

Public Document Pack
SOUTHEND-ON-SEA CITY COUNCIL

Audit Committee

Date: Wednesday, 26th April, 2023

Time: 6.30 pm

Place: Committee Room 1 - Civic Suite

Contact: Robert Harris – Principal Democratic Services Officer

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 Tuesday, 21 March 2023**
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Report of Executive Director (Finance and Resources)

Chair & Members:

Cllr M Dent (Chair), Cllr I Shead (Vice-Chair), Cllr H Boyd, Cllr K Buck, Cllr T Cox, Cllr M Davidson, Cllr A Line, Cllr R McMullan, Cllr K Murphy and K Pandya

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SOUTHEND-ON-SEA CITY COUNCIL

Meeting of Audit Committee

Date: Tuesday, 21st March, 2023

Place: Committee Room 1 - Civic Suite

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Present: Councillor M Dent (Chair)
Councillors I Shead (Vice-Chair), H Boyd, T Cox, M Davidson, A Jones* and
R McMullan
K Pandya (Co-opted Member)

*Substitute in accordance with Council Procedure Rule 31.

In Attendance: M Marais, M Ramzan (Deloitte), A Barnes, P Bates, J Chesterton, C Fozzard
and S Tautz

Start/End Time: 6.30 pm - 7.15 pm

785 Chairs Introduction & Apologies for Absence

(a) Chair's Introduction

Prior to the consideration of the matters set out in the agenda, the Chair outlined their expectations of the standard of conduct and behaviour to be shown at the meeting.

(b) Apologies for Absence

Apologies for absence were received from Councillor K Buck (no substitute), Councillor A Line (Substitute: Councillor A Jones) and Councillor K Murphy (no substitute).

786 Declarations of Interest

No interests were declared at the meeting.

787 Minutes of the Meeting held on Wednesday, 11 January 2023

Resolved:

That the minutes of the meeting of the Committee held on 11 January 2023 be confirmed as a correct record and signed.

788 Deloitte: Updated report to the Audit Committee on the audit for the year ended 31 March 2021

The Committee considered a report prepared by the Council's external auditors, Deloitte, that provided a summary of the audit work completed to date for the 2020/21 financial year, with regard to the auditor's opinion on the Council's Statement of Accounts and its arrangements for securing Value for Money.

The Committee asked a number of questions which were responded to by representatives of Deloitte and officers and were advised that the audit work had been substantially completed subject to the finalisation of a number of outstanding matters,

but that no significant weakness in the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources had been identified.

Resolved:

That the final report of Deloitte on the audit for the year ended 31 March 2021, be noted.

789 Adoption of the Annual Governance Statement 2020/21 and Statement of Accounts 2020/21

The Committee considered a report of the Executive Director (Finance and Resources) presenting the Annual Governance Statement for 2020/21, together with proposed actions for 2021/22 and an update on progress made against the action plan for 2020/21, and the Statement of Accounts for 2020/21.

The Committee asked a number of questions in respect of the Annual Governance Statement and the Statement of Accounts, which were responded to by officers.

Resolved:

1. That the Annual Governance Statement for 2020/21 be agreed, subject to any further views expressed by the Council's External Auditor, and that the Governance Statement be recommended to the Leader of the Council and the Chief Executive for authorisation, signature and incorporation in the Statement of Accounts for 2020/21.
2. That the Statement of Accounts for 2020/21 be adopted and approved for publication, subject to any final review and amendments required as a result of the remaining audit matters outstanding.

790 Deloitte: Audit planning report to the Audit Committee, Audit for the year ending 31 March 2022

The Committee considered a report prepared by the Council's external auditors, Deloitte, that presented the audit planning report for 2021/22 required by the National Audit Office Code of Audit Practice, which set out how the auditors intended to carry out their responsibilities in light of their assessment of risk and the planned scope of relevant audit work.

The Committee asked a number of questions in respect of the scope of the audit work for 2021/22, which were responded to by representatives of Deloitte and officers.

Resolved:

That the Deloitte audit planning report for 2021/22, be noted.

Chair: _____

Southend-on-Sea Borough Council

Report of the Executive Director (Finance and
Resources)

to

Audit Committee

on

26 April 2023

Agenda
Item No.

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Report prepared by: Andrew Barnes, Head of Internal Audit

Deloitte: Auditor's Annual Report 2020/21

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present the Auditor's Annual Report for 2020/21 to the Audit Committee.

2. Recommendations

- 2.1 **The Audit Committee approves the Auditor's Annual Report for 2020/21.**

3. Background

- 3.1 This Auditor's Annual Report summarises the key issues arising from the work Deloitte have carried out in respect of the 2020/21 year as the Council's external auditors and highlights the key findings that should be considered by the Council.
- 3.2 It is intended to be a short document, aimed at the public, to inform them about the results of the audit. It will be posted onto the Council's website and will also be posted on the National Audit Office website.

4. Reasons for Recommendations

- 4.1 **The production and publication of an Auditor's Annual Report is a requirement of the National Audit Office's Code of Audit Practice (the Code).**

5. Corporate Implications

- 5.1 Contribution to the Corporate Plan and Southend 2050 Road Map
Audit work provides assurance and identifies opportunities for improvements that contribute to the delivery of all Southend 2050 outcomes.
- 5.2 Financial Implications
The fee for the audit work is set by Public Sector Audit Appointments Limited and agreed with the Council before the start of the audit. The code audit fee for 2020/21 reported in the Deloitte audit plan was £159,000. Issues arising during the course of the audit can impact on the audit fee payable.

5.3 Legal Implications

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

5.4 People Implications

None

5.5 Property implications

None

5.6 Consultation

The Auditor's Annual Report for 2020/21 has been discussed and agreed with the Executive Director (Finance and Resources).

5.7 Equalities and Diversity Implications

None

5.8 Risk Assessment

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

5.9 Value for Money

Public Sector Audit Appointments sets the fee formula for determining external audit fees for all external auditors.

5.10 Community Safety Implications

None

5.11 Environmental Impact

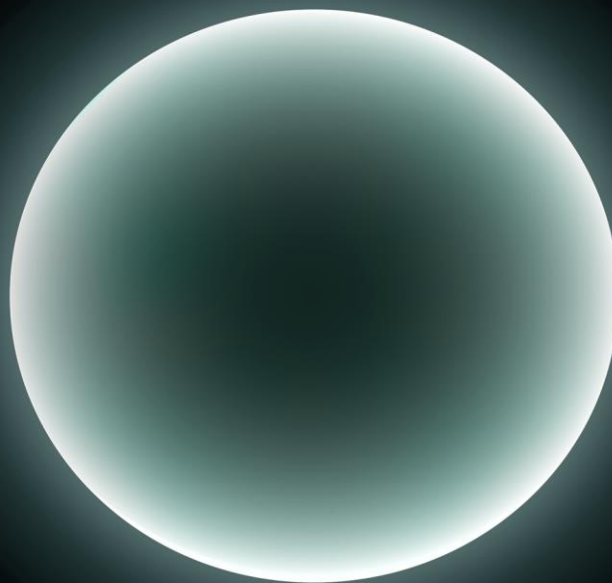
None

6. Background Papers

- The Accounts and Audit Regulations 2015
- National Audit Office: Code of Audit Practice

7. Appendices

Appendix 1: Deloitte's Auditor's Annual Report 2020/21



Southend-on-Sea City Council*

Auditor's Annual Report 2020/21

* Up until 1 March 2022 Southend on Sea City Council was known as Southend on Sea Borough Council, as our report relates to the Council activities before this date, we have referred to the Council as a Borough Council throughout.

April 2023

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Key Messages

Audit opinion on the financial statements

We anticipate issuing an unqualified opinion on the Council's financial statements.

The Councils' arrangements to secure Value for Money

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

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- The Council generated a deficit on the provision of services of £8.4m versus a deficit of £5.5m in the prior year however on a funding basis the Council achieved a net underspend of £1m compared to a net overspend of £4.5m in the prior year.
- The Council produces an annual forecast as well as a Medium Term Financial Forecast (MTFF) for 2020/21 to 2024/25 which is reviewed annually. Whilst a balanced budget was in place for 2020/21, the MTFF shows an accumulated budget gap of £23.2m by 2024/25 with the Council seeking to implement measures as part of annual financial planning to address the budget gap for the year.
- The financial position is reported four times a year and this includes an analysis of the actual expenditure incurred compared to budget.
- Over the last three financial years, cash balances have remained between £43m and £46m, before increasing during 2020/21 to a year end balance of £66m. At 31 March 2021, the Council had total reserves of £518.2m, with usable reserves standing at £201.5m, and supporting the Council's overall financial position.

Governance

How the body ensures that it makes informed decisions and properly manages its risks

- The Council has policies in place to facilitate informed decision making. The Constitution is regularly reviewed and provides detail as to the rules and procedures under which the Council operates. It sets out how decisions are made and the rights of citizens to obtain information and influence decisions.
- The Council utilises an internal audit function which undertakes a risk based programme of work in accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards. They provide an annual audit report and opinion on the framework of governance, risk management and control, highlighting any significant control weaknesses.
- The Council has a detailed risk management process in place and performed an assessment of the risks of Covid-19 during the year. The Council maintains a Risk Management Framework and risk register, which are reviewed on a quarterly basis by the Authority. The five independent thematic overview and scrutiny committees, hold the Council accountable for the decisions made.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

- The Council assesses its performance regularly through meetings with the Cabinet and Corporate Management team. The financial and performance information produced is used at all levels of the Council to identify areas for improvement, addressing any poor performance and sharing good practice to continuously improve.
- The Council assesses its significant partnerships, service level provision and monitors procurement through various means that allow an improvement to the way in which these are delivered.

Purpose of this report

Our Auditor's Annual Report sets out the key findings arising from the work we have carried out at Southend-on-Sea Borough Council ("the Council") for the year ended 31 March 2021.

This report is intended to bring together the results of our work over the year at the Council, including commentary on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). This report fulfils the requirements of the Accounts and Audit Regulations for an Annual Audit Letter.

In preparing this report, we have followed the National Audit Office's ("NAO") Code of Audit Practice and its Auditor Guidance Note ("AGN") 03, Value for Money, and AGN 07, Auditor Reporting. These are available from the NAO website.

A key element of this report is our commentary on the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources ("Value for Money", "VfM"). Our work considering these arrangements is based on our assessment of the adequacy of the arrangements the Council has put in place, based on our risk assessment. The commentary does not consider the adequacy of every arrangement the Council has in place, nor does it provide positive assurance that the Council is delivering or represents value for money.

Where we find significant weaknesses in the Council's VfM arrangements or areas where arrangements could be further strengthened, we include recommendations setting out what the Council needs to do to strengthen its arrangements.

We have not identified any significant weaknesses in the Council's VfM arrangements, and so have not reported any recommendations in respect of significant weaknesses.

Assurance sources for the Council

The diagram below illustrates how the assurances provided by external audit around finance, quality, controls and systems and the future of the Council (in the green rows) fits with some of the other assurances available over the Council's position and performance.



Opinion on the financial statements

We provide an independent opinion whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council at 31 March 2021 and of the Council's income and expenditure for the year then ended;
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom in 2020/21.

The full opinion is included in the Council's Statement of Accounts, which can be obtained from the Council's website.

We conduct our audit in accordance with the NAO's Code of Audit Practice, International Standards on Auditing (UK) ("ISAs (UK)") and applicable law.

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements:	We anticipate issuing an unqualified opinion on the Council's financial statements. We did not identify any matters where, in our opinion, proper practices had not been observed in the compilation of the financial statements.
Narrative Report:	We reported that the information given in the Narrative Report for the year ended 31 March 2021 is consistent with the financial statements.
Annual Governance Statement:	We did not identify any matters where, in our opinion, the Annual Governance Statement did not meet the disclosure requirements set out in the Code of Practice on Local Council Accounting, was misleading, or was inconsistent with information of which we are aware from our audit.
Reports in the public interest and duties as public auditor:	We did not exercise any of our additional reporting powers in respect of the year ended 31 March 2021.
Audit Certificate:	We are not able to certify completion of the audit until the Whole of Government Accounts requirements are published by the NAO and the audit procedures in relation to these are completed.

Our financial statement audit approach

An overview of the scope of the audit

Our audit was scoped by obtaining an understanding of the Council and the environment it operates in, including internal control, and assessing the risks of material misstatement to the financial statements. Our risk assessment procedures include considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address identified risks of material misstatement.

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, led by the audit director, Mohammed Ramzan. The audit team included integrated Deloitte specialists bringing specific skills and experience in property valuations and in relation to local government pension scheme.

Materiality

Our work is planned and performed to detect material misstatements. We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Council to be £7.6m, on the basis of 2% of planned Gross Expenditure.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £380k as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Procedures for auditing the financial statements

Our audit of the financial statements included:

- developing an understanding of the Council, including its systems, processes, risks, challenges and opportunities and then using this understanding to focus audit procedures on areas where we consider there to be a higher risk of misstatement in the financial statements;
- performing sample tests on balances in the financial statements to supporting documentary evidence, as well as other analytical procedures, to test the validity, accuracy, completeness and existence of those balances; and
- interviewing members of the Council's management team and reviewing documentation to test the design and implementation of the Council's internal controls in certain key areas relevant to the financial statements.

Approach to audit risks

We focused our work on areas where we considered there to be a higher risk of misstatement. We refer to these areas as significant audit risks.

We provided a detailed audit plan to the Council's Audit Committee setting out what we considered to be the significant audit risks for the Council, together with our planned approach to addressing those risks. We have provided a summary of each of the significant audit risks on the following pages.

Significant risks

Recognition of Covid-19 grant income

Risk identified

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

We have assessed the income streams of the Council, the complexity of the recognition principles and the extent of any estimates used, and concluded that, with the exception of the funding received in 2020/21 in response to the Covid-19 pandemic, there is no significant risk of fraud.

During 2020/21, the Council has received additional funding in relation to Covid-19 grants of £51.3m. In addition, there are a number of business support schemes designed to help eligible businesses during the Covid-19 pandemic that are being administered by Councils on behalf of Central Government, the total value of this funding was £57.0m.

We have pinpointed the significant risk to the completeness and accuracy of the funding recognised in the Council's financial statements and the completeness and accuracy of the agency arrangement disclosures, where the Council has acted as an agent on behalf of Central Government in administering Covid-19 grants.

The key judgements for management are assessing:

- Any conditions associated with the Covid-19 grants; and
- Whether the Council is acting as a principal or agent in administering the Covid-19 schemes, and how this is subsequently recognised in both the Comprehensive Income and Expenditure Statement and Balance Sheet.

Deloitte response and challenge

We have completed the following procedures:

- Assessed the design and implementation of the controls in relation to the accounting treatment of all COVID-19 related funding.
 - Tested a sample of funding for Covid-19 grants and confirmed these have been recognised in accordance with any conditions applicable, including appropriate recognition in both the Comprehensive Income and Expenditure Statement and Balance Sheet; and
 - Considered the adequacy of disclosures in the financial statements, including accounting policies and where relevant critical accounting judgement and key sources of estimation uncertainty disclosures.
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Significant risks (continued)

Recognition of Covid-19 grant income (continued)

**Deloitte
response
and
challenge
(Continued)**

- Tested the agency arrangement disclosures to confirm, where it is concluded that the Council is acting as an agent, that:
- the transactions have been excluded from the Comprehensive Income and Expenditure Statement;
 - the Balance Sheet reflects the debtor or creditor position at 31 March 2021 in respect of cash collected or expenditure incurred on behalf of the principal; and
 - the net cash position at 31 March 2021 is included in the financing activities in the Cash Flow Statement.

Conclusion

We have concluded our testing on this area and confirm no material misstatements identified.

Significant risks (continued)

Valuation of property assets

Risk identified

The Council is required to hold dwellings, other land and buildings within Property, Plant and Equipment and Investment Properties at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.

The Council held dwellings of £412m (2019/20: £375m) and other land and buildings of £255m (2019/20: £266m) at 31 March 2021 which are required to be recorded at current or fair value at the balance sheet date. The authority also holds £39m (2019/20: £41m) of commercial investment property. The increase in property assets from prior year is mainly due to additions in dwellings and revaluation movements.

The Council updates the valuation of its properties using a rolling revaluation programme. The main assets which were revalued in the year were the Council dwellings, investment properties, garages and hostels within the Housing Revenue Account.

Deloitte response and challenge

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We have completed the following procedures:

- We have reviewed the design and implementation of the controls in place in relation to property valuations;
- We have considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- We have engaged our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets;
- We sample tested key asset information used by the Council's valuers in performing their valuation, such as gross internal areas, back to supporting documentation;
- We have reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- We have considered the impact of Covid-19 on the valuation of property assets and ensured, where necessary, the Council has reflected the impact in their valuations; and
- We have reviewed the presentation of revaluation movements, and the disclosures included in the Statement of Accounts.

Conclusion

After concluding our work, we have no matters to bring to the attention of the Audit Committee.

Significant risks (continued)

Management override of controls

Risk identified	Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
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Although management is responsible for safeguarding the assets of the Council, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Statement of Accounts.

Deloitte response and challenge	<p>We have considered the overall sensitivity of judgements made in preparation of the Statement of Accounts, and note that:</p> <ul style="list-style-type: none">• The Council's results throughout the year were projecting overspends in operational areas. This was closely monitored and whilst projecting overspends, the underlying reasons were well understood; and• Senior management's remuneration is not tied to particular financial results.
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We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Journals

- We have tested the design and implementation of controls in relation to journals.
- We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We have used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year.

Significant transactions

- We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.
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Significant risks (continued)

Management override of controls (continued)

Deloitte response and challenge

Accounting estimates

- We have performed design and implementation testing of the controls over key accounting estimates and judgements.
- The key judgements in the financial statements are those selected as significant audit risks and other areas of audit interest as discussed elsewhere in this report.
- We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We note that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.
- We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Conclusion

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

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

Significant risks (continued)

Capitalisation of expenditure

Risk identified	<p>At the time of publishing the 2020/21 financial statements, it has been noted that as part of the Medium Term Financial Strategy (MTFS), the Council had a substantial capital programme of £216m over the next five years. The capital programme included £66.3m spend in 2020/21.</p> <p>Determining whether or not expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards.</p> <p>The Council has greater flexibility of the use of revenue resource compared to capital resource. There is also, therefore, an incentive for officers to misclassify revenue expenditure as capital. We have therefore identified classification of capital expenditure as a fraud risk in the financial statements.</p>
Deloitte response and challenge	<p>We have tested the design and implementation of controls around the capitalisation of costs.</p> <p>We have selected a sample of additions in the year to test whether they have been appropriately capitalised in accordance with the accounting requirements. This sample included Assets Under Construction.</p>
Conclusion	<p>After concluding our work, we have no matters to bring to the attention of the Audit Committee.</p>

Significant risks (continued)

Valuation of infrastructure assets

Background Infrastructure assets are inalienable assets, expenditure on which is only recovered by continued use of the asset created. They include carriageways, structures, street lighting, street furniture and traffic management systems, and are measured in the accounting code at historical cost.

The accounting code requires that where a component of an asset is replaced:

- the cost of the new component should be reflected in the carrying amount of the infrastructure asset; and
- the gross costs and accumulated depreciation of the old component should be derecognised to avoid double counting.

Auditors have identified that local authorities in the UK have not been properly accounting for infrastructure assets since the move to IFRS in 2020/21 due to information deficits. This is particularly the case in relation to roads, where the engineering records used for maintenance have not been created to map against identifiable components.

CIPFA/ LASAAC attempted to resolve the issues and undertook an urgent consultation on temporary changes to the code. However, it was unable to agree an approach that addressed the concerns of all stakeholders whilst also supporting high quality financial reporting.

This has resulted in the Department for Levelling Up, Housing and Communities (DLUHC) agreeing to provide a statutory instrument, which will help resolve some of the issues identified, whilst a permanent solution is identified. The statutory instrument has now been issued.

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Significant risks (continued)

Valuation of infrastructure assets (continued)

Risk identified

The following concerns were raised by local authority auditors in relation to the treatment of infrastructure assets in local authority statement of accounts:

- Derecognition of components – concerns were raised that local authorities were not derecognising infrastructure assets after they had been replaced by additions. This was due to the derecognition provisions of the Code being difficult for local authorities to apply for infrastructure assets, as authorities do not have detailed records of infrastructure asset components in place.
- Gross book value and accumulated depreciation – as a result of local authorities not disposing of infrastructure asset components when they were replaced, the gross book value and accumulated depreciation balances included in the property, plant and equipment disclosure notes for infrastructure assets are overstated. This is because components that are no longer in use are still included in both balances.
- Infrastructure asset disaggregation – concerns were raised that the records held by some local authorities do not sufficiently disaggregate the infrastructure asset balance within the authorities fixed asset register, so as to allow both the authority and auditors, to understand the actual types of infrastructure assets held by the authority. For example, it was noted that a number of authorities nationally include one line entitled “infrastructure assets” in the fixed asset register, with no further information available regarding what is included in the balance.
- Useful economic lives – it was identified that authorities often have limited support for the useful economic lives used in relation to infrastructure assets.

These issues were all raised with CIPFA and the Department for Levelling Up, Housing and Communities (DLUHC).

We believe the above concerns to be relevant to the Council, as it has a net book value of £112.5m (2019/20: £102.5m) in relation to infrastructure assets as at year end. The current year net book value reflected above is before the adjustment made in relation to the application of the new guidance and statutory instrument issued. Per inspection of the fixed asset register and per inquiry with management we have noted the following:

Significant risks (continued)

Valuation of infrastructure assets (continued)

Risk identified (Continued)

1. Derecognition of components: The Council has recognised £63.1m in additions to infrastructure over the last 5 years with no disposals noted at all during this period. Per inquiry with management there were no disposals made as in accordance with the code infrastructure assets are described as inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use.

2. For the useful economic lives (hereafter referred to as UEL) of infrastructure assets, a detailed exercise was carried out in 2012/13 to determine the average length of time each type of asset is in use before it needs to be replaced. Apart from the assessment of UELs for street lighting in 2017/18 there has no detailed reassessment of UELs for other infrastructure assets since.

Due to the above factors we deem the risk associated to the valuation of infrastructure assets to be significant for our audit purposes.

Deloitte response and challenge

We have completed the following procedures:

- Assessed the design and implementation of the controls in place relating to the valuation of infrastructure assets.
 - On derecognition of components: The Council has opted to determine the carrying amount that is to be derecognised as nil, as per the Statutory Instrument (hereafter refer to as 'SI') within paragraph 30M.4, a disclosure is required to be made in the Council's statement of the accounts that they have applied this assumption. The audit team has confirmed that the Council has opted to apply the SI and have made the assumption that the carrying amount of any assets that have been replaced was nil. The audit team has reviewed the Statement of Accounts and confirmed that this disclosure has been made.
 - Gross book value and accumulated depreciation: The audit team has reviewed the infrastructure assets disclosure included in the Council's revised financial statements and have compared this to the CIPFA Bulletin example, and can confirm that no issues have been identified.
 - Infrastructure Asset disaggregation: The audit team has challenged the disaggregation of infrastructure assets as reflected on the fixed asset register and concluded that the disaggregation is reasonable.
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Significant risks (continued)

Valuation of infrastructure assets (continued)

**Deloitte
response
and
challenge
(Continued)**

We have completed the following procedures (continued):

- The audit team reviewed and challenged the determination of the useful economic lives applied to infrastructure assets by the Council and confirmed the rationale for the determination of the useful economic lives to be appropriately supported and reasonable in light of information reviewed.
- The audit team has reviewed the revised accounting policies and compared these to the example accounting policy included in the CIPFA Bulletin annex A. Following completion of this review, no issues have been identified.

Conclusion

Following the conclusions of the work performed as detailed above, we identified an adjustment that was required to reflect the updated useful economic life and valuation as of 1 April 2021 and this has been reflected by the Council.

Auditor's work on Value for Money (VfM) arrangements

The section 151 Officer and the Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

The section 151 Officer reports on the Council's arrangements, and the effectiveness with which the arrangements are operating as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. Under the National Audit Office's Auditor Guidance Note 3, we are required to assess arrangements under three areas:

Financial Sustainability	<i>How the body plans and manages its resources to ensure it can continue to deliver its services</i>
Governance	<i>How the body ensures that it makes informed decisions and properly manages its risks</i>
Improving economy, efficiency and effectiveness	<i>How the body uses information about its costs and performance to improve the way it manages and delivers its services</i>

In this report, we set out the findings from the work we have undertaken. Where we have found significant weaknesses in arrangements, we are required to make recommendations so that the Council can consider them and set out how it plans to make improvements. We have not identified any significant weaknesses in arrangements.

In planning and performing our work, we consider the arrangements that we expect bodies to have in place, and potential indicators of risks of significant weaknesses in those arrangements. As a result of the Covid-19 pandemic, there have been changes in nationally led processes, changes in expectations around Council's arrangements, and events occurring outside of the Council's control, which affect the relevance of some of these indicators. We have still considered whether these indicators are present, but have considered them in the context of the circumstances of 2020/21 in assessing whether they are indicative of a risk of significant weakness.

In addition to our financial statement audit, we performed a range of procedures to inform our VfM commentary, including:



Interviews with key stakeholders, including Executive Director Finance and Resources, Monitoring Officer, Director of Strategy, Head of Procurement and Head of Internal Audit.



Review of Council and committee reports and attendance at Audit Committee meetings.



Reviewing reports from third parties including internal audit reports.



Considering the findings from our audit work on the financial statements.



Review of the Council's Annual Governance Statement and Narrative Report.

