

Public Document Pack

SOUTHEND-ON-SEA BOROUGH COUNCIL

Audit Committee

Date: Wednesday, 20th October, 2021

Time: 6.30 pm

Place: Council Chamber - Civic Suite

Contact: Colin Gamble

Email: committeesection@southend.gov.uk

A G E N D A

- 1 **Apologies for Absence**
 - 2 **Declarations of Interest**
 - 3 **Minutes of the Meeting held on Wednesday, 22nd September 2021 (**
- **** **Closing Down 2020/21**
- 4 **Internal Audit Service Head of Internal Audit Annual Report 2020/21**
(Pages 3 - 58)
Report of the Executive Director (Finance and Resources) attached
 - 5 **Deloitte External Audit status update: latest position and timescales to completion for 2020/21 audit**
Report of the Executive Director (Finance and Resources) to follow
 - 6 **Counter Fraud & Investigation Team Annual Report 2020/21** (Pages 59 - 90)
Report of the Executive Director (Finance and Resources) attached
- **** **Here and Now**
- 7 **Cyber Security** (Pages 91 - 98)
Report of the Executive Director (Finance and Resources) attached
 - 8 **CIPFA Financial Management Code Action Plan Progress Report** (Pages 99 - 110)
Report of the Executive Director (Finance and Resources) attached
- **** **Looking Forward**
- 9 **Internal Audit Charter, Strategy and Plan 2021/22** (Pages 111 - 166)
Report of the Executive Director (Finance and Resources) attached
 - 10 **Appointment of External Auditor** (Pages 167 - 172)
Report of the Executive Director (Finance and Resources) attached

- 11 Information Item** (Pages 173 - 190)
CIPFA Audit Committee Update Issue No.35 attached

Chair & Members:

Cllr M Dent (Chair), Cllr I Shead (Vice-Chair), Cllr H Boyd, Cllr A Dear, Cllr K Evans, Cllr N Folkard, Cllr S George, Cllr S Habermel, Cllr P Wexham and K Pandya

SOUTHEND-ON-SEA BOROUGH COUNCIL

Meeting of Audit Committee

Date: Wednesday, 22nd September, 2021

Place: Council Chamber - Civic Suite

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Present: Councillor M Dent (Chair)
Councillors T Cox*, M Davidson*, K Evans, N Folkard, S George,
S Habermel, S Wakefield* and P Wexham and Mr K Pandya
(*Substitute in accordance with Council Procedure Rule 31.)

In Attendance: Councillor K Buck
J Chesterton, A Barnes, E Allen and T Row

Start/End Time: 6.30 pm - 8.15 pm

356 Apologies for Absence

Apologies for absence were received from Councillors Boyd (substitute: Councillor Davidson), Dear (substitute: Councillor Cox) and Shead (substitute: Councillor Wakefield).

357 Declarations of Interest

No interests were declared at the meeting.

358 Minutes of the Meeting held on Wednesday, 28th April, 2021

Resolved:-

That the Minutes of the Meeting held on Wednesday, 28th April 2021 be received, confirmed as a correct record and signed.

359 Internal Audit Report: Better Queensway Highways Scheme

The Committee received a report of the Executive Director (Finance & Resources) that presented the findings from the internal audit work in relation to the questions and concerns raised by a group of Councillors about the highways scheme element of the Better Queensway regeneration development and the options for the underpass and roundabout.

The Committee asked a number of questions which were responded to by the Council's Head of Internal Audit.

The Committee took the opportunity to thank the Head of Internal Audit for his engagement and the hard work undertaken by his team in preparing a comprehensive report.

Resolved:

1. That the findings of the internal audit work (outlined at section 4 of the report of the Executive Director (Finance and Resources) and reported in full at Appendix A of the submitted report) be noted and that the recommendations set out in the internal audit report at Appendix A be endorsed and that a report on progress be submitted to the Audit Committee for consideration in April 2022.
2. That the report and recommendations of the Committee be referred to the Place Scrutiny Committee for consideration at its special meeting taking place on 12th October 2021.
3. That the future Minutes of the meetings of the Better Queensway Programme Board be regularly submitted to The Shareholder Board for information.
4. That the powers delegated to Officers by Cabinet in relation to the Better Queensway regeneration project should cease (although for the avoidance of doubt powers delegated to Officers in Part 3 Schedule 3 of the Constitution and the SO46 procedure in Part 4a shall continue to apply in appropriate circumstances).

Chair: _____

Southend-on-Sea Borough Council

Agenda
Item No.

4

Report of the Executive Director (Finance and
Resources)

To

Audit Committee

on

20 October 2021

Report prepared by: Andrew Barnes, Head of Internal Audit

Head of Internal Audit Annual Report 2020/21

A Part 1 Public Agenda Item

1. Purpose of Report

1.1 To provide for the 2020/21 financial year:

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

2. Recommendation

2.1 The Audit Committee accepts the Head of Internal Audit's Annual Report for 2020/21 and confirms that the opinion of the Head of Internal Audit can be relied upon as a key source of evidence to support the Annual Governance Statement.

3. Background

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

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

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

- using a combination of Internal Audit and management risk assessments (including those set out in risk registers)
- in consultation with Directors, Executive Directors and the Chief Executive, to ensure work is focused on key risks.

- 3.4 Regular meetings are held with the Chief Executive, the Executive Director (Finance and Resources) and the Good Governance Group to:
- reflect on the original risk profile and work planned
 - determine whether any changes are required to it or the Audit Plan.
- 3.5 Organisationally, this reflects a mature approach to operating an internal audit function.
- 3.6 All individual audit reports are discussed with the relevant Group Managers, Directors and Executive Directors before being finalised.
- 3.7 The opinion and summary findings from audit reviews are reported to the Audit Committee throughout the year.

4 Head of Internal Audit Opinion for the year ended 31 March 2021

- 4.1 Governance comprises of the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. Such arrangements can take many forms and still be effective. Appropriate assurance is then required that these processes are fit for purpose and being applied throughout the organisation.
- 4.2 During 2020/21 the Council continued to build on the work that had been undertaken to create the shared ambition for the borough and desired outcomes for its residents, visitors, students and other stakeholders. Updates have been made to refresh the outcomes being sought and their delivery arrangements to ensure that these remain appropriate given the changed context and circumstances being faced. This has involved continuing to transform the culture, the way that the Council operates and review of the governance arrangements, so that the Council shifts to a culture, a focus, a structure and ways of working that are most effective and appropriate to deliver the required outcomes in the changed circumstances.
- 4.3 The impact of the covid-19 pandemic began to manifest itself in the latter part of the previous year as the Council went into emergency response mode in line with the rest of the country and most of the world. The Council's response held up well through the year, coordinating a wide range of resources from a range of different sources to provide the support, response and management of the community to meet the requirements of the Borough as it went through the period of lockdown. Significant changes were made to the operations of the Council, including most staff working remotely and many staff being redeployed from their usual duties to support the response to the pandemic. This has enabled the Council to deliver what was required, including the significant contribution made by the Public Health team through their work delivering the Local Outbreak Control Plan in the early part of the year, evolving to become the Local Outbreak Management Plan towards the end of the year. The governance arrangements in respect of this work were reviewed and found to be operating effectively.
- 4.4 There remains much to do and further challenges ahead as the Borough and the Council has now moved into outbreak management and recovery mode, and the Council is preparing to deliver and meet those multiple challenges. As a result there continues to be significant changes made to way the Council is operating. The governance arrangements and ways of working in the current situation continue to develop and evolve, and therefore there is a need for these to have the opportunity to be properly embedded and assurance obtained that they are working effectively as intended before they can be confirmed to be

operating effectively. Management are needing to work in the context of the continuously changing pandemic situation, which does make it more difficult to achieve a period of stability that would assist with the embedding of arrangements.

- 4.5 Therefore, the remainder of this report should be read within this context.
- 4.6 With regards to the assurance provided by audit work undertaken, in these areas, the design and operation of the Council's risk management, control and governance framework in place for the year was satisfactory overall.
- 4.7 No issues have come to my attention this year, other than those already disclosed, that I believe need including in the Council's Annual Governance Statement.
- 4.8 The basis for forming this opinion is an assessment of:
- the design and operation of the underpinning governance and assurance framework
 - the range of individual opinions arising from risk based and other audit assignments that have been reported during the year, taking into account the relative significance of these areas
 - whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales
 - observations from advisory and support work undertaken
 - changes to the Council's Ambition, management structure and use of technology
 - assurance from other providers including independent regulators and peer reviews
 - the quality and performance of the Internal Audit service and the extent of compliance with the Public Sector Internal Audit Standards.
- 4.9 The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to his opinion.

5. Supporting Commentary

- 5.1 **Appendix 1** summarises the audit opinions issued this year.
- 5.2 The following paragraphs then:
- summarise findings from all the work completed this year
 - highlight the key areas requiring improvement.
- 5.3 Where necessary, actions have been agreed with services to improve the arrangements where the more significant control issues were identified during the audits.

Managing the Business

- 5.4 CIPFA's 'Delivering Good Governance in Local Government' outlines 7 principles that underpin effective governance:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - B. Ensuring openness and comprehensive stakeholder engagement
 - C. Defining outcomes in terms of sustainable economic, social and environmental benefit
 - D. Determining the interventions necessary to optimise the achievement of the intended outcomes
 - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
 - F. Managing risks and performance through robust internal control and strong public financial management
 - G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 5.5 The year was dominated by the impact of the Covid-19 pandemic and the key responses of the Council are set out in the Annual Governance Statement within the financial statements. The Council response ensured that suitable protection was provided to residents and staff in accordance with government regulations and guidelines. Timely and effective action was taken to address and support the implications arising from the lockdown implemented from late March 2020, including the effective coordination with partners and other agencies through the Council's Gold command and Silver tactical groups that oversaw an unprecedented mobilisation of council, partner and community resources to address the impact of the pandemic.
- 5.6 As a result internal audit have needed to maintain a flexible approach to ensuring audit work meets the needs of the Council in this ever-changing risk and control environment. The internal audit function has been well placed to play a role in response to the pandemic, from a position of good organisational knowledge and with a relevant skill set. During 2020/21 internal audit has been able to continue to provide assurance, help advise management and the Audit Committee on the shifting risk and controls landscape and help anticipate emerging risks.
- 5.7 The Council's internal control environment has been sustained during the Covid-19 pandemic. The control framework has been transferred to operate with remote working. Changes to working practices have occurred but where controls were already automated these have been able to continue to operate as intended. Where changes have been required, staff should maintain a clear understanding of the basis of control and ensure that solutions created maintain the integrity of the control arrangements. Where efficiency gains have resulted these need to be recognised and maintained.
- 5.8 Despite the challenges of the pandemic during the year the Council continued to work to make progress towards fulfilment of the jointly owned ambition for Southend in 2050. (Principle B).

- 5.9 In order to deliver the ambition the Council reviewed the desired outcomes that would deliver that ambition, given the changing context for the Borough caused by the pandemic, and this provided an updated Road Map for delivery to 2023 (Principle C). Work is also in progress on developing an outcome-based approach to budgeting, so that resources become more aligned to delivery of the 2050 desired outcomes, rather than being organised with a departmental focus. Delivering this change represents a significant change in mind-set and practice across the organisation that work is ongoing to achieve. The Council has also been working to embed the commissioning framework to move the organisation to an outcome based commissioning organisation, aimed at ensuring alignment with the 2050 outcomes, the annual procurement plan, contract procedure rules and market position statements going forward. (Principle D)
- 5.10 To deliver what is required, the Council has recognised the need to change the way that it works, so that it can become more agile, more efficient, more entrepreneurial and more engaged with residents and customers. Therefore the Council has a transformation programme in place, that is working to deliver the identified necessary conditions for the Council to be in the right place to achieve its ambitions. This has been complemented by an updated leadership programme to ensure the right leadership skills and capacity are in place for what will be needed going forward. (Principle E)
- 5.11 The Council has been continuing to embed the set of values that were adopted in the previous year, being 'inclusive, collaborative, honest and proud'. It has also been embedding the agreed expected behaviours of staff and councillors that are: 'driving positive change, trust and respect, demonstrating strong leadership, act with integrity and behaving responsibly and building relationships to work well together'. These have become the basis of the Council's new appraisal process during the year. (Principle A)
- 5.12 Previously it has been reported that the arrangements for identifying, recording and monitoring corporate risks were good and in compliance with the Council's Risk Management Strategy and Toolkit. The level of understanding about how to apply this was also sound. But the process is not being applied as well or consistently at service level, thus reducing the assurance available that these risks were being properly documented and communicated, and as a result, efficiently and effectively mitigated or managed. Work is underway to deliver an updated approach across the organisation so that it operates in a proportionate, practical way, focussing on adding value and minimising the investment of resources required to support the service and corporate process. (Principle F)
- 5.13 In a practical sense, there is a strong understanding of risks being faced by individual Directors and a discipline around the production of the Corporate Risk Register, but the value obtained from the process is not being optimised. Better arrangements are needed to effectively communicate risks across the organisation as required. There were some gaps in assurance and insufficient evidence of managing the impact for some risks. Some managers and team leaders still needed assistance to:
- fully understand the objectives of and risks relating to the services they were delivering
 - understand what evidence they needed to obtain to provide assurance that these processes were designed and / or being applied properly by their staff, consistently throughout the year.
- 5.14 Updated corporate planning arrangements are being developed to help to address this.

- 5.15 Overall, the changes in approach that are being applied across the Council represent significant change for the Council and further work is required to fully and effectively implement those changes. Inevitably the need to respond to the pandemic situation has impacted on the progress that has been made. As a result it is recognised that there is still much to be done to properly deliver and embed the changes to the ways of working and culture that are being sought. Once the changes have been more fully implemented there will be a need to seek assurance that they are working effectively, as intended, before they can be considered to be operating effectively and embedded.
- 5.16 However, as demonstrated above, the Council's overall evolving approach to governing and managing itself is consistent with the principles outlined by CIPFA and therefore provides a good platform from which to continue the ongoing work.
- 5.17 Work undertaken on the approach to **Remote Working**, as most of the Council moved away from the physical premises, and became increasingly reliant on remote access technology, recognised that any disruption caused by cyber security attacks or IT outages will have a significantly greater operational impact and that the usual manual or physical workarounds used to overcome these issues may be unavailable.
- 5.18 As a result of the lockdown measures and the resultant increased remote working requirements, management implemented a rapid deployment of the Office 365 suite and ensured that sufficient licenses were available for the secure virtual private network (VPN) tool. Multi-factor authentication was also implemented to ensure user access was secure.
- 5.19 User access management processes specifically relating to leavers and privileged access users do require strengthening of existing controls and implementing new processes.
- 5.20 Ensuring there is proactive monitoring of the network for security vulnerabilities and potential cyber attacks were identified as opportunities to improve the overall IT security arrangements in place that have been addressed. Drafting and implementing policies and procedures to cover key IT risks such IT Asset Management, Shadow IT and Patch Management will help to reduce the use of unauthorised devices and software, as well as reduce the likelihood of any devices being vulnerable to security exploitation.
- 5.21 Work undertaken on **IT Disaster Recovery (DR)** reviewed the Council's framework for protecting, restoring and accessing data in the event of future scenarios that may threaten part or all technical resources. It is a key component involving many aspects of business operations that require significant information to function. The objective of a DR plan is to ensure that, when required, the organisation's vital data can be recovered and mission-critical applications will be brought back online in the shortest possible time.
- 5.22 Management were exploring the IT DR landscape to gain a greater understanding of what is and is not in place. This includes identifying the:
- Key applications, servers and operating systems
 - Recovery time objectives and recovery point objectives
 - Responsible business owners
 - Key third party suppliers.
- 5.23 Understanding the core components above will help inform the Council's IT DR policy, plans and capabilities.

- 5.24 The IT DR environment required improvement in the key controls associated with this area to strengthen the IT environment that the Council was operating at the time of the review. Management were working to develop the IT DR Plan, including a periodic testing schedule that reflects the requirements of the IT environment now and in the future.
- 5.25 A significant part of management's future planning is the migration to a Cloud infrastructure which should reduce the costs and transfer some of the DR control operation to the Cloud vendor. Whilst this migration was not part of the scope of this review, it will be important that management ensure when planning such changes, the IT DR policy is updated to reflect the new arrangements.
- 5.27 Work undertaken specifically on an **ICT Risk Assessment** identified the key risks being faced by the Council in respect of IT that will contribute towards making informed decisions on the Council's IT environment, supporting the preparation of an IT roadmap for improvement and identifying the areas of key risk to be managed going forward.
- 5.27 Work undertaken on **Health and Safety** (H&S) confirmed that the Council has adapted to emerging H&S needs that have arisen as a result of the Covid-19 virus. This has included:
- development of Covid-19 specific risk assessments and ensuring that Council offices are Covid-19 secure
 - Home working arrangements have been put in place and equipment provided to support people to work safely.
- 5.28 The Council is a member of the Trade Union Consultative Forum (TUCF), in which they take the lead in discussing, reporting and consulting on corporate H&S matters.
- 5.29 Some improvements could be made to the control environment. These include:
- Development of departmental H&S policies, outlining roles and responsibilities, specialised job specific Health and Safety training within some Departments and development of a lessons learned process
 - Review of the Strategic Health and Safety Terms of Reference, and re-introduction of the Strategic Health and Safety Group. It is acknowledged that there are already plans in place to resurrect the group
 - Review and update of intranet policies, procedures and H&S Co-ordinator contact details, review of the Violence towards staff policy, the Accident / Incident and, Investigation Code of Practice and the staff H&S Induction Handbook.

Service Delivery Risks

5.22 A key objective for Internal Audit is to give a view on whether the Council's risk management and control processes are robust enough to enable services to effectively contribute to the delivery of the Council's Ambition and Outcomes. In respect of 2020/21 audit work was undertaken in the following areas.

Safe and Well

- 5.23 Work undertaken on the **Children's Quality Assurance Framework (QAF)** assessed 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. This included the arrangements to assess the risks posed by the changes to ways of working as a result of Covid-19.
- 5.xx This has confirmed that the department is taking steps to ensure it delivers improvement and is able to demonstrate this. Initially this included introduction of a staff newsletter, formation of 'staff group' focusing on areas of improvement working with a group of Children's Services staff on the vision and strategic intent for the service, added 2 Children's Service staff to the Children's Improvement Board to ensure that front line views are reflected and shared as part of the improvement programme, engaged additional external support to lead the work on the approach to Quality Assurance across Children's Services and revised the Performance Board to be chaired by the Executive Director (Children and Public Health).
- 5.xx It was recognised that additional short term capacity, knowledge and expertise was required, so further management resource was brought in to support this element of the improvement programme, to embed systems and practice, to ensure there is visible Leadership, effective change management and improved communication and engagement with staff across the service. A culture of high support and high challenge is sought within Children's Services, in line with the restorative practice model, including the embedding of systematic and sustainable Quality Assurance and Performance Management processes across Children's Services and that children and families the service works with achieve good or better outcomes.
- 5.xx At the request of the Executive Director for Children's Services and Public Health Internal Audit now provides support and challenge at the newly formed Children's Services Quality Assurance Steering Group.
- 5.xx Work undertaken on **Deprivation of Liberty Safeguards (DoLS)** arrangements confirmed that the Council has taken a proactive decision to ensure that a waiting list for DoLS applications does not occur in Southend. This has resulted in a process, underpinned by specific ways of working, that mean an application is identified within 24 hours, allocated and assessed in a timely manner to ensure formal authorisation is provided in line with statutory timescales. This means the DoLS team have used external assessors to support with the workload as well as using internal managers and assessors to progress applications at key stages.
- 5.xx This audit has identified that the Council has applied and embedded the regionally developed Policy and Guidance into their local arrangements and continue to execute their duty as a Supervisory Body effectively.

- 5.xx Issues relating to the timeliness of Best Interest Assessor (BIA) assessments and manager authorisations have been identified with a limited number of cases, but management has reviewed the reason behind these delays to confirm monitoring controls did in fact flag these at the time and that they were appropriately escalated. However, it is clear the Council are managing a large volume of applications effectively. They are retaining relevant and complete supporting documentation to evidence the Council's decisions when it comes to depriving an individual of their liberty.
- 5.xx The suggested enhancements primarily relate to using the reporting tools available to the team to highlight any potential anomalies, delays or issues to proactively address them, and this will inform a more efficient and effective control environment ahead of potential legislation changes.
- 5.xx Planned work to assess the robustness of arrangements to ensure the delivery of the outcomes required from the Section 75 agreement with **Essex Partnership University Trust (EPUT) Section 75 Agreement** are realised was deferred as a service led review is ongoing to determine the Council's requirements for Mental Health provision going forward. The scope of this service led review overlaps with our original planned work.
- 5.xx Internal Audit are keeping in touch with the service as this review develops and will look to provide support and challenge as new or strengthened arrangements are identified and developed.
- 5.xx Work undertaken on the **Covid-19 Local Outbreak Control Plan - Governance Arrangements** to assess the robustness of arrangements to ensure Southend's Local Outbreak Plan fulfils its objective of protecting the health of the population of Southend confirmed that the governance structure established has been developed in collaboration with, and includes regular representation from, key partners, including Public Health England, Southend Clinical Commissioning Group and Essex Police.
- 5.xx The structure provides the Council with the agility required to respond to any change in priorities whilst ensuring that there is a clear audit trail for the majority of decisions taken and the supporting rationale. The reporting lines, escalation paths and delegated authorities for decision making are clearly documented within the various boards' terms of reference and those involved understand their roles and responsibilities.
- 5.xx Key meetings observed throughout March 2021 confirmed that the boards were fulfilling their roles and the escalation process was operating effectively in practice, with the Director of Public Health providing a critical link between various boards, presenting key information to each board, ensuring that any items which require escalation are discussed at the correct level and acting as a point of support for Cell Leads and other colleagues.
- 5.xx All meetings receive the same surveillance reporting information, to ensure decisions are based on timely, consistent and accurate information. The introduction of the **Local Outbreak Management Plan** provided a timely opportunity to review and reconfirm roles and responsibilities at all levels to ensure they remain appropriate.
- 5.xx Further work is required to formalise the risk management process and the recording of key decisions at the Cell level.

- 5.xx Work on **Adult Social Care Recovery from Covid-19** confirmed that the Council took a decision to support both domiciliary care providers and residential care homes as part of the initial response to the pandemic. This support was clearly articulated to providers on both commencement and cessation, with an agreement that domiciliary care providers had to attain 75% delivery of their expected commissioned care in order to be reimbursed for 100%, and for residential care homes a 10% top up of their agreed scheduled payments would be provided.
- 5.xx The Council used actual data recorded in systems to assess the attainment of domiciliary care providers and payment schedules for residential care homes to inform their payment calculations. During the 3-month period of support, the Council performed ongoing reconciliations for all payments, especially as care provision may have been updated in the relevant systems to ensure no under or over payments were present and needed to be actioned. A final reconciliation was performed to confirm all providers and care homes were paid what they were due in line with the rationale set.
- 5.xx The decision to provide this financial support aided the Council's ability to exercise their duty of care to those who needed support through the delivery of services by such providers. The processes and controls, using the systems in place, were effective in identifying the necessary payments to be made, with these payments remaining in line with the budget allocation given and payments were approved in line with the Council's standard working practices.
- 5.xx The Council mobilised and adapted to the hospital discharge process to work with its partners and embed working practices at a fast pace, making the necessary changes to team alignment, system use and functionality to ensure when a person is discharged, they are supported and cared for accordingly.
- 5.xx The audit work confirmed that the process was performed in a timely manner, aligned to the process outlined and underpinned by required documentation that has informed a charging regime to ensure that the Council is paid for the care periods that are non-chargeable. The recharge process uses the best available data to inform its invoicing to ensure that the Council is in receipt of funding it is due.
- 5.xx It was possible to certify that grant terms and conditions had been complied with for the following grant claims:
- Disabled Facilities Capital Grant Determination
 - Troubled Families
 - Covid-19 Surge enforcement and compliance funding 2020.

Opportunity and Prosperity

- 5.xx Work on **Better Queensway Project Assurance** to assess the robustness of the Council's project management arrangements to deliver the required outcomes and benefits for the citizens of Southend confirmed that the project's top-level governance structures are well defined, documented and include progress reporting. The efficiency and effectiveness of these boards could be improved by ensuring the lower-level Operational Group governance arrangements operate effectively.

- 5.xx Making clear the purpose, remit and roles and responsibilities of the individual officers attending the Operational Group, introducing some challenge and support of the Group by the Project and / or Programme Manager as well as fully embedding risk and issue management processes, across the governance hierarchy is a particular area for focus going forward to:
- ensure the Operational Group can properly deliver its obligations to the Partnership Board
 - allow the Partnership Board to have the space to be more strategic and focus its time on the resolution of escalated issues and decision making as opposed to the detailed delivery of the project workstreams.
- 5.xx There was an opportunity to introduce parameters or tolerances for decision making within the next version of the Business Plan to ensure both sufficient rigour continues, and therefore the Council's interests remain protected whilst also minimising the risk of decision-making related delays.
- 5.xx Council-side project plans needed to be fully developed for the current phase of the project, which capture all the required information, outline the critical path of activity and key dependencies, as well as the resources required to deliver Council tasks.
- 5.xx Potential benefits identified and developed in earlier phases of the project have formed part of the Council's procurement prerequisites and were incorporated into the obligations within the LLP Partnership Agreement. At the time of the audit, planning permission had yet to be agreed, and managing the delivery of expected project benefits and the Council's ability to demonstrate their realisation, would be improved by the development of detailed benefit profiles and plans.
- 5.xx Due to the importance of the Better Queensway project, this work has already by followed up and confirmed that good progress has been made in implementing the agreed actions, the majority of which are now effectively embedded into the day-to-day operation of the management of the project.
- 5.xx Other audit work was undertaken on the **Better Queensway Highways Scheme** in relation to the specific concerns raised by some councillors regarding the highways scheme element of the Queensway regeneration development to determine whether appropriate procurement processes were followed by officers ahead of the recommendation to councillors in February 2019 regarding the appointment of the preferred bidder for the 50/50 joint venture and the arrangements for sharing and reporting on the evolution of the Queensway highway's proposed alignment were appropriate to support an informed decision-making process by councillors.
- 5.xx This work has utilised a significant amount of internal audit resource and confirmed that as part of agreeing the final parameters for procuring a 50/50 Joint Venture partner to deliver the Better Queensway Regeneration scheme in February 2018, councillors agreed the procurement would include an indicative highways scheme of four lanes through the underpass, but that would be subject to the procurement dialogue process. Because of the marginal viability of the whole project, this approach allowed for the highways alignment to be optimised and at the same time maximise land available for the development. It was clear that bidders were not to be excluded from the process if they failed to adopt the indicative alignment, in whole or in part. The dialogue procurement approach approved by Councillors was that adopted.

