

Public Document Pack  
SOUTHEND-ON-SEA BOROUGH COUNCIL

**Audit Committee**

**Date: Wednesday, 13th January, 2021**

**Time: 6.30 pm**

**Place: Virtual Meeting via MS Teams**

**Contact: Colin GAMble (Head of Democratic Services)**

**Email: [committeesection@southend.gov.uk](mailto:committeesection@southend.gov.uk)**

**A G E N D A**

- 1 Apologies for Absence**
- 2 Declarations of Interest**
- 3 Minutes of the Meeting held on 21st October 2020 (Pages 1 - 4)**
- 4 Deloitte's: Annual Audit Letter 2019/20**  
Report of the Executive Director (Finance and Resources) – to follow
- 5 Treasury Management Policy for 2021/22 (Pages 5 - 38)**  
Report of the Executive Director (Finance and Resources)
- 6 Internal Audit Service Quarterly Performance Report (Pages 39 - 60)**  
Report of the Executive Director (Finance and Resources)
- 7 Counter Fraud & Investigation Team Quarterly Performance Report (Pages 61 - 74)**  
Report of the Executive Director (Finance and Resources)
- 8 Risk Management Update (Pages 75 - 78)**  
Report of the Executive Director (Finance and Resources)

**Information Items**

- CIPFA Audit Committee Update 33 (December 2020)
  - o The Head of Internal Audit Annual Opinion
  - o The Redmond Review
  - o Recent developments

**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, 21st October, 2020**

**Place: Virtual Meeting via MS Teams**

# 3

**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 Mr K Pandya

**In Attendance:** C Gamble, A Barnes, E Allen, R Gill, P Bates, J Chesterton,  
Czerwinke, C Fozzard and V Smith

**Start/End Time:** 6.30 - 8.04 pm

### **479 Apologies for Absence**

Apologies for absence were received from C Wisdom (Deloitte)

### **480 Declarations of Interest**

The following interest was declared at the meeting:

Councillor Shead – Agenda Item 5 ( Deloitte: Update on Statement of Accounts Audit 2019/20 – Non-pecuniary Interest – In receipt of Pension from Essex County Council

### **481 Minutes of the Meeting held on Wednesday 12th August 2020**

Resolved:-

That the Minutes of the Meeting held on Wednesday, 12<sup>th</sup> August 2020 be confirmed as a correct record and signed.

On consideration of the minutes, the Head of Internal Audit referred to an email he had sent to members of the Committee addressing two matters raised at the last meeting. Firstly, he explained that the Deprivation of Liberty Safeguards (DoLS) audit had been deferred because of the planned changes to the DoLS arrangements. Secondly, in respect of the Adult Social Care Financial Assessments audit, the officer advised that the outstanding cases had been completed which had been achieved by re-engineering the financial assessment process and making use of the functionality offered by the new financial system.

### **482 Data Protection Report**

The Committee considered a report of the Executive Director (Transformation) on the measures being taken by Southend-on-Sea Borough Council concerning data protection in the context of the coronavirus pandemic.

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

In response to a question on test and trace data collected from visitors to the Council's buildings, the Knowledge and Data Privacy Manager undertook to write to members of the Committee to clarify the arrangements for the recording of data destruction.

Resolved:-

That the measures taken to protect personal data during the coronavirus pandemic, be noted.

**483 Deloitte: Update on Statement of Accounts audit 2019/20**

The Chair of the Committee agreed to take this item of business in conjunction with the next item on the agenda.

The Committee considered a report of the Executive Director (Finance and Resources) summarising the final results of the work completed 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).

On behalf, of the External Auditor, the Executive Director explained that the Statement of Accounts had now been signed off. He added that the report before the Committee was substantially the same as the one submitted to the previous meeting but had been updated to reflect the Auditor's conclusions on the remaining work that needed to be undertaken.

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

In noting the position on the Statements of Accounts, the Committee conveyed their thanks and appreciation to the Executive Director and his staff for their sterling work in producing the Accounts which had been compiled to a high standard.

Resolved:-

That the updated report on the audit for the year ended 31<sup>st</sup> March 2020, be accepted.

**484 Deloitte: Update on Annual Audit Letter and Whole of Government Accounts 2019/20 (verbal update)**

Resolved:-

That the verbal update provided by the Executive Director (Finance and Resources), be noted.

**485 Internal Audit Plan 2020/21 Update**

The Committee considered a report of the Executive Director (Finance and Resources) presenting 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.

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

On consideration of Appendix 1 to the submitted report, the Head of Internal Audit undertook to provide an assessment of the items in the Risk Watch List for consideration at the next meeting of the Committee.

Resolved:-

That the updated Internal Audit Plan for 2020/21, be approved.

**486 Internal Audit Service Quarterly Performance Report**

The Committee considered a report of the Executive Director (Finance and Resources) providing an update on the progress made in delivering the Internal Audit Strategy for 2020/21.

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

On consideration of audit review of the arrangements to deliver financial assistance duties under section 17 of the Children's Act, the Head of Internal Audit undertook to report back to the April meeting of the Committee on the progress made on the implementation of the audit recommendations.

Resolved:-

That the progress made in delivering the 2020/21 Internal Audit Strategy, be noted.

**487 Counter Fraud & Investigation Team Quarterly Performance Report**

The Committee considered a report of the Executive Director (Finance and Resources) providing an update on the progress made by the Counter Fraud & investigation Team in delivering the Counter Fraud Strategy and Work Programme/Work Plan for 2020/21.

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

On consideration of the report, the Acting Senior Investigations Officer undertook to consider offering the e-learning fraud awareness course to other appropriate organisations in the Borough.

Resolved:-

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

**488 Information Item**

The Committee noted the following information item:

- Public Sector Audit Appointments (PSAA) Quality of Audit Service feedback Survey.

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

# Southend-on-Sea Borough Council

Agenda  
Item No.

5

Report of Executive Director (Finance and Resources)

to

**Audit Committee**

on

**13 January 2021**

Report prepared by: Caroline Fozzard  
Group Manager – Financial Planning and Control

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**Treasury Management Policy for 2021/22**

**Cabinet Member: Councillor Ron Woodley**

**Part 1 (Public Agenda Item)**

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## **1. Purpose of Report**

- 1.1 To submit the treasury management policy for 2021/22 to Audit Committee for scrutiny before approval by Council as part of the annual budget process.

## **2. Recommendation**

- 2.1 That Audit Committee scrutinises and offers comments on the treasury management policy which comprises the following three documents:**

- **Treasury Management Policy Statement for 2021/22;**
- **Treasury Management Strategy for 2021/22;**
- **Annual Treasury Management Investment Strategy for 2021/22.**

## **3. Background**

- 3.1 The treasury management policy is agreed in advance of the year to which it relates. The policy is then monitored regularly and is updated, as appropriate, to reflect changing circumstances and guidance.
- 3.2 At its meeting of 13 January 2010 the Audit Committee agreed a report on the implementation of the revised CIPFA (Chartered Institute of Public Finance and Accountancy) Treasury Management Code of Practice. One of the recommendations of the code is that the treasury management policy should be scrutinised in detail by a specialist committee, before being accepted by the authority.

- 3.3 At its meeting of 25 February 2010 Council amended the terms of reference of the Audit Committee to include scrutiny of the treasury management policy. From April 2010 onwards, the Audit Committee has been responsible for ensuring its effective scrutiny.
- 3.4 In compliance with the CIPFA Treasury Management Code of Practice the Council's treasury management policy comprises:
- the Treasury Management Policy Statement;
  - the Treasury Management Strategy;
  - the Annual Treasury Management Investment Strategy.
- 3.5 Since their approval by Council in February 2020 there have been no revisions to these three documents for 2020/21.
- 3.6 The purpose of the Treasury Management Policy Statement is to set out the scope of the Treasury Management function, the policy on borrowing, debt restructure, investments, delegation and management of risk. The proposed Treasury Management Policy Statement for 2021/22 is attached as **Appendix 1**.
- 3.7 The purpose of the Treasury Management Strategy is to set out how the budgeted financing costs can be achieved. It covers the prospects for interest rates and the strategy on borrowing and debt restructuring. The proposed Treasury Management Strategy for 2021/22 is attached as **Appendix 2**.
- 3.8 The purpose of the Annual Treasury Management Investment Strategy is to set out the investment objectives and the policies on the use of external fund managers, on the investment of in-house managed funds and on the use of approved counterparties. The proposed Annual Treasury Management Investment Strategy for 2021/22 is attached as **Appendix 3**.
- 3.9 Appendices 1, 2 and 3 together form the treasury management policy and are used on a daily basis for the effective running of the treasury management function.
- 3.10 In response to the on-going economic, regulatory and financial market conditions, and in consultation with our treasury management advisers, the treasury management policy has been updated for the 2021/22 financial year. The changes from the 2020/21 policy are shown in **Appendix 4**.
- 3.11 The policy and strategy documents are written in order to provide officers and advisers with clear boundaries within which to work but as a result they are written using technical language. Treasury management training has been offered to all councillors to aid understanding of the issues and further training will be available in the future.



## **4. Corporate Implications**

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

The Treasury Management Strategy sets out how the financing costs as part of the Medium Term Financial Plan may be achieved. The treasury management policy together with the prudential indicators, acknowledge how effective treasury management will provide support towards the achievement of the Council's ambition and desired outcomes.

### **3.13 Financial Implications**

The financial implications of the proposed capital investment programme will be considered in the forthcoming budget reports to Cabinet. Other financial implications are dealt with throughout this report.

### **3.14 Legal Implications**

Compliance with the relevant regulations and codes of practice has been considered throughout this report.

### **3.15 People Implications**

None

### **3.16 Property Implications**

None

### **3.17 Consultation**

The key treasury management decisions are taken in consultation with our treasury management advisers.

### **3.18 Equalities and Diversity Implications**

None

### **3.19 Risk Assessment**

The treasury management policy acknowledges that the successful identification, monitoring and management of risk are fundamental to the effectiveness of its activities.

### **3.20 Value for Money**

Treasury management activities include the pursuit of optimum performance consistent with effective control of the risks associated with those activities.

3.21 Community Safety Implications

None

3.22 Environmental Impact

None

## **5. Background Papers**

3.23 None

## **6. Appendices**

3.24 Appendix 1 – Treasury Management Policy Statement 2021/22

3.25 Appendix 2 – Treasury Management Strategy 2021/22

3.26 Appendix 3 – Annual Treasury Management Investment Strategy 2021/22

3.27 Appendix 4 – Changes from the revised 2020/21 Treasury Management Policy

## SOUTHEND-ON-SEA BOROUGH COUNCIL

### TREASURY MANAGEMENT POLICY STATEMENT 2021/22

#### 1 Background

- 1.1 The purpose of this statement is to outline the Council's treasury management policy.
- 1.2 The CIPFA Code of Practice on Treasury Management recommends that Local Authorities:
  - Adopt the CIPFA code;
  - Create and maintain both a Treasury Management Policy Statement and suitable Treasury Management practices;
  - Appoint an officer to whom Treasury Management is delegated;
  - Submit reports regularly.
- 1.3 Cabinet approved adoption of the CIPFA code of Practice for Treasury Management at its meeting on 12 February 2002. CIPFA published a major revision to the Code of Practice for Treasury Management on 27 November 2009, the implementation of which was the subject of a report to Audit Committee submitted to its meeting of 13 January 2010. Since then there have been a number of more minor revisions, the latest being in December 2017.
- 1.4 There is a requirement in the revised code that the treasury management policy should be scrutinised in detail by a specialist committee, before being accepted by the authority, and should be monitored regularly.
- 1.5 The treasury management policy is agreed in advance of the year to which it relates. The policy is then monitored regularly and is updated, as appropriate, to reflect changing circumstances and guidance.
- 1.6 The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management policy, before approval by full Council as part of the approval of the budget.
- 1.7 The Chief Finance Officer (Section 151 Officer under the Local Government Act 1972) is the person responsible for the treasury management function.
- 1.8 The revised code requires that, as a minimum, reporting should include an annual strategy in advance of the year, a mid-year review and an annual report after its close. The reporting and scrutiny of the strategy and policy are dealt with above. Reports on the activities of the treasury management function will be submitted to Cabinet quarterly. One such

report will comprise an annual report for presentation before 31 July of the succeeding year. Another report will be a mid-year review reporting in November of each year.

- 1.9 In the latest version of the CIPFA Code of Practice on Treasury Management the term “investments” now covers all the financial assets of the organisation, as well as other non-financial assets which the organisation holds primarily for financial returns, such as investment in property portfolios. This may therefore include investments which are not managed as part of normal treasury management and are therefore covered by the Capital Investment Policy which forms part of the Capital Investment Strategy.

## **2 Duration of the Policy Statement**

- 2.1 This Treasury Management Policy Statement covers the 2021/22 financial year.

## **3 Scope of the Treasury Management Function**

- 3.1 The Council defines its treasury management activities as:
- the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions;
  - the effective control of the risks associated with those activities;
  - the pursuit of optimum performance consistent with those risks.
- 3.2 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.
- 3.3 The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 3.4 The Council acknowledges that responsibility for the effective management and control of risk lies with the authority.

## **4 Use of a treasury management adviser**

- 4.1 The services of a treasury management adviser, Link Asset Services will be used throughout 2021/22 to assist the Council to develop and enhance the performance of the treasury management function.