VfM arrangements: Financial Sustainability

Approach and considerations	Commentary
<p>We have considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including:</p> <ul style="list-style-type: none"> • How the Council ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them; • How the Council plans to bridge its funding gaps and identifies achievable savings; • How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities; • How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and • How the Council identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans. 	<p>The Council reported a deficit on the provision of services of £8.4m versus a deficit of £5.5m in the prior year. However it should be noted that this is before adjustments between the accounting and the funding basis under regulation. For the final revenue outturn the Council achieved a net underspend of £1m and a net overspend of £4.5m in the prior year. The current year deficit is mainly driven by the impacts of COVID-19 which resulted in significant increases in expenditure for the Council in supporting residents and local businesses but these were offset by significant increases in financial support from Government. In addition, there has been an increase in financing expenditure for the current year and the overall borrowings balance was decreased by repayments during the year.</p> <p>At 31 March 2021, the Council had net asset of £518.2m (31 March 2020: £504.5m) and cash of £66m (31 March 2020: £43m). At 31 March 2021, the Council had total reserves of £518.2m, which included usable reserves of £201.5m which supports the Council's overall financial position and £162.1m usable reserves in the prior year.</p> <p>The Council's annual planning process and processes around identification of significant pressures were significantly impacted by the Covid-19 pandemic. We saw evidence that the Council adapted its arrangements to respond and they were in line with our expectation in the current operating environment.</p> <p>There has been varied impact of the Covid-19 pandemic on the operations of the Council and planned delivery of its capital programme, with additional Covid-19 grant income being received during the year. The Council has reviewed the additional costs of Covid-19 and utilised Covid-19 grants to support the delivery of services during the pandemic.</p> <p>The Council has a well established annual financial planning and forecasting process. The financial plan is considered as part of the overall operational planning process and this process is led by the Executive Director Finance and Resources.</p> <p>The Authority has a balanced MTFF for 2020/21 to 2024/25. In preparing the 2020/21 budget, the Authority performed a full review of the base budget due to the significant changes that had occurred over the previous two years. This involved reviewing both the internal and external environments to ensure that all financial pressures were identified and factored in to the budget.</p>

VfM arrangements: Financial Sustainability

Approach and considerations	Commentary
<p>We have considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including:</p> <ul style="list-style-type: none">• How the Council ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;• How the Council plans to bridge its funding gaps and identifies achievable savings;• How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;• How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and• How the Council identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.	<p>The Council's MTFS provides the framework within which revenue and capital spending decisions can be made over the medium term. It is reviewed and updated on an annual basis to take into account any alterations that may be required as a result of the changed circumstances.</p> <p>The 2020/21 budget is linked to the Councils objectives and financial sustainability strategy and has been prepared to ensure the Authority has sufficient resources to deliver services.</p> <p>To address funding gaps, the Council relies on income generation and saving initiatives such as expenditure cuts, and it's significant commercial and rental property holdings continue to provide a stable income base to underpin the budget and assist in the provision of local services. Future options under consideration by the Council include increasing car parking charges, Council Tax and extra income received for eligible services delivered to the Housing Revenue Account.</p> <p>The Council undertakes detailed budget monitoring on a monthly basis and provides reports to Cabinet on a quarterly basis which includes a review of the actual outturn position against the budget, and details any significant variances. This regular review also allows the Council to identify any changes in demand throughout the year.</p> <p>The Financial Sustainability Strategy (FSS) for the next ten years is the high-level long-term strategy that frames the financial future and intentions for the Council. It helps to set the context of the MTFS, guide the Councils approach to maximising resources, prioritising investment and the effective targeting of resources to deliver the ambitions and outcomes within the Southend 2050 programme and roadmap phases.</p> <p>Its primary purpose is to outline the Councils approach, desire and commitment to achieving financial sustainability by embracing the area's economic potential, growing the Councils local tax base and increase sustainable income capabilities.</p>

VfM arrangements: Governance

Approach and considerations	Commentary
<p>We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:</p> <ul style="list-style-type: none"> • How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud; • How the body approaches and carries out its annual budget setting process; • How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed; • How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and • How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour. 	<p>The Council has a detailed risk management process in place. The Council maintains a Risk Management Policy and a Corporate risk register which is reviewed twice a year by Cabinet and tabled at Audit Committee meetings. The risks identified are allocated to an owner to implement the mitigating actions. Due to the Covid-19 pandemic, the risk register was reviewed and risks identified relating to the pandemic added.</p> <p>The Council also has a Counter Fraud and Investigations Team that has a work plan to enhance awareness of the risk of fraud, to prevent and detect fraud and that will receive and investigate allegations of fraud or impropriety.</p> <p>The Counter Fraud and Investigation Team reports the delivery of that plan and an outline of the investigations that have been undertaken to the Audit Committee on a quarterly basis.</p> <p>The Audit Committee reviews the adequacy of risk management arrangements and has oversight of the Council's system of internal control, including arrangements to prevent and detect fraud. The Council has a series of policies covering internal controls, including a whistleblowing and anti-money laundering policy. These policies are readily available for all staff to review on the Council's website. The Audit Committee approves the annual Internal Audit Plan, and receives updates at committee meetings through the year.</p> <p>The internal audit function are required to provide independent, objective assurance and designed to add value to and improve operations. Internal audit reviewed the risk management which is tabled at Audit Committee meetings and approved by Cabinet. The Council received one limited assurance report relating to contract management however based on the follow up report done by Internal audit, we are satisfied that this does not represent a significant risk of weakness. The Head of Internal Audit opinion for the year provided "Satisfactory Assurance" that there is a sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</p> <p>The Council undertakes detailed budget monitoring on a monthly basis and provides reports to Cabinet and Corporate Management Team (CMT) on a quarterly basis which includes a review of the actual outturn position against the budget, and details any significant variances.</p>

VfM arrangements: Governance

Approach and considerations	Commentary
<p>We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:</p> <ul style="list-style-type: none"> • How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud; • How the body approaches and carries out its annual budget setting process; • How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed; • How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and • How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour. 	<p>National and local guidance is assessed and used to form the basis of a number of assumptions in the budget. Current year performance is evaluated with notable variances explained to determine any ongoing impact. The budget seeks to explain year on year movements and any pressures are identified. There is a clear process in place to set the annual budget and this is approved by the Council on a timely basis.</p> <p>The Council produces a quarterly performance report which includes a review of the actual outturn position against the budget, and details any significant variances. This is reported to the Authority quarterly, which ensures there is sufficient oversight of the budget monitoring process. The report also includes non financial information and reports on how the Authority is achieving against the Councils strategic objectives.</p> <p>The Council received OFSTED Findings from the HM Inspector which indicates improvement are required in Children's Services. Based on the procedures performed, we confirmed that measures were in place to address these findings and are satisfied that no significant weakness in arrangements exist. A Children Services Improvement Board was adopted by the Council to address the OFSTED finding, the HM Inspector was satisfied with the progress on the findings as confirmed in his letter 27 June 2022.</p> <p>The Authority has an approved decision making methodology for investment and divestment decisions, which includes approval by the Investment Board and Council. Where necessary, decisions will be reviewed by Cabinet for comment and to determine if the proposal should be approved. Business cases with supporting information are submitted to the relevant committee for approval. This allows for challenge and transparency before decisions are approved.</p> <p>We have reviewed the Annual Governance Statement and confirmed that no the significant control weaknesses were identified which is consistent with our work performed.</p> <p>The Council has a number of staff policies in place including a code of conduct. These are all contained within the Constitution and are readily available for all staff to access. Declarations of interest are maintained for all senior members of staff and decision making officers.</p>

VfM arrangements: Governance

Approach and considerations	Commentary
<p>We have considered how the Council ensures that it makes informed decisions and properly manages its risks, including:</p> <ul style="list-style-type: none">• How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;• How the body approaches and carries out its annual budget setting process;• How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;• How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and• How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer behaviour.	<p>The Council has a Monitoring Officer in place, assisted by a team of lawyers to deal with complaints and in certain instances external providers are used for drawing up major contracts. The legal team is currently reviewing the Whistle-blower policy, Constitution and complaints process against members. The complaints process is reported to the Scrutiny committee. The Council is not involved in legal proceedings that may impact on financial sustainability nor have they been subject to any external investigations</p>

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations:

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Council evaluates the services it provides to assess performance and identify areas for improvement;
- How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the Council commissions or procures services, how the Council ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Commentary

The Council assesses its performance through quarterly Performance and Finance Monitoring Reports which is reported to Cabinet. There is also a Quarterly Budget Monitoring process in place which ensures that both revenue and capital net spending is controlled and reported through a rolling forecast that goes through scrutiny and Cabinet process.

The Cabinet committee is also the basis for challenging management as well as identifying emerging risks; this allows financial plans to align as smoothly as possible with emerging financial challenges and therefore maintain financial sustainability and identify areas for improvement

The Council uses Southend 2050 Outcomes Success Measures Report which is reported to Cabinet on a quarterly basis to measure its operational performance which has been refined in light of the pandemic. The impact has been reflected in all statutory reporting and reporting to inform decision making.

The Council is proactive in delivering its role through partnership working and through wider engagement with other stakeholders. There are numerous examples ranging from commercial partnership arrangements with the private sector for the delivery and discharging its responsibilities in areas such as Housing, Health and Wellbeing with other public bodies, including the third sector. Some examples include:

The Association of South Essex Local Authorities (ASELA) (for which the Council is accountable body), the Partnership Board, the Health and Wellbeing Board, etc. Funding is awarded via SLAs with agreed outcomes monitored on a quarterly basis to Cabinet to ensure VfM and effective performance.

Another partnership the Council has in place is with Porters Place, which is one of the joint ventures in which the Council participates. It is a 30-year partnership with Swan Housing Association and their wholly owned subsidiary Swan BQ Limited, with the purpose to regenerate the Queensway Estate and surrounding area. Through discussions with management and our understanding of the potential transaction we confirmed that Swan Housing Association have been in discussions with Sanctuary Housing Association about a possible business combination. Following in-depth discussions between the two organisations, and approval by both Boards on 25 November 2022, Swan joined Sanctuary as a subsidiary on 8 February 2023.

VfM arrangements: Improving economy, efficiency and effectiveness

Approach and considerations:

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Council evaluates the services it provides to assess performance and identify areas for improvement;
- How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the Council commissions or procures services, how the Council ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Commentary

The CIPFA Financial Resilience Index, an independent assessment of the resilience of local authorities and the Getting to Know your Business programme – baseline position to assist with Financial resilience and assess performance are also used as comparative measures of the Council position against other local authorities.

The Council has room for improvement in terms of Contract Management which was also identified by Internal Audit however there is an action plan in place and the Council has made good progress to address those findings

The Council has procurement procedures and policies to ensure that the Council operates in an open and transparent manner, achieves value for money and sustainable quality through a proactive commercial approach to procurement and commissioning for the communities of Southend. In terms of the Procurement process followed, Local Supplier list available for SBC officers to use for single sourcing (<£10,000), 3 quotes for (<£25,000). For (£25,000-<£75,000), in line with the Council thresholds and the regulations, the Council advertise opportunities via the UK Contracts finder site (unless buying via a framework). Opportunities within may be price driven or the Council may also include a quality element depending on what they are buying and Tender Process is followed for (> £75,000).

The Annual Procurement Plan and Contract Procedure Rules are reviewed annually by Cabinet to incorporate the key changes needed due to the Covid-19 pandemic.

Based on the above, we have not identified any significant weaknesses in the Councils arrangements to improve economy, efficiency and effectiveness.



Appendices

Appendix 1: Purpose of our report and responsibility statement

What we report

Our report fulfils our obligations under the Code of Audit Practice to issue an Auditor's Annual Report that brings together all of our work over the year, including our commentary on arrangements to secure value for money, and recommendations in respect of identified significant weaknesses in the Council's arrangements.

What we don't report

Our audit was not designed to identify all matters that may be relevant to the Audit Committee.

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

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

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The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

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

A stylized, handwritten-style signature of 'Deloitte LLP' in dark blue ink.

Deloitte LLP

Birmingham, 17 April 2023

Appendix 2: Council's responsibilities

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The section 151 Officer of the Council, is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting.

In preparing the Statement of Accounts the section 151 Officer is required to select suitable accounting policies and make judgements and estimates that are reasonable and prudent. The section 151 Officer is required to confirm that the Statement of Accounts, taken as a whole, is fair, balanced, and understandable, and provides the information necessary for Council Tax payers, regulators and stakeholders to assess the Council's performance, business model and strategy.

The section 151 Officer is required to comply with the CIPFA Code of Practice and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. In applying the going concern basis of accounting, the section 151 Officer has applied the 'continuing provision of services' approach set out in the CIPFA code of practice as it is anticipated that the services the Council provides will continue into the future.

The section 151 Officer and Council are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of the Council's resources, for ensuring that the use of public funds complies with the relevant legislation, delegated authorities and guidance, for safeguarding the assets of the Council, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Appendix 3: Auditor's responsibilities

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Auditor's responsibilities relating to the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under the Code of Audit Practice and the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our work in accordance with the Code of Audit Practice, having regard to the guidance, published by the Comptroller & Auditor General in April 2021, as to whether the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources against the specified criteria of financial sustainability, governance, and improving economy, efficiency and effectiveness.

The Comptroller & Auditor General has determined that under the Code of Audit Practice, we discharge this responsibility by reporting by exception if we have reported to the Council a significant weakness in arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021. Other findings from our work, including our commentary on the Council's arrangements, are reported in our Auditor's Annual Report.

Auditor's other responsibilities

We are also required to report to you if we exercise any of our additional reporting powers under the Local Audit and Accountability Act 2014 to:

- make a written recommendation to the Council, copied to the Secretary of State;
- make a referral to the Secretary of State if we believe that the Council or an officer of the Council is:
 - about to make, or has made, a decision which involves or would involve the Council incurring unlawful expenditure; or
 - about to take, or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; and
- consider whether to issue a report in the public interest.



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Southend-on-Sea City Council

**Report of the Executive
Director (Finance and Resources)
to
Audit Committee
on
26 April 2023**

**Agenda
Item No.**

5

Report prepared by: Deloitte External Auditor

**Deloitte: Final ISA260 Report to the Audit Committee on the 2020/21 audit
A Part 1 Public Agenda Item**

1. Purpose of Report

- 1.1. This updated final ISA260 report summarises the results of the work that has now been completed for the 2020/21 financial year with regard to:
- the opinion on the Statement of Accounts
 - the commentary on the Council's Value for Money arrangements conclusion).

2. Recommendations

- 1.2. **The Committee accepts the Final Report to the Audit Committee on the 2020/21 audit.**
- 1.3. **The Committee notes the changes from the previous report presented to the meeting of 21 March (as set out on page 3 of Deloitte's report).**
- 1.4. **The Committee approves that the resulting Statement of Accounts for 2020/21 is now final and ready for formal signing and publication.**

3. Background

- 1.5. A senior representative of Deloitte (the appointed External Auditor to the Council) will present this report to the Audit Committee and respond to Members' questions.
- 1.6. Deloitte's report presented to the Audit Committee meeting of 21 March reported on the status of their work performed as at that date. This report provides a final update and therefore the majority of the pages are the same as the March report. The only changes from the report in March reflect the finalisation of the Auditor's Annual Report and a new finding regarding the

valuation of property assets, which has resulted in an adjustment to the financial statements.

- 1.7. The Auditor's Annual Report for 2020/21 is being presented elsewhere on this agenda and includes the reporting on Deloitte's Value for Money work and conclusion which is now complete.
- 1.8. Rolling five-year asset revaluations have always been undertaken as at 1 April. Traditionally the completion of the audit and the formal signing of the accounts has concluded by the autumn of the following year. In previous years this has occurred before any updated valuation information is available for audit consideration. Due to the delay in the completion of the 2020/21 audit, updated revaluation information was available which has resulted in a requirement for an adjustment of £7.1m to the Council's asset net book values as at 31/3/2021. It should be noted that this adjustment was not due to any error being made. The 2020/21 Statement of Accounts have been updated to reflect this adjustment.

4. Corporate Implications

- 1.9. Contribution to the Corporate Plan and Southend 2050 Road Map
Audit work provides assurance and identifies opportunities for improvements that contribute to the delivery of all Southend 2050 outcomes.
- 1.10. Financial Implications
The fee for the audit work is set by Public Sector Audit Appointments Limited and agreed with the Council before the start of the audit. Issues arising during the course of the audit can impact on the audit fee payable.
- 1.11. Legal Implications
The Council is required by statute to have an external audit of its activities that complies with the requirements of the Code of Audit Practice (the Code) issued by the National Audit Office. By considering this report, the Committee can satisfy itself that this requirement is being discharged.
- 1.12. People Implications
None
- 1.13. Property Implications
None
- 1.14. Consultation
The contents of this report has been discussed and agreed with the Executive Director of Finance and Resources.
- 1.15. Equalities and Diversity Implications
None
- 1.16. Risk Assessment
Periodically considering whether the external auditor is delivering the agreed Annual Audit Plan helps mitigate the risk that this statutory requirement is not met.

1.17. Value for Money

The auditor's commentary is contained in the Auditors Annual Report for 2020/21 elsewhere on this agenda.

1.18. Community Safety Implications

None

1.19. Environmental Impact

None

5. Background Papers

None

6. Attachment: Deloitte Final Report to the Audit Committee on the 2020/21 audit

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Southend-on-Sea City Council*

Final Report to the Audit Committee on the 2020/21 audit

Issued on 18 April 2023 for the meeting on 26 April 2023

* Up until 1 March 2022 Southend on Sea City Council was known as Southend on Sea Borough Council, as our report relates to the Council activities before this date, we have referred to the Council as a Borough Council throughout.

Deloitte Confidential: Government and Public Services

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Introduction

The key messages in this report

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

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

I have pleasure in presenting an update to our final report to the Audit Committee of Southend-on-Sea Borough Council (the Council) for the 2020/21 audit. The scope of our audit was set out within our planning report presented to the Committee in April 2021.

Status of our Statement of Accounts audit

Our audit is now complete.

Our report presented to the Audit Committee on 13 March 2023 covered reporting on the majority of our work performed, this report serves as an update report and therefore the majority of the pages of our report are consistent with the March report. The only update to the report since March reflects the finalisation of the Auditors Annual Report and a finding on the following area:

- The valuation of property assets, which has resulted an adjustment to the financial statements as set out on page 10.

Status of our Value for Money audit

Our Value for Money work is complete and is reported to the Audit Committee in our Auditor's Annual Report for 2020/2021, which is being presented at this meeting.

We have not identified any significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources.

We have no matters to report by exception in our financial statement audit opinion.

Whole of Government Accounts (WGA)

We are required to report our overall audit opinion and key issues from our audit to the National Audit Office (NAO) following completion of the audit. However, the NAO have not yet confirmed for 2020/21, bodies which may be subject to additional procedures for reporting to the NAO to gain comfort over the WGA. Therefore, we are not able to confirm completion of the audit in this regard.

Introduction

The key messages in this report (continued)

Conclusions from our testing

- The key judgements in the audit process related to:
 - valuation of investment properties and Property Plant and Equipment (hereafter referred to as PPE);
 - valuation of infrastructure assets;
 - capitalisation of expenditure; and
 - recognition of Covid 19 grant income
- We have not identified any unadjusted audit adjustments or disclosure deficiencies. All adjustments and disclosure deficiencies noted during testing have been corrected by management in the financial statements.
- Based on the current status of our audit work, we envisage issuing an unmodified audit opinion, with no reference to any matters in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.

Narrative Report & Annual Governance Statement

- We have reviewed the Council's Annual Report & Annual Governance Statement to consider whether it is misleading or inconsistent with other information known to us from our audit work.
- The Annual Governance Statement complies with the Delivering Good Governance guidance issued by CIPFA/SOLACE.
- We have no matters to raise with you in respect of the Narrative Report.

Duties as public auditor

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

Introduction

The key messages in this report (continued)

Impact of Covid-19 grants and change in significant risk assessment

Following the issuance of the audit plan, we completed a risk assessment of Covid-19 funding streams. This risk assessment highlighted the need for the Council to make significant judgements around the recognition and treatment of Covid-19 grant funding in the 2020/21 financial statements. Given the level of judgement involved, we have decided to treat Covid-19 grant income as a significant audit risk. Further information regarding the work performed and our conclusions on this risk can be viewed on page 8 and 9.

Mohammed Ramzan
Audit lead

Responsibilities of the Audit Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit Committee?

To communicate audit scope

To provide timely and relevant observations

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To provide additional information to help you fulfil your broader responsibilities

As a result of regulatory change in recent years, the role of the Audit Committee has significantly expanded. We set out here a summary of the core areas of Audit Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit Committee in fulfilling its remit.

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.
- Make recommendations as to the auditor appointment and implement a policy on the engagement of the external auditor to supply non-audit services.

Oversight of external audit

Integrity of reporting

Internal controls and risks

- Review the internal control and risk management systems (unless expressly addressed by separate board risk committee).
- Explain what actions have been, or are being taken to remedy any significant failings or weaknesses.

Oversight of internal audit

Whistle-blowing and fraud

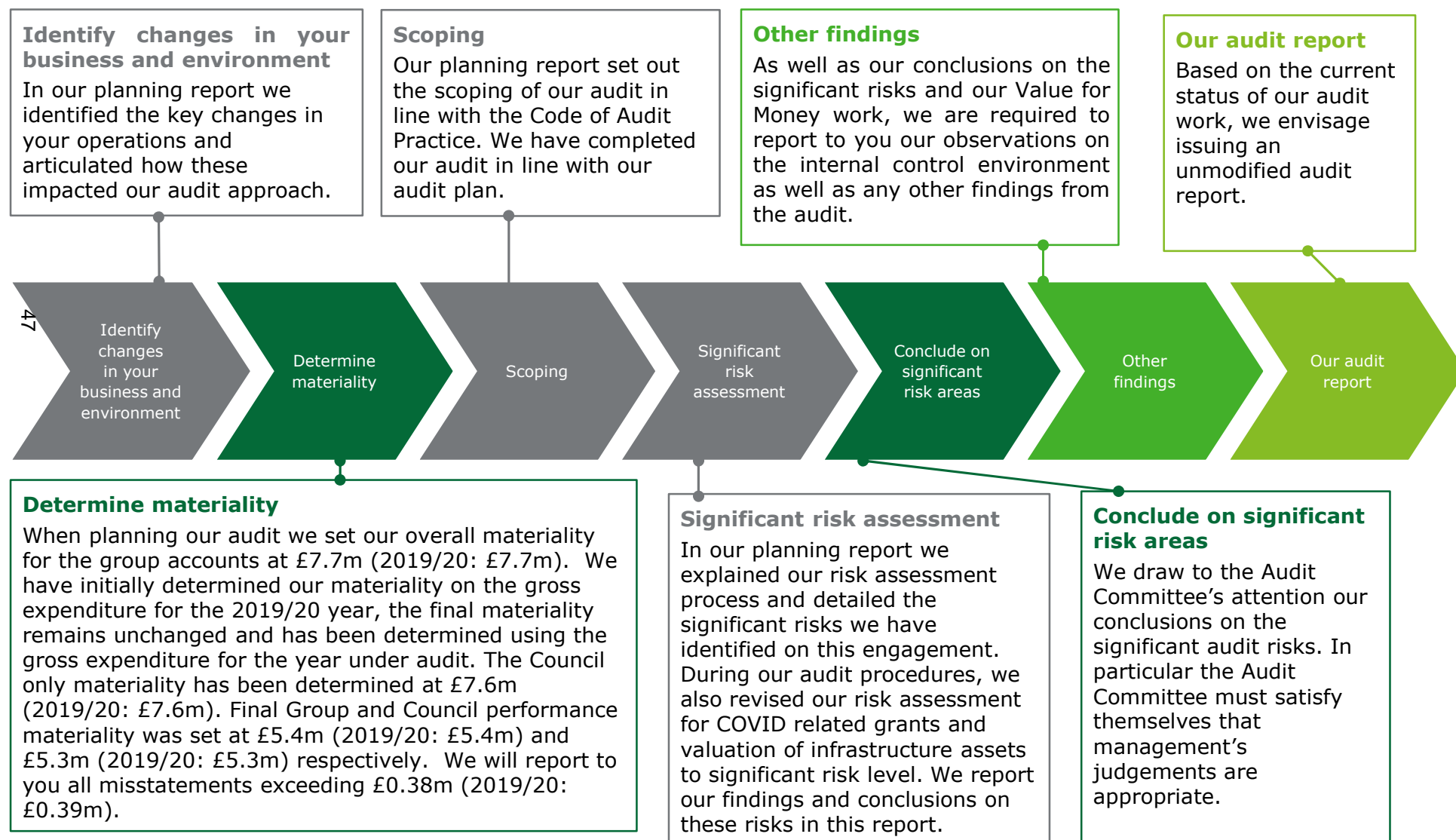
- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns raised by staff in connection with improprieties.

- Impact assessment of key judgements and level of management challenge.
- Review of external audit findings, key judgements, level of misstatements.
- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.
- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, provide advice in respect of the fair, balanced and understandable statement.

- Monitor and review the effectiveness of the internal audit activities.

Our audit explained

We tailor our audit to your organisation and your strategy



Significant risks

Recognition of Covid-19 grant income

Risk identified	<p>ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.</p> <p>We have assessed the income streams of the Council, the complexity of the recognition principles and the extent of any estimates used, and concluded that, with the exception of the funding received in 2020/21 in response to the Covid-19 pandemic, there is no significant risk of fraud.</p> <p>During 2020/21, the Council has received additional funding in relation to Covid-19 grants of £51.3m. In addition, there are a number of business support schemes designed to help eligible businesses during the Covid-19 pandemic that are being administered by Councils on behalf of Central Government, the total value of this funding was £57.0m.</p> <p>We have pinpointed the significant risk to the completeness and accuracy of the funding recognised in the Council's financial statements and the completeness and accuracy of the agency arrangement disclosures, where the Council has acted as an agent on behalf of Central Government in administering Covid-19 grants.</p> <p>The key judgements for management are assessing:</p> <ul style="list-style-type: none">• Any conditions associated with the Covid-19 grants; and• Whether the Council is acting as a principal or agent in administering the Covid-19 schemes, and how this is subsequently recognised in both the Comprehensive Income and Expenditure Statement and Balance Sheet.
Deloitte response and challenge	<p>We have completed the following procedures:</p> <ul style="list-style-type: none">• Assessed the design and implementation of the controls in relation to the accounting treatment of all COVID-19 related funding.• Tested a sample of funding for Covid-19 grants and confirmed these have been recognised in accordance with any conditions applicable, including appropriate recognition in both the Comprehensive Income and Expenditure Statement and Balance Sheet; and• Considered the adequacy of disclosures in the financial statements, including accounting policies and where relevant critical accounting judgement and key sources of estimation uncertainty disclosures.

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Significant risks (continued)

Recognition of Covid-19 grant income (Continued)

**Deloitte
response
and
challenge
(Continued)**

Tested the agency arrangement disclosures to confirm, where it is concluded that the Council is acting as an agent, that:

- the transactions have been excluded from the Comprehensive Income and Expenditure Statement;
- the Balance Sheet reflects the debtor or creditor position at 31 March 2021 in respect of cash collected or expenditure incurred on behalf of the principal; and
- the net cash position at 31 March 2021 is included in the financing activities in the Cash Flow Statement.

Conclusion

We have concluded our testing on this area and we have noted a recommendation in respect of the controls around the Covid grants. Please see page 29 for more detail.