- 5.xx However, the indicative highways alignment was erroneously referred to as being a mandatory minimum requirement in certain procurement documents in March 2018, and as such the procurement documents published were contradictory to what had been agreed during the February 2018 cycle of meetings.
- 5.xx This had the potential to mis-inform bidders about the Council's requirements, although clarification was provided during dialogue with potential bidders. The circumstances, timing of and reasons provided for withdrawal by potential bidders indicate that misunderstanding of the Council's requirements in respect of the highways scheme was not the reason for any of the potential bidders withdrawing from the procurement process. In addition, legal advice obtained and followed during the dialogue process resulted in a comprehensive and appropriate process being applied, supported by the Council's procurement team.
- 5.xx The governance structure established for ensuring oversight of the project by councillors was sound, with a Sponsoring Group comprising the most senior councillors and officers which was supported by an officer led Programme Board.
- 5.xx Briefings by officers to councillors were done at significant junctures in the process and the Sponsoring Group was the key place for senior councillors to be kept up to date. This took place on a regular basis, and the Sponsoring Group have confirmed that they understood the proposals in Swan Housing's tender submission in respect of the highways scheme, that included the road through the underpass being raised to ground level.
- 5.xx However descriptions of the features of Swan's proposed highways scheme have not been consistently clear with important details not necessarily highlighted within the body of reports, but sometimes only contained in detailed supporting document sections of reporting.
- 5.xx It was clear in the February 2019 meeting cycle report that councillors were not approving Swan's proposals for the overall project or the highway scheme at that stage and were only approving the appointment of Swan Housing as the Council's partner for the whole project. The overall proposals for the scheme were approved by councillors in the Final Proposals through the June 2020 Council meeting cycle.
- 5.xx Robust arrangements that demonstrate transparency and accountability are key to support a proper decision-making process and maintaining trust between councillors and officers. The Council's values and behaviours strongly align to these attributes as well as recognising the need to adapt and change in the interests of continuous improvement. As such, lessons learnt from managing the most complex regeneration project the Council has undertaken for many years is important for councillors and officers to embrace in working to deliver the Council's overall vision of 'working to make lives better'.
- 5.xx The Council established significant external support and challenge arrangements for this complex, marginally viable project and the procurement of a joint venture partner, but there are circumstances that could be explored further to determine learning points that may strengthen the clarity and continuity around reporting so that decisions are clearly understood.
- 5.xx Audit work on the **Adult Community College Debt Collection** to assess the robustness of arrangements to collect debt fully and in a timely manner confirmed that there are arrangements are in place to identify and raise the

necessary debt, but that there is scope to improve these arrangements to enhance the effectiveness of collection arrangements overall.

- 5.xx Audit work on the **Adult Community College Payroll** to assess the robustness of arrangements to accurately and properly pay non-salaried college staff confirmed that suitable arrangements are in place, although there were opportunities to enhance the control arrangements to provide additional assurance.
- 5.xx Audit work was undertaken on the **Department for Business, Energy and Industrial Strategy (BEIS)** to provide post-payment assurance work to ensure Covid-19 business support grant funding for the following grants had been awarded in line with the guidance provided by BEIS:
- Small Business Grant Fund
 - Retail, Hospitality and Leisure Grant Fund
 - Local Authority Discretionary Grant Fund
- 5.xx This work initially assisted with the arrangements set up by the Council to introduce an application form and submission process, review and process those applications. The post payment assurance work is still in progress and has identified a small number of applications with queries that are still being investigated, but has confirmed that most of the applications and payments made by the Council were appropriate and valid.

Active and Involved

- 5.xx It was possible to certify that grant terms and conditions had been complied with for the following grant claims:
- Emergency Active Travel Grant.

Connected and Smart

- 5.xx Work undertaken on the **Energy Projects Status Assurance** to provide an independent perspective as to the status of the Council's portfolio of Energy Projects and provide advice in relation to the projects' future governance arrangements identified a number of key overarching elements that had caused issues within individual projects and needed to be addressed. Internal Audit developed a draft Governance Framework that could be utilised to manage the projects and work is ongoing with management to implement the framework so that the benefits can be realised and improvements to arrangements for managing the projects be achieved.
- 5.xx Work undertaken on the **Transport Joint Venture** to assess the robustness of the Council's planned arrangements, as they are developed, confirmed that the Contract Management team had begun establishing the contract management processes and controls necessary to oversee the joint venture company's delivery of core services. However, significant work remained to be completed to be able to robustly assess whether the provider is delivering the services to the required standard.
- 5.xx It was possible to certify that grant terms and conditions had been complied with for the following grant claims:
- Local Transport Capital Block Funding – Highways Maintenance
 - Pothole Action Fund
 - Travel Demand Management Grant (awarded 29-7-20)
 - Additional Dedicated Home to School and College Transport Grant

Pride and Joy

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

- National Productivity Investment Fund.

Key Financial Systems

5.xx Follow up of the **payroll** system audit recommendations confirmed that the service had proactively managed delivery of aspects of the action plan. As a result, some agreed actions:

- were implemented properly, in a timely manner
- are embedded in the day to day operation of the service.

5.xx Work was underway to progress the remaining outstanding actions that were being implemented during the audit.

Implementing Action Plans

5.65 Internal Audit input agreed actions into Pentana¹ once audit reports are issued. Management then use this to monitor their implementation via Departmental Management Team meetings.

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

Proactive Advice and Support

5.67 The knowledge obtained through the proactive advice and support work undertaken during the year was also taken into account in coming to the overall opinion given. In 2020/21, this work included providing ongoing support and challenge:

- over the governance arrangements being developed, implemented and embedded to achieve **simple and effective governance**
- over the arrangements in place and being developed within the **Future Ways of Working** programme to achieve a Council that is geared up to deliver the Southend 2050 Ambition
- of the arrangements being developed and implemented through the **Getting to Know Your Business** work 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 in a financially sustainable manner
- 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**
- as new change request arrangements for the **Liquid Logic and ContrOCC** systems were being considered

¹ Pentana is the Council's Corporate Performance Information System

- to the **In House Foster Carers** service as they develop governance and reporting arrangements to support the delivery of the improvement action plan
- to the **Disabled Facilities Grant** service as they developed the Council's policy for awarding grants
- as the service navigated post covid-19 arrangements with the **Fusion Contract**
- for establishing proportionate governance arrangements that appropriately support the Group in shaping and driving forward the town centre through the **Town Centre Engineerroom Working Group**
- on the robustness of the updated Financial Regulation document ahead of delivery to the governing body for the **Adult Community College**
- to the Board with responsibility for monitoring the transfer of the **Adult Community College's** governance structure to a more flexible model in direct relationship with Council governance structures
- as arrangements are developed which ensure Homes for England **Housing Infrastructure Grant** terms and conditions are properly met.

Grant Claims

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

- Disabled Facilities Capital Grant Determination
- Local Transport Capital Block Funding – Highways Maintenance
- Pothole Action Fund
- National Productivity Investment Fund
- Covid-19 Surge enforcement and compliance funding 2020
- Travel Demand Management Grant
- Additional Dedicated Home to School and College Transport Grant
- Emergency Active Travel Grant.

5.69 The expanded **Troubled Families Programme, Payments by Results (PBR) Scheme for Local Authorities** returns continued to be audited. All claims audited this year had an unqualified audit opinion. The protocols agreed with the service for producing evidence to support the claims, along with the continued independent review of sample claims by its staff to complement Internal Audit's examination of claims work, operated well and the process remains a collaborative one, with strong feedback from the Head of Service about the role that internal audit have played in supporting the service.

6. Compliance with Professional Standards

Head of Internal Audit Opinion

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

Good assessments were achieved in relation to:

- reflection of the Standards
- focus on performance, risk and adding value
- the quality assurance and improvement programme.

Needs improvement assessments were given in relation to:

- coordinating and maximising assurance
- the efficiency of its operations.

Quality and Improvement Programme

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

- on-going supervision and review of individual audit assignments completed by in-house staff or contractors working to in-house staff
- reporting on a limited set of performance targets to the Audit Committee (for all work done including that of external suppliers)
- reviewing the independent external assessment of compliance with the Standards which is required at least every five years and updating for the position for this year.

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

6.4 **Appendix 3** summarises the results of the independent external assessment of compliance against each element of the Standards, updated for the position this year.

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

- Head of Internal Audit's assessment of compliance as reported in the Annual Report
- independent external review.

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

Resourcing

- 6.7 Since the last Head of Internal Audit annual report to the Audit Committee there has been significant change within the team.
- 6.8 The Audit Senior and Auditor recruited during 2019/20 left the team in the summer of 2020. This impacted the delivery of the planned audit work as the audits they were involved in had to be picked up and completed by the Audit Manager and Head of Internal Audit, and their work planned for later in the year had to be re-allocated.
- 6.9 A recruitment exercise undertaken to fill a Senior Auditor position, using an enhanced approach by the recruitment provider to deliver a more bespoke and targeted approach to filling the position, with a view to succession planning for the team, was not successful. Work is now underway to recruit a Graduate Trainee who will be put through a relevant apprenticeship training programme and have their development further supported by the in-house Audit Managers
- 6.10 This leaves the team with six vacancies. The salaries of the vacant posts are currently being used to fund alternative audit resource brought in from two accountancy firms to assist with delivery of the audit plan.
- 6.11 The expected requirements of the internal audit service into the future continue to evolve and the impact of Covid-19 is causing further consideration to take place. There is a growing requirement for better collaboration between risk functions (risk management, internal audit, compliance and other risk functions) as organisations evolve to embrace the fourth industrial revolution as part of their response to the covid-19 pandemic and the impact of that. Risk functions are being expected to be active participants, helping to achieve and protect the value of the organisation. Risks are becoming increasingly complex and interconnected, and without close risk function collaboration it is possible that blind spots to risk will arise for key stakeholders in the organisation that can then impact on strategic, financial and operational initiatives.
- 6.12 Developments continue to be monitored and assessed, with responsibility for corporate risk management having been transferred to the Head of Internal Audit, and the most appropriate team model to deliver those changing responsibilities utilising the financial resources available needs to be determined and agreed. Once the current team resourcing and integration activities are complete, this model will then be implemented to provide an appropriate mix of experienced staff, trainees who will be put through a relevant training programme and externally sourced skills. This will enable the team to continue to deliver the service required by the organisations that it serves.
- 6.13 The remainder of this report needs to be considered within this context.

Audit Plan 2020/21

- 6.14 The target was to deliver 100% of the Audit Plan by mid-May so that the Head of Internal Audit Annual Opinion could be included in the Council's Annual Governance Statement, which ordinarily has to be produced by 31 May. In the event, as a result of the impact of the Covid-19 pandemic the MHCLG revised the deadline so that this became 31 July 2021. As reported in Appendix 1 most pieces of audit work had all of the audit work delivered, although not all of the reporting had been completed and finalised.

- 6.15 In respect of the 39 audits included in the final audit plan:
- 80% of audits are complete with finalised reports issued
 - 10% of audits are complete with draft reports issued
 - 10% of audits have fieldwork completed with reports being drafted.
- 6.16 Amendments made to the audit plan included three audits that were deferred to the 2021/22 Audit Plan, with three audits deferred to the 2021/22 risk watch list.

Other Performance Indicators

- 6.17 As much of the work this year has continued to be resourced through framework contracts, a more limited set of performance indicators have been reported upon.
- 6.18 Sickness absence during 2020/21 was high, equating to an average of 11.02 days per FTE. This is primarily a result of three different members of the team requiring long periods of sickness absence. None of these were covid-19 related and all of those officers have now left the team.
- 6.19 Stakeholder surveys are designed to assess compliance with some of the less tangible elements of the UK Public Sector Internal Audit Standards (the Standards). No stakeholder surveys have 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.

Other Disclosures

- 6.20 As required by the Standards, I can confirm that the Internal Audit service has:
- operated in a manner that maintains its organisational independence throughout the year, with the exception of corporate risk management that forms part of the responsibilities of the Head of Internal Audit. As a result independent assurance over the delivery of risk management will need to be obtained from an alternative source in future
 - been able to determine the scope of reviews, perform the work and report on its findings without interference and there have been no inappropriate resource limitations imposed upon it.

7. Issues for the Annual Governance Statement

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

8. Reasons for Recommendations

- 8.1 The Head of Internal Audit Annual Report assists the Audit Committee to effectively discharge its responsibilities, as set out in the Terms of Reference, in the most effective way to achieve best practice, by obtaining the necessary assurances and therefore being able to provide assurance to Full Council, including that the Annual Governance Statement appropriately reflects the conditions at the Council.**

Corporate Implications

9.1 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.

9.2 Financial Implications

The Audit Plan has been delivered within the approved budget.

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

9.3 Legal Implications

The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

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

9.4 People Implications

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

9.5 Property implications

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

9.6 Consultation

The audit risk assessment, the Audit Plan and the results of audits are periodically discussed with the Chief Executive, Executive Directors 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 Executive Directors and Directors before being finalised.

9.7 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.

9.8 Risk Assessment

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

The main risks the team continues to manage are the:

- potential loss of in-house staff and the ability of the service to replace this resource in a timely manner
- possibility that the external supplier won't deliver contracted in work within the required deadlines to the expected quality standards
- need to maintain relationships with clients / partners while the service is being rebuilt.

9.9 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.

9.10 Community Safety Implications

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

9.11 Environmental Impact

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

10. 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

11. Appendices

Appendix 1	Internal Audit Plan 2020/21 as at 30 September 2021
Appendix 2	Assurance Summary 2020/21
Appendix 3	Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2020/21
Appendix 4	Compliance with the UK Public Sector Internal Audit Standards Action Plan as at 30 September 2021

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Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
Managing the Business			
All	<p>Covid-19</p> <p>To assess the robustness of arrangements that ensure challenges and opportunities resulting from the Covid-19 emergency are effectively actioned, governed and the desired outcomes are realised.</p>	Yes	<p>As a result of Internal Audit's ongoing review of the Council's risk profile and in particular the impact of Covid-19 four new audits were identified. Please see Safe and Well for the following:</p> <ul style="list-style-type: none"> • Covid-19 Local Outbreak Governance Arrangements • Adults Social Care Recovery from Covid-19 • Covid-19 Volunteering • Financial Impact of Covid-19 – please see below.
F&R (PB)	<p>Financial Impact of Covid-19:</p> <p>To assess the robustness of the arrangements and /or financial modelling approach applied to:</p> <ul style="list-style-type: none"> • estimating the medium term financial impact of the pandemic to the Borough • ensuring capital programme priorities continue to meet the needs of the Borough. 	No	<p>Work requires rescoping to identify the key areas of risk focus required in relation to the robustness of arrangements to manage the Council's short and medium term financial challenges.</p> <p>See 2021/22 Audit Plan.</p>
All	<p>IT Audit: Remote Working and Cyber Security Arrangements (2019/20)</p> <p>To assess the robustness of arrangements that enable the majority of staff to work remotely, while maintaining critical cyber security functions.</p>	Yes	Completed September 2020.

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
All	<p>IT Audit: Disaster Recovery and Continuity Planning Arrangements (2019/20)</p> <p>To assess whether there are robust arrangements in place to ensure the design of the Council's IT Disaster Recovery (DR) planning documentation and processes are appropriate, complete and robust, and to explore whether there is sufficient assurance that the arrangements will operate in practice.</p>	Yes	Completed October 2020.
T (RP)	<p>Health and Safety</p> <p>To assess the robustness of the arrangements for ensuring employees and the public are adequately protected from harm whilst also complying with Council policy and legislation.</p>	No	Draft report being prepared.
T (CT)	<p>ICT Management and Delivery</p>	No	<p>This work has been deferred pending completion of the ICT risk assessment (see below) that will identify the most appropriate area of audit focus.</p> <p>ICT Risk Assessment Work completed (see below). Areas of audit focus included in the 2021/22 Audit Plan – see 'All Outcomes'.</p>
T (CT)	<p>New: ICT Risk Assessment</p> <p>To identify the key risks being faced by the Council in respect of IT that will contribute towards making an informed decision on the Council's IT environment, supporting the preparation of an IT roadmap for improvement and identifying the areas of key risk to be managed going forward.</p>	No	<p>Completed August 2021.</p> <p>Used to inform ICT audit work detailed in the 21/22 Audit Plan.</p>

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
<p>Implementing Action Plans - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.</p>			
None			
Managing Service Delivery Risks			
<p>Pride and Joy</p> <p>By 2050 Southenders are fiercely proud of and go out of their way to champion what our city has to offer.</p>			
N&E (NH)	<p>National Productivity Investment Fund</p> <p>To certify, in all significant respects, that the conditions attached to the grant have been complied with.</p>	Yes	Completed September 2020.
<p>Implementing Action Plans - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.</p>			
None			
Safe and Well			
<p>By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives</p>			
A&C (AA)	<p>Rough Sleepers</p> <p>To assess the adequacy of arrangements to ensure: effective support is given to vulnerable people in order to achieve the outcomes within the Housing, Homelessness and Rough Sleeping Strategy, while achieving value for money.</p> <p>This will include the opportunities arising from the lessons learnt through the covid-19 response.</p>	Yes	<p>Removed from the plan due to loss of a member of staff from the inhouse team.</p> <p>Now added to the 2021/22 Audit Plan Risk Watch List.</p>

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
C&PH (JOL)	<p>Children’s Quality Assurance Framework (QAF)</p> <p>To assess the robustness of arrangements for ensuring that the QAF effectively monitors and evaluates the services delivered to children and to the standards that enable children and young people’s welfare to be safeguarded and promoted and their needs met.</p> <p>This will include the arrangements to assess the risks posed by the changes to ways of working as a result of Covid-19.</p>	No	<p>Internal Audit continue to provide insight, challenge, and feedback (including the use of risk to support decision making) as the service develops its more focused approach to the Quality Assurance Framework.</p> <p>Work completed March 2021.</p> <p>Update:</p> <p>At the request of the Executive Director for Children’s Services and Public Health Internal Audit now provides support and challenge at the newly formed Children’s Services Quality Assurance Steering Group. Please see 21/22 Audit Plan.</p>
A&C	<p>New: Deprivation of Liberties Safeguards</p> <p>To assess the robustness of arrangements which ensure when a person is deprived of liberty, it is necessary and in their best interests, whilst complying with the requirements of The Mental Capacity Act (2005), and specifically the Deprivation of Liberty Safeguards Code of Practice (2009).</p>	No	<p>Completed August 2021.</p>
A&C (SB)	<p>Essex Partnership University Trust (EPUT) Section 75 Agreement</p> <p>To assess the robustness of arrangements to ensure the delivery of the outcomes required from the Section 75 agreement are realised</p>	Yes	<p>A service led review is ongoing to determine the Council’s requirements for Mental Health provision going forward. The scope of this review overlaps with our original planned work.</p> <p>Internal Audit are keeping in touch with the service as this review develops and will look to provide support and challenge as new or strengthened arrangements are identified and developed. This will be included in the 2021/22 Risk Watch List and added back into the Audit Plan once the timing and scope of the required works are known.</p>

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
G&H (GH)	<p>Disabled Facilities Grant</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	Completed October 2020.
C&PH (JOL)	<p>Troubled Families</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p> <p><i>Planned throughout the year to align with the Payment by Results claim windows set by the Ministry of Housing, Communities and Local Government.</i></p>	Yes	<p>Completed claim periods:</p> <ul style="list-style-type: none"> • April to end of June 2020 • July to end of September 2020 • October to end of December 2020 • January to March 2021 <p>Completed March 2021.</p>
C&PH (KR & AG)	<p>Covid-19 Local Outbreak Control Plan - Governance Arrangements</p> <p>To assess the robustness of arrangements which ensure Southend's Local Outbreak Plan fulfils its objective of protecting the health of the population of Southend.</p> <p>The work will also include the processes being developed for ensuring the spend on the ring fenced Test and Trace Support Grant is in line with the terms and conditions set by the Department of Health and Social Care.</p>	Yes	<p>Completed May 2021.</p> <p>(The work required in relation to the Department of Health's Test and Trace Support Grant has been added to the 2021/22 Audit Plan as the completed certification for this was required and delivered by May 2021).</p>

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
A&C (SB)	Adults Social Care Recovery from Covid-19 To assess the robustness of measures to monitor and review the temporary changes to normal day to day processes /arrangements which aimed to ensure the care and support of vulnerable residents was prioritised e.g. postponement of financial assessments for residents receiving care, relaxation in approval arrangements for changes to care packages.	Yes	Draft report being prepared.
T&AC (SP SB)	Covid-19 Volunteering To assess the robustness of arrangements which ensured sufficient safeguarding measures were considered when enrolling volunteers to provide essential support to vulnerable residents	Yes	Work deferred to the 2021/22 Audit Plan due to the focus of the service area on delivering and improving the arrangements.
N&E (CR)	New: Covid-19 Surge enforcement and compliance funding 2020	Yes	Completed May 2021.
<i>Implementing Action Plans</i> -To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.			
A&C (SB)	Direct Payment Support Service Contract Management	Yes	Draft report being discussed with the service.
Active and Involved By 2050 we have a thriving, active and involved community that feel invested in our city			
<i>Implementing Action Plans</i> - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.			
None			

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
<p>Opportunity and Prosperity</p> <p>By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people</p>			
G&H (EC)	<p>Better Queensway Project Assurance</p> <p>To assess the robustness of the Council's project management arrangements to deliver the required outcomes and benefits for the citizens of Southend.</p>	No	Completed December 2020.
T (SP)	<p>Hayes Contract Management</p> <p>To assess whether there are robust arrangements in place to ensure that the contract is delivering the planned outcomes and / or benefits in compliance with the specified performance and quality standards, at the correct cost.</p>	Yes	<p>Contract management resource secured.</p> <p>Still assessing the priorities for using this resource in the most effective way to support the Council in terms of the impact of Covid-19 has had on the delivery of services by contractors / providers.</p> <p>Update April 2021:</p> <p>In light of the potential impact of Brexit and Covid-19, potential refocussing of audit resource being discussed with the Corporate Procurement team around the robustness of exit strategies for the Council's critical contracts.</p> <p>Update September 2021:</p> <p>Work deferred to 21/22 Audit Plan please see 'Critical Contracts Exit strategies'</p> <p>Hayes Contract Management audit also included in 21/22 Audit Plan.</p>
G&H (EC & RP)	<p>Adult Community College Debt Collection</p> <p>To assess the robustness of arrangements to collect debt fully and in a timely manner.</p>	Yes	Draft report being prepared.
G&H (EC & RP)	<p>Adult Community College Payroll</p> <p>To assess the robustness of arrangements to accurately and properly pay non-salaried college staff.</p>	Yes	Draft report being discussed with the service.

