

Public Document Pack
SOUTHEND-ON-SEA CITY COUNCIL

Audit Committee

Date: Wednesday, 19th July, 2023

Time: 6.30 pm

Place: Committee Room 1

Contact: Robert Harris

Email: committeesection@southend.gov.uk

A G E N D A

- 1 Apologies for Absence**
- 2 Declarations of Interest**
- 3 Minutes of the Meeting held on Wednesday 26 April 2023 (Pages 3 - 6)**
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- 6 Head of Internal Audit Annual Report 2022/23 (Pages 99 - 152)**
Report of the Executive Director (Finance and Resources)
- 7 Audit Committee Annual Report 2022/23**
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Report of the Executive Director (Finance and Resources)

Chair & Members:

Cllr M Terry (Chair), Cllr O Cartey (Vice-Chair), Cllr L Burton, Cllr P Collins, Cllr M Dent, Cllr N Folkard, Cllr J Harland, Cllr M O'Connor, Cllr M Stafford and Mr K Pandya

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SOUTHEND-ON-SEA CITY COUNCIL

Meeting of Audit Committee

Date: Wednesday, 26th April, 2023
Place: Committee Room 1 - Civic Suite

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Present: Councillor M Dent (Chair)
Councillors I Shead (Vice-Chair), H Boyd, K Buck, T Cox, A Line,
R McMullan, K Murphy and *B Beggs.
Mr K Pandya (Co-opted member)

*Substitute in accordance with Council Procedure Rule 31.

In Attendance: A Barnes, R Harris, P Bates, J Chesterton, S Dutton and C Fozzard
M Ramzan (Deloitte)

Start/End Time: 6.30 pm - 8.00 pm

857 Apologies for Absence

Apologies for absence were received from Councillor Davidson (substitute: Cllr Beggs).

858 Declarations of Interest

The following declaration of interest was made:

Cllr I Shead – Minute *** (Deloitte Final ISA260 Report on the 2020/21 audit) – Reference to Essex Pension Fund as he will be in receipt of a pension from June 2023).

859 Minutes of the Meeting held on Tuesday, 21 March 2023

Resolved:-

That the Minutes of the Meeting held on Tuesday, 21 March 2023, be confirmed as a correct record.

860 Deloitte - Auditor's Annual Report 2020/21

The Committee considered a report of the Executive Director (Finance and Resources) presenting the Auditor's Annual Report for 2020/21.

The Committee asked questions which were responded to by officers and the representative from Deloitte.

Resolved:

That the Auditor's Annual Report for 2020/21, be approved.

861 Deloitte - Final ISA260 Report on the 2020/21 audit

The Committee considered a report of the Executive Director (Finance and Resources) presenting the external auditors, Deloitte, final report on the 2020/21 audit summarising the results of the work completed concerning the opinion on the Statement of Accounts and the commentary on the Council's Value for Money arrangements conclusions.

The Committee asked questions which were responded to by officers and the representative from Deloitte.

Resolved:

1. That the auditor's final report on the 2020/21 audit, be approved.
2. That the changes from the previous report presented to the Audit Committee on 21 March 2023, as set out in the submitted report, be noted.
3. That the resulting Statement of Accounts for 2020/21, be approved and formally signed and published.

862 Housing Benefit Subsidy Assurance Report 2021/22

The Committee considered a report of the Executive Director (Finance and Resources) presenting the results of the reporting accountant's work on the Housing Benefit Subsidy Claim assurance report for the year ended 31 March 2022.

The Committee asked questions which were responded to by officers.

Resolved:

That the results of the Housing Benefit Subsidy Claim assurance work for the year ended 31 March 2022, be accepted.

863 CIPFA's Financial Management Code

The Committee considered a report of the Executive Director (Finance and Resources) presenting the Council's annual self-assessment outcome against the expectations of CIPFA's Financial Management Code.

Resolved:

1. That the Council's annual review against the expectations of CIPFA's Financial Management Code and the assurance that the Council's arrangements have been self-assessed as compliant, be noted and the action plan to deliver further improvements, be endorsed.
2. That the Council's compliance status against CIPFA's Financial Management Code be kept under review and the requirement for an annual self-assessment continues to be reported to the Audit Committee every April, with a six-month update on any resulting action plan between each self-assessment.

864 Digital and Cyber Security Report

The Committee considered a report of the Executive Director (Strategy, Change and Governance) setting out the progress made in delivering the Cyber Security Strategy for 2022/23.

The Committee asked questions which were responded to by officers.

Resolved:

That the progress made in delivering the 2022/23 Cyber Security Strategy, be noted.

865 Internal Audit Service Quarterly Performance Report

The Committee considered a report of the Executive Director (Finance and Resources) setting out the progress made in delivering the Internal Audit Strategy for 2022/23.

The Committee asked questions which were responded to by officers.

Resolved:

That the progress made in delivering the 2022/23 Internal Audit Strategy, be noted.

866 Counter Fraud and Investigation Team Quarterly Performance Report

The Committee considered a report of the Executive Director (Finance and Resources) setting out the progress made by the Counter Fraud and Investigation Team (CFIT) in delivering the Counter Fraud Strategy and work programme for 2022/23 and presented the draft work programme for 2023/24.

The Committee asked questions which were responded to by officers.

Resolved:

That the performance of the Counter Fraud and Investigation Team over the last three months and the proposed work programme for 2023/24, be noted.

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

The Committee considered a report of the Executive Director (Finance and Resources) presenting the Internal Audit Charter along with the supporting Strategy and Audit Plan for 2023/24.

The Committee asked questions which were responded to by officers.

Resolved:

That the Internal Audit Charter, Strategy and Audit Plan for 2023/24, be approved.

Chair: _____

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Southend-on-Sea City Council

Report of the Executive Director (Strategy and Change) to Audit Committee on 19th July 2023

Report prepared by: Nick Constantine (Service Design Manager)
& Carol Thomas (Director Digital and ICT)

Agenda

Item No.

4

Transformation Programme

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To report to the Audit Committee the Council's approach to the planned transformation programme across the Council.

2. Recommendations

- 2.1 **That the Audit Committee notes the content of this report which outlines the need for transformation, the approach to defining the transformation, the oversight mechanism and how delivery will be effected, as well as the risks and opportunities associated with this programme.**

3. Context

- 3.1 Southend Council needs to transform the way in which services are delivered to become a modern and sustainable council. With a concerning deficit having arisen during 2022/23 and a forecast budget gap in 2023/24, which is expected to rise further, the Council must change and modernise to maximise the output and impact for residents, from the constrained resources that are available.
- 3.2 Southend, like many other local authorities, is facing increased demand for services and therefore needs to do more with the same amount of income. This is causing an excess of expenditure compared to income, with the financial result for 2022/23 being the largest deficit the Council has experienced since it became a Unitary authority in 1998. In this context the Council needs to work out how to become financially sustainable for the future, whilst delivering the right services at the appropriate level of quality.
- 3.3 Demand for services is increasing and the cost-of-living crisis is the latest in a series of events which have impacted the financial sustainability of local public services. Covid-19 perhaps had the biggest impact for many residents, including their expectations of the way that they access and receive services from Councils, and this has been quickly followed by the effects of inflation and the cost-of-living crisis, that have increased underlying costs for the Council and further increased demand from the public.
- 3.4 Southend is still relatively 'traditional' in its mode of service delivery and there is significant opportunity to digitalise and streamline, apply early interventions, and prevention methodologies to build more sustainable solutions. Previous transformation programmes have been unsuccessful and their failures can be attributed to a lack of buy-in, and a lack of common purpose.

- 3.5 A 'transformation blueprint' was created in 2022 which identified 51 service areas across the council and summarised a number of areas suitable for such change and the potential impact of this change. This also identified initial potential savings of circa £13m. The LGA Peer Review in 2022 also identified some of these, as well as other areas of potential and necessary change.
- 3.7 A number of other transformational programmes are already underway in areas across the council, to modernise and transform aspects of activity such as data use, adults social care services, ICT, Finance, HR and MySouthend, and while these are already in progress and will ultimately contribute to the future sustainability of the council, more is needed.
- 3.8 A far more extensive and challenging approach, based on experience in other local authorities, that is able to question current ways of working which are embedded in the culture, explore different ways to achieve the same goals while forming clear As-Is and To-Be views and outlining efficiency and effectiveness to be gained, is required.
- 3.9 A procurement exercise to find a transformation partner to challenge the status quo and assist with forming the As-Is and To-Be views and outlining projects to close the gaps has recently been concluded. Proven experience in delivering such outcomes at other local authorities was a key criteria in the selection, as well as the ability to transfer knowledge and skills.
- 3.10 While the partner will bring needed expertise and experience, the Council services need to own and be accountable for the transformation and a Transformation Board has therefore been established to bring together a comprehensive view of all transformation activities and manage the governance of these. It is very likely that new target operating models will be defined for service areas as part of the transformation.
- 3.11 The board is very mindful that there are potentially hundreds of projects or programmes which could arise from the partner work and that these will need proper management and goalsetting, will need to be approved, prioritised and scheduled, and then outcomes tracked. A clear delivery framework has been agreed as a means to prioritise and schedule these projects while the tracking and management of these as the Transformation Programme will be overseen by the corporate programme management office, with programme reporting to Transformation Board.
- 3.12 The Corporate Leadership Team have agreed that the corporate programme management office will support the projects with best practice guidance and tools, and to the establishment of the Transformation Board to oversee and track the outcomes of transformation.

4. Purpose, and Principles of the Transformation Programme and the Transformation Board

- 4.1 The purpose of the Transformation Board is to drive transformation aligned with strategic goals to enable the council to be modern and financially sustainable.
- 4.2 The Transformation Board has been established to provide a strategic framework to oversee delivery of outcomes, drive accountability, manage risk and opportunity and ensure appropriate governance of the programme of work.

- 4.3 The corporate programme management office will provide a cross programme support office to facilitate and track work across all the approved projects and programmes. This will include oversight of transformational projects and programmes already in flight in some services.
- 4.4 This will also include providing guidance and around common approaches and ways of working; ensuring sufficient information is available for the Transformation Board to prioritise new projects or programmes; identifying common themes/projects; tracking the management of inter-project dependency; and tracking of progress and reporting.
- 4.5 Principles which will be used to drive forward the transformation objectives have been agreed. The principles guide the activity to ensure any change initiatives across services align to the following:
- Digitally enabled: reducing manual tasks and improving self service opportunities.
 - Efficient and Effective: driving a shift to outcome based and customer centric approaches which use early intervention and prevention methodologies and appropriate structures.
 - Prioritisation: Focusing on greatest needs and meeting the desired outcomes in the prioritisation.
 - Collaboration: Working with services, health and third sectors to drive efficiency and effectiveness.
 - Best value: driving for best value for residents in terms of what and how services are delivered.
 - Culture Change and Learning: Culture change is essential to create and support a modern council, and embedding new skills via learning will build confidence and grow the talent that will be needed.
- 4.5 The purpose and principles were defined and agreed with the Councils Corporate Leadership Team and the Cabinet. They reflect the two sides of the organisation which are both important: Protecting the Council and Supporting vulnerable residents.
- 4.5 Proper governance of this programme of work is recognised as critical and a delivery framework has been created to ensure coherence and decision making aligned with corporate priorities.

5. Delivery Framework

- 5.1 Due to the complexity of this transformation work, which will encompass 51 service areas across aspects that cover people, organisation, technology and information, the Transformation Board agreed that a framework to provide structure is essential.
- 5.2 This structure will provide rigour around the assessment of business cases for change, ensuring that all aspects are covered, as well as tracking the proposed deliverables and ensuring that the programme office, and the services will have the ability to manage and deliver the transformation programme. Figure 1 on the following page shows a diagrammatic view of this framework and how the project tranches are envisaged to close the gaps between current and future states.

SCC Transformation Board – Delivery Model (Supporting Themes)

Transformation Board

Transformation Enablement – Establishing and overseeing the environment for Transformation

- Financial targets & constraints
- Transformation Policies
- Workforce development
- Organisation Change
- Cultural Change
- Transformation Support
- Elaboration of Future State goals / making them relevant to service areas
- Supporting service area transformation
- Building in Climate Change
- Stakeholder Management (Members, Public, staff etc)
- Communications
- Defining & maintaining focus on customer experience

Current State	Project Dossier (Transformation Board Level)	Future State
<p>Process (and Policy)</p> <ul style="list-style-type: none"> • Approach to customer self-service is inconsistent and not implemented, by default, for all services. • Current tasks can be quite manual/labour intensive. • Opportunities for early intervention not always considered. • Processes duplicated across and with service areas. • Services delivered without challenge? <p>Organisation</p> <ul style="list-style-type: none"> • Workforce and organisation structures reflect pre-Covid / pre-Transformation ways of working. • Organisation location not aligned asset location or current hybrid ways of working. • Organisation focused on tasks rather than demand. • Organisation is siloed and lacks cross departmental team working. <p>Technology</p> <ul style="list-style-type: none"> • Combined on prem and cloud based solutions. • Old networking and security solutions (not compliant??) • New "Teams" collaboration tools not fully deployed. <p>Information</p> <ul style="list-style-type: none"> • Council data is difficult to access, located within departmental silos and not used effectively to support decision making and improve service delivery. • Data based reports require specialist resources to develop and are limited in scope. • Few "live" data feeds means information is generally historic and doesn't track current events. 	<p>Tranche 1 – Process and Policy Review, Development and Update Work associated with reviewing and re-developing processes and policies across the organisation with a view to moving towards the defined future state. It's likely that many of the process changes will be embedded as part of programmes or projects e.g. MySouthend or ERP. However, we should look for opportunities to streamline processes across the organisation. What Policies need to be created or changed to support the future state?</p> <p>Tranche 2 – Organisation Dev. and Change Management Work relating to organisational change, development and communication. Changes could be required at all levels of the organisation – Team, Department, Directorate or cross council. Programmes and Projects may be driving change but support will be required from other service areas. Transformation communication, workforce development etc all need to be delivered through this workstream.</p> <p>Tranche 3 – Technology Enablement Work required to enable the digital by default approach. This requires the ICT estate to be migrated to the latest cloud-based technologies and for connectivity to enable working from any location. New Microsoft 365 tooling available to enable users to build own workflows, integrations and cross platform reporting. ICT lead and support at project level to enable new solutions such as MySouthend and ERP. Connectivity required from device to device to enable automation and improved operational reporting.</p> <p>Tranche 4 – Information and Data Work required to make data more available to staff to enable better decision making based on insight and analytics. Improving the way we use data is vital to delivering the future state for processes. Powerful reporting tools deployed to enable staff to build and build their own reports and dashboards. Data availability to be enabled from connected devices providing live information from across the City.</p>	<p>Process (and Policy)</p> <ul style="list-style-type: none"> • Customer self-service as default (Digitally enabled). • Manual tasks and processes reduced through automation. • Early intervention is prioritised. • Failure demand is minimised. • No process duplication. • Opportunities to 'stop' and 'resize' are enabled. <p>Organisation</p> <ul style="list-style-type: none"> • Workforce is productive, scaled and structured appropriately to deliver. • Asset locations align with local need and we collocate where appropriate. • Resources focused on those that need it most. • Culture, behaviours and leadership aligned with new ways of working. • Teams work together to drive efficiency and outcomes (including health & 3rd sector). <p>Technology</p> <ul style="list-style-type: none"> • Technology enables Digital by default approach • Applications all cloud based enabling access from anywhere. • New networking installed to enable secure flexible working • MS Teams and other collaboration tools available to all • ?? How to describe opportunities arising from Lorawan connectivity? - IOT? Connected City?? <p>Information</p> <ul style="list-style-type: none"> • Council Information and Data more easily available, enabling better decision making / service delivery. • Data silos are removed enabling cross departmental reporting and insights. • Powerful reporting tools improve insights and presentation of Council data. • Transformation dashboard provides insight on progress and value delivered by Transformation.

Corporate Project Management Office

- Project Management - Best Practice
- Project Management - Delivery
- Portfolio and Project – Reporting
- Project Support
- Demand management

- 5.2 Under the oversight of the Transformation Board, the framework outlines key areas which are cutting across all service areas, and these are seen as foundational as they establish and support the environment for transformation.
- 5.3 Some of these key areas will be detailed and further articulated through the engagement with the transformation partner and service areas. These are needed but because we do not yet have all the detail, they are not yet fully defined. As such, we cannot impose targets on service areas at this time without these insights and detail. These include:
- The financial targets and constraints under which the teams will operate;
 - The transformation policies which need to be created to enable transformation;
 - The development of the workforce (identification and delivery of learning and skills development);
 - Changes to the organisation that will need to be enabled (structural or other changes);
 - The cultural shifts that will need to be made and embedded to support the transformation and the Council following the transformation;
 - Support that will be needed for the transformation (managerial, mental health etc);
 - The elaboration of future state goals per service area;
 - Supporting service area transformations;
 - Building in climate change considerations, so that this is embedded in new ways of working;
 - Stakeholder management (all stakeholders as this is a huge transformation programme and will include members, business, staff, suppliers, public, etc);
 - Communications – clear and consistent communications across all aspects and areas of the transformation to ensure that all stakeholders are informed at all times; and
 - Defining and maintaining a focus on customer experience through all service transformations.
- 5.3 The current state, project dossier (Transformation Board level) and future state view in the diagram will become the ‘theory of change’ and provide insight into how the projects and programmes to shift from current state (As-Is) to future state (To be). The project dossier will become the set of approved projects and programmes which will deliver this transformation and will be overseen by the Transformation Board.
- 5.4 This portion of the delivery framework builds on the POTI (People, Organisation, Technology, Information) Model of Leeds University as a way to frame thinking of change and the new target operating models which will be needed to achieve the future state.

Processes	Organisation	Technology	Information
Any operational models that will change as a result of the work that will be carried out under the initiative.	The people changes that will result from the initiative including personnel and culture.	Technology requirements encompassing systems, tools and other sources such as buildings.	Information required in the new, fully transformed organisation is noted here.

- 5.4 The foundations of the delivery framework diagram (base layer in the diagram) are:
- strong project management and support practices,
 - a clear demand management approach for filtering and scheduling project work based primarily on:
 - financial impact,
 - resident service improvement,
 - but also considers risks to existing services,
 - statutory responsibilities and speed of change.
 - Clear reporting mechanisms will be through the corporate programme management office to the Transformation Board, ECLT, CLT, Cabinet and Audit Committee.

- 5.5 A communication strategy and plan to ensure that all officers, members and stakeholders are informed at all stages of the transformation is seen as essential.

6. Anticipated Benefits

- 6.1 Modernisation of the council through digitisation, digitalisation and changing work methods to deliver better outcomes to our residents at a lower cost. Building a future-proof council which lays the foundation for future financial sustainability and smart city ambitions.
- 6.2 Elimination of double handling, wasted effort and duplication, resulting in increased resource efficiencies and reducing bureaucracy, whilst retaining order and control.
- 6.3 Clarity of agreed service standards set at the appropriate level so that this is sustainable in the context of the resources available, and expectations can be managed. At the same time, being able to apply the principles of good customer care to all interactions, with having robust and effective performance and workforce management practices to support this and deliver against the agreed service standards.
- 6.4 Reduced costs of services or future cost avoidance through improved efficiency and effectiveness.
- 6.5 Identification of potential new sources of revenue.

- 6.6 Services buy in and commitment to the programme, as key outcomes aligned to the transformation principles, will be agreed with each service through the course of the assessment by the transformation partner. A target benefits list will then be produced to be tracked by the Transformation Board. It is important that these targets are achievable and agreed with each service and not arbitrary figures.
- 6.7 A changed culture, and behaviours which embrace new ways of working. These new ways of working are proactive, collaborative and smart with a focus on service delivery. This culture change will be reliant on support from senior officers and upskilling.
- 6.8 Improved communication across different teams, bringing improved service outcomes.
- 6.9 Improved efficiency through the use of data for decision making, to automate and streamline processes.
- 6.10 Improved climate change approaches which can be woven through the updated service processes.