Significant risks (continued)

Valuation of property assets

Risk identified	<p>The Council is required to hold dwellings, other land and buildings within Property, Plant and Equipment and Investment Properties at valuation. The valuations are by nature significant estimates which are based on specialist and management assumptions and which can be subject to material changes in value.</p> <p>The Council held dwellings of £411m (2019/20: £375m) and other land and buildings of £263m (2019/20:£266m) at 31 March 2021 which are required to be recorded at current or fair value at the balance sheet date. The authority also holds £39m (2019/20: £41m) of commercial investment property. The increase in property assets from prior year is mainly due to additions in dwellings and revaluation movements.</p> <p>The Council updates the valuation of its properties using a rolling revaluation programme. The main assets which were revalued in the year were the council dwellings, investment properties, garages and hostels within the Housing Revenue Account.</p>
Deloitte response and challenge	<p>We have completed the following procedures:</p> <ul style="list-style-type: none">• We have reviewed the design and implementation of the controls in place in relation to property valuations;• We have considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;• We have engaged our valuation specialists, Deloitte Real Estate, to review and challenge the appropriateness of the assumptions used in the valuation of the Council's property assets;• We sample tested key asset information used by the Council's valuers in performing their valuation, such as gross internal areas, back to supporting documentation;• We have reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;• We have considered the impact of Covid-19 on the valuation of property assets and ensured, where necessary, the Council has reflected the impact in their valuations; and• We have reviewed the presentation of revaluation movements, and the disclosures included in the Statement of Accounts.
Conclusion	<p>After concluding our work, we noted an adjustment that was required to be made to accurately reflect the assets at their most up to date valuation values. This resulted in a £7.1m reduction to the asset net book values at year-end. The financial statements have been updated to reflect this adjustment and therefore there is no uncorrected misstatement to be communicated.</p>

Significant risks (continued)

Management override of controls

Risk identified	<p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Although management is responsible for safeguarding the assets of the Council, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Statement of Accounts.</p>
Deloitte response and challenge	<p>We have considered the overall sensitivity of judgements made in preparation of the Statement of Accounts, and note that:</p> <ul style="list-style-type: none"> • The Council's results throughout the year were projecting overspends in operational areas. This was closely monitored and whilst projecting overspends, the underlying reasons were well understood; and • Senior management's remuneration is not tied to particular financial results. <p>We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.</p> <p>Journals</p> <ul style="list-style-type: none"> • We have tested the design and implementation of controls in relation to journals. • We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • We have used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest. Our analysis has covered all journals posted in the year. <p>Significant transactions</p> <ul style="list-style-type: none"> • We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

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Significant risks (continued)

Management override of controls (continued)

Deloitte response and challenge

Accounting estimates

- We have performed design and implementation testing of the controls over key accounting estimates and judgements.
- The key judgements in the financial statements are those selected as significant audit risks and other areas of audit interest as discussed elsewhere in this report.
- We reviewed accounting estimates for biases that could result in material misstatements due to fraud. We note that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.
- We tested accounting estimates and judgements, focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Conclusion

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

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

Significant risks (continued)

Capitalisation of expenditure

Risk identified

At the time of publishing the 2020/21 financial statements, it has been noted that as part of the Medium Term Financial Strategy, the Council had a substantial capital programme of £216m over the next five years. The capital programme included £66.3m spend in 2020/21.

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

The Council has greater flexibility of the use of revenue resource compared to capital resource. There is also, therefore, an incentive for officers to misclassify revenue expenditure as capital. We have therefore identified classification of capital expenditure as a fraud risk in the financial statements.

Deloitte response and challenge

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We have tested the design and implementation of controls around the capitalisation of costs.

We have selected a sample of additions in the year to test whether they have been appropriately capitalised in accordance with the accounting requirements. This sample included Assets Under Construction.

Conclusion

After concluding our work, we have no matters to bring to the attention of the Audit Committee.

Significant risks (continued)

Valuation of infrastructure assets

Background Infrastructure assets are inalienable assets, expenditure on which is only recovered by continued use of the asset created. They include carriageways, structures, street lighting, street furniture and traffic management systems, and are measured in the accounting code at historical cost.

The accounting code requires that where a component of an asset is replaced:

- the cost of the new component should be reflected in the carrying amount of the infrastructure asset; and
- the gross costs and accumulated depreciation of the old component should be derecognised to avoid double counting.

Auditors have identified that local authorities in the UK have not been properly accounting for infrastructure assets since the move to IFRS in 2020/21 due to information deficits. This is particularly the case in relation to roads, where the engineering records used for maintenance have not been created to map against identifiable components.

CIPFA/ LASAAC attempted to resolve the issues and undertook an urgent consultation on temporary changes to the code. However, it was unable to agree an approach that addressed the concerns of all stakeholders whilst also supporting high quality financial reporting.

This has resulted in the Department for Levelling Up, Housing and Communities (DLUHC) agreeing to provide a statutory instrument, which will help resolve some of the issues identified, whilst a permanent solution is identified. The statutory instrument has now been issued.

Significant risks (continued)

Valuation of infrastructure assets (continued)

Risk identified

The following concerns were raised by local authority auditors in relation to the treatment of infrastructure assets in local authority statement of accounts:

- Derecognition of components – concerns were raised that local authorities were not derecognising infrastructure assets after they had been replaced by additions. This was due to the derecognition provisions of the Code being difficult for local authorities to apply for infrastructure assets, as authorities do not have detailed records of infrastructure asset components in place.
- Gross book value and accumulated depreciation – as a result of local authorities not disposing of infrastructure asset components when they were replaced, the gross book value and accumulated depreciation balances included in the property, plant and equipment disclosure notes for infrastructure assets are overstated. This is because components that are no longer in use are still included in both balances.
- Infrastructure asset disaggregation – concerns were raised that the records held by some local authorities do not sufficiently disaggregate the infrastructure asset balance within the authorities fixed asset register, so as to allow both the authority and auditors, to understand the actual types of infrastructure assets held by the authority. For example, it was noted that a number of authorities nationally include one line entitled “infrastructure assets” in the fixed asset register, with no further information available regarding what is included in the balance.
- Useful economic lives – it was identified that authorities often have limited support for the useful economic lives used in relation to infrastructure assets.

These issues were all raised with CIPFA and the Department for Levelling Up, Housing and Communities (DLUHC).

We believe the above concerns to be relevant to the Council, as it has a net book value of £112.5m (2019/20: £102.5m) in relation to infrastructure assets as at year end. The current year net book value reflected above is before the adjustment made in relation to the application of the new guidance and statutory instrument issued. Per inspection of the fixed asset register and per inquiry with management we have noted the following:

Significant risks (continued)

Valuation of infrastructure assets (continued)

Risk identified (Continued)

1. Derecognition of components: The Council has recognised £63.1m in additions to infrastructure over the last 5 years with no disposals noted at all during this period. Per inquiry with management there were no disposals made as in accordance with the code infrastructure assets are described as inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use.

2. For the useful economic lives (hereafter referred to as UEL) of infrastructure assets, a detailed exercise was carried out in 2012/13 to determine the average length of time each type of asset is in use before it needs to be replaced. Apart from the assessment of UELs for street lighting in 2017/18 there has no detailed reassessment of UELs for other infrastructure assets since.

Due to the above factors we deem the risk associated to the valuation of infrastructure assets to be significant for our audit purposes.

Deloitte response and challenge

We have completed the following procedures:

- Assessed the design and implementation of the controls in place relating to the valuation of infrastructure assets.
 - On derecognition of components: The Council has opted to determine the carrying amount that is to be derecognised as nil, as per the Statutory Instrument (hereafter refer to as 'SI') within paragraph 30M.4, a disclosure is required to be made in the Council's statement of the accounts that they have applied this assumption. The audit team has confirmed that the Council has opted to apply the SI and have made the assumption that the carrying amount of any assets that have been replaced was nil. The audit team has reviewed the Statement of Accounts and confirmed that this disclosure has been made.
 - Gross book value and accumulated depreciation: The audit team has reviewed the infrastructure assets disclosure included in the Council's revised financial statements and have compared this to the CIPFA Bulletin example, and can confirm that no issues have been identified.
 - Infrastructure Asset disaggregation: The audit team has challenged the disaggregation of infrastructure assets as reflected on the fixed asset register and concluded that the disaggregation is reasonable.
-

Significant risks (continued)

Valuation of infrastructure assets (continued)

**Deloitte
response
and
challenge
(Continued)**

We have completed the following procedures (continued):

- The audit team reviewed and challenged the determination of the useful economic lives applied to infrastructure assets by the Council and confirmed the rationale for the determination of the useful economic lives to be appropriately supported and reasonable in light of information reviewed.
- The audit team has reviewed the revised accounting policies and compared these to the example accounting policy included in the CIPFA Bulletin annex A. Following completion of this review, no issues have been identified.

Conclusion

Following the conclusions of the work performed as detailed above we have not noted any material misstatements. We did however note an observation during our testing performed. For more detail of the observation noted please see page 30.

Other areas of audit focus

Pension liability valuation

Risk identified

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS). The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's Balance Sheet. Per the draft financial statements at 31 March 2021, this totalled £169.6m (2019/20: £144.5m). As a result of this being an estimated balance there is a risk that inappropriate inputs and assumptions are used, which could result in the pension liability valuation being materially misstated.

Deloitte response and challenge

We have completed the following procedures:

- We obtained a copy of the actuarial report for the Council produced by Barnett Waddingham, the scheme actuary, and agreed the report to the Statement of Accounts pension disclosures.
- We reviewed the disclosures made in the Statement of Accounts against the requirements of the Code.
- We liaised with the audit team of Essex Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council.
- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.
- We reviewed and challenged the assumptions made by Barnett Waddingham, including benchmarking as shown in the table on the following page.
- We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements.









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Other areas of audit focus (continued)

Pension liability valuation (continued)

Review of assumptions used by actuary




As part of our testing, we reviewed the assumptions used by the actuary and have set out below our assessment of the assumptions used in the IAS19 valuation.

Assumption	Council	Benchmark	Deloitte Assessment
Discount rate (% p.a.)	2%	1.90-2.15%	
Retail Price Index (RPI) Inflation rate (% p.a.)	2.8%	2.50-2.90%	
Consumer Price Index (CPI) Inflation rate (% p.a.)	3.8%	Council specific	
Salary increase (% p.a.) (over RPI inflation)	2.8%	2.70-2.85%	
Pension increase in payment (% p.a.)	22	23	
Pension increase in deferment (% p.a.)	23	24.70	
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 65)	2%	1.90-2.15%	
Mortality - Life expectancy of a male pensioner from age 65 (currently aged 45)	2.8%	2.50-2.90%	

Conclusion

After concluding our work, we have no matters to bring to the attention of the Audit Committee.

Assessment key

-  In reasonable range
-  Towards limit of reasonable range
-  Optimistic or Prudent

Other areas of audit focus (continued)

Porters Place Southend-on-Sea LLP

Risk identified

We have noted a long term debtor balance of £2.25m within the financial statements of the Council due to be received from Porters Place Southend-on-Sea LLP (hereafter referred to as Porters Place). Porters Place is one of the joint ventures in which the Council participates. It is a 30-year partnership with Swan Housing Association and their wholly owned subsidiary Swan BQ Limited, with the purpose to regenerate the Queensway Estate and surrounding environs. Over the last year Swan Housing Association have been in discussions with parties around a possible business combination. Through discussions with management and our knowledge obtained around the possible transaction we concluded that there is a risk that balances due under the Porters Place agreement may not be recoverable.

Deloitte response and challenge

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We have completed the following procedures:

- We inquired of management as to the latest update on the planned business combination to understand the level of risk within the balances noted.
- We inspected documentation and information available to us substantiate the amounts at risk as well as mitigations of the risk noted. The Council has included additional disclosure in this regard within note 5 of the statement of accounts.
- We inspected the statement of accounts and confirmed that the disclosure given were reasonable and in line with our expectation.
- We have added a representation within the management representation letter that will need to be signed by the Council at the signing date to confirm information obtained in relation to Porters Place and any developments have been considered for any impact on the financial statements and communicated to the audit team.

Conclusion

After concluding our work, we have no matters to bring to the attention of the Audit Committee.

Covid-19 pandemic

Impact on reporting and our audit

Requirements

CIPFA has issued guidance highlighting the importance of considering the impact of Covid-19 in preparation of the 2020/21 financial statements, including communicating risks and governance impacts in narrative reporting. This is consistent with the Financial Reporting Council's guidance to organisations on the importance of communicating the impact of Covid-19 and related uncertainties, including their impact on resilience and going concern assessments.

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

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

Actions

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

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

Covid-19 pandemic

Impact on reporting and our audit (continued)

Impact on the Council	Impact on Statement of Accounts	Impact on our audit
<p>We have considered the key impacts on the business such as:</p> <ul style="list-style-type: none">• Interruptions to service provision.• Supply chain disruptions.• Unavailability of personnel.• Reductions in income.• The closure of facilities and premises. <p>25</p>	<p>We have considered the impact of the outbreak on the Statement of Accounts (including the financial statements), discussed further on the next page including:</p> <ul style="list-style-type: none">• Principal risk disclosures• Impact on property, plant and equipment• Valuation of commercial or investment properties• Impact on pension fund investment measurement and impairment• Financial sustainability assessment• Events after the reporting period and relevant disclosures• Narrative reporting• Impairment of non-current assets• Allowance for expected credit losses	<p>We have considered the impact on the audit including:</p> <ul style="list-style-type: none">• Resource planning• Timetable of the audit• Impact on our risk assessment• Logistics including meetings with entity personnel.

Covid-19 pandemic

Impact on reporting and our audit (continued)

	Potential Impact on Statement of Accounts	Audit response
Impact on property, plant and equipment	<p>The Royal Institute of Chartered Surveyors issued a practice alert in March 2020 as a result of which valuers identified a material valuation uncertainty at 31 March 2020 for most types of property valuation, resulting in disclosure in financial statements and “emphasis of matter” paragraphs in audit reports. By September 2020 RICS considered that there was no longer material uncertainty over valuations from that date, and therefore valuations at 31 March 2021 are not expected to be affected by material valuation uncertainties. However, the ongoing financial impact of the pandemic has impacted valuations, both through demand for particular asset types and weakening the financial standing of tenants. The Council needs to consider its approach to the measurement of property, plant and equipment (where property held at current value is based on market valuations) and the Council should consider with their valuers the impact that Covid 19 has had on current values. The Council will also need to consider whether there are any indications of impairment of assets requiring adjustment at 31 March 2021.</p>	<p>The Council has considered its approach to the measurement of property, plant and equipment (PPE). Where property held at current value is based on market valuations, the Council considered with their valuers the impact that Covid-19 has had on current value. The Council also considered whether there was any indications of impairment of assets requiring adjustment at 31 March 2021.</p> <p>There is no material uncertainty disclosed in the Statement of Accounts and we have concluded that this is appropriate based on our work on property valuations, (see page 10). Our work included challenge as to whether the Council had appropriately considered the impact of Covid-19 on the valuation. Disclosures of the key judgements in this area are made in the notes to the financial statements.</p>
Valuation of commercial or investment properties	<p>Following the Covid-19 pandemic, the fair value measurements for financial instruments and investment properties held by the Council needs to be reviewed against the conditions and assumptions at the measurement date. Although volatility is lower relative to 31 March 2020, there have been significant market movements during the year which may impact valuations.</p>	<p>The Council has considered its approach to the measurement of Investment property (IP). Where property held at current value is based on market valuations the Council considered with their valuers the impact that Covid-19 has had on current value. The Council also considered whether there are any indications of impairment of assets requiring adjustment at 31 March 2021.</p> <p>The is no material uncertainty disclosed in the Statement of Accounts as expected relating to IP.</p>

Covid-19 pandemic

Impact on reporting and our audit (continued)

	Potential Impact on Statement of Accounts	Audit response
Expected credit losses	Since 31 March 2020, there has been a significant downturn in economic activity, with many businesses and individuals significantly impacted. The Council will need to consider the provision for credit losses for receivables, including for expected credit losses for assets accounted for under IFRS 9.	For non-public sector debtors consideration is needed of the impact on the required level of provision for expected credit losses under IFRS 9. The Council reflected an increase in debtor balances on prior year and we noted that the Council has increased its level of provisioning as well. We are in the process of completing our work, which includes the consideration of the impact of Covid 19 on the provisioning levels.
Covid-19 grants	Our judgement is that the significant risk at the Council relates to the recognition of grants with terms and conditions attached, specifically around the new grants received in year relating to Covid-19 where terms and conditions may be less clear and there is no historical basis for the accounting treatment. There is a risk that the Council will recognise the income before the terms and conditions of the Covid-19 grants have been met. There are also a number of grants relating to Covid-19, such as the business rates relief, where management need to determine if they are acting in the capacity of an Agent or Principal.	<p>We have tested the design and implementation of key controls in place around the recognition of Covid-19 grant income;</p> <p>We have reviewed the accounting treatment of new Covid-19-related grants for 2020/21 to confirm that they have been correctly accounted for as either an Agent or Principal arrangement; and</p> <p>We have tested a sample of grants including the new Covid-related grants to ensure that any terms and conditions were met prior to recognition as income.</p>
Narrative and other reporting issues	<p>The following areas will need to be considered by local authorities as having been impacted on by the Covid-19 pandemic.</p> <ul style="list-style-type: none"> • Narrative reporting as well as the usual reporting requirements will need to cover the effects of the pandemic on services, operations, performance, strategic direction, resources and financial sustainability. • Reporting judgements and estimation uncertainty, the Council will need to report the impact on material transactions including decisions made on the measurements of assets and liabilities. 	We note that the narrative report adequately discloses matters related to Covid-19, including risks, potential impacts and other issues. The report is compliant with the guidance in this area.

Covid-19 pandemic

Impact on reporting and our audit (continued)

	Potential Impact on Statement of Accounts	Audit response
Impact on pension fund investment measurement	As a result of the Covid-19 pandemic pension fund investments have been subject to volatility. At 31 March 2021, we noted that the Council’s share of pension fund assets had moved by £132.6m.	<p>We engaged early with the Pension Fund auditor to not only gather information for year-end measurements but to also understand any estimation techniques and any changes to those techniques that may be needed to measure the financial instruments. Where such volatility exists it may mean that the inputs used in the fair value measurement may change and may require a change of measurement technique, and consideration of the level of uncertainty in valuations where there is significantly more estimation.</p> <p>Our audit work has been completed and did not identify any material misstatement.</p>

Value for money

Our conclusions are reported in our Auditor's Annual Report for 2020/2021

Value for Money requirements

We are required to consider the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2020 and related Auditor Guidance Note 03 ('AGN03'), we are required to:

- Perform work to understand the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria (financial sustainability, governance, and improving economy, efficiency and effectiveness);
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor's Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to Value for Money arrangements, which might include emerging risks or issues arising; and
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

Work performed to obtain an understanding of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources

As part of our risk assessment, we have reviewed the summary of Value for Money arrangements prepared by the Council, reviewed supporting documentation on arrangements, and held follow-up interviews on areas where additional information was required.

In addition, we have:

- reviewed of the Council's draft Annual Governance Statement;
 - reviewed internal audit reports through the year and the Head of Internal Audit Opinion
 - considered issues identified through our other audit and assurance work; and
 - considered the Council's financial performance and management throughout 2020/21.
-

Value for money

Our conclusions are reported in our Auditor's Annual Report for 2020/2021 (continued)

Work performed to obtain an understanding of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources (continued)

We have also obtained an understanding of:

- The changes in governance processes as a result of Covid-19;
- The changes to control processes as a result of Covid-19; and
- The processes and controls put in place in order to deal with the Covid-19 business support schemes.

Findings of our work

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Our Value for Money work is complete, and is reported in full in our Auditor's Annual Report.

We have not identified any significant weakness in arrangements to secure economy, efficiency and effectiveness in the use of resources.

We have no matters to report by exception in our financial statement audit opinion.

Your control environment and findings

High-level impact on our approach

ISA (UK) 315 requires we obtain an understanding of internal control relevant to the audit. It is a matter of the auditor's professional judgment whether a control, individually or in combination with others, is relevant to the audit. We do not test those controls we do not consider relevant to the audit. Below we provide a view, based on our audit procedures, on the effectiveness of your system of internal control relevant to the audit risks that we have identified.



Area	Deloitte comment	Maturity CY/PY
⌘ Recognition of COVID-19 grant income	The audit team identified a control deficiency in one of the key controls in relation to the COVID-19 grant income. Please see page 29 for more detail.	
Valuation of property assets	No deficiency was identified in the design and implementation of the controls in the process.	
Management override of controls	No deficiency was identified in the design and implementation of the controls in the process	
Capitalization of expenditure	No deficiency was identified in the design and implementation of the controls in the process	

Key: Mature Developing Lagging

Your control environment and findings

Control deficiency

Observation	Year first communicated, severity, component of internal control	Deloitte recommendation	Management response and remediation plan
<p>During our testing of the key controls in relation to covid-19 grants we have noted that the Council do not maintain a revenue grant register.</p> <p>We acknowledge that tracking of grants has been done by individual service lines, however without a central revenue grant register, the Council cannot monitor grants received; track expenditure against the amount awarded; and ensure any conditions have been met.</p>	2022, medium, control activities	We recommend that management maintain a central revenue grant register – both for covid-19 and non-covid grants.	Management has agreed and have prepared a revenue grant register to be maintained centrally going forward.

Your control environment and findings

Area for management focus

Observation	Deloitte recommendation	Management response and remediation plan
<p>During our infrastructure assets testing we noted that most capitalised costs to infrastructure assets are reflected as enhancements with limited additions.</p> <p>Given the aging of the initial assets that has been enhanced there is a risk that capital costs are incorrectly capitalised and depreciated as enhancements rather than additions. Although we have not noted a material error within the current year statement of accounts there is a risk that this can result in a material error in depreciation and subsequently the valuation of the assets in future years.</p>	<p>It is recommended that management confirms that amounts capitalised to infrastructure assets in future is accurately reflected as enhancements or additions. Supporting documentation needs to be retained in the instances where capital costs are reflected as enhancements rather than additions.</p>	<p>This has been agreed. It was noted that this will be put in place for future year end closedowns, starting with the 2022/23 financial year.</p>

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Our audit report

The form and content of our report

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



Our opinion on the financial statements

Our audit is now complete. We will issue an unmodified audit opinion.



Emphasis of matter and other matter paragraphs

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

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



Value for Money reporting by exception

Our opinion will note that our Value for Money work is completed and will be reported in our Auditor's Annual Report.

To date, we have no matters to report by exception in our financial statement audit opinion.



Irregularities and fraud

We will explain the extent to which we considered the audit to be capable of detecting irregularities, including fraud.

In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations. We will discuss the areas identified where fraud may occur and any identified key audit matters relating to fraud.

Recent changes to ISAs (UK) mean this requirement will apply to **all** entities for periods commencing on or after 15 December 2019.

Your annual report

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

	Requirement	Deloitte response
Narrative Report	<p>The Narrative Report is expected to address:</p> <ul style="list-style-type: none"> • Organisational overview and external environment; • Governance; • Operational Model; • Risks and opportunities; • Strategy and resource allocation; • Performance; • Outlook; and • Basis of preparation 	<p>We have assessed whether the Narrative Report has been prepared in accordance with CIPFA guidance.</p> <p>We have also read the Narrative Report for consistency with the annual accounts and our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>We note that the Narrative Report was updated for the implications of Covid-19.</p>
Annual Governance Statement	<p>The Annual Governance Statement reports that governance arrangements provide assurance, are adequate and are operating effectively.</p>	<p>We have assessed whether the information given in the Annual Governance Statement meets the disclosure requirements set out in CIPFA/SOLACE guidance, is misleading, or is inconsistent with other information from our audit. No issues were noted from our review.</p>

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Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

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

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Audit Committee.

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

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and work under the Code of Audit Practice in respect of Value for Money arrangements.

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

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

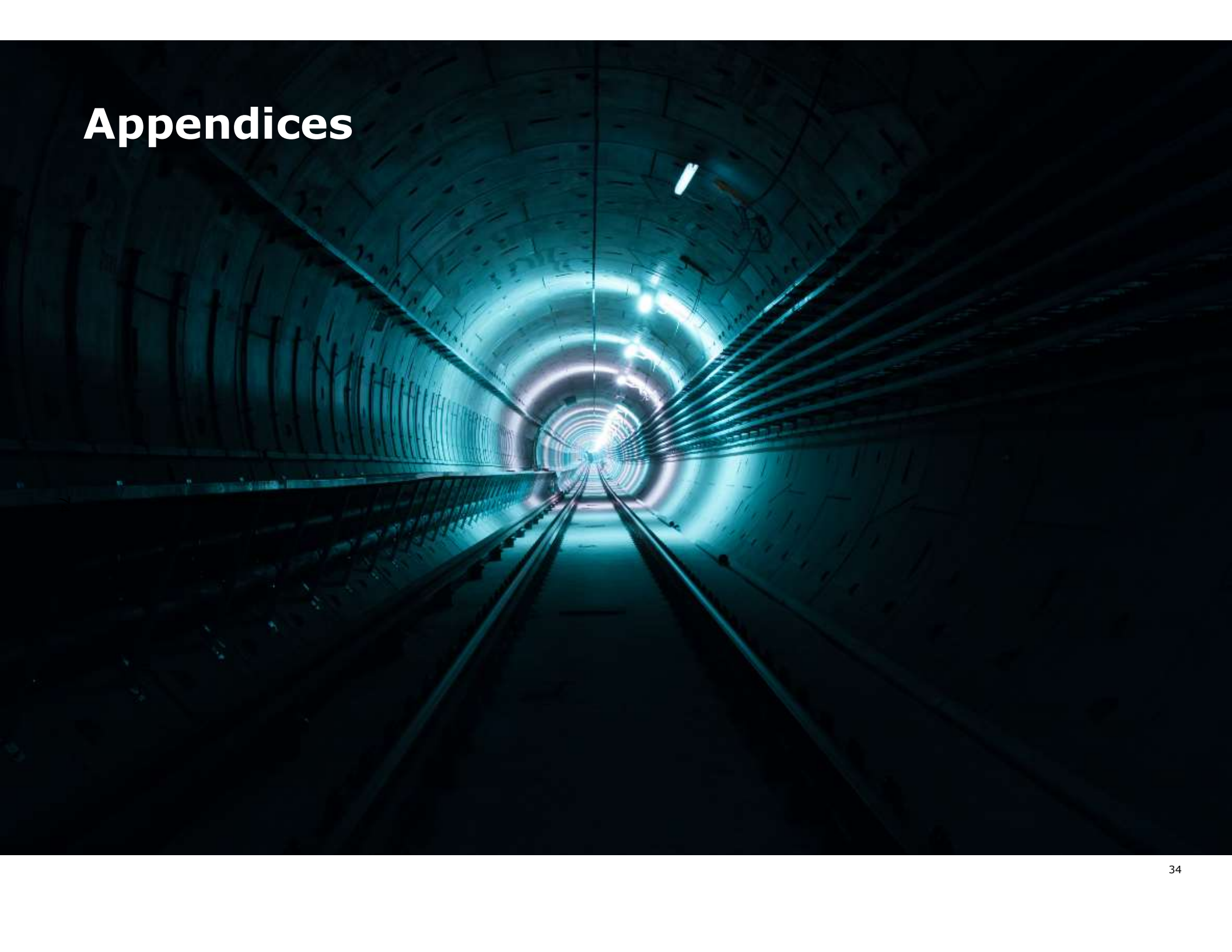
Use of this report

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

A stylized, handwritten-style signature of 'Deloitte LLP' in black ink.

Deloitte LLP
Birmingham | 18 April 2023

Appendices



Independence and fees

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

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2021 in our final report to the Audit Committee.
Fees	There are no non-audit fees.
Non-audit services	We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
75 Relationships	We have no other relationships with the Authority, its members, officers and affiliates, and have not supplied any services to other known connected parties.