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
F&R (JC)	<p>New: Department for Business, Energy and Industrial Strategy (BEIS):</p> <p>To undertake post-payment assurance work to ensure business support grant funding for the following grants had been awarded in line with the guidance provided by BEIS:</p> <ul style="list-style-type: none"> • Small Business Grant Fund • Retail, Hospitality and Leisure Grant Fund • Local Authority Discretionary Grant Fund 	Yes	Work in progress.
<p>Implementing Action Plans - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.</p>			
G&H (EC & RP)	<p>New: Better Queensway Project Assurance (follow up to completed piece of work above)</p>	No	Completed July 2021.
<p>Connected and Smart</p> <p>By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure</p>			
N&E (CR)	<p>Energy Projects Status Assurance (was entitled Climate Change)</p> <p>To provide an independent perspective as to the current status of the Council's portfolio of Energy Projects and provide advice in relation to the projects' future governance arrangements.</p>	No	Draft report provided to the service area and further support provided in delivering the response.
N&E (NH)	<p>Transport Joint Venture</p> <p>Original Focus of the work</p> <p>To assess the robustness of the governance arrangements which ensure the effective delivery of the joint venture (JV) arrangement.</p>	Yes	<p>An assessment of the JV risk profile during the planning phase of the work identified risks at a more operational level for the core services transferred to Vecteo, given that these core services need to meet the needs of some of Southend's vulnerable residents.</p> <p>Draft report being discussed with the service.</p>

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
	<p>Updated Focus of the work</p> <p>To assess the robustness of the Council's planned arrangements, as they are developed, for ensuring core transport service requirements transferred to the JV (Vecteo) from 1 March 2020, will and / or are delivering:</p> <ul style="list-style-type: none"> • an efficient, reliable, punctual & safe service that meets the needs and delivers the required outcomes for the vulnerable adults and children relying on the service; and • at the right contractual price. 		<p>(The original planned focus for the audit work is included in the 2021/22 Audit Plan).</p>
N&E (SH)	<p>Parking Enforcement Income Collection</p> <p>To assess the robustness of arrangements for the proper and timely collection of Penalty Charge Notice (PCN) income in line with the Traffic Management Act 2004.</p>	Yes	<p>Draft report being prepared.</p>
N&E (NH)	<p>Local Transport Capital Block Funding - Highways Maintenance</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	<p>Completed September 2020.</p>
N&E (NH)	<p>Pothole Action Fund</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	<p>Completed September 2020.</p>

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
N&E (AW)	<p>Travel Demand Management Grant (awarded 29-7-20)</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	Completed January 2021.
N&E (AW)	<p>Additional Dedicated Home to School and College Transport Grant (awarded 11-8-20)</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	<p>Autumn 2020 and Spring term 2021 Completed April 2021.</p> <p>(Summer term 2021 see 2021/22 Audit Plan).</p>
N&E (AW)	<p>New: Emergency Active Travel Grant (awarded 29/06/2020)</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	Completed March 2021.
<p><i>Implementing Action Plans</i> - To check that actions agreed have been effectively implemented and have been embedded into the day to day operation of the service.</p>			
No work required			

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
Key Financial Systems			
All Outcomes			
All	<p>Accounts Payable – Batch Input Files (BIF)</p> <p>To assess the robustness of arrangements to ensure that these payment files are accurate and secure.</p>	Yes	<p>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> <p>Update April 2021:</p> <p>The work will be reassessed for inclusion in the 2021/22 Audit Plan.</p> <p>Update – included on the 2021/22 Audit Plan Risk Watch List.</p>
Implementing Action Plans			
All	<p>Payroll (2019/20)</p> <p>To assess whether the actions agreed in the original audit report have been implemented and are now effectively embedded into the day-to-day operation of the service.</p>	Yes	<p>Completed January 2021.</p>
Advice and Support			
All Outcomes			
All	<p>Simple and Effective Governance</p> <p>Provide ongoing support and challenge of the governance arrangements being developed, implemented and embedded by the Transforming Together team.</p>	No	<p>Update April 2021:</p> <p>Members of the Internal Audit team attend and input to the Transforming Together work programme, focussing on embedding the effectiveness of risk management arrangements and the role and effectiveness of the Governance Boards.</p> <p>This is now being updated to the Future Ways of Working programme to which internal audit will continue to contribute, with the Head of Internal Audit asked to lead on the ‘Decision Making’ workstream.</p> <p>Work completed for 20/21.</p> <p>See work in 2021/22 Audit Plan under ‘Managing the Business’ and Future Ways of Working.</p>

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
All	<p>Getting to Know Your Business 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>Work in Progress.</p> <p>Update April 2021: Internal Audit have been providing support and challenge to the Adult Social Care Finance and Performance work group as they develop the arrangements for managing the activity, financial and performance data within LAS, ContrOCC and Business World systems.</p> <p>Next steps for the group include developing:</p> <ul style="list-style-type: none"> • a report summarising the work done to date; and • an action plan detailing the work and resource required to address any further areas outstanding. <p>Work completed for 20/21.</p> <p>See work in 2021/22 Audit Plan under Advice and Support:</p> <ul style="list-style-type: none"> • Financial Sustainability (linked to Future Ways of Working and Getting to Know your Business Initiatives) • Reconciling Adult Social Care Finance Project.
G&H (EC)	<p>New: Better Queensway Highways Scheme In relation to the specific concerns raised by councillors regarding the highways scheme for the Queensway development and the options for the underpass and / or roundabout; to determine whether:</p> <ul style="list-style-type: none"> • proper and transparent processes were followed regarding the appointment of the preferred bidder for the 50/50 joint venture • the arrangements for sharing and / or reporting on the Queensway highways scheme were sufficiently transparent to support an informed decision-making process by members 	N/A	<p>Completed August 2021.</p> <p>See Audit Committee on 22 September 2021 for reporting of the results from this work.</p>

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
	<ul style="list-style-type: none"> the Council has lessons to learn regarding arrangements that would improve and give clarity to decision making processes, given the significance of other projects the Council is involved with. 		
Pride and Joy By 2050 Southenders are fiercely proud of, and go out of their way, to champion what our city has to offer.			
N&E (IK)	Waste Collection and Street Cleansing 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.	No	Update April 2021: The Corporate Procurement team are supporting the service in assessing options for the service going forward. Work no longer required.
Safe and Well By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives			
C&PH and A&C	Liquid Logic / ContrOCC: Provide support and challenge as new change request arrangements for these systems are being considered.	Yes	Update April 2021: Internal audit has provided advice and challenge to the service area while they develop new processes for adding new organisations onto the LCS and ContrOCC systems. Work completed for 20/21. See 2021/22 Audit Plan work under Advice and Support 'Liquid Logic / ContrOCC'.
F&R/ and T	Fire Safety To provide support and challenge to the working group to ensure that fire safety arrangements are appropriate and effectively managed to make buildings safe and feel safe, now and in the future.	Yes	Work deferred for 20/21. See 2021/22 Audit Plan Risk Watch List 'Building Safety Bill'.

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
C&PH (JOL)	<p>In House Foster Carers</p> <p>To provide support and challenge to the service as they develop governance and reporting arrangements to support the delivery of the improvement action plan.</p>	No	<p>Completed January 2021.</p> <p>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.</p>
A&C (SB)	<p>New: Disabled Facilities Grant – Policy Work</p> <p>To provide support and challenge to the service as they develop the Council's policy for awarding grants.</p>	Yes	<p>Completed March 2021.</p>
<p>Active and Involved</p> <p>By 2050 we have a thriving, active and involved community that feel invested in our city</p>			
A&C (SD)	<p>Fusion Contract Management</p> <p>(Approach altered to better meet needs of the service)</p>	Yes	<p>Internal Audit continue to provide support and challenge as the service navigates post Covid-19 arrangements with the contractor.</p> <p>Work Completed.</p>
<p>Opportunity and Prosperity</p> <p>By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people</p>			
G&H (EC)	<p>Town Centre Engineroom Working Group:</p> <p>To provide support and advice for establishing proportionate governance arrangements that appropriately support the Group in shaping and driving forward the town centre.</p>	Yes	<p>Work completed for 2020/21.</p>
G&H (EC)	<p>Adult Community College</p> <p>To provide support and challenge on the robustness of the updated Financial Regulation document ahead of delivery to the governing body.</p>		<p>Work completed for 2020/21.</p>

Appendix 1: Status of Internal Audit Plan 2020/21

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
G&H (EC)	<p>New: Adult Community College</p> <p>To provide support and challenge to the Board with responsibility for monitoring the transfer of the College's governance structure to a more flexible model in direct relationship with Council governance structures.</p>	No	<p>Work complete for 20/21.</p> <p>See Audit Plan 2021/22 Advice and Support 'Southend Adult Community College'.</p>
<p>Connected and Smart</p> <p>By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure</p>			
G&H (EC)	<p>Housing Infrastructure Grant (HIF)</p> <p>To provide advice and support as arrangements are developed which ensure Homes for England Housing Infrastructure Grant terms and conditions are properly met.</p>	Yes	<p>Work was rescheduled into the 2021/22 Audit Plan as the timing of the initial drawdown of grant was being amended.</p> <p>See 2021/22 Audit Plan Advice and Support 'Better Queensway Housing Infrastructure Grant'.</p>

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.

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

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

Appendix 1: Status of Internal Audit Plan 2020/21

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

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

Appendix 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 (including the impact of the new National Institute for Health Protection (NIHP) replacing Public Health England to be formalised and operating from April 2021)
C&PH	Children’s Services Financial Recovery Plan
C&PH	Children Missing from Education
C&PH	Victory Park Academy
F&R	Asset Management of the Corporate Estate
C&PH	Adherence to Terms and Conditions of the Early Years Grant Funding
A&C	Better Care Fund Section 75 Agreement
A&C	Deprivation of Liberty Safeguards (DoLS)
PH	Outcome Realisation of a Commissioned Service – deleted from 2019/20 Audit Plan
F&R	Income Management System – work stalled from the 2019/20 Audit Plan

Appendix 1: Status of Internal Audit Plan 2020/21

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

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Appendix 2: Assurance Summary 2020/21

Audit Plan Areas	Level of Assurance				
	High	Satisfactory	Partial	Minimal	No Opinion
Managing the Business			<ul style="list-style-type: none"> IT Audit: Disaster Recovery and Continuity Planning Arrangements 19-38 		<ul style="list-style-type: none"> IT Remote Working and Cyber Security arrangements 20-36 ICT Risk Assessment 20-24
Managing Service Delivery Risks	<ul style="list-style-type: none"> Adults Social Care Recovery from Covid-19 20-46 (draft) 	<ul style="list-style-type: none"> Deprivation of Liberties Safeguards 20-49 Health & Safety 20-38 (draft) Adult Community College Payroll 20-26 (draft) 	<ul style="list-style-type: none"> Better Queensway Project Assurance 20-18 		<ul style="list-style-type: none"> Covid-19 Local Outbreak Control Plan Governance Arrangements 20-45 Energy Projects Status Assurance 20-23 Better Queensway Highways Scheme 20-51 <p>Advice & Support Work:</p> <ul style="list-style-type: none"> Getting to Know your Business – Children’s Services Improvement Plan 20-05

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Appendix 2: Assurance Summary 2020/21

Audit Plan Areas	Level of Assurance				
	High	Satisfactory	Partial	Minimal	No Opinion
					<ul style="list-style-type: none"> • Simple and Effective Governance (Audit Committee April 2021 -20-05) • Liquid Logic / ContrOCC (Audit Committee April 2021) • In House Foster Carers Improvement Plan (Audit Committee April 2021) • Disabled Facilities Grant Policy Work (Audit Committee April 2021) • Adult Community College Financial Regulations (Audit Committee October 2020)

Appendix 2: Assurance Summary 2020/21

Audit Plan Areas	Level of Assurance				
	High	Satisfactory	Partial	Minimal	No Opinion
					<ul style="list-style-type: none"> • Adult Community College Finance Curriculum & Quality Group (ongoing)
Key Financial Systems (No work 20/21)					
Audits Revisited		<ul style="list-style-type: none"> • Better Queensway Project Assurance 20-56 • Adult Community College Payroll (draft) 	<ul style="list-style-type: none"> • Payroll 19-46 	<ul style="list-style-type: none"> • Direct Payment Support Service Contract Management (draft) 	

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Grant Claims	Level of Assurance	
	Unqualified	With Qualification
	<ul style="list-style-type: none"> • Disabled Facilities Capital Grant Determination • Local Transport Capital Block Funding – Highways Maintenance • Pothole Action Fund • National Productivity Investment Fund • Troubled Families • Covid-19 Surge enforcement and compliance funding 2020 (No 31/5216) • Travel Demand Management Grant (awarded 29-7-20) • Additional Dedicated Home to School and College Transport Grant (awarded 11-8-20) • Emergency Active Travel Grant (awarded 29/06/2020) 	

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**Appendix 3 Summary Assessment of Compliance with
UK Public Sector Internal Audit Standards 2020/21**

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

**Appendix 3 Summary Assessment of Compliance with
UK Public Sector Internal Audit Standards 2020/21**

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

**Appendix 3 Summary Assessment of Compliance with
UK Public Sector Internal Audit Standards 2020/21**

Ref	Standard	Generally Conforms	Partial Conforms	Does Not Conform	N/A
2300	Performing the Engagement	✓			
2310	Identifying Information	✓			
2320	Analysis and Evaluation	✓			
2330	Documenting Information	✓			
2340	Engagement Supervision	✓			
2400	Communicating Results	✓			
2410	Criteria for Communicating	✓			
2420	Quality of Communications		✓		
2421	Errors and Omissions	✓			
2430	Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'	✓			
2431	Engagement Disclosure of Non-conformance	✓			
2440	Disseminating Results	✓			
2450	Overall Opinions	✓			
2500	Monitoring Progress	✓			
2600	Resolution of Senior Management s Acceptance of Risks	✓			
	TOTAL OUT OF 64	62	2	0	0

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Appendix 4: Compliance with UK Public Sector Internal Audit Standards Action Plan (SBC Version) as at 30 September 2021

Action required	Current status	Date
Attribute Standards		
1200 Proficiency and Due Professional Care		
<i>1230 Continuing Professional Development</i>		
<p>Continue with the recruitment programme for professional audit staff during 2017/18.</p> <p>55</p>	<p>Further changes to the team during 2020/21 mean there are six vacant posts, the salaries of these are currently being used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.</p> <p>The expected requirements of the internal audit service into the future continue to evolve and the impact of Covid-19 is causing further deliberations to take place both at an industry and local level. This continues to be monitored and assessed to determine the most appropriate team model utilising the financial resources available. Once the current team resourcing and integration activities are complete, revised arrangements will be implemented to provide an appropriate mix of experienced staff, trainees who will be put through a relevant training programme and externally sourced skills. This will enable the team to deliver the internal audit service required by the organisations that it serves.</p>	<p>HoIA, Ongoing</p>

Appendix 4: Compliance with UK Public Sector Internal Audit Standards Action Plan (SBC Version) as at 30 September 2021

Action required	Current status	Date
Performance Standards		
2000 Managing the Internal Audit Activity		
<i>2030 Resource Management</i>		
When resources allow, arrange more regular meetings with individual Group Managers as required, to help progress work in the Audit Plan.	These sessions have been taking place throughout 2020 and 2021 as audits have been planned and set up. Since covid-19, regular catch ups with the business are taking place via Microsoft TEAMS.	AMs, Ongoing
<i>2040 Policies and Procedures</i>		
Refresh the Audit Manual and supporting forms to reflect: <ul style="list-style-type: none"> updates in the Standards current working practices any issues arising from the independent external assessment. 	Some of this work is still in progress. It will take longer than anticipated to complete due to the changes in the senior management team. Work is also needed to update the Audit Manual to ensure the audit approach is compliant with the General Data Protection Regulations (GDPR) and reflects the actual procedures now followed by the team.	AMs, Ongoing
<i>2050 Co-ordination and Reliance</i>		
At all clients, further develop the "other assurance" element of the audit risk assessments particularly with regard to corporate business management processes, as part of the 2018/19 audit planning round.	This work is now established as part of the Audit Planning process. This has also been developed throughout the year as audit work is completed.	AMs, Ongoing

Appendix 4: Compliance with UK Public Sector Internal Audit Standards Action Plan (SBC Version) as at 30 September 2021

Action required	Current status	Date
2100 Nature of Work		
2110 Governance		
Assess whether an ethical governance audit should be included in 2018/19 Audit Plan.	This was considered as part of the audit planning for 2021/22, and will remain on the issues to be considered for inclusion at each planning assessment.	HoIA, ongoing
2400 Communicating Results		
2410 Criteria for Communicating		
Reassess the reporting templates as part of updating the Audit Manual, to see how underlying issues with the Council's governance arrangements could be highlighted.	This will be reassessed after senior management have undertaken the review of the risk management and governance arrangements that is currently underway as part of the Transforming Together programme.	AMs, Ongoing
2431 Engagement Disclosure of Non-Conformance		
Consider updating the Audit Manual with a small section covering this particular situation and referencing PS2431.	This is still work in progress. It will take longer than anticipated to complete due to the changes in the senior management team. In addition, a prompt will be included in the reporting template to ensure any incidents of non-conformance have been considered and managed in line with audit manual guidance.	AMs, Ongoing
2500 Monitoring Progress		
Introduce the process for management to provide the Audit Committee with this assurance for reports with high and satisfactory audit opinions.	The Business Support Officer is currently working on this project with Council officers that operate the Pentana system to identify an automatic reporting process from Pentana.	BSM, Ongoing

Appendix 4: Compliance with UK Public Sector Internal Audit Standards Action Plan (SBC Version) as at 30 September 2021

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

Key:

- HoIA, Head of Internal Audit
- AM, Audit Manager
- BSM, Business Support Manager

Southend-on-Sea Borough Council

Report of the Strategic Director (Finance and Resources)

to

Audit Committee

on

20 October 2021

Report prepared by Shaun Dutton, Counter Fraud &
Investigations Manager

Agenda
Item No.

6

**Counter Fraud & Investigation Team: Annual Report 2020/21 and
progress since 1 April 2021**

A Part 1 Public Agenda Item

1. Purpose of report

- 1.1 To update the Audit Committee on the progress made by the Counter Fraud & Investigation Team (CFIT) in delivering the Counter Fraud Strategy and Work Programmes for 2020/21 and 2021/22.

2. Recommendation

- 2.1 The Audit Committee notes the performance of the Counter Fraud & Investigation Team over the 2020/21 financial year and since 1 April 2021.**

3. Annual Report 2020/21

Introduction

- 3.1 The Counter Fraud & Investigation Team was formed on 7 October 2019 following the dissolution of the previous shared service agreement with Thurrock Council.
- 3.2 The Investigation Officers that had been seconded to the shared service were withdrawn and asked to form a Counter Fraud Service dedicated to serving Southend-on-Sea Borough Council.
- 3.3 The team was comprised of three investigators and an intelligence analyst. In early 2020, two officers resigned from the Council leaving two investigators to provide the service. This is how the team stood in April 2020.
- 3.4 South Essex Homes offered to fund an additional investigator on the team which was a huge vote of confidence in the team's work and potential.
- 3.5 Following a reorganisation of the team's constitution and two recruitment campaigns, as of April 2021 the team is now comprised of a Manager (also the Senior Investigating Officer) and four highly qualified and experienced criminal investigators.

- 3.6 The team's staffing shortfall in the first half of the year compromised its operational effectiveness although good results were still achieved. However, the restrictions imposed to control the spread of Covid-19 had a significant impact on the team's ability to progress investigations to resolution.
- 3.7 This resulted in a backlog of investigations waiting for assignment to an investigator and an inability to complete many of the proactive fraud prevention / detection initiatives in the 2020/21 Work Plan (**Appendix 1**); many of these have been 'rolled over' to the 2021/22 Work Plan (**Appendix 3**). The priority for the team was to deal with the allegations of fraud that were under investigation.
- 3.8 Two investigators joined the team in July 2020 and the downgrading of the virus threat level enabled the team to start addressing the backlog and bringing cases to resolution. However, with a backlog of over 80 cases, it was still not possible to conduct proactive initiatives. Another investigator joined the team in early April 2021.
- 3.9 Nevertheless, the team has made significant progress in establishing an efficient and effective Counter Fraud Service to the Council. Notable achievements include:
- Key stakeholders have been identified and closer working arrangements have been agreed, including monthly management meetings and progress reports
 - Monthly Fraud Alert messages are distributed to staff and the public to increase awareness of current frauds. This now reaches an audience of approximately 700 individuals
 - The provision of Fraud Awareness Training to all staff, developed by the team in collaboration with Workforce Development. This includes the provision of additional information in the Council's Knowledge Hub
 - Amendments to Revenues & Benefits systems to alert operators if an individual linked to an account is under investigation
 - The distribution of Fraud Alerts to combat covid-related grant fraud with notable success
 - The establishment of a procedure and mechanism to offer a penalty as an alternative to prosecution for Council Tax Reduction Scheme offenders
 - The reinvigoration of the National Fraud Initiative, coordinated by CFIT for the Council (see results to date below)
 - The strengthening of the team's relationship with Essex Police
 - Maintaining fraud reporting mechanisms and adjusting them to make it easier to report fraud to the Council
 - Quarter-on-quarter increases in the number of referrals made to the team
 - Maintaining business as usual with an active caseload and achieving results (see below).

4. The threat from fraud

- 4.1 The total value of fraud detected or prevented by Local Authorities in 2018/19 is estimated to be £253m.
- 4.2 The total annual loss to Local Authorities from fraud is estimated to be £7.8bn (2017).
- 4.3 A third of all crime in the UK is fraud related.
- 4.4 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.
- 4.5 CFIT have active investigations in all of these areas.

5. Investigations

- 5.1 In the year 2020/21, CFIT investigated 328 allegations of fraud (66 of these commenced prior to that year).
- 5.2 Of these:
 - 238 investigations were concluded
 - 90 were still active at year end:
 - 50 were under active investigation.
 - 6 were being prosecuted.
 - 34 were awaiting assignment to an investigator.

A breakdown of these cases can be found in **Appendix 2**.

- 5.3 The benefit to the Council generated by the team in the year 2020/21 is:
 - £1,599 in Council Tax fraud
 - £69,000 in housing fraud
 - £13,000 in recovered revenue
 - £81,404 in recovered Non-Domestic Business Rates
 - £145,000 in grant fund fraud
 - £20,424 from the National Fraud Initiative.

This totals **£330,427** benefit to the Council from CFIT's activities.

- 5.4 CFIT launched 7 prosecutions during the year 2020/21:
 - 1 Blue Badge misuse
 - 1 environmental offence
 - 1 procurement fraud (2 defendants)
 - 2 Business Rates frauds
 - 1 grant fraud (The Essential Living Fund)
 - 1 forgery offence (Parking permits) (2 defendants)

Only one of these prosecutions was concluded during the year (the Blue Badge case) resulting in a guilty plea and a fine. The others are waiting to be heard in the Crown Court.

- 5.5 During the year 2020/21, CFIT made referrals to other Local Authorities (14), the DWP (21), Essex Police (13), The National Investigation Service and the National Anti-Fraud Network (4), UK Border Force (1), Immigration (1) and HMRC (1).

Also, referrals were made to other Council teams: Regulatory Services (1), Planning (2), Public Sector Housing (1), Licensing (1) and Social Care safeguarding (3).

CFIT responded to 184 Data Protection Act requests, the majority of which were from Essex Police.

- 5.6 CFIT also assessed 26 Right to Buy Applications to assist South Essex Homes with their due diligence: 7 of these assessments required further investigation.

6. Fraud prevention

- 6.1 Active fraud prevention initiatives were hampered during the year due to staff shortages and the backlog created by pandemic restrictions.

- 6.2 The Council-wide fraud awareness training was well received with 678 respondents' feedback averaging 4½ out of 5 stars. This course is available to all Southend Councillors who can access the Council's ICT systems.

- 6.2 The monthly fraud alerts now reach an audience of over 700 people both within and outside the Council. Feedback from recipients suggest that most of them share this information with others.

- 6.3 CFIT will, when appropriate, issue post-investigation reports to managers with recommendations for policy or procedure adjustments aimed at increasing the protection from, and early detection of, fraud. Three such reports were issued during the year.

- 6.4 CFIT has established an intermittent programme of public engagement in the form of talks to community groups. These are designed to raise awareness of the team's work and to enable residents to recognise and protect themselves from fraud.

7. The National Fraud Initiative (NFI)

- 7.1 The NFI is a Central Government exercise that matches electronic data within and between public sector bodies to prevent and detect fraud. These bodies upload their data to a central service which then produces data matching reports identifying data anomalies that are worthy of review. This process runs on a 2-year cycle.

- 7.2 An example of this is matching household non-dependents who have turned 18 with households in receipt of Council Tax Single Person Discount (SPD) (the non-dependent ceases to be such when they reach this age and SPD can no longer be claimed if the non-dependent is still living at the property).

- 7.2 CFIT operates as the local coordinator and key contact for the NFI at Southend Borough Council, centrally organising the upload of data and the processing of returns.
- 7.3 Although engagement with this initiative had diminished before the formation of the current Counter Fraud team and, as a result, the team's involvement began late in the cycle, the most recent NFI exercise assisted in identifying **£52,605.48** in recoverable funds for the Council and 15 fraud investigations.
- 7.4 CFIT has been fully engaged in the current cycle and, as a result, the returns are expected to be significantly more than this figure.

8. Progress since 1 April 2021

Introduction

- 8.1 It should be noted that this section covers activity over the two quarters since 1 April 2021.
- 8.2 This financial year has started well with the team at its full complement of officers for the first time since it was reorganised. This has enabled us to address the backlog of cases resulting from previous staff shortages and the pandemic which stood at 90 cases in September 2020 and is now down to 22 cases.
- 8.3 The CFIT Work Plan for 2021/22 has been agreed with many of the initiatives from the previous year being 'rolled over' and additional items added to reflect the increased capabilities of the team (**Appendix 3**).
- 8.4 Work has progressed on the Plan with the following achievements to date:
- A proactive audit of social tenancies in a tower block, identified by South Essex Homes as having high levels of non-engagement (an indicator for subletting). This has, to date, resulted in 3 investigations although results are still being processed with 10 tenancies being subject to further enquiries
 - A methodology has been developed to offer Fraud Risk Assessments to key areas of the Council's business that are at a higher risk of fraud. This is currently waiting for management approval and then senior management support
 - A proactive joint exercise with APCOA (Traffic Management), aimed at Blue Badge misuse in the Borough, has been completed. This did not detect any Blue Badge misuse but was a high-profile exercise that has received strong support from the community and APCOA. A further exercise will be conducted later in the year with a revised methodology
 - Counter Fraud Officers have now been authorised with additional powers to combat Blue Badge misuse and fraud. This will greatly enhance the team's operational effectiveness in this area
 - CFIT now participate in the Strategic Tasking Allocation Group which brings together enforcement teams from across the Council to share information and coordinate responses
 - Training in how to spot the signs of subletting has been delivered to South Essex Homes' Tenancy Support Officers

- A joint working initiative between South Essex Homes and CFIT has been introduced where Counter Fraud Officers and Tenancy Support Officers spend one day a month working together
- A meeting has been arranged with a potential provider of internet data mining services to assess the value of such tools to the team's work
- A data matching exercise to assess the scale of fraud against the Essential Living Fund is currently underway
- A Memorandum of Understanding has been agreed between the Council and HM Revenue & Customs to enable a more efficient exchange of information
- Information Sharing Agreements have been agreed between CFIT and the areas of the Council's business we regularly share information with. These are currently awaiting approval by Information Governance before signing
- Counter Fraud messages are now being regularly posted on the Council's social media channels with details of how to report concerns
- A 'Views on Sea' staff blog was published to all staff in October to highlight International Fraud Awareness Week, the threat of fraud to the Council, and the benefits of a strong whistleblowing policy to prevent and detect internal fraud.