7. Quick wins

- 7.1 A number of quick wins were highlighted through the Transformation Blueprint and are in flight. It is envisaged further quick wins will be identified through the work of the transformation partner.
- 7.2 A quick win is also likely to be realised in parallel from a data use proof of concept which is testing early intervention in Supporting Families. This proof of concept is intended to automate the early identification of families who need support. This will reduce the costs of intervention and save time. This will also assist in the identification of further candidates, which can be utilised to bring further funding.
- 7.3 A transformation hub site has been launched to communicate the vision and provide managers and staff with information and toolkits to support the programme.

8. Timelines



- 8.1 Establishment of Transformation Board and Delivery framework – in place
- 8.2 Appointment of transformation partner – mid July 2023.
- 8.3 Documented As-Is and To- Be views with project identification – (anticipated 14 weeks post appointment of partner) end October 2023.
- 8.4 Prioritisation of the projects flowing from the transformation partner work – mid to end November 2023.
- 8.5 Full Transformation programme delivery is expected to take a minimum of 24 months post agreement of prioritised projects. As the culture and skills development progress, further opportunities for improvement will lead to a culture of continuous improvement, moving this into business as usual.

9. Risks

Risk	Description	Rating	Mitigation
Incorrect transformation choice	The future is always an unknown and potential transformation programmes are built on a view of the future.	Moderate	This framework ensures that the transformation choices are aligned to corporate goals and outcomes.
Resource risks: people, technology, data	This programme will place significant demand on the ICT and data teams as well as the corporate programme office teams who are already under pressure	High	The Transformation Board will need to prioritise and schedule work to be delivered
Leadership commitment and continuity	Transformation is a multiyear activity and any turnover in leadership will have an impact as any new	Moderate	The leadership team at all levels need to commit to this transformation and to keep a constant eye on the future state.

	leaders will require a steep learning curve.		
Third party risk	Much of the success will rest on work done by a third party.	Moderate	Strong contract terms, relationship building and contract management
Ineffective planning and alignment processes	This programme is likely to create many programmes or projects with dependencies and outcomes.	High	The delivery framework and planning with dependencies
Behavioural resistance to change: management need to deal with this resistance	The previous ineffective transformation attempts at Southend have created resistance to this change.	High	A change and communications programme put into place to assist with change
Black swan or unforeseen events	Another unforeseen event could impact negatively	Low	Strong resilience and leadership networks
The risk of not transforming	Should the council not opt to transform it is likely to become financially unsustainable	High	Transformation programme to be put in place that is recognised as necessary and supported by staff

10. Conclusion

- 10.1 The council needs to transform. It cannot continue to operate in the same way, as financial sustainability and better resident outcomes are needed.
- 10.2 A comprehensive transformation programme which aligns to the priorities and has a robust tracking mechanism to record outcomes is the best way to achieve this.
- 10.3 Driving transformation which is service-led, with the assistance of external experts, ensures that knowledge is transferred and changes will be embedded.

11. Reasons for Recommendations

- 11.1 The Audit Committee needs to be aware of the Council's position in respect of the transformation programme, to assist with enabling the committee to effectively discharge its responsibilities to ensure and appropriate process is in place that will deliver appropriate progress to transform the council into a modern and financially sustainable council.**

12. Corporate Implications

- 12.1 Contribution to the Corporate Plan and Southend 2050 Road Map
This transformation will be integral to all elements of the Corporate Plan priorities and 2050 roadmap
- 12.2 Financial Implications
These will become clearer once the transformation partner 14 weeks review is complete.
- 12.3 Legal Implications
There is nothing to raise at this time.

12.4 People Implications

The resulting change initiatives from the programme may result in restructure activity across the organisation. Change management will be essential to embedding the changes.

12.5 Property implications

There is nothing to raise at this time.

12.6 Consultation

Consultation around the changes that will take place will be essential and a change workstream is viewed as critical to success by transformation board.

12.7 Equalities and Diversity Implications

Changes made through the transformation programme will ensure that equality and diversity are applied.

12.8 Risk Assessment

There are a number of risks associated with this transformation programme which have been articulated in this report. There are also risks associated with not transforming.

12.9 Value for Money

Financial sustainability is a key driver for this programme of work

12.10 Community Safety Implications

There is nothing to raise at this time.

12.11 Environmental Impact

Climate change is a key element of this programme of work but there is nothing specific to report on at this time.

Background Papers

[Understanding the Future | A Practical Guide To Delivering Results \(leeds.ac.uk\)](https://www.leeds.ac.uk/understanding-the-future)

Southend City Council Financial Sustainability Strategy 2022 to 2032

Southend-on-Sea City Council

Report of the Executive Director (Finance and Resources)

to

Audit Committee

on

19 July 2023

Report prepared by Shaun Dutton, Counter Fraud & Investigations Manager

Agenda
Item No.

5

Counter Fraud & Investigation Team: Annual Report and 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 (Annual Report).
- 1.2 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 2023/24 (Quarterly Performance Report).

2 Recommendation

- 2.1 The Audit Committee notes the performance of the Counter Fraud & Investigation Team during 2022/23.
- 2.2 The Audit Committee notes the performance of the Counter Fraud & Investigation Team over the last three months.

3 Introduction

- 3.1 The Counter Fraud & Investigation Team was formed in October 2019 following the dissolution of a shared fraud service agreement with Thurrock Council.
- 3.2 The team is dedicated to protecting the funds and assets of Southend-on-Sea City Council (the Council). We protect the Council from fraud, corruption, and losses resulting from criminal behaviour. We pursue those that commit crime against the Council and recover losses where possible.
- 3.3 The team is comprised of a manager, four highly trained and experienced criminal investigators, and an apprentice fraud investigator. The range of experience that these officers hold includes Local Authority, DWP, Police, and National Crime Agency investigations. The combined weight of experience in the team is over 100 years. One of our investigators is now an Accredited Financial Investigator.

- 3.4 When the team was initially formed, we reinvigorated the Council's engagement with the National Fraud Initiative (NFI), which had reduced during previous years. The NFI is a Cabinet Office exercise, run on a two-yearly cycle, that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

CFIT provides training and oversight of the Council's contribution to this, managing the uploading of data sets and the assessment of the results. In 2021/22, this exercise provided £172,984 of benefit to the Council. The NFI cycle started again in 2022 and the results are currently being assessed by various teams across the Council. The resulting benefit from this round of activity will be fully known later in the year, as the NFI is now re-established at the Council, the returns from this round of activity are expected to exceed the previous one.

- 3.5 From its inception, CFIT has worked hard to rebuild trust in the service across the Council. This has involved an emphasis on communication and reporting, demonstrating a commitment to addressing fraud against the Council, advertising and promoting the service to staff at all levels and at every opportunity, and doing what we say we will do.

The success of this approach is evident in feedback we are given, the number of senior managers that now seek out our advice, our results, and the volume of referrals that are made to the team.

The increase in referrals to CFIT is demonstrated in **Appendix 3** which charts this increase since the team's formation.

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.

¹ Victims Commissioner, 2021

² House of Commons Justice Committee, 2022

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

- 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.

Annual Report 2022/23

5 Introduction

- 5.1 The highlights from CFIT's work this year include:
- 5.2 All new starters at the Council now receive an information pack highlighting the work of the team and reminding them of their obligations in terms of expected behaviours, the Council's Values and Behaviours, and the need to make Declarations of Interest.
- 5.3 Following concerns highlighted by the NFI around staff Declarations of Interest, the City's maintained schools have now altered their policies to be in line with the Council's and have received Fraud Awareness Training. As a result, they have subscribed to the team's monthly Fraud Update newsletter.
- 5.4 CFIT secured funding and recruited a Counter Fraud Investigator Apprentice who is now established in the team and providing productive work. She is excelling in her studies and gradually increasing the range of work she can undertake, including conducting low-level investigations under the mentorship of fellow investigators.
- 5.5 One officer has completed her training with the National Crime Agency and is now an Accredited Financial Investigator. This represents a significant increase in the team's reach and capabilities, and we are now able to conduct money laundering investigations. As a result, we anticipate higher returns for the team in terms of compensation to the Council and recovery of our losses and benefit from confiscated proceeds of crime. As money laundering investigations have a long lead-in time and only produce results following conviction, results from this activity will not be evident for several months and are also dependent on court timescales.
- 5.6 Fraud awareness training has been delivered to all South Essex Homes' Tenancy Officers and support staff. Blue Badge enforcement training has been delivered to all APCOA's Civil Enforcement Officers.

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

- 5.7 CFIT commenced an assessment programme targeting tenants that have built up a significant credit balance (over £1,000) on their rent accounts. This is a 'red flag' for subletting or money laundering. There are consistently over 100 tenants in this situation. This programme runs alongside the officers' normal caseload.
- 5.8 CFIT have acquired specialist financial investigation software which substantially decreases the time investigators spend analysing financial material and increases the accuracy of analysis results. This enhances our financial investigation capabilities, making prosecutions for money laundering offences more likely to be successful, increasing recovery to the Council.
- 5.9 CFIT now have a joint working agreement with the DWP; this is something that we have been seeking since the team's inception and enables us to broaden the scope of what we investigate and make savings on prosecution costs in certain cases.
- 5.10 CFIT have delivered a Money Laundering Awareness eLearning course which is now available to all staff and is mandatory for all managers. The team did request for this, and our Fraud Awareness eLearning course, to be mandatory for all staff but this was rejected due to the volume of the current list of mandatory courses for all staff.
- 5.11 The team has delivered a presentation with supporting material to the Extended Corporate Leadership Team, including Heads of Service, to raise awareness of the signs and risks of timesheet fraud. This is on the increase across local authorities and was expected within the fraud community given the change in working practices since the pandemic and the current cost of living crisis.
- 5.12 CFIT conducted five proactive fraud detection and deterrence exercises during the year: three targeting tenancy fraud and two targeting blue badge fraud. 288 tenancies were visited and approximately 200 blue badges were inspected. These exercises generated 14 investigations, including one prosecution.
- 5.13 CFIT contributed to a review of South Essex Homes' Conditions of Tenancy and were able to make amendments that strengthened the fraud message and assisted our access to properties under investigation.

6 Investigations

- 6.1 During 2022/23, CFIT have dealt with, or are investigating, 440 cases (96 of these cases started prior to 1 April 2022). 344 referrals were made to the team during the year.
- 6.2 Of the total 440 investigations:
- 334 have been concluded
 - 106 remained active:
 - 71 are still being investigated
 - 8 are with Legal Services for prosecution
 - 27 are still awaiting assignment to an investigator

- 6.3 A breakdown of these investigations can be found at **Appendix 2**.
- 6.4 CFIT concluded 5 prosecutions during the year, all of which were successful, maintaining our 100% conviction record:
- Defrauding the Essential Living Fund grant scheme resulting in a 12-month suspended sentence, £250 compensation order and costs of £1,600
 - Blue badge misuse resulting in a £660 fine and £277.29 costs
 - Covid grant fraud resulting in 180 hours unpaid work and £379.67 costs
 - Blue badge misuse, theft and fraud resulting in a 2-year conditional discharge and £200 costs
 - Blue badge misuse resulting in £100 fine and £200 costs.

6.5 The 8 outstanding prosecutions relate to:

- Two individuals accused of a large-scale procurement fraud; these cases will be going to trial as a single prosecution
- Two individuals accused of fraudulently claiming Small Business Rates Relief fraud (one prosecution)
- One individual accused of defrauding the Essential Living Fund grant scheme, this individual has absconded and is the subject of an arrest warrant
- One individual accused of committing Covid grant fraud and money laundering offences; this case will be going to trial
- One individual accused of fraudulently claiming Council Tax Single Person Discount
- One individual accused of blue badge misuse and perverting the course of public justice
- One individual accused of blue badge misuse

The courts in England and Wales continue to address the consequences of the Covid-19 pandemic which created a substantial backlog of cases to hear. It currently takes around 6 months for a case to be heard in the Magistrates' Court and over 18 months for a case to reach trial.

6.6 Results this year include:

- £2,907 in compensation and costs awarded by the court
- £20,047 in recovered Council Tax
- £75,168 in recovered Business Rates
- £11,890 in recovered Council Tax Reduction and Administrative Penalties
- 8 social housing properties recovered, saving the Council £241,000
- One fraudulent Right to Buy prevented saving £87,200
- Two fraudulent housing application prevented saving £46,000
- £42,670 in fraudulent Covid grant applications prevented or recovered
- 3 fraudulent Blue Badges recovered saving £1,725

- The NFI has generated further savings of £60,661
- An unpaid alcohol licence fee of £2,080 has been recovered
- 18 Blue Badge misuse warnings issued
- 5 employees referred to HR for failing to make a Disclosure of Interest
- Other internal investigations involved 4 allegations of timesheet fraud and one of theft, 21 further internal investigations were conducted over the course of the year
- The team also responded to 229 requests for information under DPA, we assessed 32 Right to Buy applications and 38 tenants who had excessive credits on their rent account.

The total benefit to the Council from the team's activities in 2022/23 is **£523,696**.

- 6.7 This is somewhat lower than the 2021/22 figure mainly due to the NFI results still being assessed. As the NFI runs on a 2 year cycle, the team's results oscillate according to when the results are returned.

	2020/2021	2021/2022	2022/2023
CFIT's activities	£310,003	£519,808	£463,035
NFI	£20,424	£172,984	£60,661
Total	£330,427	£692,792	£523,696

- 6.8 Furthermore, the recruitment of an apprentice was expected to impact on the team's productivity in the short-term due to the substantial investment in up-front training and mentoring required. This is expected to be paid back by increasing productivity as the apprentice becomes more capable and proficient.
- 6.9 There was also a substantial increase in internal investigations this year which require immediate attention and absorb a lot of resources. In 2021/22 the team received 5 referrals concerning staff, in 2022/23 we received 18.

7 Work Plan 2022/23

- 7.1 The CFIT Work Plan 2022/23 can be found at **Appendix 1**.
- 7.2 Out of the 31 specified tasks in the plan, 5 have not been achieved, mainly due to the team's workload and the need to prioritise allegations of criminal behaviour. One of these was abandoned as it was not possible to secure funding. The rest have either been achieved or are ongoing tasks.
- 7.3 The tasks that were not achieved have been rolled over into the 2023/24 Work Plan (**Appendix 4**).
- 7.4 Most of the key results from the Work Plan are summarised in section 5 above.

8 Fraud prevention

8.1 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 information sharing.
- Deterrence by publicising our results.

Deterrence by having a high visibility in the community by conducting proactive detection and deterrence exercises.

8.2 The Fighting Fraud in Local Government Course, written by CFIT, has been completed by over 684 officers and is rated 4.5 out of 5 stars. This is available to all staff and is now mandatory for all Council managers.

The Monthly Fraud Update is a newsletter for staff and the public highlighting current risks of fraud and providing advice as to how people can protect themselves. This reaches over 1,000 individuals.

8.3 The Money Laundering Awareness Course, also written by CFIT, is available to all staff. There are no metrics available on its uptake but it was made mandatory for key staff at its launch and is now mandatory for all Council managers.

8.4 CFIT engages with the Internal Audit team to provide fraud risk assessments and recommendations to strengthen any identified vulnerabilities in high-risk areas of the Council's business.

8.5 CFIT issued 17 fraud alerts to various teams across the Council over the year to highlight current and emerging fraud threats that affect their areas of the Council's business. CFIT has issued 8 intelligence reports concerning organised criminal activity with the national authorities tasked with cross-border grant fraud.

8.6 The team's proactive fraud detection and deterrence work has been publicised in the press. While deterrence is difficult to measure, we know anecdotally, for example, that the social housing population are aware of our tenancy fraud operations. This may go some way to deterring this activity and encouraging law-abiding tenants to report concerns to the team.

8.7 While not all our successful prosecutions are published in the press, we issue press releases for all of them, and most are taken up for publication. The publication of these results is an important deterrence tactic.

9 The National Fraud Initiative (NFI)

- 9.1 As mentioned above, by 31 March 2023, the data upload phase of the NFI had been completed and the data match results were starting to be processed by teams across the Council.
- 9.2 The results processed to this date have produced:
- £26,572 in Council Tax Single Person Discount savings
 - £16,957 in concessionary travel pass cancellation savings
 - £17,132 in Housing waiting list cancellation savings
- 9.3 The total benefit to the Council from the 2022/23 NFI exercise is **£60,661**.
- 9.4 Since 1 April 2023, further results have been assessed and these are detailed in the Quarterly Update Report below.
- 9.5 For more information on the NFI, their 2022 report can be found at **Appendix 6**.

Quarterly Update Report July 2023

10 Introduction

- 10.1 This quarter has been exceptionally busy for the team in terms of casework. Several large and complex high-priority investigations have been launched that have absorbed a substantial amount of manpower and resources and this, combined with one officer's extended leave of absence, has impacted on the team's ability to maintain business as usual.
- 10.2 As a result, we have developed a 'streamlined' process for resolving allegations of low-value fraud which still effectively provides savings for the organisation. If this process works as planned, it may be adopted as a permanent operating model for such cases to enable the team to direct more resources to higher value allegations of fraud.
- 10.3 Following a review of the Benefits Team's fraud referral process, this has been made simpler and more in-line with CFIT's operating procedure. The new process makes referrals easier and quicker to prepare and releases Benefits Officers' time to concentrate on their core business.
- 10.4 Unfortunately, one of our officers has provided his notice of leaving. This officer is extremely knowledgeable and competent and he will be missed by the team and our partners. His reason for leaving the team is due to personal circumstances and receiving an offer he could not refuse and which the Council could not match. The process to recruit his replacement has begun.
- 10.5 CFIT's Work Plan for 2023/24 has been finalised and can be found at **Appendix 4**. This is less ambitious than the previous year's plan (**Appendix 1**) due to the workload pressure the team is currently operating under, which is likely to continue for months to come, and the expected disruption of recruiting, inducting, and training a new investigation officer. Tasks that have been rolled over from the previous year are marked as such.

10.6 Our programme of proactive fraud detection and deterrence exercises will begin this month with an operation targeting tenancy fraud.

11 Investigations

11.1 Since 1 April 2023, CFIT have dealt with, or are investigating, 203 cases (107 of these cases started prior to that date). 96 referrals have been made to the team this quarter.

11.2 Of the total 203 investigations:

- 89 have been concluded
- 114 are active:
 - 62 are being investigated
 - 9 are with Legal Services for prosecution
 - 43 are still awaiting assignment to an investigator

11.3 A breakdown of these investigations can be found at **Appendix 5**.

11.4 CFIT have achieved three convictions this quarter:

- One individual was convicted of Blue Bage fraud and ordered to pay a £369 fine and £320 in costs
- One individual was convicted of Blue Badge misuse and ordered to pay £120 fine and £1,000 in costs
- One individual was convicted of Blue Badge misuse and ordered to pay £440 fine and £3,540 in costs

11.5 The 9 outstanding prosecutions relate to:

- Two individuals accused of a large-scale procurement fraud; this will be going to trial
- Two individuals accused of fraudulently claiming Small Business Rates Relief fraud (one prosecution)
- One individual accused of defrauding the Essential Living Fund grant scheme, this individual has absconded and is the subject of an arrest warrant
- One individual accused of committing Covid grant fraud and money laundering offences; this will be going to trial
- One individual accused of Covid grant fraud
- One individual accused of fraudulently claiming Council Tax Single Person Discount
- One individual accused of blue badge misuse and perverting the course of public justice
- One individual accused of blue badge misuse

CFIT are also currently preparing three further cases for prosecution.