The professional fees expected to be charged by Deloitte, as per our Audit Plan for the period from 01 April 2020 to 31 March 2021 are as follows:

	Current year £'000	Prior year £'000
Financial statement audit including Whole of Government and procedures in respect of Value for Money assessment	159	120
Total audit	159	120

The value set out here is as estimated at the time of our Audit Plan. This represents an increase to the scale fee for the audit of £109k.

In line with PSAA correspondence that scale fees should be negotiated by individual s151 officers based on the individual circumstances of each body, we will discuss the final position with the Council on completion of the 2020/21 audit.

All additional fees are subject to agreement with PSAA.

Our approach to quality

AQR team report and findings

Executing high quality audits remains our number one priority. We are committed to our critical public interest role and continue to embed our culture of quality and excellence into all of our people. This includes using new technology and tools to continue to transform our audit approach.

In July 2021 the Financial Reporting Council ("FRC") issued individual reports on each of the seven largest firms, including Deloitte, on Audit Quality Inspections providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2020/21 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, overall FRC inspection results, showing an improvement since last year from 76% to 79% of all inspections assessed as good or needing limited improvement, reflect the progress we are making. The overall profile of our ICAEW inspections and our internal inspection programme also show a similar overall improvement since last year.

The results for the inspections of FTSE 350 entities fell short of our overall scores, reflecting specific findings on those particular audits rather than issues pervasive across other audits. Our objective continues to be for all of our audits to be assessed as good or needing limited improvement and we know we still have work to do in order to meet this standard.

We agree with and accept the FRC's findings on the individual inspections. The FRC has recognised improvements following the actions and programmes for previous years and we welcome the good practice points raised, including in respect of

impairment and revenue where individual findings continue to occur.

Overall, we are pleased that there have been no significant findings over our firm wide processes and controls over the last three inspection cycles in the areas subject to rotational review by the FRC. However, we are continually enhancing our processes and controls across our business and such changes will directly or indirectly affect audit quality.

All the AQR public reports are available on its website.

<https://www.frc.org.uk/auditors/audit-quality-review/audit-firm-specific-reports>

Our approach to quality

AQR team report and findings

The AQR's 2020/21 Audit Quality Inspection Report on Deloitte LLP

"We reviewed 19 individual audits this year and assessed 15 (79%) as requiring no more than limited improvements. Of the 11 FTSE 350 audits we reviewed this year, we assessed eight (73%) as achieving this standard".

"Our key findings related primarily to the need to:

- Improve the evaluation and challenge of management's key assumptions of impairment assessments of goodwill and other assets.
- Enhance the consistency of group audit teams' oversight of component audit teams.
- Strengthen the effectiveness and consistency of the testing of revenue."

"The firm has taken steps to address the key findings in our 2019/20 public report, with actions that included increasing the extent of consultations, and enhanced learning, coaching and support programmes.

We have identified improvements, for example, in the extent of challenge of management by audit teams in respect of the estimates used for model testing. This was identified as a key finding last year.

We also identified good practice in a number of areas of the audits we reviewed (including robust procedures relating to going concern and evidence to support the challenge of management in areas of key judgement) and in the firm-wide procedures (including establishing a centre of excellence focused on credit for banking audits to encourage the consistent application of the firm's methodology and guidance)."

Our approach to quality

AQR team report and findings

Improve the evaluation and challenge of management's key assumptions of impairment assessments of goodwill and other assets

How we have addressed this area as a firm

To address this finding, we have done, or plan, the following:

- We refreshed our Impairment Centre of Excellence ("COE") to establish clear partner leadership and introduced frequent communication touchpoints to share best practice, hot topics and technical updates.
- We performed a risk focused strategic allocation of impairment specialists for a selection of December 2020 audit engagements, taking into account industry knowledge and experience. Going forward we will seek to involve the EQCR partner to determine whether the allocated specialist should have industry knowledge or whether generalist knowledge would provide an enhanced independent challenge to an industry focused engagement team.
- We will update our impairment guidance notes and consultation document to include specific risk criteria which require further discussion with a panel of specialists, including, but not limited to, where the audit team develop their own model or where cashflow forecasts extend beyond a commonly used period.
- The launch of the Digital Blueprint project management tool will assist teams in prioritising their time across all areas of the audit.
- We will hold workshops with our partners and directors to bring to life the common causes that have led to FRC findings and to ensure greater consistency in expectations in respect of the expected depth of review.
- We have introduced a new coaching program to support the development of primary reviewing skills and to identify any reviewing skills gaps which need addressing.

- To respond to the poor quality and untimely preparation of information by the company for audit, we expect, where appropriate, to increase the communication with management and those charged with governance so that there are clearer expectations in respect of the quality of information prepared for audit.
- We have updated our impairment template memo to reflect the most recent inspection findings we will develop additional training materials on hot topics and areas of regulatory focus, for example, guidance to assist in the challenge of cash flow assumptions and cost reduction initiatives.
- We also developed a new template to support teams in auditing accounting estimates in response to the requirements of ISA (UK) 540 revised 'Auditing Accounting Estimates & Related Disclosures'.

How we addressed this area in our audit

- Southend Council recorded an impairment charge on its Property, plant and equipment. Refer to page 10 for our audit approach.

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Required representations:

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

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



Audit work performed:

In our planning, we identified the risk of fraud in the recognition Covid-19 grant income, capital expenditure and management override of controls as a significant audit risk.

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

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the on the process for identifying, evaluating and managing the system of internal financial control.

Concerns:

No significant concerns have been identified from our work





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Southend-on-Sea City Council

Agenda
Item No.

6

Report of the Deputy Chief Executive and Executive
Director (Finance and Resources)

to

Audit Committee

on

26 April 2023

Report prepared by: Andrew Barnes (Head of Internal Audit
and Counter Fraud)

Results of Housing Benefit (Subsidy) Assurance Process for the year ended 31 March 2022

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present the results of the reporting accountant's work on the Housing Benefit Subsidy Claim assurance report for the year ended 31 March 2022 to the Audit Committee.

2. Recommendation

- 2.1 **The Audit Committee accepts the results of the Housing Benefit Subsidy Claim assurance work for the year ended 31 March 2022**

3. Background

- 3.1 The arrangements for providing assurance to government departments and agencies in respect of the Council's claim for subsidy towards expenditure, or certain information returns requiring external independent assurance, are no longer overseen by Public Sector Audit Appointments Limited (PSAA). As a result the government departments and agencies now produce standardised assurance procedures and the Council is required to appoint its own reporting accountants to undertake that work.
- 3.2 Southend have appointed Grant Thornton to undertake that work and this report details the outcome of their work.

4. Housing Benefit Subsidy Claim

- 4.1 The Department for Work and Pensions (DWP) require external independent assurance in respect of the Council's claim for subsidy towards expenditure that it has incurred on providing Housing Benefit to appropriate claimants in accordance with the DWP's scheme.

- 4.2 Due to the nature and volume of work the Council undertakes administering the DWP's Housing Benefit arrangements (the Council processes almost £55 million of Housing Benefit payments and Rent Rebates per year) it is inevitable that errors will be made. The detailed nature of the assurance procedures performed by the reporting accountants will identify some of these errors, as is reflected in the results of the work at Appendix 1. However the error rates at Southend identified by the assurance procedures are low, and the DWP's arrangements recognise this through the inclusion of a threshold for errors made by the local authority that has an impact on the amount of subsidy that the Council receives. The Committee should note that the value of local authority errors reported in the return is below the DWP's threshold and therefore there will be no impact on the amount of subsidy received by the Council.
- 4.3 Following submission of Grant Thornton's report in January the DWP have yet to confirm that the position is finalised. However given the results of the work reported in the submission it is expected that there will be no change to the subsidy claimed for 2021/22 and confirmation from the DWP is expected in July.
- 4.4 A copy of Grant Thornton's report to the DWP is attached at Appendix 1 for the Committee's information.

5. Corporate Implications

5.1 Contribution to the Corporate Plan and Southend 2050 Road Map

All audit work provides assurance and identifies opportunities for improvements that contribute to the delivery of all Corporate Plan objectives and Southend 2050 outcomes.

5.2 Financial Implications

Grant Thornton were appointed by the Council to undertake the DWP's assurance procedures following a competitive process.

The Council receives significant funding from external funders, and giving them the assurance they require that their funds have been used in accordance with their expectations gives confidence in the Council's use of their funding provided, and to be provided in the future.

5.3 Legal Implications

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

5.4 People Implications

None.

5.5 Property Implications

None.

5.6 Consultation

None.

5.7 Equalities and Diversity Implications

None.

5.8 Risk Assessment

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

5.9 Value for Money

None.

5.10 Community Safety Implications

None.

5.11 Environmental Impact

None.

6. Background Papers

- National Audit Offices' Code of Audit Practice 2020
- DWP Housing Benefit (Subsidy) Assurance Process 2021/22

7. Appendices:

- Appendix 1: Grant Thornton's Housing Benefit Subsidy Claim assurance report for the Year ended 31 March 2022

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

Section 151 officer Southend on Sea Borough Council

31 January 2023

Dear Sir

Housing Benefit (Subsidy) Assurance Process 2021/22 Module 6 DWP Reporting Framework Instruction (Applicable to England only) Reporting accountants' report for the Housing Benefit Subsidy claim form MPF720A, year ended 31 March 2022

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

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

This report is produced in accordance with the terms of our engagement letter with the Southend on Sea Borough Council dated 11 September 2020 and the standardised engagement terms in Appendix 2 of HBAP Module 1 2021/22 issued by the Department for Work and Pensions (DWP) for the purpose of reporting to the Section 151 Officer of Southend on Sea Borough Council and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on form MPF720A dated 30/04/2022.

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

This report is designed to meet the agreed requirements of Local Authority and the DWP as described in the DWP HBAP Reporting Framework Instruction 2021/22.

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

anyone other than the addressees on our work or this report.

Respective responsibilities of the Local Authority and the reporting accountant

We conducted our engagement in accordance with HBAP Modules 1 and 6 2021/22 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

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

Our approach

For the purpose of the HBAP engagement we have been provided with a signed copy of form MPF720A 2021/22 dated 30/04/22 by the Section 151 Officer. The Section 151 Officer remains solely responsible for the completion of the MPF720A and is the signatory on the local authority's certificate on claim form MPF720A.

Our engagement was carried out in accordance with the DWP reporting framework instruction which has been prepared in accordance with the *International Standard on Related Services (ISRS) 4400, Engagement to perform agreed-upon-procedures regarding financial information*. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's form MPF720A dated 30/11/22 and to report the results of those procedures to the Local Authority and the DWP.

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

Inherent limitations

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

Summary of HBAP report

Summary of Initial Testing

In accordance with HBAP modules an initial sample of cases was completed for all general expenditure cells.

Cell 011 Non HRA Rent Rebates

No Claims were found to be in error.

Cell 055 HRA Rent Rebates

No Claims were found to be in error.

Cell 094 Rent Allowances

No claims were found to be in error.

Cell 225 Modified schemes - evidence to support War disablement Pension

No claims were found to be in error.

Completion of Modules

Completion of Module 2

We have tested the parameters which the authority has uprated on its system against the uprating checklist and no issues were identified.

Completion of Module 5

We have completed the questionnaire for the appropriate software supplier and no issues were identified.

Summary of testing arising from Cumulative Assurance Knowledge and Experience

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

CAKE testing included:

- 1) Rent Rebates Cell 055 – Incorrect calculation of earned income
- 2) Rent Allowances Cell 094 – Incorrect calculation of private occupational pensions
- 3) Rent Allowances Cell 094 – Incorrect calculation of state retirement pension
- 4) Rent Allowances Cell 094 – Incorrect calculation of earned income
- 5) Rent Allowances Cell 094 – Incorrect Non-dependent deduction applied
- 6) Rent Allowances Cell 102 – Incorrect rent liability
- 7) Rent Allowances Cell 113 – LA error overpayment misclassification
- 8) Modified scheme Cell 225: Evidence to support War Disablement Pension

The following CAKE tests have returned no errors and are considered as closed:

Rent Allowances Cell 094 – Incorrect calculation of state retirement pension

Modified scheme Cell 225: Evidence to support War Disablement Pension

Summary paragraph/ending of letter

For the form MPF720A dated 30/04/22 for the year ended 31 March 2022 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the following results set out in Appendix A, B, C and D).

Firm of accountants Grant Thornton

Office: Finsbury Square

Contact details (person, phone and email): Nicholas White

+44 (0)207 7728 3357, Nicholas.J.White@uk.gt.com

Signature: 

Date: 31 January 2023

Appendix A Exceptions/errors found

Cell 055 Non HRA Rent rebate - Incorrect calculation of earned income

Cell Total: £14,459,776

Cell Total: £374,080 – sub population

Cell Population: 3236

Cell Population: 123 – sub population

Headline Cell - £14,459,776

In 2018/19, 2019/20 it was identified that the Local Authority had incorrectly calculated earned income. In 2020/21, our initial testing did not identify further errors.

However, during 2021/22, given the nature of the population and the errors found in the previous years, an additional sample of 40 cases where an assessment in the subsidy period was based upon earned income was tested. This additional testing identified.

- 1 case (value £4,502) which had resulted in an overpayment of housing benefit to a total of £3 due to miscalculating the claimant's earned income.

This is the fourth year this error has been identified in the HBAP Report.

The following table is based on these findings.

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Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to four decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	SE/SV X CT]
Initial sample – 0 cases	Incorrect calculation of earned income – Cell 055	£14,459,776	£0	£0		
CAKE sample – 40 case	Incorrect calculation of earned income – Cell 055	£374,080	£3	£130,514		
Combined sample - 40 cases	Combined – incorrect earnings calculation – Cell 055	£374,080	£3	£130,514	0.0023%	
Corresponding adjustment:	Combined sample – Cell 61 is overstated	£374,080	£3	£130,514	0.0023%	£9
Corresponding adjustment:	Total amendment – Cell 65 is understated					(£9)

Cell 094 Overpaid benefit – Incorrect calculation of private occupational pensions**Cell 094: Rent Allowances****Cell Total: £38,323,102****Cell Total: £2,493,038 – sub population****Cell Population: 5,953****Cell Population: 502 – sub population****Headline Cell: £38,323,102**

In 2018/19, 2019/20, it was identified that the Local Authority had incorrectly calculated private occupational pension. In 2020/21, our initial testing did not identify further errors.

During our initial testing in 2021/22, we did not identify any cases where the Local Authority incorrectly calculated Private Occupational Pensions. Given the nature of the population and the errors found in the previous years, an additional sample of 40 cases where an assessment in the subsidy period was based upon private occupational pension was tested. This additional testing identified the following:

- 1 case (value £6,426) which resulted in an overpayment of housing benefit to a total of £49 in 2021/22 due to incorrect calculation of private occupational pension.
- 1 case (value £5,733) which had resulted in an underpayment of housing benefit. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

This is the fourth year this error has been identified in the HBAP Report.

The following table is based on these findings.

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Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to three decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	SE/SV X CT]
Initial sample – 1 case	Incorrect private occupational pension Calculation	£38,323,102	£0	£486		
CAKE sample – 40 case	Incorrect private occupational pension Calculation	£2,493,038	£49	£196,383		
Combined sample - 41 cases	Combined – incorrect private occupational pension calculation – Cell 94	£2,493,038	£49	£196,383	0.025%	£622
Corresponding adjustment:	Combined sample – Cell 103 is overstated	£2,493,038	£49	£196,383	0.025%	£622
Corresponding adjustment:	Total amendment – Cell 113 is understated					(£622)

Cell 094 Overpaid Benefit – Incorrect calculation of earned income**Cell 094: Rent Allowances****Cell Total: £38,323,102****Cell Total: £6,376,259 – sub population****Cell Population: 5953****Cell Population: 1,081 – sub population****Headline Cell: £38,323,102**

In 2018/19 and 2019/20 it was identified that the Local Authority has incorrectly calculated earned income. In 2020/21, our initial testing did not identify further errors.

However, during 2021/22, given the nature of the population and the errors found in the previous years, an additional sample of 40 cases where an assessment in the subsidy period was based upon earned income was tested. This additional testing identified:

- 2 cases (value £11,545) which had resulted in an overpayment of housing benefit to a total of £150 due to miscalculating the claimant's earned income.
- 2 cases (value £11,167) which had resulted in an underpayment of housing benefit totalling £31.67. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.
- 1 case (value £4646) which had resulted in a nil impact of housing benefit. As there is no eligibility to subsidy for benefit which has not been paid, the nil impact identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

This is the fourth year this error has been identified in the HBAP Report.

The following table is based on these findings.

93

	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	SE/SV X CT]
Initial sample – 2 Case	Incorrect earned income Calculation	£38,323,102	£0	£11,545		
CAKE sample – 40 cases	Incorrect earned income Calculation	£6,376,259	£150	£204,018		
Combined sample - 42 cases	Combined – incorrect earnings calculation – Cell 94	£6,376,259	£150	£215,563	0.07%	£4467
Corresponding adjustment:	Combined sample – Cell 103 is overstated	£6,376,259	£150	£215,563	0.07%	£4467
Corresponding adjustment:	Total amendment – Cell 113 is understated					(£4467)

Cell 094 Overpaid benefit – Incorrect Non-dependent deduction applied**Cell 094: Rent Allowances****Cell Total: £38,323,102****Cell Total: £3,161,775 – sub population****Cell Population: 5953****Cell Population: 285 – sub population**

In 2018/19, 2019/20 it was identified that the Local Authority has incorrectly applied the non-dependent deduction and it has resulted in an overpayment of benefit. In 2020/21, our initial testing did not identify further errors.

However, during 2021/22, given the nature of the population and the errors found in the previous years, an additional sample of 40 cases where an assessment in the subsidy period was based upon non-dependent deduction calculation was tested. This additional testing identified:

- 1 case (value £812) where the Council has incorrectly applied the non-dependent deduction, generating an overpayment of £137.
- 4 cases (value £18,316) which had resulted in a nil impact of housing benefit. As there is no eligibility to subsidy for benefit which has not been paid, the nil impact identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

This is the fourth year this error has been identified in the HBAP Report.

The following table is based on these findings.

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to three decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	SE/SV X CT]
Initial sample – 1 cases	Incorrect non-dependent deduction calculation	£38,323,102	£0	£3,950		
CAKE sample – 40 cases	Incorrect non-dependent deduction calculation	£3,161,775	£137	£227,723		
Combined sample - 41 cases	Combined – incorrect non-dependent deduction calculation Cell 94	£3,161,775	£137	£231,673	0.060%	£1,897
Corresponding adjustment:	Combined sample – Cell 103 is overstated	£3,161,775	£137	£231,673	0.060%	£1,897
Corresponding adjustment:	Total amendment – Cell 113 is understated					(£1,897)

Cell 113 Expenditure misclassification**Incorrect classification of LA error and administrative delay eligible overpayments****Cell Total: £38,323,102****Cell Total: £28,829****Cell population 253 Cases****Headline Cell: £38,323,102**

In 2018/19, 2019/20 claims it was identified that Cell 113 LA error and administrative delay overpayments included overpayments that has been incorrectly classified. In 2020/21, our initial testing did not identify further errors.

Given the nature of the population and the errors in previous years, an additional 40 cases where an assessment in the subsidy period was based upon LA error in Cell 113. This additional testing identified:

- 2 cases (value £187) have been incorrectly included in Cell 113 LA error and administration delay overpayments and should have been in Cell 114 eligible overpayments. As a result, Cell 113 has been overstated by £187 and Cell 114 has been understated by the corresponding amount. There is no impact on the headline Cell 094. The error ranged from £0.01 to £187.

This is the fourth year this error has been identified in the H187BAP Report.

The following table is based on these findings.

Sample	Movement / brief note of error:	Original cell total: sub population (claims with earning)	Sample error:	Sample value:	Percentage error rate (to two decimal places)	Cell adjustment:
		[CT]	[SE]	[SV]	[SE/SV]	SE/SV X CT]
Initial sample – 1 case	Incorrect classification - LA error	£38,323,102	£0	£415		
CAKE sample – 40 cases	Incorrect classification -LA error	£28,829	£187	£3,685		
Combined sample - 41 cases	Combined -incorrect classification LA error	£28,829	£187	£4,100	4.56%	£1,315
Corresponding adjustment:	Combined sample - Cell 113 is overstated	£28,829	£187	£4,100	4.56%	£1,315
Corresponding adjustment:	Total amendment - Cell 114 understated					(£1,315)

Appendix B Observations

Error type N/A and Errors that do not affect Subsidy claim

Rent allowances Cell 094 – Incorrect calculation of state retirement pension

Cell Total: £38,323,102

Cell Total: £7,225,523 sub population

Cell Population: 5955

Cell Population: 1255 – sub population

In 2018/19 and 2019/20 it was identified that the Local Authority has incorrectly calculated state retirement pension. In 2020/21, our initial testing identified one State Retirement Pension case (value £485) with no errors.

However, in 2021/22, given the nature of the population and the errors found in the previous years, an additional sample of 40 cases where an assessment in the subsidy period was based upon state retirement pension was tested. This additional testing did not identify any errors. This error is now cleared and does not require further testing.

Rent allowances Cell 102 – Incorrect rent liability

Cell Total: £38,323,102

Cell Total: £12,147,086– sub population

Cell Population: 5955

Cell Population: 2004 – sub population

In 2018/19 and 2019/20 it was identified that the Local Authority had incorrectly input the rent liability and it has resulted in benefit overpayment. In our initial testing, no errors were identified.

Given the nature of the population and the errors in previous years, an additional 40 cases where an assessment in the subsidy period was based upon the rent liability being correctly included in the assessment. This additional testing identified:

- 2 cases (value £17,700.05) which had resulted in an underpayment of housing benefit (value £1). As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.
- 1 case (value £7,499.96) which had resulted in a nil impact of housing benefit. As there is no eligibility to subsidy for benefit which has not been paid, the nil impact identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

Modified Scheme

Cell 225 – Modified Schemes

Cell Total: 27,628

Cell population: 12 Cases

Last year we identified 1 case where the claimant was not in receipt of a War disablement pension. As a result, Cell 225 had been overstated by £2,558, and Cell 214 Overstated by the same amount. This error was identified by the Local Authority in 2020/21 and amended accordingly. The Local Authority tested all the remaining 11 cases to ensure the claimant was in receipt of a War Disablement Pension.

No further errors were identified.

This year in 2021/22, given the nature of the error in the previous year, 100% testing has been performed to assess whether War disablement has been awarded correctly. The testing did not identify cases where war disablement has been awarded incorrectly. This error is now cleared and does not require further testing.

Rent Allowances: Manual Adjustments to Monthly Claim

In our initial testing on Rent Allowances, we have identified 1 case (value £9618.84) where the claimant is paid monthly. Since documentation on the workbooks does not accommodate claimants who are paid monthly instead of on a 4-weekly basis, this has resulted in the calculation sheet unable to balance appropriately.

Therefore, we have (as per DWP Instructed us last year) manually amended the calculation sheet to balance the case. We have separately performed testing on a separate document to confirm that the monthly payments agreed to the subsidy paid. No errors were found in the testing. Therefore, no further work proposed.

System reconciliation of benefit granted to benefit paid

The Authority's benefits administration (Northgate) reconciles benefits granted to benefits paid. The discrepancies identified through this reconciliation process are reported in SUB057 and SUB061 reconciliation reports. The reconciliation performed for the 2021/22 subsidy year identified the following known unresolved discrepancies, which results in an understatement of £18,802.81, there is no effect on subsidy. The Local Authority confirms its acceptance of submission on this basis, as this results in an underpayment of the contribution.

Payment Type	Claim Type	Total Posted	Total Recon	Total Subsidy	Discrepancy
		£	£	£	£
CREDS	LANHRA	7,530.90	1,090.97	6,344.14	95.79
CREDS	PTEN	38,047,866.11	-290,358.73	38,336,957.05	- 1,267.79
RENTS	LANHRA	781,110.29	-35,717.99	817,040.90	212.62
RENTS	LAHRA	14,409,247.08	-82,084.89	14,473,488.54	- 17,843.43
		53,245,754.38	- 407,070.64	52,838,683.74	- 18,802.81

Appendix C: Amendments to the claim form MPF720A

We performed our Audit report on the original claim form, which did not include manual adjustments performed by the Local Authority. However, these adjustments have been made in the revised subsidy claim form. We experienced that adjustments to the subsidy Year 2021/22 Housing Benefit (subsidy) Assurance Process Report March 2022 are performed yearly by the Local Authority to process subsidy amounts due to claims involving entitlement to housing benefits on two homes and claims with underlying entitlement. These amounts cannot be processed through the Northgate benefits system and therefore are entered manually.

As our audit procedures are limited to those defined to us by the DWP in our instructions, and these do not include practices that are applicable to such adjustments, we have instead inquired into and obtained an understanding of these adjustments and can report that nothing has come to our attention that would suggest they are improper. In the 2021/22 subsidy year, these adjustments amount to a net £54,326 increase in subsidy on the final claim form.

Appendix D Additional issues

There were no additional issues.

Southend-on-Sea City Council

Report of the Executive Director (Finance and Resources)

to

Audit Committee

on

26th April 2023

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

Agenda
Item No.

76

CIPFA's Financial Management Code

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To update the Audit Committee on the Council's annual self-assessment outcome against the expectations of CIPFA's Financial Management Code.

2. Recommendations

- 2.1 **The Audit Committee notes the Council's annual review against the expectations of CIPFA's Financial Management Code, takes assurance that the Council's arrangements have been self-assessed as compliant, and endorses the action plan to deliver further improvements**
- 2.2 **The Audit Committee agrees to keep the Council's compliance status against CIPFA's Financial Management Code under review by endorsing the requirement for an annual self-assessment to continue to be reported to the Audit Committee every April, with a six-monthly update on any resulting action plan between each-self assessment.**

3. Background

- 3.1 In October 2019 CIPFA published the 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 1st April 2020, with the first full year of compliance being the 2021/22 financial year.
- 3.4 The importance and significance for all local authorities to understand and seek compliance with the FM Code has been highlighted by the significant financial challenges facing the country and local government generally. The Council is now dealing with the combination of huge increases in service demand post the Covid-19 pandemic and unavoidable rapid increases in operating costs across almost every aspect of the organisation due to high levels of inflation. Additional service and advisory arrangements have also had to be developed 'in-year' to try to support the most vulnerable in our communities in response to the cost-of-living crisis and to administer locally the energy support schemes introduced by the Government throughout 2022.
- 3.5 The financial year 2022/23 has been incredibly challenging for most people and most local authorities have highlighted some real concerns around their financial resilience and future sustainability. An independent national analysis undertaken by Grant Thornton in 2022 suggested that as many as 1 in 6 local authorities could run out of money as early as 2023/24, without substantial additional funding and/or significant budget reductions. The operating environment, unavoidable cost pressures and complexity of local service demand for local government has never been more challenging.
- 3.6 This operating environment has had a significant impact on the Council's approved financial plans for 2022/23. The details have been reported in the Resourcing Better Outcomes – Finance and Corporate Performance Report 2022/23 – Period 4¹, Resourcing Better Outcomes – Finance and Corporate Performance Report 2022/23 – Period 6² and Resourcing Better Outcomes – Finance and Corporate Performance Report 2022/23 – Period 8³ reports to September, November and January Cabinet respectively.
- 3.7 The challenge of delivering a balanced financial outturn for 2022/23 has been significant. Nearly all the financial pressures that the Council is now experiencing have been caused by external factors where the Council has had no influence or control, and that have happened at great pace, since the Council's 2022/23 budget was approved in February 2022. This means that some very difficult choices and prioritisation and reductions of existing approved spending plans for both capital and revenue during 2022/23 had to be considered. The outturn position for 2022/23 will be presented to the June 2023 Cabinet meeting.