It should be noted that proactive initiatives in the community have value as a deterrent against perpetrating, as well as the detection of fraud.

8.5 The threat from fraud is not highlighted here as it is covered in the Annual Report 2020/21 above. This threat is consistent, increasing and, in some cases, becoming more sophisticated.

9. Investigations

9.1 Since 1 April 2021, CFIT have dealt with, or are investigating, 244 cases (94 of these cases commenced prior to this date).

9.2 Since 1 April 2021 we have received 150 new cases. This continues the trend of increasing referrals to the team observed over the preceding three quarters.

9.3 Of the total of 244 investigations:

- 164 have been concluded
- 80 investigations are active:
 - 52 cases are currently being investigated
 - 6 cases are with Legal Services for prosecution
 - 22 cases are awaiting assignment to an investigator.

9.4 A breakdown of these investigations by category can be found at **Appendix 4**.

9.5 Highlights this period include:

- The conviction of a local company for environmental offences resulting in a £4,000 fine, the award of £239.70 in costs and the imposition of a £190 victim surcharge
- Council Tax Reduction Scheme Administrative Penalties¹ agreed to the value of £2,671.29
- £11,922.87 of fraudulently obtained Council Tax reductions and discounts recovered². *This has already exceeded the 2020/21 total*
- Assisting the prevention of £90,746 in fraudulent covid-related grant applications being awarded
- £40,900 of fraudulent or incorrectly awarded covid-related grant payments recovered
- £87,699 of savings produced by the National Fraud Initiative. *This has already exceeded the 2020/21 total*
- Assisting in the recovery of two social housing properties, saving the Council £46,000 in future temporary accommodation costs³
- Three employees referred to Human Resources for misconduct issues
- One individual removed from the social housing waiting list for failing to declare assets
- Assessing 23 Right to Buy applications on behalf of South Essex Homes, some of which required further enquiries
- Referrals to Essex Police (2), the National Investigation Service in respect of organised criminal activity (2), the DWP (5) and other Local Authorities (4)
- Meeting 105 Data Protection Act requests for information, mainly from Essex Police.

9.6 Our current prosecutions involve:

- A procurement fraud valued at £726,884.82 (2 defendants)⁴
- A Small Business Rates Relief fraud valued at £35,239.90
- A Small Business Rates Relief fraud valued at £24,136.39 (2 defendants)
- Forged seasonal parking permits valued at approximately £2,000 (2 defendants)
- Fraudulently acquiring goods from the Essential Living Fund to the value of £229.95.

¹ The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 allow the Authority to offer offenders an Administrative Penalty of between £100 and £1,000 as an alternative to prosecution.

² This is mainly the recovery of fraudulently obtained Single Person Discount and Council Tax Reduction.

³ It is estimated that the fraudulent occupation of a social housing property costs the Council £23,000 a year; this is the cost of keeping a family in temporary accommodation for that time. Other estimates put this cost a lot higher by factoring in the cost of investigation, enforcing statutory obligations, anti-social behaviour etc.

⁴ This is a long-running investigation inherited from the precursor team; due to their records management, this has been recorded as two cases when it is, in fact, one. Hence our records also show this as two prosecutions.

10. Fraud prevention

- 10.1 The fraud awareness training for all staff continues to be well received. The Team have highlighted this to staff who have not completed it in October as part of International Fraud Awareness Week. A blog to all staff was used this month to raise awareness of the Council's Whistleblowing Policy and the importance of people who are willing to do what is right.
- 10.2 The monthly fraud alerts have continued and are well received. These serve not only to inform staff and the public of the omnipresent threat from fraud but also to keep this threat alive in the minds of staff as they do their work.
- 10.3 The team have delivered a talk to a local community group to raise the profile of the team and increase fraud awareness among the residents. Feedback suggests that this went well and we are actively seeking opportunities to give further talks to the public.
- 10.4 As mentioned above, the proactive fraud detection exercises are expected to have a significant deterrent effect, particularly when successes are publicised.
- 10.5 As mentioned above, CFIT now have an increased public visibility through regular messages being posted on the Council's social media platforms. As well as encouraging reporting, this will also have a deterrent effect. Plans are underway to introduce similar messages on South Essex Homes' social media platforms and newsletters.
- 10.6 CFIT regularly disseminate fraud intelligence to other parts of the Council and these reports have been instrumental in the prevention of attempts to defraud the covid-related grant systems by organised crime. Intelligence is also shared with Finance and Procurement which enables them to protect the Council and be aware of the current threats.

11. The National Fraud Initiative (NFI)

- 11.1 The current exercise is now at the stage where results are being returned for local review and assessment.

While the results are still being assessed, there are some early results:

- £20,424 in savings relating to concessionary travel passes
- £67,275 in savings relating to disabled person's blue badges

This totals **£87,699** in savings from the NFI to date which already exceeds the savings from the previous NFI exercise by £34,670.

- 11.2 16 fraud investigations have also resulted from the current NFI exercise to date.

12. Corporate implications

12.1 Contribution to the Southend 2050 Road Map

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

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

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

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

12.2 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 5.3 the Counter Fraud and Investigation team has delivered £330,427 benefit to the Council through its activities in 2020/21.

12.3 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.

12.4 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.

12.5 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.

12.6 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.

12.7 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.

12.8 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 culture will contribute to managing this more effectively.

12.9 Value for money

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

- Reducing the opportunities to perpetrate fraud; this is reducing potential losses to future budgets.
- Detecting fraud promptly and applying relevant sanctions where it is proved; this limits the losses to fraud and corruption.
- Pursuing perpetrators to recover losses and to seek compensation; this limits the losses to fraud and corruption.
- Recovering properties; this reduces the strain on the social housing stock and reduces the cost of temporary accommodation to future budgets.
- Limiting the cost of investigation and pursuit of offenders by the application of alternate sanctions where appropriate; this provides a cost-effective service.

- Generate an income for the Council through the provision of counter fraud awareness training to the Council's partners and service providers and the provision of an investigation/prosecution service to appropriate partners.

Appendices

Appendix 1 – Counter Fraud Work Plan 2020/21

Appendix 2 – Breakdown of CFIT investigations 2020/21

Appendix 3 – Counter Fraud Work Plan 2021/22

Appendix 4 – Breakdown of CFIT investigations since 1 April 2021

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Appendix 1 – Counter Fraud Work Plan 2020/21

KEY:

Denotes proactive initiatives
Denotes prevention/protection initiatives
Denotes development activities

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Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
Counter fraud	Maintain business as usual through management of the caseload, timely investigation of referrals towards a prompt, efficient and fair resolution, proactive fraud detection initiatives and the provision of advice and training to the wider council.	Ongoing	Business as usual is being maintained, two new investigators have joined the team, a programme of work (below) has been drafted. This has been hampered through staff sickness and maternity leave. UPDATE: the team is now at its full complement, albeit it with an investigator on maternity leave.	4	Shaun DUTTON	Ongoing ACHIEVED
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	NOT ACHIEVED

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Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
Council Tax	Joint working agreement with DWP for cases involving the Council Tax Reduction scheme.	TBD	A meeting with the DWP was held in January 2020. Discussions are ongoing but are dependent upon a response from the DWP. UPDATE: information provided by the DWP suggests that their fraud investigation capability is not engaging at a local level. This makes a local joint working agreement impossible and therefore this activity is on hold pending resumption of local DWP investigations. This situation will be monitored.	2	Shaun DUTTON Caroline MERCIECA	ON HOLD NOT ACHIEVED
Council wide	Internal publicity campaign to highlight the work and reporting mechanisms of the fraud team.	Ongoing	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. This is partially fulfilled through the distribution of monthly fraud updates to staff and may also be partially fulfilled through the instigation of fraud awareness training. These activities should be ongoing throughout the year. A message was sent to all Council staff in November 2020 highlighting the risks of	1	Shaun DUTTON	Ongoing PARTIALLY ACHIEVED

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Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
			fraud and the need for vigilance and awareness.			
Council wide	Fraud awareness training to be developed and mandated for all staff.	September 2020	The course content has been finalised and delivery by e-learning has been agreed. The presentation of the course is in its final stages and we expect the course to be made available to all staff in the near future. It is anticipated that Senior Management support will be provided to make this course mandatory for all staff. This course has been finalised and is available to all SBC staff.	1	Shaun DUTTON	November 2020 ACHIEVED
Council wide	Fraud awareness training to be delivered to all new staff as part of the induction process.	September 2020	If the above is successful, the online training will be mandatory for all new starters. Therefore, a shorter presentation will be developed to introduce new staff to fraud awareness during induction training.	1	Shaun DUTTON	November 2020 ACHIEVED
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 crisis. Discussions will be held with South Essex Homes to determine how to best identify tenancies most at risk of fraud.	4	Shaun DUTTON James COUSEN	NOT ACHIEVED

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Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
			This has been delayed due to a backlog of investigations and a lack of human resources.			
Housing	Postal information campaign to targeted tenancy areas to encourage reporting of concerns about fraud.	TBD	As above, discussions will be held with South Essex Homes to determine how to best identify areas most at risk of fraud. The target date will be reviewed dependent upon other operational workloads. This has been delayed due to a backlog of investigations and a lack of human resources.	2	Shaun DUTTON James COUSEN	NOT ACHIEVED
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 pandemic restrictions.	1	Shaun DUTTON	NOT ACHIEVED

<p>Council wide</p>	<p>Fraud risk and process analysis of areas of the Council's business at high risk of fraud:</p> <ul style="list-style-type: none"> • Procurement • Housing • Housing applications • School admissions • Blue badge applications • Council Tax • Business Rates • Online services • Social Care Direct payments • Recruitment • Others dependent upon current research <p>Policy review, process improvement recommendations where appropriate, service-specific training to be delivered where required.</p>	<p>Start November 2020</p>	<p>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. CFIT continue to issue post-investigation reports recommending process/policy improvements that would provide a greater protection from fraud where appropriate.</p>	<p>2-4</p>	<p>Shaun DUTTON</p>	<p>NOT ACHIEVED</p>
<p>Blue Badge</p>	<p>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.</p>	<p>February 2021</p>	<p>Planning. Enquiries are being made to identify a means of tracing the keepers of offending vehicles if they do not provide their details (Essex Police and Traffic Management). This has been delayed due to a backlog of investigations and a lack of human resources.</p>	<p>4</p>	<p>Shaun DUTTON</p>	<p>NOT ACHIEVED</p>

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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 crisis. This may have to wait until the pressure on the BR team is eased.</p>	2	Shaun DUTTON Caroline MERCIECA	NOT ACHIEVED
Counter fraud	<p>Explore joint working opportunities with other SBC teams, particularly parking, Regulatory Services and Trading Standards.</p> <p>Explore the possibility of information/intelligence sharing hub.</p>	Ongoing	Some initial conversations, albeit superficial, have taken place. This may be dependent upon how the Covid-19 pandemic pans out and the pressure some of these teams are working under.	2	Shaun DUTTON	NOT ACHIEVED
Counter fraud	Develop a financial investigator capability.	Late 2021	This aspiration has been delayed by circumstance and now cannot be started until late 2021.	2	Shaun DUTTON Caroline MERCIECA	DELAYED

Various	Investigate the use of technology and data matching to identify and target the risks of fraud against the Council. Develop targeted proactive exercises to act on the results.	TBD	This is aspirational and dependent upon a variety of factors such as information sharing agreements, the availability, cost and complexity of tools required to do this, staff training etc. Enquiries into the feasibility of this will be conducted as and when workload commitments allow.	2-4	Shaun DUTTON	NOT ACHIEVED
Counter fraud	Develop 'income generation' opportunities through: <ul style="list-style-type: none"> • Counter fraud training initiatives for SBC partners and service providers • An investigation and prosecution service to local Housing Associations 	TBD	This is aspirational at this time and development will be dependent upon how the team progresses over the coming 12 months. This cannot be explored at the expense of our ongoing workload commitments or proactive and prevention activities.	TBD	Shaun DUTTON	NOT ACHIEVED

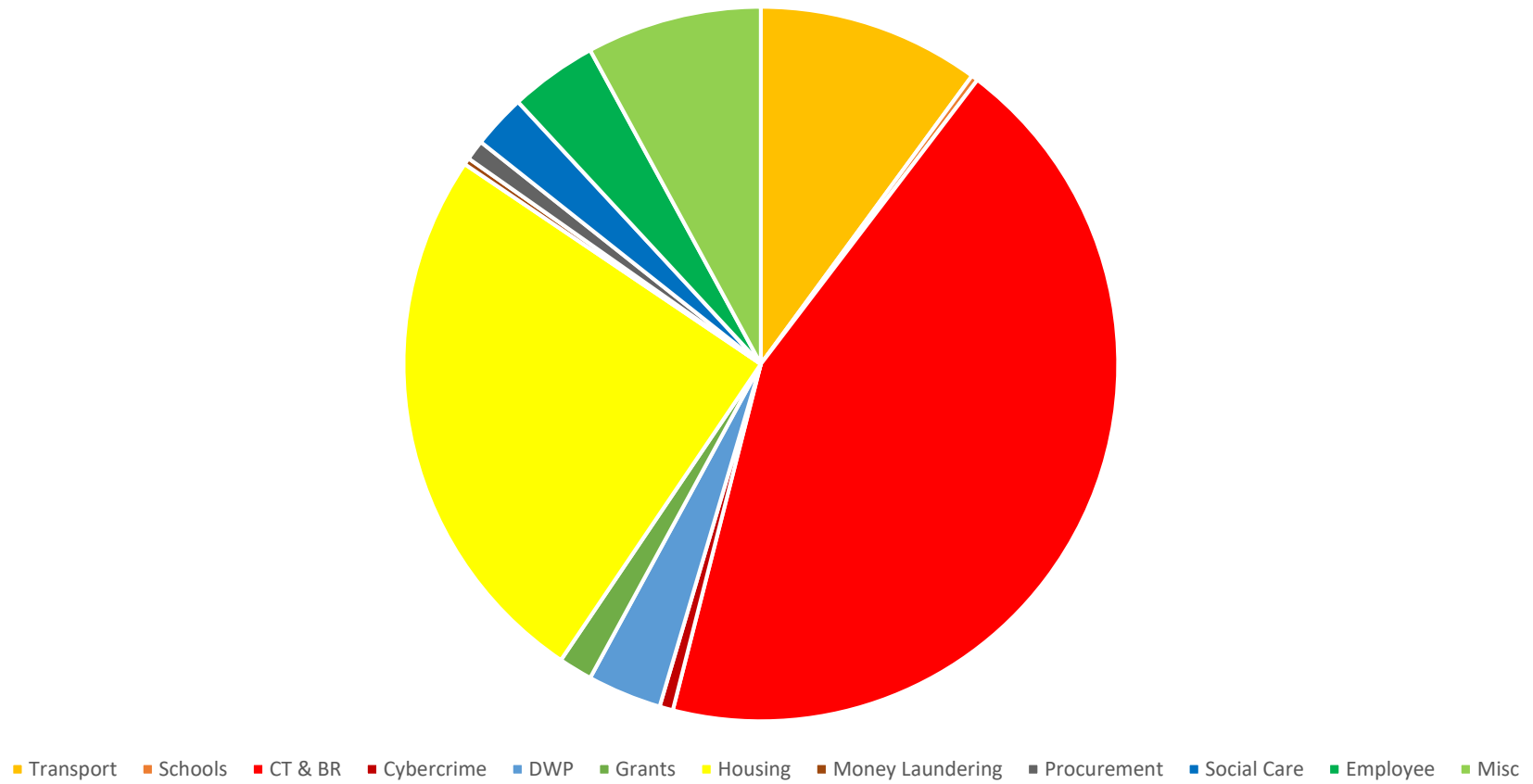
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Appendix 2 - Breakdown of CFIT investigations 2020/21

Category	Total new cases 2020/21	Active investigations (being investigated, awaiting allocation or with Legal Services) <small>Cases that started prior to 01/04/2020 in parentheses.</small>	Closed investigations <small>Cases that started prior to 01/04/2020 in parentheses.</small>
Transport (Blue Badge, parking permits etc.)	28	9	24 (5)
Schools (including Early Years)	1	0	1
Council Tax and Business Rates ¹	110	51 (8)	92 (25)
Cybercrime	2	0	2
DWP	9	0	11 (2)
Grant Fund fraud	4	2 (1)	3
Housing (unlawful subletting, Right to Buy fraud etc.)	69	15 (3)	67 (10)
Money Laundering	1	1	0
Procurement	1	2 (2)	1
Social Care (Direct Payment fraud etc.)	5	3 (1)	5 (2)
Employee	7	6 (4)	7 (2)
Miscellaneous (immigration, fraudulent cheques, mischievous referrals etc.)	25	1	25 (1)
TOTALS	262	90 (19)	238 (47)

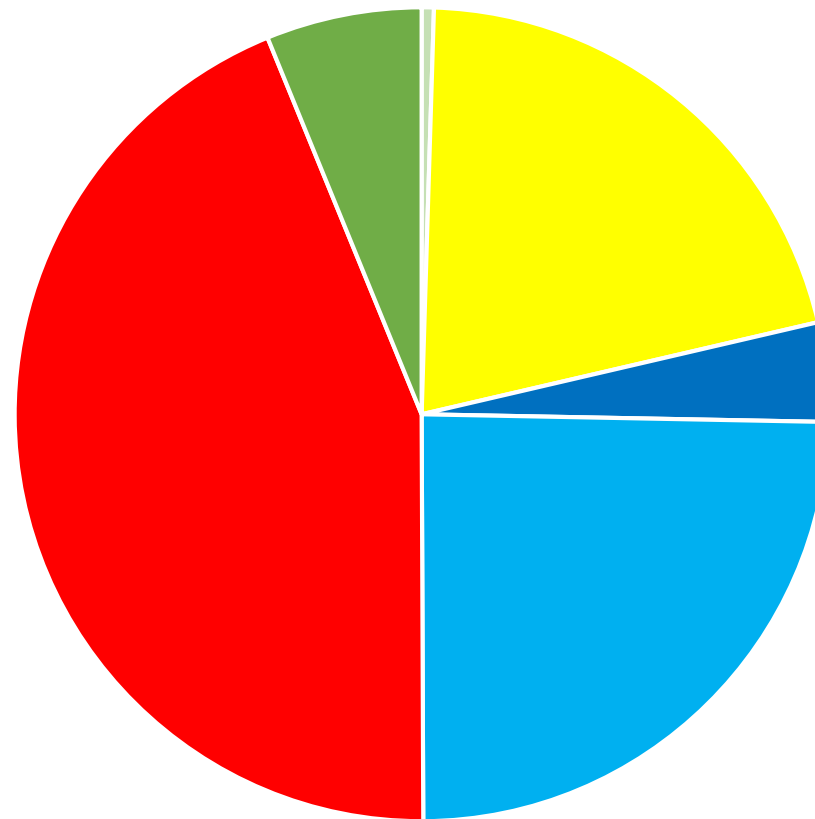
¹ These figures include covid-19 relief grant fraud as they are administered by Business Rates

Breakdown of CFIT investigations 2020/21 by volume



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Breakdown of CFIT results by value



■ Council Tax ■ Housing ■ Recovered revenue ■ Business Rates ■ Grants ■ NFI

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Note this graph has separated Business Rates and covid relief grants.

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Southend-on-Sea Borough Council

Finance & Resources Service

Executive Director Finance & Resources : Joe Chesterton

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Counter Fraud & Investigation Team

Working to make
lives better
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Appendix 3 – Counter Fraud Work Plan 2021/22

KEY:

Denotes proactive initiatives
Denotes prevention/protection initiatives
Denotes development activities

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Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
Counter fraud	Maintain business as usual through management of the caseload, timely investigation of referrals towards a prompt, efficient and fair resolution, proactive fraud detection initiatives and the provision of advice and training to the wider council.	Ongoing	Business as usual is being maintained, the team is at its full complement, albeit with one officer on maternity leave and the backlog of cases is in remission.	5	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.	5	Shaun DUTTON	ON HOLD
Council Tax	Joint working agreement with DWP for cases involving the Council Tax Reduction scheme.	TBD	Information provided by the DWP suggests that their fraud investigation capability is not engaging at a local level. This makes a local joint working agreement impossible and	2	Shaun DUTTON Caroline MERCIECA	ON HOLD



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Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
			therefore this activity is on hold pending resumption of local DWP investigations. This situation will be monitored.			
Council wide	Internal publicity campaign to highlight the work and reporting mechanisms of the fraud team.	Ongoing	Avenues to increase the team's profile across the Council are being explored. The monthly fraud newsletter's audience is expanding and now reaches approximately 700 recipients.	1	Shaun DUTTON	Ongoing
		October 2021	Programme of publicity and talks to raise staff awareness of the Whistleblowing procedures and how to report concerns.	2	Shaun Dutton	15/10/2021
		October 2021	Publicity campaign to highlight International Fraud Awareness Week.	1	Shaun DUTTON	15/10/2021
Housing	Pro-active audit of SBC tenancies.	June 2021	The first exercise has been completed with some success.	4	Shaun DUTTON James COUSEN	26/06/2021
		October 2021	Currently awaiting a list of tenancies from South Essex Homes			
		March 2022				

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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.	1	Shaun DUTTON	Ongoing
Council wide	<p>Fraud risk and process analysis of areas of the Council's business at high risk of fraud:</p> <ul style="list-style-type: none"> • Procurement • Housing • Housing applications • School admissions • Blue badge applications • Council Tax • Business Rates • Online services • Social Care Direct payments • Recruitment • Others dependent upon current research <p>Policy review, process improvement recommendations where appropriate, service-specific training to be delivered where required.</p>	Start July 2021	<p>Planning. The methodology for conducting these risk assessments has been drafted and is under management review. Discussions are ongoing with Internal Audit to identify opportunities for some of these to be done in tandem with Audit work.</p> <p>CFIT continue to issue post-investigation reports recommending process/policy improvements that would provide a greater protection from fraud where appropriate.</p>	2-5	Shaun DUTTON	Ongoing
Blue Badge	<p>Review of the process on how Blue Badge fraud is dealt with and training for APCOA staff.</p> <p>Pro-active Blue Badge fraud exercise, possibly a joint exercise with APCOA and Essex Police.</p>	<p>August 2021</p> <p>TBA</p>	<p>The joint exercise with APCOA has been completed with no frauds detected. However, this was a high-profile exercise that received strong support from the community.</p> <p>The methodology of the exercise will be revised and a</p>	5	Shaun DUTTON Paul BROADBENT	20/08/2021

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			further exercise will be conducted later in the year.			
Housing	Postal information campaign to targeted tenancy areas to encourage reporting of concerns about fraud.	August/September 2021	Information has been request from South Essex Homes to start planning this exercise. A draft letter to tenants is currently under review.	2	Shaun DUTTON James COUSEN	Ongoing
Benefits	Contribute to the amendment of the Council Tax Reduction Scheme (CTRS) policy to ensure that the team is empowered to investigate CTRS fraud without a dependence on the DWP.	Summer 2021	Awaiting confirmation of when the policy is due for review.	1	Shaun DUTTON	Ongoing
Business Rates	Research project to determine best practice and effective methods of combatting Business Rates fraud. Establish a working group between CFIT, Trading Standards, Business Rates and Legal Services to review the Council's capabilities and determine realistic opportunities for prevention, detection and action against offenders.	November 2021	This project is waiting to be assigned. A meeting has been discussed with some of the interested parties regarding the BR issue but was interrupted by the Covid-19 crisis. This may have to wait until the pressure on the BR team is eased.	2	TBD Shaun DUTTON	Ongoing
Counter fraud	Explore joint working opportunities with other SBC teams, particularly parking, Regulatory Services and Trading Standards. Explore the possibility of information/intelligence sharing hub.	Ongoing	The team is now a participant in the Strategic Tasking Allocation Group which affords these opportunities and meets this task.	1	Paul BROADBENT	02/06/2021
Counter fraud	Develop a financial investigator capability. Develop a financial intelligence officer capability.	2022	This aspiration has been delayed by circumstance and now cannot be started until November 2021 at the earliest. This role works alongside and supports the financial	2 1	Shaun DUTTON Caroline MERCIECA David GILL	Postponed

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			investigator as well as conducting intelligence investigations.			
Specific teams	<p>Training in specific counter fraud techniques to be delivered to identified teams:</p> <ul style="list-style-type: none"> • False document identification • Spotting the signs of subletting <p>Others as identified through risk analysis activities (see below)</p>	March 2022	<p>An update on spotting the signs of subletting has been delivered to South Essex Homes' officers.</p> <p>A session on false document identification is being written.</p>	2	<p>Shaun DUTTON</p> <p>David GILL</p>	23/06/2021
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.	March 2022	<p>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.</p> <p>A meeting has been planned with a potential supplier of internet data mining services.</p> <p>A data matching exercise is being planned to assess the scale of fraud against the Essential Living Fund.</p>	2-4	<p>Shaun DUTTON</p> <p>David GILL</p>	Ongoing
Residents	Conduct a programme of presentations to local community groups and residents' associations to highlight the risks of fraud and how to protect self and the council.	Ongoing	These will be on a no more than monthly basis and the first talk has been delivered. Contacts are being collected from interested groups.	1	Shaun DUTTON	Ongoing

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Counter fraud	Develop 'income generation' opportunities through: <ul style="list-style-type: none">• Counter fraud training initiatives for SBC partners and service providers• An investigation and prosecution service to local Housing Associations• Provision of a Financial Investigation service to other SBC teams	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.	TBD	Shaun DUTTON	Ongoing
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Appendix 4 - Breakdown of CFIT investigations as of October 2021¹

Category	Cases since last report (16 April 2021)	Total new cases since 1 April 2021	Active investigations (being investigated, awaiting allocation or with Legal Services) <small>Cases that started prior to 01/04/2021 in parentheses.</small>	Closed investigations since 1 April 2021 <small>Cases that started prior to 01/04/2021 in parentheses.</small>
Transport (Blue Badge, parking permits etc.)	23	25	9 (1)	25 (8)
Schools (including Early Years)	1	1	0 (0)	1 (0)
Council Tax and Business Rates²	57	62	38 (20)	76 (32)
DWP	5	5	0 (0)	5 (0)
Grant Fund fraud	3	3	4 (2)	1 (0)
Housing (unlawful subletting, Right to Buy fraud etc.)	38	41	21 (8)	39 (11)
Money Laundering	0	0	0 (0)	1 (1)
Procurement	1	2	2 (2)	2 (0)
Social Care (Direct Payment fraud etc.)	3	3	2 (1)	4 (2)
Employee	1	2	3 (2)	4 (3)
Miscellaneous (immigration, fraudulent cheques, mischievous referrals etc.)	5	6	1 (0)	6 (1)
TOTALS	137	150	80 (36)	164 (58)

¹ Figures are correct as of 05/10/2021

² 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 (Transformation) to
Audit Committee
on 20 October 2021

Report prepared by: Brad Warren, Head of IT Security and Compliance

Agenda
Item No.

