their organisation. Seven out of 10 (70 per cent) said they strongly agreed or tended to agree that the auditor kept them informed of progress throughout the audit year enabling them to take prompt action when needed. More than seven out of 10 (71 per cent) said they strongly agreed or tended to agree that the auditor clearly explained what work had been completed to address the key audit risks identified. Four fifths (80 per cent) strongly agreed or tended to agree that the auditor, when presenting the audit closure report, clearly explained the work undertaken and conclusions reached. Finally, nearly two thirds (65 per cent) strongly agreed or tended to agree that the auditor’s reports and communications provided insight into the organisation’s financial reporting practices and helped with fulfilment of governance responsibilities including practical recommendations for improvement where appropriate.

Table 7: To what extent do you agree or disagree with the following statements in relation to the audit team’s communications with your organisation?

Statements	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree
The auditor kept me informed of progress throughout the audit year enabling me to take prompt action when needed.	29%	41%	8%	15%	7%
The auditor clearly explained what work had been completed to address the key audit risks identified.	24%	47%	10%	12%	7%
The auditor when presenting the audit closure report clearly explained the work undertaken and conclusions reached.	43%	37%	12%	6%	2%
The auditor’s reports and communications provided insight into the organisation’s financial reporting practices and helped with fulfilment of governance responsibilities including practical recommendations for improvement where appropriate.	28%	36%	23%	10%	3%

Base: all finance director respondents (193)

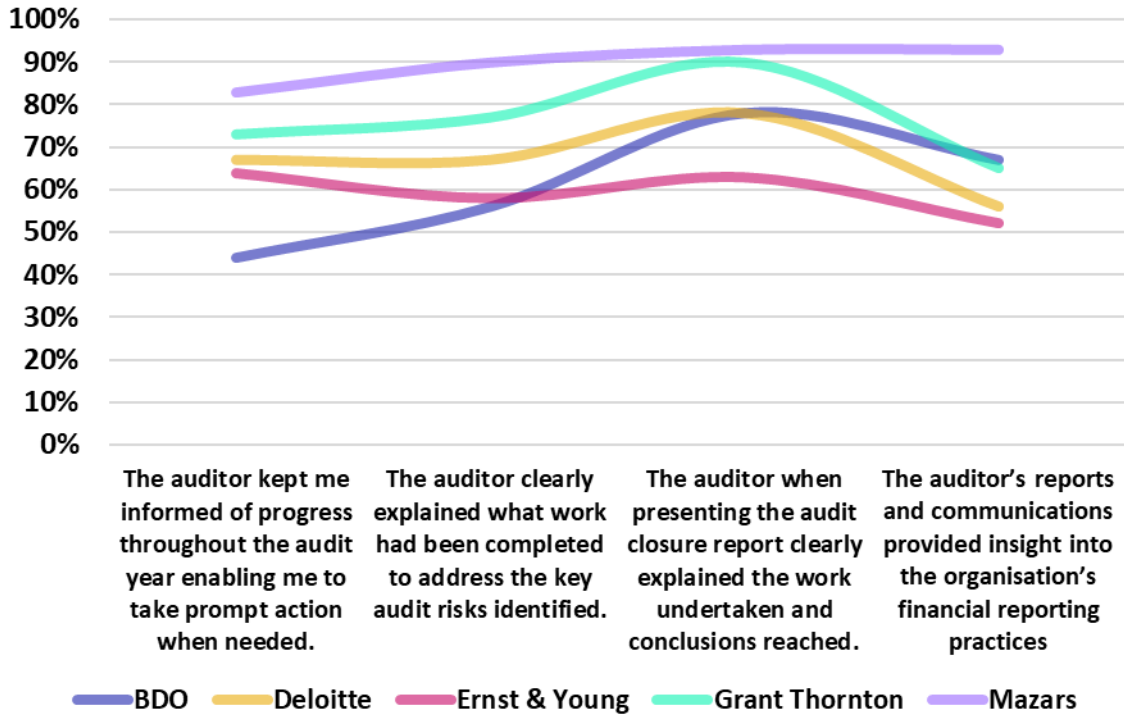


Figure 3. To what extent do you agree or disagree with the following statements in relation to the audit team's communications with your organisation? Percentage selecting "strongly agree" or "tend to agree" by audit firm

Table 8: To what extent do you agree or disagree with the following statements in relation to the audit team’s communications with your organisation? Percentage selecting “strongly agree” or “tend to agree” by audit firm

Statements	BDO	Deloitte	Ernst & Young	Grant Thornton	Mazars
The auditor kept me informed of progress throughout the audit year enabling me to take prompt action when needed.	44%	67%	64%	73%	83%
The auditor clearly explained what work had been completed to address the key audit risks identified.	56%	67%	58%	77%	90%
The auditor when presenting the audit closure report clearly explained the work undertaken and conclusions reached.	78%	78%	63%	90%	93%
The auditor’s reports and communications provided insight into the organisation’s financial reporting practice, and helped with fulfilment of governance responsibilities including practical recommendations for improvement where appropriate.	67%	56%	52%	65%	93%

Base: all finance director respondents (193 for Rows 1 and 2, 189 for Row 3, 190 for Row 4)

Finance director respondents were asked the extent to which they agreed or disagreed that, where there were significant differences in views between management and the audit team, these were clearly explained, and information was provided on a timely basis. While just over a third (35 per cent) said they strongly agreed or tended to agree with the statement, 30 per cent said the statement was not applicable – there were no significant differences in views between management and the audit team.

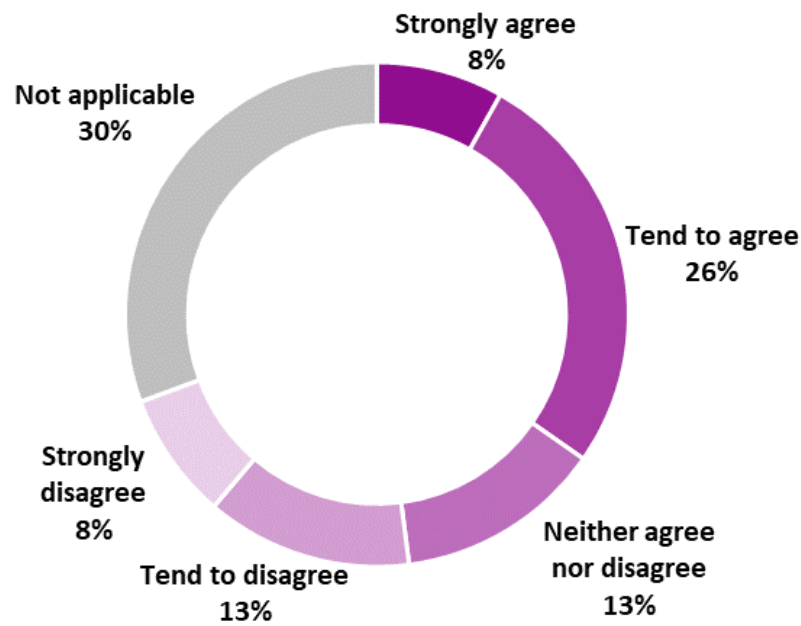


Figure 4. Where there were significant differences in views between management and the audit team, these were clearly explained, and information was provided on a timely basis.

Table 9: Where there were significant differences in views between management and the audit team, these were clearly explained, and information was provided on a timely basis.

Response	Per cent
Strongly agree	8%
Tend to agree	26%
Neither agree nor disagree	13%
Tend to disagree	13%
Strongly disagree	8%
Not applicable - there were no significant differences in views between management and the audit team	30%

Base: all finance director respondents (193)

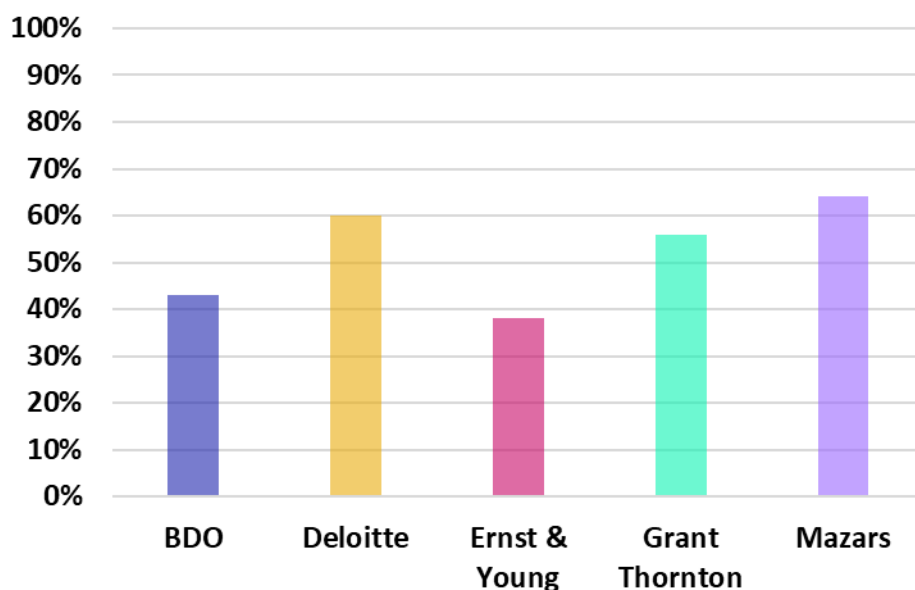


Figure 5. Where there were significant differences in views between management and the audit team, these were clearly explained, and information was provided on a timely basis. Percentage excluding not applicable selecting “strongly agree” or “tend to agree” by audit firm