11.6 Other results this quarter include:

- Two social housing properties recovered, saving £65,000⁷
- £19,394 in recovered Council Tax
- £4,342 in recovered Council Tax Reduction⁸
- The identification of a £40,000 outstanding debt that had been overlooked and not pursued and which is now being rectified
- The recovery of 9 Blue Badges that had remained in circulation following the holder's death, saving £5,175⁹
- 7 Blue Badge warnings being issued
- NFI results this quarter total £91,810 of savings.

11.7 The total benefit to the Council from CFIT's activities since 1 April 2023 is **£230,583**.

12 The National Fraud Initiative (NFI)

12.1 As mentioned above the NFI data matches from the current exercise have now been returned and are being assessed. In many cases, these result in adjustments based on information the Council was not aware of or errors identified.

An example is a match between dependents in a household turning 18 in a household that is in receipt of Single Person Discount. As this person is now an adult, the household no longer qualifies for the discount and it is removed from the date of the dependent's birthday. Another is identifying Blue Badge holders who are deceased but the badge has not been returned.

12.2 Since 1 April 2023, 19 cases have been referred to CFIT for investigation as a result of NFI matches.

12.3 The reported savings to the Council since 1 April 2023 are:

- Council Tax: £28,980
- Others: £62,829.96¹⁰

The total NFI savings to the Council for this period is **£91,810.98**.

⁷ A property recovered from non-fraud circumstances is valued at £23,000 which is the cost of keeping a family in temporary accommodation for a year, a property recovered due to fraud is valued at £42,000 which is a national standard valuation, including the above plus other costs associated with the crime.

⁸ This includes the issue of Administrative Penalties as an alternative to prosecution, the maximum penalty is £1,000.

⁹ Blue Badges are valued at £575 which is a national standard valuation of the lost revenue from parking from Blue Badge misuse in a non-metropolitan area.

¹⁰ These matches referred to Blue Badges, the housing waiting list, and Council Tax Reduction.

13 Corporate implications

Contribution to the Corporate Plan and Southend 2050 Road Map

- 13.1 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 priorities, aims and objectives.
- 13.2 It does this by protecting and recovering the assets and funds that the council holds.
- 13.3 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.
- 13.4 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

- 13.5 The financial results of the work of the Counter Fraud and Investigation Team are set out in the report, and the work of the 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

- 13.6 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."*
- 13.7 The work of the Counter Fraud & Investigation Team contributes to the delivery of this requirement.
- 13.8 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

- 13.9 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

- 13.10 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

- 13.11 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.

Risk assessment

- 13.12 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.
- 13.13 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.

Equalities Impact Assessment

- 13.14 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.

Value for money

- 13.15 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.

Appendices

Appendix 1: Counter Fraud Work Plan 2022/23

Appendix 2: Breakdown of CFIT investigations 2022/23

Appendix 3: Referrals to CFIT by quarter

Appendix 4: Counter Fraud Work Plan 2023/24

Appendix 5: Breakdown of CFIT investigations July 2023

Appendix 6: National Fraud Initiative Report 2022

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Southend-on-Sea City Council

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Appendix 1 – Counter Fraud Work Plan 2022/23

KEY:

Denotes proactive activities
Denotes prevention/protection activities
Denotes development activities

31

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 MERCIECA	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 delayed 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

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 July 2022 October 2022	Plain clothes exercise Joint exercise with APCOA, this was not achieved due to the caseload of the team. Plain clothes exercise. This exercise was delayed to March 2023 due to workload commitments.	5	Shaun DUTTON	01/07/2022 NOT ACHIEVED 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.		Shaun DUTTON	ONGOING

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 MERCIECA	
			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.	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
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	<p>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.</p> <p>A funding bid has been submitted for CIFAS membership. This aspiration has been removed due to the tight financial environment and pending the results of the above action.</p>	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 local authorities who have experience with this.	1	David GILL	NOT ACHIEVED
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 proactive and prevention activities.	TBD	Shaun DUTTON	
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Appendix 2 - Breakdown of CFIT investigations 2022/23¹

Category	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.)	55	15 (0)	47 (7)
Schools (including Early Years)	1	0 (0)	1 (0)
Council Tax²	91	36 (4)	78 (19)
Business Rates	7	6 (4)	18 (13)
Covid-19 related grants	4	4 (1)	7 (6)
DWP	11	0 (0)	11 (0)
Grant Fund fraud	6	2 (1)	8 (3)
Housing (unlawful subletting, Right to Buy fraud etc.) ³	116	19 (4)	121 (20)
Money Laundering	3	2 (0)	1 (0)
Procurement	0	3 (3)	1 (1)
Social Care (Direct Payment fraud etc.)	5	6 (3)	3 (1)
Employee	18	8 (1)	14 (3)
Miscellaneous (immigration, fraudulent cheques, mischievous referrals etc.)	27	5 (0)	24 (2)
TOTALS	344	106 (21)	334 (75)

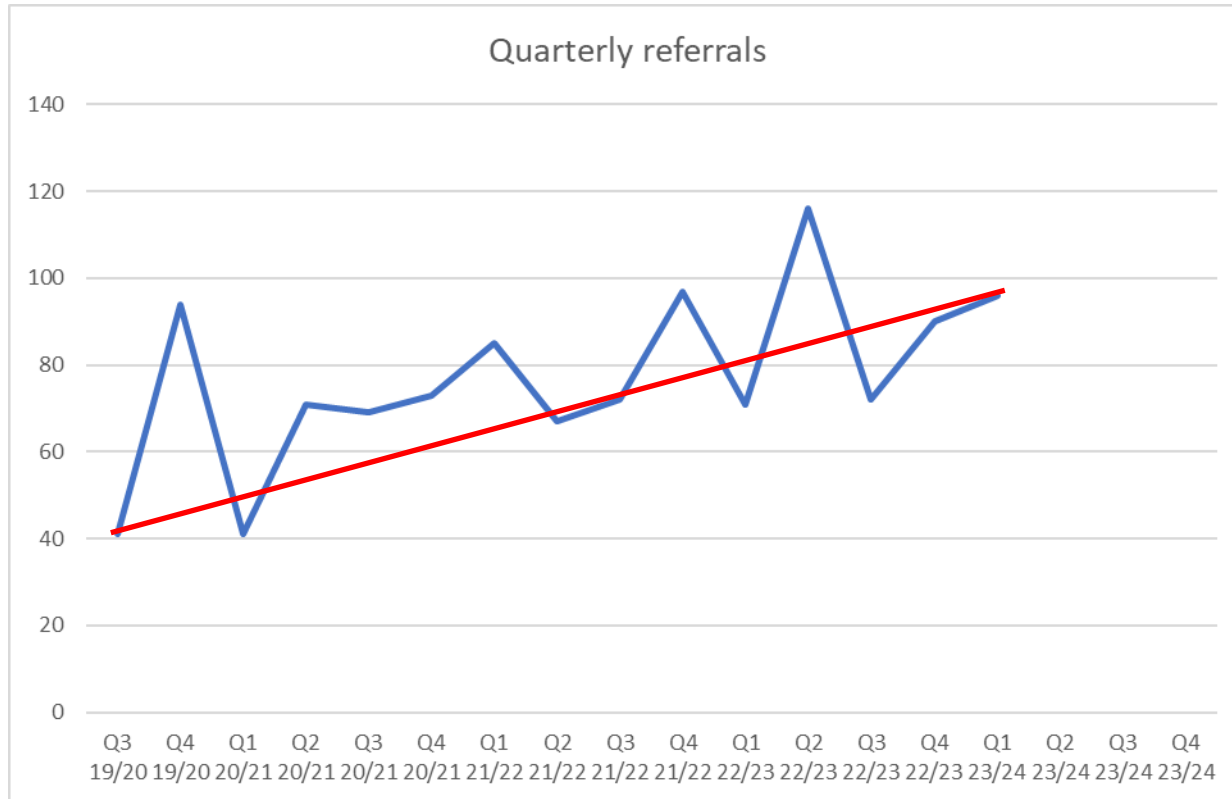
¹ Figures are correct as of 31/03/2023.

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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Appendix 3 – Referrals to CFIT by quarter



Number of referrals by quarter

Overall trend

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Southend-on-Sea City Council

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Appendix 4 – Counter Fraud Work Plan 2023/24

KEY:

Denotes proactive activities
Denotes prevention/protection activities
Denotes development activities

43

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.	1	Shaun DUTTON	NOT ACHIEVED
		Ongoing	Continue to publish the monthly fraud newsletter to staff and residents.			
		May 2023	Host the weekly Corporate Leadership Meeting. This has been agreed. This did not take			

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
		November 2023	place due to administrative complications. Publicity campaign to highlight International Fraud Awareness Week.	1	Shaun DUTTON	
Housing	Pro-active fraud detection and deterrence exercises on social tenancies.	July 2023	To be targeted in areas at high risk of subletting.	6	Paul BROADBENT	
		September 2023	Appropriate areas of activity will be determined during the planning stage.	6	James COUSEN	
		March 2024		6	Caroline MERCIECA	
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. CFIT continue to issue specific post-investigation reports recommending process / policy improvements that would provide a greater protection from fraud where appropriate.	2-5	Shaun DUTTON	ONGOING

Area	Activity	Target date	Current status	Resource requirement (officers)	Responsible officer	Completed date
Blue Badge	Proactive fraud detection and deterrence exercise on Blue Badges	August 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	
		October 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	
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 2024	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 2024	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 proactive and prevention activities.	TBD	Shaun DUTTON	
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Appendix 5 - Breakdown of CFIT investigations as of July 2023¹

Category	Total new cases since 1 April 2023	Active investigations (being investigated, awaiting allocation or with Legal Services) Cases that started prior to 01/04/2023 in parentheses.	Closed investigations since 1 April 2023 Cases that started prior to 01/04/2023 in parentheses.
Transport (Blue Badge, parking permits etc.)	31	14 (6)	33 (10)
Schools (including Early Years)	0	0	0
Council Tax²	23	36 (27)	25 (11)
Business Rates	1	6 (6)	1 (0)
Covid-19 related grants	0	2 (2)	2 (2)
DWP	4	2 (0)	2 (0)
Grant Fund fraud	1	2 (2)	1 (0)
Housing (unlawful subletting, Right to Buy fraud etc.) ³	13	16 (12)	15 (6)
Money Laundering	0	2 (2)	0
Procurement	0	3 (3)	0
Social Care (Direct Payment fraud etc.)	0	4 (4)	2 (2)
Employee	17	22 (7)	3 (1)
Miscellaneous (immigration, fraudulent cheques, mischievous referrals etc.)	6	5 (2)	5 (2)
TOTALS	96	114 (73)	89 (34)

¹ Figures are correct as of 03/07/2023.

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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National Fraud Initiative Report 2022

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National Fraud Initiative Report

2022 Report

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Foreword

Fraud is estimated to account for 40% of all crime committed across the UK and is a long-standing threat to public services. In addition, fraudsters took advantage of the emergency funding during the coronavirus (COVID-19) pandemic, attacking schemes that were designed to deliver to many who were hard pressed and needed support, whether that be taxpayers or businesses.

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The government is deeply committed to reducing fraud and ensuring hard working taxpayers' money is spent on those for whom it is intended.



...I would particularly like to thank those local authorities, NHS trusts and partner organisations that the NFI supports, for their tenacity and commitment.”

In this context, I am delighted to report that the National Fraud Initiative (NFI), based in the Cabinet Office, has enabled participating organisations to prevent and detect/recover £443 million fraud and error across the UK (of which £417 million is for England), in the period April 2020 to March 2022, through the provision of counter fraud data matching services. This takes the NFI programme cumulative savings to £2.4 billion since its creation in 1996. These outcomes exclude the non-financial benefits also experienced by participants, such as improvements in the accuracy of records, or a greater knowledge of the extent and types of risks their organisations might face.

The NFI was heavily impacted by the demands placed on the public and private sector participants during the pandemic. Resources usually allocated to the investigation of NFI matches were diverted into other areas including disbursement of large scale COVID-19 grant schemes. Initially this means that delivery is lower in some areas than was reported in 2020.

However, despite these challenges the NFI has continued to deliver, including securing a one-off “windfall” of £205 million from Civil Service Pensions who use the NFI pension mortality screening service. We anticipate that the amount of fraud prevented and detected through the NFI will return to previous levels from 2022 onward.

Beyond the significant counter benefits reported here, I would like to highlight the following areas:

Innovation - the NFI has continued to innovate over the last two years, developing a pipeline of data matching pilots and delivering a programme of innovations and improvements. These are targeted towards both the public sector and the private sector to maximise the impact of the data it holds against fraud as a whole.

Public/Private sector partnership - the NFI has also seen increased outcomes from their work sharing public sector data with the private sector to highlight applicants for services that misrepresent their identity, or their residency. The expansion from utility companies to car hire and insurance has seen outcomes rise from £3.2m in 2020 to £33m in 2022. This public/private partnership work clearly aligns with the recommendations of the Economic Crime Plan.



Foreword

New products - the NFI has continued to develop the user base of their FraudHub tool (that allows organisations to carry out NFI matching at a time to suit them in a secure environment) from 15 organisations in hubs in 2020 to 35 at the end of September 2022, a 230% increase, that will see more frequent and targeted data matching activity to support Local Authorities.

Cost/Value for Money - the NFI continues to be cost neutral to central government, funding its activity (including pay) through fees levied on participants and through charged-for services including to the private sector, demonstrating exceptional value for money.

I would particularly like to thank those local authorities, NHS trusts and partner organisations that the NFI supports, for their tenacity and commitment. Prevention and detection of fraud and error at this scale is only made possible thanks to the hard work and diligence of staff at the sharp end, responding promptly to requests for collection of data to address emerging risks, working the flags, detecting/recovering and preventing fraud and reporting outcomes. This helped protect against fraudulent COVID-19 emergency relief funding claims. They did this while also continuing to provide vital services and support to many vulnerable businesses and individuals.

Given the unprecedented challenges facing these organisations the successes set out in this report is to be truly commended. This report celebrates the work of the counter fraud teams across the UK.

Finally, in August 2022, the NFI became part of the new Public Sector Fraud Authority. With £25 million investment over the next three years the Authority's remit includes greater focus on counter fraud performance and outcomes as well as increased depth and breadth of support to public sector bodies. With an increased focus on data analytics, the Authority will provide further opportunity for the NFI to support public bodies and further develop its products to reduce fraud in public services, ensuring that taxpayers' money is spent where it is needed most.

The Rt Hon Jeremy Quin MP, Paymaster General and Minister for the Cabinet Office



About the National Fraud Initiative

The National Fraud Initiative (NFI) matches data to help in the prevention and detection of fraud. The NFI provides multiple solutions, ranging from real time point-of-application fraud prevention checks, through to the national batch data matching exercise which helps those that take part detect active fraud cases within systems.

Data for the NFI is provided by over 1,100¹ participating organisations from the public and private sectors, including local authorities, government departments, private registered providers of social housing and pension schemes. The NFI works with public audit agencies in all parts of the UK.

Data matching involves comparing sets of data electronically, such as the payroll or benefit records of a body, against other records held by the same or another body, to see to what extent they match. This data is usually comprised of personal information².

The NFI data matching identifies inconsistencies that require further investigation and allows potentially fraudulent claims and payments to be identified. Participating organisations receive the resulting data matches for consideration and investigation where appropriate. No assumption can be made as to whether there is fraud, error or another explanation for those matches until an investigation process is completed, and an organisation can then take the

appropriate action. This may be to prosecute cases of fraud, recover overpayments, correct underpayments and update records as appropriate. There is also an opportunity for participants to use data matches to identify risks and weaknesses within systems and review controls.

The NFI is conducted under the Local Audit and Accountability Act 2014. This allows the Secretary of State or the Minister for the Cabinet Office to require certain public sector bodies to provide data for NFI processing on a mandatory basis for the prevention and detection of fraud. In addition, certain bodies can also provide data for matching on a voluntary basis.

Outcomes from NFI related investigations incomplete as of the 31st March 2022 will be captured and reported in 2024, alongside outcomes from the 2022/23 NFI exercise.





¹ During this reporting period there were a number of local authority and NHS mergers, reducing the overall number of participants

² The data requirements for the NFI exercise are set out in published [data specifications](#)

³ The NFI financial outcomes are made up of actual overpayments detected and estimated future losses prevented

⁴ The 2020 reporting period ended 4th April which was the date nearest to 31st March when management information was available to produce the report. This 2022 report covers the period from 5th April 2020 to 31st March 2022

This report captures outcomes³ recorded in the period 5th April 2020 to 31st March 2022⁴ against:

-  Against NFI 2018/19⁵ exercise matches
-  Against NFI 2020/21⁶ exercise matches
-  Recorded in FraudHub, AppCheck and ReCheck products
-  Pilots undertaken during this period, including a second pilot with HM Revenue and Customs (HMRC) under the Digital Economy Act 2017 to target undeclared property ownership; undeclared earnings and capital; and undeclared persons in a household

⁵ NFI 2018/19 is the national data matching exercise. Data is collected in October 2018 and matches released in January 2019. This report captures outcomes recorded against 2018/19 matches recorded in the period from 5th April 2020 to 31st March 2022.

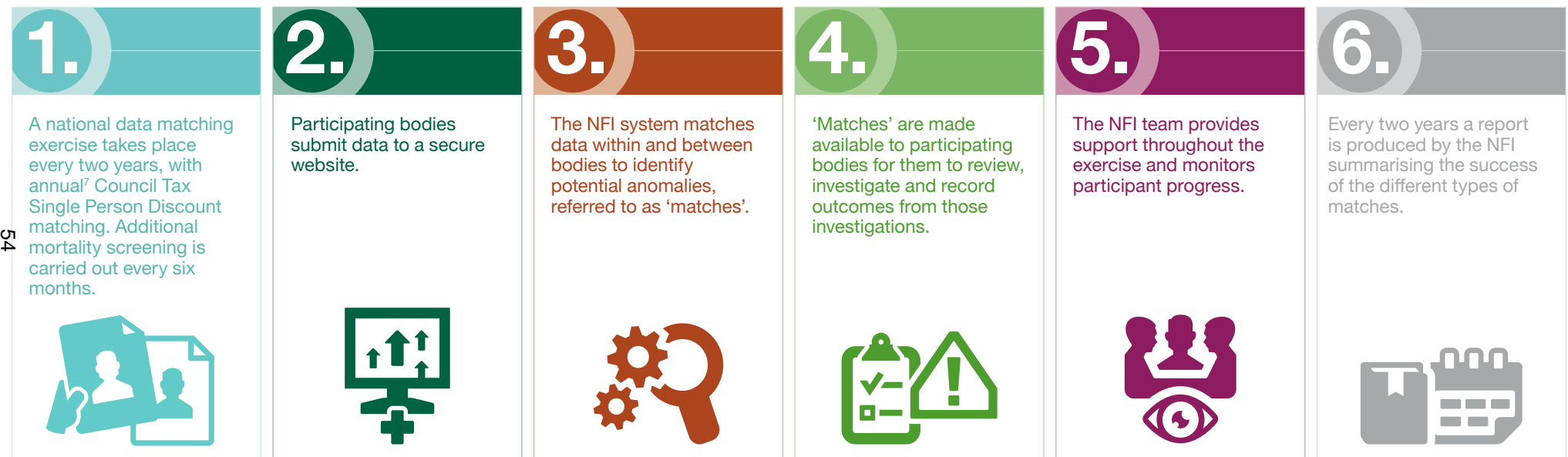
⁶ NFI 2020/21 is the national data matching exercise. Data is collected in October 2020 and matches released in January 2021

The NFI services

National Exercises

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

The NFI matching cycle



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



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

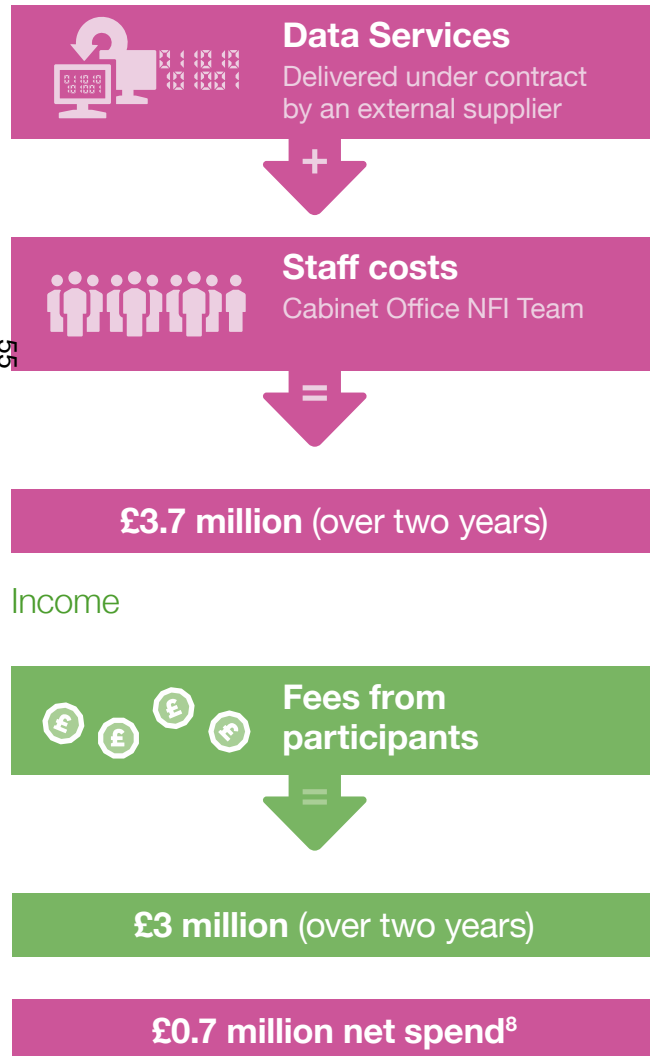


ReCheck is a flexible batch matching tool that allows an organisation to repeat national batch matching at a time to suit them.