7

Cyber Security Update
A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To report to the Audit Committee the Council's current position in respect of cyber security given the Council's reliance on ICT to be able to function effectively, including remote working in response to the Covid-19 pandemic, and the difficulties that have been encountered by other local authorities recently.

2. Recommendations

- 2.1 **The Audit Committee notes the report outlining the actions taken to enhance the security of the Council's ICT environment, the challenges being encountered and the work that is being done to address these.**

3. Background

- 3.1 Southend ICT take cyber security seriously. Since the new ICT team was formalised in 2020, a key focus area has been addressing and reducing cyber risk. Local authorities and government bodies are constantly under attack and appropriate counter and protective measures need to be taken.

- 3.2 The underlying architecture needs to be secure by design, and that means adopting an approach that ensures any new technology fulfils this need. The overarching Smart Strategy principles reference secure by design and underpins our approach to cyber security:

- 3.3 **Secure by Design:** our new solutions are designed with security in mind, to ensure that security has been built into them from the ground up.

- We are very aware that cyber security is a moving target and will constantly strive to update and manage our focus on keeping the Council safe and secured.
- We will build a more resilient environment by applying security in layers.
- Trust is given but must be verified will be applied to all solutions. All suppliers will be required to adhere to our security policies.
- We regard security as everyone's responsibility, educating all users appropriately.
- We collaborate within trusted partnerships regarding security threat intelligence.

- We will identify all key business systems and ensure these reside in our disaster recovery facility.

3.3 The vast legacy estate made this more challenging and more urgent. While the risk can never be eliminated, the team has made significant progress since the initial review and assessment. NIST (National Institute of Standards and Technology) is utilised as a standard to align and measure against. This is also supported by the NCSC's approach.

4. Council Security Strategy, Programme and Cyber Risk Position

4.1 During the early days of the pandemic, ICT Security (hereinafter referred to as ICT) conducted a review and assessment of the capabilities, policies, technology and processes in place at Southend. The cyber security programme at the Council was introduced through Q2 and Q3 2020. The Cyber Security Strategy, approved by the Good Governance Group and published in October 2020, outlines the key elements of the security programme, capability, priorities and a view of the Southend cyber risk position. The cyber risk position informs our Corporate Risk CR5 which is reviewed and reported a priority risk within the Corporate Risk Register.

4.2 Cyber security has been prioritised within the ICT programme of work, with investments approved in the previous and current financial periods. Starting in April 2020 with the formation of the security function, several improvements, efficiencies and risk reduction strategies have been identified and delivered including the following:

- Implementation of all National Cyber Security Centre (NCSC) Active Cyber Defence services.
- Refreshed all Information Security and supporting policies to align with new ways of working and technology.
- Provided regular communications, guidance and training through multiple channels in support of changing culture and awareness related to Cyber, including role and technology specific skills sessions.
- Enhanced identity, device and application security within Microsoft Azure and Office 365 eg. Multi Factor Authentication (MFA).
- Implemented secure device configuration in line with NCSC and Microsoft baselines and recommendations for all end user devices eg. Laptops and Desktops.
- Standardised all end user and mobile devices with cloud-based device management for increased resilience.
- Rolled out of enhanced email encryption for all users – integrated to Microsoft's Office as standard.
- Provided cloud-based OneDrive storage for increased data governance, security and resilience.
- Formalised and continuously improving our Cyber Operations capabilities, including training and certification to industry recognised standards.
- Trained key members of ICT Operations and Security in accordance with NCSC accredited Cyber Incident Planning and Response curriculum.
- Actively participated in initiatives and knowledge sharing with our local WARP and Essex Online Partnership Cyber Working Group.

- Contributed to the research and beta stage testing of MHCLG Cyber Health Framework initiative.
- Have developed and started to use tried and tested Vendor and Supplier Assessment process to address cyber and data security risks in our supply chain.
- Are working closely with Resilience and Emergency Planning Leads to ensure our cyber incident response preparedness is formalised, exercised and communicated effectively.
- Cyber security briefings for Members and for the Digital Champions community. This has led to better engagement with those cohorts and extending our proficiency and awareness out into many more areas of the Council.
- ICT communications often include key reminders related to cyber security and we will continue to raise awareness of issues that may impact on our technology and that we know many of us use in a personal capacity. A recent example being the critical security updates to Apple's products.

5. Current Threat Landscape: Council Insights

5.1 Although ICT have invested and uplifted our cyber security capabilities, the reality of the cyber security threat landscape is that organisations such as Southend will be under constant attack. The team observe such attacks on our users and systems on a significant scale and frequency, some are very persistent and targeted. Even with continual maintenance, improvement and adjustment to our security programme and controls the likelihood of a successful cyber-attack remains, and we therefore also must focus on more than simply defence, but on overall organisational resilience. There are several areas where we particularly apply our focus:

5.2 **Ransomware** continues to be a major threat to local authorities (and wider public and private sector). With local authorities such as Redcar and Cleveland and Hackney being crippled by cyber incidents in the last year and many private companies also suffering attacks we are on constant alert to this threat. In recent weeks more information has been released including a case study issued by MHCLG RED on the Redcar and Cleveland cyber-attack. ICT Cyber and Emergency Planning leads have reviewed the case study, attended briefings and carried out our own gap analysis resulting in a separate report to CMT - due for presentation in October '21.

5.2.1 **Ransomware Insights:** Not only have the Council ICT team significantly uplifted technical countermeasures through the adoption of advanced threat protection across cloud and end user computing but have introduced technology to help identify and contain the impacts of Ransomware. Should the council be unfortunate enough to be impacted by any ransomware that evades detection and prevention technologies this would significantly reduce the potential impacts through loss of data due to encryption. Importantly this further mitigates risks of Ransomware to our legacy infrastructure and data.

5.3 Attacks targeting **Remote and Home Workers** accessing cloud services eg. Office 365 remain on the increase. ICT continue to educate all Council staff, update our technology for everybody, and gain greater visibility and protection using cyber security technologies invested in and deployed in the last few months.

5.3.1 Insights: The team recently observed more than 20,000 thwarted and unsuccessful attempts across a 30-day period that can be attributed to malicious sources and with a fingerprint of known attack tools and techniques. Many are identified by alerts which the team then investigate further. This aids in checking controls and mitigation which are in place. The ability to identify risky activity, identities, devices and applications has been critical in contributing to the positive cyber operations so far.

5.4 Email Phishing (emails, SMS and telephone scams) continues to be the most prevalent vector of attack. The team have very good insight into the number of attempted phishing emails which are quarantined and blocked ('zapped') within the systems, however like all organisations some will always slip the net, and these continue to be identified. The team regularly engage with users around spotting and reporting phishing and other suspicious email and have simplified the reporting processes along the way.

5.4.1 Worldwide, there are **Massive Data Breaches** reported on almost a daily basis, each of which feeds the dark web market of identities and stolen passwords. Raising awareness of the risks that weak and re-used passwords present both to Council and to Council employees is critical for this reason. The team will continue to share good practice and use technologies that help to reduce the burden on users to choose and use passwords as the only line of defence by adding layers of security – an example of this is the introduction of Multi-Factor Authentication, Conditional Access and application Single Sign On facilities.

5.4.2 Insights: the ICT team were able to tap into publicly available intelligence sources which show that around 20% of current Council users email addresses, and other credentials in some cases, are contained within breach data sets that an attacker could use to target the council.

5.4.3 This can be partly attributed to people using their Council email address to communicate or register with organisations that have suffered a major data breach. This is not unusual, cannot be undone, but having knowledge of the extent and detail allows the team to understand the targeting and anatomy of attacks that focus on the Council. This knowledge is used to inform the view of prioritising investigative or proactive actions targeting people or groups eg. Councillors, Senior Executives and Officers in areas of higher risk.

5.4.4 The team also observe attacks which originate from our suppliers and partners across the borough, and where we can, we notify or alert them to the potential that they have a cyber security issue and offer support and guidance towards the appropriate police, NCSC and other agencies that can assist them.

6. Exercising, Assurance and Compliance

6.1 Phishing: ICT have been able to enhance internal capability which allows the team to carry out advanced phishing attack simulations. Not only does this test resilience to the attack vector of a particular malicious email, but also allows the team to provide instant tailored learning opportunities to those people who may require them.

- 6.1.1 In the most recent exercise including over 2400 staff the team received over 300 reports of the simulated phishing email (with over 200 of those in the first hours of delivery). 3% of recipients opened the malicious attachment and would have been compromised in a real attack. All of those who were susceptible in this exercise have been automatically delivered additional learning and awareness material. This exercise reflects the efforts that have been made to increase awareness of the threats and how to report them with the reporting rates rising significantly. It is crucial to note we are all too aware that it only takes one person, and one click to trigger a potential security breach and so early reporting provides ICT with the best chance to identify and contain / remove threats from the systems. We will continue to educate, raise awareness and exercise all our staff and members.
- 6.2 Independent Maturity Assessment:** PWC have recently completed a maturity assessment against a wide range of controls aligned to the NIST Framework the key findings of which have been shared with ICT and incorporated into strategy, plans and the ICT investment case where necessary.
- 6.3 Remote Working and DR and Recovery Audits 2020:** Internal audit carried out fieldwork with assistance from PWC to assess the processes, controls and operation of these areas. Action plans were put in place which align to ICTs prioritised programme of work across cyber security and ICT Infrastructure and Operations. The team continue to work towards improvement and remediation activities in those action plans agreed.
- 6.3.1 NHS Data Security and Protection (DSP) Toolkit Compliance: ICT have recently submitted evidence of compliance in line with requirements to NHS DSP Toolkit standards due to the information shared and processed in relation to use and interfaces with NHS data and systems. ICT have met the required standards for 12 monthly certifications.
- 6.4 We have continued our work with the Business Continuity and Emergency Planning teams, both around the assessment of our risk, in particular the Redcar & Cleveland cyber case study, and our Cyber Incident Response Plans.
- 6.5 Much progress has been made internally, and also in conjunction with the wider Essex Resilience Forum and Essex Online Partnership cyber frameworks for coordination and information sharing across these cohorts. Plans are being discussed to exercise plans at all levels, and we will update as and when we have committed timelines for these to take place.

7. Cyber Security Operations

- 7.1 As covered elsewhere the team have seen in excess of 20,000 attacks against our cloud identities each month, plus hundreds of emails monthly that are blocked due to the email containing malware and/or other threats e.g. Phishing emails with links to malicious sites. These emails are received 24/7 and although some of the threats, alerts and investigations are automatically processed, the majority require analysis by the team.
- 7.2 Over the 6 months of January to July the team responded to 2172 alerts and incidents* across a broad range of attack vectors and categories, although the majority fall across three categories:
- Phishing attacks
 - Identity and Access attacks
 - Data handling/access related alerts

Alerts By Category - January to July 2021



7.3 Typically, these are high volume and following investigation non-impacting, but all have potential to quickly escalate into a Major Incident or Cyber Incident Response. Because of this the team plan and prepare for the worst-case scenario.

7.4 We have been working with our technology partner Bullwall to develop and implement our Ransomware Containment solution. This has been challenging as the Council are using some of the most sophisticated end user computing and security products as a result of our MS Enterprise Agreement. This has led to greater opportunity but also far greater challenge for all parties. We are about to go live, having completed final testing and assurance. The outcome being we have greater protection across Council data on the premises, in the cloud and protecting some of our most valuable assets including backups and application environments.

8. Device Modernisation and Stability

8.1 We continue to make great progress in the programme of laptop replacements which allow us to both refresh the hardware and deliver a more secure and resilient working environment and an end to our legacy Windows 7 security risks.

8.2 As of this update over 1900 laptops have been replaced. As these new devices are issued, they are now enrolled into industry standard configuration, protection and advanced threat protection and management through our E5 Security capabilities. These are fully integrated into the Ransomware Containment scope and can be isolated in a fraction of a second when threats are identified.

8.3 Through this work we also identified some users of old mobile devices and apps who have been assisted with updates and provided with new devices in some cases to ensure they now support modern security protocols and MFA.

9. Conclusion

9.1 Much has been done to strengthen the cyber security position of the Council over the past year, but much remains to be done and will be tackled on an ongoing basis.

10. Reasons for Recommendations

10.1 **The Audit Committee needs to be aware of the Council's position in respect of cyber security arrangements to assist with enabling it to effectively discharge its responsibilities and to ensure that adequate progress is being made to address the issues arising from the challenges being faced and the work being done to address them.**

11. Corporate Implications

11.1 Contribution to the Southend 2050 Road Map

The ICT environment is a significant part of the architecture required for the Council to function and be able to deliver the Southend 2050 Road Map.

11.2 Financial Implications

The ICT environment is highly complex and multi-faceted that requires significant ongoing investment by the Council to enable the delivery of the Council's duties, responsibilities, ambition and outcomes and to protect that environment from threats that exist in the external ICT environment within which the Council has to operate.

11.3 Legal Implications

The Council needs to ensure that it complies with Data Protection legislative requirements and the cyber security and other arrangements are designed to support this objective.

11.4 People Implications

All Council officers and Members have a role to play in keeping the Council's IT environment as secure as possible and regular information is shared with them to remind them of this.

11.5 Property implications

The ICT equipment operated by the Council needs to be kept appropriately secure and arrangements are in place to deliver this, although most of the risks being faced do not arise from physical security, but cyber security.

11.6 Consultation

The report has been discussed and agreed with key officers at the Council.

11.7 Equalities and Diversity Implications

There is nothing to raise at this time.

11.8 Risk Assessment

The risk arising from cyber security is included on the corporate risk register and there is a risk register maintained specifically in respect of the issue.

11.9 Value for Money

The investment the Council makes in the ICT environment, architecture, infrastructure and security is reviewed by the Investment Board to assess the business case for the investment being made, including the delivery of value for money.

11.10 Community Safety Implications

There is nothing to raise at this time.

11.11 Environmental Impact

There is nothing to raise at this time.

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Southend-on-Sea Borough Council

Agenda
Item No.

8

Report of the Executive Director (Finance and
Resources)

to

Audit Committee

on

20 October 2021

Report prepared by: Pete Bates, Interim Director of Financial Services,
Caroline Fozzard, Senior Finance Lead (Strategy, Sustainability
and Governance) and Andrew Barnes, Head of Internal Audit

CIPFA's Financial Management Code – Progress Update

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To provide a six monthly progress update to the Audit Committee on the action plan that resulted from the Council's self-assessment against the expectations of CIPFA's new Financial Management Code.

2. Recommendations

- 2.1 **The Audit Committee notes the progress against the Financial Management Code action plan that was reported to the Audit Committee on 28 April 2021.**
- 2.2 **The Audit Committee notes the next annual self-assessment of the Council's compliance status against CIPFA's Financial Management Code will be undertaken and reported to the Audit Committee in April 2022.**

3. Background

- 3.1 In October 2019 CIPFA published a new Financial Management Code (FM Code) which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It essentially sets the standards of financial management arrangements for local authorities.
- 3.2 It is based on a series of principles which are supported by specific standards which are considered necessary to provide the strong foundation to:
- Financially manage the short, medium and long-term finances of a local authority
 - Manage financial resilience to meet unforeseen demands on services
 - Manage unexpected shocks in their financial circumstances.
- 3.3 The FM Code has six core principles and within those it has 17 minimum standards (A-Q) that came into effect from 1 April 2020, with the first full year of compliance being the 2021/22 financial year.

4. Progress with the action plan

- 4.1 The Council undertook a self-assessment against each of the 17 standards contained within the FM Code. Officers in finance and audit reviewed the Council's current practices, and the evidence of their utilisation, to complete that self-assessment. The officers reviewed the evidence of the Council's current arrangements compared to the FM Code's expectations and expressed their degree of confidence about how well these arrangements met the FM Code's expectations. This resulted in a RAG rating that is being used to report the status of compliance against each standard:

Red	Not compliant
Amber	Compliant but with scope for further improvement
Green	Compliant

- 4.2 The results of the review undertaken by officers is represented by the diagram shown at Appendix 1. This illustrates that the Council was self-assessed as achieving overall compliance with the expectations of the FM Code. The Council meets the minimum expectations for all 17 standards, with good compliance for 13 standards and demonstrable compliance, but with recognised scope for further improvement for the remaining 4 standards.
- 4.3 The proposed action plan and progress to 30 September is included at Appendix 2. This plan outlines the steps that the Council is taking to deliver further improvements to existing arrangements to ensure enhanced compliance with the expectations of the FM code while also supporting the delivery of the Southend 2050 Ambition, Roadmap and Outcomes. This work will also be included in the Council's Future Ways of Working Programme (FWOW) under the Financial Sustainability workstream.
- 4.4 The following table sets out our assessment of the progress made against each of the standards that were self-assessed as requiring further improvement and the anticipated rating at the time of the next assessment in April 2022:

Financial Management Standard	Self-Assessment RAG rating	Anticipated RAG rating at the next Self-Assessment
A – The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM)	Amber	Green
I - The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	Amber	Amber
L - The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Amber	Amber
M - The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions	Amber	Green

4.5 It should also be noted that the National Audit Office's Code of Audit Practice 2020 for external audit of local government that takes effect from the audit of the 2020/21 financial year has updated the approach that external auditors will be taking to delivering their review of the Council's Value for Money (VFM) arrangements. The Council's findings from the self-assessment against the FM Code has formed part of the evidence provided to the external auditors to inform their review.

4.6 In addition to the improvements recommended for the 4 standards rated as amber that are reported in the action plan at Appendix 2, additional work to ensure consistency and embedding of arrangements throughout the Council was also proposed to enhance the already compliant arrangements in respect of the following 3 standards:

- C: The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control
- E: The financial management style of the authority supports financial sustainability
- N: The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

4.7 Progress to 30 September in these three areas is as follows:

- C: The Council is:
 - undertaking a review of the Constitution that sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people, to ensure that this provides the most effective way of working
 - undertaking a review of risk management arrangements to ensure that these are operating effectively across the organisation
- E: The Council is:
 - embarking on an LGA Corporate Peer Challenge which will include financial sustainability within its remit
 - implementing the Knowing Your Business Programme to aid understanding of the key cost and income drivers and their effect on sustainability
 - embedding a specific standard objective as part of the Annual Conversation performance assessment process for every officer that is part of the wider leadership group, that includes being accountable for demonstrating strong financial acumen and sound budget management
- N: The Corporate Management Team receive monthly financial performance reports that inform of any adverse variances and emerging budgetary risks that require the development of remedial savings plans and appropriate spending reductions. The report now includes a RAG rated savings tracker to show the status of approved budget savings and income generation initiatives. The development of the report will be kept under review to ensure it remains relevant and appropriate.

4.8 Whilst demonstrating best practice in all areas would always be ideal it is acknowledged that with the finite level of resources available, sensible judgements need to be made. The Council needs to have confidence in its arrangements and compliance with the Code, but also to ensure that arrangements are proportionate and represent a good use of limited available resources. The proposals in this report will be kept under review but it is considered that this fine balance has been achieved, and no extra costs will be incurred as a result of this assessment and recommended way forward.

5. Reasons for Recommendations

5.1 One of the purposes of the Audit Committee is to provide independent assurance on the adequacy of the internal control framework, therefore understanding the Council's compliance with the expectations of CIPFA (the sectors' standard setter) in respect of financial management assists the Committee to achieve this purpose.

6. Corporate Implications

6.1 Contribution to the Southend 2050 Road Map

The corporate financial management arrangements underpin the operational effectiveness of the Council's corporate governance arrangements and specifically monitors progress of managing financial sustainability and the use of financial resources associated with the successful delivery of our Southend 2050 Ambition, Roadmap and Outcomes.

6.2 Financial Implications

Any financial implications arising from effectively managing the Council's financial position will be considered through the normal financial management processes. Proactively managing the Council's finances results in improved utilisation of limited resources, better VFM including reduced costs and improved outcomes for local residents.

6.3 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 functions.

6.4 People Implications

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

6.5 Property implications

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

6.6 Consultation

Consultation has taken place with key stakeholders.

6.7 Equalities and Diversity Implications

Corporate equalities considerations have been considered in the drafting of the financial management arrangements and any specific equality related risks have been identified for the Council.

6.8 Risk Assessment

Failure to implement a robust and fit for purpose financial management framework increases the risk that Council objectives will not be delivered.

6.9 Value for Money

Effective forecasting and timely management of the finances of the Council is a key factor in preventing waste, inefficiency and unnecessary or unplanned use of resources.

6.10 Community Safety Implications

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

6.11 Environmental Impact

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

7. Background Papers

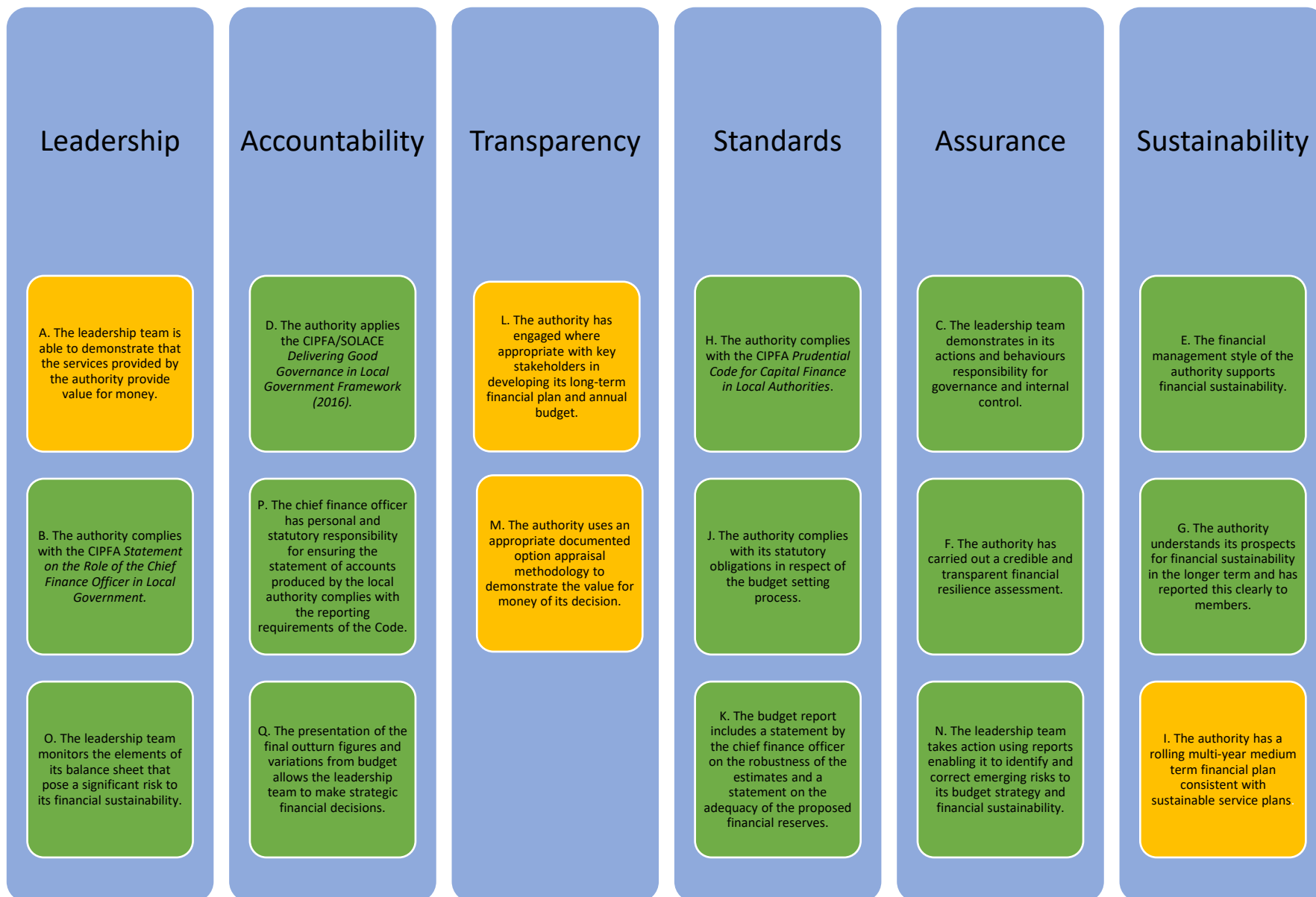
- CIPFA's Financial Management Code 2019
- CIPFA's Financial Management Code Guidance Notes 2020

8. Appendices

- Appendix 1 – Illustration of Self-Assessment Findings
- Appendix 2 – FM Code Progress Against Action plan

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Financial Management Code – Illustration of Self-Assessment Findings