Table 10: Where there were significant differences in views between management and the audit team, these were clearly explained, and information was provided on a timely basis. Percentage excluding not applicable selecting “strongly agree” or “tend to agree” by audit firm

Response	Per cent
BDO	43%
Deloitte	60%
Ernst & Young	38%
Grant Thornton	56%
Mazars	64%

Base: all finance director respondents (193)

For comparison, the responses from the Audit Committee Chairs were broadly similar, with large majorities agreeing that the auditors clearly explained the audit plan to the Audit Committee; that the auditor could be approached to act as a sounding board when required; that the auditor clearly explained the work undertaken and conclusions reached when presenting the audit closure report; that the auditor provided insight into the organisation’s processes and helped fulfil responsibilities; and that the audit team informed the Audit Committee of developments in accounting principles and auditing standards and the potential impact of these on the audit. Over half of respondents indicated that the Audit Committee had the opportunity to meet privately with the audit team, and of these a large majority agreed that this meeting was used effectively to provide assurance to the committee. Finally, while the majority reported no significant differences in views, the majority of those who did report them agreed that the auditor presented a clear point of view on

accounting issues in these situations (see Appendix A for a full summary).

The finance directors' open text comments reflect a range of issues regarding communications. One respondent reported that "in general communications were poor and we had to chase progress on many occasions," and another wrote that "in general I find the auditors less willing to engage in dialogue" than they found a few years previously under the Audit Commission. However, some respondents reported positive comments such as "the audit team were really easy to engage with and made it feel like a collaborative approach to conclude the audit."

Table 11: To what extent do you agree or disagree with the following statements in relation to the audit team's communications with your organisation? (from the survey of Audit Committee Chairs)

Statements	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree
The auditor clearly explained the audit plan (how it addressed the Code requirements and specific areas of audit risk including fraud risk and the VFM arrangements conclusion) to the Audit Committee.	53%	36%	5%	4%	1%
The auditor can be approached to act as a sounding board when required.	47%	28%	13%	9%	3%
The auditor when presenting the audit closure report clearly explained the work undertaken and conclusions reached.	53%	28%	7%	5%	7%
The auditor's reports and communications provided insight into the organisation's financial reporting practices, and helped with fulfilment of governance responsibilities including practical recommendations for improvement where appropriate.	47%	27%	11%	11%	4%
The audit team informed the Audit Committee of current developments in accounting principles and auditing standards and the potential impact of these on the audit.	47%	30%	12%	4%	7%

Base: all Audit Committee Chair respondents (75)

Table 12: Where there were significant differences in views between management and the audit team, the auditor presented a clear point of view on accounting issues where management's perspective differed. (From the survey of Audit Committee Chairs)

Response	Per cent
Strongly agree	4%
Tend to agree	26%
Neither agree nor disagree	11%
Tend to disagree	5%
Strongly disagree	1%
Not applicable - there were no significant differences in views between management and the audit team	52%

Base: all Audit Committee Chair respondents who answered this question (73)

Fee Variations

Just over three quarters of finance director respondents (77 per cent) indicated that their auditor had proposed an additional audit fee at some point during the process. Respondents who indicated that an additional fee had been proposed were then asked the extent to which they agreed or disagreed with three statements in relation to that fee change.

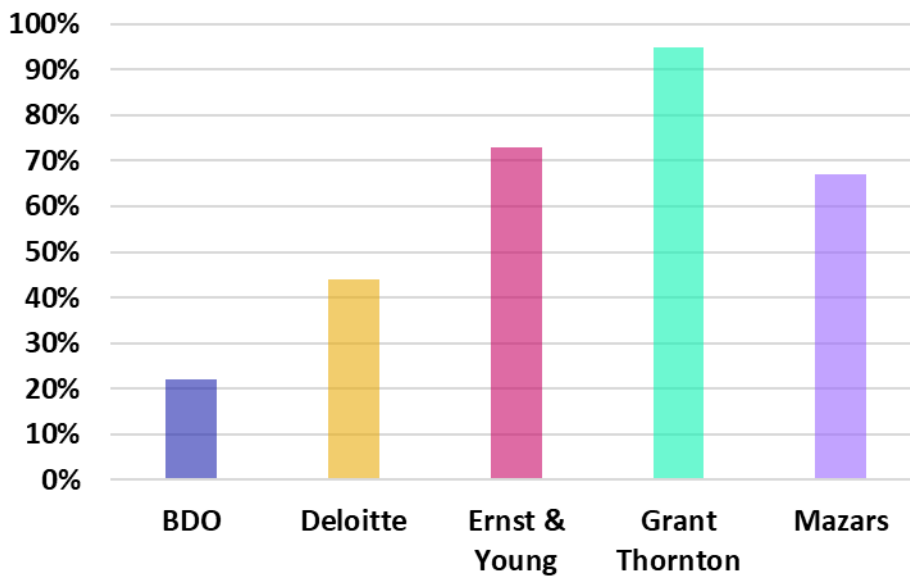


Figure 6. Has your auditor proposed an additional audit fee at any time? Percentage of respondents selecting "yes" by audit firm

Table 13: Has your auditor proposed an additional audit fee at any time? Percentage of respondents selecting “yes” by audit firm.

Response	Per cent
BDO	22%
Deloitte	44%
Ernst & Young	73%
Grant Thornton	95%
Mazars	67%

Base: all finance director respondents (193)

More than four fifths (82 per cent) said they strongly agreed or tended to agree that the audit team explained the reasons for the proposed additional fee. Nearly half (48 per cent) said they tended to disagree or strongly disagreed that the audit team explained how the additional fee might be avoided in future years, where appropriate; a further 25 per cent said they neither agreed nor disagreed with that statement. Nearly two thirds (64 per cent) strongly agreed or tended to agree that this proposed additional fee was reported to the Audit Committee in a timely manner.

Table 14: To what extent do you agree or disagree with the following statements in relation to the proposed additional audit fee?

Statements	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree
Where an additional fee is proposed the audit team explained the reasons for this.	30%	51%	9%	5%	4%
Where an additional fee is proposed the audit team explained how it might be avoided in future years, where appropriate.	11%	16%	25%	27%	21%
Where an additional audit fee is proposed, this was reported to the Audit Committee in a timely manner.	28%	36%	13%	11%	12%

Base: finance director respondents who indicated that an additional audit fee had been proposed (148)

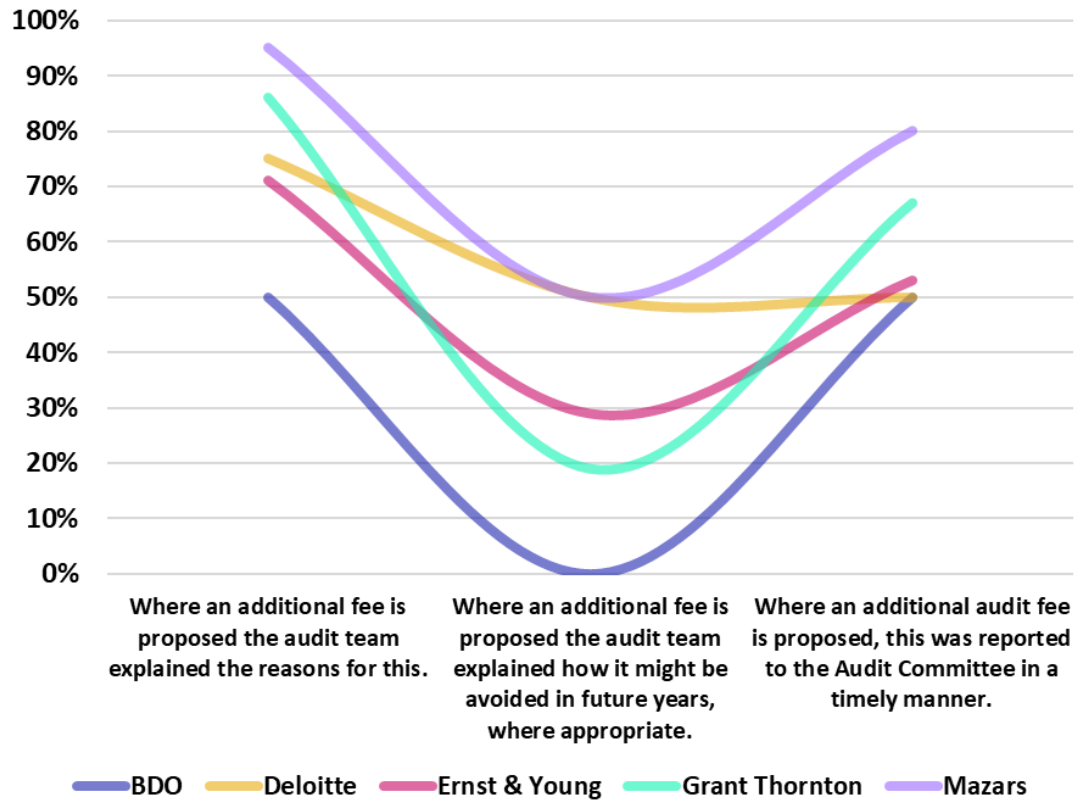


Figure 7. To what extent do you agree or disagree with the following statements in relation to the proposed additional audit fee? Percentage selecting “strongly agree” or “tend to agree” by audit firm