- 4.2 The role of this adviser is to provide relevant and timely information and advice on all aspects of treasury management.
- 4.3 The Council recognises that responsibility for treasury management decisions remains with the authority at all times.

## 5 Funding requirements for the capital investment programme

5.1 The following methods of funding have been identified as being available to the Council for use in 2021/22:

- Borrowing;
- Use of capital receipts - from the sale of surplus assets;
- Use of Government Grants – e.g. Local Growth Fund, or grants from the Department for Education;
- Other external contributions – e.g. Section 106 agreements;
- Revenue funding – e.g. transferred from the Revenue Account.

5.2 No additional funding source will be used without the agreement of the Cabinet.

## 6 Limits on external borrowings

6.1 The Council must set an operational boundary and authorised limit for external debt. The operational boundary is how much external debt the Council plans to take up, and reflects the decision on the amount of debt needed for the Capital Investment Programme for the relevant year. The authorised limit is higher than the operational boundary as it allows sufficient headroom to take account of unusual cash movements.

6.2 The table below shows the operational boundary and authorised limits for borrowing for 2020/21 and 2021/22:

	<b>2020/21 Original £m</b>	<b>2021/22 Original £m</b>
Operational boundary	375	375
Authorised limit	385	385

In accordance with the Prudential Code these limits exclude outstanding debt relating to services transferred from Essex County Council (ECC) on 1 April 1998.

6.3 As the cost of borrowing had fallen to record lows and Local Authorities had been increasing their use of the Public Works Loan Board (PWLB), HM Treasury took the decision to increase the margin that applies to new loans from the PWLB by 1% on top of the usual lending terms, with immediate effect from 9th October 2019.

- 6.4 In March 2020 the Government started a consultation process on the reform of the PWLB lending terms. On 25th November 2020 the Chancellor announced the conclusion of this consultation. The lending terms now exclude the use of the PWLB for any Local Authority that includes the purchase of any capital asset primarily for yield in their three year capital investment programme. For Local Authorities that qualify for these lending terms, the Government has removed the extra 1% (that it applied in October 2019) from PWLB lending rates.
- 6.5 The operational boundary and authorised limits therefore allow for some borrowing to take advantage of exceptionally low lending rates should the opportunity arise.

## **7 Policy on sources and types of long term borrowing**

- 7.1 The Council's long term borrowing (i.e. for more than one year) for 2021/22 will be via any type of loan from the Public Works Loan Board (which is a statutory body whose function is to lend money to local authorities and other prescribed bodies) or from banks, building societies or other financial institutions as appropriate.
- 7.2 In addition, if it is deemed to be economically advantageous the Section 151 Officer, in consultation with our Treasury Management advisers, can issue bonds to raise funds, either in this council's name or collaboratively with other Local Authorities or via the Local Government Association (LGA), and either as a private or public placement.
- 7.3 In addition, if it is deemed to be economically advantageous the Section 151 Officer, in consultation with our Treasury Management advisers, can borrow from other Local Authorities.
- 7.4 In addition, if it is deemed to be economically advantageous the Section 151 Officer, in consultation with our Treasury Management advisers, can borrow for the purposes of financing regeneration and other infrastructure related projects.
- 7.5 The PWLB is usually the most economic source available to the Council for long term borrowing. The Council is eligible for HM Treasury's 'certainty rate' which is a discount of 0.2% on standard rates.
- 7.6 Financing arrangements other than borrowing will be in the form of leases. These will be taken out to finance the purchase or use of assets such as equipment or vehicles.

## **8 Timing of new borrowing**

- 8.1 New borrowing will be undertaken as and when required to finance capital. The Council's Section 151 Officer is authorised to make

application for loans during 2021/22 that are deemed appropriate for the long term financing of capital. The amount and timing of these loans will have regard to the Council's cash flow, the PWLB interest rates and the future requirements of the capital investment programme.

## **9 Debt restructuring policy**

- 9.1 Some of the Council's borrowings are at a higher interest rate than the current rate of borrowing. To redeem these loans before their maturity date (i.e. to redeem them early) the Council would be required to pay a premium (this is like paying to redeem a mortgage early except the amount of the penalty depends on the prevailing rate of interest). New loans could then be taken out at the current rate. The savings to be made by paying interest at a lower rate need to be offset by the premiums payable before a decision is made as to whether this would be economically advantageous.
- 9.2 Similarly, some of the Council's borrowings can be at a lower interest rate than the current rate of borrowing. To redeem these loans early the Council would receive a discount (this is the opposite of a premium). New loans could then be taken out at the current rate. The discount receivable would need to be offset by the higher rate of interest paid before a decision is made as to whether this would be economically advantageous.
- 9.3 The Council will undertake debt restructuring as and when appropriate opportunities arise. The main objective of a restructure will be to produce reductions in financing costs as part of an overall budget strategy. The advice of our treasury management advisers would be sought. Members would be notified via the quarterly reporting to Cabinet on treasury management activities.

## **10 Treasury Management Investments**

- 10.1 See the Annual Treasury Management Investment Strategy.

## **11 The approved activities of the Treasury Management operation are as follows:**

- Risk management;
- Cash flow management (daily balance and longer term forecasting);
- Investing surplus funds in approved investments;
- Use of brokers for placing investments;
- Investing surplus funds with external fund managers;
- Long term borrowing to fund the capital investment programme;
- Short term borrowing for cash flow purposes;
- Management of debt (including repayment and rescheduling);
- Capital receipts management;

- Leasing arrangements for the Council (including schools);
- Banking activities;
- Training for members and officers;
- Prevention of money laundering.

## **12 Responsibility for the treasury management function**

- 12.1 Under the constitution the Council's Section 151 officer who is the Chief Finance Officer (currently the Executive Director (Finance and Resources)), must take all steps that are considered appropriate for the administration of the financial affairs of the Council. This includes responsibility for the treasury management function.
- 12.2 The table in Annex 1 shows the treasury management activities and the sub-delegated responsibilities from the Chief Finance Officer to others.
- 12.3 Officers are required to explicitly follow policies and procedures.
- 12.4 The training needs of staff and members with treasury management responsibilities are assessed on a regular basis and training is arranged as necessary.

## **13 Risks**

- 13.1 The overriding principle is that it is more important to balance risks than to maximise returns.

### **Credit and Counterparty risk**

- 13.2 This is the risk that the organisation with which we have invested money becomes insolvent and cannot pay us back our investment. A prime objective of treasury management activities is the security of the principal sums invested and this is placed ahead of the investment return. Accordingly, the Council will ensure that robust due diligence procedures cover all external investment.
- 13.3 Treasury Management investment activities are limited to the instruments, methods and techniques referred to in the Annual Treasury Management Investment Strategy. The use of limits and a combined matrix of investment criteria using credit ratings reflect a prudent attitude towards organisations with whom funds may be deposited. Investment activities will be limited to those who meet the criteria in this matrix when the investment is placed, with the exception of the UK part-nationalised bank and the Council's bank, and then limited by other relevant market information.
- 13.4 The policy in respect of those organisations from which the council may borrow, or with whom it may enter into other financing arrangements is



set out in this Treasury Management Policy Statement and in the Annual Treasury Management Investment Strategy.

### **Liquidity risk**

- 13.5 This is the risk that there will be insufficient cash available to make payments as they fall due. The Chief Finance Officer will ensure that cash resources are adequate, though not excessive, and that borrowing arrangements are available at all times to enable the Council to achieve its business objectives.

### **Interest Rate risk**

- 13.6 Interest rates will be reviewed as part of the ongoing monitoring arrangements to ensure that, as far as possible, investments are made so as to maintain the return to the Council, whilst retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.
- 13.7 Regard will be given to the limits imposed by the treasury management policy, particularly the importance of maintaining the security of the monies invested.

### **Partnership risk**

- 13.8 The Council has entered into a Joint Venture with Porters Place Southend-on-Sea LLP and any funding will be mirrored by that of Swan Housing. The partnership risks are mitigated by the agreements drawn up as part of the signing of the contract. There are currently no major partnerships involving private borrowing. Some of the Council's costs are met by 'match funding' where other organisations match the funding that the Council contributes. Where this is the case there may be liquidity risk (see 13.5) if the other organisations do not make their contributions when agreed. Our exposure to this risk will be monitored via the revenue and capital budget monitoring processes.

### **Market risk**

- 13.9 Our long term borrowing is mainly through fixed rate maturity loans, whilst our investments are at both fixed and variable rates. To mitigate the risk as far as possible the Council seeks to find the appropriate balance of investments between short and long term and between variable and fixed rate.

### **Refinancing risk**

- 13.10 Our borrowing arrangements are negotiated, structured and documented, and the maturity profile of these monies are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable as can reasonably be achieved in the light of market conditions prevailing at the time.

### **Currency risk**

13.11 The Council does not have any foreign currency risk as all investments are in pounds sterling.

### **Inflation risk**

13.12 The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

<b>Treasury Management Activity</b>	<b>Delegated to:</b>	<b>In their absence, delegated to:</b>
Production of a Treasury Policy each year for approval by the Council prior to the start of the financial year	Group Manager (Financial Planning & Control)	Finance Manager – Capital/ Treasury Management
Staffing and organisation of the Treasury Management function	Group Manager (Financial Planning & Control)	Chief Finance Officer
Ensuring that all staff engaged in Treasury Management receive appropriate training	Group Manager (Financial Planning & Control)	Finance Manager – Capital/ Treasury Management
Ensuring that all members with Treasury Management responsibilities receive appropriate training	Chief Finance Officer	Group Manager (Financial Planning & Control)
Advising the Council’s Monitoring Officer when necessary	Chief Finance Officer	Deputy Section 151 Officer
Decisions on long term borrowing	Chief Finance Officer	Deputy Section 151 Officer
Decisions on the restructuring of the Council’s debt	Chief Finance Officer	Deputy Section 151 Officer
Taking out new loans/repayment of loans with the PWLB	Group Manager (Financial Planning & Control)	Chief Finance Officer/ Deputy Section 151 Officer
Maintaining adequate and effective cash flow forecasting records to support the decision to lend or borrow	Designated Accounting Technician/Finance Manager	Any other designated Accounting Technician/Finance Manager

17

<b>Treasury Management Activity</b>	<b>Delegated to:</b>	<b>In their absence, delegated to:</b>
Proposals on placing overnight monies with the Council's bank or in short/long term investments	Finance Manager – Capital/ Treasury Management	Designated Accounting Technician/ Finance Manager
Approval of short/long term investments	Chief Finance Officer	Deputy Section 151 Officer/Group Manager (Financial Planning & Control)
Placing money in investments once approval has been obtained	Finance Manager – Capital/ Treasury Management/ other designated Finance Business Partner/ Senior Finance Business Partner	Group Manager (Financial Planning & Control)
Contact for correspondence with external fund managers	Finance Manager – Capital/ Treasury Management	Other designated Accounting Technician/Finance Business Partner
Decisions on placing with or recalling monies from external fund managers	Chief Finance Officer	Deputy Section 151 Officer
Entering into lease agreements	Chief Finance Officer	Deputy Section 151 Officer
Key contact with the Council's treasury management advisers	Group Manager (Financial Planning & Control)	Finance Manager – Capital/ Treasury Management
Monitoring of actual against budget for debt charges, interest earnings and debt management expenses	Designated Accounting Technician/ Finance Manager	Any other designated Accounting Technician/Finance Manager
Monitoring of performance; average interest rates earned and paid etc.	Designated Accounting Technician/Finance Manager	Any other designated Accounting Technician/Finance Manager
Monthly report to Section 151 officer detailing performance and any non-compliance with the Treasury Management Policy	Finance Manager – Capital/ Treasury Management	Designated Accounting Technician/Finance Manager

**SOUTHEND-ON-SEA BOROUGH COUNCIL**  
**TREASURY MANAGEMENT STRATEGY 2021/22**

**1. Introduction**

- 1.1 The Treasury Management Strategy is written in compliance with the CIPFA Treasury Management Code of Practice requirement to review and report policy and strategy before the start of the year. This has been revised following publication of the revised Code of Practice.
- 1.2 The Treasury Management Strategy sets out how the financing costs may be achieved. It needs to be regularly monitored and modified in the light of changing external and internal circumstances.
- 1.3 The objective of the strategy is to optimise the income generated by surplus cash and minimise borrowing costs, consistent with a low level of risk, maintaining capital sums and maintaining liquidity.

**2. The Council's Budget**

- 2.1 The budget includes provision for the financing costs of the Council's Capital Investment Programme, including interest on external borrowings. Offsetting this, the Council will earn interest by temporarily investing its surplus cash, which includes unapplied and set-aside capital receipts. These budgets depend on many factors, not least the Council's level of revenue and capital budgets, use of reserves, methods of funding the budget requirement, interest rates, cash flow and the Council's view of risk.
- 2.2 The Council can be both a lender and borrower at the same time as it seeks to invest short-term surpluses and fund longer-term capital investment. The timing of the taking of borrowing is important to secure the most advantageous interest rates.
- 2.3 The net budget for financing costs and interest earned on balances is £17.5m in 2021/22.

**3. The Council's Cash Surplus and Cash Flow**

- 3.1 It is projected that surplus cash balances will average £113m (of which £47m is the estimated sum of medium and long term funds managed by external fund managers) during 2021/22 based on information currently available and historical spending patterns.