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FINANCIAL MANAGEMENT CODE – SELF ASSESSMENT

ACTION PLAN FOR STANDARDS WHERE SOME IMPROVEMENTS ARE PROPOSED – PROGRESS UPDATE

	Financial Management Standard	RAG rating	Actions needed	Ownership	End date	Progress to 30 September 2021
107	A The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM)	Amber	<p>To increase understanding within the Council of what represents value for money (VFM) in a local context so that more prominence can be given to VFM in reports and discussions.</p> <p>To continue with the implementation of the Knowing Your Business (KYB) Programme to aid understanding of the key cost and income drivers and their effect on securing economy, efficiency and effectiveness in the use of the Council's resources.</p> <p>To use the outcomes from the Grant Thornton baselining and benchmarking exercise to inform the areas where greater understanding and targeted actions are needed.</p> <p>To assign an annual performance objective to every member of the wider leadership group to evidence value for money outcomes and to embed the requirements and understanding of the Knowing Your Business Programme within their individual teams/service areas.</p>	Corporate Management Team	March 2022	<p>Senior Finance and Accountancy professionals have attended a dedicated meeting with individual Executive Directors and their respective management teams to increase the awareness and importance of VFM and the KYB Programme – offering a 'critical friend' challenge, benchmarking information, advice, insight and support to embed these key principles and requirements. A follow-up session is also planned before the end of the financial year.</p> <p>CIPFA's new publication (July 2021) 'A guide to support VFM for public managers' to complement CIPFA's VFM Toolkit has been provided to all members of CMT.</p> <p>By the end of June 2021, a specific standard future objective for the next 12 months had been included as part of the Annual Conversation performance assessment process for every officer who is part of the Council's wider leadership group for 2021/22.</p>

<p>I</p>	<p>The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans</p>	<p>Amber</p>	<p>To further embed medium-term financial planning within the organisation at an operational level to ensure strategic financial planning is not only consistent with but is also integrated into all relevant service delivery plans.</p> <p>To increase the understanding and awareness of cost drivers, demand pressures and consideration of income opportunities throughout the Council.</p> <p>To continue with the integrated development and reporting of revenue and capital plans on a medium-term basis.</p> <p>To enhance the level of resilience testing of all these key drivers to assess the potential impact on the overall medium-term financial plan.</p>	<p>Corporate Management Team</p>	<p>March 2022</p>	<p>A comprehensive Medium Term Financial Strategy (MTFS) for 2021/22 – 2025/26 was published and approved by Council in February 2021. The Executive Director (Finance and Resources) delivered a Financial Landscape presentation to all Members following the Local Elections in May 2021.</p> <p>A dedicated Budget Development CMT was arranged and detailed analysis of cost drivers, demand pressures and income considerations were considered in early September 2021. This provided updated intelligence from the February MTFS version to increase understanding and awareness and to start future budget planning. Enhanced scenario planning, assumptions modelling, and COVID-19 potential long-term implications are being considered.</p> <p>A comprehensive integrated Period 4 – 2021/22 Financial Performance report was presented to Cabinet in September 2021 – with enhanced savings progress tracker included.</p> <p>Southend-on-Sea Council was ranked 13th out of the 56 unitary authorities across the UK when assessed across the 16 indicators of financial stress within CIPFA’s Financial Resilience Index for 2021. We aim to remain in this upper quartile position.</p>
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	Financial Management Standard	RAG rating	Actions needed	Ownership	End date	Progress to 30 September 2021
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Amber	<p>To align planned engagement and consultations with partners, key stakeholders and the community to more fully consider longer-term local investment priorities / choices.</p> <p>To create more opportunities to engage in the consideration of longer-term financial challenges and the strategic development of future financial arrangements for both strategic and operational plans with key partners and stakeholders.</p>	Corporate Management Team	March 2022	<p>Some engagement has continued with our local Health partners regarding national policy changes and considerations for a local Integrated Care System.</p> <p>Planning engagement and consultation events is challenging given the huge amount of uncertainty caused by the impact of COVID-19. The Government have only recently indicated that there will be a future multi-year Comprehensive Spending Review (CSR) for the Local Government sector. Consultation over the new CSR is expected to start early November 2021. Planning for local budget consultation will commence around this time when we have a better idea of what the impact of future financial settlements will mean for Southend-on-Sea.</p>

	Financial Management Standard	RAG rating	Actions needed	Ownership	End date	Progress to 30 September 2021
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions	Amber	<p>To document corporate wide guidance on options appraisal methodology to ensure consistency whilst maintaining a proportionate approach.</p> <p>To raise awareness and understanding of the importance of Value for Money considerations and evidencing its delivery in all operational arrangements.</p>	Corporate Management Team	March 2022	<p>International Good Practice Guidance regarding options appraisal methodology is being reviewed. A proportionate approach for the Council will then be developed.</p> <p>The importance of demonstrating and evidencing VFM will remain a continuous process. As described in this update a number of actions have been taken to raise awareness and understanding and to also to keep VFM considerations at the forefront of service delivery and investment decisions.</p>

Southend-on-Sea Borough Council

Report of the Executive Director (Finances & Resources)

to

Audit Committee

on

20 October 2021

Report prepared by: Andrew Barnes, Head of Internal Audit

Agenda
Item No.

9

Internal Audit Charter, Strategy and Audit Plan for 2021/22

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present to the Audit Committee, the Internal Audit Charter with the supporting Strategy and Audit Plan for 2021/22.

2. Recommendation

- 2.1 The Audit Committee approves the Charter, Strategy and Audit Plan for 2021/22.**

3. Background

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

4. Charter, Strategy and Audit Plan

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

- Charter, that defines the purpose, authority and responsibility of the service
- Strategy, that outlines how the service will be delivered in line with the Charter and includes the:
 - Internal Audit Plan for 2021/22
 - statement showing how audit work completed during the year will provide assurance regarding the mitigation of the Council's strategic risks
 - How We Will Work With You Statement.

4.2 The following paragraphs explain key amendments to the documents which were last presented to the Audit Committee in April 2020. These are also highlighted in **bold** within the documents themselves for ease of reference.

5. Charter (Appendix 1)

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

- clarification that internal audit should have no Council service operational responsibilities.

6. Strategy (Appendix 2)

6.1 The Strategy sets out:

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

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

- 6.3 As outlined in the Strategy, activities are only considered for inclusion in the Audit Plan if:
- they are assessed as being significant enough to require periodic independent review
 - this independent assurance is not being provided elsewhere (eg. from Ofsted).
- 6.4 The coverage provided within the proposed Audit Plan for 2021/22 (Appendix 2a) is based upon the audit approach outlined in the Strategy which complies with the requirements of the Standards.
- 6.5 The Audit Plan looks to provide some assurance regarding the delivery of the Council's Ambition and Outcomes and as many Corporate Risks as possible. Other factors that influence what is in this year's Audit Plan include, for example:
- when activities were last reviewed and the results of that work
 - whether there are any significant changes involving an activity e.g. new IT software, loss of key staff etc.
 - the level of spend and corporate profile of the activity
 - emerging risks highlighted by senior management or other sources.
- 6.6 The work to produce the Audit Plan has been undertaken when Council officers have been required to work from home due to the covid-19 pandemic and therefore it has been more difficult to liaise with colleagues, although this has been overcome through the use of Microsoft Teams, which is working well, enabling colleagues to meet remotely in an effective way.
- 6.7 However the ongoing uncertainties regarding the extent that remote working will continue, the government strategy for addressing the pandemic, the expectations of the Council in assisting with work to address the challenges posed by the pandemic, the Council's response and the impact on the arrangements to deliver Council services moving forward, all mean that it should be recognised that there will be a need for flexibility in both the things that internal audit focusses upon and the way that it undertakes its work.
- 6.8 In addition the external auditors will be delivering their work on the 2021/22 financial year under the revised National Audit Office - Code of Audit Practice, that governs the work of external auditors of local public bodies under the Local Audit and Accountability Act 2014. The revised Code specifies the following value for money arrangements reporting criteria:
- financial sustainability
 - governance
 - improving economy, efficiency and effectiveness.
- 6.9 Internal audit will liaise with external audit in respect of the work that they will be undertaking to meet the requirements of the revised Code of Audit Practice and seek to deliver internal audit work that supports those requirements.

- 6.10 As a result, the Audit Plan will be kept under review so that it can reflect any further changes in circumstances, risks and challenges that the Council is facing that may impact on the way the Council works, to re-assess whether there are any changes to the risk profile and therefore, the work planned for later in the year. As is usual practice, any proposed future amendments to the Audit Plan will be reported to the Audit Committee for approval.
- 6.11 Appendix 2b identifies where audit reviews provide some assurance regarding the management of the Council's corporate risks.
- 6.12 The How We Will Work With You Statement (Appendix 2c) outlines the consultation and engagement that internal audit undertakes with management for the different elements of internal audit work.

7. Corporate Implications

7.1 Contribution to the Southend 2050 Road Map

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

7.2 Financial Implications

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

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

7.3 Legal Implications

The Accounts and Audit Regulations 2015, Section 5 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

The Standards require:

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

7.4 People Implications

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

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

7.5 Property Implications

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

7.6 Consultation

This is set out in the Strategy.

7.7 Equalities and Diversity Implications

Not applicable to these documents.

7.8 Risk Assessment

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

The key team risks are:

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

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

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

7.9 Value for Money

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

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

7.10 Community Safety Implications

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

7.11 Environmental Impact

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

8. Background Papers

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

9. Appendices

- Appendix 1: Internal Audit Charter
- Appendix 2: Internal Audit Strategy
 - Appendix 2a: Internal Audit Plan for 2021/22
 - Appendix 2b Audit assurance linked to the Council's corporate risks
 - Appendix 2c: How We Will Work With You Statement



Internal Audit Charter

Subject to annual review by Head of Internal Audit
Reported to the Audit Committee: October 2021

Appendix 1: Internal Audit Charter

Introduction

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

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

Service Objective

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

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

In doing this, Internal Audit aims to:

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

Responsibilities

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

In a local authority, internal audit:

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

It is management's responsibility to:

- establish and maintain appropriate governance arrangements and internal control systems

¹ Institute of Internal Auditors

Appendix 1: Internal Audit Charter

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

Statutory Role

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

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.

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

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

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

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

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

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

Independence and Accountability

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

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

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

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations.

Internal auditors **should** have no operational responsibilities. Where the Head of Internal Audit is responsible for other services, arrangements are in place to ensure that any:

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

Appendix 1: Internal Audit Charter

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

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

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

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

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

Internal Audit Scope

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

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

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

Appendix 1: Internal Audit Charter

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

Reporting Lines and Relationships

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

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

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

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

The Head of Internal Audit also:

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

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

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

Internal Audit Standards

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

Appendix 1: Internal Audit Charter

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

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

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

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

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

Internal Audit Resources

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

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

Appendix 1: Internal Audit Charter

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

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

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

Fraud and Corruption

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

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

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

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Internal Audit Strategy

Subject to annual review by Head of Internal Audit

Reported to the Audit Committee: October 2021

Appendix 2: Internal Audit Strategy

Introduction

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

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

Code of Ethics

All internal auditors working for the Council will comply with:

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

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

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

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

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

Appendix 2: Internal Audit Strategy

Basis for Annual Audit Opinion

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

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

Audit Approach

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

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

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

Governance

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

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

In doing this, Internal Audit will:

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

Appendix 2: Internal Audit Strategy

Risk Management

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

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

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

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

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

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

Control

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

Types of Assurance Provided

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

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

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

Appendix 2: Internal Audit Strategy

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

Limitations

Internal Audit will not:

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

Risk Assessment

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

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

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

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

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

Appendix 2: Internal Audit Strategy

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

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

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

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

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

Assurance Framework

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

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

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

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

Appendix 2: Internal Audit Strategy

Coordinating the Three Lines of Defence

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

Audit Plan

As at September 2021, the service still has a number of vacant posts. Therefore, the service will remain reliant on external contractors during the year, which will reduce the number of days that can be delivered from the Council's internal audit budget.

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

- cover vacancies
- deliver audits that require specialist skills.

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

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

The remaining schools will only be audited at the Council's request, should there be concerns about their performance, or if requested by the school itself.

Appendix 2: Internal Audit Strategy

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

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

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

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

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

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

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

Resources

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

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

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

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

Appendix 2: Internal Audit Strategy

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

Training and Development

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

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

Opportunities to purchase tailored training with other organisations will continue to be explored with the Workforce Development team.

Service Performance Indicators

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

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

For 2021/22, performance targets will consist of:

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

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

Appendix 2: Internal Audit Strategy

Delivering Audit Assignments

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

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

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

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

How We Will Work With You

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

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

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

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

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

Audit reports will generally be designed to:

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

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

Appendix 2: Internal Audit Strategy

The Head of Internal Audit Annual Report will include:

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

Audit Committee

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

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

External Audit

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

Partners

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

Quality Assurance and Improvement Programme

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

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

Appendix 2: Internal Audit Strategy

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

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

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

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

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

Appendices

- **Appendix 2a: Internal Audit Plan for 2021/22**
- **Appendix 2b: Audits assurance linked to corporate risks**
- **Appendix 2c: How We Will Work With You Statement**

Appendix 2a: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
Managing the Business (See also All Outcomes and Future Ways of Working in Advice and Support below)			
F&R (AB)	Risk Management (Part of Decision Making workstream in Future Ways of Working)	No	To support the Council to embed robust assessment of risk and opportunity into decision making that encourages creativity, learning and improved outcomes. Work in progress with resource secured Q3 & Q4 September 2021 to March 2022.
F&R (PB)	Financial Impact of Covid-19 (Deferred from 2020/21 to reassess the risk focus required in light of the Council's short and medium term financial challenges).	No	Focus being re-determined to support the Council's budget development work through to approval of the 2022/23 budget. Resource secured Q3 & Q4 September 2021 to February 2022.
Implementing Action Plans			
<i>None planned</i>			
Managing Service Delivery Risks			
Pride and Joy By 2050 Southenders are fiercely proud of and go out of their way to champion what our city has to offer.			
N&E (JB)	Highways Capitalised Maintenance Programme	Yes	To assess the robustness of the council's end-to-end arrangements for managing and reporting on the delivery of the highways capitalised maintenance programme of works. Work in progress.
N&E (AE)	Green City Action Plan	Yes	To assess the adequacy of arrangements to deliver on the Council's aim of becoming a Green City and achieving net zero emission by 2030. Resource secured timing to be determined for Q3 / Q4.

Appendix 2a: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
<i>Implementing Action Plans</i>			
N&E (AE)	Energy Projects Status Assurance	Yes	To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service. Draft report being discussed with the service.
Safe and Well By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives			
C&PH (BM)	Alternative School Provision	No	To assess the adequacy of arrangements which ensure the Council's guidance and / or policy for using Alternative Provision is being properly and appropriately applied to support achievement of the required outcomes for young vulnerable people. Resource secured Q4 December 2021 to March 2022.
A&C (TF)	Adult Social Care Recovery Programme	No	To assess the robustness of programme management arrangements aiming to improve outcomes for adults using the council's services whilst also containing the service within the allocated budget. Work in Progress.
A&C (SB)	Disabled Facilities Grant	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with. Work in Progress.
C&PH (JOL)	Troubled Families	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with. Quarter 1 completed June 2021 Quarter 2 completed September 2021 Resource secured for Q2 & Q3 October 2021 to March 2022.
A&C (BL)	Sexual Health Service	Yes	To assess the robustness of arrangements to ensure that the needs and outcomes required from the commissioning of this service are being delivered. Resource secured Q4 January to March 2022.

Appendix 2a: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
T&AC (SP SB)	Covid-19 Volunteering (Deferred from 2020/21 Audit Plan as scoping the work involved is complex with the number of service areas involved).	Yes	To assess the robustness of arrangements which ensured sufficient safeguarding measures were considered when enrolling volunteers to provide essential support to vulnerable residents. Resource secured Q3 / Q4 – September to March 2022.
F&R (PB)	Local Authority Test and Trace Service Support Payment Scheme 2020/21 (No: 31/5075)	No	To certify that, in all significant respects, the conditions attached to the grant have been complied with. Resource secured Q2 July to September 2021 Complete October 2021.
C&PH & F&R (KR/P B)	Local Authority Community Testing Funding Grant 2020/21 (No: 31/5327)	No	To certify that, in all significant respects, the conditions attached to the grant have been complied with. Resource secured Q3 September to December 2021 Work in Progress.
NE (CR)	Covid 19 Local Authority Enforcement and Compliance Grant (No: 31/5216)	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with. Complete May 2021.
CS/PH (KR)	Covid 19 Test and Trace Service Support Grant (No: 31/5385)		To certify that, in all significant respects, the conditions attached to the grant have been complied with. Complete October 2021.
<i>Implementing Action Plans</i>			
A&C (SB)	Adult Social Care Financial Assessments	Yes	To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service. Resource secured Q2 & Q3 September to December 2021.

Appendix 2a: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
Active and Involved			
By 2050 we have a thriving, active and involved community that feel invested in our city			
N/A	No work planned	N/A	
Implementing Action Plans			
<i>None planned</i>			
Opportunity and Prosperity			
By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people			
G&H (GH)	Management of the South Essex Homes Partnership Agreement	No	To assess the effectiveness of the arrangements for managing the delivery of services contained within the Partnership Agreement. Resource secured Q3 September to December 2021.
CS&P H (BM)	Barons Court Primary and Nursery School	Yes	To assess whether effective arrangements are in place to develop and implement a suitable strategic framework as well as organise, manage and control the activities of the school. Terms of Reference agreed. Work planned for October 2021.
G&H (GH)	Housing Pipeline	Yes	Focus to be determined. Resource Secured Q4 January to March 2022.
G&H (EC)	Better Queensway Workstreams	Yes	To assess the robustness of plans and monitoring arrangements to deliver the Council's obligations under the Partnership Agreement for the Housing and Highways workstreams. Resource Secured Q3/Q4 October 2021 to March 2022.
Implementing Action Plans			
<i>None planned</i>			

Appendix 2a: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
Connected and Smart By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure			
N&E (AW)	Transport Joint Venture Strategic Partnering Agreement	Yes	To assess the robustness of the arrangements to deliver the Joint Venture's strategic partnering objectives which are aiming to provide high quality transport services to the citizens of Southend from the Core Services transferred as well as the development and delivery of Non-Core Services. Resource secured Q4 March 2022.
N&E (NH)	Local Transport Capital Block Funding – Highways Maintenance Challenge Fund	Yes	To certify that, in all significant respects, the conditions attached to the grants have been complied with. All Completed September 2021.
N&E (NH)	Local Transport Capital Block Funding – Pothole and Challenge Fund	Yes	
N&E (NH)	Local Transport Capital Block Funding – Integrated Transport and Highway Maintenance	Yes	
NE (AW)	Travel Demand Management Grant	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with. Resource secured Q3 September to December 2021.
N&E (AW)	Additional Dedicated Home to School and College Transport Grant – Spring and Summer terms 2021	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with. Spring Term: work completed. Summer Term: work in progress.
<i>Implementing Action Plans</i>			
<i>None planned</i>			

Appendix 2a: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
Future Ways of Working (new 6th 2050 theme) Framework for how we modernise our workforce in 2021/22 and beyond, to guide the prioritisation and delivery of Southend 2050 outcomes.			
T (CT & CF)	Business World Enterprise Resource Planning Programme of Work	No	<p>To assess the robustness of the governance arrangements to deliver the benefits required from the planned upgrade that aims to provide the Council with an ERP system that is fit for purpose and thus effectively underpins all service outcomes delivered by the Council.</p> <p>Planning underway.</p>
N/A	See also Advice and Support below and Managing the Business above	N/A	<p>Advice and Support</p> <ul style="list-style-type: none"> • Financial Sustainability • Future Ways of Working Programme Management • Business World Enterprise Resource Planning Programme of Work (Corporate Establishment) • Better Queensway Highway Scheme <p>Managing the Business</p> <ul style="list-style-type: none"> • Risk Management
All Outcomes			
T (SP)	Hayes Contract Management	Yes	<p>To assess whether there are robust arrangements in place to ensure that the contract is delivering the planned outcomes and / or benefits in compliance with the specified performance, quality standards and legislative requirements, at the correct cost.</p> <p>Resource secured Q4 January to March 2022.</p>
T (CT)	Cyber Threat	Yes	<p>To assess the robustness of arrangements to quickly identify a cyber security incident and the reliability of the planned strategic responses to respond should an attack succeed.</p> <p>Resource secured Q3 September to December 2021.</p>
F&R (LW)	Critical Contracts Exit strategies	No	<p>To assess the robustness of exit strategy arrangements for managing contract failures which aim to protect both the Council's financial interests and minimise the impact of service disruption to the citizens of Southend.</p> <p>Resource secured Q4 January to March 2022.</p>

Appendix 2a: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
Implementing Action Plans			
T (CT)	ICT Disaster Recovery	No	To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service. Resource secured Q3 September to December 2021.
Key Financial Systems - All Outcomes			
F&R (CR)	Income Receipting and Banking	Yes	To assess whether the key controls effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's Statement of Accounts. Resource Secured Q3 September to December 2021.
F&R (PB)	General Ledger	Yes	To assess whether the key controls effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's Statement of Accounts. Resource Secured Q3 September to December 2021.
Implementing Action Plans			
<i>None planned</i>			
Advice and Support			
All Outcomes and Future Ways of Working			
F&R (PB)	Financial Sustainability (linked to Future Ways of Working and Getting to Know your Business Initiatives)	No	Provide ongoing support and challenge of the arrangements in place to deliver the Council's Budget Transformation Programme 2022/23 to 2025/26 which aims to ensure the Council remains financially stable and resilient for the future. Planning underway.
CS &PH (MB)	Liquid Logic / ContrOCC	Yes	Provide support and challenge as new change request arrangements for these systems, that support the delivery of children and adult care services, are being considered. Resource secured Q1 to Q4 ongoing April 2021 to March 2022.

Appendix 2a: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
A&C (TF)	Reconciling Adult Social Care Finance Project (Linked to the Adult Social Care Recovery Programme above)	Yes	To provide support and challenge as the team review and improve arrangements for reconciling finance and activity data between Liquid Logic (adult care) and financial information contained in the ContrOCC and Business World systems. This will support understanding of how activity drives spend and improve forecasting and modelling to inform future budget setting. Work in progress.
T (SMS)	Future Ways of Working Programme Management	No	To provide support and challenge to the Programme Manager for the realisation of the expected and/or required benefits to modernise the workforce which has been identified as key to delivering the Council's 2050 ambition. Planning underway.
G&H (EC)	Better Queensway Highway Scheme	No	To support and challenge the discussions and / or suggested improvements emanating from the opportunities to improve arrangements which support decision making contained in the Internal Audit Report issued in August 2021. Resource secured - Q3 & Q4 September 2021 to March 2022.
T (CT)	Business World Enterprise Resource Planning Programme of Work (Corporate Establishment workstream)	Yes	To provide support and challenge to the project team as the risks and control environment for the planned Corporate Establishment cloud-based module is implemented. Planning underway.
Pride and Joy By 2050 Southenders are fiercely proud of, and go out of their way, to champion what our city has to offer.			
<i>No work planned</i>			

Appendix 2a: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
Safe and Well By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives			
C&PH (JOL)	Children's Quality Assurance Framework (QAF)	No	To provide support and challenge to the Children's Services Steering Group responsible for monitoring the pilot and roll out of the more targeted and focused approach to case file audits. The aim being to improve overall social work practice by using learning to build on the good practice and support those areas where improvements would deliver better outcomes to young people and families. Work in progress.
A&C (SB)	Adult Care Quality Assurance Framework (QAF)	No	To provide challenge and support to the service area as the quality assurance framework is developed. The framework aims to ensure social work culture and practice is effective in safeguarding and promoting the welfare of adults, helping them achieve the best possible outcomes and life chances. Resource secured ongoing Q3 to Q4 ongoing (October 2021 to March 2022).
Active and Involved By 2050 we have a thriving, active and involved community that feel invested in our city			
<i>No work planned</i>			
Opportunity and Prosperity By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people			
G&H (EC)	Southend Adult Community College	No	To provide support and challenge to the newly formed Finance, Quality and Curriculum Governance group established to challenge and monitor the: <ul style="list-style-type: none"> • overall performance of the college; and • programme of works to transition the college from an arms length service to one that is fully integrated into the Council's operations. Work in progress.

Appendix 2a: Internal Audit Plan 2021/22

Dept & (Lead)	Service Activity	Fraud risk	Status at 8 October 2021
G&H (EC)	Better Queensway Housing Infrastructure Grant (Work deferred from 2020/21 Audit Plan as the timing of the initial drawdown of grant was being amended).	Yes	To provide advice and support as arrangements are developed which ensure Homes for England Housing Infrastructure Grant terms and conditions are properly met. Planning underway.
Connected and Smart By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure			
<i>No work planned</i>			
All Themes			
F&R (LW)	Contract Management	No	To provide advice and support to the Corporate Procurement Team as improved guidance is developed and launched to support those staff managing contracts which are supporting the delivery of Council outcomes. Work in progress.
T (SP)	Human Resources	No	To provide advice and support to the Human Resources team as they update and improve systems and processes. Resource secured ongoing Q1 to Q4 April 2021 to March 2022.
T (SP)	Hayes Agency Recruitment – new employee compliance checks	Yes	To provide advice and support to the Contract Manager to both identify and improve the Council's quality assurance arrangements for ensuring the robustness of the compliance checks required for agency staff employed. (Work to be further developed as part of the Hayes Contract management audit detailed above) Work in progress.