Table 15: To what extent do you agree or disagree with the following statements in relation to the proposed additional audit fee? Percentage selecting “strongly agree” or “tend to agree” by audit firm

Statements	BDO	Deloitte	Ernst & Young	Grant Thornton	Mazars
Where an additional fee is proposed the audit team explained the reasons for this.	50%	75%	71%	86%	95%
Where an additional fee is proposed the audit team explained how it might be avoided in future years, where appropriate.	0%	50%	29%	19%	50%
Where an additional audit fee is proposed, this was reported to the Audit Committee in a timely manner.	50%	50%	53%	67%	80%

Base: finance director respondents who indicated that an additional audit fee had been proposed (148 in Rows 1 and 3, 146 in Row 2)

For comparison, just over half of Audit Committee Chair respondents indicated that their auditor had proposed an additional audit fee at some point during the process, and of these, a large majority agreed that the audit team explained the reasons for the proposed additional fee. Opinion was divided on whether the audit team explained how the additional fee might be avoided in future years, with around a third agreeing, around a third disagreeing, and around a third neither agreeing nor disagreeing. A large majority agreed that the proposed additional fee was reported to the Audit Committee in a timely manner (see Appendix A for a full summary).

In the open text comments, one respondent noted that whilst the auditor identified a rationale for an increased fee, the council disputed it because of a lack of work delivered. Another example of a mixed situation was that “additional audit fees were not notified to us in advance, but clear explanations given once they were.” One respondent expressed dissatisfaction with this process overall, stating that “we were disappointed that we were presented with a proposed additional fee for work, after the accounts were signed off, which we felt was unnecessary.” In almost all cases the comments expressed concern about audit fees “beginning to creep up.”

Auditor changes

Just over a fifth (22 per cent) of finance director respondents had indicated that there had been a change in the appointed audit firm. These respondents were asked the extent to which they agreed or disagreed that they were satisfied with the management of the transition by the new firm. Half (50 per

cent, 21 respondents) said they strongly agreed or tended to agree.

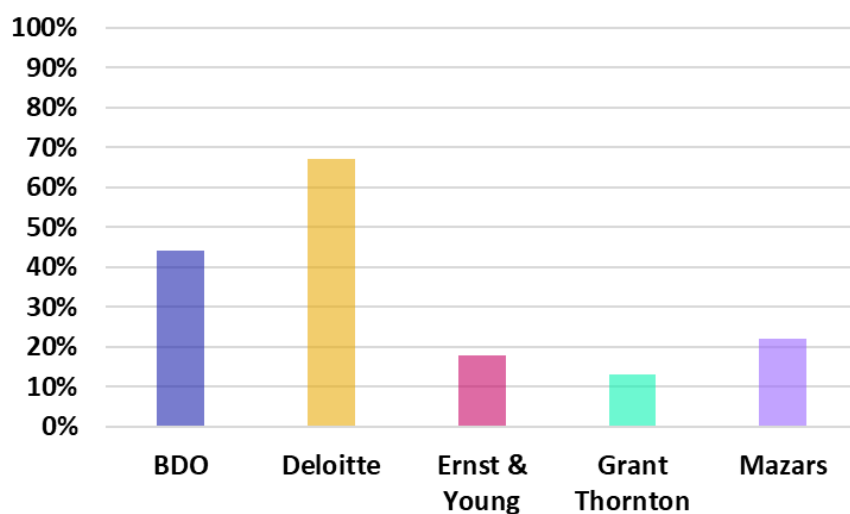


Figure 8. Has there been a change in the appointed audit firm? Percentage of respondents selecting "yes" by audit firm

Table 16: Has there been a change in the appointed audit firm? Percentage of respondents selecting "yes" by audit firm	
Response	Per cent
BDO	44%
Deloitte	67%
Ernst & Young	18%
Grant Thornton	13%
Mazars	22%

Base: all finance director respondents (193)

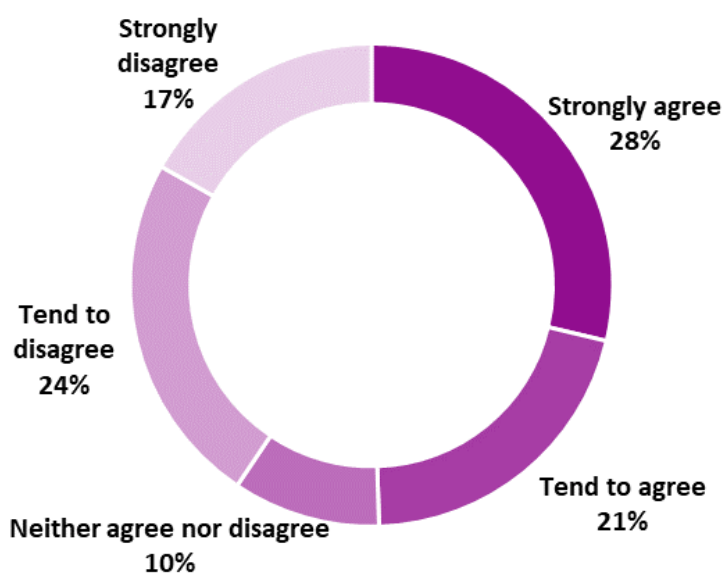


Figure 13. Where there has been a change in the appointed audit firm I was satisfied with the management of the transition by the new firm.

Table 17: Where there has been a change in the appointed audit firm I was satisfied with the management of the transition by the new firm.

Response	Per cent	Count
Strongly agree	29%	12
Tend to agree	21%	9
Neither agree nor disagree	10%	4
Tend to disagree	24%	10
Strongly disagree	17%	7

Base: finance director respondents who indicated that there had been a change in the appointed audit firm (42)

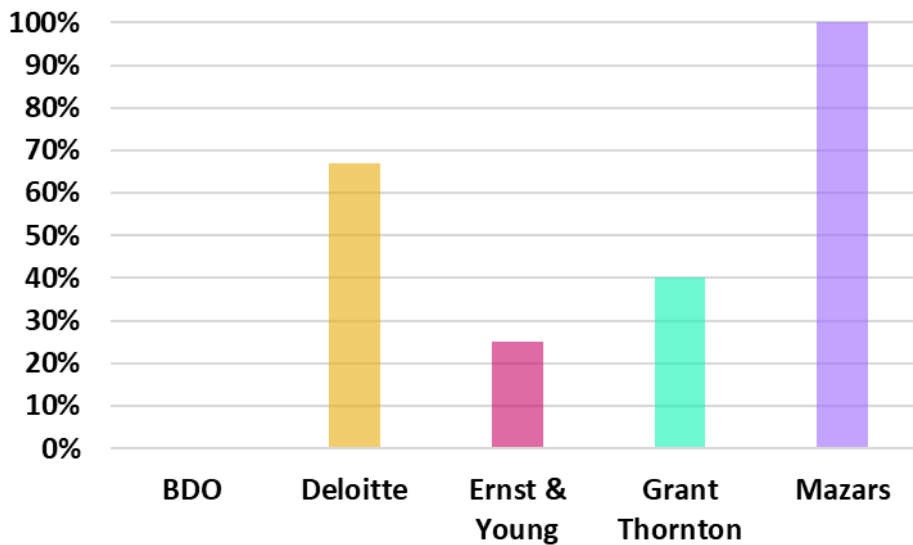


Figure 9. Where there has been a change in the appointed audit firm I was satisfied with the management of the transition by the new firm. Percentage selecting “strongly agree” or “tend to agree” by audit firm

Table 18: Where there has been a change in the appointed audit firm I was satisfied with the management of the transition by the new firm. Percentage selecting “strongly agree” or “tend to agree” by audit firm

Response	Per cent	Count
BDO	0%	0
Deloitte	67%	4
Ernst & Young	25%	3
Grant Thornton	40%	4
Mazars	100%	10

Base: finance director respondents who indicated that there had been a change in the appointed audit firm (42)

For comparison, just over two thirds of Audit Committee Chair respondents strongly agreed or tended to agree that, where there had been a change in the appointed audit firm, they were satisfied with the management of the transition by the new firm (see Appendix A for a full summary).

The open text comments regarding the transition by the new firm reflected issues such as “the audit handover process does not enable the transfer of sufficient underlying documentation,” with one respondent expressing that “in my opinion the onsite team were let down through their parent organisation. Clearly didn't understand the complexity of the council and didn't appear to have completed the handover work and interim audit work before the final audit commenced.” Nevertheless, one respondent wrote that “the first year audit from a new provider can be challenging. However, in this instance the transition was seamless.”

Just over two fifths (42 per cent) of finance director respondents indicated that there had been a change in the engagement lead. The engagement lead refers to the audit partner or director who is the individual responsible for the audit and signs the opinion. Where there had been a change in the engagement lead, these respondents were asked the extent to which they agreed or disagreed that they were satisfied with how the handover was managed. Nearly two thirds (65 per cent) said they strongly agreed or tended to agree with that statement.