⁷ Scottish bodies are mandated every two years

Cost of running the NFI

Main Expenditure



£442.6 million outcomes



versus £3 million fee income

Example fees



2020/21 National

- London Borough Council **£4,200**
- County Council **£3,800**
- District Council **£2,450**
- Police **£1,200**
- NHS Foundation Trust **£1,150**



AppCheck

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



ReCheck

£330 per dataset for 1-20 datasets, or **£275** per dataset (20+)



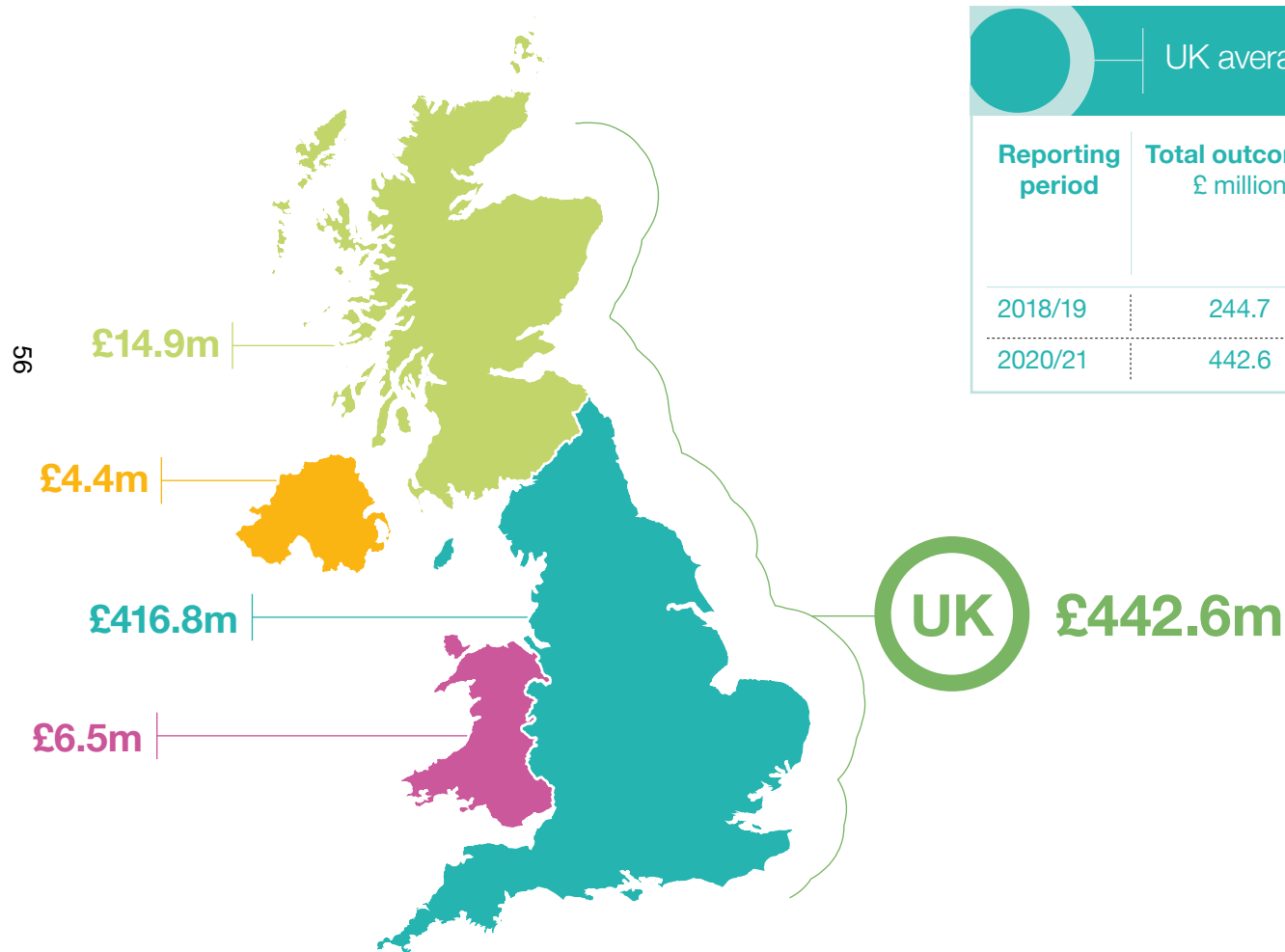
FraudHub

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

⁸ This reporting period the NFI received additional government funding for COVID-19 work which led to a net spend of £0.7 million.

Fraud, overpayments and errors identified and prevented across the UK (1996 to 2022)

Results for the period 5th April 2020 to 31st March 2022



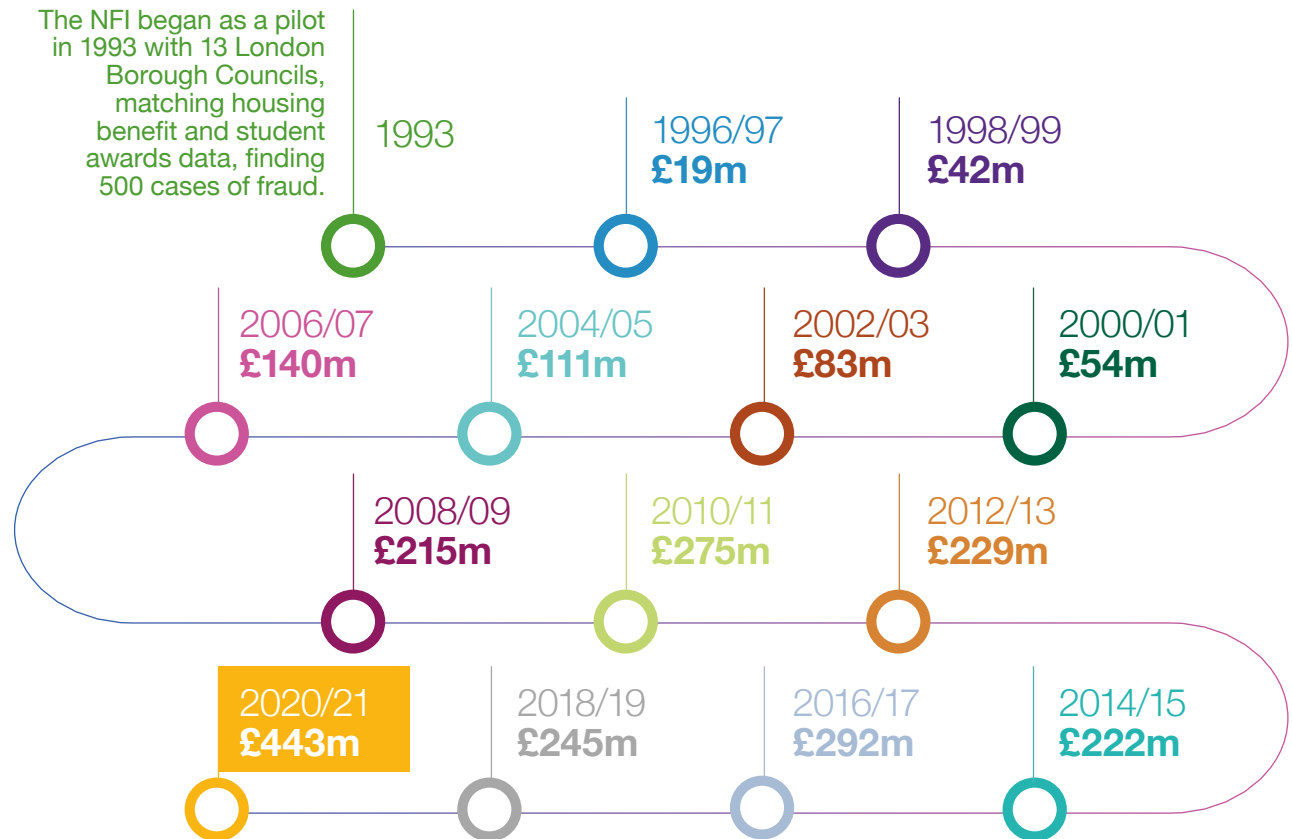
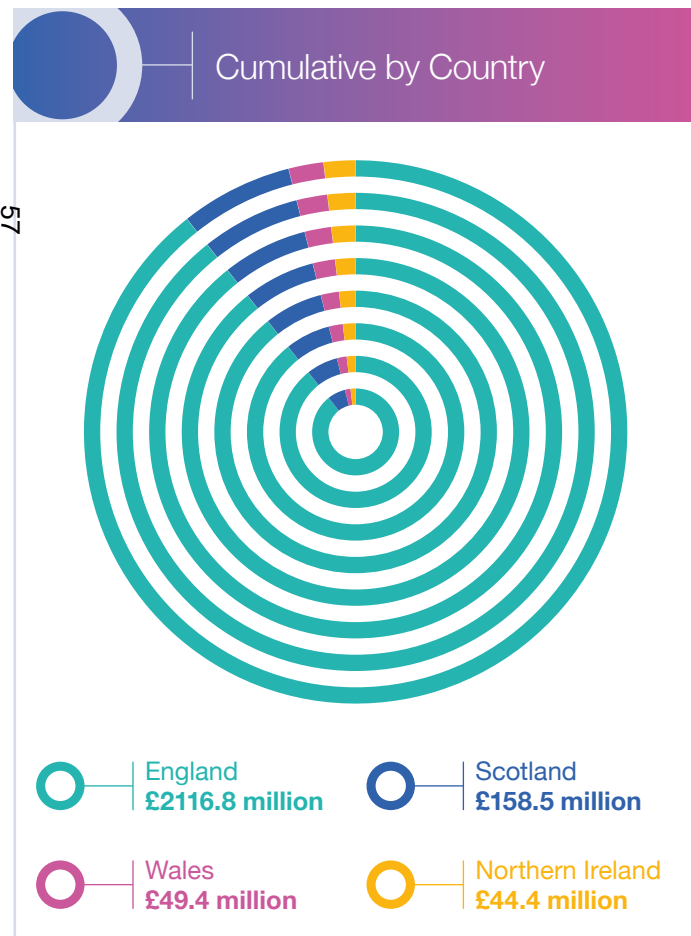
UK average financial outcomes per case

Reporting period	Total outcomes £ million	Number of cases categorised as error or fraud	Average outcomes per case	Percentage change
2018/19	244.7	304,423	£803.85	
2020/21	442.6	325,332	£1360.51 ⁹	69% increase

⁹ The significant increase in the number and value of pension cases in this reporting period that related to 2018/19, has contributed to the percentage increase. Refer to page 14 for more details.

Cumulative fraud, overpayments and errors identified and prevented across the UK (1996 to 2022)

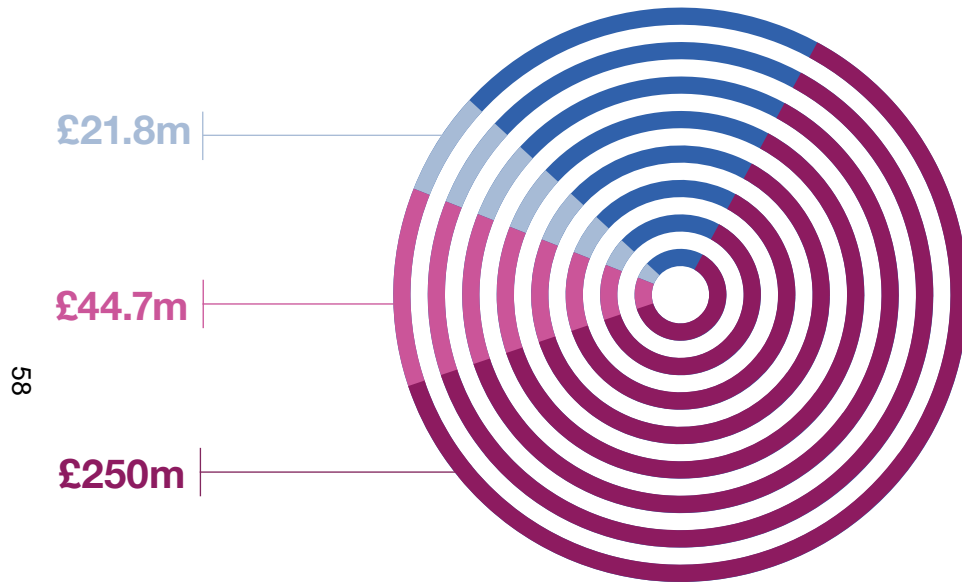
Cumulative NFI outcomes from 1996/97 to 2020/21¹⁰ = £2.4 billion



¹⁰ This report captures outcomes recorded against 2020/21 matches (released in January 2021) up until 31st March 2022. Outcomes recorded against 2020/21 matches after 31st March 2022 will be reported in 2024.

Results in England for 2020 - 2022

The results in England¹¹ for 2020 - 2022 total: **£416.8 million**



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

- Pension fraud and overpayments
- Fraudulent, or wrongly received, council tax single person discount
- False applications were removed from housing waiting lists

The £416.8 million also includes a number of pilot matches totalling **£39.7 million¹³**. More details about pilots can be found on page 34.

The exercise produced the following significant results in England:

<p>225,710 Concessionary travel passes were cancelled as the pass holder was deceased</p>	<p>42,393 Blue badges were cancelled as the badge holder was deceased</p>
<p>32,669 Incorrect claims for council tax single person discount</p>	<p>6,736 False applications were removed from housing waiting lists</p>
<p>3,000 Cases where Council Tax reduction had been claimed incorrectly</p>	<p>1,648 Cases where housing benefit had been claimed fraudulently or incorrectly</p>
<p>68¹² Cases where payments to a care home had continued after the death of the resident</p>	<p>25 Social housing properties were recovered as a result of illegal subletting or succession</p>

¹¹ Scotland, Wales and Northern Ireland publish their own NFI results and are available at www.audit-scotland.gov.uk, www.wao.gov.uk and www.niauditoffice.gov.uk

¹² These are cases reported late from NFI 2018/19 matches, i.e. after 4 April 2020. Due to a legislative change, the NFI stopped processing patient data in 2020

¹³ This figure excludes HMRC and FraudHub outcomes as they are attributed to existing datasets e.g. CTSPD

Recovery rates in England

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

In this reporting period, public bodies had taken action to recover **85%** of total frauds detected from NFI matches (Table 1).

This is a significant achievement when considering the economic and social climate during the reporting period to March 2022, and is only slightly lower than the equivalent period to the end of March 2020 (89%).

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Table 1 - Recovery rates in England from NFI data matches (rounded)

Dataset	Fraud detected (actual not estimated) £ million	Amount in recovery £ million	Recovery rate %
Housing Benefit	11.2	9.8	87%
Council Tax Single Person Discount	17.2	16.3	95%
Pensions	9.3	8.3	89%
Creditor Payments	6.1	5.9	98%
Council Tax Reduction	3.7	3.3	88%
Residential Care Homes ¹⁴	0.3	0.3	100%
Other	0.4	0.4	93%
Payroll	0.2	0.1	68%
Pilots (excluding HMRC pilot)	6.9	2.3	33%
Procurement	0.8	0.8	100%
Total	56.2	47.5	85%

¹⁴ These are cases reported late from NFI 2018/19 matches, i.e. after 4 April 2020. Due to a legislative change, the NFI stopped processing patient data in 2020.

Impact of fraud detected and recovered for public finances 2020-2022

£416.8m

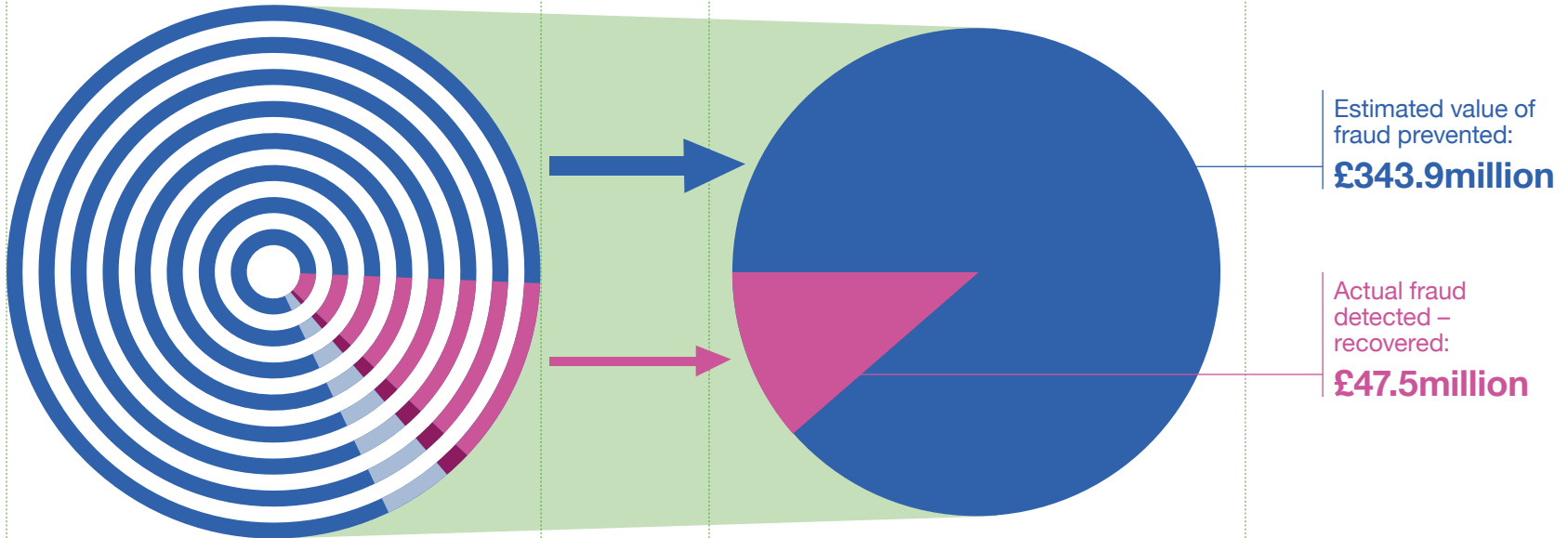
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the total amount of fraud, overpayments and error identified and prevented by NFI participants in England during the period 5th April 2020 to 31st March 2022.