Appendix 2a: Internal Audit Plan 2021/22

Managing Service Delivery

Delivering the internal audit service involves:

- audit planning and resourcing
- managing Audit Plan delivery, which includes overseeing contractor work
- keeping up to date with the council's changing risk profile to ensure the Audit Plan remains relevant
- reporting to senior management and the Audit Committee.

Audit Activities	Resource allocation
Managing the Business	4%
Managing Service Delivery Risks	35%
Schools	2%
Key Financial Systems	5%
Grant Claims	9%
Advice and Support	18%
Follow Ups	4%
Contingency	18%
Managing Delivery of the Audit Plan	5%
Total	100%
Total Council Audit Plan Days	655

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

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

Appendix 2a: Internal Audit Plan 2021/22

Analysis Over Executive Director Responsibilities		
All	Cross Cutting	6%
F&R	Finance & Resources	13%
L&D	Legal & Democratic Services	0%
T	Transformation	22%
G&H	Growth & Housing	18%
N&E	Neighbourhoods & Environment	16%
C&PH	Children & Public Health	13%
A&C	Adults & Communities	12%
	Total	100%

Analysis over the 6 Southend 2050 Themes		
1.	Pride & Joy	7%
2.	Active & Involved	0%
3.	Safe & Well	24%
4.	Opportunity & Prosperity	18%
5.	Connected & Smart	8%
6.	Future Ways of Working	10%
7.	All	33%
	Total	100%

Appendix 2a: Internal Audit Plan 2021/22

Risk Watch List

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

N&E (JB)	Follow up of Transport Joint Venture (20/21 Audit Plan)
G&H (GH)	Rough Sleepers audit deferred from 20/21 Audit Plan
F&R (JC)	Asset Management – arrangements for letting and monitoring commercial leases for council property
G&H (EC)	LGA peer review 18 -25 year olds - implementation of action plan
F&R (CF)	Payments made using the Clearing House Automated Payment System (CHAPS)
G&H (GH)	Housing Allocations Policy (including Direct Lets)
F&R (CF)	Accounts Payable Batch Input Payment Files
F&R (CF)	Use of Procurement (P) cards
A&C (SB)	Mental Health Service Provision (review of current arrangements including Section 75 agreement with EPUT scoped by service – last quarter reporting 2020/21 to Audit Committee October 2021)
F&R (CF)	Accounts Payable key financial system
T (CJ)	Recruitment of Agency Workers
F&R (PG)	School Audits – assess the role of the schools Finance team to determine the assurance their function may give overall
A&C (BL)	Community Investment Board (Commissioning Board May 2021 & Cabinet report November 2020)
A&C (BL)	Direct Payment Support Service Contract Management

Appendix 2a: Internal Audit Plan 2021/22

C&PH	Victory Park Academy
C&PH (KR)	0-19 Service Health Visitors and / or School Nursing service
G&H (GH)	Empty Homes Strategy 2021 – 2026 (Cabinet Report January 2021)
CS&P H (KR)	Follow up of the Covid-19 Local Outbreak Control Plan - Governance Arrangements (20/21 Audit Plan)
These are other potential audits that will be considered for inclusion in the 2022/23 Audit Plan	
A&C / C&PH	Care Platform Programme of Works (upgrade Liquid Logic & ContRoC & Business World)
A&C	Adult Care Quality Assurance Audit Framework
All	Anti Poverty Strategy
N&E (EG)	Selective Licensing
F&R (LW)	Social Value - implementation of Strategy / Policy
F&R (PR)	Social Care debt collection as part of the new Corporate Debt Collection Team
C&PH (JOL)	Fostering Service Improvement plan
C&PH (RB)	Quality of Supervision and / or 121s and annual conversation in Children's Services including how these maps into the Continued Professional Development offer (linked to Children's Services Improvement Plan)
N/A	Domestic Abuse Act 2021 Implementation Strategy (Cabinet report 14-9-21)
A&C	Southend Care Ltd Partnership Agreement 2022-2031 (Cabinet report 14-9-21)
A&C (TF)	Integrated Care System (April 2022)
C&PH (BM)	Remodelling of Children's Centres (in house service from 1st October 2021)
N&E(JB)	New Highway Enforcement Policies (Cabinet January 2021)

Appendix 2a: Internal Audit Plan 2021/22

A&C (BL)	Adult Social Care Strategies 2022/27; Living Well, Ageing Well and Caring Well
All	Association of South Essex Local Authorities (ASELA)
G&H	Building Safety Bill (introduced into Parliament on 30 June 2021 expected passage to take 9 months)
A&C	Liquid Logic Adult Care Phase 2 – Introduction of Portals (Delegation Portal Financial Assessments Portal Providers Portal)
C&PH	Children Missing from Education
A&C	Better Care Fund Section 75 Agreement & Improved Better Care Fund (iBCF)

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

CRR	Corporate Risks as at June 2021	Audit work providing assurance in 2021/22
1	<p>Covid-19 pandemic</p> <p>Risk that the Covid-19 pandemic causes an outbreak of ill-health in the Borough resulting in health and care services being unable to cope with the volume of cases, and significant disruption to the operational activities of the Council and other public service organisations in the Borough.</p>	<p>Financial Impact of Covid-19</p> <p>Adult Social Care Recovery Programme</p> <p>Troubled Families</p> <p>Covid-19 Volunteering</p> <p>Covid 19 Local Authority Grant Funding</p> <p>Additional Dedicated Home to School and College Transport Grant</p> <p>Human Resources – Advice & Support</p> <p>Hayes Agency Recruitment – new employee compliance checks – Advice & Support</p>
1532	<p>Financial sustainability</p> <p>Risk that failure to address the financial challenge by effectively managing the growing demand for services, managing the costs of the covid-19 response and enhancing local income streams as part of recovery will threaten the medium to long term financial sustainability of the Council, leading to a significant adverse impact on Council services and the ability to deliver the outcomes desired by the Council, to address the financial position.</p>	<p>Financial Impact of Covid-19</p> <p>Highways Capitalised Maintenance Programme</p> <p>Adult Social Care Recovery Programme</p> <p>Covid 19 Local Authority Grant Funding</p> <p>Adult Social Care Financial Assessments</p> <p>Management of the South Essex Homes Partnership Agreement</p> <p>Housing Pipeline</p> <p>Better Queensway Workstreams</p> <p>Transport Joint Venture Strategic Partnering Agreement</p> <p>Business World Enterprise Resource Planning Programme of Work</p> <p>Hayes Contract Management</p> <p>Critical Contracts Exit strategies</p> <p>ICT Disaster Recovery</p> <p>Income Receipting and Banking</p>

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

CRR	Corporate Risks as at June 2021	Audit work providing assurance in 2021/22
		General Ledger Financial Sustainability (linked to Future Ways of Working and Getting to Know your Business Initiatives) – Advice & Support Reconciling Adult Social Care Finance Project – Advice & Support Business World Enterprise Resource Planning Programme of Work (Corporate Establishment workstream) – Advice & Support Contract Management – Advice & Support Human Resources – Advice & Support
4	Public services landscape Risk that failure to address and engage with the different models and public service governance arrangements being discussed will result in the organisation and the borough being left behind and ultimately unable to deliver the Council's ambition and outcomes.	Alternative School Provision Management of the South Essex Homes Partnership Agreement Future Ways of Working Programme Management – Advice & Support Southend Adult Community College – Advice & Support Contract Management – Advice & Support
5	Workforce Risk that the Council will not have the appropriate staffing resources, with the right skills, doing the right things, working in the right places through collaborative teams. This is impacted by the significant changes to ways of working implemented in response to covid-19 and the risks that these do not embed effectively, leading to a lack of workforce capacity causing a failure to effectively address the challenges posed by covid-19 in the short term and achieve the Council's desired outcomes in the longer term. Further risk caused by the number of changes to CMT, that may impact on the capacity to progress with delivery of	Management of the South Essex Homes Partnership Agreement Business World Enterprise Resource Planning Programme of Work Hayes Contract Management Critical Contracts Exit strategies Future Ways of Working Programme Management – Advice & Support Business World Enterprise Resource Planning Programme of Work (Corporate Establishment workstream) – Advice & Support Human Resources – Advice & Support Hayes Agency Recruitment – new employee compliance checks –

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

CRR	Corporate Risks as at June 2021	Audit work providing assurance in 2021/22
	desired outcomes.	Advice & Support
6a	<p>Cyber security event</p> <p>Risk of a cyber security event causing significant operational, financial and reputational damage to the Council, caused by:</p> <p>a) failure to ensure the Council has a coherent and comprehensive approach to cyber security and data protection, including strategy, tools and processes</p> <p>b) a data breach</p> <p>c) remote working creating a wider footprint for attack.</p> <p>Opportunity to build resilience by ensuring that staff have the necessary digital skills.</p>	<p>Cyber Threat</p> <p>ICT Disaster Recovery</p> <p>Contract Management – Advice & Support</p>
6b	<p>Data Protection</p> <p>Risk that a failure to comply with responsibilities as a Data Controller (under DPA/GDPR or equivalent) leads to personal data being compromised, resulting in harm to individuals, loss of trust from residents, businesses and others, regulatory action, financial penalty and reputational damage.</p>	<p>Business World Enterprise Resource Planning Programme of Work</p> <p>Cyber Threat</p> <p>ICT Disaster Recovery</p> <p>Income Receipting and Banking</p> <p>Contract Management – Advice & Support</p> <p>Hayes Agency Recruitment – new employee compliance checks – Advice & Support</p>

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

CRR	Corporate Risks as at June 2021	Audit work providing assurance in 2021/22
7	<p>Capital Investment Programme Delivery</p> <p>Risk that a failure to deliver the agreed Capital Investment Programme leads to a lack of progress on the intended improvements to infrastructure and facilities for the borough anticipated to support Southend 2050 and the recovery priorities, resulting in reduced inward investment from businesses, missed employment opportunities for residents and reputational damage for the Council.</p>	<p>Financial Impact of Covid-19</p> <p>Highways Capitalised Maintenance Programme</p> <p>Green City Action Plan</p> <p>Energy Projects Status Assurance</p> <p>Management of the South Essex Homes Partnership Agreement</p> <p>Housing Pipeline</p> <p>Better Queensway Workstreams</p> <p>Local Transport Capital Block Funding</p> <p>Business World Enterprise Resource Planning Programme of Work</p> <p>Better Queensway Highway Scheme – Advice & Support</p> <p>Business World Enterprise Resource Planning Programme of Work (Corporate Establishment workstream) – Advice & Support</p> <p>Better Queensway Housing Infrastructure Grant – Advice & Support</p> <p>Contract Management – Advice & Support</p>
8	<p>Safeguarding responsibilities</p> <p>Risk that the Council will not be able to effectively deliver it's statutory safeguarding responsibilities as a result of a lack of understanding, resources and the additional challenges posed by lockdown and restrictions as a result of covid-19, and that this causes a failure to deliver the outcomes anticipated for the vulnerable people that are in need of support.</p>	<p>Alternative School Provision</p> <p>Adult Social Care Recovery Programme</p> <p>Disabled Facilities Grant</p> <p>Troubled Families</p> <p>Sexual Health Service</p> <p>Covid-19 Volunteering</p> <p>Adult Social Care Financial Assessments</p> <p>Barons Court Primary and Nursery School</p>

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

CRR	Corporate Risks as at June 2021	Audit work providing assurance in 2021/22
157		<p>Transport Joint Venture Strategic Partnering Agreement Additional Dedicated Home to School and College Transport Grant Hayes Contract Management Critical Contracts Exit strategies Liquid Logic / ContrOCC – Advice & Support Children’s Quality Assurance Framework - Advice & Support Adult Care Quality Assurance Framework - Advice & Support Southend Adult Community College – Advice & Support Contract Management – Advice & Support Hayes Agency Recruitment – new employee compliance checks – Advice & Support</p>
9	<p>Adapting to climate change</p> <p>Risk that failing to implement changes needed to reduce the Borough’s carbon footprint will cause an inadequate contribution to the reduction in carbon emissions required. This will result in significant adverse impact on the Borough, and if the climate adaptation measures being implemented are also inadequate, there will be further implications for the Council in needing to respond to climate events in the Borough.</p>	<p>Green City Action Plan Energy Projects Status Assurance Contract Management – Advice & Support</p>

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

CRR	Corporate Risks as at June 2021	Audit work providing assurance in 2021/22
10	<p>Health inequalities</p> <p>Risk that the health inequalities, particularly the physical and emotional health and wellbeing of residents, will increase due to the impact of Covid-19 and the associated restrictions that have needed to be implemented in response to the pandemic.</p> <p>In the longer term that the changes resulting from the Health and Care Bill may result in an Integrated Care system for Southend and Thurrock, impacting on the implementation of the Localities Model, that does not result in effective health and social care outcomes for residents, resulting in increased health inequalities, worsening health outcomes and significant cost increases.</p>	<p>Adult Social Care Recovery Programme</p> <p>Disabled Facilities Grant</p> <p>Troubled Families</p> <p>Sexual Health Service</p> <p>Covid-19 Volunteering</p> <p>Adult Social Care Financial Assessments</p> <p>Liquid Logic / ContrOCC – Advice & Support</p> <p>Children’s Quality Assurance Framework - Advice & Support</p> <p>Adult Care Quality Assurance Framework - Advice & Support</p>
158 1	<p>Child welfare</p> <p>Risk of failure to ensure that there are consistently good or better outcomes for children and families accessing children services, particularly the vulnerable that face the greatest exposure to those threats, resulting in worsening outcomes for those in need of that support.</p>	<p>Alternative School Provision</p> <p>Disabled Facilities Grant</p> <p>Troubled Families</p> <p>Sexual Health Service</p> <p>Covid-19 Volunteering</p> <p>Barons Court Primary and Nursery School</p> <p>Transport Joint Venture Strategic Partnering Agreement</p> <p>Additional Dedicated Home to School and College Transport Grant</p> <p>Liquid Logic / ContrOCC – Advice & Support</p> <p>Children’s Quality Assurance Framework - Advice & Support</p> <p>Contract Management – Advice & Support</p> <p>Hayes Agency Recruitment – new employee compliance checks – Advice & Support</p>

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

CRR	Corporate Risks as at June 2021	Audit work providing assurance in 2021/22
12	<p>Housing</p> <p>Risk that a failure to implement plans to address rising homelessness and failure to implement the Housing, Homelessness and Rough Sleeping strategy will lead to further street and other homelessness, increased use of temporary accommodation & an inability to meet rising housing demand over the next 20 years, leading to worse outcomes for residents and an inability to deliver the outcomes for the Borough desired by the Council.</p> <p>Risk is increased by the impact of Covid-19 on those previously just about managing no longer being able to manage, causing an increase in homelessness.</p>	<p>Management of the South Essex Homes Partnership Agreement</p> <p>Housing Pipeline</p> <p>Better Queensway Workstreams</p> <p>Better Queensway Highway Scheme – Advice & Support</p> <p>Better Queensway Housing Infrastructure Grant – Advice & Support</p> <p>Contract Management – Advice & Support</p>
13	<p>Adult social care</p> <p>Risk that difficulties being experienced in the adult social care market will cause provider failure and further difficulty in meeting increasing demand for support, resulting in worsening outcomes for those in need of that support. The impact of covid-19 has heightened these risks in the short term.</p> <p>Opportunity has been identified to reduce the number of people in residential care, using reablement and the community to support people to stay at home for longer.</p>	<p>Adult Social Care Recovery Programme</p> <p>Disabled Facilities Grant</p> <p>Sexual Health Service</p> <p>Covid-19 Volunteering</p> <p>Adult Social Care Financial Assessments</p> <p>Critical Contracts Exit strategies</p> <p>Liquid Logic / ContrOCC – Advice & Support</p> <p>Reconciling Adult Social Care Finance Project – Advice & Support</p> <p>Adult Care Quality Assurance Framework - Advice & Support</p> <p>Contract Management – Advice & Support</p> <p>Hayes Agency Recruitment – new employee compliance checks – Advice & Support</p>

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

CRR	Corporate Risks as at June 2021	Audit work providing assurance in 2021/22
14	<p>Social cohesion</p> <p>Risk that the impact of covid-19 lockdown and restrictions on both young people and those living in challenging circumstances, cause them to be particularly worried about the future and experience mental health issues, isolation and fears, resulting in a reduction in social cohesion and an increase in undesirable behaviour as restrictions are lifted.</p> <p>Increased footfall to beach and public spaces with increased unmanaged drinking leading to anti-social behaviour and an increased need to manage the public spaces.</p> <p>These impact on the ability of the Borough to deliver the outcomes desired by Southend 2050 and damage the reputation of the Borough.</p>	<p>Alternative School Provision</p> <p>Disabled Facilities Grant</p> <p>Troubled Families</p> <p>Covid-19 Volunteering</p> <p>Covid 19 Local Authority Grant Funding</p> <p>Adult Social Care Financial Assessments</p> <p>Southend Adult Community College – Advice & Support</p>
15	<p>Waste management</p> <p>Risk of contractor failing to meet contractual requirements to effectively manage waste arrangements results in a loss of service quality and additional financial liability for the Council.</p> <p>Additional risk that the council will not have suitable arrangements in place for October 2023 when the current contract ends.</p> <p>Further risk that the enhanced service being sought from the revised future arrangements will not provide a solution that will deliver the outcomes in respect of adaptation to climate change and recycling that is being sought by the Council.</p>	<p>Green City Action Plan</p> <p>Critical Contracts Exit strategies</p> <p>Contract Management – Advice & Support</p>

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

CRR	Corporate Risks as at June 2021	Audit work providing assurance in 2021/22
16	<p>House building programme</p> <p>Risk that not achieving the development and delivery of the house building pipeline through effective engagement and arrangements with the market and developers that have been impacted by Covid-19, will result in an inability to deliver the anticipated housing supply, causing additional pressure on the housing market and an impact on the delivery of the desired outcomes of the Council, with an impact on Local Plan housing targets (see also CRR18).</p>	<p>Housing Pipeline</p> <p>Better Queensway Workstreams</p> <p>Critical Contracts Exit strategies</p> <p>Contract Management – Advice & Support</p>
17 161	<p>Regeneration and major projects</p> <p>Risk that failure of partners to progress major infrastructure developments (e.g. Queensway, Seaways, Fossett Farm and Airport Business Park) will result in not achieving delivery of the plans and necessary sequencing of developments, resulting in the dependencies for the chain of regeneration not being delivered and the opportunities for improvement of the borough and delivery of anticipated outcomes not being achieved, as well as significant financial and reputational damage to the Council.</p>	<p>Financial Impact of Covid-19</p> <p>Highways Capitalised Maintenance Programme</p> <p>Energy Projects Status Assurance</p> <p>Housing Pipeline</p> <p>Better Queensway Workstreams</p> <p>Critical Contracts Exit strategies</p> <p>Better Queensway Highway Scheme – Advice & Support</p> <p>Better Queensway Housing Infrastructure Grant – Advice & Support</p> <p>Contract Management – Advice & Support</p>

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

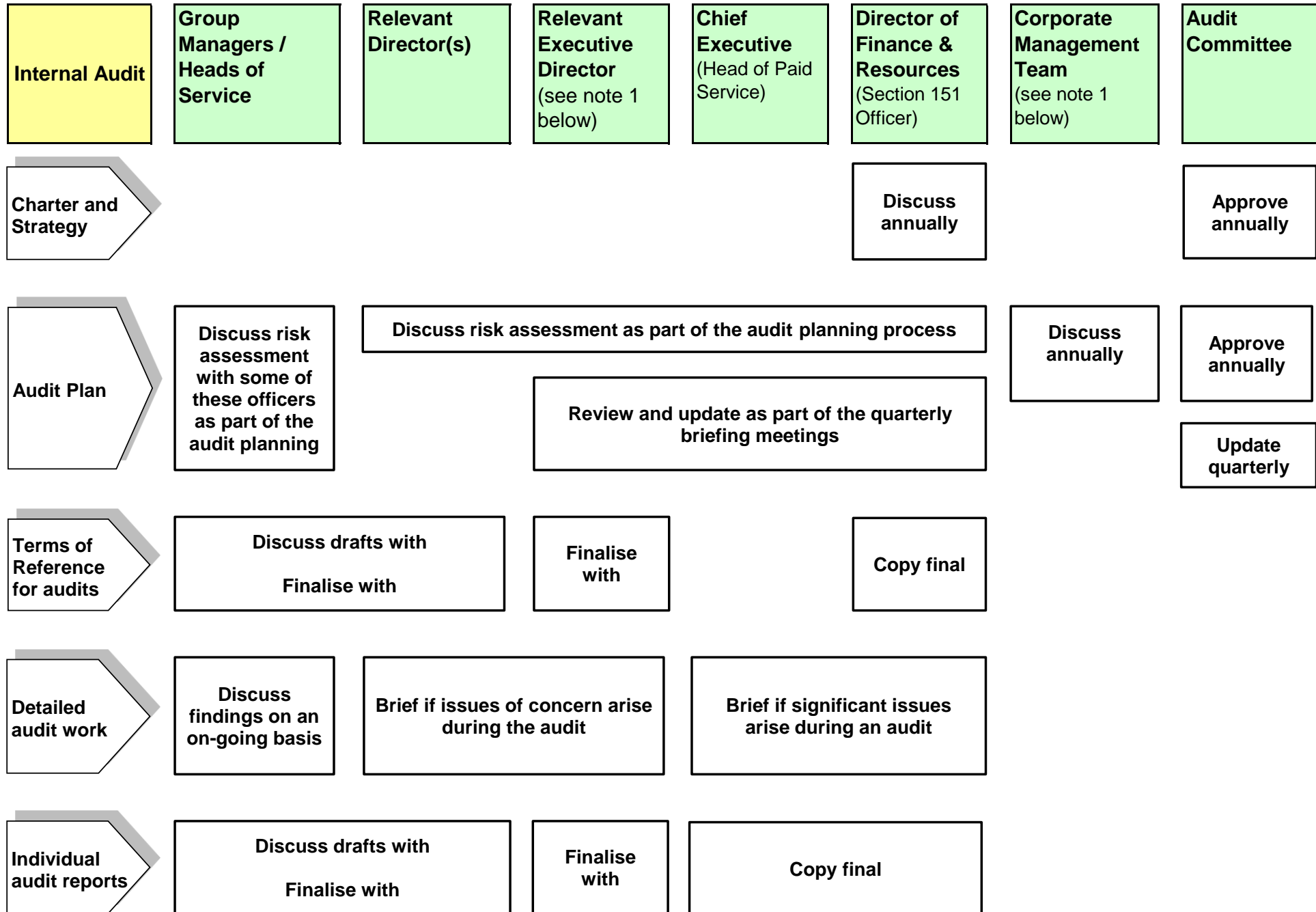
CRR	Corporate Risks as at June 2021	Audit work providing assurance in 2021/22
18	<p>Visitor destination</p> <p>Risk that the competing demands and needs of residents and visitors will impact in the Borough's ability to meet the needs of its residents or provide a suitable destination for visitors, and that covid-19 will impact on the ability of the borough to provide an attractive proposition for visitors, with a resultant impact on the economic strength of the borough and employment opportunities for school leavers.</p> <p>Opportunity arising from people holidaying in the UK this summer, but with potential increase in visitor numbers needing to be enabled to be done safely and ensure the offer made by businesses is sustainable.</p>	<p>Highways Capitalised Maintenance Programme</p> <p>Green City Action Plan</p> <p>Local Transport Capital Block Funding</p>
19	<p>Economic recovery and income inequalities</p> <p>Risk that the impact of covid-19 restrictions reducing economic activity will cause a reduction in employment opportunities for 18-25 year olds and an increase in unemployment across the borough, particularly at the end of the furlough scheme in September. The impact is likely to be experienced unevenly across sectors with the retail, hospitality, leisure and tourism sector adversely affected causing further risk to traditional shopping centres and the town centre, as well as a further increase in income inequalities and disparity between different parts of the Borough.</p> <p>However, the phased reduction in restrictions provides the opportunity to attract new businesses and employers into the borough, providing new and additional employment that can contribute to the delivery of the ambition and outcomes for the borough.</p>	<p>Alternative School Provision</p> <p>Troubled Families</p> <p>Covid-19 Volunteering</p> <p>Covid 19 Local Authority Grant Funding</p> <p>Adult Social Care Financial Assessments</p> <p>Housing Pipeline</p> <p>Critical Contracts Exit strategies</p> <p>Southend Adult Community College – Advice & Support</p>

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

CRR	Corporate Risks as at June 2021	Audit work providing assurance in 2021/22
20	<p>Local plan</p> <p>Risk that failure to meet Government requirements and deadlines and make sufficient progress in producing a Local Plan will lead to Secretary of State intervention, resulting in reputational damage to the Council and the potential imposition of unwanted development and the loss of plan making powers, causing an inability to deliver upon the Council's outcome priorities that are dependent on the Local Plan shaping and influencing the proposals for developments that are brought forward in the future.</p>	<p>Green City Action Plan</p> <p>Energy Projects Status Assurance</p> <p>Housing Pipeline</p> <p>Better Queensway Workstreams</p>

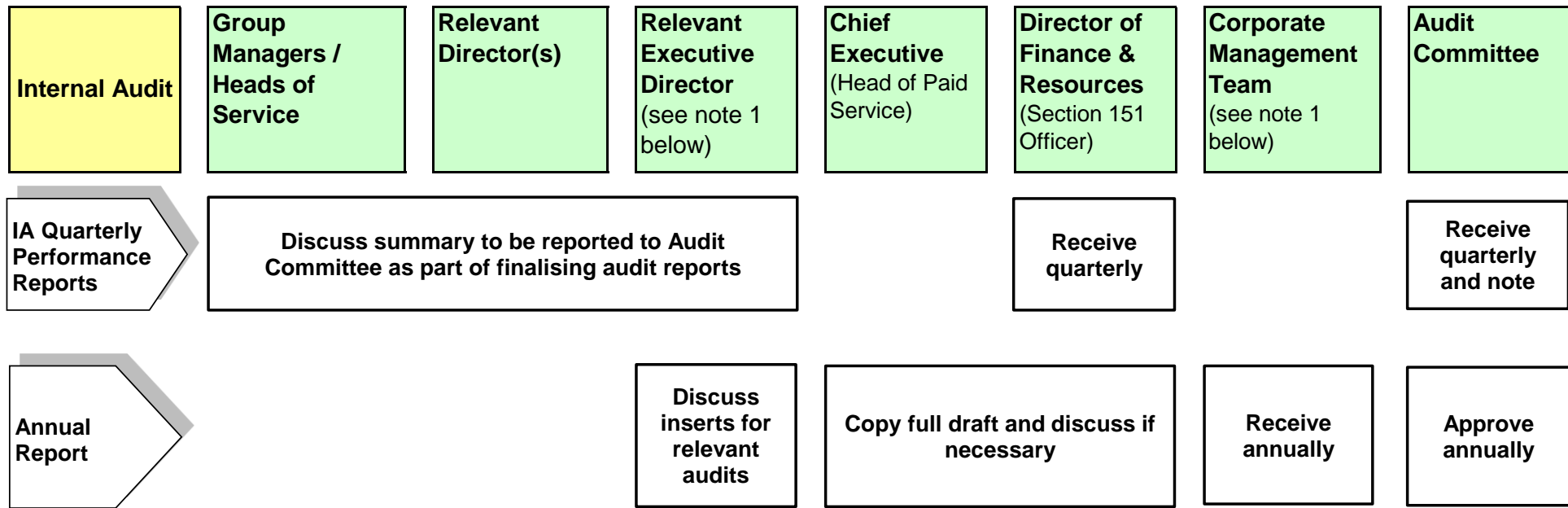
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How We Will Work With You Statement



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How We Will Work With You Statement



Note 1 These groups include the Council's Monitoring Officer

Southend-on-Sea Borough Council

Report of the Executive Director (Finance and
Resources) to
Audit Committee
on 20 October 2021

Report prepared by: Andrew Barnes, Head of Internal Audit

Agenda
Item No.