#### **4. Interest Earnings (in-house investments)**

- 4.1 At the date of this report, the Bank of England base rate was 0.10%. Based on economic forecasts it is very difficult to predict the timing of any change in interest rates, however it has been assumed that during 2021/22 the bank base rate will stay at its historically low level of 0.1% throughout the year. The average interest earned by the Council on its in-house lending is likely to be 0.16% but this does depend on market conditions.
- 4.2 Sensitivity analysis shows that a difference of 0.5% in interest rates would make a difference of £330k in external interest earned and a difference of £1m in average balances would make a difference of £2k in interest earned in a full year. This risk is reflected in the annual review of the robustness of estimates for the Council Budget undertaken by the Chief Finance Officer.

#### **5. Long Term Borrowing**

- 5.1 There is no Central Government funding to support borrowing by the Council to fund capital projects. Under the Prudential Code the cost of any additional borrowing has to be financed by the Council.
- 5.2 The funding available to support capital investment is based on an assumption that the Council will not undertake any borrowing in 2021/22.
- 5.3 The Capital Financing Requirement (CFR) is the council's theoretical need to borrow but the Section 151 Officer can manage the council's actual borrowing position by either:
- 1 - borrowing to the CFR;
  - 2 - choosing to use temporary cash flow funds instead of borrowing (internal borrowing) or;
  - 3 - borrowing for future increases in the CFR (borrowing in advance of need).

The Council is likely to begin 2021/22 in the second of the above scenarios. However, as the 2021/22 financial year progresses a combination of scenarios 1, 2 and 3 will be considered, as appropriate.

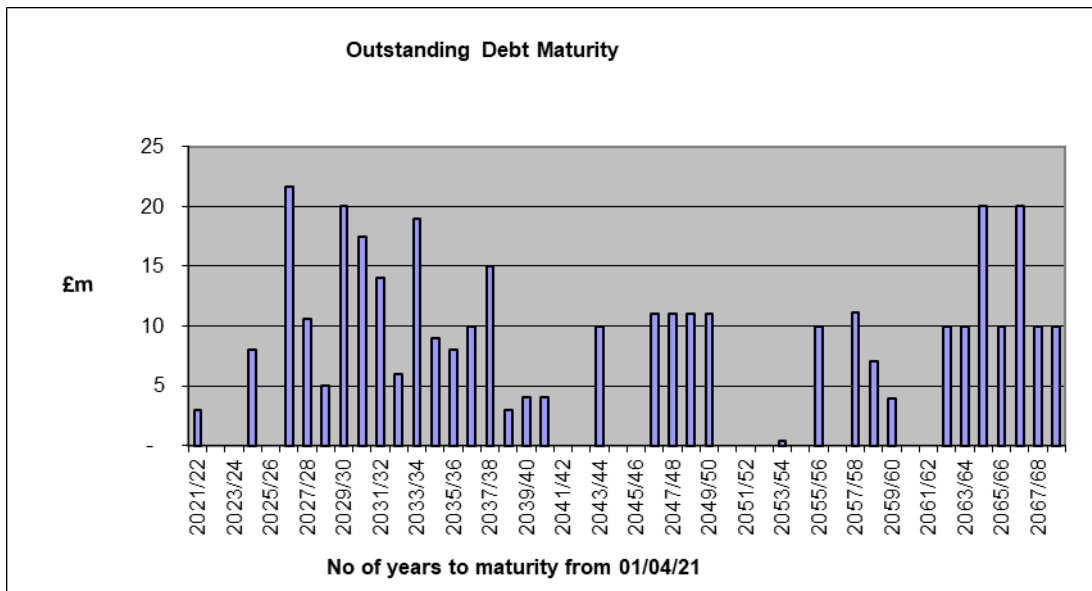
- 5.4 This authority will only borrow in advance of need where there is a clear justification for doing so and will only do so for the current capital investment programme or to finance future debt maturities.
- 5.5 So far in 2020/21 no new PWLB loans have been taken out.
- 5.6 The Council's current outstanding PWLB loans for both General Fund and Housing Revenue Account, which will need to be repaid, are set out on the next page:

<b>Southend-on-Sea Borough Council</b>		<b>Main Schemes (£m)</b>	<b>Invest to Save Schemes (£m)</b>	<b>Total (£m)</b>
Estimated opening position as at 31 March 2021	GF	235	0	235
	HRA	75	0	75
	<b>Total</b>	<b>310</b>		
Estimated new loans in 2021/22	GF	0	0	0
	HRA	0	0	0
	<b>Total</b>	<b>0</b>		
Repayments in 2021/22	GF	(2)	0	(2)
	HRA	(1)	0	(1)
	<b>Total</b>	<b>(3.0)</b>		
Estimated closing position as at 31 March 2022	GF	233	0	233
	HRA	74	0	74
	<b>Total</b>	<b>307</b>		

- 5.7 Outstanding debt relating to services transferred from Essex County Council (ECC) on 1 April 1998, remains under the management of ECC and is set out below. Southend Borough Council reimburses the debt costs incurred by the County.

<b>ECC transferred debt</b>	<b>Amount (£m)</b>
Opening position as at 31 March 2021	10.2
New loans in 2021/22	0
Repayments in 2021/22	(0.5)
Closing position as at 31 March 2022	9.7

- 5.8 The graph on the next page shows the repayment profile of the Council's PWLB borrowings if all new loans are included to reflect the funding of the proposed capital investment programme and the refinancing of debt.



It shows the gaps in the repayment profile and that there is no one year where the loan maturities are excessive.

The next maturity date of any PWLB debt redemption is March 2022 and is for a sum of £3m (General Fund: £2.2m, Housing Revenue Account (HRA): £0.8m).

- 5.9 The potential for the early redemption of high interest loans is reviewed periodically, however the interest savings from the repayment of these loans is usually offset by the premiums that must be paid on their redemption and it has not yet been advantageous for the Council to discharge these loans prematurely. This followed advice from our treasury management advisers which demonstrated the excessive cost to the Council of any debt restructuring. Further advice from our treasury management advisers will be sought at the appropriate time about the potential for restructuring of debt and the timing of such a restructure.
- 5.10 Long term borrowing will normally be taken from the Public Works Loan Board (PWLB) since this is usually the most economic source available to the Council. If other sources are thought to be more advantageous and are permitted under the relevant legislation they will be considered.
- 5.11 As at 21 December 2020 rates of borrowing (from the PWLB) were between 1.50% and 1.56% for loans between 20 and 30 years (these rates include the certainty rate discount of 0.2%). During 2021/22 the investment and borrowing interest rates will be kept under review and the further use of capital balances will be considered in lieu of new borrowing where this is advantageous.
- 5.12 Where it is considered appropriate to take out new borrowing, regard will be given to the existing repayment profile (see 5.8 above) and the need for a spread of maturity dates to ensure that a significant value of loans do not mature at the same time. Loans are taken out for a range of periods in order that the Council continues to balance its debt profile



over the longer term and so is not unduly exposed to the prevailing interest rates at the time of the possible debt replacement.

## **6. Monitoring and Review Arrangements**

6.1 During 2021/22, within 7 working days of each month end, the Section 151 Officer will receive a report detailing performance and any non-compliance with the treasury management policy. He will either approve the report or raise the necessary queries to satisfy himself in relation to:

- (i) all transactions being properly authorised
- (ii) all transactions being with approved counterparties
- (iii) all transactions being in accordance with the Council's approved policy
- (iv) monitoring of security and liquidity (i.e. spread of investments by long term credit rating, financial sector, country, maturity profile)
- (v) in-house investment performance against 7 day LIBID
- (vi) investment performance for external fund managers for the relevant period

6.2 In addition to the monthly reports:

- (i) monitoring reports will be included in the regular Performance Monitoring report
- (ii) any changes affecting the treasury management strategy will be reported to Audit Committee for scrutiny and Cabinet for recommending to Council for approval.

6.3 Benchmarking that considers security and liquidity will be achieved by appropriate comparisons with relevant statistical data.

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## SOUTHEND-ON-SEA BOROUGH COUNCIL

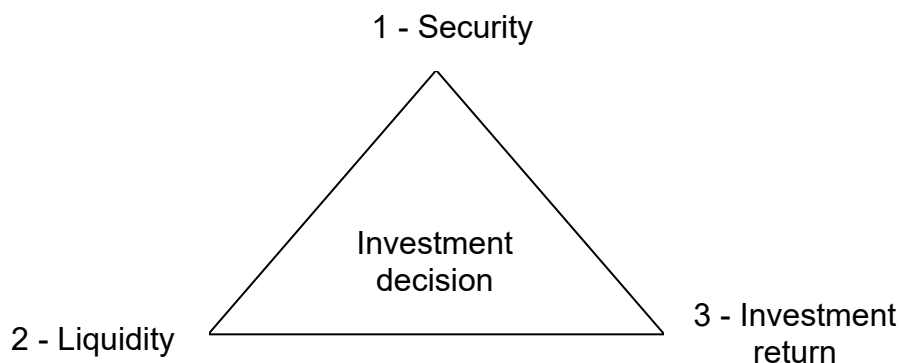
## ANNUAL TREASURY MANAGEMENT INVESTMENT STRATEGY 2021/22

**1 Scope of this strategy**

- 1.1 This investment strategy covers Treasury Management investments only. (Capital investments including service and commercial investments and loans are covered in the Capital Investment Policy which is Annex 1 to the Capital Investment Strategy.)

**2 Treasury Management Investment Objectives**

- 2.1 To secure the principal sums invested
- 2.2 To maintain liquidity (i.e. adequate cash resources)
- 2.3 To optimise the income generated by surplus cash in a way that is consistent with a prudent level of risk
- 2.4 Security and liquidity are placed ahead of the investment return. This is shown in the diagram below:



- 2.5 Subject to the above objectives being satisfactorily met, consideration will be given to environmental, social and governance (ESG) factors for the funds and financial institutions being invested in. This is still an area that is relatively new but is becoming more main-stream with more funds and financial institutions reporting on their ESG policies. It should be noted that high relevance to ESG-related considerations does not necessarily correlate to high credit quality.

**3 Policy on use of external fund managers**

- 3.1 The Council currently has monies placed with five external fund managers to use their knowledge and experience to invest on our behalf the medium and long term funds that are, under normal circumstances, not required for day to day cash flow purposes. These funds are summarised below:

Type of fund	Fund manager	Estimated average balance in 2021/22 (£m)
Property Fund	Lothbury Investment Management Limited	12.9
Property Fund	Patrizia Property Investment Managers LLP	14.0
Short Dated Bond Fund	AXA Investment Managers UK Limited	7.6
Short Dated Bond Fund	Royal London Asset Management	7.7
Enhanced Cash Fund	Payden & Rygel Global Limited	5.1
<b>Total</b>		<b>47.3</b>

- 3.2 Withdrawals may be made during 2021/22 so that a proportion of the council's debt can be repaid or the monies invested as part of the in-house managed funds. Conversely, monies may be placed with the existing and/or a new fund manager during 2021/22 to take full advantage of the knowledge and experience of fund managers in making investment decisions. As to whether monies are deposited or withdrawn, the reason and timing of the decision will have regard to the council's cash flow, relevant interest rates and advice from our treasury management advisers.
- 3.3 In consultation with our treasury management advisers and if appropriate the Section 151 officer will appoint one or more new fund managers in 2021/22 to enable investment of monies.
- 3.4 During 2021/22, if appropriate, the Section 151 officer will approve the placing of monies in Property Funds and will approve the direct investment in property. Any resulting updates to the capital investment programme would be submitted to Cabinet for approval.
- 3.5 During 2021/22, if appropriate, the Section 151 officer will approve the placing of monies in Short Dated Bond Funds or Enhanced Cash Funds.

#### **4 Policy on investment of in-house managed funds**

- 4.1 The remaining funds will be managed in-house with the investment period and amounts being determined by the daily cash flow requirements of the Council. Cash flow forecasts will be produced in order to inform in-house investment decisions.

- 4.2 This authority has accepted the risk of placing funds with financial institutions, rather than solely with the UK government Debt Management Office. However, the risk is minimised by this Annual Treasury Management Investment Strategy, which restricts the types of investment, the counterparties used and the limits for these counterparties.
- 4.3 Government guidance recommends that specified and non-specified investments are identified in the Investment Strategies of local authorities. Specified investments have relatively high security and liquidity, with high credit quality and a maturity of no more than a year. Non-specified investments are investments that do not fall into this category. The types of investment in this strategy and whether they are specified or non-specified are set out in Annex A.
- 4.4 During 2021/22 the Section 151 officer will, if appropriate, approve the placing of monies in deposit accounts, fixed term deposits or certificates of sterling cash deposits up to five years, subject to the proposed banks and building societies satisfying the investment criteria in a combined matrix of credit ratings, and having regard to other market information available at the time.
- 4.5 During 2021/22 the Section 151 officer will, if appropriate, approve the placing of monies in Money Market Funds, term repurchase arrangements, Treasury bills, with other Local Authorities or the Debt Management Office. The regulations regarding Money Market Funds have changed and all references to Money Market Funds now relate to Low Volatility Net Asset Value (NAV) funds, Constant NAV funds and Variable NAV funds.
- 4.6 During 2021/22 the Section 151 officer will, if appropriate, approve the investment of monies into Joint Ventures or Development Companies (either partly or wholly owned by the Council) focused on regeneration and other infrastructure related projects, subject to the necessary due diligence being satisfactorily completed and in consultation with our treasury management advisers. The provision of loan facilities to such organisations would count as capital investment and any resulting updates to the capital investment programme would be submitted to Cabinet for approval.
- 4.7 Where credit ratings are used to assess credit risk, they will be checked when an investment is taken out to ensure that investment satisfies the criteria in this Treasury Management Investment Strategy. Our treasury management advisers provide alerts when credit ratings are changed by the three main rating agencies. If the credit ratings of an institution or investment no longer satisfy the criteria the monies will be withdrawn as soon as possible. This would depend on the maturity date or notice period.
- 4.8 During 2021/22 the Section 151 officer will, if appropriate, approve the short term borrowing of monies from other Local Authorities or the PWLB in order to manage the cash flow and maintain liquidity.
- 4.9 Fixed term deposits may be made directly with the banks and building societies or through the use of a broker. Monies will be placed with other Local Authorities through the use of a broker. Investments in Certificates of

Deposit and Treasury bills will be made through the use of a custodian account. The Council acknowledges that it retains responsibility for all investment decisions made whether they are made on its behalf or not.