£391.4m

=

total losses recovered and prevented



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Estimated value of fraud DETECTED = £16.7m

Estimated value of fraud PREVENTED = £343.9m

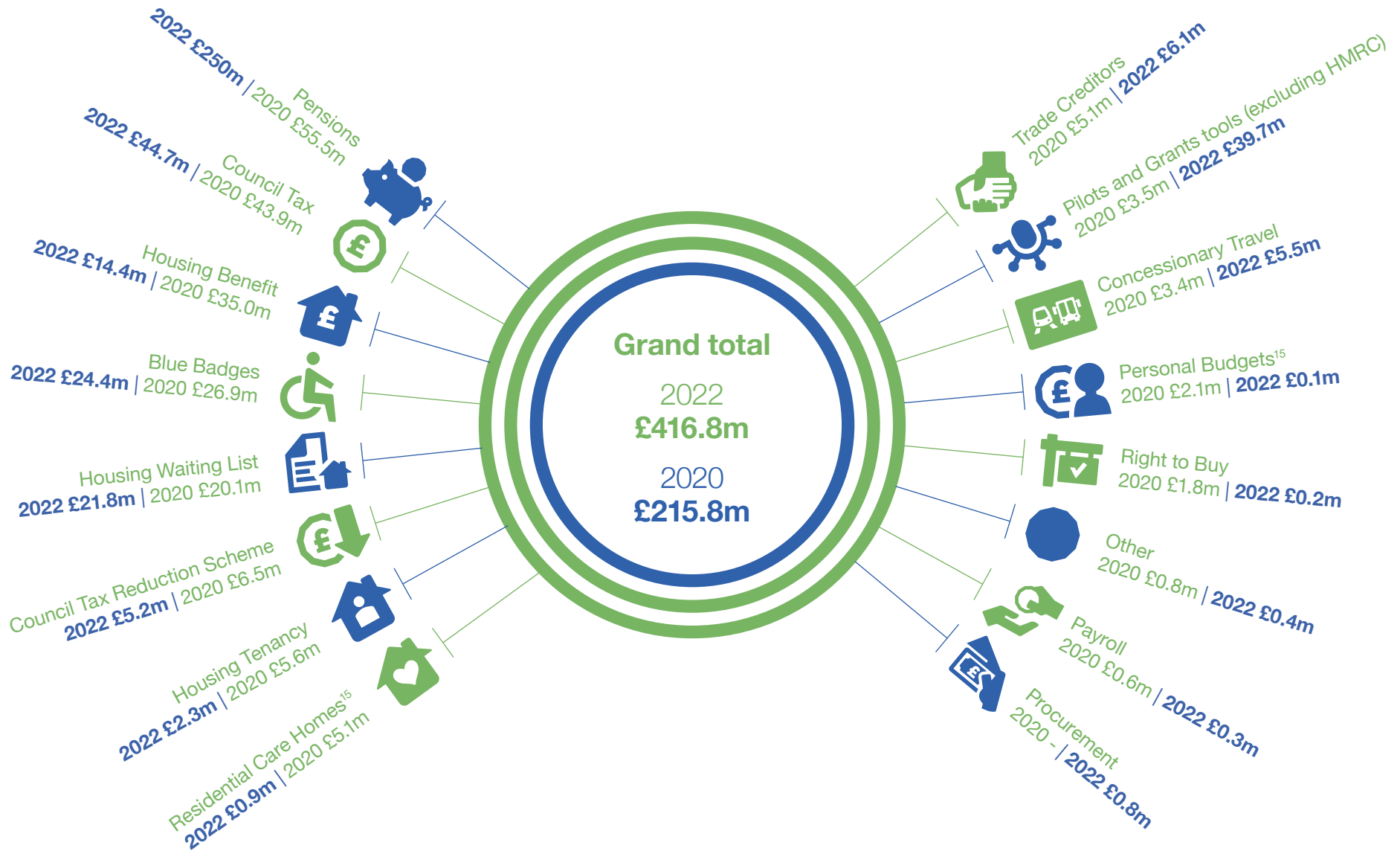
Actual fraud detected NOT RECOVERED = £8.7m

Actual fraud detected RECOVERED = £47.5m

=£391.4m
 or 94%
 as percentage of
£416.8million
 outcomes



Outcomes in England by risk area (rounded)



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¹⁵ These are cases reported late from NFI 2018/19 matches, i.e. after 4 April 2020. Due to a legislative change, the NFI stopped processing patient data in 2020

Main categories of fraud for 2020 to 2022 by dataset

This section sets out the results of the NFI in England¹⁶ across the main categories of fraud, as set out on page 13.

Pensions: £250 million



Individuals obtaining pension payments relating to a deceased person (known as mortality screening) and incorrect claims for injury benefit and pension abatements.

Office for National Statistics data¹⁷ finds that the membership of occupational pension schemes (active, deferred and pensioners) was 43.2 million in Q3 of 2021, split between the private sector (36.2 million) and the public sector (7 million). This represents an increase of 8.3% on equivalent Q3 2019 figures (39.9 million). By comparison, the NFI receives around 6.6 million occupational pension records for matching, around 15% of total occupational scheme membership.

The number of deaths in England over the past 5 years ranged from 498,664 in 2017 to 548,815 in 2021. The year on year percentage change in deaths reached 17% between 2019 and 2020 during the peak of the COVID-19 pandemic, when 575,407 deaths were recorded. Deaths decreased again in 2021, but remained significantly higher than pre-2020 levels. The population during this period increased by only 1% and remained fairly consistent¹⁸.

The majority of this increased amount can be attributed to work with one large public sector scheme to secure a breakdown of overpayments relating to investigations from 2018/19 and 2020/21. This equates to £205.1 million (7,255 cases) being reported in 2020/21 (Table 2), 64.9% of which related to pensioners that were aged 85 or over, 20.7% were aged between 84 and 70 and 14.4% aged under 70.

Table 2 - Analysis of outcomes from 2018/19 and 2020/21 reported by the large pension scheme (rounded)

	Number of cases	Actual overpayments (£ millions)	Estimated value of future losses prevented ¹⁹ (£ millions)	Total (£ millions)
2018/19	5,180	3.7	150.8	154.5
2020/21	2,075	0.9	49.7	50.6
Total	7,255	4.6	200.5	205.1

There was an increase in the number and value of pension cases from £55.5 million in 2018/19 to £250 million in this reporting period. Of the £250 million, £248.3 million related to mortality screening matches, as reported by 86 participants. Furthermore, three large public sector pension schemes that take part in the NFI on a voluntary basis contributed £225.3 million of the £248.3 million across 10,476 cases.

¹⁶ The NFI results in Scotland are available at www.audit-scotland.gov.uk, in Wales at www.wao.gov.uk, and in Northern Ireland at www.niauditoffice.gov.uk

¹⁷ ONS, [Dataset Funded occupational pension schemes in the UK](#), March 2022

¹⁸ ONS, [Monthly mortality analysis, England and Wales: February 2022](#), February 2022

¹⁹ The NFI estimate for future losses prevented is based on the annual pension multiplied by the number of years until the pensioner would have reached the age of 85

Main categories of fraud for 2020 to 2022 by dataset

Pensions: £250 million

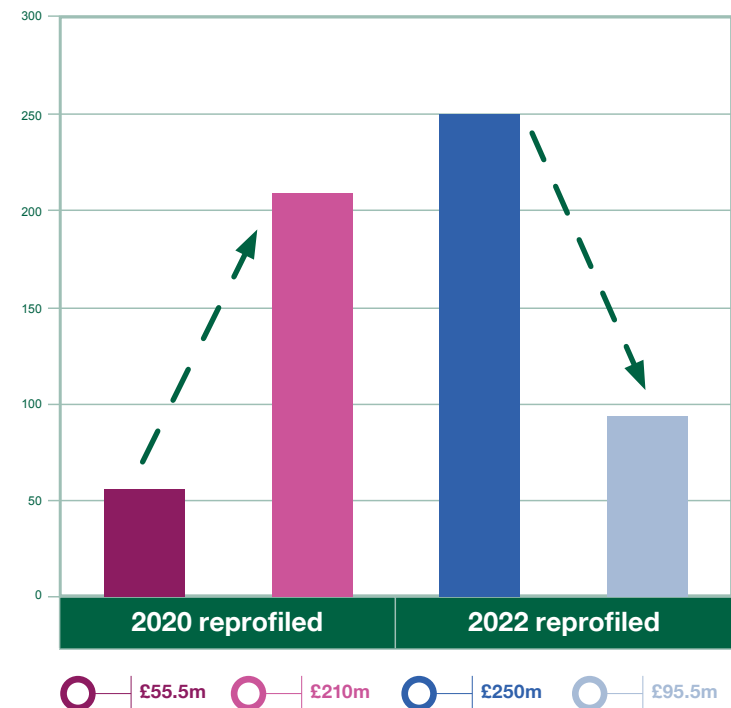


The uncertainty of voluntary participation makes it difficult to compare outcomes across NFI exercises as they are dependent on whether the participant wishes to submit data for just the national exercise or for the additional screening twice each year. The introduction of an automated method of recording outcomes for mortality screening matches has also simplified the process for large schemes which could have impacted on the increase in the number of cases recorded.

Although it is normal for some investigations to cross reporting years, with this being such a large scheme, Figure 1 demonstrates the effect this would have had in 2020 and 2022, had the cases been reported in the correct years. From January 2022, this pension scheme has been undertaking bespoke monthly screening, which will alert them to deaths earlier, supporting them in reducing the amounts overpaid. If successful, we may look to make this tool available more widely in future.

The average outcomes per case remains consistent with 2018/19 at around £20,000 per case: (Table 3).

Figure 1 - Pension outcomes reprofiled to show the effect of 2018/19 outcomes reported late



¹⁹ The NFI estimate for future losses prevented is based on the annual pension multiplied by the number of years until the pensioner would have reached the age of 85

Main categories of fraud for 2020 to 2022 by dataset

 Pensions: **£250 million**



Table 3 - Comparison of total pension overpayments between 2014/15 and 2020/21

	2014/15	2016/17	2018/19	2020/21
Number of cases	3,592	3,763	2,876	12,098
£ millions	85.1	136.9	55.5	250
Average outcome per case	£23,692	£36,381²⁰	£19,289	£20,661

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Pension overpayment dating back to 2016

The London Borough of Brent reviewed 92 pension matches where an NFI match indicated the pensioner had died. In eight of these cases they were not aware of the death, including a case going back to 2016. Payments were stopped and recovery of overpayments totalling over £32,000 is in progress.



²⁰ Some large pension schemes had a backlog of investigations in 2014/15 that came through in 2016/17

Main categories of fraud for 2020 to 2022 by dataset

 Pensions: **£250 million**



NHS Business Services Authority

The NHS Business Services Authority prioritises identifying and preventing fraud in the services that we administer. Taking part in regular exercises with the NFI provides us with assurance that any potential overpayments in the NHS Pension Scheme created through fraud, or a late notification of death, are identified at the earliest opportunity, allowing us to take the necessary actions to prevent additional overpayments from occurring. The recent addition of a Bulk Outcomes function, allowing us to quickly and easily update matches to member records in one import rather than individually closing each match, has been extremely beneficial, and resulted in a significant reduction in processing times. For an organisation which routinely deals with 1,000's of matches a year, this has been a much-welcomed improvement, and I have found the NFI team to be both engaging and receptive to feedback in the roll out of this new feature.

A spokesperson from the NHS Business Services Authority

London Fire Brigade pension reduced going back 24 years

A match between injury benefit payments to pension data identified a case for London Fire Brigade where the Department for Work and Pension had been paying an injury benefit that had been paid to one of their pensioners since 2019. Pensioners are required to declare relevant state benefits (industrial injuries disablement benefit, incapacity benefit, employment and support allowance) that may remove or reduce entitlement to the enhanced pension. This particular injury payment award in 2019 had been backdated for 24 years and upon review of this information an overpayment of pension in excess of £35,000 was identified along with a reduction in the pensioner's ongoing entitlement.

Main categories of fraud for 2020 to 2022 by dataset

 Council Tax: **£44.7 million**



Individuals falsely declaring they live alone or who fail to notify when a second adult moves into the property. Therefore, they do not qualify for the Council Tax Single Person Discount they have claimed.

According to the Valuation Office Agency Valuation List, as at 14 September 2020, there were 24.8 million dwellings in England, an increase of 0.9% since 9 September 2019. Of these, 24.1 million were liable for Council Tax and 8.0 million were entitled to a discount as a result of being occupied by a single adult. This represents 32.2% of all dwellings²¹.

Across the UK, the CIPFA 2020 Fraud and Corruption Tracker²² concludes that Council tax Single Person Discount (SPD) is the second fastest growing fraud area for local authorities after housing fraud. Between 2018/19 and 2019/20, there was an estimated £9.6m increase in Council Tax SPD fraud, leading to an estimated £29 million for cases detected/prevented in 2019/20. While the estimated value increased, the number of cases decreased by 45%, raising the average case value from £440 to £1,205.

The annual NFI match between Council Tax and Electoral Register data to tackle Council Tax SPD abuse has once again provided substantial returns for councils. Outcomes from the 2020/21 and 2021/22 exercises are £44.7 million (32,669 SPDs cancelled) compared to £43.9 million reported for the 2018/19 and 2019/20 (37,000 SPDs cancelled). This suggests that the average cost per case has increased by 15.4% (Table 4).

Figure 2 sets out how the total outcomes are made up over the various match types.

Table 4 - Comparison of Council Tax Single Person Discount outcomes

Period (April-March)	Volume	£ million	Average per case	
2020-2022	32,669	44.7	£1,368	15.4% increase
2018-2020	37,000	43.9	£1,186	

²¹ Ministry of Communities and [Local Government, Local Authority Council Tax base England 2020 \(Revised\)](#), 1 March 2021

²² CIPFA, [Fraud and Corruption Tracker 2020](#)



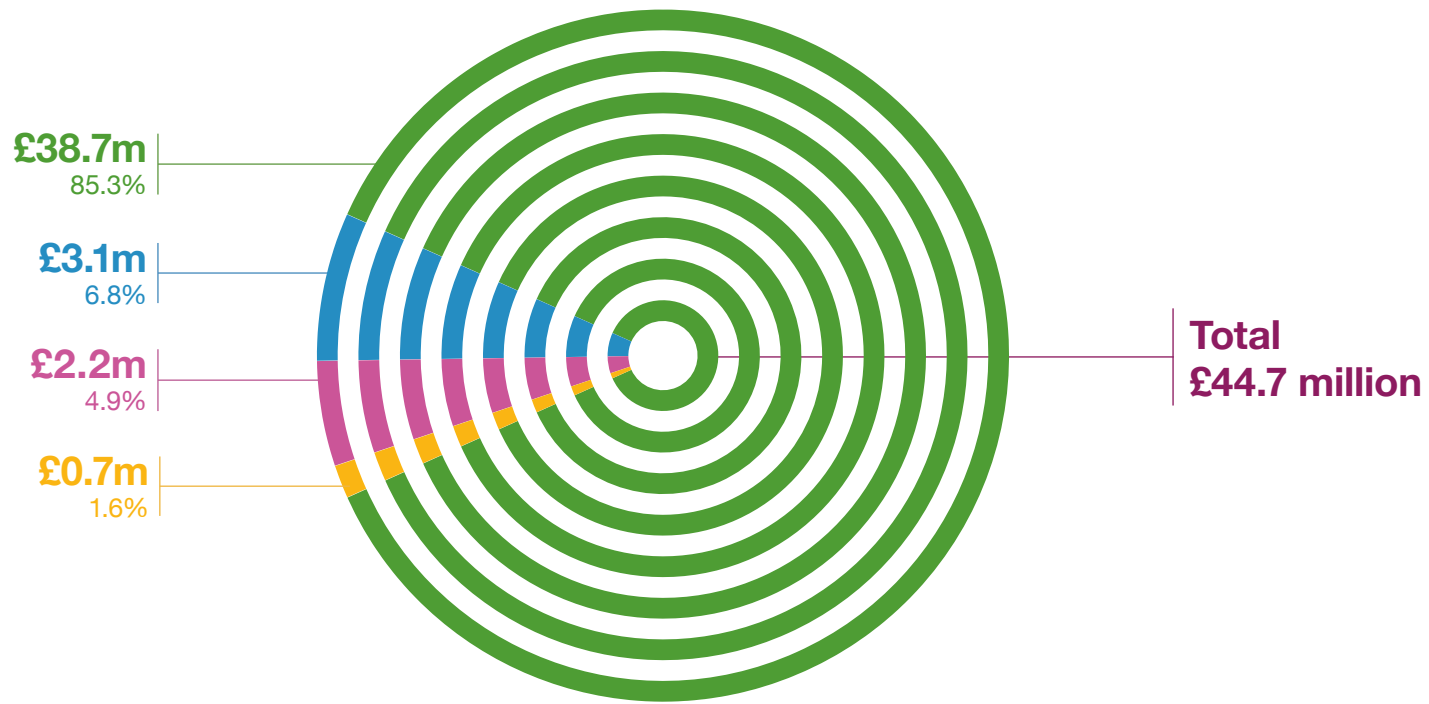
Main categories of fraud for 2020 to 2022 by dataset

Council Tax: £44.7 million



Figure 2 - Analysis of Council Tax outcomes by report area

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 Council Tax to Electoral Register

 Premium SPD

 Council Tax Rising 18s


 Council Tax to Other NFI Data

Main categories of fraud for 2020 to 2022 by dataset

 Council Tax: **£44.7 million**



Phase two of the HMRC information sharing pilot generated £0.9 million in additional overpayments from matches that provided information on individuals residing at an address. This has fallen due to unexpected challenges and delays with this workstream²³. Further savings are expected to be realised in the next reporting period. We continue to seek to evaluate additional data sources that can further identify additional undeclared individuals in a household. The proposed tenancy pilot may assist with this aim. Further information about this tenancy pilot can be found on page 41.

The optional enhanced Council Tax SPD service that combines both public and private sector credit reference agency data has also achieved good results  identifying £3.1 million overpayments by the 25 councils that utilised it. This service is available in addition to the mandatory annual matching and is charged for on a per record basis.

Effective use of the NFI Premium Service

Enfield Council has more than 120,000 Council Tax accounts. Nearly a third of these households claim a single person's discount. Enfield Council has recently established a specialised team to proactively review their SPD and disregard claims. Assisted by the Counter Fraud Team, the CT Review Team has utilised the Premium SPD Service which identified 1,300 high-risk cases.

With the help of the NFI service data and the investigation of the 1,300 high risk cases identified by the Council Tax Review team, we have increased income due by an estimated £284,000. The estimated saving has been calculated as follows: 618 households where SPD is no longer valid x £1,841 x 25% discount (£1,841 being the average Council Tax Band D charge).

Torbay Rising 18s

Torbay Council, like many other councils, prioritised reviewing the 'Rising 18s' report to identify fraud and ensure customers receive the correct benefits and allowances. An additional adult in a household can have an effect on household finances. Where a single adult has been claiming Council Tax Single Person Discount, this would be withdrawn as a child reaches 18. A change to Housing Benefit and/or Council Tax Reduction Scheme is possible as a non-dependant deduction can be made to entitlement. There are also circumstances where the charge payer advises that the 18-year-old has vacated and that could result in changes for another household.