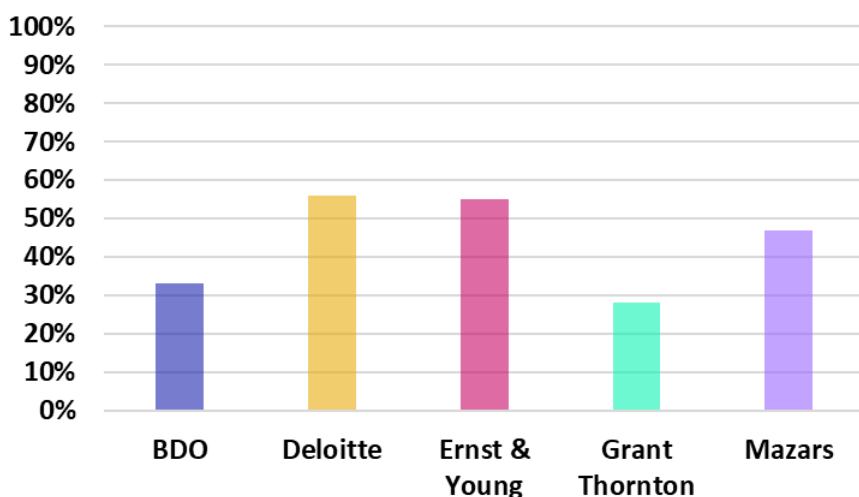


Figure 10. Has there been a change in the engagement lead? Percentage of respondents selecting “yes” by (current) audit firm

Table 19: Has there been a change in the engagement lead? Percentage of respondents selecting “yes” by (current) audit firm	
Response	Per cent
BDO	33%
Deloitte	56%
Ernst & Young	55%
Grant Thornton	28%
Mazars	47%

Base: all finance director respondents (193)

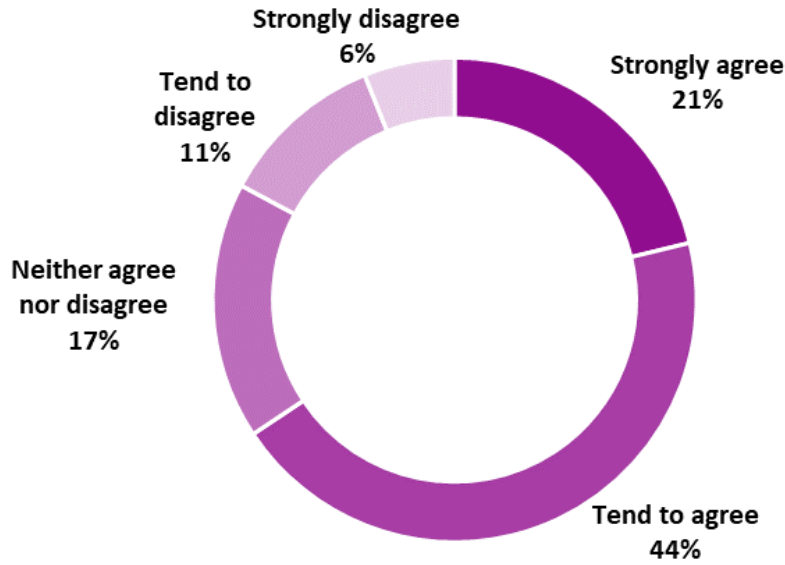


Figure 11. Where there has been a change in the engagement lead, I was satisfied with how the handover was managed.

Table 20: Where there has been a change in the engagement lead, I was satisfied with how the handover was managed.

Response	Per cent
Strongly agree	21%
Tend to agree	44%
Neither agree nor disagree	17%
Tend to disagree	11%
Strongly disagree	6%

Base: finance director respondents who indicated that there had been a change in the engagement lead (81)

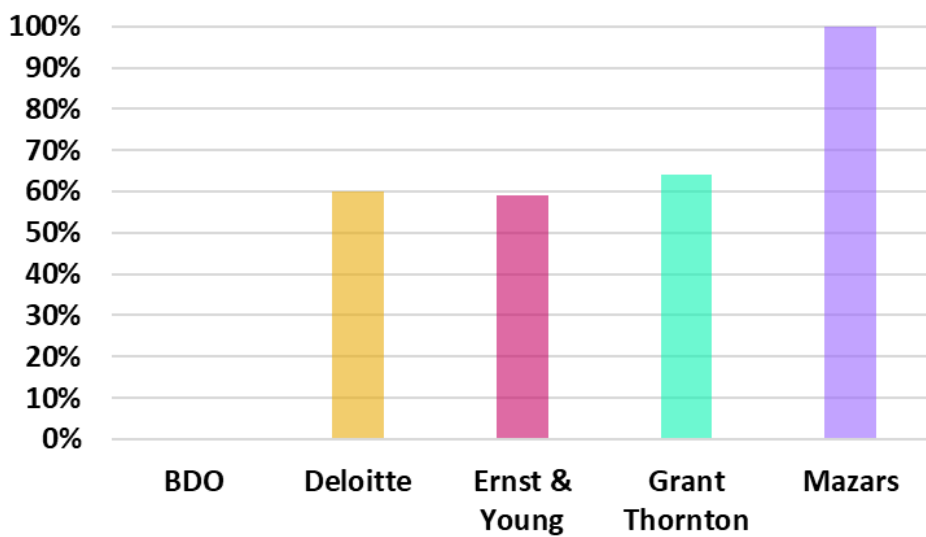


Figure 12. Where there has been a change in the engagement lead, I was satisfied with how the handover was managed. Percentage selecting “strongly agree” or “tend to agree” by audit firm

Table 21: Where there has been a change in the engagement lead I was satisfied with how the handover was managed. Percentage selecting “strongly agree” or “tend to agree” by audit firm

Response	Per cent
BDO	0%
Deloitte	60%
Ernst & Young	59%
Grant Thornton	64%
Mazars	100%

Base: finance director respondents who indicated that there had been a change in the engagement lead (81)

For comparison, just over two fifths of Audit Committee Chairs indicated that there had been a change in the engagement lead, of which over half agreed that they were satisfied with how the handover was managed (see Appendix A for a full summary).

One open text comment expressed frustration that the new engagement lead was unable to attend several key meetings, making the transition rougher than was necessary. Another wrote that “the change in audit lead was unfortunate but could have been handled better especially around expectations of the change in working practice between the two.”

Just over two fifths (43 per cent) of finance director respondents indicated that there had been a change in the audit manager. Where there had been a change in the audit manager, these respondents were asked the extent to which they agreed or disagreed that they were satisfied with how the handover was managed. Just over half (52 per cent) said they strongly agreed or tended to agree with that statement.

One respondent reported that the audit manager was not only changed from the previous financial year, but “was also changed during the audit with little communication why.” Another reported hardly seeing the audit manager, and

also receiving little digital contact from them.

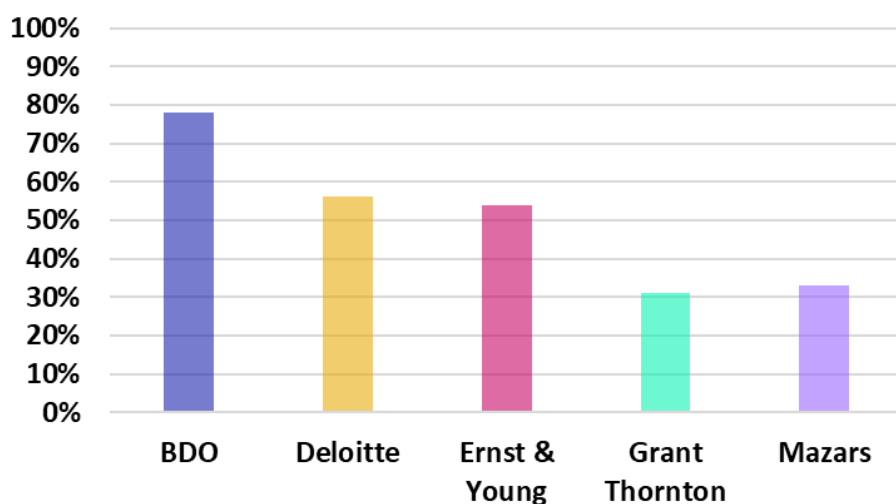


Figure 13. Has there been a change in the audit manager? Percentage of respondents selecting “yes” by (current) audit firm

Table 22: Has there been a change in the audit manager? Percentage of respondents selecting “yes” by (current) audit firm	
Response	Per cent
BDO	78%
Deloitte	56%
Ernst & Young	54%
Grant Thornton	31%
Mazars	33%

Base: all finance director respondents (193)

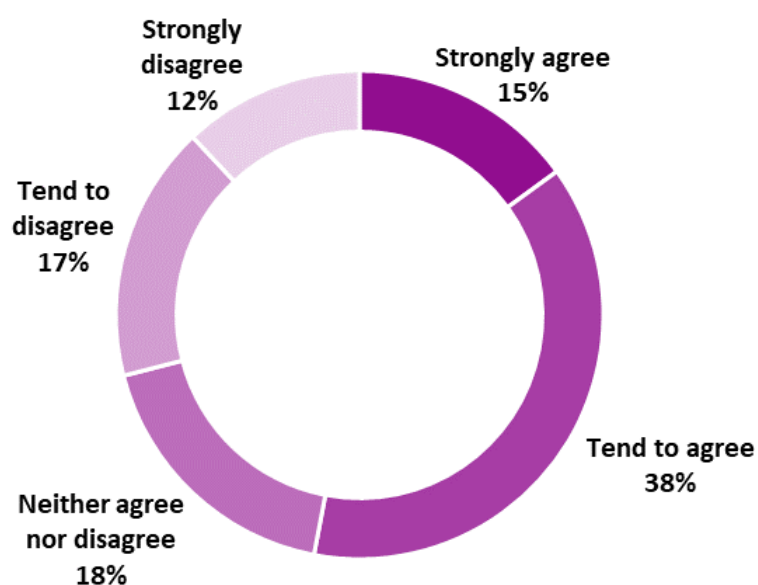


Figure 14. Where there has been a change in the audit manager, I was satisfied with how the handover was managed.