- 4.10 When investing in-house managed funds, the following are considered; the type of investment, the individual counterparty, the amount that can be invested, the method of placement of monies. These are summarised in Annex A.
- 4.11 The services of our treasury management adviser, Link Asset Services will be used throughout 2021/22 to provide advice as well as credit rating and other market information regarding counterparties and types of investment. However, the Council recognises that responsibility for investment decisions remains with the authority at all times.

## **5 Investment Criteria for Funds Managed In-house**

- 5.1 All financial institutions considered for investment will be assessed for credit worthiness against a combined matrix of pre determined criteria using available credit ratings. Credit ratings are assessments by professional organisations of an entity's ability to punctually service and repay debt obligations. Credit ratings are used by investors as indications of the likelihood of getting their money back in accordance with the terms on which they invested.
- 5.2 The credit rating components used in the matrices comprise:
- Short term ratings;
  - Long term ratings.

Ratings provided by all three credit rating agencies will be consulted and a counterparty will be considered for investment if it meets the ratings criteria of at least one of the agencies.

- 5.3 The short term rating covers obligations which have an original maturity not exceeding one year. The short-term rating places greater emphasis on the liquidity necessary to meet financial commitments. All three credit rating agencies provide short term ratings. The ratings are expressed from F1+ (highest credit rating) through to D (highest default risk) for Fitch, from A-1+ (highest credit rating) through to D (highest default risk) for Standard and Poors, and from P-1 (highest credit rating) through to NP (highest default risk) for Moody's.
- 5.4 The long term ratings generally cover periods in excess of one year. Due to the larger time horizon over which the rating is determined, the emphasis shifts to the assessment of the ongoing stability of the institution's prospective financial condition. All three credit rating agencies provide long term ratings. The ratings are expressed from AAA (highest credit rating) through to D (highest default risk) for Fitch and Standard and Poors and from AAA (highest credit rating) through to C (highest default risk) for Moody's.

5.5 In order to balance the objective of securing the maximum level of return on investments with a prudent level of risk a matrix of criteria will be adopted as a starting point to determine the acceptability of a potential investment.

5.6 These matrices are set out below:

If the short and long term ratings meet the following criteria from a minimum of one of the ratings agencies:

**For Lending of up to 6 months to Banks and Building societies:**

	Fitch	S&P	Moodys
Short term rating minimum	F1	A-1	P-1
Long term rating minimum	A-	A-	A3

**For Lending of up to 12 months to Banks and Building societies:**

	Fitch	S&P	Moodys
Short term rating minimum	F1	A-1	P-1
Long term rating minimum	A	A	A2

**For Lending of up to 3 years to Banks and Building societies:**

	Fitch	S&P	Moodys
Short term rating minimum	F1	A-1	P-1
Long term rating minimum	AA-	AA-	Aa3

**For Lending of up to 5 years to Banks and Building societies:**

	Fitch	S&P	Moodys
Short term rating minimum	F1+	A-1+	P-1
Long term rating minimum	AA+	AA+	Aa1

5.7 An example of the use of this credit ratings matrix as at 31 January 2020 is shown below (the long and short term ratings are Fitch, then Standard and Poors, then Moodys).

Financial Institution	Long Term Rating	Short Term Rating	Maximum length of investment
The Bank of New York Mellon	AA AA- Aa1	F1+ A-1+ P-1	5 years
Royal Bank of Canada	AA AA- Aa2	F1+ A-1+ P-1	3 years
Standard Chartered Bank	A+ A A1	F1 A-1 P-1	12 months

- 5.8 The Council's treasury management advisers, Link Asset Services, will continually review the appropriateness of our investment criteria and continue to develop a best practise counterparty list. The latest advice has now been incorporated in this Strategy, which is set out below.
- 5.9 The individual ratings for some banks and building societies are low which means that they do not meet the criteria in our credit ratings matrix. However, this does not take account of part nationalised banks (currently The Royal Bank of Scotland Plc and National Westminster Bank Plc). These banks can be included in the counterparty list if they continue to be part nationalised or they meet the criteria of our credit ratings matrix in paragraph 5.6. An example of the institutions meeting the criteria for the UK will therefore include:
- Bank of Scotland Plc (RFB)
  - Lloyds Bank Plc (RFB)
  - The Royal Bank of Scotland Plc (RFB)
  - National Westminster Bank Plc (RFB)
  - Barclays Bank Plc (NRFB)
  - HSBC Bank Plc (NRFB)
  - Nationwide Building Society
  - Santander UK Plc
- 5.10 The largest UK banks were required, by UK law, to separate core retail banking services from their investment and international banking activities by 1<sup>st</sup> January 2019. This is known as "ring-fencing" and is a regulatory initiative created in response to the global financial crisis to improve the resilience and resolvability of banks. The initials RFB and NRFB in paragraph 5.9 refer to whether the bank is the Ring-fenced Bank or the Non Ring-fenced Bank. Each part of the bank has an individual credit rating and for any potential investment the counterparty would be considered against the criteria in this strategy in the normal way.
- 5.11 Counterparties that are manually added back to the list will have a maximum length of investment of two years. Amendments to the counterparty list can happen at any point in time.
- 5.12 In addition, for practical purposes the Council's bank will form part of the counterparty list, whether or not it meets the criteria in our credit ratings matrix.
- 5.13 Regard will be given to forward looking rating warnings from the three main credit rating agencies (i.e. rating watches and outlooks) provided by our treasury management advisers.
- 5.14 The current advice from DCLG and CIPFA is not to rely solely on the credit rating agencies and the Council recognises that ratings should not be the sole determinant of the quality of an institution. So regard will also be given to market information such as the financial press, and officers will engage with their advisers to maintain a monitor on market pricing (such as share and 'credit default swap' prices) and other such information pertaining to the banking sector. Where available credit information, other than credit



ratings has been used, this will be documented when the investment decision is made.

- 5.15 Consideration will also be given to Link Asset Services' rating methodology approach, where counterparties are put into bands of risk. These reflect the differences in credit quality of suggested duration and counterparties are assigned a risk number/colour.
- 5.16 The achievement of an appropriate balance between short-term and longer-term deposits will be driven by the credit quality of counterparties, the council's cash flow requirements, and the need to achieve optimum performance from our investments consistent with effective management of risk.

## 6 Investment Limits for Funds Managed In-house

- 6.1 The ratings agencies produce a credit rating for each country, called a sovereign rating. The ratings are expressed from AAA (highest) to D (lowest). The following limits have been set for an investment with a bank or building society whose parent company is registered in a country with a sovereign rating from Fitch and Standard and Pools (S&P) of AAA or AA+ or a sovereign rating from Moody's of Aaa or Aa1. Sovereign ratings provided by all three credit rating agencies will be consulted and the lowest rating will be taken.

<b>Country Sovereign Rating</b>	<b>Limit * All except UK (£ million)</b>
AAA/Aaa	20
AA+/Aa1	5
Lower than AA+/Aa1	0

\* These limits relate to the principal sums invested and do not include any accrued interest on that principal.

- 6.2 These limits will also apply to supranationals (international organisations whereby member states transcend national boundaries or interests to share in the decision-making and vote on issues pertaining to the wider grouping). An example of a supranational is the European Investment Bank.
- 6.3 Fitch has set the UK's sovereign rating at AA-, S&P have set it at AA and Moodys have set it at Aa3. Therefore, to ensure the continued use of UK institutions that fall within our investment criteria, the country sovereign rating limits exclude the UK. The limit will therefore remain at £20 million for all counterparties where the parent company is registered in the UK.
- 6.4 Where the parent company of a bank is not registered in a country with a sovereign rating from Fitch and S&P of AAA or AA+ or a sovereign rating from Moody's of Aaa or Aa1 but that bank's UK operations are ring-fenced to the UK (as is the case for Santander UK), if these banks are included in the counterparty list they will have a counterparty limit of £20 million.

6.5 £20 million is 18% of the authority's estimated amount of investments for 2021/22 of £113m. £5m is 4% of the total estimated investments. These are upper limits and would only be fully used in exceptional circumstances as, under normal circumstances, diversification is sought to reduce counterparty risk. These limits are deemed appropriate by our Treasury Management advisers.

6.6 To minimise counterparty risk, the limit on any investment with a bank or building society (with the exception of the Council's bank which is currently Barclays Bank) will be determined in the following way:

- consider the country in which the parent company of the bank or building society is registered
- use the sovereign rating of that country to apply the limits above
- consider the cumulative balance of funds already held in various investment products with that bank or building society
- consider the cumulative balance of funds already held in various investment products for any related group of financial institutions
- determine the remaining amount that can be placed with that bank or building society

For example, the limit on an investment with Lloyds Bank Plc would be determined in the following way:

<b>Steps to determine limit:</b> <i>(for illustrative purposes only and not an indication of actual investments)</i>	<b>Remaining limit available at each stage:</b>
Lloyds Bank Plc is part of the Lloyds Banking Group which is registered in the UK	£20 million
£4 million already placed in an instant access account with Lloyds Bank Plc	£16 million
£5 million already placed in a fixed term deposit with Lloyds Bank Plc	£11 million
£6 million already placed in a notice account with Bank of Scotland Plc (part of the Lloyds Banking Group)	£5 million
Therefore the maximum investment would be £5 million	

6.7 The Council's bank is the exception to these investment limits however, and under normal circumstances our intention would be to comply with a counterparty limit of £30 million, to enable the efficient and effective management of the Council's cash flow.

6.8 The limit on deposits in Money Market Funds will be £20 million with any one AAAm/AAAf rated (or equivalent) liquidity fund. These work in the same way as a deposit account but the money in the overall fund is invested in a number of counterparties, therefore spreading the counterparty risk.

- 6.9 There are products being developed that are similar to, but not the same as Money Market Funds, such as 'term repurchase arrangements'. The risk associated with these funds is somewhere between a fixed term deposit and a Money Market Fund. The Section 151 officer will approve the placing of monies in these types of fund up to a maximum of £20 million per fund, if deemed appropriate and in consultation with our treasury management advisers.
- 6.10 Given the prevailing financial market conditions, financial institutions will inevitably devise various investment products to offer enhanced returns. The Council's Section 151 Officer will consider these in consultation with our treasury management advisers and will approve the placing of monies in such investment products with appropriate limits, only after the options and their associated risks have been fully analysed by the treasury management team and our treasury management advisers.
- 6.11 To maximise flexibility, there is no limit on deposits with the UK Government (e.g. Debt Management Office, HM Treasury bills). These deposits will have a maximum duration of 6 months.
- 6.12 The limit on deposits with other Local Authorities will be £40 million which is 35% of the authority's estimated amount of investments for 2021/22 of £113m. These deposits will have a maximum duration of 5 years. This is an upper limit and would only be fully used in exceptional circumstances. The limit is higher than the limit for other counterparties such as banks and other financial institutions due to the lower counterparty risk associated with Local Authorities. These limits are deemed appropriate by our Treasury Management advisers.

## **7 Fund Managers investment criteria**

- 7.1 Investments undertaken by external fund managers on behalf of the Council can only be placed in certain types of investment as permitted under the Local Government Act. The types of investment, counterparties and limits used by each fund manager are set out in their Investment Management Agreement.
- 7.2 The Council's Section 151 Officer is authorised to amend these Investment Management Agreements as appropriate to reflect the needs of the Council, after fully considering the options and their associated risk and in consultation with the Council's treasury management advisers. Subject to the relevant due diligence being undertaken, the Investment Management Agreements could include investment in asset classes such as gilts, corporate bonds, property or equities, or investment in a multi asset fund.
- 7.3 The limit on deposits in Property Funds will be £25 million with any one fund that passes the selection process.
- 7.4 The limit on deposits in Short Dated Bond Funds will be £20 million with any one fund that passes the selection process.

- 7.5 The limit on deposits in Enhanced Cash Funds will be £20 million with any one fund that passes the selection process.
- 7.6 The performance and associated risk will be assessed on an on-going basis through half yearly strategy meetings with each fund manager and the Council's treasury management advisers. Any appropriate action would be identified and taken in consultation with those advisers.