²³ HMRC Council Tax household composition matches were released in November 2021

Main categories of fraud for 2020 to 2022 by dataset

 Blue Badges: **£24.4 million**



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

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As at 31st March 2021, there were 2.35 million Blue Badges held in England according to Department for Transport statistics²⁴. There were 698 prosecutions for misuse of Blue Badges between 1st April 2020 and 31st March 2021, a decrease of 49% since March 2020. The majority of prosecutions (97%) in England were still targeted at non-badge holders using another person's badge. The drop in prosecutions may relate to the effects of the pandemic on behaviour, local authority enforcement practices, and availability of resources such as the courts.

During this reporting period, the number of blue badges cancelled decreased to 42,393 from 46,750 in 2018/19. The estimated value of blue badges cancelled therefore decreased by 9.3% from £26.9 million to £24.4 million. The number of local authorities that recorded outcomes had however increased by 24.8% (Table 5).

The decrease is likely due, as with many areas across the NFI 2020/21 exercise, to the impact of the reprioritisation of work within local authorities' during the pandemic. Many local authority employees were required to support front-facing services as part of the COVID-19 response. For a long period of time there was also a halt to non-essential travel.

Following the redeployment of staff back to their original posts, investigation of NFI matches has re-commenced and passes are now being recorded as having been cancelled. These will be reported on in 2024.

With systems being updated, the data extracted for the forthcoming NFI 2022/23 exercise will be more accurate, helping to ensure the matches returned relate to unknown deaths.

Table 5 - Analysis of the number of passes cancelled by participants

Year	Number of cases	Number of bodies
2018	31,223	90
2020	46,750	109
2022	42,393	132

²⁴ Department for Transport, [Blue Badge Statistics, England: 2021](#), 25 January 2022

Main categories of fraud for 2020 to 2022 by dataset

 Housing Waiting List: **£21.8 million**



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

The most recent Department for Levelling Up, Housing and Communities housing statistics²⁵ show that as at the end of March 2021, there were 1.2 million households on social housing waiting lists in England - similar levels to 2020. Removing applicants who are not eligible will help enable councils to allocate social housing to those in genuine need.

The CIPFA Fraud and Corruption Tracker 2020²⁶ reported that the largest growing fraud area across the housing sector was 'other tenancy frauds' including succession and false applications. An estimated £60.1 million is thought to have been lost in 2019/20 compared to £47.7m in 2018/19.

Housing waiting list matching has resulted in 6,736 ineligible applications for social housing having been removed. These applications were removed by 102 councils, 7.8% more councils (94 councils) than in 2018/19, which led to the increase overall. Applying the Cabinet Office fraud or loss prevented estimate of £3,240²⁷ per property, this equates to £21.8 million for 2020/21 compared to £20.1 million for 2018/19.



²⁵ Department of Levelling Up, Housing and Communities, [Table 600: numbers of households on local authorities' housing waiting lists, by district, England, from 1997](#), 27 January 2022

²⁶ CIPFA, [Fraud and Corruption Tracker 2020](#)

²⁷ See 'Report calculation methodology 2020 to 2022 - England' on page 48 for more details about the NFI estimate methodology

Main categories of fraud for 2020 to 2022 by dataset

 Housing Benefit: **£14.5 million**



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



In May 2021 the Department for Work and Pensions (DWP) reported that out of the £17.3 billion in Housing Benefit (HB) expenditure, there was a 6% overpayment rate due to fraud and error (£1 billion)²⁸. This compares to 6.3% (£1.3 billion) in 2018/19.

Of the £1 billion, £0.5 billion of HB overpayments were recovered. The DWP reports the main cause of overpayments on HB is incorrect information about earnings and employment.

In April 2013, the DWP introduced Universal Credit to replace six existing benefits, one of which was HB. Therefore, the number of people receiving HB has decreased from 5.1 million²⁹ in February 2013 to 2.7 million claimants in February 2022. In contrast there were 4.7 million people on Universal Credit in February 2022³⁰.

Housing Benefit outcomes are £14.5 million, compared with £35 million in 2018/19. These outcomes were recorded by local councils and the DWP.

This decrease in outcomes of 58.6% is likely attributable to:

-  the redeployment of DWP staff during the pandemic
-  the significant movement of caseload from Housing Benefit to Universal Credit (UC) resulting in data volumes reducing by 24.4% between NFI 2018/19 and 2020/21

It is expected that the move to UC will continue to impact the level of outcomes from NFI HB matches. We will work closely with Local Authorities and the DWP to ensure we evaluate the benefits of the NFI HB matching, terminating this matching if appropriate. In the interim, we will seek to avoid duplication with the HB data matching undertaken by the DWP through the Verify Earning and Pensions Service (VEPS)³¹. An example being, HB to payroll and pensions matches were not released to local councils in 2020/21 as the DWP confirmed that this matching was undertaken on a regular basis through VEPS.

Table 6 shows how outcomes have been reported by local councils and the DWP between 2018 and 2022.

²⁸ DWP, [Fraud and error in the benefit system for financial year ending 2021](#), 13 May 2021

²⁹ DWP, [Housing Benefit caseload statistics](#), Table 1: Housing Benefit claimants by Region and Local Authority, May 2018

³⁰ DWP, [Universal Credit statistics, 29 April 2013 to 14 April 2022 - GOV.UK](#), May 2022

³¹ The Verify Earning and Pensions service (VEPS) allows councils to verify earnings and pensions information from claimants using real-time information from Her Majesty's Revenue and Customs

Main categories of fraud for 2020 to 2022 by dataset

Housing Benefit: **£14.5 million**



Table 6 - Analysis of Housing Benefit overpayments by source (includes estimates)

		Outcomes from local councils	Outcomes from DWP	Total
2018	2014/15 reported after 31 March 2016	£14.0m	-	£14.0m
	Reported between 1 April 2018 and 31 March 2018	£8.0m	£3.0m	£11.0m
2020	2016/17 reported after 31 March 2018	£3.0m	£8.0m	£11.0m
	Reported between 1 April 2018 and 4 April 2020	£10.0m	£14.0m	£24.0m
2022	2018/19 reported after 31 March 2020	£3.0m	£3.1m	£6.1m
	Reported between 5 April 2020 and 31 March 2022	£6.7m	£1.6m	£8.3m

HB overpayments identified through matching to student loans continue to represent a high proportion of overall HB outcomes. Excluding the cases referred to the DWP, local councils identified 962 cases linked to individuals in receipt of a student loan with an overpayment value of £6 million (excluding estimated forward savings). This represents 83.5% of the total £7.1 million HB overpayments recorded by councils. This is a significant shift from the previous reporting period (45% of £8.9 million) and is the possible consequence of the fact, as mentioned above, that housing benefit to payroll and pensions matches were not released to local councils.

Overpayments to landlords that did not inform the council that the property was empty

Birmingham City Council identified two cases where a tenant appeared to be resident at a property within its boundaries and also at a property within another council's boundaries. In both cases the tenant and landlord had failed to notify Birmingham City Council that the property in Birmingham had been vacated resulting in the continuance of Benefit payments directly to the landlord. Overpayments of £13,600 and £12,000 are being recovered.

Review of Housing Benefit to Student Loans matches revealed nearly £1m in overpayments

The London Borough of Barnet carried out a thorough review of 330 Housing Benefit to Student Loan cases and identified £942,000 of recoverable overpayments. Individuals were asked to provide full details of their undeclared student income and their Housing Benefit was reassessed. In many cases this meant the entitlement to Housing Benefit was reduced or withdrawn completely. In a number of cases overpayments were in excess of £40,000.

Main categories of fraud for 2020 to 2022 by dataset

 Trade Creditors (including Procurement): **£6.9 million**



Trade creditors - A range of reports that aim to either identify duplicate creditor reference numbers that increase the potential for suppliers to obscure fraudulent activity, or duplicate payments for the same goods/services, which may have arisen as a result of fraudulent activity by suppliers and/or staff.

Procurement - Employees that have potentially not declared interests in companies that have given a pecuniary advantage or employees who appear to be registered directors of companies that the employing body has traded with.

On 8 June 2020, the Ministry of Housing, Communities and Local Government (now DLUHC) published a review into the risks of fraud and corruption in local government procurement³². This review highlighted that councils in England spend around £55 billion a year on goods, works and services. The review noted the importance of working together and building an anti-fraud and corruption culture in tackling fraud, including the need for effective data sharing and collaborative working across councils, law enforcement and central government.

HM Treasury reported³³ that health and social care procurement expenditure in England for 2019-20 was estimated to be £76 billion, an increase of £12 billion from 2018-19.

The NHS Counter Fraud Authority 2020/21 Annual Report³⁴ stated that of the £54.1 million identified through prevention and enforcement work, £1.9 million was from procurement prevention.

The NFI matches trade creditors' data to identify duplicate payments. In this reporting period, 955 duplicate payments of £6.1 million were identified, £6 million of which were recovered. This represents a 19.7% increase from the 2020 reported amount (£5.1 million). It is notable that the amount identified from 2018/19 cases investigated after April 2020, increased by £0.8 million compared to 2016/17 cases reviewed after April 2018 (Table 7).

Apart from the financial benefits, data matches help to improve the efficiency with which organisations maintain their creditor payment systems. A further 846 duplicate supplier standing data records have been corrected or deleted.

In the same period one significant procurement fraud case was found by a hospital trust. An outline of this case is set out below.

Table 7 - Analysis of trade creditor duplicate payments

	2020		2022	
	2016/17 reported in 2018/19	2018/19	2018/19 reported in 2020/21	2020/21
Duplicate Payments	£1.0m	£4.0m	£1.8m	£4.3m

³² Ministry of Housing, Communities & Local Government, [Review into the risks of fraud and corruption in local government procurement](#), 8 June 2020

³³ This includes current and capital procurement spending. HM Treasury, [Public Expenditure Statistical Analyses 2019](#), 2019

³⁴ NHS Counter Fraud Authority, [NHSCFA Annual Report and Accounts 2020-2021](#), January 2022

Main categories of fraud for 2020 to 2022 by dataset

 Trade Creditors (including Procurement): **£6.9 million**



Using trade creditors data to find procurement fraud

A Payroll to Companies House match identified an IT manager working for a hospital trust in Essex who was also a sole director of two companies.

The directorships had not been declared so an investigation by the Local Counter Fraud Specialist (RSM), NHS Counter Fraud Authority and HMRC followed. These investigations revealed that the employee had filed non-trading accounts for both companies during their existence. However, he then produced fraudulent invoices from the two companies all under his own £7,500 authorisation limit, sending them by email from fictitious employees, to obtain £674,000 from the trust. He even added VAT of £132,000 to make the invoices more plausible. A dismissal and prosecution followed and he was sentenced to five years and four months imprisonment. Confiscation proceedings are underway to try to recover the funds.

A Clinical Commissioning Group (CCG) identifies three large duplicate trade creditor payments

The Counter Fraud Services provider for NHS Hammersmith & Fulham CCG was given access to the CCGs internal payments system, allowing them to thoroughly review the NFI trade creditor matches. As a result, three duplicate payments totalling £36,000 were identified. Recovery of these duplicate payments is in progress.

Main categories of fraud for 2020 to 2022 by dataset

○ Concessionary Travel Passes: **£5.5 million**



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

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The English National Concessionary Travel Scheme is a national scheme by the Department for Transport for English residents who have attained pension age or are eligible disabled. This provides free off-peak bus travel on weekdays and all day at weekends and bank holidays. From 1 April 2008, the scheme extended the provision of free bus travel from within individual areas to allow travel throughout England. Concessionary travel is administered locally by Travel Concession Authorities (TCAs). Since 1 April 2011 County Councils, Unitary Authorities, Passenger Transport Executives and London Boroughs have been classified as TCAs. In London, residents aged 60 - 65 can obtain a 60 plus Oyster card. This allows free travel on bus, tube, tram, the DLR, London Overground, TfL Rail and most National Rail services.

In 2020/21, the Department for Transport reported there were 8.9 million older and disabled concessionary travel passes in circulation and that the net spend was £1.1 billion³⁵. In total there were 272 million concessionary bus journeys in England in 2020/21. This was a 68.5% reduction from 2018/19.

The number of concessionary passes cancelled³⁶ in 2020/21 was 225,710 - an increase from 151,815 in 2018/19. The estimated value of fraud losses prevented in the same reporting period in turn increased from £3.4 million in 2018/19 to £5.5 million in 2020/21.

Around 15% of the total passes cancelled (33,951) were recorded by one voluntary participant. This participant submits data for the national matching exercise and intermittently for half-yearly screening. A further 39% of passes cancelled (136,827) were recorded by four Passenger Transport Executives³⁷, who are mandatory participants. The remaining 46% were recorded by County Councils with responsibility for the administration of concessionary passes. Figure 3 shows the number of passes cancelled between 2012 and 2022. The fluctuations between reporting periods reflect the impact the voluntary body has when they use the NFI more frequently in some years and not others.



³⁵ Department for Transport, [Concessionary Travel Statistics 2020/21](#), 3 November 2021

³⁶ This includes passes that are updated, stopped or 'hot-listed' (a term used where a pass has been deactivated for a specific reason), in this case as the person is believed to be deceased

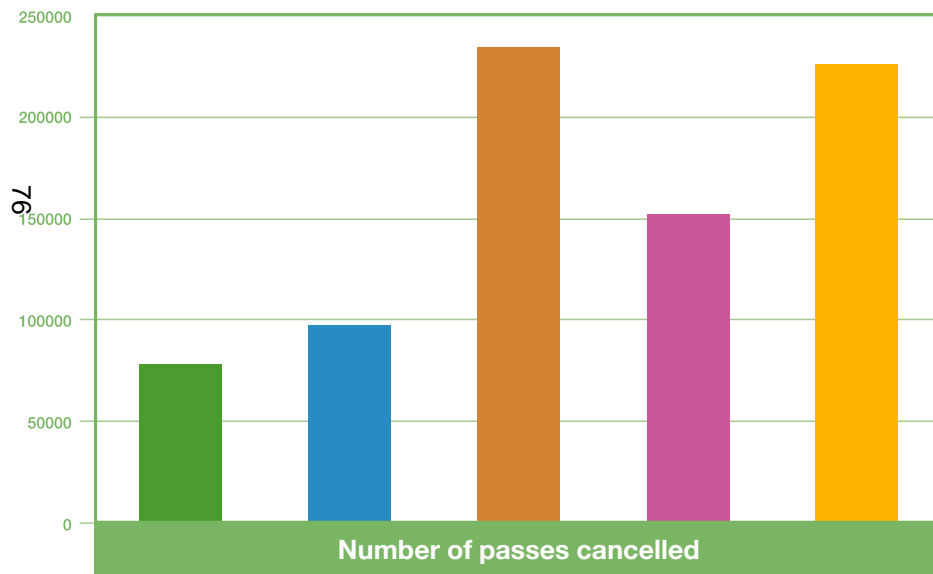
³⁷ Passenger Transport Executives (PTEs) are local government bodies which are responsible for public transport within large urban areas. They are accountable to Combined Authorities, which were created between 2011 and 2016 and took the role of Integrated Transport Authorities (ITAs)

Main categories of fraud for 2020 to 2022 by dataset

○ Concessionary Travel Passes: **£5.5 million**



Figure 3 - Analysis of concessionary passes cancelled between 2012 and 2022



○ 2012/13 = **78,443**
52.17% increase

○ 2014/15 = **97,064**
23.7% increase

○ 2016/17 = **234,154**
141.2% increase

○ 2018/19 = **151,815**
35.2% decrease

○ 2020/21 = **225,710**
48.7% increase

London Councils regularly take part in the National Fraud Initiative to ensure that fraud is identified in concessionary travel pass data and the Customer Management System is kept up to date in terms of the eligibility. As well as the national exercise, we provide data for additional matching to provide extra assurance. We work with the NFI team to make sure that data transfer and receipt of the resulting matches runs smoothly.

Fatmira Hoxta, Principal Data Analyst, London Councils

Main categories of fraud for 2020 to 2022 by dataset




 Council Tax Reduction: **£5.2 million**



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

Since 1 April 2013, local authorities in England have been responsible for administering Council Tax Reduction Schemes (CTRS) in their own areas (also referred to as Council Tax Support)³⁸. Some authorities chose to adopt the default scheme³⁹.

Under the regulations liability for Council Tax can be reduced by applying a discount:

-  worked out as a percentage of a Council Tax bill;
-  of a set amount, as set out in the local scheme; or
-  equal to the whole amount of the Council Tax bill - so that the amount payable is nil.

The government provided an additional grant of £670 million⁴⁰ in May 2021 in recognition of the anticipated additional cost of providing CTRS in 2021/22, at a time when more households were likely to be facing financial difficulties as a result of the pandemic. This was in addition to the £71 million Local Council Tax Support Administration Subsidy Grant for 2021/22⁴¹ (£66 million in 2019/20⁴²).

In 2020/21 the number of Council Tax reduction claimants increased for the first time since 2013/14, in part because of the financial hardship caused by COVID-19.

Outcomes from Council Tax reduction matching have decreased from £6.5 million in 2018/19 to £5.2 million in 2020/21 across 3,000 cases (2,688 cases in 2018/19). Despite an increase in the number of cases the average reported saving per case has decreased to £1,247 (excluding estimated forward savings), compared to £1,578 in 2018/19.

Our research indicates that the reduction in outcomes, excluding those from HMRC data matches, is likely linked to the diversion of staff and resources usually dedicated to following up the NFI matches, to support front-facing services as part of the COVID-19 response.

Phase two⁴³ of the HMRC information sharing pilot identified £0.4 million overpayments of Council Tax reduction. This is lower than the £3.1 million from the initial pilot in 2018/19 due to a delay in the release of the matches. We expect outcomes to continue to be reported throughout 2022.

³⁸ HM Government, [The Council Tax Reduction Schemes \(Prescribed Requirements\) \(England\) Regulations 2012](#), November 2012

³⁹ HM Government, [The Council Tax Reduction Schemes \(Default Scheme\) \(England\) Regulations 2012](#), December 2012

⁴⁰ Ministry of Housing, Communities and Local Government, [Letter: Local Council Tax Support Schemes grant for 2021-22](#), May 2021

⁴¹ Ministry of Housing, Communities and Local Government, [Local Council Tax Support Administration Subsidy grant 2021-22](#), March 2021

⁴² Ministry of Housing, Communities and Local Government, [Localised Council Tax Support Admin Subsidy Grant to Local Authorities](#), July 2019

⁴³ HMRC Council Tax reduction scheme property ownership, household composition, undeclared earnings and capital matches were released in October and December 2021

Main categories of fraud for 2020 to 2022 by dataset

 Council Tax Reduction: **£5.2 million**



Council tax reduction scheme match resulted in recovery of a council property

A Council Tax Reduction Scheme (CTRS) match highlighted an individual who was claiming from both Sandwell Metropolitan Borough Council (MBC) and a neighbouring council.

As Sandwell MBC's Counter Fraud Unit takes a wider and holistic approach to potential fraud investigations, when looking into this case the individual was also found to be a tenant living in social housing provided by Sandwell MBC. Therefore, there appeared to be a linked tenancy fraud as after acquiring a tenancy in Sandwell, the individual had purported to be homeless to the neighbouring council. The neighbouring council subsequently temporarily housed them before awarding a tenancy.

As the Sandwell tenancy was still a non-secure status, the match allowed Sandwell to identify the fraud quickly enough to serve a Notice to Quit before the tenancy became secured. This resulted in a more cost-effective recovery process. Within six weeks of reviewing the match the fraud was identified, the tenancy was terminated and the property was recovered. The property has since been allocated to an individual who needed social housing.

The NFI match not only allowed the property to be allocated to someone in genuine need, but also resulted in the CTRS claim being cancelled and provided the council's Debt Recovery Officers with a forwarding address of the individual to pursue outstanding Council Tax of £500 and rent arrears of £2,500. The value of fraud detected and prevented for his case totals £96,000 including recovery of the property.