¹<https://democracy.southend.gov.uk/documents/s53058/Report%20of%20Deputy%20Chief%20Executive%20Executive%20Director%20Finance%20and%20Resources.pdf>

²<https://democracy.southend.gov.uk/documents/s53882/Report%20of%20Exec%20Director%20Finance%20and%20Resources.pdf>

³<https://democracy.southend.gov.uk/documents/s54669/Report%20of%20Exec%20Director%20Finance%20and%20Resources.pdf>

4. Self-assessment

- 4.1 The Council committed to review and refresh the self-assessment against each of the 17 standards contained within the FM Code. Officers in finance and audit have reviewed the Council's current practices, and the evidence of their utilisation, to complete that self-assessment. Officers have 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 has 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 this updated review undertaken by officers is represented by the diagram shown at Appendix 1. This illustrates that the Council is 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 14 standards and demonstrable compliance, but with recognised scope for further improvement for the remaining 3 standards.

- 4.3 In addition to the improvements recommended for the 3 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 is also proposed to enhance the already compliant arrangements in respect of the following 4 standards:

- C: The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control
- L: The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.
- M: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decision.
- N: The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

- 4.4 This FM Code self-assessment should be viewed in the context of the prevailing conditions within which the Council has worked over the last financial year. Despite the financial challenge arising from the continuing national and local conditions, including the uncertainty around the financial impact of forthcoming national policy changes, increasing cost and demand pressures, inflation and supply chain issues, the Council remains in a relatively stronger and more financially resilient position than several other local authorities. It must be noted however that the Council must reduce its overall cost base (net operating costs) in the medium term in order to ensure that it remains financially sustainable. This is a challenge that nearly every local authority is facing. The overall Financial Management arrangements within the Council remain robust.

- 4.5 The report following the recent LGA Peer Review found that “Over the past 2 years (2020/21 and 2021/22) the council’s financial management has been strong.” It also found that “The council has a structured approach to developing its financial strategy which includes a 10-year Financial Sustainability Strategy, a 5-year Medium Term Financial Strategy and a Capital Investment Strategy aligned to the Southend 2050 outcomes.” The report also referenced that “that the finance team are respected and capable and that the council has demonstrated a sound approach to the management of its finances over the past 10 years”.
- 4.6 The Government effectively only issued a one-year funding settlement for 2023/24, which given the commitment to financial reform, has increased the risk and uncertainty around future year funding levels. The overall level of net cost reduction required by the Council to bridge a medium to long term deficit by 2027/28 requires a programme of work that not only supports the development of net cost reduction and transformation opportunities at a service level, but that also considers how these opportunities can be integrated into a renewed, sustainable, operating model. A new transformational blueprint has been developed that looks to provide a roadmap and framework for building a Council that is fit for the future. There will be a phased implementation of the new Transformational Change Programme, the first phase of which will include functional maturity assessments across all service areas. A maturity assessment is an effective tool to assess and understand the current state of a service across a range of dimensions. The results help to identify how far away from the acceptable level of agreed standard the service is.
- 4.7 A new Corporate Plan for 2022 to 2026 has been approved and published which will be underpinned by our commitment to future financial sustainability. New integrated service plans will be introduced for 2023/24. These include key objectives, service performance levels, risks, approved budgets, risk assessments and service commitments which combined will illustrate contributions to the delivery of the Corporate Plan.
- 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.
- 4.9 Discussions have been held with the Corporate Leadership Team to confirm the:
- results of the self-assessment
 - areas where we should focus our resources to deliver improvements
 - commitment to continue to create the right conditions to embed good financial management, with clear ownership and accountability for delivering better outcomes
 - need to embed the importance of securing value for money across all areas of the Council via the Knowing Your Business programme.
- 4.10 The findings of the self-assessment have resulted in the proposed action plan, included at Appendix 2. This plan outlines the steps that the Council will take 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 new Corporate Plan, the Southend 2050 Ambition, Roadmap and Priority Outcomes. This work will also be included as part of taking forward the Council's transformational blueprint which could result in new ways of working in the future and as our commitment to supporting our workforce and improving our productivity to enhance our financial sustainability.

- 4.11 It should also be noted that the NAO's Code of Audit Practice 2020 for external audit of local government that came into force for the audit of the 2020/21 financial year. This outlined an updated approach that external auditors have taken 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. The results of this review for 2020/21 are reported as part of the external auditor's Annual Report (which is included elsewhere on this agenda) as part of the completion of their independent audit of 2020/21.

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.

Corporate Implications

- 6.1 Contribution to the Corporate Plan and Southend 2050 Ambition

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, Corporate Plan 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 internal 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.

6. Background Papers

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

7. Appendices

- Appendix 1 – Illustration of Self-Assessment Findings
- Appendix 2 – Financial Management Code Action plan

Financial Management Code – Illustration of Self-Assessment Findings

Leadership	Accountability	Transparency	Standards	Assurance	Sustainability
A. The leadership team is able to demonstrate that the services provided by the authority provide value for money.	D. The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in Local Government Framework (2016)</i> .	L. The authority has engaged where appropriate with key stakeholders in developing its long-term financial plan and annual budget.	H. The authority complies with the CIPFA <i>Prudential Code for Capital Finance in Local Authorities</i> .	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.
B. The authority complies with the CIPFA <i>Statement on the Role of the Chief Finance Officer in Local Government</i> .	P. The chief finance officer has personal and statutory responsibility for ensuring the statement of accounts produced by the local authority complies with the reporting requirements of the Code.	M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decision.	J. The authority complies with its statutory obligations in respect of the budget setting process.	F. The authority has carried out a credible and transparent financial resilience assessment.	G. The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
O. The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	Q. The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.		K. The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	N. The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	I. The authority has a rolling multi-year medium term financial plan consistent with sustainable service plans.

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FINANCIAL MANAGEMENT CODE – SELF ASSESSMENT UNDERTAKEN IN MARCH 2023

ACTION PLAN FOR STANDARDS WHERE SOME IMPROVEMENTS ARE PROPOSED

	Financial Management Standard	RAG rating	Actions needed	Ownership	End date
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money (VFM)	Amber	<p>To continue to raise awareness of the importance of Value for Money (VFM) and increase understanding within the Council of what represents VFM in a local context, so that continued prominence and consideration can be given to evidencing its delivery in all reports, discussions and operational arrangements.</p> <p>To further embed the Knowing Your Business (KYB) Programme to aid understanding of the key cost and income drivers and their impact on securing economy, efficiency and effectiveness from all Council's resources.</p> <p>To assess and evaluate what action has been undertaken by service leads as a result of receiving the updated budget planning principles. These principles include the requirement to consider and evidence Value for Money across all services.</p> <p>To evaluate what assessment has been undertaken by service leads as a result of receiving CIPFA's publication 'A guide to support VFM for public managers' within their new Service Plans developed for 2023/24.</p> <p>To evaluate the impact of the new Performance Board in ensuring all service leads are accountable for achieving enhanced evidence of VFM across all aspects of their delivery arrangements in 2023/24.</p>	Corporate Leadership Team	March 2024

	Financial Management Standard	RAG rating	Actions needed	Ownership	End date
E	The financial management style of the authority supports financial sustainability	Amber	<p>To further embed the Knowing Your Business (KYB) Programme to increase the effectiveness of the framework of financial accountability.</p> <p>To assess and evaluate the delivery of the financial aspects of service plans in accordance with the framework of financial accountability.</p> <p>To support the setting up of the transformational blueprint and the development of the strategic and transformational phases to deliver the Council's change programme.</p>	Corporate Leadership Team	March 2024
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	Amber	<p>To work with the Portfolio holder for Corporate Matters and Performance Delivery 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 continue to increase the understanding and awareness of cost drivers, demand pressures, customer insight, benchmarking intelligence and consideration of income/commercial opportunities throughout the Council.</p> <p>To continue to enhance the level of resilience testing of all these key drivers to assess the potential impact of changes in the type and cost of demand on the overall medium-term financial plan.</p> <p>To evaluate the impact on strengthening the Council's future financial sustainability by the introduction of Service Plans for 2023/24 (which include risk assessments and contribute to the delivery of the Corporate Plan) and the phased implementation of the new Transformational Change Programme, the first phase of which will include functional maturity assessments across all service areas.</p>	Corporate Leadership Team	March 2024

Southend-on-Sea City Council

Report of the Executive Director (Strategy, Change & Governance)

To

Audit Committee

On

26 April 2023

Report prepared by: Carol Thomas, Director Digital & ICT

8

Digital & Cyber Security Report

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To update the Audit Committee on the progress made in delivering the Cyber Security Strategy for 2022/23.

2. Recommendations

- 2.1 **The Audit Committee notes the progress made in delivering the 2022/23 Cyber Security Strategy.**

3. Executive Summary

- 3.1 Digitalisation and digital enablement are bringing huge change to most organisations. The benefits of these are many and include improved efficiency and more effective services. However the need to digitalise must be balanced with an increased cyber awareness and security.
- 3.2 As organisations increasingly transact online, they also increasingly become a target for cyber criminals. Keeping the organisation and the data it holds safe, is a race to stay one step ahead of the criminals. It is far more than an ICT issue – it is a strategic organisational risk which should be managed appropriately to ensure that the organisation can continue to deliver services.
- 3.3 For this reason, the ICT security team work closely with other colleagues across services, including finance, HR and procurement, to ensure that systems are as secure as possible and work to continuously improve our security. People are both the first line of defence and the weakest links, and training and education are ongoing, with a least-privilege approach to system access in support.

- 3.4 As the broader ICT team work on building a professional Information technology environment which will form the foundation for the future, the security strategy horizons are following in close alignment. Best practice frameworks and standards are being implemented within the budget envelope that has been provided. Security is embedded into the design of new solutions and added to existing tools. Security process maturity continues to grow as these changes are embedded and continuously improved. Controls have been documented and matured as has been noted in the recent cyber incident audit.
- 3.5 Appendix 1 sets out the threat landscape for local authorities and the horizons of the current security strategy.
- 3.6 Appendix 2 sets out some statistics related to security incidents, a recent phishing exercise conducted to test awareness, and notes the cyber incident response audit outcome.
- 3.7 In addition to the Cyber Security work the ICT team support all other services and council sites via the provision of Design Services (enterprise architecture); Project and Programme delivery; Infrastructure and Operations who manage physical infrastructure and networks, and provide a Service Desk; Change Enablement who aid users with change; Commissioning and Performance services who actively manage suppliers and contracts.

4. Reasons for Recommendations

- 4.1 Cyber security is a strategic risk area. Having oversight of the actions taken within the cyber security function of ICT will provide assurance to assist the Audit Committee to effectively discharge its responsibilities as per its Terms of Reference.**

5. Corporate Implications

- 5.1 Contribution to the Corporate Plan and Southend 2050 Road Map
Digital is an enabler to the Corporate Plan and Southend 2050. Security of the information we hold is essential to achieving the outcomes of these strategic aspirations.
- 5.2 Financial Implications
The Cyber security activities are scheduled to be delivered within the approved ICT budget.
- 5.3 Legal Implications
Data Protection legislation requires the Council to protect the data that it is responsible for and having effective cyber security arrangements contributes to discharging this duty.
- 5.4 People Implications
The ongoing development of officers within the cyber security function is part of the approved ICT Talent Strategy.
- 5.5 Property implications
None

5.6 Consultation

Cyber security and other information technology risks are part of the regular reporting to Executive Directors and Directors.

5.7 Equalities and Diversity Implications

The relevance of equality and diversity is considered during the planning and implementation of changes to the information technology environment.

5.8 Risk Assessment

Cyber security risk is a strategic risk included in the corporate risk register.

Other risks the team continues to manage are the potential loss of staff and the ability of the service to replace this resource.

5.9 Value for Money

Opportunities to improve value for money in the delivery of services are identified during some reviews and recommendations made as appropriate.

5.10 Community Safety Implications

None.

5.11 Environmental Impact

Increased digitalisation reduces the need to rely on other physical resources and therefore contributes to the Council's environmental objectives.

6. Appendices

Appendix 1 The Threat Landscape and Security Strategy Horizon progress

Appendix 2 Statistics and Cyber Response Audit

Appendix 1: The Threat Landscape and Security Strategy Horizon progress

Statistics from 2022 show that attacks on UK Councils were constantly increasing and the council's security team anticipate that 2023 will reflect similar statistics.^[3] National Cyber Security Centre (NCSC) guidance and National Institute of Standards and Technology (NIST) standards form the basis of the security approach, and the team work constantly to further improve to keep the data of the council and residents safe.



Through the work done already the overall security maturity has been improved. Continuous improvement and adapting and avoiding of distraction are key to vigilance. The team recognise that there is no such thing as being 100% cybersecure and therefore are working on preparedness as well as protection and continuously improving security. Users are an essential part of this as they are both the first line of defence and the weakest link, and

therefore there is regular training and support offered to all users.

Part of the security approach is to apply a least privilege approach to access, meaning that when access is given it is the minimum possible required to deliver the role and any further access has to be motivated and approved. SCC ICT work closely with NCSC, Local Digital, Essex Police and others to ensure that approaches are aligned to best practices. Tools and approaches are selected that are aligned to our standards and within our budget envelope, ensuring that as far as possible best of breed tools are used to secure council data.

The Threat Landscape: Key Cyber Threats and Risks in the Local Authority Sector^[4]

Phishing

The biggest threat facing the sector are phishing attacks with over 50% of phishing attacks directed at government. Phishing arrives via email or messaging and these are very sophisticated, often replicating the logo and information of known people to convince the targets to respond. Those who are most often the targets are councillors, but many other staff are also targeted. There is a form of phishing that now also targets messaging services in mobile devices.

For this reason, cyber security training and refreshing is mandatory for all users, including councillors.

The Council provide phishing training, provide updates via newsletters, and conduct regular phishing exercises to ensure awareness.

A specific email address: phishing@southend.gov.uk is set up for users to report suspect emails. Those users who do click on attachments in the exercise are retrained. The most recent phishing exercise yielded more than 514 users who potentially compromised security, including 13 councillors. The first click was within less than a minute and the first report of the phishing was 5 minutes later. 166 users in total reported the phishing email.

Ransomware

Ransomware is a very real threat to local government^[5]. The NHS WannaCry attack in 2017, and several subsequent successful ransomware attacks against local councils have highlighted the need to build awareness and take action to protect our council against the potential reputational and financial risk. At Southend we have a ransomware solution in place which will lock down the network automatically if an intrusion is detected, which has been added to our arsenal of tools.

Insider threats

Insider threats are threats posed by those who may have gained unauthorised access or even disgruntled employees. This is a mode of attack being used by cyber criminals recently – they gain access via a user whose credentials are compromised and use this access to observe (sometimes for months) before taking action. Safeguarding of user credentials and constant vigilance are essential, as is awareness and users are regularly reminded of the need to be careful and vigilant.

SCC Cyber Security Strategy and Horizons

Vision for Cyber Security: “Cyber security will be a demonstrable strength within the organisation, and we shall be an acknowledged leader in local government when it comes to securing the data and technology used in delivering the Council’s services. Our current and future digital services will, as well as being innovative, be secure and resilient from cyber-attacks. Whilst keeping people’s information and data safe, we will be mindful of privacy and ethics. We will always ensure data is collected and used lawfully and ethically to benefit the residents and visitors to our city.”

Digitisation is essential to survive and thrive today, but becoming more digital also exposes an organisation to an ever growing cyber risk threat^[1]. Cyber risk is a strategic risk as a successful cyber attack could impact the resilience of the entire council. A Cyber Security Strategy has been in place since late 2022, aligned to the Corporate Plan and Southend 2050. This strategy has three time horizons focused on three aspects of the cyber environment and is due for a review and update in 2023:

Horizon 1: 2020/21: Establish foundational capabilities, and address key enterprise risks [0-18 Months]

To define, develop and deliver foundational level cyber security and ICT capabilities across People, Technology, Information and Process areas. Utilising recognised frameworks and standards to inform the future security architecture, whilst addressing gaps in foundational controls and capabilities through remediation of end user computing, network and infrastructure. In doing so we will be better equipped to manage our own compliance and set appropriate standards for assessing risk and compliance in our supply chain.

Key Outcome: Increase cyber resilience to a level which would be able to maintain Council operations whilst swiftly identifying and responding to repeated known and identifiable threats.

Horizon 2: Improve and Optimise [18 Months to 3 Years]

To Improve and optimise security capabilities through regular measurement and assessment of security controls and capabilities. Exploit opportunities to refine cyber security tactics, techniques, and protocols so that a proactive posture is established to improve prevention, detection and response to cyber events. We will look to further enhance security culture with increased targeted and role-based learning. We will aim to be compliant with all external standards and requirements and have established alignment with our own standards for minimum standards for cyber security.

Key Outcome: Increase cyber resiliency to a level whereby we could withstand repeated known threats and be proactive in monitoring for and responding swiftly to more unknown cyber threats.

Horizon 3: Adapt and Innovate: [3-5 Years]

Continuous improvement of cyber security capabilities seeking out opportunity to innovate and anticipate the future needs of the SBC organisation, people technology and threat landscape. Adapt dynamically to changes in the threat landscape or through business change. Be able to quickly measure compliance and adherence to standards and external requirements.

Key Outcome: Be able to adapt quickly to the changes in threat landscape and respond swiftly to more complex, unknown and advanced and persistent threats.

Horizon 1 was delivered in late 2021 and the work on Horizon 2 began once horizon 1 was delivered. Horizon 3 will begin towards the end of 2023, and overlaps horizon 2.

SCC ICT have conducted maturity assessments, improved capabilities within the ICT team and collaboration with other service areas. The control environment has improved through the application of standards and frameworks and over the past year the council have taken part in DLUHC Digital^[2] work to build a cyber assessment framework for local authorities and gained some useful insights and some funding for the work.

The ICT security team participate in the NCSC portal which is a platform for information sharing within government departments. It monitors current incidents, provides early warnings, shares information, conducts cyber assessments and provides general technical support to government authorities. The team also belong to the Cyber Information Sharing Partnership (CISP) a joint industry and government digital service for sharing of cyber threat information in a secure and confidential environment. The Council is also part of the Essex Digital Partnership and the (National Local Authority Warning, Advice and Reporting Point (NLAWARP).

Supporting links

^[1] [Cyber Security Outlook 2023 - PwC UK](#)

^[2] [Insights from the Cyber Assessment Framework for Local Government pilot - DLUHC Digital \(blog.gov.uk\)](#)

^[3] Cyber-criminals are increasingly targeting UK councils, with more than two million attempted attacks recorded in 2022 to date. There has been a 14% rise in the number of cyber-attacks year-on-year. Phishing attacks are the biggest threat to councils with 75% stating it is the most common type of cyber-attack experienced

[UK councils hit by 10,000 cyber-attacks every day so far in 2022 | Gallagher UK \(ajg.com\)](#)

Appendix 2: Statistics and Cyber Response Audit

The council receives and sends a significant volume of email. On average 2 million emails are sent (0.5 million) and received (1.5 million) every month. These emails are automatically scanned using an industry standard database for known malicious senders, with emails from these senders then blocked. On average 100,000 are blocked every month, and a further 45,000 emails are sent to junk mail folders.

Over 420,000 MS Teams chat messages are shared every month, and approximately 14,000 meetings held every month.

There are 5.7 million files stored in Onedrive and a further 5 million stored in Sharepoint. 63,000 of these were viewed in the last month. All Onedrive files have been migrated to a cloud environment, with planning for the Sharepoint migration in flight.

Security Statistics

Over the past six months 253 account breach attempts have been stopped and the team have resolved 29 malicious URLs clicked by users.

Penetration testing has been conducted on a legacy tool used by one of the services and high-risk vulnerabilities found. The supplier has been approached to fix their security weaknesses. A review of security in proposed new tools and websites, and a policy to manage this, is being considered for ongoing standard practice.

Cyber Incident Response Audit

A cyber incident response audit was conducted in late 2022, which noted satisfactory assurance and made six recommendations to improve the cyber incident response further.

^[1] [Cyber Security Outlook 2023 - PwC UK](#)

^[2] [Insights from the Cyber Assessment Framework for Local Government pilot - DLUHC Digital \(blog.gov.uk\)](#)

^[3] Cyber-criminals are increasingly targeting UK councils, with more than two million attempted attacks recorded in 2022 to date. There has been a 14% rise in the number of cyber-attacks year-on-year. Phishing attacks are the biggest threat to councils with 75% stating it is the most common type of cyber-attack experienced. [UK councils hit by 10,000 cyber-attacks every day so far in 2022 | Gallagher UK \(ajg.com\)](#)

^[4] [The 4 Top cyber threats for cities and governments in 2023 \(imagineiti.com\)](#)

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Southend-on-Sea City Council

Report of the Deputy Chief and Executive Director
(Finance & Resources)

To

Audit Committee

On

26 April 2023

Agenda
Item No.
9

Report prepared by: Andrew Barnes, Head of Internal Audit

Internal Audit Services, Quarterly Performance Report

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To update the Audit Committee on the progress made in delivering the Internal Audit Strategy for 2022/23.

2. Recommendations

- 2.1 **The Audit Committee notes the progress made in delivering the 2022/23 Internal Audit Strategy.**

3. Internal Audit Plan Status

- 3.1 **Appendix 1** sets out the current status of the audit work contained in the updated plan, as at 31 March 2023.
- 3.2 **Appendices 2a to 2d** set out the results of the work completed since the last progress report to the Audit Committee in January.
- 3.3 In order to ensure that our work remains focussed on the areas of greatest risk to the Council, we continue to consider our Audit Plan for 2022/23 that was initially prepared for the Committee meeting that took place in April 2022. There have been no changes to the audit plan since last reported in January.
- 3.4 In addition to the Advice and Support items detailed at Appendix 1, the team has been providing support on work and arrangements that the Council is undertaking in respect of:
- Refresh of the Council's internal governance arrangements
 - Updates to draft policies to reflect the refreshed governance arrangements
 - Preparation of arrangements to produce the Annual Governance Statement for the year
 - Response to the LGA Corporate Peer Challenge
 - Development of new Service Plan templates that went live from April 2023.

4. Performance Targets and Resourcing

- 4.1 As outlined in the Strategy presented to the April 2022 Audit Committee, the team will be reporting on a more limited set of indicators this year given the amount of work that is still being contracted out.
- 4.2 For the period 1 April 2022 – 31 March 2023 the team had a total of 12 days of sickness absence. 10 days of this absence relates to one member of staff who was unwell with Covid-19.
- 4.3 In terms of the 46 jobs now included in the audit plan:
- 50% of audits are complete with finalised reports issued
 - 13% of audits are complete with draft reports issued
 - 4% of audits are completed with draft reports being produced
 - 22% of audits are in progress
 - 2% of audits have terms of reference being developed and agreed
 - 0% of audits are being planned
 - 2% of audits are resourced, but yet to be started
 - 7% of audits have been deferred due to changes of circumstances.
- 4.4 Stakeholder surveys have now re-commenced and will be completed throughout the year as audits are finalised. No further surveys have been completed since those last reported to the Committee.
- 4.5 Since the last report to the Audit Committee in January 2023 there has been three changes to the staffing of the team with the appointment of a new Audit Manager who will begin working for the Council shortly, and the appointment of two new Auditors, one joining the team in February, and the other joining the team in April.
- 4.6 As a result the team currently has five vacancies. The salaries of the vacant posts are being used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.

5. Reasons for Recommendations

- 5.1 Internal audit is an assurance function providing assurance to assist the Audit Committee to effectively discharge its responsibilities as per its Terms of Reference. The delivery of the internal audit plan will assist the Audit Committee with obtaining assurance that the Annual Governance Statement appropriately reflects the conditions at the Council.**

6. Corporate Implications

- 6.1 Contribution to the Corporate Plan and Southend 2050 Road Map
- Audit work provides assurance and identifies opportunities for improvements that contribute to the delivery of all Corporate Plan and Southend 2050 outcomes.

6.2 Financial Implications

The Audit Plan will be delivered within the approved budget.

6.3 Legal Implications

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

6.4 People Implications

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

6.5 Property implications

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

6.6 Consultation

The audit risk assessment and the Audit Plan are periodically discussed with the Chief Executive and Executive Directors before being reported to the Audit Committee.

All terms of reference and draft reports are discussed with the relevant Managers, Directors or Executive Directors before being finalised.

6.7 Equalities and Diversity Implications

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

6.8 Risk Assessment

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact of the Council's ability to deliver the Corporate Plan and to contribute towards the Southend 2050 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
- lack of management capacity to support and develop the team, while processing work in a timely manner and providing strategic leadership to the team and support to the Council
- possibility that the external suppliers won't deliver contracted-in work within the required deadlines to the expected quality standards
- need to maintain relationships with clients / partners while the service is being rebuilt.

6.9 Value for Money

Opportunities to improve value for money in the delivery of services are identified during some reviews and recommendations made as appropriate.

Internal Audit also periodically considers whether it provides a value for money service.