10

Arrangements for appointment of External Auditor
A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 This report summarises the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the current arrangements at the conclusion of the 2022/23 audit.
- 1.2 The Council will need to consider the options available and put in place new arrangements in time to make a further appointment by 31 December 2022, in readiness for the 2023/24 audit.

2. Recommendations

- 2.1 **For the Audit Committee to recommend for a resolution to be made by Full Council that this Council ‘opts-in’ to the Local Government Association (LGA) sector led body Public Sector Audit Appointments Ltd (PSAA) for the independent appointment of the Council’s External Auditor, beginning with the audit for the financial year 2023/24.**

3. Background

- 3.1 The Local Audit and Accountability Act 2014 abolished the Audit Commission and established arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England.
- 3.2 For the previous round of appointments the Council took the decision to opt-in to the Public Sector Audit Appointments Limited (PSAA) appointments process for the five year period from 2018/19. The Council’s current external auditor is Deloitte LLP. The contract is currently managed by (PSAA, the body set up by the LGA with delegated authority from the Secretary of State. Over recent years, the Council has benefited from a reduction in fees in the order of 50% compared with historic levels. This has been due to a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from the closure of the Audit Commission. The Council’s current external audit fee is £159,000 per annum.
- 3.3 The Council is responsible for the appointment of its auditor. There are three options by which this can be achieved, each with varying risks and opportunities, as are outlined at section 4 below.

3.4 The scope of the audit will still be specified nationally, with the National Audit Office (NAO) responsible for writing the Code of Audit Practice which all firms appointed to carry out all Council audits must follow.

4. Options for local appointment of External Auditors

4.1 There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act):

Option 1: Establish a stand-alone Auditor Panel to make the appointment

4.2 To make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the Panel must be wholly (or a majority) independent members as defined by the Act. Independent members for this purpose are independent appointees; this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will have a limited role in assessing bids and choosing which firm of accountants should be awarded the contract. This new independent Auditor Panel would be responsible for selecting the auditor. The existing Audit Committee could not carry out this role unless it were to meet the criterion of having a majority of independent members.

4.3 **Advantages/benefit** Setting up an Auditor Panel allows the Council to take advantage of the new local appointment regime and have local input to the decision.

4.4 **Disadvantages/risks** Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on-going expenses and allowances

4.5 The Council would not be able to take advantage of reduced fees that may be available through joint or national procurement contracts. The assessment of bids and decisions on awarding contracts would be taken by independent appointees and not solely by elected members.

Option 2: Explore the establishment of a Joint Auditor Panel / local joint procurement arrangements

4.6 The Act enables the Council to join with other authorities to establish a joint Auditor Panel. Again this would need to be constituted of a majority of independent appointees (members). Further legal advice would be required on the exact constitution of such a Panel having regard to the obligations of each Council under the Act, and the Council will need to liaise with other local authorities to assess the appetite for such an arrangement.

4.7 **Advantages/benefits** The costs of setting up the Panel, running the bidding exercise and negotiating the contract would be shared across a number of authorities. There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract to the firms.

4.8 **Disadvantages/risks** The decision making body would be further removed from local input, with potentially no input from elected members where a wholly independent Auditor Panel is used, or possibly only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.

- 4.9 The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs, some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint Auditor Panel selects a firm that is ineligible for this Council, then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

Option 3: Opt-in to the sector led body

- 4.10 In response to the consultation on the appointment arrangements, the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. The SLB has the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.
- 4.11 **Advantages/benefits** The costs of setting up the appointment arrangements are shared across all opt-in authorities. Being offered large contract values, the firms are able to offer better rates and lower fees than are likely to result from local negotiation. Any conflicts at individual authorities would be managed by the SLB who have a number of contracted firms to call upon.
- 4.12 The appointment process is not ceded to locally appointed independent members. Instead the PSAA has been set up to act in the collective interests of all the 'opt-in' authorities.
- 4.13 **Disadvantages/risks** Individual elected members have less opportunity for direct involvement in the appointment process other than through the LGA and stakeholder representative groups. For the PSAA to be placed in the strongest possible negotiating position they need Councils to indicate their intention to opt-in before final contract prices are known.

5 Conclusion

- 5.1 The Council has until December 2022 to appoint an external auditor for the audit of the 2023/24 financial year. In practical terms this means one of the options outlined in this report will need to be in place by Spring 2022 in order that the contract negotiation process can be carried out during 2022.
- 5.2 Based on the analysis of the available options above the optimum option is option 3: opt-in to the sector led body, PSAA, that the LGA are working with. Greatest economies of scale will come from the maximum number of councils acting collectively and opting-in to the PSAA arrangement.
- 5.2 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt-in must be made by Full Council. To comply with this regulation the Audit Committee is asked to endorse the recommendation to Full Council to make a resolution to opt-in to the appointing persons arrangements with the PSAA.
- 5.3 If the Council opts to join the national procurement arrangement, PSAA need to be formally informed by 11 March 2022.

6. Reasons for Recommendations

- 6.1 **The Council needs to make arrangements to appoint an external auditor ready for when the current appointment expires at the end of the 2022/23 audit. Based on the analysis of the available options above the optimum option is option 3: opt-in to the Sector Led Body. The Committee needs to make a recommendation for a formal resolution to be made by Full Council to opt-in to the Sector Led Body arrangements, to comply with the requirements of the Local Audit (Appointing Person) Regulations 2015.**

7. Corporate Implications

7.1 Contribution to the Southend 2050 Road Map

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

7.2 Financial Implications

The prescribed requirements of what needs to be undertaken by the external auditor is defined by the National Audit Office. The plan and fees proposed reflect the application of these requirements to this Council based upon an assessment of risk which is set out in an annual Audit Plan from the external auditors.

The cost to the Council of external audit for 2020/21 is planned to be £159,000 for the audit work delivered under the NAO's Code of Audit Practice and other assurance services.

Because of challenges in the audit market generally there is a potential for increase in costs forthcoming in future contracts. This is considered to be best mitigated by opting in to the Sector Led Body procurement arrangement.

7.3 Legal Implications

The Council is required to have an external audit of its activities that complies with the requirements of the Code. There are regulations in respect of the appointment of the auditor that need to be followed and following the recommendations in this report will address that.

7.4 People Implications

None.

7.5 Property implications

None.

7.6 Consultation

The proposed approach and recommendations has been discussed and agreed with the Executive Director (Finance and Resources).

7.7 Equalities and Diversity Implications

None.

7.8 Risk Assessment

There is no immediate risk to the Council. However, a decision by the Council on choosing an option would enable the necessary planning to take place to achieve a successful transition to the new arrangement in a timely and efficient manner. If the Council does want to opt-in to the Sector Led Body arrangement the PSAA need to be notified by 11 March 2022.

7.9 Value for Money

Procuring and appointing the external auditor through the Sector Led Body arrangement is expected to provide the best value for money option.

7.10 Community Safety Implications

None.

7.11 Environmental Impact

None.

8. Background Papers

PSAA Prospectus 2023 and beyond

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Audit Committee Update

Helping audit committees to be effective

Issue 35

July 2021

Supporting improvements to risk management arrangements

Defining the relationship between the audit committee and the scrutiny function

New consultation on local audit and audit committee arrangements

Regular briefing on new developments

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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 address several themes. Firstly there is a focus on risk management and the support that the audit committee can provide for improving local arrangements. Secondly there is a review of the differences between the work of the audit committee and scrutiny and opportunities to work together. Finally there is an update on the new consultation launched by the Ministry of Housing, Communities and Local Government on local audit and audit committees.

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.

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

Receive our briefings directly

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) 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.

Webinars and training for audit committee members in 2021 from CIPFA

Introduction to the Knowledge and Skills of the Audit Committee

Provisional dates for this are:

- [8 and 9 September \(morning only\)](#)

Introduction to the Knowledge and Skills of the Police Audit Committee

Provisional dates for this are:

- [15 and 16 September \(morning only\)](#)

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. Provisional date October 2021

Update for Local Authority Audit Committee Members

This webinar will provide an update for local authority audit committee members on the annual governance statement for 2020/21. Provisional date December 2021/January 2022.

Full programme details and booking information for webinars 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, webinars and guidance tailored to your needs are 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 or visit the [CIPFA website](#) for further details on the support we have available for audit committees.

Supporting improvements to risk management arrangements

How the audit committee can help

One of the 'lessons learned' from the experience of the last year in many organisations is that there is merit in making changes and improvements to their risk management arrangements. Oversight of the overall effectiveness of risk management arrangements is firmly within the terms of reference of the audit committee. It is an area where there should be assurance over arrangements through the annual governance review and from the head of internal audit's annual opinion. In addition those directly responsible for risk management are likely to report to the audit committee with their evaluation of effectiveness and any action plan to make improvements.

The experience of the pandemic on risk management

The Better Governance Forum held two discussion groups with members in April 2021 to discuss the experience of the pandemic and what it meant for risk management. The detailed results of the discussions are available in a [briefing](#) to download. The groups discussed how their arrangements had fared in supporting the organisation's management through the pandemic. The paper contains a summary of the findings identifying strengths and also areas for improvement.

There was a range of experience amongst those taking part. Some felt that the risk arrangements that they had put in place and the investment made to improve understanding of risk throughout the organisation had proved their worth during the pandemic. In other organisations, systems to manage risk were not adequate and a poor understanding of risk amongst the leadership team did not help decision making in a crisis.

Improving your risk management arrangements

As an audit committee member you should have a good understanding of how risks are being identified and managed within the organisation. You should also understand the strengths and weaknesses of these arrangements. If you are new to the committee, ask if there is an annual report from the lead officer responsible for risk management or speak to the nominated risk champion amongst the councillors or governing body. Information should also be available through the annual governance statement and from internal audit. Your external audit reports may also include commentary as part of their assessment of your overall governance. Your organisation may take part in benchmarking of its risk management arrangements or undertake a risk maturity assessment. These conclusions should be reported to the committee in some form.

If a lessons learned review has been undertaken or is planned, then that will be helpful for the audit committee to see. It will be a source of assurance on the adequacy of the organisation's controls and governance. If there are significant areas for improvement that are within the remit of the committee, it would be appropriate to receive updates on action plans as they progress.

In respect of risk management, be guided by the organisation's own evaluation, but from the experience of other organisations possible areas for improvement could include:

- A change or improvement of the IT system used to capture risk information and provide management information.
- Further investment in staff training, plus training for those in governance positions, to improve understanding of risk and improve the quality of risk information.
- Reviewing arrangements for the governance of risk; for example, creating or raising the importance of a central group to review risk information, or improving the leadership of risk.
- Improving links between the risk management processes and other policies and plans to ensure better integration.
- Improving the effectiveness of risk monitoring and action tracking to ensure that risks are being actively managed.

Support from the audit committee for planned improvements to risk management arrangements will be important for their success. The committee can provide constructive challenge when they review and monitor action plans. They can also help to raise the profile of risk management, particularly among fellow members of the governing body.

Conclusions

For a public body having effective risk management arrangements in place is essential. To achieve its objectives efficiently and effectively, the organisation will need to have a good understanding of both risk and opportunities, and the means to manage them. Having good insight on the adequacy of your arrangements is a necessary step for an audit committee. The experience of going through the pandemic has brought the adequacy of arrangements into sharp focus and many organisations will have areas they wish to improve on. The audit committee can play its part to provide support and challenge to the risk management function.

Key questions for the committee

Questions to discuss with lead officers and members responsible for risk management:

1. Are our risk management arrangements adequate and effective?
2. What assurances do we have to inform that conclusion? Examples could include:
 - a. Internal audit report
 - b. Annual self-assessment by a corporate risk group
 - c. Evidence from a risk maturity assessment or benchmarking exercise
 - d. Review by the organisation's insurance advisors
 - e. Commentary by external auditors.
3. Is there an action plan to improve our risk management arrangements? Will updates be brought to the committee?
4. What were the key lessons learned from the pandemic?

Diana Melville

Governance Advisor, CIPFA

Defining the relationship between the audit committee and the scrutiny function

In councils the audit committee operates alongside scrutiny. Depending on the constitution of the council, scrutiny can operate in different ways. Within the cabinet model there may be one or more dedicated scrutiny committees that focus on core policy areas of the council. Alternatively scrutiny will take place within service committees. Scrutiny is major way for elected councillors who are not in leading roles to review policy and contribute to its development.

Distinguishing the audit committee role from that of scrutiny can be difficult, even where the committees are not combined into one. The CIPFA guidance [Audit Committees: Practical Guidance for Local Authorities and Police](#) does recommend that the two roles are not combined and that there should be a dedicated audit committee. The key difference between the two is that scrutiny has a focus on policy: its development, its performance and its effectiveness. The audit committee will focus on the enablers that support policy decision making and its implementation, ie governance, risk management and internal control arrangements.

Scrutiny arrangements are usually political and can present robust political challenge to the administration. One of the key characteristics of an audit committee is that it should be resolutely non-political. Another difference is the approach to performance. Scrutiny is likely to be playing an active role in monitoring the performance of the council, including financial performance. While a scrutiny committee might focus on the performance in the year against the budgeted income and expenditure, the audit committee will focus on the framework of financial management and robustness of financial control arrangements.

Audit and scrutiny working together

While the committees should be separate and have different roles, there are opportunities for collaboration where their separate responsibilities intersect. These areas have been explored recently in a briefing from the Centre for Governance and Scrutiny, [Audit Committees and Scrutiny Committees: Working Together](#). The briefing was prepared with reference to the CIPFA guidance and CIPFA provided comments on the draft to help ensure that it was consistent.

Possible areas for collaboration could include risk management and value for money. Scrutiny and the audit committee would focus on their separate responsibilities, but an awareness of the output and work programme of each other can inform plans and avoid duplication. There may be occasions where the audit committee will make a recommendation to a scrutiny committee. An example of how this might occur is set out below.

An internal audit report on a major service area has concluded with a 'limited' assurance rating. One of the main areas of weakness identified was poor performance levels from outdated delivery methods. To inform the policy review being taken forward by the head of service, the audit committee recommends that the appropriate scrutiny committee should consider contributing to the development of a new policy and approach.

In the example above the audit committee fulfils its responsibilities by receiving the internal audit report and supporting an appropriate response to the issues raised by the auditors.

Scrutiny can play its part by taking forward performance oversight and policy development in respect of the service area.

How effective is scrutiny?

When the audit committee reviews the annual governance statement it should be aware of the effectiveness of the council's scrutiny arrangements. Having effective scrutiny arrangements is one of the criteria underpinning the principles of good governance:

“It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.”

[Delivering Good Governance in Local Government: Framework](#) (CIPFA/Solace, 2016)

To support effective scrutiny there are frameworks in place to support review; for example, the Centre for Governance and Scrutiny produce a [Scrutiny Self-evaluation Framework](#). Where scrutiny is weak it can be a contributing factor to, or even a symptom of, wider governance issues within the council. The audit committee should support improvement across the organisation's wider governance arrangements.

Conclusion

Both the audit committee and scrutiny function have vital roles to play in the governance of the council, but they are separate and distinct roles. They can and should work together to help secure improvements but should be careful not to duplicate or overlap. Supporting and encouraging effective scrutiny arrangements will reinforce good governance.

Diana Melville

Governance Advisor, CIPFA

Summer update on local audit and new consultation

In May the Ministry of Housing Communities and Local Government (MHCLG) issued a [spring update](#) on progress against the Redmond Review recommendations. In July a further [update](#) has been issued including consultation questions on:

- strengthening the effectiveness of audit committees in English local government
- the role of the Audit Reporting and Governance Authority (ARGA) in providing system leadership over local audit
- addressing concerns about auditor training and supply
- the local audit of smaller bodies.

This briefing will focus on the main points directly relevant to the audit committee.

Audit committee members new to the role may be unfamiliar with the Redmond Review and the recommendations. It is of direct relevance to the work of the committee and earlier issues of [Audit Committee Update](#) would provide helpful background:

- Issue 29: External Audit Arrangements for English Local Government Bodies
- Issue 30: Responding to the Redmond Review: Results of CIPFA's Survey on Audit Committees
- Issue 31: Focus on Local Audit
- Issue 33: Update on the Redmond Review

Enhancing the governance for responding to local audit findings

Audit committees – background

The Redmond Review commented that local government bodies were not always effective in their response to the findings of the local auditors. In particular, it highlighted the mixed experience of audit committees within councils and reporting relationships between the committee and full council. Specific recommendations included:

- an annual report submitted to Full Council by the external auditor
- consideration given to the appointment of at least one independent member, suitably qualified, to the audit committee.

MHCLG accepted the recommendations and established a working group to consider how the recommendations could best be taken forward. The group included CIPFA, the LGA, Public Sector Audit Appointments (PSAA), MHCLG and the Home Office, as well as the NAO in an observer capacity.

Audit committees – action to take now

Following on from the work of the group, MHCLG has recommended that local authorities should review the existing structure of their audit committees to consider whether their arrangements support effectiveness. They should use the existing CIPFA Position Statement and supporting publication, *Audit Committees: Practical Guidance for Local Authorities and Police* (2018) to support their review. Key aspects to consider include:

- a. Whether the committee is dedicated to the functions of an audit committee and not combined with other responsibilities such as scrutiny.
- b. Whether the committee reports directly to full council.
- c. Whether the size and make-up of the committee supports its effectiveness.

- d. The number and role of the independent member or members and whether new or additional independent members are required. The department would recommend the inclusion of at least one independent member, but more than one may be helpful.

When seeking to take on new or additional independent members the authority should take into account the knowledge and expertise required to complement the existing committee members.

Guidance for audit committees

While guidance is already available, MHCLG has recommended that it be strengthened and updated to support effective audit committee arrangements. The consultation asks for comments on this proposal and whether it is agreed. The updated guidance is likely to include the following:

- structure
- role of independent members
- how the committee interacts with full council
- reporting to those charged with governance
- core functions
- knowledge, expertise and training of audit committee members
- facility to meet privately with auditors.

Longer term improvement of the audit committee

Currently the expectation that local bodies should have proper arrangements in place for their audit committee is reinforced by the new 2020 Code of Local Audit Practice, specifically the review of governance arrangements in the value for money commentary. There is a consultation question on whether this is sufficient or whether the department should take further steps towards making the committee a statutory requirement.

Reporting to full council/those charged with governance

MHCLG is proposing to amend the Accounts and Audit Regulations so that the full council should receive the auditor's annual report from the local auditor. The purpose of this is to improve transparency to the public and ensure all members are aware of issues raised by the auditor and recommendations. It is also proposed that it is accompanied by a report from the audit committee containing its responses to the auditor's annual report.

Internal audit

In his report Sir Tony commented on the value of internal audit within local government bodies. The department agrees with him, and in the statement emphasises to local government bodies the importance of operating in accordance with the requirements of the Accounts and Audit Regulations 2015 to ensure effective internal audit. It encourages the NAO to consider more reference to internal audit in its own guidance to local auditors.

Other matters in the consultation

This briefing has focused on the matters directly impacting on the audit committee, but there are other consultation questions that are also of interest for the committee. Understanding the role and responsibilities of the system leader for local audit is relevant and the specific questions should be considered. For example, there are questions concerning the annual report content from the system leader and future reviews of the Code of Audit Practice. In addition, all stakeholders have an interest in the stability of the local audit market and the

availability of adequately experienced auditors. These will have consequences for future procurement arrangements.

Responding to the consultation

While some of the audit committee issues are particularly relevant for councils, the consultation questions potentially apply across all local government bodies. The consultation does encourage a wide response from all authorities.

The consultation was published on 28 July with a response time of eight weeks. CIPFA will be responding to the consultation and would encourage all local government bodies in England to respond too.

Diana Melville

Governance Advisor, CIPFA

Recent developments you may need to know about

Reports, recommendations and guidance

Local auditor reporting on local government in England

The National Audit Office has published a report, [Timeliness of local auditor reporting on local government in England, 2020](#) on the local audit system. This has been followed up by a report from the Public Accounts Committee, [Local auditor reporting on local government in England](#). The report describes the system of local government audit as being close to “breaking point”.

Guidance for audit committees on cloud services

The guidance provides an overview of cloud services and outlines government policy on their use. It then sets out specific questions for audit committees to consider asking when engaging with their management. [National Audit Office](#)

Climate and sustainability reporting

In a new research report, [Evolving Climate Accountability: A Global Review of Public Sector Environmental Reporting](#), CIPFA has identified that more than half of public sector organisations do not currently report on their climate impact. It identifies seven key areas for the development of public sector sustainability reporting.

Initial learning from the government’s response to the COVID-19 pandemic

The report from the [National Audit Office](#) sets out learning across six themes:

- risk management
- transparency and public trust
- data and evidence
- co-ordination and delivery models
- supporting and protecting people
- financial and workforce pressures.

Fraud and irregularity 2020/21

A report from [Audit Scotland](#) setting out the fraud risks emerging since the start of the pandemic. It also shares information about cases where internal control weaknesses have led to fraud and irregularity.

Local government in Scotland overview 2021

The [overview report](#) from Audit Scotland examined the impact of COVID-19. It concludes that councils and communities worked well together, but the impacts of COVID-19 were unequal.

Code of Audit Practice – Scotland

The new code defines the independent audit of public bodies in Scotland. [Audit Scotland](#)

COVID-19: Local government finance

The [Public Accounts Committee report](#) concludes that the department's over-optimism about the resilience of local government is not matched by the reality. The long-term systemic funding issues in local government mean that sector representatives are clear that most councils will not be able to manage solely using reserves.

Local authority financial sustainability and the Section 114 regime

The report from the [Housing, Communities and Local Government Committee](#) says that council finances are unsustainable without reform. It also recommends removing powers to appoint their own auditors and suggests a new 'yellow card' for the chief financial officer to use before a S.114 becomes necessary.

Financial sustainability of local authorities visualisation: update

The [National Audit Office](#) has updated the interactive model showing financial sustainability information for each local authority in England.

Northamptonshire County Council: lessons learned report

Report from the council's commissioners identifying lessons learned. [Ministry of Housing, Communities and Local Government](#)

Liverpool City Council: Best Value inspection report

The report identifies failings in governance and control of trading companies. [Ministry of Housing, Communities and Local Government](#)

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.	
Issues from 2012	
Assurance Planning, Risk Outlook for 2012, Government Response to the Future of Local Audit Consultation	Issue 7
Commissioning, Procurement and Contracting Risks	Issue 8
Reviewing Assurance over Value for Money	Issue 9
Issues from 2013	
Public Sector Internal Audit Standards and Updates to Guidance on Annual Governance Statements	Issue 10
Local Audit and Accountability Bill, the Implications for Audit Committees, Update of CIPFA's Guidance on Audit Committees	Issue 11
Issues from 2014	
Reviewing the Audit Plan, Update on the Local Audit and Accountability Act	Issue 13
Issues from 2015	
What Makes a Good Audit Committee Chair? Governance Developments in 2015	Issue 16
The Audit Committee Role in Reviewing the Financial Statements	Issue 17
Self-assessment and Improving Effectiveness, Appointment and Procurement of External Auditors	Issue 18
Issues from 2016	
Good Governance in Local Government – 2016 Framework, Appointing Local Auditors	Issue 19
CIPFA Survey on Audit Committees 2016	Issue 20
The Audit Committee and Internal Audit Quality	Issue 21
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Developing an Effective Annual Governance Statement	Issue 22
2017 Edition of the Public Sector Internal Audit Standards, Risks and Opportunities from Brexit	Issue 23

Issues from 2018	
The Audit Committee Role in Risk Management	Issue 24
Developing an Effective Annual Governance Statement	Issue 25
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The Audit Committee Role in Counter Fraud	Issue 28
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The Annual Governance Statement for 2020/21, Internal audit and external audit working together	Issue 34

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