Main categories of fraud for 2020 to 2022 by dataset

 Housing Tenancy: **£2.3 million**



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

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The CIPFA Fraud and Corruption Tracker 2020⁴⁴ reported that housing fraud detection, such as illegal subletting, has been in steady decline - from £55.8 million in 2017/18, £41.8 million 2018/19 to £31.6 million in 2019/20. However, social housing providers report that tenancy fraud is still a challenge with increases during COVID-19 in unlawful succession applications, tenants avoiding meetings with housing officers and delays in progressing cases to court⁴⁵.

During COVID-19, measures were taken to protect tenants from being evicted⁴⁶ by extending the notice periods. This is further supported by the Mortgage and Landlord possession statistics for July to September 2021⁴⁷ that reported a reduction in the number of social landlord repossessions, to 21% of all claims (2,148) in Q3 2021. For the same quarter in 2019, 62% (17,629) of all landlord possession claims related to social landlords.

The 2020/21 tenancy matches resulted in 23 properties being recovered, a decrease of 58.9% from the 60 recovered in 2018/19. This reverses the previous trend of slight increases (2018/19 was 1.8% higher than 2016/17). This is believed to be due to the substantial reduction in the number of housing tenancy reviews and due diligence checks that were able to be carried out during the pandemic.

Although the numbers of properties recovered are lower, outcomes were still significant and each recovered property can be reallocated to those in genuine need. The NFI will continue to seek ways to help councils fight social housing fraud, such as through repeating the HMRC information sharing pilot (see page 36 for more details) and working with local councils on ways to secure a wider range of data sources.

⁴⁴ CIPFA, [Fraud and Corruption Tracker 2020](#)

⁴⁵ Network homes, [BLOG: Tackling social housing fraud | Network Homes](#), December 2021

⁴⁶ A section 21 notice under the Housing Acts of [1988](#) and [1996](#)

⁴⁷ Ministry of Justice, [Mortgage and landlord possession statistics: July to September 2021 - GOV.UK](#), 11 November 2021

Other case studies

Payroll - two full time jobs and unfit for work

A payroll match identified an employee who had joined Birmingham City Council but also held a casual role as bank staff at a local NHS Trust. The match highlighted that the salary for the casual role was higher than expected. Initial enquiries established that the employee was working full-time for both organisations. An investigation found that both roles were being undertaken whilst working at home, allowing the fraudulent claims to be made. It also identified a period where the individual had worked for one organisation whilst claiming to be unfit for work at the other. The employee was dismissed from both organisations. Recovery of the salary paid by the council, in excess of £16,500, is being pursued.

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Payroll - two full time jobs

Another payroll match identified an individual who appeared to be employed by two different local authorities, both on a full-time basis. In this case, the investigation identified that the individual was actually employed by the two local authorities. Although the hours of work did not overlap, one job was Monday to Friday 9am to 5pm, the other was to provide night and weekend cover. The individual had not declared to either employer that they had also taken up the other employment, as required by declaration policies. Authority A's declaration policy requires employees to seek permission to undertake any other role alongside their 'main' job with the council. The two jobs were not compatible and the request would not have been approved. The individual resigned. Authority B issued a final written warning.

Payroll - new starter failed to accept post but got paid

A county council is in the process of recovering a £30,000 overpayment of salary after the NFI identified an individual who appeared to be employed by two different local authorities, both on a full-time basis. The investigation established that the individual had applied and been offered a job at one authority, however they did not accept or start employment. Despite this, they were set up on the payroll and monthly payments were made. The individual did not query the payments. This was not picked up by internal controls due in part to the fact that the role was in a team managed by the NHS but funded by the council.

Matches benefitting other public sector participants

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

Many of the public bodies that participate will benefit directly from submitting data to the NFI and investigating the resulting data matches. Others may not benefit to the same extent or in the same ways, but the data they provide may still deliver significant outcomes on a wider local or national scale. For example, NHS bodies receive matches from the payroll data they provide, but this data is matched to all of the payroll data submitted and this may result in the recovery of an overpayment or salary linked to a dismissal or resignation at a council.

In this reporting period, public bodies, both within and outside England⁴⁸ were able to take action on 5,962 cases, with actual overpayments of £17 million⁴⁹ (Table 8) as a result of receiving matches relating to other NFI participants. Despite there being a decrease in the number of cases between 2020 and 2022, there was an 18.9% increase in actual outcomes. Most of these outcomes are from cross-body housing benefits, council tax reduction and pension matches.



Table 8 - Analysis of UK outcomes arising from data provided by participants within and outside of England

	2022 Cases	2022 Actual Outcomes	2020 Cases	2020 Actual Outcomes
Local Government	3,598	£8.3m	5,456	£8.0m
Central Government	1,829	£6.1m	3,265	£5.1m
NHS	513	£2.6m	468	£0.6m
Other	22		181	£0.6m
Total	5,962	£17.0m	9,370	£14.3m

⁴⁸ The NFI results in Scotland are available at www.audit-scotland.gov.uk in Wales at www.wao.gov.uk and in Northern Ireland at www.niauditoffice.gov.uk

⁴⁹ This is based on 2020/21 actual overpayments only, excluding outcomes recorded at report level and excluding estimates of fraud prevented

The NFI pilots, 2020 - 2022 innovation programme and future plans

Using technology at the core, the NFI has always sought to evolve to ensure that an enhanced use of data saves taxpayer money and creates efficiencies where they are needed most. This has been central to the NFI providing a vital service for so many organisations over the last 25 years. Over the last two years, the scale and speed of NFI innovation has increased significantly. This is as a result of two factors:

-  Additional funding
-  Response to new fraud risks and challenges arising out of the government Covid-19 support schemes

⁸ Additional funding has enabled the NFI to create a specific team to deliver projects outside of the NFI mandated exercise, with a focus on innovation. This has allowed the NFI to prioritise concept testing through data matching pilots, exploring and designing non-mandated tools and working with the private sector to reduce fraud risks, by providing a gateway to NFI data.

Over the last two years, the NFI has initiated a comprehensive innovation programme. This has included a review of risk scoring, improved management information, carrying out user engagement to provide input into the modernisation of the user interface and work toward extending AppCheck to help target procurement fraud. This programme of work will help us in better understand how additional datasets can target fraud.

The section below outlines the NFI's pilots and innovation work. It also sets out the NFI's plans for the next two years.

STRATEGIC OBJECTIVE

Increasing both the volume and frequency of data that is used in, or accessed through, the NFI.

COVID-19 work

During the 2020 - 2022 reporting period, councils had to play a vital role in the COVID-19 response, supporting the management and distribution of significant volumes of COVID-19 business support grants. In response to this, the NFI mandated the provision of COVID-19 grants data from councils as part of the NFI 2020/21 work programme. This allowed a data matching pilot to be undertaken that aimed to flag potential fraud where companies received multiple grants or where fraudsters impersonated genuine businesses in order to access grants. The NFI worked closely with the Department for Business, Energy and Industrial Strategy (BEIS), local councils and the National Anti-Fraud Network (NAFN) to progress the pilot and the follow-up of matches. We quickly shared data on known attempts to defraud the system by matching fraud watchlist data maintained by NAFN and BEIS to the wider grants data submitted to the NFI by local councils.

To assist with fraud prevention, the NFI worked with the credit reporting company Experian to secure access to key private sector data, launching a new and innovative tool to help councils verify bank accounts and determine the active status of a company. This unique tool allowed organisations to specify the date at which checks are undertaken, thereby making it applicable for a range of emergency funding packages from several government departments, each with varying dates of eligibility.

The NFI pilots, 2020 - 2022 innovation programme and future plans

Matching data from the initial business support grants identified £7 million overpayments in England. £2.2 million of this has been recovered up to the end of March 2022 (Figure 4). The tool has since been used elsewhere in government and has been integrated into established government grant due diligence checks. The future role of these checks within the NFI services will be evaluated.

Additional grant data was collected in quarter four of 2021/22 and this will be used to identify further potential fraud.

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Figure 4 - Analysis of fraud detected/prevented and recovered from the Duplicate Grants and Impersonation fraud and Bank Account Verification and Active Company Status tools - England UK

Duplicate Grants
and Impersonation fraud



Bank Account Verification
and Active Company Status



Total Fraud detected/prevented £7 million
Total recovered £2.2 million

Duplicate claims for small business grants

Tameside Metropolitan Borough Council received a match that showed that they had paid a Small Business Grant Fund (SBGF) grant to a business that had also received a SBGF grant from another council. The match identified that the bank account where the grants had been paid was the same. Subsequent investigation established that the business had at least four other locations and the size of the business meant that there was no entitlement to a SBGF grant. The business had also been in receipt of Small Business Rate Relief (SBRR) since 2017. SBRR is designed for small businesses that only use one property. The entitlement to the SBGF grant and SBRR were removed and over £40,000 will be reclaimed from the business.



The NFI pilots, 2020 - 2022 innovation programme and future plans

HMRC information sharing pilot

The initial information sharing pilot with HMRC from spring 2019 onwards, successfully identified £8.8 million in outcomes as reported in our previous NFI National Report. Following on from that, we commenced our second pilot using HMRC data and continued to target the three fraud risks:



Undeclared property ownership



Undeclared earnings & capital; and



Undeclared persons in a household

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Phase 2 was expected to deliver outcomes in excess of Phase 1 due to the improved timing of the release and some changes to the matching logic. However, delays with the project meant that matches were released to councils later than expected (between October and December 2021). Reported outcomes total £3.5 million for the period 1st April 2020 to 31st March 2022 (Table 9). We expect outcomes to continue to accumulate throughout 2022/23 as reviews and investigations of potential fraud are progressed by local councils.

The four NFI datasets that produced the vast majority of the results are Council Tax Reduction, Council Tax SPD, Housing Benefit and Housing Tenancy.

Table 9 - Analysis of outcomes from the HMRC information sharing pilot - England (rounded)

Dataset	Number of Fraud and Error cases	Actual Outcomes (£m)	Estimated Outcomes (£m)	Total Outcomes (£m)	Amount under Recovery (£m)
Council Tax Reduction	481	1.5	0.4	1.9	1.8
Housing Benefit	44	0.2	-	0.2	0.2
Housing Tenancy	5	-	0.4	0.4	n/a
Council Tax SPD	817	0.3	0.6	0.9	0.3
Phase 1 outcomes reported after 31st March 2020 ⁵⁰	1	0.1	-	0.1	0.1
Total	1,348	2.0	1.4	3.5	2.3

The HMRC information sharing pilot will be evaluated internally over 2022, and the NFI will consider how HMRC data can best be used to help target fraud over 2022/23 and beyond.

⁵⁰ Matching to Residential Care Home and Right to Buy data was only undertaken in the initial pilot and was not repeated in the second pilot

The NFI pilots, 2020 - 2022 innovation programme and future plans

Working with the private sector to target fraud

Fraudsters target all kinds of organisations across the UK in both the public and private sectors. The NFI seeks to partner across all sectors, using data to help identify potential fraud. As part of this, the NFI has worked with a number of private sector bodies to facilitate use of NFI data to help them prevent and detect fraud. This has resulted in £33 million of fraud being prevented or detected (Figure 5). This includes highlighting where applicants for services misrepresent their identity, or their residency.

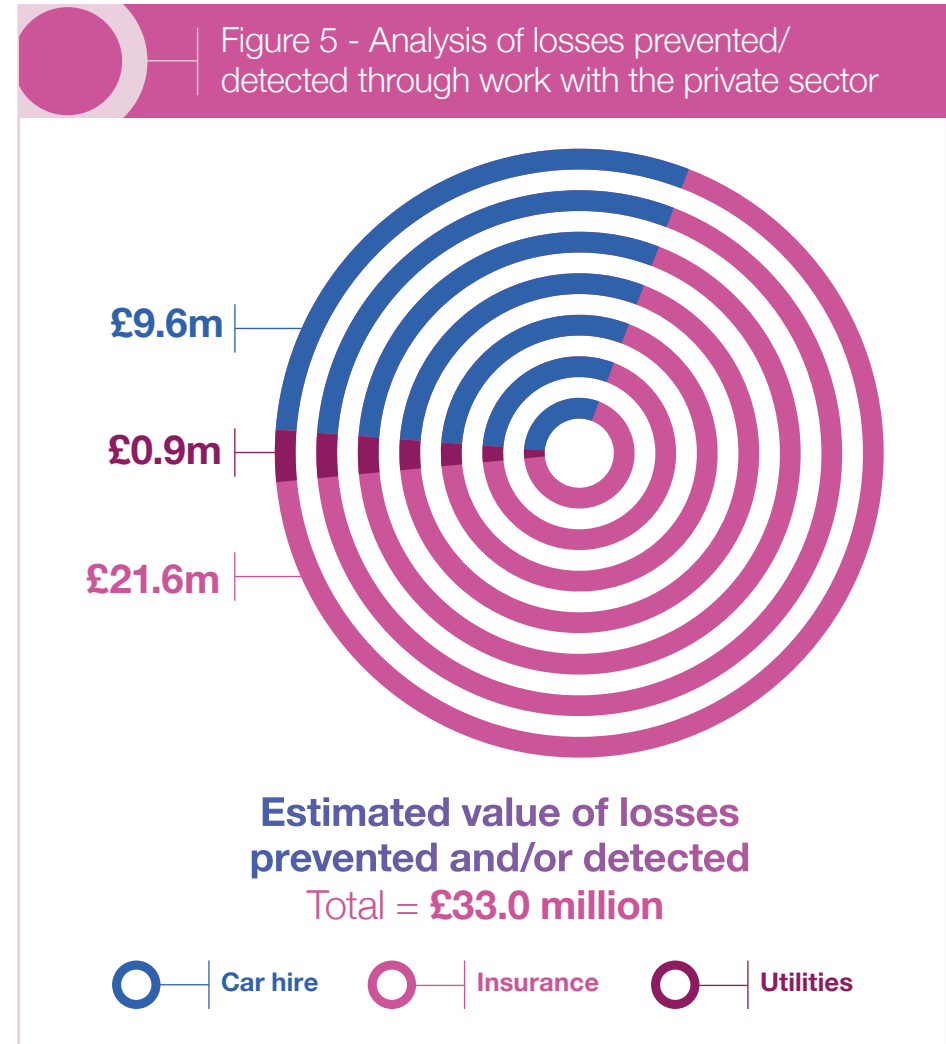
Car rental businesses, insurance companies and the water industry have utilised insights from the NFI data in this way and continue to make use of the data as part of their normal business processes. The way we interact with the private sector makes use of the latest technology to share data efficiently and proportionately.

We continue to explore the ways in which data held by the private sector can also further help to target fraud in the public sector, such as the housing tenancy pilot mentioned below.

Economic Crime Plan 2019 - 2022

One of the Economic Crime Plan's⁵¹ seven strategic priorities is to "pursue better sharing and usage of information to combat economic crime within and between the public and private sectors across all participants". The above mentioned work by the NFI is an example of improved data sharing between the private and public sectors to fight fraud, by providing real-time access to public sector data thus helping private sector bodies flag potential fraud at the point of application.

This is even more important when considering the Economic Crime Plan 'Statement of Progress' (April 2021) stated that the pandemic drove many fraudsters to quickly adapt by moving activity to online platforms.



⁵¹ HM Treasury/Home Office, [Economic Crime Plan 2019 - 2022](#), 12 July 2019

The NFI pilots, 2020 - 2022 innovation programme and future plans

The NFI FraudHub - building new partnerships to target fraud

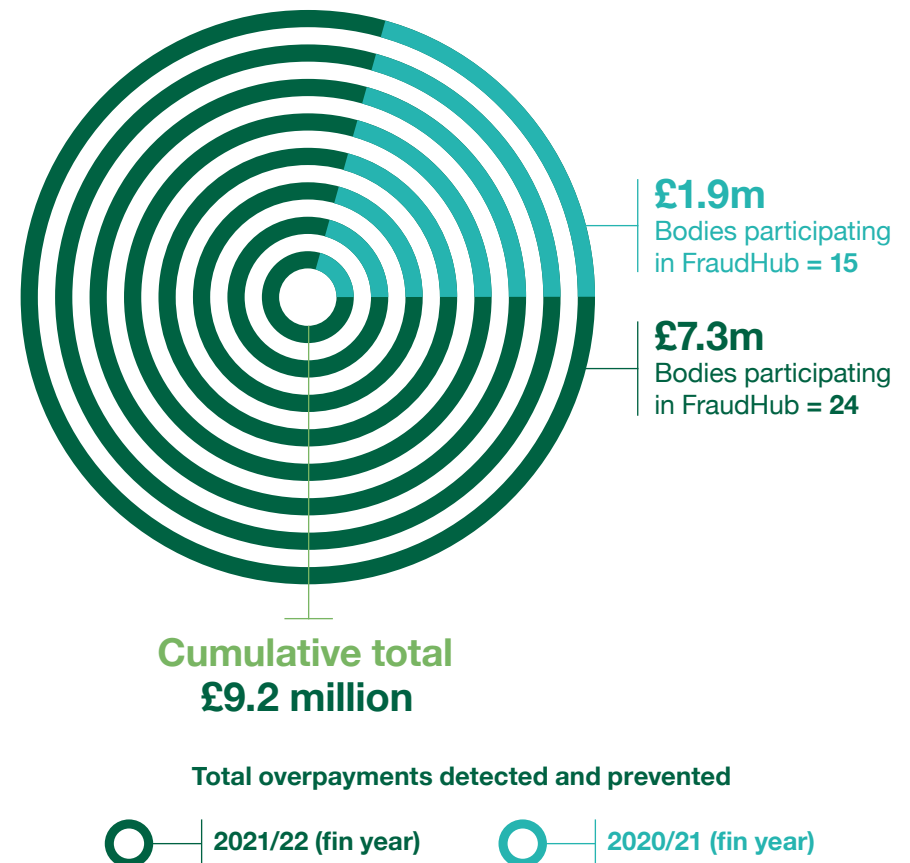
The NFI FraudHub provides local authorities and other public sector organisations with the opportunity to work together and share data in the existing secure NFI environment.

During 2021, the NFI FraudHub has seen significant growth, with new organisations joining existing hubs and new FraudHubs launching. As at 31st March 2022, 24 organisations had an active FraudHub membership. As at 30th September 2022, membership had grown to 35 organisations, with several others also about to join. Over the last year, the NFI has liaised closely with the London Borough Fraud Investigators Group (LBFIG) to increase membership from across London, with a view to establishing a London-wide FraudHub.

FraudHubs are already preventing and detecting fraud and error for their member organisations. As the new hubs establish themselves, outcomes are expected to continue to grow, as they work proactively to target specific fraud problems. We continue to promote the advantages of FraudHub across the UK and look forward to further expansion and continued participation in 2022/23 and beyond.

FraudHub outcomes were mainly in relation to pension mortality screening which for 2021/22 were £5 million of the £7.3 million reported (Figure 6). This is often the first fraud problem new FraudHub members target, due to the potential for significant results.

Figure 6 - Analysis of overpayments detected and losses prevented 2020-2022



The NFI pilots, 2020 - 2022 innovation programme and future plans

STRATEGIC OBJECTIVE

Improving engagement and communication with users to better understand and meet customer needs.

User engagement and communication

The NFI continually reviews its communications and engagement activities, to ensure it has an up-to-date and comprehensive understanding of NFI participant needs and requirements. This is in order to be able to best meet them, and to ensure that participants have the information they need to operate within the NFI as effectively as possible. In recent years, the NFI has given particular attention to this using a variety of approaches.

As part of these activities, the NFI formed the FraudHub User Group in June 2021 to facilitate discussions between representatives from active FraudHubs, those interested in the product, the NFI team and the NFI's supplier on all aspects of the product. The forum meets regularly, focussing on developing the product to meet the needs of users and sharing good practice.

The NFI team engages regularly with users through a broad range of channels, responding to feedback and providing support, guidance and advice. In April 2022, the NFI ran a full consultation on fees and the work programme for 2022/23, the consultation also gave users another opportunity to feed back on the NFI.