## **8 Markets in Financial Instruments Directive (MiFID II)**

- 8.1 MiFID is the framework of European Union legislation for investment intermediaries that provide services to clients around financial instruments such as shares, bonds, units in collective investment schemes and derivatives and the organised trading in such financial instruments.
- 8.2 This was revised by MiFID II to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. It recognises that investors have different levels of knowledge, skill and expertise. The application of specific regulatory obligations under MiFID depends on a client's 'regulatory' category.
- 8.3 Local Authorities are categorised as retail clients by default but may 'opt up' to become elective professional clients if certain criteria are satisfied. This Council satisfies the criteria to become an elective professional client and has 'opted up' where appropriate to ensure that it can continue to be eligible to invest in the current range of counterparties and investment products, as some are not available to retail clients.
- 8.4 MiFID II does not cover simple term deposits as it is only focussed on regulated products. This includes our investments in Money Market Funds, enhanced cash funds, short dated bond funds and property funds. The Council is classed as an elective professional client for all its relevant counterparties except for certain Money Market Funds where the fund has confirmed there is no requirement to 'opt up' as the products can continue to be used as a retail client. The Council's designation under MiFID II will be regularly reviewed to ensure it remains appropriate.

Type of Treasury Management Investment	Individual Counterparty	Limit	Method of placement	Specified/non-specified
Deposit accounts	Bank or building society that meets the criteria of our combined matrix of credit ratings, or one of the part nationalised banks	Per bank or building society, based on country sovereign rating	Directly or through a broker	Specified (if 1 year or less), Non-specified (if more than 1 year)
Fixed term deposits			Directly or through a broker	
Certificates of sterling cash deposits			Custodian account	
Money Market Funds	AAAm/AAAf rated* (or equivalent) liquidity fund	Per fund	Directly or via an on-line site for managing money market funds	Specified
Property Funds	Via selection process	Per fund	Directly or through a broker	Non-specified (more than 1 year)
Short Dated Bond Funds	Via selection process	Per fund	Directly	Non-specified (more than 1 year)
Enhanced Cash Funds	Via selection process	Per fund	Directly	Non-specified (more than 1 year)
Term repurchase arrangements	AAAf/S1 rated#	Per fund	Directly	Specified (if 1 year or less), Non-specified (if more than 1 year)
Other Local Authorities	Depends on which Local Authorities want to borrow money at that time	For total invested with other Local Authorities	Through a broker	Specified (if 1 year or less), Non-specified (if more than 1 year)
Debt Management Office	UK Government	For total invested with UK Government	Directly	Specified
Treasury Bills			Custodian account	

\* A fund with a principal stability rating of 'AAAm/AAAf' (or equivalent) has an extremely strong capacity to maintain stability and to limit exposure to losses of the principal sums invested due to credit, market and/or liquidity risks.

# A fund with a credit quality rating of 'AAAf' has a portfolio holding that provides extremely strong protection against losses from credit defaults. A fund with a volatility rating of S1 possesses low sensitivity to changing market conditions.

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## SOUTHEND-ON-SEA BOROUGH COUNCIL

## CHANGES FROM THE 2020/21 TREASURY MANAGEMENT POLICY

Appendix	Paragraph	Change	Reason for the change
1	6.3 and 6.4	These paragraphs in section 6 provide an update on the PWLB lending terms following the outcome the HM Treasury consultation.	To reflect updated circumstances.

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# Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

**Audit Committee**

on

**13 January 2021**

Report prepared by: Andrew Barnes, Head of Internal Audit

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**Internal Audit Services, Quarterly Performance Report**

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

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**1. Purpose of Report**

- 1.1 To update the Audit Committee on the progress made 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, as at 18<sup>th</sup> December.
- 3.2 **Appendix 2** sets out the results of the work completed since the last progress report to the Audit Committee in October.
- 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 Since the last report to the Committee requests have been made by senior management to assist with work being undertaken as part of Getting to Know Your Business, including in respect of Adult Social Care data and finances, and one of the Audit Managers has been closely involved in the development of the Children's Services Improvement Plan, as reported at Appendix 2B, and has received very positive feedback on the challenge and support provided.
- 3.5 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.
- 3.6 The Head of Internal Audit also takes Head of Service responsibility for the Counter Fraud and Investigation Team, that is now an in-house service and for the Council's corporate approach to risk management.

- 3.7 As a result of the Covid-19 pandemic response 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 currently getting appropriate engagement from services.
- 3.8 In order to ensure that our work continues to focus on the areas of greatest risk to the Council, we reconsidered our Audit Plan for 2020/21 that was initially presented to the Committee in April and this was re-presented to the Committee in October. 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. Work is focussed on the delivery of that plan and progress is documented in Appendix 1.

#### **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 18<sup>th</sup> December 2020:
- For the period 1<sup>st</sup> April 2020 – 18<sup>th</sup> December 2020 the team had sickness absence which equates to 6.91 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:
- 29% of audits are complete with finalised or draft reports issued
  - 26% of audits are in progress
  - 13% of audits have terms of reference agreed
  - 6% of audits are being planned
  - 26% of audits are resourced, but yet to be started.
- 4.4 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.
- 4.5 Since the last report to the Audit Committee in October 2020 there have been no changes to the staffing of the team. This leaves the combined team with three vacancies and a Senior Auditor post is currently being advertised with a closing date for applications of 8<sup>th</sup> January. The salaries of the vacant posts are being used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.

4.6 The expected requirements of the internal audit service into the future continue to evolve and the impact of Covid-19 is causing further deliberations to take place both at an industry level, as partially reflected in the CIPFA Audit Committee Update included as an information item with the papers for this meeting, and at a 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. The ongoing development of the team to implement this approach will 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 progress status

Appendix 2 Audit Assurance and Themes

A Partial Assurance

B Other Audits and Grants

## Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 18 <sup>th</sup> December 2020
<b>Managing the Business</b>			
All	<p><b>Covid-19</b></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"> <li>• Covid-19 Local Outbreak Governance Arrangements</li> <li>• Adults Social Care Recovery from Covid-19</li> <li>• Covid-19 Volunteering</li> <li>• Financial Impact of Covid-19 – please see below.</li> </ul>
F&R (PB)	<p><b>Financial Impact of Covid-19:</b></p> <p>To assess the robustness of the arrangements and /or financial modelling approach applied to:</p> <ul style="list-style-type: none"> <li>• estimating the medium term financial impact of the pandemic to the Borough</li> <li>• ensuring capital programme priorities continue to meet the needs of the Borough.</li> </ul>	No	<p><b>Terms of reference being agreed.</b></p> <p><b>Work planned for January to March 2021.</b></p>
All	<p><b>IT Audit: Remote Working and Cyber Security Arrangements (2019/20)</b></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><b>Completed September 2020.</b></p>

## Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 18 <sup>th</sup> December 2020
All	<p><b>IT Audit: Disaster Recovery and Continuity Planning Arrangements (2019/20)</b></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	<b>Completed October 2020.</b>
T (RP)	<p><b>Health and Safety</b></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	<b>Terms of Reference agreed. Work due to start in January 2021.</b>
T (CT)	<p><b>ICT Management and Delivery</b></p>	N/A	Resource secured from ICT specialists. Focus and specific timing being planned.
<p><b>Implementing Action Plans</b> - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.</p>			
None			
<b>Managing Service Delivery Risks</b>			
<p><b>Pride and Joy</b></p> <p>By 2050 Southenders are fiercely proud of and go out of their way to champion what our city has to offer.</p>			
N&E (NH)	<p><b>National Productivity Investment Fund</b></p> <p>To certify, in all significant respects, that the conditions attached to the grant have been complied with.</p>	Yes	<b>Completed September 2020.</b>

## Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 18 <sup>th</sup> December 2020
<p><b>Implementing Action Plans</b> - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.</p>			
None			
<p><b>Safe and Well</b></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><b>Rough Sleepers</b></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	<p><b>Planned for January to March 2021.</b></p>
C&PH (JOL)	<p><b>Children's Quality Assurance Framework (QAF)</b></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><b>As part of improving the continuous improvement assurances required around the delivery of the Children's Services' Improvement Plan, the approach to the Quality Assurance Framework is under review.</b></p> <p><b>It has been agreed with the Executive Director of Children's Services and Public Health that Internal Audit will provide a support and challenge role as the Framework is developed.</b></p> <p><b>Support planned for January to March 2021.</b></p>

## Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 18 <sup>th</sup> December 2020
A&C (SB)	<p><b>Essex Partnership University Trust (EPUT) Section 75 Agreement</b></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><b>Planning for the work underway.</b></p> <p><b>Work planned for January to March 2021.</b></p>
G&H (GH)	<p><b>Disabled Facilities Grant</b></p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	<p><b>Completed October 2020.</b></p>
C&PH (JOL)	<p><b>Troubled Families</b></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"> <li>• April to end of June 2020</li> <li>• July to end of September 2020</li> <li>• <b>October to end of December 2020</b></li> </ul> <p><b>Resource allocated for claims to end of March 2021.</b></p>
C&PH (KR & AG)	<p><b>Covid-19 Local Outbreak Control Plan - Governance Arrangements:</b></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><b>Planning for the work underway.</b></p> <p><b>Work planned for January to March 2021.</b></p>



## Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 18 <sup>th</sup> December 2020
A&C (SB)	<p><b>Adults Social Care Recovery from Covid-19:</b></p> <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 e.g. postponement of financial assessments for residents receiving care, relaxation in approval arrangements for changes to care packages.</p>	Yes	<p><b>Terms of Reference agreed.</b></p> <p><b>Planned for January to March 2021.</b></p>
T&AC (SP SB)	<p><b>Covid-19 Volunteering:</b></p> <p>To assess the robustness of arrangements which ensured sufficient safeguarding measures were considered when enrolling volunteers to provide essential support to vulnerable residents</p>	No	<p><b>Terms of Reference being agreed.</b></p> <p><b>Work Planned for January to March 2021.</b></p>
<p><b>Implementing Action Plans</b> -To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.</p>			
A&C (SB)	<p><b>Direct Payment Support Service Contract Management</b></p>	Yes	<p><b>The priority for undertaking this work is currently being reassessed against potentially more immediate risks for which audit resource may be needed.</b></p>
<p><b>Active and Involved</b></p> <p>By 2050 we have a thriving, active and involved community that feel invested in our city</p>			
<p><b>Implementing Action Plans</b> - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.</p>			
<p>None</p>			

## Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 18 <sup>th</sup> December 2020
<b>Opportunity and Prosperity</b> By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people			
G&H (EC)	<b>Better Queensway Project Assurance</b> To assess the robustness of the Council's project management arrangements to deliver the required outcomes and benefits for the citizens of Southend.	No	<b>Completed December 2020.</b>
T (SP)	<b>Hayes Contract Management</b> To assess whether there are robust arrangements in place to ensure that the contract is delivering the planned outcomes and / or benefits in compliance with the specified performance and quality standards, at the correct cost.	Yes	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.
G&H (EC & RP)	<b>Adult Community College Debt Collection</b> To assess the robustness of arrangements to collect debt fully and in a timely manner.	Yes	<b>Terms of Reference being agreed.</b> <b>Planned for January to March 2021.</b>
G&H (EC & RP)	<b>Adult Community College Payroll</b> To assess the robustness of arrangements to accurately and properly pay non-salaried college staff.	Yes	<b>Work in Progress.</b>
<b>Implementing Action Plans</b> - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.			
G&H (EC & RP)	<b>New:</b> <b>Better Queensway Project Assurance (see completed piece of work above)</b>	No	<b>Resource Secured.</b> <b>Planned for February to March 2021.</b>

## Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 18 <sup>th</sup> December 2020
<p><b>Connected and Smart</b></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><b>Climate Change</b></p> <p>To assess the adequacy of arrangements to deliver the outcomes required of the Climate Change Emergency Action Plan.</p>	No	<p><b>Draft report being agreed with the service area.</b></p>
N&E (NH)	<p><b>Transport Joint Venture</b></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><b>Planned for January to March 2021.</b></p>
N&E (SH)	<p><b>Parking Enforcement Income Collection</b></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>		<p>Work in progress.</p>
N&E (NH)	<p><b>Local Transport Capital Block Funding - Highways Maintenance</b></p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	<p><b>Completed September 2020.</b></p>
N&E (NH)	<p><b>Pothole Action Fund</b></p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	<p><b>Completed September 2020.</b></p>

## Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 18 <sup>th</sup> December 2020
N&E (AW)	<p><b>Department for Transport: Travel Demand Management Grant (awarded 29-7-20)</b></p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	Work in progress.
N&E (AW)	<p><b>Department for Education: Additional Dedicated Home to School and College Transport Grant (awarded 11-8-20)</b></p>		Work in progress.
<p><b>Implementing Action Plans</b> - 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			
<b>Key Financial Systems</b>			
<b>All Outcomes</b>			
All	<p><b>Accounts Payable – Batch Input Files (BIF)</b></p> <p>To assess the robustness of arrangements to ensure that these payment files are accurate and secure.</p>	Yes	Work postponed and now being reassessed as part of the ongoing review of the Council’s risk profile given the impact of Covid-19.
<p><b>Implementing Action Plans</b></p>			
None			

## Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 18 <sup>th</sup> December 2020
<b>Advice and Support</b>			
<b>All Outcomes</b>			
All	<p><b>Simple and Effective Governance</b></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 and input to the Transforming Together: Behaviours and Culture work stream, focussing on embedding the effectiveness of risk management arrangements and the role and effectiveness of the Governance Boards.</p>
All	<p><b>Getting to Know Your Business</b></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><b>Work in Progress.</b></p> <p><b>Internal Audit have continued to support Children’s Services as they develop and review service plans, a financial recovery plan and assess risk.</b></p> <p><b>Update on the work is contained in Appendix 2B Other Audits and Grant Claims.</b></p>
<b>Pride and Joy</b>			
By 2050 Southenders are fiercely proud of, and go out of their way, to champion what our city has to offer.			
N&E (IK)	<p><b>Waste Collection and Street Cleansing</b></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><b>Internal Audit need to work alongside the service’s timeline for completing the options appraisal process given the impact of the Covid-19 pandemic.</b></p>

## Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 18 <sup>th</sup> December 2020
<b>Safe and Well</b> By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives			
C&PH and A&C	<b>Liquid Logic / ContrOCC:</b> Provide support and challenge as new change request arrangements for these systems are being considered.	Yes	<b>Work in Progress.</b> <b>Update on work contained in attached Appendix 2B Other Audits and Grant Claims.</b>
F&R/ and T	<b>Fire Safety</b> 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)	<b>In House Foster Carers</b> 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	<b>Work in Progress</b> <b>Internal audit has facilitated discussions between the council's Data and Foster Care teams to develop insightful performance management information which will support monitoring the delivery of the outcomes detailed in the service's improvement plan.</b>
<b>Active and Involved</b> By 2050 we have a thriving, active and involved community that feel invested in our city			
A&C (SD)	<b>Fusion Contract Management</b> <b>(Approach altered to better meet needs of the service)</b>	Yes	<b>Internal Audit continue to provide support and challenge as the service navigates post Covid-19 arrangements with the contractor.</b>

## Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status as at 18 <sup>th</sup> December 2020
<b>Opportunity and Prosperity</b> By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people			
G&H (EC)	<b>Town Centre Engineerom Working Group:</b> To provide support and advice for establishing proportionate governance arrangements that appropriately support the Group in shaping and driving forward the town centre.	Yes	No work this quarter.
G&H (EC)	<b>Adult Community College</b> To provide support and challenge on the robustness of the updated Financial Regulation document ahead of its presentation to the governing body.		Work completed and feedback provided.
<b>Connected and Smart</b> By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure			
G&H (EC)	<b>Housing Infrastructure Grant (HIF)</b> To provide advice and support as arrangements are developed which ensure Homes for England Housing Infrastructure Grant terms and conditions are properly met.	Yes	Work has been rescheduled into the 2021/22 Audit Plan as the timing of the initial drawdown of grant are being amended. Interim assurance provided by:  The use of the HIF grant is one of the specific operational work streams within the council's Better Queensway project management structure, set up to monitor the delivery of the required outcomes and benefits from the regeneration. Therefore the follow up of implementation of the agreed recommendations from the Better Queensway project assurance work, under the Opportunity and Prosperity theme above, will ensure any required immediate improvements in processes for managing HIF funding are addressed.

## Appendix 1: 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.

<b>Audit Activities</b>	<b>Job Resource allocation</b>
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%
<b>Total</b>	<b>100%</b>

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



## Appendix 1: Status of Internal Audit Plan 2020/21

<b>Analysis Over Executive Director Responsibilities</b>		
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%
	<b>Total</b>	<b>100%</b>

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

## Appendix 1: 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 <b>(including the impact of the new National Institute for Health Protection (NIHP) replacing Public Health England to be formalised and operating from April 2021)</b>
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

## Appendix 1: Status of Internal Audit Plan 2020/21

N&E	<b>Neighbourhoods and Environment Performance Board – deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19</b>
A&C	<b>Adult Social Care Service Delivery - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19</b>
N&E	<b>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</b>
A&C	<b>Southend Care - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19</b>
G&H	<b>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</b>
A&C	<b>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</b>
N&E	<b>Environmental Health - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19.</b>
C&PH A&C	<b>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 &amp; Social Care Debt Collection</b>
G&H	<b>Housing Pipeline - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19</b>
N&E	<b>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</b>
F&R	<b>Treasury Management - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19</b>
A&C	<b>Community Grants - deleted from 20/21 Audit Plan after review of resources and risk profile resulting from impact of Covid-19</b>

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

### **Troubled Families Programme, Payments by Results Scheme Grant 2020/21 - claim October to December 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.

#### **Conclusion – claim period October to December 2020**

Between October 2020 and December 2020, 68 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.

Two of the 68 claims were withdrawn because they were found to have been claimed previously. This left 66 claims for submission to the MHCLG.

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

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

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

### **Getting to Know your Business – Children’s Services Improvement Plan – summary of work July to December 2020**

#### **Objective**

As the service develops its Improvement Plan; to provide support and challenge around arrangements for identifying and capturing risks and the clarity of deliverable outcomes and related outputs which are clear about “what good looks like”.

#### **Summary of work and impact**

Acting as a critical friend at the Service’s Performance Board to heighten the role of risk and opportunity in both making decisions and determining whether the right and sufficient assurances on delivering outcomes is being sought, reviewed, and acted upon. Then supporting colleagues to develop those conversations into a practical and simple approach for identifying, capturing and escalating risk from a team to service level and then onto the Improvement Board. This has resulted in the capture of risk in the:

- recent 2020/21 Improvement Plan Closure report to the Improvement Board;
- new template for the highlight reports to be presented to the Improvement Board in the future
- new template being developed for service teams

Th impact of this challenge and support to help move the service forward to improve outcomes has been acknowledged at all levels within the service – example feedback includes ‘You always have great insight and anything which you feel we should be doing would be really useful!’

### **Liquid Logic / ContrOCC**

#### **Objective**

Provide support and challenge as new change request arrangements for these systems are being considered.

#### **Summary of work**

Ongoing support is being provided to the business in developing their governance arrangements for change requests and strategic development of Liquid Logic and ContrOCC. Advice has been provided during the development of the terms of reference for each of the groups and board within the governance process in order to help ensure:

- membership fits the need and purpose of each group
- roles and responsibilities of each group and its members are clear, realistic and aligned to the groups purpose
- escalation / de-escalation requirements between groups are appropriate.

Further work is under way to support the service in revising and improving business processes for day-to-day system support, including arrangements for data deletion and system amendments.

# Southend-on-Sea Borough Council

Agenda  
Item No.

7

Report of the Executive Director (Finance and  
Resources)

to

**Audit Committee**

on

**13 January 2021**

Report prepared by Shaun Dutton, Counter Fraud &  
Investigations Manager

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

*A Part 1 Public Agenda Item*

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**1. Purpose of report**

- 1.1 To update the Audit Committee on the progress made by the Counter Fraud & Investigation Team (CFIT) in delivering the Counter Fraud Strategy and Work Programme 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 quarter, the team has been concentrating on managing its caseload and reducing the backlog of cases awaiting investigation. This backlog has resulted from the loss of staff earlier in the year and the restrictions imposed by the Covid-19 pandemic.
- 3.2 We continue to do this with a reduced staff number as one officer is on maternity leave and another on sickness absence following surgery. Currently we have two operational officers although this situation is expected to improve in the new year.
- 3.3 The backlog is being closely monitored and progress has been made in reducing it, the October 2019 report noted 40 investigations were awaiting assignment to an investigator whereas that figure has now been reduced to 35.
- 3.4 The Counter Fraud & Investigation Manager's post has now been filled from within the team and the recruitment for the resultant vacancy has commenced.
- 3.5 Notable successes this quarter include the recovery of £4,704 from an attempted evasion of Non-Domestic Business Rates and the successful prosecution of an individual for Disabled person's parking (Blue Badge) fraud.
- 3.6 The team are currently preparing several prosecutions in respect of Business Rates and grant fraud.

- 3.7 The Council-wide fraud awareness training continues to be well received. The feedback rates the course as 4½ out of 5 stars from 473 respondents. This course is available to all Southend Councillors who can access the Council's ICT systems.
- 3.8 The monthly fraud alerts for all staff continues to reach a growing audience with 21 teams or departments and over 30 individuals now on the distribution list. All recipients are advised to cascade these messages among their team, family and friends.

#### **4. The threat from fraud**

- 4.1 A third of all crime in the UK is fraud related. The total value of fraud detected or prevented by local authorities in 2018/19 is estimated to be £253m.
- 4.2 The total loss to local authorities from fraud is estimated to be £7.8bn (2017).
- 4.3 The areas of highest risk to the Council include Council Tax, Non-Domestic Business Rates, housing and tenancy fraud, disabled parking (Blue Badge) fraud, adult social care, procurement, grant fraud and employee fraud. CFIT have active investigations in all of these categories.
- 4.4 The national fraud guidance for Local Authorities is placing an increased emphasis on proactive fraud prevention initiatives and our current Work Plan (**Appendix 1**) has been guided by this. It is anticipated that the recruitment of a new fraud investigator and the return from sickness of another in the new year will accelerate progress in reducing our backlog of work. This should result in opportunities to conduct proactive activities both in fraud prevention initiatives and the detection of fraud.

#### **5. Investigations**

- 5.1 Previous Audit Committee investigation reporting has been in relation to the period since the current team's formation in October 2019. As we have now been in operation over a year, this report will now detail our investigations in relation to the financial year, to bring it into line with standard reporting cycles.
- 5.2 Since 1 April 2020, CFIT have dealt with, or are investigating, 235 cases.
- 5.3 Since the last report to the Committee in October, we have received 59 new cases. This is the same as the previous quarter and is less than we would expect. This is likely to be the result of Covid-19 pandemic restrictions, as these have caused Council and Housing Officers to be less active in the community.



5.4 Of this total:

- 157 investigations have been concluded (71 since the last report).
- 78 investigations are active:
  - 41 are currently being investigated
  - 2 cases are with Legal Services for prosecution
  - 35 cases are awaiting assignment to an investigator.

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

5.6 The success highlights for this quarter include:

- Recommendations to the Parking Team for policy and process improvement
- Joint working in the community with South Essex Homes
- The recovery of £4,704 of Non-Domestic Business Rates evasion
- The prosecution for unlawful use of a disabled person's parking permit (Blue Badge) resulting in a fine and the award of £145 costs to the Council
- Assisting in the recovery of 3 Council tenancies, creating a housing saving valued at £69,000 in the coming year
- Recouping £996.90 from Council Tax fraud
- Recovering £13,000 from an external supplier who was withholding revenue from the Council
- Preventing payment of grant applications valued at £10,000 each through support provided to the Business Rates team
- 8 Right to Buy applications assessed
- 5 referrals to the DWP
- 7 referrals to other agencies including Immigration, Trading Standards and the National Investigation Service.

5.7 The benefit generated by the team so far this year are:

- £1,598.89 in Council Tax fraud
- £69,000 in Housing Fraud
- £13,000 in recovered revenue
- £4,704 in recovered Non-Domestic Business Rates
- £55,000 in grant fund fraud.

This totals **£143,302.89** benefit to the Council from CFIT's activities.

## 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 Southend 2050 outcomes.

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 the 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.

### 6.2 Financial Implications

The work of the Counter Fraud and Investigation Team 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.

As noted at paragraph 5.7 the Counter Fraud and Investigation team has delivered £143,302.89 benefit to the Council through its activities.

### 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."*

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

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, and Human Resources consulted as appropriate.

#### 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 through monthly meetings with key stakeholders and 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 issues is considered during the initial planning stage of each investigation and piece of development work delivered, with Human Resources consulted as appropriate.

#### 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 Senior Management Team.

While risk cannot be eliminated from the Council's activities, implementing counter fraud and corruption policies and having an effective anti-fraud 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 reduced 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, undertaken.

## **Appendices**

Appendix 1 – Counter Fraud Work Plan 2020/21

Appendix 2 – Breakdown of CFIT investigations

**Appendix 1 – Counter Fraud Work Plan 2020/21**

**KEY:**

Denotes proactive initiatives
Denotes prevention / protection initiatives
Denotes development activities

67

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. This has been hampered through staff sickness and maternity leave.	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	2	Shaun DUTTON Caroline MERCIECA	

**OFFICIAL**

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
			are dependent upon a response from the DWP. This is being pursued.			
Council wide	Internal publicity campaign to highlight the work and reporting mechanisms of the fraud team.	Ongoing	<p>This was in progress during the previous Work Plan but interrupted by the Covid-19 pandemic. Some of this is dependent upon the reoccupation of Council buildings.</p> <p>This is partially fulfilled through the distribution of monthly fraud updates to staff and also partially fulfilled through the instigation of fraud awareness training.</p> <p>These activities should be ongoing throughout the year. A message was sent to all Council staff in November 2020 highlighting the risks of fraud and the need for vigilance and awareness.</p>	1	Shaun DUTTON	Ongoing
Council wide	Fraud awareness training to be developed and mandated for all staff.	September 2020	<p>This course has been finalised and is available to all SBC staff and Members via e-learning.</p> <p>The course has been mandated for staff in specific high fraud risk activities. It is anticipated that Senior Management support will be provided to make this course mandatory for all staff.</p>	1	Shaun DUTTON	November 2020

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Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
Council wide	Fraud awareness training to be delivered to all new staff as part of the induction process.	September 2020	The online training will be mandatory for all new starters. Therefore, a shorter presentation has been developed to introduce new staff to fraud awareness during induction training.	1	Shaun DUTTON	November 2020
Housing	Pro-active audit of SBC tenancies.	September 2020	This date is aspirational depending on how quickly the team recovers the backlog of work created by the Covid-19 pandemic. Discussions will be held with South Essex Homes to determine how to best identify tenancies most at risk of fraud. This has been delayed due to a backlog of investigations and a lack of human resources.	4	Shaun DUTTON James COUSEN	
Housing	Postal information campaign to target tenancy areas to encourage reporting of concerns about fraud.	TBD	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. This has been delayed due to a backlog of investigations and a lack of human resources.	2	Shaun DUTTON James COUSEN	