6.10 Community Safety Implications

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

6.11 Environmental Impact

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

7. Background Papers

- The Accounts and Audit Regulations 2015
- UK Public Sector Internal Audit Standards
- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards

8. Appendices

Appendix 1	Internal Audit Plan 2022/23 progress status
Appendix 2a	Audit Assurance and Themes – Satisfactory assurance
Appendix 2b	Audit Assurance and Themes – Partial assurance
Appendix 2c	Audit Assurance and Themes – Follow ups
Appendix 2d	Audit Assurance and Themes – Other audits and Grant Claims

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 6 April 2023
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Managing the Business

F&R	Risk Management To support the council to embed robust assessment of risk and opportunity into decision making that encourages creativity, learning and improved outcomes. This will extend the discovery phase piece of work undertaken in 2021/22 to further support the council in developing its risk management framework with the aim of adopting a common approach across the council.	No	Work is ongoing to enhance risk management across the Council, including the inclusion of risks to delivery of service objectives included in the new service plans
SC&G	Technology Modernisation Programme Assurance (2021/22) To assess the robustness of the arrangements to deliver the programme of works required to achieve the Council's target technology operating model.	No	Completed November 2022

Implementing Action Plans

None planned

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	Green City Action Plan 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.	Yes	Work deferred until 2023/24 to enable changes being made to arrangements to be embedded
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Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 6 April 2023
Implementing Action Plans			
N&E	Energy Projects Status Assurance (2021/22) To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service	Yes	Draft report issued to the service
N&E	Highways Capitalised Maintenance Programme To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.	Yes	Completed April 2023
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	Alternative School Provision (2021/22) 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.	No	Draft report being discussed with the service
F&R	Contain Outbreak Management Funding (No. 31/5456) To certify that, in all significant respects, the conditions attached to the grant have been complied with for the spend up to end of 2021/22 (further work due 2023/24 for grant use during 2022/23).	Yes	Completed September 2022
G&H	Protect and Vaccinate Grant (No. 31/5912) To certify that, in all significant respects, the conditions attached to the grant have been complied with.	Yes	Completed July 2022

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 6 April 2023
A&C	Disabled Facilities Grant (No. 31/5515) To certify that, in all significant respects, the conditions attached to the grant have been complied with.	Yes	Completed November 2022
C&PH	Supporting Families Programme To certify that, in all significant respects, the conditions attached to the grant have been complied with. <i>Planned throughout the year to align with the Payment by Results claim windows set by Department for Levelling Up, Housing & Communities.</i>	Yes	April – September claims completed September 2022 October – December claims completed December 2022 January - March claims completed March 2023
F&R	Test and Trace Support Payment Scheme (No. 31/5385) To certify that, in all significant respects, the conditions attached to the grant have been complied with.	Yes	Completed June 2022
C&PH	Universal Drug Treatment Grant 2021-22 (No. 31/5494) To certify that, in all significant respects, the conditions attached to the grant have been complied with.		Completed November 2022
G&H	Rough Sleepers To assess the robustness of arrangements to ensure effective support is given to vulnerable people to achieve the outcomes within the Housing, Homelessness and Rough Sleeping Strategy, while achieving value for money.	Yes	Deferred to June 2023 at the request of the service due to competing priorities and deadlines resulting in insufficient capacity to engage with the audit
C&PH	Independent Reviewing Officers To assess the effectiveness of Independent Reviewing Officers (IROs) in ensuring children's needs are met and their outcomes improved through the support and services that they receive.	No	Work in progress

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 6 April 2023
C&PH A&C	Care Platform Change Management To assess the robustness of arrangements to identify, prioritise, and monitor delivery of change requests which ensure that resources are directed to deliver on the council's key priorities and outcomes for delivering adult and children's services.	Yes	Work removed from plan due to reduction of the Care Platform change programme
C&PH	Children not attending Education To assess the robustness of arrangements which ensure children not attending school are known and their welfare is monitored to keep them safe and that they realise their potential.	No	Planned for Q4
A&C C&PH	Direct Payments To assess the robustness of arrangements for ensuring payments made to clients with an assessed need for support are valid and delivering the required outcomes for vulnerable citizens.	Yes	Draft report issued to the service
Implementing Action Plans			
A&C	Adult Social Care Recovery Programme To check that actions agreed have been effectively implemented and embedded into the day-to-day management of the recovery programme.	No	Completed August 2022
<p style="text-align: center;">Active and Involved</p> <p style="text-align: center;">By 2050 we have a thriving, active and involved community that feel invested in our city</p>			
N/A	No work planned	N/A	
Implementing Action Plans			
None planned			

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 6 April 2023
<p style="text-align: center;">Opportunity and Prosperity</p> <p style="text-align: center;">By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people</p>			
G&H	<p>Better Queensway Workstreams (2021/22)</p> <p>To assess the robustness of agreed delivery plans and monitoring arrangements to deliver the Council's obligations under the Partnership Agreement for the Housing, Highways and Finance workstreams.</p> <p>(Scope of the work extended to include the Finance workstream)</p>	Yes	Completed July 2022
F&R	<p>Corporate Asset Management</p> <p>To assess the adequacy of arrangements in place to ensure assets continue to deliver value and meet stakeholder needs, while supporting organisational objectives.</p>	Yes	Draft report issued to the service
A&C	<p>Community Investment Grant</p> <p>To assess the robustness of arrangements that ensure grant monies passed to the community are being properly accounted for and delivering outcomes for the citizens of Southend.</p>	Yes	Draft report issued to the service
G&H	<p>Housing Allocations</p> <p>To assess the robustness of the arrangements that ensure available housing is allocated appropriately, in accordance with council policies.</p>	Yes	Draft report with the HoIA
Implementing Action Plans			
N&E	<p>Southend Travel Partnership Joint Venture Company</p> <p>To check that actions agreed from the two pieces of audit work during 2021/22 have been effectively implemented and embedded into the day-to-day operation of the service.</p> <p><i>(Also linked to safe and well 2050 outcome)</i></p>	Yes	Work in progress

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 6 April 2023
<p align="center">Connected and Smart</p> <p align="center">By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure</p>			
N&E	<p>Local Transport Capital Block Funding (No. 31/5505)</p> <p>To certify that, in all significant respects, the conditions attached to the grants have been complied with.</p>	Yes	Completed October 2022
N&E	<p>Local Transport Capital Block Funding – Pothole Fund (No. 31/5506)</p> <p>To certify that, in all significant respects, the conditions attached to the grants have been complied with</p>	Yes	Completed October 2022
F&R	<p>My Southend</p> <p>To assess the robustness of the project governance arrangements to deliver the benefits to citizens, businesses, tourists, councillors and the council, required from the new platform.</p>	No	<p>Feedback provided directly to the service area on the project's business case</p> <p>Further work to be undertaken as the project progresses</p>
Implementing Action Plans			
<i>None planned</i>			
<p align="center">All Outcomes</p>			
SC&G	<p>Cyber Threat (2021/22)</p> <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>	Yes	Completed March 2023
SC&G	<p>ICT Strategy (2021/22)</p> <p>To assess the robustness of the governance arrangements which ensure the technology elements of the Council's various service strategies properly inform the ICT strategy; that the ICT Strategy is delivered and that it supports and enables the achievement of the Council's strategic goals.</p>	No	Completed December 2022

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 6 April 2023
SC&G	Letting of Recruitment Contract To assess the robustness of the arrangements for reletting the council's contract for recruiting agency and permanent employees.	Yes	Phase 1 Award of Contract completed July 2022 Phase 2 Contract negotiations Completed December 2022
F&R	Clearing House Automated Payments System (CHAPS) payments To assess the robustness of arrangements that ensure valid and accurate and payments are made using the CHAPS facility.	Yes	Draft report with the HoIA
F&R	Procurement Cards To assess the robustness of processes for ensuring staff purchases made using procurement cards is transparent and valid.	Yes	Completed March 2023
SC&G	Staff Pay To assess the robustness of processes for ensuring accurate and valid payments are made to staff when these are outside of standard salary payments.	Yes	Work in progress
Implementing Action Plans			
SC&G	Business World Enterprise Resource Planning Programme of Work To check that actions agreed have been effectively implemented and have been embedded into the day-to-day management of the Programme.	No	Work in progress
Key Financial Systems - All Outcomes			
F&R	Accounts Payable To assess the robustness of processes for ensuring accurate, transparent, and valid payments are made to suppliers and individuals.	Yes	Completed March 2023

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 6 April 2023
Implementing Action Plans			
<i>None planned</i>			
Advice and Support			
All Outcomes and Future Ways of Working			
F&R	Financial Sustainability (including Getting to Know your Business Initiatives) 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.	No	Scoping meeting undertaken and terms reference being produced
SC&G	Device Return and Issue To provide support and challenge to the team assessing arrangements to improve processes for issuing and returning IT equipment to new starters and leavers.	Yes	Work complete. Input provided as the group improved the process for the return of equipment
SC&G	Corporate Plan To provide support and challenge to the team developing the council's Corporate Plan which will identify the priorities for the delivery of outcomes for 2022-23 to 2025-26.	No	Work complete. Comments and feedback provided through the development of the Corporate Plan and the work on the changes sought for the governance arrangements that will underpin the delivery of the Plan.
SC&G	Business World Enterprise Resource Planning Phase 2 To provide support and challenge to the project team as the risks and control environment for the planned Corporate Establishment and other required improvements are considered and / or developed.	Yes	Work in progress Discussions underway with the ERP Project Team as work continues to refine the project deliverables as part of the business case development.

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 6 April 2023
SC&G	Recruitment Management System To provide support and challenge to the service as options for a replacement Recruitment Management System are explored and developed alongside the Council's recruitment provider.		Work complete. Feedback has been provided during workshops to date focused on: <ul style="list-style-type: none"> Recruitment and technical requirements Invoicing and finance
Implementing Action Plans			
G&H	Better Queensway Highway Scheme (2021/22) 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.	No	Draft memo being discussed with the business
<p style="text-align: center;">Pride and Joy</p> <p style="text-align: center;">By 2050 Southenders are fiercely proud of, and go out of their way, to champion what our city has to offer.</p>			
N&E	Climate Project Management Provide advice, support and challenge over the project management framework in place to deliver projects within the climate agenda on time and within budget.		Work deferred until 2023/24 to enable changes being made to arrangements to be embedded
N&E	Letting of new Waste Collection Contract To provide support and challenge to the project team to ensure robust project management and procurement processes are applied and value for money is obtained for city residents.	Yes	Work in progress. Feedback being provided as the procurement arrangements are developed

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 6 April 2023
<p style="text-align: center;">Safe and Well</p> <p style="text-align: center;">By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives</p>			
A&C	<p>Adult Care Quality Assurance Framework (QAF)</p> <p>Ongoing 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.</p>	No	Work complete. Framework reviewed and feedback provided in August 2022
C&PH	<p>Supporting Families Programme</p> <p>To provide support and challenge to the service as the council's current Outcomes Framework is revised to align with the Department for Levelling Up, Housing and Communities (DLUHC) updated national outcomes framework and programme guidance.</p>	Yes	Work complete. Revised framework now in place.
G&H	<p>Homes for Ukraine</p> <p>To provide support and challenge to the service as processes are developed to respond to the council's responsibilities for providing support payments and oversight of accommodation to citizens fleeing Ukraine.</p>	Yes	<p>Work complete. Support and challenge given as service area were developing the cash distribution arrangements.</p> <p>Improvements to the proposed processes and controls included recommendations/identification of:</p> <ul style="list-style-type: none"> • areas of potential fraud, • security around receipt and paying out of cash • maintenance of accounting records to record the transactions; and • protecting staff responsible for handling cash in terms of two staff being present when cash was being handled.

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 6 April 2023
<p>Active and Involved</p> <p>By 2050 we have a thriving, active and involved community that feel invested in our city</p>			
<i>No work planned</i>			
<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	<p>HRA Business Plan</p> <p>Provide advice, support and challenge to the project team as the HRA Business Plan is developed to help ensure it is robust and underpinned by a sound supporting evidence base, while reflecting necessary legislative requirements and Council priorities.</p>	No	Work in progress
<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>			
<i>No work planned</i>			

Appendix 1: Internal Audit Plan 2022/23

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	6%
Managing Service Delivery Risks	57%
Key Financial Systems	3%
Grant Claims	8%
Advice and Support	15%
Follow Ups	6%
Managing Delivery of the Audit Plan	6%
Total	100%
Total Council Audit Plan Days	620

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 1: Internal Audit Plan 2022/23

Analysis Over Executive Director Responsibilities		
All	Cross Cutting	0%
F&R	Finance & Resources	20%
SC&G	Strategy, Change and Governance	19%
G&H	Growth & Housing	14%
N&E	Neighbourhoods & Environment	22%
C&PH	Children & Public Health	16%
A&C	Adults & Communities	9%
	Total	100%

Analysis over the Southend 2050 Themes	
Pride & Joy	14%
Active & Involved	0%
Safe & Well	28%
Opportunity & Prosperity	17%
Connected & Smart	5%
All	35%
Total	100%

Appendix 1: Internal Audit Plan 2022/23

Risk Watch List	
These are other potential audits that may be considered for inclusion in the Audit Plan during the year should resources permit	
A&C	Sexual Health Service
A&C	Mental Health Service Provision (review of current arrangements including Section 75 agreement with EPUT scoped by service)
C&PH	Implementation of SEND Action Plan from peer review
F&R	Critical Contracts Exit strategies
F&R	Business Rates Collection
F&R	Asset Management – arrangements for letting and monitoring commercial leases for council property
F&R	School Audits – assess assurance available from council teams that the role of the schools Finance team to determine the assurance their function may give overall
G&H	Empty Homes Strategy 2021 – 2026
New areas of risk to keep watching brief	
All	Environmental, Social & Governance (ESG)
All	Association of South Essex Local Authorities (ASELA)
All	Social Media
A&C	Adult Social Care Strategies 2022/27: Living Well, Ageing Well and Caring Well
A&C	Integrated Care System (April 2022)
A&C	Southend Care Ltd Partnership Agreement 2022-2031
A&C	Hospital Discharge
A&C	Anti-Poverty Strategy
C&P	Remodelling of Children's Centres (in house service from 1st October 2021)
F&R	Social Value - Implementation of Strategy / Policy
F&R	Corporate Procurement Strategy 2022- 2027
N/A	Domestic Abuse Act 2021 Implementation Strategy
N&E	Selective Licensing
N&E	New Highway Enforcement Policies

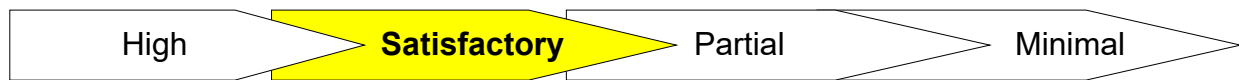
Appendix 1: Internal Audit Plan 2022/23

G&H	Building Safety Bill
SC&G	ICT Project Management Office

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Appendix 2a: Audit Opinion and Themes

Assurance



Cyber Security Incident Management

Objective

To assess the effectiveness of arrangements in place to quickly identify a Cyber Security incident and the suitability of planned strategic and technical responses following an attack.

Themes

In this audit we reviewed the cyber incident management processes and policies in place; design of incident response plans to promptly contain and respond to incidents; follow up procedures from a cyber incident; incident response accountabilities, responsibilities and delegation; governance around incident response management; and alignment with crisis management plans.

We identified appropriate controls in many areas particularly the understanding of information and cyber security threats to its operations, supported by suitable Government and other partnerships for cyber threat information sharing; tools in place to capture and analyse IT Security events; the documentation of employees roles and responsibilities in response to cyber incidents; communication and escalation plans; consistent reporting criteria and containment strategies.

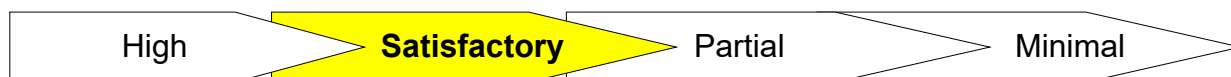
Despite the fact that the Council has established key incident management controls in place to combat cyber attacks, it is crucial to note that the maturity of cyber security controls is likely to deteriorate over time if no additional activities are performed on a continuous basis, due to the constant changes in the threat landscape.

We identified six recommendations, none of which represent high risk findings:

- The Council should address the key person dependency risk by ensuring that an operational procedure should be documented based on potential cyber threat scenarios (DDoS, phishing attack, ransomware attack etc.) to account for the circumstances where any key personnel involved were to suddenly leave or be out of office at the time of an incident
- The Council should devise and undertaken table-top exercises on a quarterly basis and document observations from the exercises to ensure the processes defined are appropriate and the team involved is comfortable with their parts to play
- The Council should establish formal reporting procedures that occur on a regular basis (at least quarterly) to ensure senior management across the Council are aware of incident volume, security risks and initiatives in place to ensure lessons learned are communicated to staff across departments at the Council
- The Council should ensure they update all playbooks to accurately represent the processes that are followed by the IT security team during an incident response

Appendix 2a: Audit Opinion and Themes

Assurance



- Management should ensure that lessons learned are documented and shared with the incident response team, team leads and the wider organisation as appropriate
- The Council should implement a mandatory cyber security awareness training module to be completed on an annual basis for all staff members.

Procurement Cards

Objective

To assess the robustness of processes for ensuring staff purchases made using procurement cards is transparent and valid.

Themes

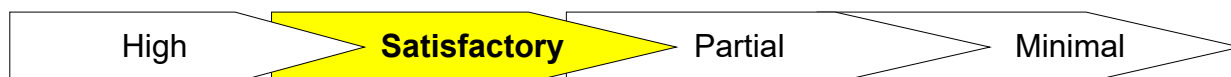
Procurement cards are an important tool to support council staff in the delivery of services, through enabling the purchase of appropriate goods and services. Effective control of the issue and use of procurement cards is important to support that they are used by appropriate staff to purchase items in accordance with council policy.

In this audit, we assessed the controls in place in relation to the set-up, use of and approval of procurement card expenditure. We have identified that the controls in place across all areas covered in the scope of this audit are appropriately designed, particularly in relation to setup and use of procurement cards.

However, the Council should ensure that the use of procurement cards is regularly reviewed and monitored through the spend analysis report to ensure appropriate oversight of use of the cards and expenditure arising. This will allow the Council to identify and resolve issues relating to procurement card spend in a timely manner.

Appendix 2a: Audit Opinion and Themes

Assurance



Accounts Payable

Objective

To assess the robustness of processes for ensuring staff purchases made using procurement cards is transparent and valid.

Themes

This audit focussed on the processes for ensuring accurate, transparent, and valid payments are made to suppliers and individuals. We identified a strong control environment in place over the Accounts Payable process. In particular, we performed detailed testing of the process for onboarding new suppliers, making changes to supplier standing data, and for purchase invoice receipt and processing. We noted that these controls were well designed and did not identify any exceptions in relation to these areas. There are, however, a small number of opportunities to further streamline the process in certain areas:

- Policy and procedure documents should all be reviewed to ensure that they are formalised with a version control matrix setting out the date of last review and date of next scheduled review, and to ensure that policies that have not been reviewed in several years are still reflective of actual working practices. This will mitigate the risk of a lack of clarity in procedures and inconsistencies in processes carried out.
- The process for payment runs and reviewing them for duplicates or other discrepancies is manual, and there is no duplicate payment reporting functionality on Business World, the Council's ERP system. This risk relates to external payment files loaded into the system only, rather than payments generated from invoices processed via the system by the Accounts Payable team. The Council should investigate ways in which Business World can enable automatic reporting on duplicate payments to mitigate the risk of duplicate payments being made due to fraud or error.

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Appendix 2b: Audit Assurances and Themes

Assurance



ICT Strategy

Objectives

To assess the robustness of the governance arrangements which ensure the technology elements of the Southend on Sea City Council's (Council's) various service strategies properly inform the Information and Communications Technology (ICT) strategy; that the ICT Strategy is delivered and that it supports and enables the achievement of the Council's strategic goals.

Summary

The ICT department underwent a full restructure in 2019, resulting in a significant change in personnel. The ICT department inherited legacy infrastructure and service contracts, that had historically resulted in the Council not having a fit for purpose technology environment. Since then there have been gradual improvements to bring about the desired technology environment by standardising the infrastructure to adapt to future digital requirements. Some of the efficiencies have been brought about through procurement and contract negotiation, and through engaging more with the services in the Council.

During these improvement initiatives, ICT continued to operate as a support function responding to the Council's needs. Senior leadership recognise ICT's responsiveness to ensure staff were able to work remotely, by ensuring the right equipment and network connectivity were in place, enabling the Council's services to continue as normal during the Covid-19 pandemic with minimum disruption.

With the combination of managing these challenges and stabilising the IT infrastructure and processes, ICT produced a formalised Digital Strategy in 2022, which aligns to the Corporate Plan. However, the strategy does not outline clearly the Council's IT requirements and understand how ICT will be an enabler to fulfil the Council's corporate priorities.

Alongside this, the ICT team has continued to experience challenges caused by service areas engaging late with ICT on the development of new solutions, which impacts the planning, identifying an appropriate solution and prioritising resources to support projects that require IT input and support. This has resulted in ICT not being able to resource some projects sufficiently, and equally not being able to bed in the right underlying IT architecture and solutions, that may be applied holistically to the Council's IT needs, which could be scalable and efficiently supported.

To manage this challenge, ICT has introduced the 'Entrance Hall' process to capture the current and proposed project requirements, and enable prioritisation and management of resource requirements accordingly. This has been a key initiative, to curb the reactive approach to IT projects. However this is not a long-term sustainable solution as it will not allow ICT to plan and drive solutions holistically and be the architect of the infrastructure to benefit the Council's overall future digital requirements.

Appendix 2b: Audit Assurances and Themes

Assurance



Changing the approach to be more proactive and focused on collaboration with service areas will encourage a greater level of challenge around the thinking on and architecting solution sets, which will enable IT solutions to be better future proofed (for scalability and compatibility), more cost effective and support the management of vendors where applicable.

A clear governance structure needs to be created, with senior management setting the tone and direction on the prioritisation of the Council's IT projects, to fulfil the long-term strategic requirements of the Council and services. Forming a governance forum will be key to understand the Council's digital priorities, which will in turn set the tone for prioritising and sequencing of projects. With such a forum in place it will help ICT to get the support at a corporate level to determine which projects, should go ahead and provide a better overview of risks that may impact ICT priorities and other corporate risks. Officers are working to address this through the introduction of a Digital Group, providing oversight and linkages with the Smart Council technology development programme, as part of the Council's current wider review of governance arrangements. Draft Terms of Reference for this group were prepared in November.

Clear, early and ongoing collaboration is also required between the service areas and the ICT team. Removing this barrier will help to ensure that the services consider IT in their forward planning / decision making, and are also aware of possible solutions that IT can provide. Improvements have been suggested to the Performance Management Framework (PMF) to aid this collaboration.

Number of actions agreed: 3

Appendix 2c: Audits Revisited

Purpose of these audits

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

Highways Capitalised Maintenance Programme

Original Objective

To assess the robustness of the Council's end-to-end arrangements for managing the Highways Capitalised Maintenance programme of works, which supports the delivery of improvements to the Council's pavements and highways for the benefit of the citizens of Southend.

Themes

During February 2022 Internal Audit conducted an advisory piece of work and provided management with feedback and interim recommendations to strengthen the programme's control environment, whilst also enabling the Capital Board to fulfil its role in monitoring the programme's delivery, to realise the expected outcomes and benefits of strategic relevance from the capital investments made by the Council.

Feedback was provided in the following key areas:

- the development of a business case and clear scopes of work
- developing robust plans that ensure the programme can be delivered on time and within budget
- clarification of the programme's governance processes and associated roles and responsibilities
- the introduction of a change control process that will ensure proposed changes are impact assessed against the agreed programme aims and the available resources
- the introduction of processes to ensure programme risks and issues are managed and monitored to avoid negatively impacting upon the programme aims.

From initial interviews with staff and review of documentation provided during January 2023, it became apparent that the arrangements in place to manage the delivery of the improvements to the City's pavements and highways had not changed since the original audit.

Overall responsibility for these works transferred over to the Highways team along with the associated resource on the 1st February 2023. Internal Audit met with the Service Manager for Highways & Asset Management and are confident that arrangements are now in motion to clarify the scope of the programme (to now be referred to as the Highway Improvement Programme) and to strengthen the programme's control environment.

Management have agreed robust implementation dates with Internal Audit and we intend to follow up progress of the implementation of actions during Q3 2023/24, with a view to reporting progress to the January 2024 Audit Committee.

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Appendix 2d: Other Audits and Grant Claims

Supporting Families Programme – January to March 2023

Objective

To assess compliance with the terms and conditions of the Department for Levelling Up, Housing and Communities (DLUHC) Programme Guidance for making Payment by Result (PBR) claims for the year April 2022 to March 2023 in respect of the 2021-22 Supporting Families Programme (2021-22 Programme Guidance remains valid until replaced by the new Outcomes Framework and Programme Guidance).

Background

The new phase of the programme aims to build resilience by providing whole family support at the earliest possible point and help prevent escalation into statutory services. The Council has agreed to achieve measurable outcomes with a minimum of 199 families assisted by March 2023 under this Programme.

Internal Audit are required to review a minimum of 10% of claims to ensure there is suitable evidence to support the payment by results claim.

Summary and Conclusion of work

Between January and March 2023, 81 PBR claims were presented to audit, prior to submission to the DLUHC.

Internal Audit reviewed a sample of eight cases which covered a representative sample of the claims outlined above. Two claims had to be removed from the claim because they had previously been claimed for by the Council, however two additional claims were audited and for all other claims audited suitable evidence was available to support a PBR claim for:

- entry into the programme; and
- a claim for significant and sustained progress against all problems identified at the point of engagement and during intervention.

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Southend-on-Sea City Council

Report of the Executive Director (Finance and Resources)

To

Audit Committee

On

26 April 2023

Report prepared by Shaun Dutton, Counter Fraud & Investigations Manager

Agenda
Item No.

10

Counter Fraud & Investigation Team: Quarterly Performance Report

A Part 1 Public Agenda Item

1. Purpose of report

- 1.1 To update the Audit Committee on the progress made by the Counter Fraud & Investigation Team (CFIT) in delivering the Counter Fraud Strategy and Work Programme for 2022/23 and present the draft work programme for 2023/24.

2. Recommendation

- 2.1 The Audit Committee notes the performance of the Counter Fraud & Investigation Team over the last three months and the proposed work programme for 2023/24.

3. Introduction

- 3.1 The team continues to be exceptionally busy and our work over the past few months has been hampered by several complex investigations which have demanded a high level of resource. However, these investigations are nearing resolution and progress on our core function investigations is expected to accelerate as this happens. Highlights from the current period include:
- 3.2 As part of the Civic Centre cost-saving reorganisation, CFIT have relocated to a new office. The relocation went smoothly, and the new office is an improvement both in location and facilities.
- 3.3 Following the last meeting of the Committee, the Learning and Development Team have confirmed that the Fraud Awareness Course and Money Laundering Awareness Course will both be mandatory for all staff, subject to Corporate Leadership Team (CLT) approval.
- 3.4 The monthly fraud newsletter is now available as an official Southend-on-Sea City Council newsletter which enables members of the public to subscribe to it via the Council's website.