Table 23: Where there has been a change in the audit manager, I was satisfied with how the handover was managed.	
Response	Per cent
Strongly agree	15%
Tend to agree	38%
Neither agree nor disagree	18%
Tend to disagree	17%
Strongly disagree	12%

Base: finance director respondents who indicated that there had been a change in the audit manager (82)

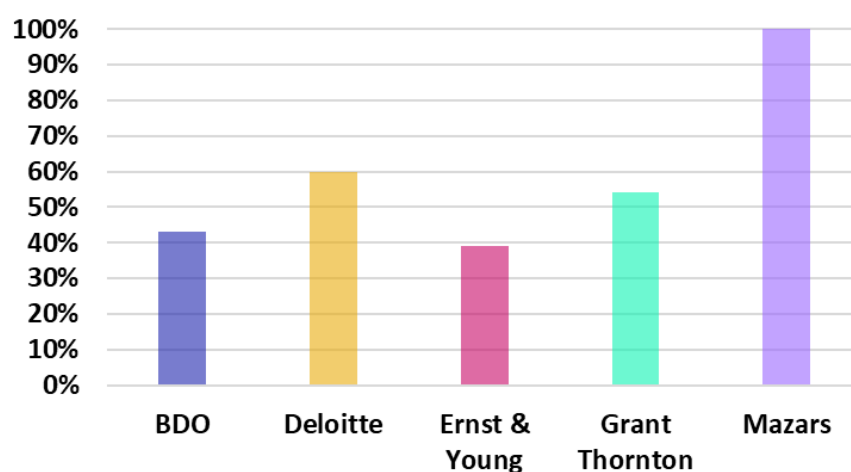


Figure 15. Where there has been a change in the audit manager, I was satisfied with how the handover was managed. Percentage selecting “strongly agree” or “tend to agree” by audit firm

Table 24: Where there has been a change in the audit manager, I was satisfied with how the handover was managed. Percentage selecting “strongly agree” or “tend to agree” by audit firm	
Response	Per cent
BDO	43%
Deloitte	60%
Ernst & Young	39%
Grant Thornton	54%
Mazars	100%

Base: finance director respondents who indicated that there had been a change in the audit manager (82)

Delays in the audit process

Just under half (46 per cent) of finance director respondents indicated that their audit opinion had been delayed beyond 31 July 2019. Where there had been a delay beyond 31 July, these respondents were asked the extent to which they agreed or disagreed that the need to do this and the underlying reason was communicated on a timely basis. Almost half (48 per cent) said they strongly disagreed or tended to disagree with that statement; just over two fifths (42 per cent) strongly agreed or tended to agree with that statement.

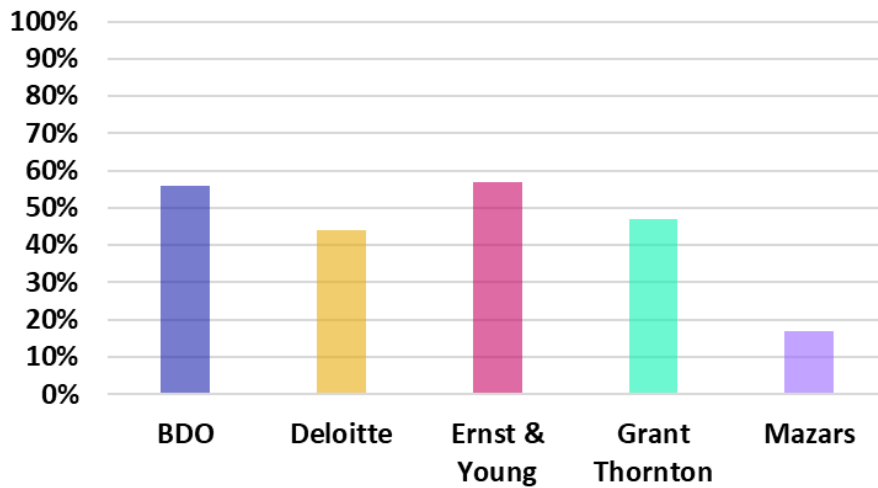


Figure 16. Was the audit opinion delayed beyond 31 July? Percentage of respondents selecting "yes" by (current) audit firm

Table 25: Was the audit opinion delayed beyond 31 July? Percentage of respondents selecting “yes” by (current) audit firm	
Response	Per cent
BDO	56%
Deloitte	44%
Ernst & Young	57%
Grant Thornton	47%
Mazars	17%

Base: all finance director respondents (193)

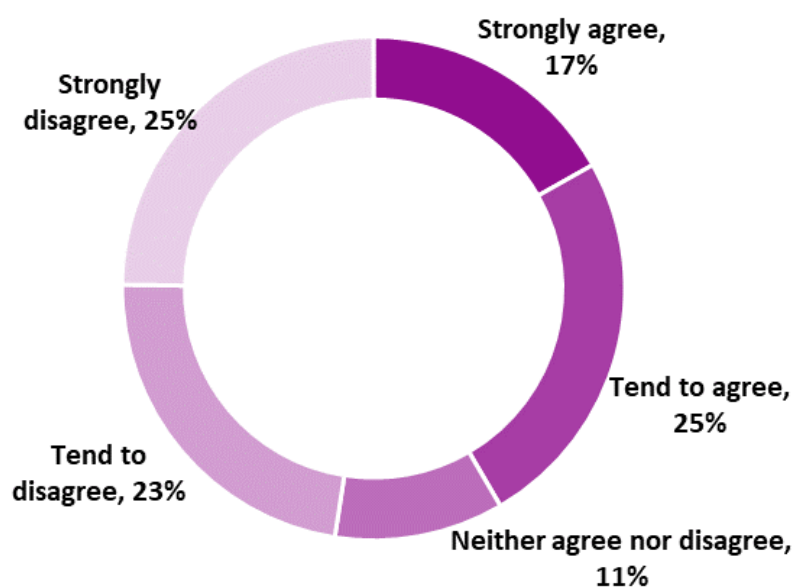


Figure 17. Where the audit opinion was delayed beyond 31 July, the need to do this and the underlying reason was communicated on a timely basis.

Table 26: Where the audit opinion was delayed beyond 31 July, the need to do this and the underlying reason was communicated on a timely basis.	
Response	Per cent
Strongly agree	17%
Tend to agree	25%
Neither agree nor disagree	11%
Tend to disagree	23%
Strongly disagree	25%

Base: finance director respondents who indicated that their audit opinion was delayed beyond 31 July (84)

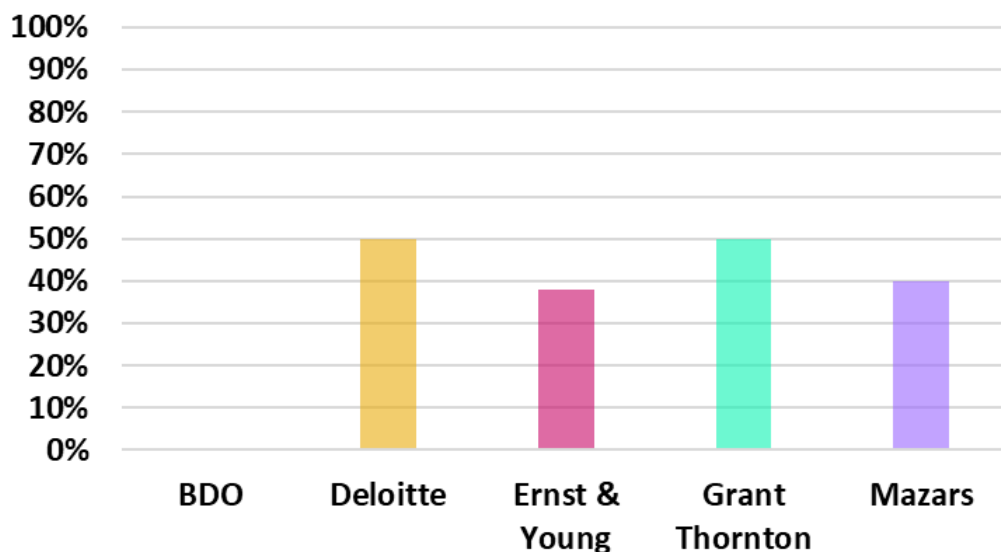


Figure 18. Where the audit opinion was delayed beyond 31 July, the need to do this and the underlying reason was communicated on a timely basis. Percentage selecting “strongly agree” or “tend to agree” by audit firm

Table 27: Where the audit opinion was delayed beyond 31 July, the need to do this and the underlying reason was communicated on a timely basis. Percentage selecting “strongly agree” or “tend to agree” by audit firm	
Response	Per cent
BDO	0%
Deloitte	50%
Ernst & Young	38%
Grant Thornton	50%
Mazars	40%

Base: finance director respondents who indicated that their audit opinion was delayed beyond 31 July (84)

For comparison, just over two fifths of Audit Committee Chairs indicated that their audit opinion had been delayed beyond 31 July, of which over half disagreed that the need to do this and the underlying reason was communicated on a timely basis.