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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. This has been delayed by South Essex Homes due to the Covid-19 pandemic response.	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"> <li>• Procurement</li> <li>• Housing</li> <li>• Housing applications</li> <li>• School admissions</li> <li>• Blue badge applications</li> <li>• Council Tax</li> <li>• Business Rates</li> <li>• Online services</li> <li>• Social Care Direct payments</li> <li>• Recruitment</li> <li>• Others dependent upon current research</li> </ul> Policy review, process improvement recommendations where appropriate, service-specific training to be delivered where required.	Start November 2020	Planning. This is dependent upon how the team and its workload develops. This has been delayed due to a backlog of investigations and a lack of human resources.	2-4	Shaun DUTTON	
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	4	Shaun DUTTON	

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			(Essex Police and Traffic Management). This has been delayed due to a backlog of investigations and a lack of human resources.			
Business Rates	<p>Research project to determine best practice and effective methods of combatting Business Rates fraud.</p> <p>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.</p>	March 2021	<p>The research project has been assigned and initial enquiries among other local authorities have started. This has been delayed due to a backlog of investigations and a lack of human resources.</p> <p>A meeting has been discussed with some of the interested parties regarding the BR issue but was interrupted by the Covid-19 response. This is waiting until the pressure on the BR team is eased.</p>	2	Shaun DUTTON Caroline MERCIECA	
Counter fraud	<p>Explore joint working opportunities with other SBC teams, particularly Parking, Regulatory Services and Trading Standards.</p> <p>Explore the possibility of an information / intelligence sharing hub.</p>	Ongoing	Some initial conversations have taken place. This will be dependent upon how the Covid-19 pandemic develops and the resultant 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

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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"> <li>Counter fraud training initiatives for SBC partners and service providers</li> <li>An investigation and prosecution service to local Housing Associations.</li> </ul>	TBD	This is aspirational at this time and development will be dependent upon how the team progresses over the coming 12 months. This cannot be explored at the expense of our ongoing workload commitments or proactive and prevention activities for the Council and SEH.	TBD	Shaun DUTTON	

## Appendix 2 - Breakdown of CFIT investigations as of December 2020<sup>1</sup>

Category	Cases since last report (September 2020)	Total this financial year (2020/21)	Active investigations (being investigated, awaiting allocation or with Legal Services)	Closed investigations this financial year (2020/21)
<b>Transport</b> (Blue Badge, parking permits etc.)	6	21	6	15
<b>Schools</b> (including Early Years)	0	1	0	1
<b>Council Tax and Business Rates<sup>2</sup></b>	16	104	39	65
<b>Cybercrime</b>	0	1	0	1
<b>DWP</b>	4	8	0	8
<b>Grant Fund fraud</b>	2	4	2	2
<b>Housing</b> (unlawful subletting, Right to Buy fraud etc.)	23	56	15	41
<b>Money Laundering</b>	0	2	1	1
<b>Procurement</b>	0	2	2	0
<b>Social Care</b> (Direct Payment fraud etc.)	1	6	4	2
<b>Employee</b>	2	10	7	3
<b>Miscellaneous</b> (immigration, fraudulent cheques, mischievous referrals etc.)	5	20	2	18
<b>TOTALS</b>	<b>59</b>	<b>235</b>	<b>78</b>	<b>157</b>

<sup>1</sup> Figures are correct as at 17/12/2020

<sup>2</sup> These figures include Covid-19 relief grant fraud as they are administered by Business Rates

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# Southend-on-Sea Borough Council

Report of the Executive Director (Finance and Resources)

to

**Audit Committee**

on

**13 January 2021**

Report prepared by: Andrew Barnes, Head of Internal Audit

Agenda  
Item No.

**8**

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## **Risk management update**

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

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

- 1.1 To update the Audit Committee on the delivery of the risk management policy statement and strategy.

#### **2. Recommendations**

- 2.1 **The Audit Committee notes the delivery of implementing the risk management policy statement and strategy.**

#### **3. Risk Management Policy Statement and Strategy**

- 3.1 Work has continued on the implementation of the strategy through the updated Transforming Together programme as part of the Behaviours and Culture element of the programme aiming to ensure that risk awareness and horizon scanning is business as usual for all teams. Initially this has focussed on accessing key elements of the Council's arrangements as these are important to the effective implementation of the strategy and embedding of an effective approach:
- Governance Boards – being the way the Council is seeking to manage itself and the delivery of the Southend 2050 outcomes
  - Better Queensway project management arrangements – being the most significant project and investment that the Council is currently undertaking
  - Children's Services improvement work – due to the importance of that service operating effectively
  - Capital Programme Board – being the group that leads on monitoring the progress with delivery of the capital programme.
- 3.2 Attendance at the Governance Boards has continued, and this has identified a need to ensure that they are sufficiently well understood by the organisation for them to be properly embedded, with the necessary workflow to establish a proper understanding of the risks that they are dealing with. Senior Management and the Good Governance Group have also been in discussion about the role of each of the Governance Boards and will be addressing this in early 2021 to provide clearer signposting about the role of the Boards so that all staff can understand their role in the delivery of simple and effective governance.

- 3.3 The Better Queensway Operational Management Group has been attended at which the key risks were highlighted and discussed by each of the eight workstreams. These risks were captured in a risk register and reported to, discussed and challenged with the Partnership Board to ensure that there is agreement that these are the key risks and that the approach is dealing with them is appropriate. Work has begun on the development of an Operations Manual which provides the opportunity to bring project processes, including risk management and Council roles and responsibilities, together into a single document. This will minimise the risk caused by the departure of any one project team member by ensuring others are already aware of the processes to be followed.
- 3.4 The Children's Services' Performance Board has been attended to heighten the role of risk and opportunity in both making decisions and determining whether the right and sufficient assurances on delivering outcomes is being sought, reviewed, and acted upon. Colleagues have been supported to develop those conversations into a practical and simple approach for identifying, capturing and escalating risk from a team to service level and then onto the Improvement Board. This has resulted in the capture of risk in the 2020/21 Improvement Plan Closure report to the Improvement Board, a new template for the highlight reports to be presented to the Improvement Board incorporating risk issues and a new template being developed for the teams within the service to capture and escalate risk issues.
- 3.5 The Capital Programme Board is currently being supported to specifically review and capture the risks to projects failing, leading to the failure to deliver the Capital Programme, how these can be mitigated and then how these can be managed, monitored and reviewed.
- 3.6 In addition the corporate risk register has been reformatted, reviewed and updated and is being reported to Cabinet on 14 January 2021, therefore Members will be able to access and review the current position of the corporate risk register within the agenda papers for that meeting.

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

- 4.1 One of the purposes of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework, therefore understanding and overseeing the approach to risk management enables the Committee to achieve this purpose.**

#### **5. Corporate Implications**

- 5.1 Contribution to the Southend 2050 Road Map

The corporate risk management arrangements underpins the operational effectiveness of the Council's corporate governance arrangements and specifically monitors progress of managing key risks associated with the successful delivery of Southend 2050 Ambition, Roadmap and Outcomes.

- 5.2 Financial Implications

Any financial implications arising from identifying and managing risk will be considered through the normal financial management processes. Proactively managing risk can result in reduced costs to the Council by reducing exposure to potential loss.

### 5.3 Legal Implications

The Accounts and Audit Regulations 2015 require the Council to ensure that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's function and which includes the arrangements for the management of risk.

### 5.4 People Implications

Any people implications arising from identifying and managing risk will be considered through the Council's normal business management processes.

### 5.5 Property implications

Any property implications arising from identifying and managing risk will be considered through the Council's normal business management processes.

### 5.6 Consultation

Consultation has taken place with key stakeholders.

### 5.7 Equalities and Diversity Implications

Corporate equalities considerations have been considered in the drafting of the risk management strategy and corporate risk register and any specific equality related risks have been identified for the Council.

### 5.8 Risk Assessment

Failure to implement a robust assurance framework which includes fit for purpose risk management arrangements increases the risk that Council objectives will not be delivered.

### 5.9 Value for Money

Effective forecasting and timely management of risk is a key factor in preventing waste, inefficiency and unnecessary or unplanned use of resource.

### 5.10 Community Safety Implications

Any community safety implications arising from identifying and managing risk will be considered through the Council's normal business management processes.

### 5.11 Environmental Impact

Any environmental implications arising from identifying and managing risk will be considered through the Council's normal business management processes.

## 6. **Background Papers**

- The Accounts and Audit Regulations 2015
- Risk management policy statement and strategy
- Corporate risk register as being reported to Cabinet on 14 January 2021

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# Audit Committee Update

Helping Audit Committees to be Effective

**Issue 33**

**December 2020**

**The Head of Internal Audit Opinion for 2020/21: the Audit Committee Role**

**The Redmond Review: Issues for English Audit Committees**

**Regular Briefing on New Developments**

## Contents

Introduction .....	3
Sharing this document .....	3
Receive our briefings directly .....	3
Webinars and training for audit committee members in 2021 from CIPFA.....	4
The head of internal audit's annual opinion .....	5
The Redmond Review.....	7
Recent developments you may need to know about .....	9
Previous issues of Audit Committee Update .....	12

## Introduction

Dear audit committee member,

Welcome to the latest issue of audit committee update from the CIPFA Better Governance Forum. This resource aims to support audit committee members in their role by helping to keep them up to date.

In the latest issue, we provide details of new guidance from CIPFA to local government on the head of internal audit's annual opinion and key recommendations of interest from the Redmond Review.

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

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

Best wishes,

Diana Melville

CIPFA Better Governance Forum.

## Sharing this document

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

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## Receive our briefings directly

A link to this briefing will be included in the newsletter for subscribers to the CIPFA Better Governance Forum. It can then be shared with that organisation's audit committee members.

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

# Webinars and training for audit committee members in 2021 from CIPFA

## Update for Local Authority Audit Committee Members

This webinar is suitable for audit committee members or those working with the audit committee in local government. It will include an update on local audit developments and other developments relevant to the audit committee role. It offers the opportunity to discuss issues that will be relevant for the 2020/21 annual governance statement or audit committee work plans for 2021.

- [Wednesday 27 January](#)

## Update for Police Audit Committee Members

This webinar is suitable for members of the joint audit committees supporting police and crime commissioners (PCCs) and chief constables. It is run in conjunction with CIPFA's Police and Fire Network.

- Tuesday 25 May

## Introduction to the Knowledge and Skills of the Audit Committee

Provisional dates for this are 8 and 9 September.

## Introduction to the Knowledge and Skills of the Police Audit Committee

Provisional dates for this are 15 and 16 September.

Full programme details and booking information for webinar or face to face event dates in 2021 will be announced later in the year and will be available on the [CIPFA website](#) in due course.

## In-house training, facilitation and evaluation of your audit committee

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

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

We can also undertake an effectiveness review of the committee, providing feedback on areas the committee can improve on and supporting the development of an action plan.

For further information, email [diana.melville@cipfa.org](mailto:diana.melville@cipfa.org) or visit the [CIPFA website](#) for further details on the support we have available for audit committees.

# The head of internal audit's annual opinion

## What the audit committee needs to know

### The requirements

Your head of internal audit is required by the Public Sector Internal Audit Standards (PSIAS) to issue an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Usually this is presented in an internal audit annual report to the audit committee following the end of the year to which it relates. The annual opinion should be used to inform the organisation's annual governance statement which is published alongside the financial statements. The internal audit annual report should also include a statement on conformance with PSIAS and the results of the quality assurance and improvement programme of the year.

### Issues for 2020/21

The impact of COVID-19 on internal audit will have been significant for all internal audit teams. As a result you may already be aware of changes to internal audit plans and possibly some changes to internal audit resources. For some heads of internal audit there will be concerns whether sufficient internal audit work will be completed to support issuing an opinion in accordance with the professional standards.

For this reason CIPFA has decided to issue [guidance](#) about the annual opinion for 2020/21. CIPFA has the responsibility for setting standards of internal audit in local government across the UK, which it does in conjunction with other professional standard setters for the public sector. The guidance is aimed at the leadership team and audit committee, who are the main recipients of the annual opinion, as well as the head of internal audit who must present it. It should be followed therefore by all responsible for internal audit in local government.

CIPFA is conscious that local government bodies are having to make difficult decisions about how they prioritise their resources and support critical services. Guidance was issued to internal auditors earlier in the year about how they can best support their organisation during this critical period. The new guidance tries to ensure that issues around the longer-term sustainability of internal audit are taken into account also.

### Key aspects of the guidance

The guidance encourages the head of internal audit to discuss the risk of any limitation of scope to the annual opinion at an early stage with the audit committee and the leadership team. One of the requirements of the PSIAS is that where the head of internal audit believes that the level of internal audit resources will impact adversely on the annual opinion they must raise it. CIPFA would like to see early discussions with the audit committee so that options for mitigating action can be discussed and agreed.

When considering the risk and the scope for any mitigating action it is important to have an appreciation of the potential consequences. Obviously these will depend on the severity of any limitation of scope to the annual opinion. The most significant consequence is the reduction in independent assurance that the framework of governance, risk management and control is adequate and effective. There may also be other consequences, particularly if there is a significant limitation of scope. These include a potential threat to conformance with the PSIAS and adverse comment by the external auditor. Further details are set out in the guidance.