- 3.5 CFIT are now engaging with the Council's Insights Team to investigate how we can harness the information held by the Council to identify potential fraud more effectively and efficiently. A pilot exercise is in the planning stage.
- 3.6 The Council's information sharing Memorandum of Understanding with HM Revenues and Customs has been renewed.
- 3.7 CFIT have now agreed to joint working with the Department of Work and Pensions on suitable cases.
- 3.8 CFIT will be hosting a CLT meeting in May. This is an excellent opportunity to raise the team's profile and the CLT's awareness of our work.
- 3.9 CFIT have also presented to the Extended Corporate Leadership Team, which includes Heads of Service, to raise awareness of the risks and signs of timesheet fraud.
- 3.10 As the days are getting longer and the weather is getting better, CFIT has commenced its proactive activity in the community after a period of consolidation and work on the results of previous exercises. In March, two exercises were conducted:
- A proactive blue badge fraud detection and deterrence exercise which has resulted in 6 investigations
 - A proactive tenancy fraud detection and deterrence exercise which resulted in 80 social tenancies being visited over two days. The results of this exercise are currently being assessed.
- 3.11 The Work Plan for 2022/23 (**Appendix 1**) is now complete. Out of 29 activities, 4 were not achieved, mainly due to the complex investigations mentioned above and the volume of cases the team have dealt with this year. One activity was abandoned due to the cost of implementation. This will be dealt with in more detail in the team's Annual Report but the activities that were not achieved have been 'rolled over' to the coming year.
- 3.12 A draft Work Plan for 2023/24 has been written (**Appendix 3**) and this will be kept under review by the team, to identify additional activities that can be delivered over the coming year.

4. The threat from fraud

- 4.1 Fraud has grown rapidly in recent years and now accounts for 39% of all crime in England and Wales. Estimates by the National Crime Survey show that there were 4.6 million fraud offences committed in the year ending March 2021. This is equal to the total theft and violent crime offences combined¹.

However, the police have only 2% of their resources dedicated to fraud investigation, despite it making up more than 40% of all crime². A 2019 inspection of the police's response to fraud found that these offences are generally not considered to be a priority³.

Although the national response to the threat from fraud is improving, the scale of the threat is beyond the resources of our law enforcement agencies to tackle it alone. A significant focus of this response is focused on enabling businesses, individuals, and local authorities to protect themselves.

- 4.2 An indication of the increasing threat to the Council is demonstrated by a 2013 estimate⁴ suggesting that fraud may be costing UK local authorities £2.1bn a year. This compares to a 2017 estimate⁵ that the total annual loss to local authorities from fraud may be as high as £7.8bn.

This is a rise of £1.4bn a year: although the increase is likely to be exponential, using this figure extrapolates to **£14.8bn** in UK local authority loss from fraud in 2022.

- 4.3 The national fraud guidance for local authorities⁶ is placing an increased emphasis on proactive fraud prevention initiatives and our Work Plans are guided by this.

¹ Victims Commissioner, 2021

² House of Commons Justice Committee, 2022

³ Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services, 2019

⁴ National Fraud Office 2013

⁵ Centre for Counter Fraud Studies, University of Portsmouth, 2017

⁶ *Fighting Fraud and Corruption Locally: A strategy for the 2020s*, Local Government Association, 2020

5. Investigations

- 5.1 Since 1 April 2022, CFIT have dealt with, or are investigating, 440 cases (96 of these cases started prior to that date).
- 5.2 Since the last report to the Committee⁷, we have received 89 new cases.
- 5.3 Of the total 440 investigations:
- 334 have been concluded
 - 106 investigations are active:
 - 71 are currently being investigated
 - 8 are with Legal Services for prosecution
 - 27 are awaiting assignment to an investigator.
- 5.4 A breakdown of these investigations can be found at **Appendix 2**.
- 5.5 Our current prosecutions relate to:
- 2 concerning procurement fraud
 - 1 relating to Business Rates Small Business Rates Relief fraud (2 defendants)
 - 1 relating to grant fraud (non-covid), the defendant has absconded
 - 1 relating to covid grant fraud and money laundering
 - 3 relating to Blue Badge fraud.
- 5.6 Results this period⁸ include:
- £10,152.69 in council tax savings
 - £8,827.50 in business rates savings
 - £1,913.73 in council tax reduction savings
 - £46,000 in housing savings from the prevention of fraudulent housing applications
 - two social housing properties recovered saving £65,000⁹
 - fraudulent covid grant applications prevented saving £16,000
 - three blue badges recovered saving £1,725
 - seven blue badge misuse warnings issued
 - referrals made to the DWP (7), other local authorities (2) and Essex Police (1)
 - 54 Data Protection Act requests answered

⁷ 19/12/2022

⁸ 19/12/2022 to 29/03/2023

⁹ One property recovered due to fraud (£42,000) and one due to abandonment (£23,000)

No prosecutions were concluded during this period, mainly due to the current long waiting times to be heard in the courts.

6. Fraud prevention

- 6.1 CFIT's fraud prevention strategy is comprised of:
- Raising the awareness of the risk of fraud in all staff
 - Maintaining adequate controls in policies and procedures
 - Highlighting new frauds and risks of fraud through information sharing
 - Deterrence by publicising our results
 - Deterrence by having a high visibility in the community by conducting proactive detection and deterrence exercises.
- 6.2 While difficult to measure, the commencement of proactive exercises in the community does have a deterrent effect as, for example, we know from speaking to tenants that the word is spreading across the Council's tenant population that we are looking for subletters.
- 6.3 As mentioned above, the Fraud Awareness and Money Laundering Awareness courses will become mandatory for all staff. Awareness of these threats and what to do about them is the first step in building a strong defence for the Council and the encouragement of a pervasive anti-fraud culture across the establishment. CFIT is very grateful for the support of the Committee in enabling this.
- 6.4 CFIT officers are engaging with Internal Audit's work to ensure that counter fraud protections are adequate in the areas being examined and to strengthen any identified vulnerabilities. We have provided input into the current audits of Direct Payments and the Housing Allocations Policy and Procedure.
- 6.5 Also as mentioned above, the monthly fraud awareness newsletter is now an official Council newsletter, available for subscription or reading on the Council's website. This change in distribution was accompanied by publicity across the Council's social media channels. The aim of this newsletter is to highlight current threats to staff and the public and raise awareness of the risks and issues.

7. The National Fraud Initiative (NFI)

- 7.1 The NFI is a central government exercise that matches electronic data within and between public sector bodies to prevent and detect fraud. These bodies upload their data to a central service which then produces data matching reports. This process runs on a 2-year cycle.
- 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).
- 7.3 CFIT operates as the local coordinator and key contact for the NFI at Southend City Council: centrally organising the upload of data and the processing of returns.

- 7.4 The most recent data matching exercise from late 2022 is now complete, with data matching reports provided to the Council in January 2023. These reports are currently being processed by teams across the Council.
- 7.5 The matches processed to date have produced:
- £26,572.22 in Council Tax Single Person Discount savings
 - £16,957 in concessionary travel pass cancellation savings
 - £17,132 in Housing waiting list cancellation savings
- 7.6 The total benefit to the Council from the current round of the NFI is currently £60,661.22.

8. Corporate implications

Contribution to the Corporate Plan and Southend 2050 Road Map

- 8.1 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.
- 8.2 It does this by protecting and recovering the assets and funds that the council holds.
- 8.3 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.
- 8.4 Such proactive counter fraud work can result in reduced costs to the Council by protecting it against potential loss and civil or insurance claims.

Financial implications

- 8.5 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.

Legal implications

- 8.6 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."*
- 8.7 The work of the Counter Fraud & Investigation Team contributes to the delivery of this.

8.8 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.

People implications

8.9 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.

Property implications

8.10 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.

Consultation

8.11 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.

Equalities Impact Assessment

8.12 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

Risk assessment

8.13 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.

8.14 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.

Value for money

8.15 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.

Community Safety

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

Environmental Impact

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

Appendices

Appendix 1 – Counter Fraud Work Plan 2022/23

Appendix 2 – Breakdown of CFIT investigations

Appendix 3 – Draft Counter Fraud Work Plan 2023/24

Southend-on-Sea City Council

Finance & Resources Service

Executive Director Finance & Resources: Joe Chesterton

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

Counter Fraud & Investigation Team

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



Appendix 1 – Counter Fraud Work Plan 2022/23

KEY:

Denotes proactive activities
Denotes prevention/protection activities
Denotes development activities

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 a backlog of cases which is at a manageable level.	5	Shaun DUTTON	ONGOING
Council Tax	Joint working agreement with DWP for cases involving the Council Tax Reduction scheme.	March 2023	A joint working agreement has been agreed by both parties.	2	Shaun DUTTON Caroline MERCECA	21/03/2023
Council wide	Promote Declaration of Interest registration across the Council.	November 2022	This was achieved through a 'Views on Sea' blog to all staff on 17/11/2022.	1	David GILL	17/11/2022
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.	1	Shaun DUTTON	ONGOING



Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
			The monthly fraud newsletter's audience is expanding and now reaches approximately 700 recipients.			
		November 2022	Programme of publicity and talks to raise staff awareness of the importance of Declarations of Interest and how to make these.	1	Shaun DUTTON	18/11/2022
		November 2022	Publicity campaign to highlight International Fraud Awareness Week.	1	Shaun DUTTON	18/11/2022
		October 2022	Develop an Anti Money Laundering Awareness Course for all staff. A draft script has been provided to Learning & Development. This completes this activity and a new activity will be started to support L&D.	1	Caroline MERGIECA	13/12/2022
		March 2023	Target for publication of Anti-Money Laundering Awareness course to all staff. The eLearning course has been drafted and is being reviewed by CFIT ahead of publication.	1	Shaun DUTTON	19/01/2023

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
		May 2022	Engage with new starters in the Council at the point of induction to publicise CFIT, raise awareness of fraud and how to report it, and highlight the standards of behaviour and responsibility expected. This is expected to evolve into an induction eLearning course.	1	Shaun DUTTON	30/09/2022
Housing	Pro-active fraud detection and deterrence exercises on social tenancies.	May 2022	To be targeted in areas at high risk of subletting. Appropriate areas of activity will be determined during the planning stage.	5	Paul BROADBENT	21/05/2022
		August 2022			James COUSEN	27/08/2022
		October 2022	Due to the workload of the team, this activity was postponed to March 2023.		Caroline MERCIECA	25/03/2023
Housing	Review of SBC tenancy terms and conditions to strengthen the counter fraud message and encourage cooperation with the counter fraud team.	May 2022	The South Essex Homes' tenancy T&Cs are under review and we have an active contribution.	1	David GILL	10/05/2022
Council wide	Fraud risk and process analysis of areas of the Council's business at high risk of fraud through participation in internal audits.	Ongoing	This work will be performed alongside Internal Audit's programme of work with risk assessment findings incorporated into their reports. This has the effects of adding more weight to any recommendations made and contributing to a closer working relationship between the two teams.	2-5	Shaun DUTTON	ONGOING

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Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
			CFIT continue to issue specific post-investigation reports recommending process/policy improvements that would provide a greater protection from fraud where appropriate.			
Blue Badge	Proactive fraud detection and deterrence exercise on Blue Badges	June 2022	Plain clothes exercise	5	Shaun DUTTON	01/07/2022
		July 2022	Joint exercise with APCOA, this was not achieved due to the caseload of the team.			NOT ACHIEVED
		October 2022	Plain clothes exercise. This exercise was postponed to March 2023 due to workload commitments.			16/03/2023
Blue Badge	Deliver Blue Badge enforcement update training to APCOA CEOs.	May 2022	All APCOA CEOs have received this training.	1	Shaun DUTTON	08/08/2022
Benefits	Trial the new approach agreed with the Benefits Team to increase enforcement of Council Tax Reduction Scheme fraud without recourse to the DWP.	March 2023	In action. Will be reviewed in April 2023	1	Shaun DUTTON	31/03/2023
Business Rates	Research project to determine best practice and effective methods of combatting Business Rates fraud.	March 2023	This project is waiting to be assigned.	2	TBD	NOT ACHIEVED
	Trial the joint working initiative aimed at addressing the issue of NNDR evasion by 'pop up' shops in the High Street (The High Risk Commercial Premises Protocol)	March 2023	This is now live. Will be reviewed in April 2023		Shaun DUTTON	ONGOING

OFFICIAL

OFFICIAL

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
Business Rates / Council Tax	Proactive review of second homes rented out as a business to evade Council Tax liability by claiming SBRR.	November 2022	Currently conducting research with other local authorities who have claimed success with this activity.	2	David GILL James COUSEN	NOT ACHIEVED
Counter fraud	Develop a financial investigator capability.	March 2023	Funding has been agreed to train two officers in Financial Investigation.	3	Shaun DUTTON	April 2022
			One officer has now completed the Financial Investigator Course.	2	Caroline MERCECA	
			One officer has commenced on the pathway to training. This is dependent on course availability.	2	David GILL	
Counter fraud	Recruit a Counter Fraud Investigator Apprentice	August 2022	The apprentice joined the team in October 2022 and started formal training at the end of that month.	1	Shaun DUTTON	03/10/2022
Specific teams	Training in specific counter fraud techniques to be delivered to identified teams: <ul style="list-style-type: none"> False document identification Other opportunities to be determined through internal audits. 	March 2023	This is currently being developed. Fraud Awareness training delivered to all South Essex Homes tenancy officers and support staff.	2	Shaun DUTTON David GILL	May 2022

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Various	Investigate the use of technology and data matching to identify and target the risks of fraud against the Council. Develop targeted proactive exercises to act on the results.	March 2023	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 David GILL	ONGOING
		June 2022	Membership of CIFAS. This will allow the Council access to the National Fraud Database and the Enhanced Internal Fraud Database. These enable increased fraud intelligence gathering and risk assessment, enhanced employee and supplier vetting checks, enhanced evidence collection and data matching across live and current data sets from across the public and private sectors. A funding bid has been submitted for CIFAS membership. This aspiration has been abandoned due to the tight financial environment and pending the results of the above action.	1	Shaun Dutton	NOT ACHIEVED
	Undertake a Single Person Discount fraud drive that reduces fraudulent discounts, increases council tax revenue, and increases the council tax base.	March 2023	Research currently being undertaken to identify third party data analysis providers, and best practice from other	1	David GILL	NOT ACHIEVED

			local authorities who have experience with this.			
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
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 and possibly other local authorities. 	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 pro-active and prevention activities.	TBD	Shaun DUTTON	

Work Plan 2022/23 Calendar

Proactive detection and deterrence work (in bold) involves working long hours and usually results in a lot of processing and checking. These exercises have been planned over a period from Spring to Autumn to maximise longer daylight hours. This also provides a period later in the year to enable consolidation of the results and resulting investigations. The work that requires the most post-exercise processing (social housing) have been spaced out evenly through the active period to reduce the impact on the team's operational capacity.

2022	
April	
May	<ul style="list-style-type: none"> Commence engagement with new starters at the point of induction. Proactive deterrence & detection exercise: social housing Blue badge fraud training for APCOA CEOs - DEADLINE
June	<ul style="list-style-type: none"> Proactive deterrence & detection exercise: blue badge fraud (plain clothes) Membership of CIFAS - DEADLINE
July	<ul style="list-style-type: none"> Proactive deterrence & detection exercise: blue badge fraud (APCOA)
August	<ul style="list-style-type: none"> Proactive deterrence & detection exercise: social housing Recruit a Counter Fraud Investigation apprentice - DEADLINE
September	
October	<ul style="list-style-type: none"> Anti Money Laundering Course – DEADLINE Proactive deterrence & detection exercise: blue badge fraud (plain clothes) – postponed to March 2023 Proactive deterrence & detection exercise: social housing – postponed to March 2023
November	<ul style="list-style-type: none"> Publicity campaign to highlight International Fraud Awareness Week and declarations of interest Declarations of Interest promotion – DEADLINE Holiday lets review exercise – DEADLINE Proactive exercise to identify second homes rented out as a business
December	
2023	
January	
February	

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March	<ul style="list-style-type: none">• Proactive deterrence & detection exercise: social housing• Proactive deterrence & detection exercise: blue badge fraud (plain clothes)• Joint working agreement with DWP – DEADLINE• Business Rates research project – DEADLINE• Single Person Discount fraud drive – DEADLINE• Business Rates High Risk Commercial Properties Protocol trial ends• Council Tax Reduction Scheme new approach trial ends• Financial Investigators training – DEADLINE• False document identification training - DEADLINE
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Appendix 2 - Breakdown of CFIT investigations as of March 2023¹

Category	New cases since the last report (19/12/2022)	Total new cases since 1 April 2022	Active investigations (being investigated, awaiting allocation or with Legal Services) Cases that started prior to 01/04/2022 in parentheses.	Closed investigations since 1 April 2022 Cases that started prior to 01/04/2022 in parentheses.
Transport (Blue Badge, parking permits etc.)	17	55	15 (0)	47 (7)
Schools (including Early Years)	0	1	0 (0)	1 (0)
Council Tax ²	29	91	36 (4)	78 (19)
Business Rates	2	7	6 (4)	18 (13)
Covid-19 related grants	2	4	4 (1)	7 (6)
DWP	4	11	0 (0)	11 (0)
Grant Fund fraud	1	6	2 (1)	8 (3)
Housing (unlawful subletting, Right to Buy fraud etc.) ³	19	116	19 (4)	121 (20)
Money Laundering	1	3	2 (0)	1 (0)
Procurement	0	0	3 (3)	1 (1)
Social Care (Direct Payment fraud etc.)	2	5	6 (3)	3 (1)
Employee	8	18	8 (1)	14 (3)
Miscellaneous (immigration, fraudulent cheques, mischievous referrals etc.)	4	27	5 (0)	24 (2)
TOTALS	89	344	106 (21)	334 (75)

¹ Figures are correct as of 29/03/2023.

² These figures include Council Tax Reduction Scheme frauds

³ These figures include excess rent account and Right to Buy assessments

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Southend-on-Sea City Council

Executive Director (Finance and Resources): Joe Chesterton

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

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Appendix 3 – Counter Fraud Work Plan 2023/24

KEY:

Denotes proactive activities

Denotes prevention/protection activities

Denotes development activities

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 a backlog of cases which is at a manageable level.	5	Shaun DUTTON	ONGOING
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.			
		Ongoing	Continue to publish the monthly fraud newsletter to staff and residents.	1	Shaun DUTTON	
		May 2023	Host the weekly Corporate Leadership Team meeting. This has been agreed.	1	Shaun DUTTON	

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
		November 2023	Publicity campaign to highlight International Fraud Awareness Week.	1	Shaun DUTTON	
Housing	Pro-active fraud detection and deterrence exercises on social tenancies.	June 2023	To be targeted in areas at high risk of subletting. Appropriate areas of activity will be determined during the planning stage.	6	Paul BROADBENT	
		August 2023		6	James COUSEN	
		October 2023		6	Caroline MERCECA	
Council wide	Fraud risk and process analysis of areas of the Council's business at high risk of fraud through participation in internal audits.	Ongoing	<p>This work will be performed alongside Internal Audit's programme of work with risk assessment findings incorporated into their reports. This has the effects of adding more weight to any recommendations made and contributing to a closer working relationship between the two teams.</p> <p>CFIT continue to issue specific 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	Proactive fraud detection and deterrence exercise on Blue Badges	May 2023	Plain clothes enforcement exercise. Areas of activity to be determined at the planning stage but targeted at areas of reported high incidence of blue badge fraud.	6	Shaun DUTTON	
		July 2023		6	Shaun DUTTON	
Business Rates / Council Tax	Proactive review of second homes rented out as a business to evade Council Tax liability by claiming SBRR. (Rolled over from 2022/23)	November 2023	Currently conducting research with other local authorities who have claimed success with this activity.	2	David GILL James COUSEN	
Counter fraud	Develop a financial investigator capability.	March 2024	Funding has been agreed to train two officers in Financial Investigation. One officer qualified in 2022 and one officer has commenced on the pathway to training. This is dependent on course availability.	2	Shaun DUTTON David GILL	
Council wide	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. (Rolled over from 2022/23)	March 2023	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. The Council's Insights Team have been engaged to investigate how we can make best use of the data the Council holds.	2-4	Shaun DUTTON David GILL	

Council Tax	Undertake a Single Person Discount fraud drive that reduces fraudulent discounts, increases council tax revenue, and increases the council tax base. (Rolled over from 2022/23)	March 2023	Research currently being undertaken to identify third party data analysis providers, and best practice from other local authorities who have experience with this.	1	David GILL	
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 and possibly other local authorities. 	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 pro-active and prevention activities.	TBD	Shaun DUTTON	

Southend-on-Sea City Council

Report of the Executive Director (Finances & Resources)

To

Audit Committee

On

26 April 2023

Report prepared by: Andrew Barnes, Head of Internal Audit

Internal Audit Charter, Strategy and Audit Plan for 2023/24

A Part 1 Public Agenda Item

11

1. Purpose of Report

- 1.1 To present to the Audit Committee, the Internal Audit Charter with the supporting Strategy and Audit Plan for 2023/24.

2. Recommendation

- 2.1 **The Audit Committee approves the Charter, Strategy and Audit Plan for 2023/24.**

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 Corporate Plan.

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 2023/24
 - 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 2022. These are also highlighted in **bold** within the documents themselves for ease of reference.

5. Charter (Appendix 1)

- 5.1 The minor amendments made to the Charter this year relate to:
- changes in officer roles
 - changes to Council officer group names.

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 2023/24 (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 Corporate Plan 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 eg. 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 needed to be undertaken when the team has had reduced senior resource available due to the retirement of one Audit Manager and the maternity leave of the other Audit Manager. Therefore it has been more difficult to liaise with colleagues individually, although this has been overcome through the use of shared meetings and shared documents, enabling colleagues to contribute in an effective way.
- 6.7 The ongoing challenges regarding the Council's financial sustainability and transformation work being undertaken to review the Council's operating model that will impact on the arrangements to deliver Council services moving forward, 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. Therefore the proposed plan will be kept under review and amendments made as necessary.
- 6.8 In addition the external auditors will be delivering their work on the 2023/24 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 Corporate Plan and Southend 2050 Road Map

Audit work provides assurance and identifies opportunities for improvements that contribute to the delivery of all Corporate Plan priorities and 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

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

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 Plan and the Southend 2050 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 as part of the external service review completed in September 2016 which demonstrated that the cost of the service was competitive, and was supported by the external assessment that was undertaken in October 2017. Further consideration of the service operating model will be undertaken as part of the Council's transformation work during 2023/24.

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 2023/24
 - Appendix 2b Audit assurance linked to the Council's corporate risks
 - Appendix 2c: How We Will Work With You Statement



Internal Audit Charter

Reviewed annually by Head of Internal Audit
Reported to the Audit Committee: April 2023

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.

Purpose

The key purpose 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 Leadership 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.

¹ Institute of Internal Auditors

Appendix 1: Internal Audit Charter

It is management's responsibility to:

- establish and maintain appropriate governance arrangements and internal control systems
- 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.

The Head of Internal Audit delivers the role of the Chief Audit Executive.

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:

- 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.

Appendix 1: Internal Audit Charter

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 and safeguards are in place to ensure that any:

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

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 or favour to, all officers and Members and particularly 'Those Charged with Governance', 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. 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.

Appendix 1: Internal Audit Charter

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.

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 Council'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 **Leadership** 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 **Governance Board** 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.

Appendix 1: Internal Audit Charter

Internal Audit Standards

There is a statutory requirement for Internal Audit to work in accordance with 'proper audit practices'. These 'proper audit practices' are 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.

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 **Leadership** 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 **Leadership** 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 Department for Levelling Up, Housing and Communities 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 Delivering Good Governance guidance.

Appendix 1: Internal Audit Charter

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.

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 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

Annually reviewed by Head of Internal Audit
Reported to the Audit Committee: April 2023

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 Corporate Plan and Southend 2050 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 Corporate Plan and Southend 2050 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 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 governance, risk management, and control processes are robust enough to ensure its Corporate Plan and Southend 2050 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 Corporate Plan.

Appendix 2: Internal Audit Strategy

Risk Management

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

- the Council's Corporate Plan and Southend 2050 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 Corporate Plan and Southend 2050 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, governance, risk management and control 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 Governance Board
- 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, Corporate Plan and Southend 2050 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:

- the agreed action has been properly implemented
- 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 (from management or external sources)
- management of corporate, strategic or operational risks
- effectiveness of the Council's governance arrangements.

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

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

Appendix 2: Internal Audit Strategy

Coordinating the Three Lines of Defence

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

Audit Plan

As at April 2023, the service still has a number of vacant posts, but has recently managed to recruit to three 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:
 - the Council's arrangements for managing its business
 - risk based reviews that assess how well 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:
 - key financial systems and grant claims
 - providing advice and support.

The 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 team's staff resourcing situation has meant that the planning procedures have been performed using a slightly different approach this year, with more joint collaboration and discussions than in previous years.

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

There is little contingency budget within the Audit Plan. Therefore, any risks that arise during the year will be considered against the risk profile of the work already planned before determining whether:

- additional work can be undertaken within the available resource
- a review is deleted and replaced by a new audit
- additional audit resource is purchased by the Council.

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) 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 City 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, who is also the Chief Audit Executive for both Councils.

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 July Audit Committee
- issuing draft reports to the service within 15 days of the final meeting to discuss the findings from the fieldwork
- utilising 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 2023/24, 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 for which the proposed management action is 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.