One respondent wrote that “our audit is not yet complete, and is being undertaken at the worst possible time, causing us severe difficulties in budget preparation.” Another reported that “The audit experience was positive until we were made aware on 30 July that the auditor would not be signing the accounts by 31 July.”

Finance director respondents whose audit had been delayed beyond 31 July were also asked the extent to which they agreed or disagreed that, where the delay was due to auditor resourcing issues, the auditor made arrangements to minimise disruption to the organisation. Over half (54 per cent) said they

strongly disagreed or tended to disagree with that statement.

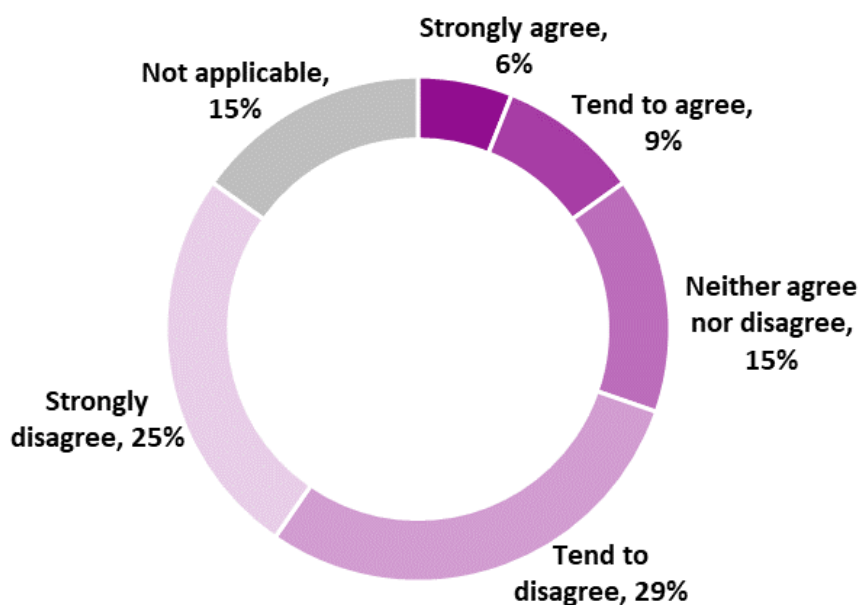


Figure 19. Where the audit needed to extend beyond 31 July due to auditor resourcing issues, the auditor made arrangements to minimise disruption to the organisation.

Table 28: Where the audit needed to extend beyond 31 July due to auditor resourcing issues, the auditor made arrangements to minimise disruption to the organisation.

Response	Per cent
Strongly agree	6%
Tend to agree	9%
Neither agree nor disagree	15%
Tend to disagree	29%
Strongly disagree	25%
Not applicable - the delay to the audit opinion was not due to auditor resourcing issues	15%

Base: finance director respondents who indicated that their audit opinion was delayed beyond 31 July (84)

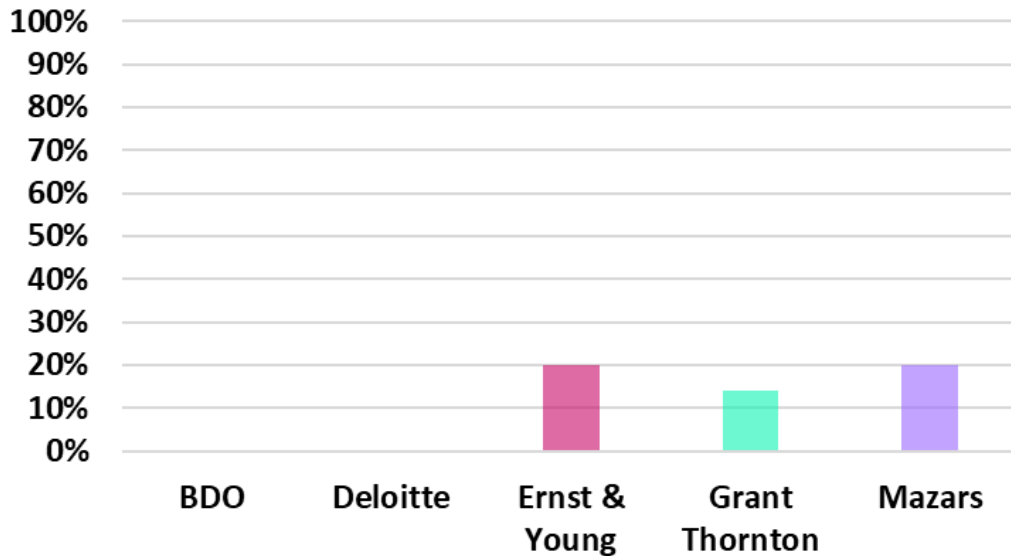


Figure 20. Where the audit needed to extend beyond 31 July due to auditor resourcing issues, the auditor made arrangements to minimise disruption to the organisation. Percentage selecting “strongly agree” or “tend to agree” by audit firm

Table 29: Where the audit needed to extend beyond 31 July due to auditor resourcing issues, the auditor made arrangements to minimise disruption to the organisation. Percentage selecting “strongly agree” or “tend to agree” by audit firm

Response	Per cent
BDO	0%
Deloitte	0%
Ernst & Young	20%
Grant Thornton	14%
Mazars	20%

Base: finance director respondents who indicated that their audit opinion was delayed beyond 31 July (84)

For comparison, half of the Audit Committee Chair respondents disagreed that, where the delay was due to auditor resourcing issues, the auditor made arrangements to minimise disruption to the organisation.

One respondent wrote that “overall the issues this year were managed well, I feel that the team was under resourced and they were not able to close off audit issues effectively.” Another reported that “we still have not finalised our audit, which is disruptive of other priority work, such as budget setting.”

Meeting expectations

Finance director respondents were asked the extent to which they agreed or disagreed that the audit service provided met expectations for provision of the audit as set out in the audit firm’s method statement. Just over three fifths (61 per cent) said they strongly agreed or tended to agree with the statement.

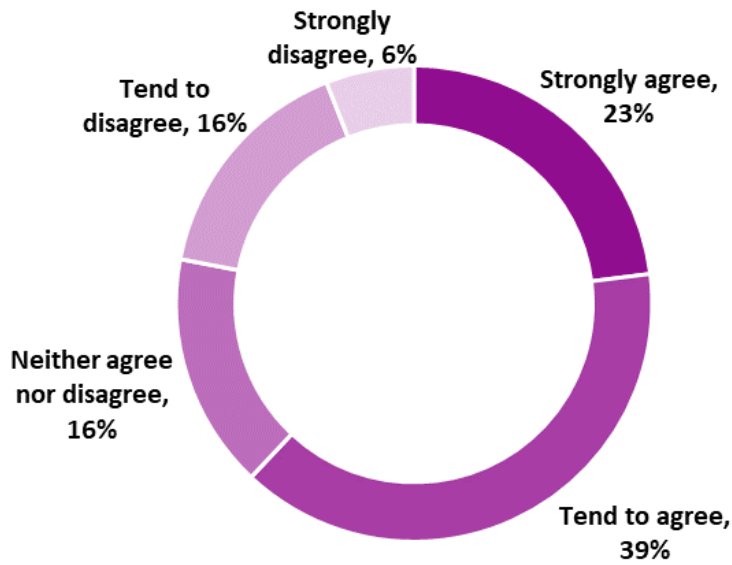


Figure 21. The audit service provided met expectations for provision of the audit as set out in the audit firm’s method statement

Table 30: The audit service provided met expectations for provision of the audit as set out in the audit firm’s method statement

Response	Per cent
Strongly agree	23%
Tend to agree	39%
Neither agree nor disagree	16%
Tend to disagree	16%
Strongly disagree	6%

Base: all finance director respondents (189)