The guidance suggests wording that could be used to clarify the impact on the annual opinion. There is no regulated form of words on how the head of internal audit expresses their annual

opinion, although it should of course fulfil the expectations of PSIAS. If the head of internal audit chooses different wording to that suggested by CIPFA that is acceptable, as long as it at least covers the areas in the guidance.

## Role of the committee

From the audit committee's point of view the work of internal audit is a valuable source of assurance, helping the committee fulfil its own terms of reference. So if there is a reduced level of internal audit then it may be harder for the committee to do its job. If the annual opinion is impacted then the evaluation of effectiveness that underpins the annual governance statement will also be impacted making it harder for the committee to review the statement.

The other aspect of concern to the committee is its responsibility to provide oversight of internal audit's independence, objectivity, performance and professionalism as set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2018. You are likely to have something similar in your committee terms of reference. It is possible that the impact of COVID-19 on internal audit could mean that internal audit no longer conforms with PSIAS. The head of internal audit evaluates conformance with PSIAS as part of the quality assurance and improvement programme and this underpins their statement of conformance in the annual report. The audit committee will want to review any concerns about conformance and plans to address these issues.

## Key questions for the committee

Questions to discuss with the head of internal audit:

1. What has been the impact on internal audit resources and planned work during the year to date? What will be the impact for the remaining year?
2. Are there any areas where you have concerns about maintaining conformance with PSIAS?
3. Do you think there is a risk to your annual opinion? Is a limitation of scope likely?
4. What is your proposed action plan to recover from the impact of COVID?
5. What support can the audit committee provide to you to help manage this situation?

Questions to discuss with a member of the leadership team:

1. If the head of internal audit is unable to issue their annual opinion without a limitation of scope what will that mean for the annual review of governance?
2. What concerns do you have about governance, risk management and control within the organisation?
3. What other sources of assurance can we look to if internal audit is reduced?

Questions to discuss with external audit:

1. What impact will reduced internal audit coverage and a limitation of scope to the annual opinion have on the external audit work?
2. How might you take into account the impact on internal audit in your work on value for money or best value?

**Diana Melville**

**Governance Advisor, CIPFA**

## The Redmond Review

Last year the government commissioned Sir Tony Redmond to undertake a review of the local audit arrangements and financial reporting in local government in England. The report, [Local authority financial reporting and external audit: independent review](#), was published in September and contained wide ranging discussion and recommendations on the issues. The government has now formally responded to the report and discussions with stakeholders are taking place to take forward most of the recommendations.

### Weaknesses in the local audit system

A key focus of the review was to address the issues of weakness in the local audit market. The recommendations are of interest to audit committee members as they interact first hand with their local audit team and have an interest in a system that performs effectively. However the recommendations to address the weaknesses are not made to local authorities but require action by the government, national bodies and the firms themselves.

Key recommendations included changing the governance and oversight arrangements for local audit by establishing a new Office of Local Audit and Regulation (OLAR) to bring together roles currently undertaken by Public Sector Audit Appointments, the Comptroller and Auditor General, Financial Reporting Council and the Institute of Chartered Accountants in England and Wales. The Department is considering these recommendations further and will make a full response by spring 2021.

Other recommendations concerned a review of fee structures and the training of auditors to ensure adequate capacity and quality within the local audit market. It was also proposed that the deadline for publication of local authority accounts should be put back to allow more time for audit.

### Supporting the effectiveness of the audit committee

Other aspects of the review are also important for audit committees. One issue highlighted was the performance of the audit committee itself, particularly council audit committees rather than the audit committees of police bodies. The report noted the [CIPFA position statement and guidance](#), though unfortunately not the current edition. It made a recommendation that consideration should be given to the appointment of at least one independent member, suitably qualified, to the audit committee. This is consistent with existing recommendations by CIPFA in its guidance. The Department has endorsed that recommendation and will work with the LGA, NAO and CIPFA to deliver it.

[In its own response](#) CIPFA has commented that it would have liked to have seen additional recommendations around the adequacy of audit committee arrangements. A review of the size, membership and reporting arrangements of a council's audit committee would help to ensure that it is fit for purpose.

### Transparency of financial reporting

The report noted the complexity of financial reporting in local government that comes about from incorporating both the budget analysis of information for council tax purposes and meeting International Financial Reporting Standards and statutory requirements. The desirability of increasing the transparency of financial reporting is widely shared and the report discussed ways to do this.

The report recommended that a new standardised statement of service information and costs should be prepared by each authority. The statement would allow comparison against the budget but still be consistent with the statutory accounts and subject to external audit. The

report included some rough examples of what the statement could look like for each authority type. The government has agreed this recommendation and will work with CIPFA and others to implement it.

Audit committees have a useful perspective on financial reporting, not only as the reviewers of the statements but also by bringing an awareness of the wider community's needs of financial accountability. So do look out for further consultations and discussions on this.

### **CIPFA's response to the report**

CIPFA has published its formal [response](#) and is keen to work with the government, stakeholders and local government to make improvements. CIPFA will continue to provide support for audit committees with its guidance, briefings, training and effectiveness reviews.

### **Next steps for audit committees**

This is an important area that has the potential to impact on the work of the audit committee in several ways. CIPFA will be monitoring the government's response and progress in response to the recommendations. It will feedback to Better Governance Forum subscribers on developments through the regular newsletter, further issues of Audit Committee Update and also our webinars.

We will be holding an update webinar for audit committee members on [27 January](#) and will include the latest on the Redmond Review as part of that programme. Further details can be found on the CIPFA website.

**Diana Melville**

**Governance Advisor, CIPFA**



# Recent developments you may need to know about

## Legislation and regulations

### The Local Government and Elections (Wales) Bill

The [Bill](#) has almost completed its passage through the Senedd and is likely to receive Royal Assent in January 2021. The Bill contains provisions to amend the constitution of audit committees in councils in Wales requiring one third of the membership to be lay persons. The committee's name will change to "governance and audit committee" and the chair must also be a lay member.

The Bill also contains provisions for the review of their performance including an annual self-assessment and a panel performance assessment. The governance and audit committee will have the responsibility to review the draft performance assessment report before publication.

The Welsh Government is currently consulting on [draft statutory guidance](#) to councils on the performance assessment review. The response date is 3 February.

## Reports, recommendations and guidance

### Facing up to COVID-19 in the public sector: The internal audit response

This [CIPFA Insight](#) provides some examples of how internal audit teams across different public services have responded to those challenges. It will be of value to audit committees in helping them to understand the role and potential of internal audit. It also includes some key questions for audit committee members to ask.

### Local auditor reporting in England tool

The [National Audit Office](#) has launched a map to assist access to local audit reports for councils, police and health bodies. The map can be used to see where auditors have issued non-standard reports locally in the NHS and local government in England.

### FRC publishes major local audit inspection results

The Financial Reporting Council (FRC) has published its first [report on inspection findings](#) into the quality of major local audits in England for the financial year ended 31 March 2019.

Of the 271 major local audits in the FRC's inspection scope, the FRC reviewed 15 audits across the seven largest audit firms, covering both the financial statement opinion and the value for money arrangements conclusion work. For the financial statement opinion, two audits reviewed by the FRC required significant improvements and seven required improvements. None of the value for money conclusions reviewed required more than limited improvement. Audit committee members may wish to review the results for their local audit firm and follow up.

### Commercialisation in local government

A [report](#) by Audit Wales concludes that councils need the right culture, skills and systems to unlock the benefits and mitigate the risks of commercialisation. It includes a section on governance and scrutiny and a self-assessment of key issues to consider.

### Committee on Standards in Public Life's landscape review of public standards

The review will look at best practice and identify any themes and gaps in the way the Seven Principles of Public Life are promoted and maintained.

The committee is running a [public consultation](#) and a [public sector survey](#) as part of this review.

### New complaints handling guide

The Local Government and Social Care Ombudsman has issued new [guidance](#) on complaint handling for local authorities. It offers practical guidance on running a complaints system to ensure it is effective and will help improve services.

### Procurement fraud risk guide

The Northern Ireland Audit Office [guide](#) has been developed to help public sector organisations recognise the nature and level of procurement fraud and help ensure effective controls are put in place.

### National Fraud Initiative 2020 Report England

The Cabinet Office has reported the latest results from the [National Fraud Initiative](#) in England.

### National Fraud Initiative 2020 Wales

Audit Wales has reported the latest results from the [National Fraud Initiative](#) in Wales.

### Fraud and Irregularity Update 2019/20 Scotland

Audit Scotland's [summary](#) of the cases of fraud and other irregularities at public bodies reported by external auditors for the financial year 2019/20.

### Leading Questions

[Leading Questions](#) provides the questions asked in its publication *Leadership Matters* covering six areas for best practice leadership for local authorities. This will enable an authority to do a top-level self-assessment on their leadership team which can be used for improvement and development planning and to support the annual review of governance.

Leading Questions is available for Better Governance Forum subscribers. The full publication *Leadership Matters* is available to purchase from CIPFA but your organisation may already have a copy.

### Recent public interest reports and S114 notices

Audit committee members are likely to be aware of recent developments where the London Borough of Croydon has issued two s114 notices. In addition a [public interest report](#) was issued by their external auditor.

A [Report in the Public Interest](#) was also issued by the auditor of Nottingham City Council in respect of the council's energy company.

While these developments will reflect local factors it is useful for audit committee members to be aware of any 'lessons learned' that could be relevant for their organisation.

### Update to the Three Lines Model

This is an update to the Three Lines of Defence. The new [model](#) sets out new principles to define the roles of the board or governing body, management and operational leaders including risk and compliance (first and second line roles) and independent assurance through internal audit (third line). The intention is that the model should apply to all organisations, regardless of size or complexity.

### Financial scrutiny practice guide

The Centre for Public Scrutiny and CIPFA have released a new [guide](#) for local authorities in England to support effective financial scrutiny following the COVID-19 pandemic.

### Guide for audit and risk committees on financial reporting and management during COVID-19

The National Audit Office has issued a [guide](#) to help audit and risk committee members discharge their responsibilities on financial reporting.

## Previous issues of Audit Committee Update

You can download all the previous issues from the CIPFA Better Governance Forum website. Click on the links below to find what you need.

Principal content	Link
Please note the content from some earlier issues has been replaced by more recent issues and so they are not listed below.	
<b>Issues from 2012</b>	
Assurance Planning, Risk Outlook for 2012, Government Response to the Future of Local Audit Consultation	<a href="#">Issue 7</a>
Commissioning, Procurement and Contracting Risks	<a href="#">Issue 8</a>
Reviewing Assurance over Value for Money	<a href="#">Issue 9</a>
<b>Issues from 2013</b>	
Public Sector Internal Audit Standards and Updates to Guidance on Annual Governance Statements	<a href="#">Issue 10</a>
Local Audit and Accountability Bill, the Implications for Audit Committees, Update of CIPFA's Guidance on Audit Committees	<a href="#">Issue 11</a>
<b>Issues from 2014</b>	
Reviewing the Audit Plan, Update on the Local Audit and Accountability Act	<a href="#">Issue 13</a>
<b>Issues from 2015</b>	
What Makes a Good Audit Committee Chair? Governance Developments in 2015	<a href="#">Issue 16</a>
The Audit Committee Role in Reviewing the Financial Statements	<a href="#">Issue 17</a>
Self-assessment and Improving Effectiveness, Appointment and Procurement of External Auditors	<a href="#">Issue 18</a>
<b>Issues from 2016</b>	
Good Governance in Local Government – 2016 Framework, Appointing Local Auditors	<a href="#">Issue 19</a>
CIPFA Survey on Audit Committees 2016	<a href="#">Issue 20</a>
The Audit Committee and Internal Audit Quality	<a href="#">Issue 21</a>
<b>Issues from 2017</b>	
Developing an Effective Annual Governance Statement	<a href="#">Issue 22</a>
2017 Edition of the Public Sector Internal Audit Standards, Risks and Opportunities from Brexit	<a href="#">Issue 23</a>

<a href="#">Issues from 2018</a>	
The Audit Committee Role in Risk Management	<a href="#">Issue 24</a>
Developing an Effective Annual Governance Statement	<a href="#">Issue 25</a>
CIPFA Position Statement on Audit Committees in Local Authorities and Police 2018	<a href="#">Issue 26</a>
<a href="#">Issues from 2019</a>	
Focus on Local Audit, National Audit Office Report: Local Authority Governance	<a href="#">Issue 27</a>
The Audit Committee Role in Counter Fraud	<a href="#">Issue 28</a>
CIPFA Statement on the Role of the Head of Internal Audit	<a href="#">Issue 29</a>
External Audit Arrangements for English Local Government Bodies	
<a href="#">Issues from 2020</a>	
CIPFA Financial Management Code, Responding to the Redmond Review: Results of CIPFA's Survey on Audit Committees	<a href="#">Issue 30</a>
Compendium Edition: Reviewing the Audit Plan, Self-assessment and Improving Effectiveness, Developing an Effective Annual Governance Statement and Focus on Local Audit	<a href="#">Issue 31</a>
COVID-19 Pandemic – Key Issues for the Audit Committee Regular Briefing on New Developments	<a href="#">Issue 32</a>

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77 Mansell Street, London E1 8AN

020 7543 5600 \ [www.cipfa.org](http://www.cipfa.org)

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Diana Melville  
Governance Advisor  
CIPFA  
77 Mansell Street  
London  
E1 8AN  
[cipfa.org](http://cipfa.org)



Certificate No.



77 Mansell Street, London E1 8AN  
+44 (0)20 7543 5600

**[cipfa.org](http://cipfa.org)**

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