The next assessment is now due, however due to the staff resourcing constraints currently being faced by the service this is currently being deferred until both Audit Manager roles are filled and the team has the capacity to prepare for and respond to the assessment. In advance of the assessment being undertaken the Head of Internal Audit must 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 2023/24**
- **Appendix 2b: Audits assurance linked to corporate risks**
- **Appendix 2c: How We Will Work With You Statement**

Appendix 2a: Internal Audit Plan 2023/24

ED & (Lead)	Service Activity	Fraud risk	Focus of Audit Work
<div>4</div> Managing the Business All Objectives			
ALL (AB)	Risk Management	No	To support the Council to embed robust assessment of risk and opportunity into decision making that encourages creativity, learning and improved outcomes. <i>Planned April to September 2023</i>
F&R (PB)	Financial sustainability	Yes	To assess the robustness and effectiveness of the arrangements to manage the financial implications of the transformation programme and prepare a balanced budget for 2024/25 and future periods. <i>Planned July to December 2023</i>
S,C&G (SN)	LGA Peer Review	No	To assess the robustness of the arrangements to deliver the programme of work required to address the issues arising from the LGA Peer Review. <i>Planned July to September 2023</i>
ALL (LW)	Contract Management system	Yes	To assess the robustness and effectiveness of the contract management system to support the delivery of effective contract management. <i>Planned July to September 2023</i>
S,C&G (CT)	Cyber Security – awareness and training	No	To assess the robustness and effectiveness of the arrangements to ensure all officers and Members have the necessary awareness to spot and avoid potential cyber security risks. <i>Planned September to December 2023</i>
S,C&G (CT)	IT Asset Management	Yes	To assess the adequacy of arrangements to manage both the software and hardware assets within the IT estate, including the extent of Shadow IT. <i>Planned January to March 2024</i>
S,C&G (GG)	Council governance arrangements for Council companies	Yes	To assess the robustness and effectiveness of the arrangements to ensure all effective governance arrangements are in place for the Council's companies and joint ventures. <i>Planned September to December 2023</i>
S,C&G (SP)	Workforce Planning	No	To assess the robustness and effectiveness of the arrangements to manage the Council's workforce needs and plan for future periods. <i>Planned January to March 2024</i>

Appendix 2a: Internal Audit Plan 2023/24

ED & (Lead)	Service Activity	Fraud risk	Focus of Audit Work
Implementing Action Plans			
<i>None planned</i>			
Managing Service Delivery Risks			
A City that is strong and prosperous			
N&E (JB)	Pier and Foreshore	Yes	To assess the adequacy of arrangements to deliver effective management of the pier and foreshore. <i>Planned for April to July</i>
Implementing Action Plans			
N&E (JB)	Highways Capitalised Maintenance Programme	Yes	To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service. <i>Planned October to December 2023</i>
A City with a good quality of life			
A&C (SL)	Disabled Facilities Grant (No. 31/5515)	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with. <i>Planned July to September 2023</i>
C&PH (AK)	Supporting Families Programme (previously known as Troubled Families)	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with. <i>Planned throughout the year to align with the Payment by Results claim windows as required by Department for Levelling Up, Housing & Communities.</i>
A&C (JP)	Universal Drug Treatment Grant (No. 31/5494)	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with. <i>Planned July to September 2023</i>

Appendix 2a: Internal Audit Plan 2023/24

ED & (Lead)	Service Activity	Fraud risk	Focus of Audit Work
N&E (NH)	Local Transport Capital Block Funding (No. 31/5505)	Yes	To certify that, in all significant respects, the conditions attached to the grants have been complied with. <i>Planned July to September 2023</i>
N&E (NH)	Local Transport Capital Block Funding – Pothole Fund (No. 31/5506)	Yes	
N&E (NH)	Local Transport Capital Block Funding – Highways Maintenance Challenge Funding carried over from 2022/23 (No. 31/5072)	Yes	
A&C (TH)	Anti-Poverty Strategy	No	To assess the robustness of arrangements to ensure delivery of the strategy and the progress of that delivery. <i>Planned October to December 2023</i>
A&C (BL)	Southend Care Ltd	Yes	To provide an independent and objective analysis of the veracity of the Southend Care Limited 2023/24 cost model and any financing gap to the Southend City Council 2023/24 budget settlement proposal. <i>Planned April to June 2023</i>
A&C (TS)	Adult Social Care Living Well Strategy Action Plan	No	To assess the robustness of arrangements to ensure delivery of the action plan and the progress of that delivery. <i>Planned July to September 2023</i>
C&PH (LMM)	Children’s Quality Assurance Framework (QAF)	No	To assess the effectiveness of the arrangements to embed into business as usual the tool used to assess the quality of social work practice, which is key to ensuring the council delivers better outcomes to young people and families. <i>Planned April to July 2023</i>
C&PH (LMM)	Foster Carers	Yes	To assess the robustness of arrangements to attract, retain and manage foster carers to ensure these are delivering the required outcomes for vulnerable citizens. <i>Planned October to December 2023</i>
Implementing Action Plans			
	None planned		201

Appendix 2a: Internal Audit Plan 2023/24

ED & (Lead)	Service Activity	Fraud risk	Focus of Audit Work
A City rising to the climate change challenge			
N&E (JG)	Green City Action Plan	No	To assess the robustness of arrangements to ensure delivery of the strategy and the progress of that delivery. <i>Planned October to December 2023</i>
N&E (LD)	Parking implementation plan	Yes	To assess the robustness of arrangements to ensure delivery of the plan and the progress of that delivery. <i>Planned October to December 2023</i>
G&H (KW)	Biodiversity Net Gain Grant ((No. 31/6499)	Yes	To certify that, in all significant respects, the conditions attached to the grant have been complied with. <i>Planned April to June 2023</i>
Implementing Action Plans			
<i>None planned</i>			
A City delivering genuinely affordable housing			
G&H (GH)	Empty Homes Strategy	Yes	To assess the robustness of arrangements to ensure delivery of the strategy and the progress of that delivery. <i>Planned January to March 2024</i>
G&H (EL)	Better Queensway	No	Focus to be determined pending the conclusion of the arrangements between Swan Housing and Sanctuary Housing. <i>Timing to be determined</i>
Implementing Action Plans			
	None planned		
Change programme			
F&R (CF)	My Southend (new platform)	No	To assess the progress of delivery of the programme in accordance with the plan and the effectiveness of the project governance arrangements to deliver the benefits to citizens, businesses, tourists, councillors and the Council, required from the new platform. <i>Timing to be determined based on project timetable</i>
Implementing Action Plans			
<i>None planned</i>			

Appendix 2a: Internal Audit Plan 2023/24

ED & (Lead)	Service Activity	Fraud risk	Focus of Audit Work
All Objectives			
SC&G (SMS)	Transformation Programme	Yes	To assess the robustness of the arrangements for delivering the Council's transformation programme that aims to ensure the Council remains fit for purpose, financially stable and resilient for the future. <i>Timing to be determined based on programme timetable</i>
Implementing Action Plans			
<i>None planned</i>			
Key Financial Systems - All Objectives			
F&R (PR)	National Non-Domestic Rates	Yes	To assess the robustness of arrangements and processes for ensuring accurate billing and collection of National Non-Domestic Rates. <i>Planned July to September 2023</i>
F&R (CF)	Treasury Management	Yes	To assess the robustness of arrangements and processes for ensuring secure and effective treasury management of the Council's financial resources. <i>Planned January to March 2024</i>
Implementing Action Plans			
<i>None planned.</i>			
Advice and Support			
A City that is strong and prosperous			
	None planned		
A City with a good quality of life			
N&E (JB)	Southend Travel Partnership (Vecteo) governance arrangements	No	To provide advice, support and challenge to the Board as the Vecteo governance arrangements are updated as the Council becomes the sole owner of the company. <i>April to June 2023</i>

Appendix 2a: Internal Audit Plan 2023/24

ED & (Lead)	Service Activity	Fraud risk	Focus of Audit Work
A City rising to the climate change challenge			
N&E (LW)	Waste Collection Contract Procurement	Yes	To provide advice, support and challenge to the project team to ensure robust project management and procurement processes are applied and value for money is obtained for city residents.
A City delivering genuinely affordable housing			
G&H (GH)	HRA Business Plan	No	To provide advice, support and challenge to the project team as the HRA Business Plan is developed to help ensure it is robust and underpinned by a sound supporting evidence base, while reflecting necessary legislative requirements and Council priorities.
Change Programme			
S,C&G (SMS)	Transformation Board and Transformation Programme	No	To provide ongoing support and challenge of the Transformation Board's role in overseeing the delivery of the Transformation Programme that aims to ensure the Council remains fit for purpose, financially stable and resilient for the future. <i>April 2023 to March 2024</i>
S,C&G (SMS)	Data Strategy	No	To provide support and challenge to the development and implementation of a refreshed Data Strategy for the Council. <i>Timing to be determined</i>
S,C&G (CT)	Business World Enterprise Resource Planning Programme of Work	Yes	To provide support and challenge to the project team as the risks and control environment for the planned Corporate Establishment and other required improvements are considered and / or developed. <i>Timing throughout the year</i>

Appendix 2a: Internal Audit Plan 2023/24

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	22%
Managing Service Delivery Risks	33%
Key Financial Systems	6%
Grant Claims	11%
Advice and Support	17%
Follow Ups	3%
Managing Delivery of the Audit Plan	8%
Total	100%
Total Council Audit Plan Days	590

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 2023/24

Analysis Over Executive Director Responsibilities		
All	Cross Cutting	6%
F&R	Finance & Resources	11%
SC&G	Strategy, Change & Governance	25%
G&H	Growth & Housing	11%
N&E	Neighbourhoods & Environment	25%
C&PH	Children & Public Health	8%
A&C	Adults & Communities	14%
	Total	100%

Analysis over the 5 Southend Corporate Plan objectives		
1.	A City that is strong and prosperous	6%
2.	A City with a good quality of life	34%
3.	A City rising to the climate change challenge	11%
4.	A City delivering genuinely affordable housing	9%
5.	Change Programme	12%
6.	All	28%
	Total	100%

Appendix 2a: Internal Audit Plan 2023/24

Risk Watch List	
These are other potential audits that may be considered for inclusion in the Audit Plan during the year should resources permit	
A&C	Sexual Health Service
A&C	Mental Health Service Provision (review of current arrangements including Section 75 agreement with EPUT scoped by service)
F&R	Critical Contracts Exit strategies
F&R	School Audits – assess assurance available from council teams that the role of the schools Finance team to determine the assurance their function may give overall
New areas of risk to keep watching brief	
All	Environmental, Social & Governance (ESG)
All	Association of South Essex Local Authorities (ASELA)
All	Social Media
A&C	Adult Social Care Strategies 2022/27: Ageing Well and Caring Well
A&C	Integrated Care System
A&C	Southend Care Ltd Partnership Agreement 2022-2031
A&C	Hospital Discharge
A&C	Anti-Poverty Strategy
C&P	Remodelling of Children's Centres (in house service from 1st October 2021)
F&R	Social Value - Implementation of Strategy / Policy
F&R	Corporate Procurement Strategy 2022- 2027
N/A	Domestic Abuse Act 2021 Implementation Strategy
N&E	Selective Licensing
N&E	New Highway Enforcement Policies
G&H	Building Safety Bill
SC&G	ICT Project Management Office

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

CRR	Corporate Risks as at January 2023	Audit work providing assurance in 2023/24
1	Covid-19 Pandemic Risk that the Covid-19 pandemic causes an outbreak of ill-health in the City 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 City.	Embedding risk management
2	Financial Sustainability Risk that failure to address the financial challenges by effectively managing the growing demand for services, managing the costs of the impact of energy, inflation and the cost of living, while 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.	Embedding risk management Financial Sustainability Transformation Programme Contract Management system Council governance arrangements for Council companies Southend Care Ltd Foster Carers Better Queensway My Southend Treasury Management Waste Collection Contract Procurement HRA Business Plan Business World Enterprise Resource Planning

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

CRR	Corporate Risks as at January 2023	Audit work providing assurance in 2023/24
3	<p>Inflation and cost of living pressures</p> <p>Risk that failure to address the pressures caused by energy prices, inflation and the cost of living cause budgetary control difficulties and growing demand for services, that the Council is unable to address, threatening the financial sustainability of the Council.</p> <p>Risk that impact on the supply chain (causing labour shortages, cost increases in materials, labour and fuel and difficulty in sourcing plant and vehicles) and finance to deliver the increased costs of the capital programme, lead to a significant adverse impact on Council services and the ability to deliver the outcomes desired by the Council.</p>	<p>Embedding risk management</p> <p>Financial sustainability</p> <p>Contract Management system</p> <p>Anti-Poverty Strategy</p> <p>Waste Collection Contract Procurement</p>
4	<p>Public Services Landscape</p> <p>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 City being left behind and ultimately unable to deliver the Council's ambition and outcomes.</p>	<p>Embedding risk management</p> <p>LGA Peer Review</p> <p>Council governance arrangements for Council companies</p>

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

CRR	Corporate Risks as at January 2023	Audit work providing assurance in 2023/24
5	<p>Workforce</p> <p>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.</p> <p>Cross-council specific pressures relating to attracting talent in a competitive market, or straining existing resources, due to significant staffing changes and operational pressures are impacted by the significant changes to ways of working implemented in response to covid-19, leading to reduced workforce capacity causing a failure to effectively address the challenges posed by the pandemic, inflation and financial pressures in the short term, and achieve the Council's desired outcomes in the longer term.</p> <p>Further risk caused by the number of changes to CMT, that may impact on the capacity to progress with delivery of desired outcomes.</p>	<p>Embedding risk management</p> <p>Workforce Planning</p> <p>Transformation Programme</p> <p>Foster Carers</p> <p>Business World Enterprise Resource Planning</p>
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> <ul style="list-style-type: none"> a) failure to ensure the Council has a coherent and comprehensive approach to cyber security and data protection, including strategy, tools and processes b) a data breach (see CRR 6b) c) remote working creating a wider footprint for attack d) clicking on an attachment by a colleague e) Single point of connectivity failure. <p>Opportunity to build resilience by ensuring that staff have the necessary digital skills.</p>	<p>Embedding risk management</p> <p>Cyber Security – awareness and training</p> <p>IT Asset Management</p> <p>Business World Enterprise Resource Planning</p>

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

CRR	Corporate Risks as at January 2023	Audit work providing assurance in 2023/24
6b	Data Protection Risk that a failure to comply with responsibilities as a Data Controller (under DPA 2018 / UK GDPR) 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.	Embedding risk management Data Strategy Cyber Security – awareness and training IT Asset Management Business World Enterprise Resource Planning
7	Capital Investment Programme Delivery 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 City anticipated to support the Corporate Plan, Southend 2050 and the recovery priorities, resulting in reduced inward investment from businesses, missed employment opportunities for residents and reputational damage for the Council. Risk that impact on the supply chain (causing labour shortages, cost increases in materials, labour and fuel and difficulty in sourcing plant and vehicles) and finance to deliver the increased costs of the capital programme, lead to a significant adverse impact on the ability to deliver the outcomes desired by the Council.	Embedding risk management Contract Management system Better Queensway Highways Capitalised Maintenance Programme (Implementation of recommendations) Local Transport Capital Block Funding Local Transport Capital Block Funding – Pothole Fund Local Transport Capital Block Funding – Highways Maintenance Challenge Fund

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

CRR	Corporate Risks as at January 2023	Audit work providing assurance in 2023/24
8	<p>Mitigating for and adapting to climate change</p> <p>Risk that failing to implement changes needed to reduce the City's carbon footprint will cause an inadequate contribution to the reduction in carbon emissions required. This will result in significant adverse impact on the City, and if the climate adaptation measures being implemented are also inadequate, including sea defences, there will be further implications for the Council in needing to respond to climate events in the City.</p>	<p>Embedding risk management</p> <p>Green City Action Plan</p> <p>Parking implementation plan</p> <p>Better Queensway</p> <p>Waste Collection Contract Procurement</p> <p>Transformation Programme</p> <p>Biodiversity Net Gain Grant</p>
9	<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>Embedding risk management</p> <p>Waste Collection Contract Procurement</p> <p>Contract Management system</p> <p>Transformation Programme</p>

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

CRR	Corporate Risks as at January 2023	Audit work providing assurance in 2023/24
10	<p>Safeguarding responsibilities and child welfare</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 the response to covid-19, inflation and the cost of living through food and fuel, and that this causes a failure to deliver the outcomes anticipated for vulnerable people that are in need of support.</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>Embedding risk management</p> <p>Supporting Families Programme</p> <p>Disabled Facilities grant</p> <p>Anti-Poverty Strategy</p> <p>Southend Care Ltd</p> <p>Adult Social Care Living Well Strategy Action Plan</p> <p>Children's Quality Assurance Framework (QAF)</p> <p>Foster Carers</p> <p>Southend Travel Partnership (Vecteo) governance arrangements</p>
214 11	<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, inflation and the cost of living pressures.</p> <p>In the longer term the changes resulting from the Health and Care Bill creating an Integrated Care System for Mid and South Essex, impacts 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>Embedding risk management</p> <p>Supporting Families Programme</p> <p>Disabled Facilities Grant</p> <p>Universal Drug Treatment Grant</p> <p>Anti-Poverty Strategy</p> <p>Adult Social Care Living Well Strategy Action Plan</p> <p>Children's Quality Assurance Framework (QAF)</p>

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

CRR	Corporate Risks as at January 2023	Audit work providing assurance in 2023/24
12	<p>LGA peer review of SEND and CWD</p> <p>Provides an opportunity for the Council to deliver further improvements in its SEND and CWD service offer with a focus on:</p> <ul style="list-style-type: none"> • Clarifying and communicating better the 'graduated offer' available to CYP and their families • Better communication with parents / carers, including simplifying language • Reviewing the pathway into the CWD service via the MASH and Early Help Front Door • Reducing the number (%) of EHC assessment requests that are rejected • Broaden the training offer to staff and Councillors on SEND. 	<p>Embedding risk management</p> <p>Children's Quality Assurance Framework (QAF)</p> <p>Foster Carers</p> <p>Southend Travel Partnership (Vecteo) governance arrangements</p> <p>Disabled Facilities Grant</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 and response to covid-19, energy and food inflation has heightened these risks in the short term, causing providers to demand higher fees, increasing the pressure on capacity in the market.</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>Embedding risk management</p> <p>Contract Management system</p> <p>Anti-Poverty Strategy</p> <p>Southend Care Ltd</p> <p>Adult Social Care Living Well Strategy Action Plan</p> <p>Disabled Facilities Grant</p>

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

CRR	Corporate Risks as at January 2023	Audit work providing assurance in 2023/24
14	<p>Social Cohesion</p> <p>Risk that the impact of the cost of living pressures 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.</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>Refugees perceived as utilising resources causing additional tensions.</p> <p>These impact on the ability of the City to deliver the outcomes desired by Southend 2050 and damage the reputation of the City.</p> <p>Opportunity for the celebration of City status to re-set and re-focus direction galvanising the community.</p>	<p>Embedding risk management</p> <p>Supporting Families Programme</p> <p>Universal Drug Treatment Grant</p> <p>Anti-Poverty Strategy</p> <p>Foster Carers</p> <p>Empty Homes Strategy</p> <p>Better Queensway</p> <p>HRA Business Plan</p>

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

CRR	Corporate Risks as at January 2023	Audit work providing assurance in 2023/24
15	<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 (TA) & 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 City desired by the Council.</p> <p>Risk is increased by the impact of the cost of living pressures on those just about managing no longer being able to manage, causing an increase in homelessness.</p> <p>Risk is increased by pressure to accommodate refugees causing additional demand on the local housing market, especially the availability of affordable housing.</p>	<p>Embedding risk management</p> <p>Council governance arrangements for Council companies</p> <p>Anti-Poverty Strategy</p> <p>Empty Homes Strategy</p> <p>Better Queensway</p> <p>HRA Business Plan</p>
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, inflation and supply chain issues, 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 CRR17).</p>	<p>Embedding risk management</p> <p>Better Queensway</p> <p>HRA Business Plan</p>

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

CRR	Corporate Risks as at January 2023	Audit work providing assurance in 2023/24
17	<p>Local plan</p> <p>Risk that failure to meet Government requirements and make sufficient progress will lead to reputational damage to the Council and the potential imposition of unwanted development and the loss of plan making powers, causing an inability to manage development effectively and deliver upon the Council's outcome priorities.</p> <p>(Nationally the Government is currently considering changes to national policy, which could have significant impacts on the Local Plan process. However, until we are clearer on what the detail of these changes are and when they will come forward it is difficult to establish what impact they may have on timescales.)</p>	<p>Embedding risk management</p> <p>Empty Homes Strategy</p> <p>Better Queensway</p>

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

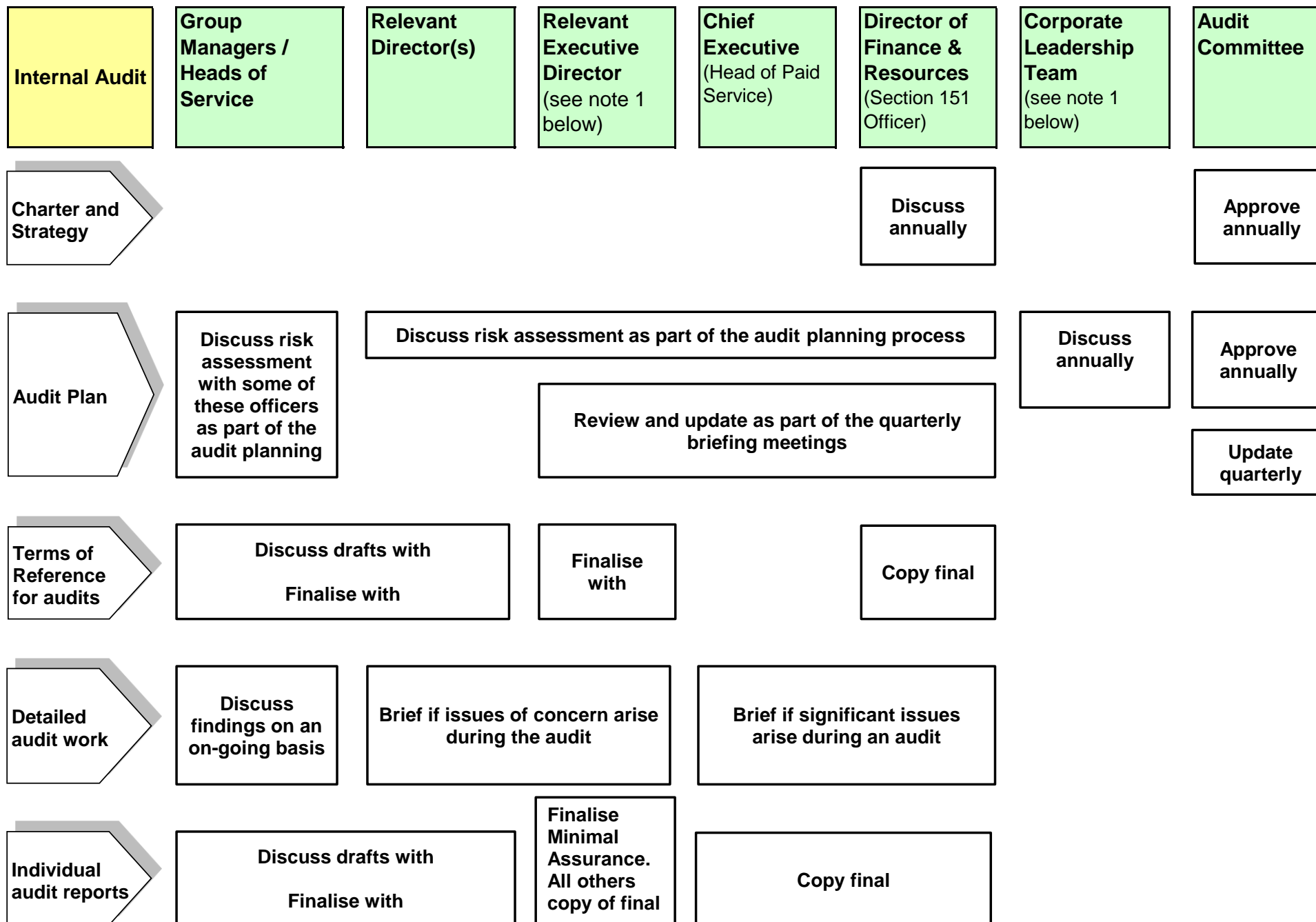
CRR	Corporate Risks as at January 2023	Audit work providing assurance in 2023/24
18	<p>Regeneration and major projects</p> <p>Risk that failure of partners to progress major infrastructure developments (e.g. Queensway, Seaways, Fossett Farm and Airport Business Park) will result in not achieving delivery 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 City and delivery of anticipated outcomes not being achieved (jobs & skills, housing, linked spend, economic growth, housing delivery etc), as well as significant financial and reputational damage to the Council.</p>	<p>Embedding risk management</p> <p>Better Queensway</p> <p>Financial sustainability</p> <p>Contract Management system</p> <p>Council governance arrangements for Council companies</p>
19	<p>Visitor destination and major events</p> <p>Risk that the competing demands and needs of residents and visitors will impact on the City's ability to meet the needs of residents or provide a suitable destination for visitors, and that cost of living pressures impact on the ability of the City to provide an attractive proposition for visitors, with a resultant impact on the economic strength of the City and employment opportunities for school leavers.</p> <p>Opportunities arising from City Status and people holidaying in the UK, 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>Risk of major events hosted in the City not being adequately managed to secure participant safety resulting in adverse outcomes for participants and reputational and financial damage for the Council.</p>	<p>Embedding risk management</p> <p>Pier and Foreshore</p> <p>Parking implementation plan</p>

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CRR	Corporate Risks as at January 2023	Audit work providing assurance in 2023/24
20	<p>Economic recovery and income inequalities</p> <p>Risk that the impact of covid-19, inflation and cost of living pressures result in reducing economic activity causing a reduction in employment opportunities for 18-25 year olds and an increase in unemployment across the City. The impact is likely to be experienced unevenly across sectors with the retail, hospitality, leisure and tourism sectors 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 City.</p> <p>However, the reduction in restrictions and the move to City status provides the opportunity to attract new businesses and employers into the City, providing new and additional employment that can contribute to the delivery of the ambition and outcomes for the City led by the major regeneration schemes driven by the Council.</p>	<p>Embedding risk management</p> <p>Anti-Poverty Strategy</p>

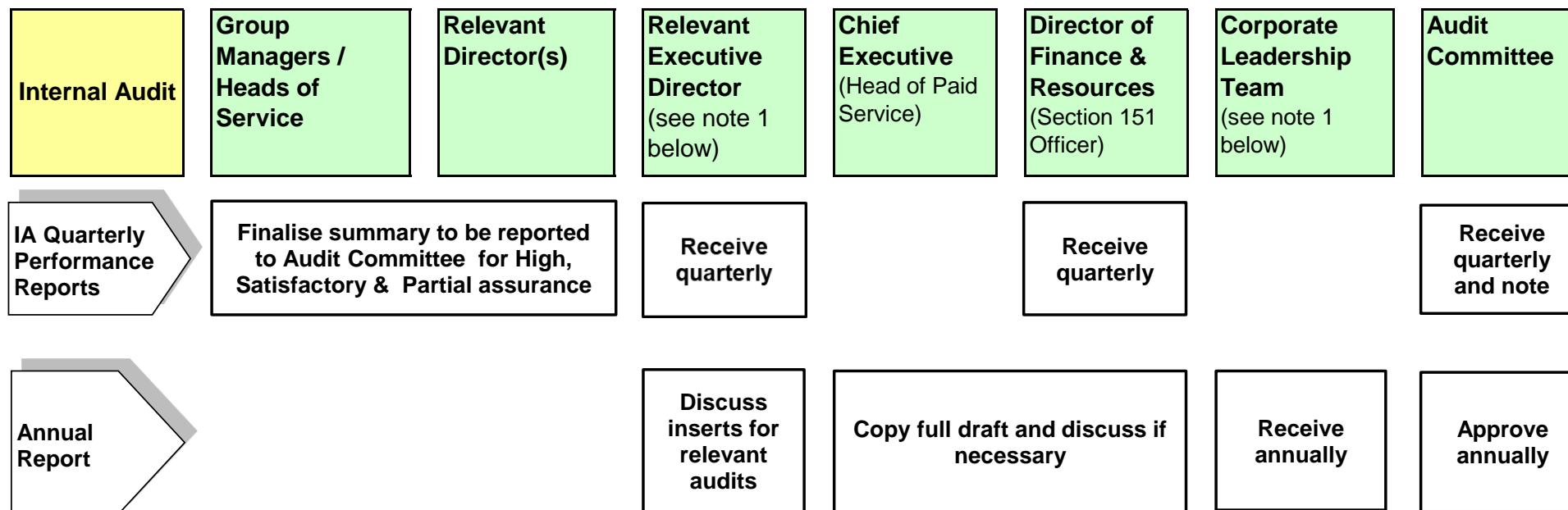
How We Will Work With You Statement

Appendix 2c



How We Will Work With You Statement

Appendix 2c



Note 1 These groups include the Council's Monitoring Officer