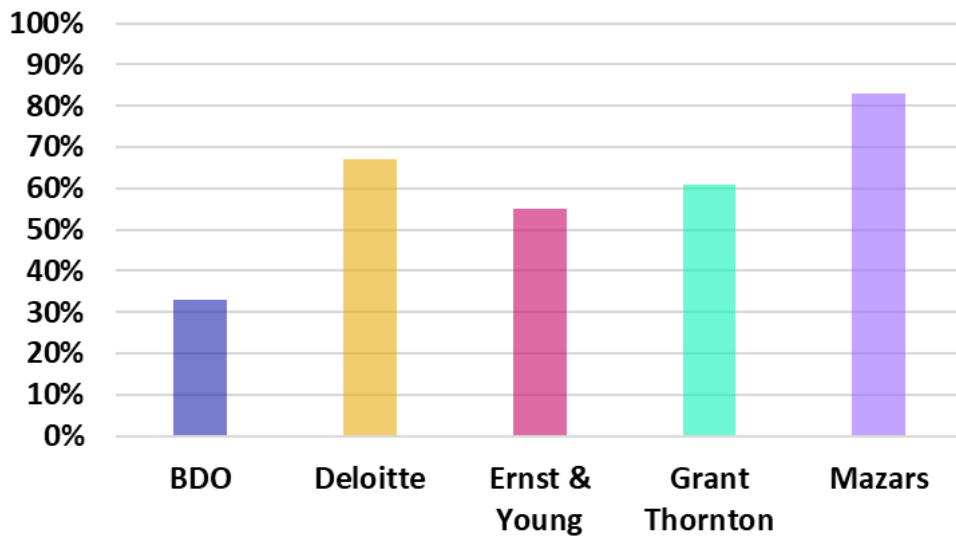


Figure 22. The audit service provided met expectations for provision of the audit as set out in the audit firm’s method statement. Percentage selecting “strongly agree” or “tend to agree” by audit firm

Table 31: The audit service provided met expectations for provision of the audit as set out in the audit firm’s method statement. Percentage selecting “strongly agree” or “tend to agree” by audit firm

Response	Per cent
BDO	33%
Deloitte	67%
Ernst & Young	55%
Grant Thornton	61%
Mazars	83%

Base: all finance director respondents (189)

For comparison, almost seven out of 10 Audit Committee Chairs agreed that the audit service provided met expectations for provision of the audit as set out in the audit firm’s method statement.

Whilst some finance director respondents reported comments such as “a good audit, with the auditor working effectively under considerable pressure caused,” and described their auditor as “professional and pragmatic, engaged well with both officers and members,” others provided comments such as “The service that I have receive is appalling. It is now November with no sign of the audit even commencing,” and another described an instance of whistleblowing that does not appear to have been acted on.

Table 32: The audit service provided met expectations for provision of the audit as set out in the audit firm’s method statement. (From the survey of Audit Committee Chairs)

Response	Per cent
Strongly agree	44%
Tend to agree	25%
Neither agree nor disagree	12%
Tend to disagree	4%
Strongly disagree	15%

Base: all Audit Committee Chair respondents (75)

In general, the comments provided by finance director respondents can be grouped into the following themes, with representative quotations:

- Councils not notified of additional fees: “we are extremely concerned that the additional fees were first proposed over a month after the audit completion.”
- Dissatisfaction with the reasoning behind additional fees: “There is a propensity for the auditor to fall back on additional fees at every opportunity.”
- Concern over delays to the completion of the audit: “The audit was conducted before the end of May, but the opinion was not issued until

- the day of the committee meeting as work had not been signed off.”
- Perception of auditor issues leading to delays: “audit still not completed due to sickness and resourcing issues.”
 - Lack of notification in advance: “the auditor only made me aware of resourcing issues on the day of the Audit Committee meeting.”
 - Concern over poor communication: “Updates on if and when auditors were going to be onsite have only come as a result of us chasing.”
 - Concern over poorly managed team changes: “the audit team has changed both annually and between interim and final audit for the past few years. The lack of consistency has caused issues regarding the retention of background knowledge and skills.”
 - Reports of a good working relationship with the audit team: “we have been impressed by the very experienced audit manager's accessibility and helpfulness and the audit team.”
 - Reports of a poor working relationship with the audit team: “staff failed to turn up for audit on time or commit to use previous working papers and experience.”
 - Resourcing issues: “The local audit team I have no issues with. The hours worked and pressure they were put under was unreasonable.”
 - Lack of experience: “I appreciate it was the first year they had been our auditors but the team carrying out the audit work had little to no understanding of our basic statements. The collection fund was a mystery and they expected our accounts to be the same as the private sector.”
 - Dissatisfaction with the audit approach: “a frustrating year due to change in audit approach, especially around asset valuations and due to a new team.”
 - McCloud issues: “We had to make last minute changes to the accounts due to the McCloud pension judgement. However, this felt unfair since much larger councils did not have to. The way that materiality thresholds are calculated needs to be amended.”
 - Accounting issues: “a particular focus by the external auditor on challenging subjective judgements in the preparation of the accounts (e.g, asset valuations) in order to justify additional fees.”
 - Issues with PSAA and/or MHCLG: “Generally, I am very disappointed with the apparent inability of MHCLG, the PSAA and the audit firms to work together effectively to address the issues highlighted by 18/19 audits: no-one seems to be taking ownership of the problem.”
 - Issues with the auditing process: “there is a fundamental problem with accounting requirements and audit expectation in local government accounting. Until such time as CIPFA address this the accounts and the audit will continue to require a huge amount of time and effort for negligible benefit.”

Appendix A: Summary of the Audit Committee Chairs results

Table 33: To what extent do you agree or disagree with the following statements in relation to the audit team's communications with your organisation? (Copy of Table 11)

Statements	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree
The auditor clearly explained the audit plan (how it addressed the Code requirements and specific areas of audit risk including fraud risk and the VFM arrangements conclusion) to the Audit Committee.	53%	36%	5%	4%	1%
The auditor can be approached to act as a sounding board when required.	47%	28%	13%	9%	3%
The auditor when presenting the audit closure report clearly explained the work undertaken and conclusions reached.	53%	28%	7%	5%	7%
The auditor's reports and communications provided insight into the organisation's financial reporting practices, and helped with fulfilment of governance responsibilities including practical recommendations for improvement where appropriate.	47%	27%	11%	11%	4%
The audit team informed the Audit Committee of current developments in accounting principles and auditing standards and the potential impact of these on the audit.	47%	30%	12%	4%	7%

Base: all Audit Committee Chair respondents (75)

Table 34: This meeting was used effectively to provide information and assurance to committee members.

Response	Per cent	Count
Strongly agree	28%	11
Tend to agree	43%	17
Neither agree nor disagree	13%	5
Tend to disagree	13%	5
Strongly disagree	5%	2

Base: Audit Committee Chair respondents who indicated that the Audit Committee had the opportunity to meet privately with the audit team (40)

Table 35: Where there were significant differences in views between management and the audit team, the auditor presented a clear point of view on accounting issues where management's perspective differed. (Copy of Table 12)

Response	Per cent
Strongly agree	4%
Tend to agree	26%
Neither agree nor disagree	11%
Tend to disagree	5%
Strongly disagree	1%
Not applicable - there were no significant differences in views between management and the audit team	52%

Base: all Audit Committee Chair respondents (73)

Table 36: To what extent do you agree or disagree with the following statements in relation to the proposed additional audit fee?

Statements	Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree
Where an additional fee is proposed the audit team explained the reasons for this.	54%	29%	5%	7%	5%
Where an additional fee is proposed the audit team explained how it might be avoided in future years, where appropriate.	15%	18%	33%	30%	5%
Where an additional audit fee is proposed, this was reported to the Audit Committee in a timely manner.	33%	40%	8%	8%	13%

Base: Audit Committee Chair respondents who indicated that an additional audit fee had been proposed (40)

Table 37: Where there has been a change in the appointed audit firm I was satisfied with the management of the transition by the new firm.

Response	Per cent	Count
Strongly agree	37%	7
Tend to agree	32%	6
Neither agree nor disagree	5%	1
Tend to disagree	5%	1
Strongly disagree	21%	4

Base: Audit Committee Chair respondents who indicated that there had been a change in the appointed audit firm (19)

Table 38: Where there has been a change in the engagement lead I was satisfied with how the handover was managed.

Response	Per cent	Count
Strongly agree	35%	11
Tend to agree	19%	6
Neither agree nor disagree	16%	5
Tend to disagree	19%	6
Strongly disagree	10%	3

Base: Audit Committee Chair respondents who indicated that there had been a change in the engagement lead (31)

Table 39: Where the audit opinion was delayed beyond 31 July, the need to do this and the underlying reason was communicated on a timely basis.

Response	Per cent	Count
Strongly agree	22%	7
Tend to agree	19%	6
Neither agree nor disagree	3%	1
Tend to disagree	31%	10
Strongly disagree	25%	8

Base: Audit Committee Chair respondents who indicated that their audit opinion was delayed beyond 31 July (32)

Table 40: Where the audit needed to extend beyond 31 July due to auditor resourcing issues, the auditor made arrangements to minimise disruption to the organisation.

Response	Per cent	Count
Strongly agree	3%	1
Tend to agree	16%	5
Neither agree nor disagree	16%	5
Tend to disagree	19%	6
Strongly disagree	31%	10
Not applicable - the delay to the audit opinion was not due to auditor resourcing issues	16%	5

Base: Audit Committee Chair respondents who indicated that their audit opinion was delayed beyond 31 July (32)

Table 41: The audit service provided met expectations for provision of the audit as set out in the audit firm's method statement. (Copy of Table 32)

Response	Per cent
Strongly agree	44%
Tend to agree	25%
Neither agree nor disagree	12%
Tend to disagree	4%
Strongly disagree	15%

Base: all Audit Committee Chair respondents (75)

Appendix B: Survey questionnaire

PSAA Quality of Audit Service feedback survey

Start of Block: Introductory and privacy text

Public Sector Audit Appointments (PSAA) monitors the performance of the audit firms it has appointed to undertake audits under the Local Audit and Accountability Act 2014. The results of our monitoring provide audited bodies and other stakeholders with assurance that quality audits are being delivered.

In order to inform this monitoring process, it is vital that PSAA understand the views of the bodies it appoints the auditors for, establishing how useful the audit process and outputs are and considering how auditors can improve in this regard.

Audit work is carried out in accordance with the Code of Audit Practice <https://www.nao.org.uk/code-audit-practice>. The Code requires auditors to consider more than the financial statements as part of their work – in particular, auditors consider and report on the organisation's value for money arrangements.

With all that in mind, we are inviting you to take part in a short survey, taking no longer than 10 minutes to complete about your organisation's view and experiences of this year's audit.

In order to provide you with the opportunity to be as open and frank as possible, PSAA has asked the LGA administer the survey. This will enable your responses to be made anonymous. We do however ask you to provide the name of your external audit firm and type of authority so that we can identify sector and audit supplier trends.

The International Auditing & Assurance Board (IAASB) framework for audit quality can be found here:

<https://www.ifac.org/publications-resources/framework-audit-quality-key-elements-create-environment-audit-quality>

In the survey the word 'auditor' covers the firm and the audit partner. Audit Committee is used to refer to the committee that the auditor reports to.

End of Block: Introductory and privacy text

Start of Block: Block 4

Thank you for taking the time to complete this survey. You can navigate through the questions using the buttons at the bottom of each page. Use the 'previous' button at the bottom of the page if you wish to amend your response to an earlier question.

If you stop before completing the return, you can come back to this page using the link supplied in the email and you will be able to continue where you left off. To ensure your answers have been saved, click on the 'next' button at the bottom of the page that you were working on before exiting.

All responses will be treated confidentially. Information will be aggregated, and no individual or authority will be identified in any publications without your consent. Identifiable information may be used internally within the LGA but will only be held and processed in accordance with our privacy statement. We are undertaking this survey to aid the legitimate interests of the LGA in supporting and representing authorities.

If you would like to see an overview of the questions before completing the survey online, you can access a PDF here: [\[insert link\]](#)

If you have any queries please contact Matt Vincent on matthew.vincent@local.gov.uk or 020 7664 3123.

Please complete the survey at your earliest convenience and no later than **[insert date]**.

End of Block: Block 4

Start of Block: Demographics question



Please amend the details we have on record if necessary.

Name (1) _____

Organisation (2) _____

Job title (3) _____

Email address (4) _____

Please select the firm that conducted your most recent external audit

- Ernst & Young (1)
- Grant Thornton (2)
- BDO (3)
- Mazars (4)
- Deloitte (5)

End of Block: Demographics question

Start of Block: Block 4

To what extent do you agree or disagree with the following statements?

	Strongly agree (1)	Tend to agree (2)	Neither agree nor disagree (3)	Tend to disagree (4)	Strongly disagree (5)
The auditor clearly explained what the key audit risks are for your organisation. (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The auditor clearly explained the audit plan (how it addressed the Code requirements and specific areas of audit risk including fraud risk and the VFM arrangements conclusion) to the Audit Committee. (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

To what extent do you agree or disagree with the following statements in relations to efficiency and effectiveness of the audit?

	Strongly agree (1)	Tend to agree (2)	Neither agree nor disagree (3)	Tend to disagree (4)	Strongly disagree (5)
Documentation and information requests were made on a timely basis. (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outputs and fieldwork provided and completed in line with agreed timetable. (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Communications were made on a no surprises basis. (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

To what extent do you agree or disagree with the following statements in relation to the skills and tools of the audit team?

	Strongly agree (1)	Tend to agree (2)	Neither agree nor disagree (3)	Tend to disagree (4)	Strongly disagree (5)
The audit team had the skills (including necessary knowledge and understanding) to deliver the audit. (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The audit team made good use of information technology to streamline the audit. (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The auditor can be approached to act as a sounding board when required. (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

To what extent do you agree or disagree to the following statements in relation to the audit teams communications with your organisation?



	Strongly agree (1)	Tend to agree (2)	Neither agree nor disagree (3)	Tend to disagree (4)	Strongly disagree (5)
The auditor kept me informed of progress throughout the audit year enabling me to take prompt action when needed. (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The auditor clearly explained what work had been completed to address the key audit risks identified. (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The auditor in presenting the audit closure report clearly explained the work undertaken and conclusions reached. (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The auditor's reports and communications provided insight into the organisation's financial reporting practices, and helped with fulfilment of governance responsibilities including practical recommendations for improvement where appropriate. (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The Audit Committee had the opportunity to meet privately with the audit team and this meeting was used effectively to provide information and assurance to committee members. (5)

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-

The audit team informed the Audit Committee of current developments in accounting principles and auditing standards and the potential impact of these on the audit. (6)

-
-
-
-
-

Where the audit team challenged management judgement and assumptions this was clearly explained and provided on a timely basis.

- Strongly agree (1)
 - Tend to agree (2)
 - Neither agree nor disagree (3)
 - Tend to disagree (4)
 - Strongly disagree (5)
 - Not applicable - the audit team did not find it necessary to challenge management judgement and assumptions (6)
-

Where there were significant differences in views between management and the audit team, the auditor presented a clear point of view on accounting issues where management's perspective differed.

- Strongly agree (1)
 - Tend to agree (2)
 - Neither agree nor disagree (3)
 - Tend to disagree (4)
 - Strongly disagree (5)
 - Not applicable - there were no significant differences in views between management and the audit team (6)
-

Has your auditor proposed an additional audit fee at any time?

- Yes (1)
 - No (2)
-

Display This Question:

If Has your auditor proposed an additional audit fee at any time? = Yes

	Strongly agree (1)	Tend to agree (2)	Neither agree nor disagree (3)	Tend to disagree (4)	Strongly disagree (5)
Where an additional fee is proposed the audit team explained the reasons for this, and how it might be avoided in future years, where appropriate. (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Where an additional audit fee is proposed, this was reported to the Audit Committee in a timely manner. (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Has there been a change in the appointed audit firm?

- Yes (1)
- No (2)

Display This Question:

If Has there been a change in the appointed audit firm? = Yes

Where there has been a change in the appointed audit firm I was satisfied with the management of the transition.

- Strongly agree (1)
- Tend to agree (2)
- Neither agree nor disagree (3)
- Tend to disagree (4)
- Strongly disagree (5)

Display This Question:

If Has there been a change in the appointed audit firm? = Yes

Where there has been a change in the engagement lead (from continuing firm) I was satisfied with how the handover was managed.

- Strongly agree (1)
- Tend to agree (2)
- Neither agree nor disagree (3)
- Tend to disagree (4)
- Strongly disagree (5)
- Not applicable - there has not been a change in the engagement lead (6)

Display This Question:

If Has there been a change in the appointed audit firm? = Yes

Where there has been a change in the audit manager (from continuing firm) I was satisfied with how the handover was managed.

- Strongly agree (1)
- Tend to agree (2)
- Neither agree nor disagree (3)
- Tend to disagree (4)
- Strongly disagree (5)
- Not applicable - there has not been a change in the audit manager (6)

Was the audit opinion delayed beyond 31 July?

- Yes (1)
- No (2)

Display This Question:

If Was the audit opinion delayed beyond 31 July? = Yes

Where the audit opinion was delayed beyond 31 July, the need to do and the underlying reason was communicated on a timely basis.

- Strongly agree (1)
- Tend to agree (2)
- Neither agree nor disagree (3)
- Tend to disagree (4)
- Strongly disagree (5)
- Not applicable - there has not been a change in the audit manager (6)

Display This Question:

If Was the audit opinion delayed beyond 31 July? = Yes

Where the audit needed to extend beyond 31 July due to auditor resourcing issues, the arrangements were made to minimise disruption to the organisation.

- Strongly agree (1)
- Tend to agree (2)
- Neither agree nor disagree (3)
- Tend to disagree (4)
- Strongly disagree (5)
- Not applicable - the delay to the audit opinion was not due to auditor resourcing issues (6)

The audit service provided met expectations for provision of the audit as set out in the audit firm's method statement [include link]

- Strongly agree (1)
- Tend to agree (2)
- Neither agree nor disagree (3)
- Tend to disagree (4)
- Strongly disagree (5)
- Not applicable - the delay to the audit opinion was not due to auditor resourcing issues (6)

Are there any other comments you would like to make?

End of Block: Block 4

Start of Block: Survey end and privacy statement text

Once you press the 'Submit' button below, you will have completed the survey.

Many thanks for taking the time to complete this survey. You are in control of any personal data that you have provided to us in your response. You can contact us at all times to have your information changed or deleted. You can find our full privacy policy here: [click here to see our privacy policy](#)

End of Block: Survey end and privacy statement text



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