The NFI produces a newsletter for users, to raise awareness of the work in the NFI, communicate operational updates, and provide other information. The newsletter is sent by email to all users and is also available within the secure web application. A special edition celebrating 25 years of the NFI and reaching £2 billion in outcomes was also published in August 2021. The NFI receives positive feedback on the newsletter and continues to develop it in line with user feedback. The NFI also utilises the web application to share regular updates with NFI participants in an easy-to-access format, including on how the web application is being reviewed and updated, and to share guidance with users.

Over the years ahead, improving engagement and communication will remain a core NFI objective. A series of user engagement activities are planned, including workshops and training sessions, and exhibiting at conferences and surveys to further explore user needs.

The NFI pilots, 2020 - 2022 innovation programme and future plans



STRATEGIC OBJECTIVE

Embracing new technologies and techniques to improve existing NFI products and develop new ones.

How the NFI innovates

The NFI programme of innovation has focussed several distinct areas:

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User Interface and User Experience

A user experience review of the web application has taken place consisting of a survey and interviews. A programme of improvements has been designed based on this feedback. While this will initially focus on FraudHub, it will extend out to all parts of the web application in due course.

Improved Management Information

An overhaul of the management information within the NFI web application is in progress. This will enable users and the NFI Team to better analyse the metrics behind the NFI matches and provide the option to build bespoke reports directly from the web application to access that data.

FraudHub functionality

The potential introduction of changes to allow organisations to match datasets that are not standard NFI datasets. This will utilise existing NFI data matching routines to highlight potential frauds. Organisations will undertake this matching using their own legal powers rather than the Local Audit and Accountability Act 2014.

AppCheck

An extension of the AppCheck product to test how it might assist with the identification of procurement fraud by verifying company information. This will call on relevant datasets from within the NFI including trade creditors data, and incorporate external data sources such as Companies House and Food Standards Agency data. Other datasets will also be considered to provide additional insight.

Automation of Processes

The exploration of how efficiencies can be made in the processing of data by the NFI, through increased automation and improvements to the data matching methods.

Risk Scoring

A continuing focus on using predictive analytics to generate risk scores, which will allow the NFI to provide matches to participants in priority order. The methodology behind risk score calculations will be reviewed for the NFI 2022/23, and how they can be best displayed to users.

The NFI will continue to work closely with stakeholders to develop and test NFI products as we take them forward.

The NFI pilots, 2020 - 2022 innovation programme and future plans

STRATEGIC OBJECTIVE

Better targeting of existing and new fraud risks.

The NFI pilot pipeline

The NFI continues to maintain a pipeline of pilots which are prioritised and delivered according to available resources. Most recently there has been a focus on responding to new fraud risks presented by COVID-19. However, alongside this we have continued to pilot data matching of different types of datasets to address a broad range of existing and new fraud risks, for example the data sharing pilot with HMRC and a tenancy fraud pilot.

Targeting tenancy fraud

The NFI launched Phase 1 of an innovative tenancy fraud pilot in 2022, that will bring public sector data and private sector data together to target tenancy fraud, such as subletting and illegal succession.

Our aim is to identify cases where the tenant appears to no longer reside in the tenancy address, but appears to be living elsewhere. We will also identify where other individuals appear to be residing at the tenancy address.

We expect that the data sources used for this pilot will prove valuable additions to the NFI. We will continue to consider how other datasets can be integrated into the solution to provide a strong household composition tool that will be applicable to other fraud problems.



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STRATEGIC OBJECTIVE

Extending the NFI to areas in addition to fraud to increase its usage and impact.

Extending the NFI data matching purposes

In 2021 the Cabinet Office led a comprehensive consultation on whether and how the NFI should be extended to a range of new areas in addition to fraud. This formal consultation supplemented a period of engagement with a range of organisations, including current NFI participants, on the question of extending the NFI to new areas.

Based on feedback, the NFI chose to focus on four areas in the formal consultation. These were whether the NFI should be extended to assist with the prevention and detection of errors and inaccuracies generally; in the recovery of debt owed to public bodies; in the apprehension and prosecution of offenders; and in the prevention and detection of wider crime, in addition to fraud.

The consultation was extremely useful in outlining the range of views on extending the NFI to the various purposes being considered, and on how any extension should be implemented. Almost 400 responses were provided. The NFI has reviewed the feedback and assessed interest in and support for extension of the NFI to new areas.

The feedback on the extension was variable. While many public sector bodies supported extension, there were many others who raised concerns. In light of

this, and given the Government's commitment to doing more to prevent and detect fraud and help bodies in enhancing their fraud response, fraud will remain the focus of the NFI in the coming years and the service will not be extended to additional areas at this time.

The Cabinet Office will review this decision in due course and will continue to welcome feedback from stakeholders and interested parties on the question of extending the NFI data matching service to tackle other issues.

The full Government response to the consultation has been published and is now available on GOV.UK⁵².



⁵² Cabinet Office, [Consultation on the expansion of the National Fraud Initiative \(NFI\) Data Matching Powers and the new Code of Data Matching Practice - GOV.UK](#), February 2021

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Future plans

Public Sector Fraud Authority (PSFA)

The establishment of the Public Sector Fraud Authority in August 2022 marks a step change in the Government's counter fraud strategy. With increased investment in counter fraud capability, the PSFA will help the Government to increase the support services it can offer on fraud, including through advanced data analytics. The PSFA will also scrutinise cross-government activities on fraud, aiming to hold Government Departments to account. This investment and associated increased counter fraud activity offers an opportunity for the NFI to play an enhanced role in the fraud landscape. The NFI will support the work of the PSFA, and link into new data analytics services to enhance the techniques and data utilised to target fraud.

NFI IT service delivery contract

The NFI contract with our current supplier has been extended to December 2024. This provides clarity on the delivery model for the NFI 2022/23 exercise.

During 2022/23, the service requirements for the NFI 2024/25 and beyond will be reassessed. Feedback will be sought from stakeholders and NFI users on the future shape of the NFI, and the planned activities set out earlier in this report, particularly around applying new techniques and technologies into the NFI service offer.



Comparison of NFI outcomes in England by risk area 2020 to 2022

Dataset	Example activity area	2022 £ million	2020 £ million
Pensions	Individuals obtaining the pension payments of a dead person	250.0	55.5
Council Tax	Individuals who did not qualify for the council tax single person discount because they were living with other countable adults	44.7	43.9
Pilots	Various (excludes HMRC information sharing)	39.7	3.5
Blue badges	Potential misuse of blue badge parking passes belonging to someone who has died	24.4	26.9
Housing waiting lists	Social housing waiting list applicants who were not entitled to social housing	21.8	20.1
Housing benefits	Individuals claiming housing benefit who failed to declare an income or change of circumstances	14.4	35.0
Trade creditors	Traders who intentionally or unintentionally submitted duplicate invoices for payment	6.1	5.1
Concessionary travel passes	Potential misuse of concessionary travel passes belonging to someone who has died	5.5	3.4

Comparison of NFI outcomes in England by risk area 2020 to 2022

Dataset	Example activity area	2022 £ million	2020 £ million
Council tax reduction scheme	Individuals claiming Council Tax reduction who failed to declare an income or change of circumstances	5.2	6.5
Housing tenancy	Social housing tenants who were subletting or had multiple tenancies unlawfully	2.3	5.6
Residential care homes ⁵³	Payments to private care homes by a council for the care of a resident where the resident had died	0.9	5.1
Procurement	Employees that have potentially not declared interests in companies that have given a pecuniary advantage or employees who appear to be registered directors of companies that the employing body has traded with.	0.8	-
Other	Miscellaneous outcomes not linked to other specified categories	0.4	0.8
Payroll	Employees working for one organisation while being on long-term sick leave at another	0.3	0.6
Right to Buy	Social housing tenants who were not entitled to right to buy because they had multiple tenancies unlawfully	0.2	1.8
Personal budgets ⁵³	Individuals claiming a personal budget who failed to declare an income or change of circumstances or were deceased	0.1	2.1
Total⁵⁴		416.8	215.8

⁵³ These are cases reported late from NFI 2018/19 matches, i.e. after 4 April 2020. Due to a legislative change, the NFI stopped processing patient data in 2020

⁵⁴ Due to rounding, numbers presented throughout this report may not add up precisely to the totals indicated and percentages may not precisely reflect the absolute figures for the same reason

Comparison of NFI outcomes in England by case area 2020 to 2022

	2022 Number of cases	2020 Number of cases
Pensions		
Pension payments stopped/adjusted	12,098	2,876
Council Tax single person discount		
Council Tax single person discount claims stopped	32,669	36,728
Housing benefit fraud, error and overpayments relating to:		
- Local government employees	80	754
- Central government pensioners	77	1,281
- Individuals receiving a local government pension	95	1,852
- Students	966	1,055
- NHS employees	40	282
- Other	390	679
Social housing/Right to Buy		
- Properties recovered	25	60
- Right to Buy wrongly awarded	5	17
- Applicants removed from a housing waiting list	6,736	6,092
Transport		
- Blue badges cancelled	42,393	46,750
- Concessionary travel passes cancelled	225,710	151,815

Comparison of NFI outcomes in England by case area 2020 to 2022

	2022 Number of cases	2020 Number of cases
Social care⁵⁵		
– Residential care homes	68	292
– Personal budgets	6	92
– Other social care	-	50,027
Payroll		
Total employees dismissed or resigned	19	21
Creditor payments		
Duplicate creditor payments	955	1,062
Council tax reduction scheme	3,000	2,688
Total	325,332	304,423

⁵⁵ These are cases reported late from NFI 2018/19 matches, i.e. after 4 April 2020. Due to a legislative change, the NFI stopped processing patient data in 2020

Report calculation methodology 2020 - 2022 – England only

Dataset	Amount Detected £ million	Estimated value of future losses prevented £ million	Total £ million	Basis of calculation of estimated outcomes
Pensions	9.3	240.6	250.0	<p>Mortality screening: Annual pension multiplied by the number of years until the pensioner would have reached the age of 85</p> <p>Injury benefit: Weekly reduction in pension x 260 weeks</p> <p>Pension abatement: Provided by the participant</p>
Council tax single person discount	17.2	27.6	44.7	Annual value of council tax single person discount multiplied by two years.
Blue badges	-	24.4	24.4	575 per blue badge cancelled to reflect the estimated annual cost of blue badge fraud, the likelihood that badges are misused and the duration that fraudulent misuse will continue.
Housing waiting list	-	21.8	21.8	£3,240 per applicant removed from the waiting list, based on the annual cost of temporary accommodation, the likelihood that individuals on the waiting list would be provided a council property, and the duration for which fraud or error may continue undetected.
Housing benefit	11.2	3.2	14.4	Weekly benefit reduction multiplied by 21 weeks.
Trade creditors	6.1	-	6.1	Not applicable.
Concessionary travel passes	-	5.5	5.5	Number of passes cancelled multiplied by £24, based on the cost of reimbursement to bus operators for journeys made under the concessionary pass scheme and the duration of fraudulent pass misuse.
Council tax reduction	3.7	1.5	5.2	Weekly change in council tax discount multiplied by 21 weeks.
Housing tenancy	-	2.3	2.3	£93,000 per property recovered based on an average four-year fraudulent tenancy and an estimate of the duration that the fraud may have continued undetected. This includes temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies.

Report calculation methodology 2020 - 2022 – England only

Dataset	Amount Detected £ million	Estimated value of future losses prevented £ million	Total £ million	Basis of calculation of estimated outcomes
Residential care homes ⁵⁶	0.3	0.5	0.8	£7,000 per case based on average weekly cost of residential care multiplied by 13 weeks.
Procurement	0.8	-	0.8	Not applicable.
Other	0.4	-	0.4	Not applicable.
Payroll	0.2	0.1	0.3	£5,000 per case where the employee is dismissed or resigns.
Right to Buy	-	0.2	0.2	£84,200 per application withdrawn based on average house prices and the minimum right to buy discount available. A regional variation applies in London of £112,300 per application withdrawn, to reflect the maximum value of Right to Buy discount available.
Personal budgets	0.0	0.0	0.1	Monthly reduction in personal budget payment multiplied by 3 months (the average duration that personal budget payments continue following the death of the recipient).
Sub Total	49.3	327.8	377.2	
Pilots (excluding HMRC)	6.9	32.8	39.7	Water utility companies - Resident at an address when property declared as void uses the annual water charge; Incorrectly claimed discounted tariff uses the average amount of annual discount across the 3 most popular discounted tariffs.
Grand Total⁵⁷	56.2	360.6	416.8	

⁵⁶ These are cases reported late from NFI 2018/19 matches, i.e. after 4 April 2020. Due to a legislative change, the NFI stopped processing patient data in 2020.

⁵⁷ Due to rounding, numbers presented throughout this report may not add up precisely to the totals indicated and percentages may not precisely reflect the absolute figures for the same reason.



Contact us

For more information about the NFI please visit our website:

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

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Southend-on-Sea City Council

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

To
Audit Committee

on
19 July 2023

Report prepared by: Andrew Barnes, Head of Internal Audit

Head of Internal Audit Annual Report 2022/23

A Part 1 Public Agenda Item

1. Purpose of Report

1.1 To provide for the 2022/23 financial year:

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

2. Recommendation

2.1 The Audit Committee accepts the Head of Internal Audit's Annual Report for 2022/23 and confirms that the opinion of the Head of Internal Audit can be relied upon as a key source of evidence to support the Annual Governance Statement.

3. Background

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

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

3.3 As outlined in the Internal Audit Charter, audit coverage is determined by prioritising the significance of the council's activities to its ability to deliver its Corporate Plan Priorities. This is done:

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

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

4. Head of Internal Audit Opinion for the year ended 31 March 2023

- 4.1 Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. Such arrangements can take many forms and still be effective. Assurance is then required that these processes are fit for purpose and being applied throughout the organisation.
- 4.2 During 2022/23 the Council continued to be challenged by the external environment that it operates within, particularly in respect of the wider economic situation, with the impact of inflation, including the cost of energy, creating additional financial pressures for the Council, residents, the supply chain, and other stakeholders, as well as the wider impacts of the fallout from the Covid-19 pandemic. Significant changes that have occurred to the operations of the Council are becoming embedded, including many staff working remotely and the changes implemented to enable that remote working. These changes enabled the Council to deliver what was required in response to the pandemic, and similar focus now needs to be applied to the financial challenges that the Council is facing, so that the Council can address the medium-term budget gap that has arisen and bring the Council back into a financially sustainable position.
- 4.3 The Council continued to build on the work that had been undertaken to create the shared ambition for the City, and desired outcomes for its residents, visitors, students, and other stakeholders, through the adoption of a new Corporate Plan that aims to provide the necessary focus on the priorities for the Council, so that the Council's resources can be applied to the delivery of those priorities. Updates have been made to refresh the outcomes being sought and their delivery arrangements to ensure that these remain appropriate given the changed context and circumstances being encountered.
- 4.4 The Transformation Blueprint has been developed with external support to provide the focus that will be necessary to make the further changes that are required to transform the culture and the way that the Council operates, so that the Council shifts to a culture, a focus, a structure, and ways of working that are most appropriate, effective and financially sustainable to deliver the priority outcomes in the changed circumstances that the Council is now facing.
- 4.5 Management needs to continue to monitor both the actual and potential impact of these pressures, the progress against delivery of the Transformation Blueprint and programme to drive change that arises, as well as delivery of the Corporate Plan. Management and councillors need to be ready to adjust, if necessary, as the situation continues to evolve and the understanding of the impact on future needs and priorities becomes clearer.

- 4.6 There is much to do, and the Council is working to deliver and meet these multiple challenges. As a result, there continues to be updates made to way the Council is operating. The governance arrangements have been reworked during the year and need to become effective and embedded to provide the framework that will drive the delivery of what is required to address the multiple challenges faced. The Transformation Blueprint and change programme will review ways of working, and therefore there is a need for changes arising to have the opportunity to be established and embedded before assurance can be provided that they are working effectively as intended. Management continues to work in the context of ongoing change and challenges arising from the external environment, which makes it difficult to achieve a period of stability that would assist with implementing and embedding revised arrangements.
- 4.7 With regards to the assurance provided by audit work undertaken in these areas, the results of the work indicate that the design of the Council's risk management can be provided with satisfactory assurance, although the Risk Management Policy Statement and Strategy that has been reviewed and refreshed needs to be formally adopted, but partial assurance in respect of operation, as there is a need for further embedding of the arrangements within the services so that there is increased understanding of the need to capture the conversations about risk that are happening, to provide increased visibility, transparency and accountability for decision making around the risks below those on the corporate risk register. This has been partly addressed moving forward through the re-introduction of Service Plans for 2023/24.
- 4.8 The design and operation of internal control can be provided with satisfactory assurance, but issues have been highlighted in respect of the governance framework as operated for the year indicating that this requires the changes that have been introduced during the year to become effective and embedded before it can be considered to be satisfactory overall, therefore partial assurance is provided for the year. Work to further improve the governance framework and arrangements is being undertaken, as reflected in the Annual Governance Statement action plan, and will be reported to Members later in the year.
- 4.9 No issues have come to my attention this year, other than those already disclosed, that I believe need including in the council's Annual Governance Statement.
- 4.10 The basis for forming this opinion is an assessment of:
- the design and operation of the underpinning governance and assurance framework
 - the range of individual opinions arising from risk based and other audit assignments that have been reported during the year, taking into account the relative significance of these areas
 - whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales
 - observations from advisory and support work undertaken
 - changes to the Council's Ambition, management structure and use of technology
 - assurance from other providers including independent regulators and peer reviews

- the quality and performance of the Internal Audit service and the extent of compliance with the Public Sector Internal Audit Standards.

4.11 The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to this opinion.

Compliance with Professional Standards, Head of Internal Audit Opinion

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

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

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

5. Supporting Commentary

5.1 **Appendix 1** summarises the audit opinions issued this year.

5.2 The following paragraphs then:

- summarise findings from all the work completed this year
- highlight the key areas requiring improvement.

5.3 Where necessary, actions have been agreed with services to improve the arrangements where the more significant control issues were identified during the audits.

Managing the Business

5.4 CIPFA's 'Delivering Good Governance in Local Government' outlines 7 principles that underpin effective governance:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social and environmental benefit
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

- 5.5 The year was dominated by the challenging economic operating environment that has arisen as a result of global events that have occurred over the last three years, with the impact of inflation, including the cost of energy, creating additional financial pressures for the Council, residents, the supply chain, and other stakeholders. This has resulted in a significant financial deficit for 2022/23 that is not sustainable, and the Council recognises that action needs to be taken to address this in the short and medium term, to bring the financial position back into balance. Key responses undertaken by the council during the year are set out in the Annual Governance Statement.
- 5.6 As a result Internal Audit has needed to maintain a flexible approach to ensuring audit work meets the needs of the council in this ever-changing risk and control environment. During 2022/23 Internal Audit has been able to continue to provide assurance, help advise management and the Audit Committee on the shifting risk and controls landscape and help anticipate emerging risks.
- 5.7 The council's internal control environment has been changed during the period of the Covid-19 pandemic. The control framework has been transferred to operate with remote working. Changes to working practices have occurred but where controls were already automated these have been able to continue to operate as intended. Where changes have been required, staff should maintain a clear understanding of the reason for, and the basis of control, to ensure that solutions created maintain the integrity of the control arrangements. Where efficiency gains have resulted these need to be recognised and maintained, and where there are further opportunities these need to be identified and implemented.
- 5.8 Despite these challenges the council continued to work to make progress towards fulfilment of the Corporate Plan Priorities and the jointly owned ambition for Southend in 2050. (Principle B).
- 5.9 In order to deliver the ambition the council reviewed the desired outcomes that would deliver that ambition, given the changing context for the City caused by the changing operating environment, and introduced the new Corporate Plan to provide additional focus for the Council (Principle C).
- 5.10 Work on transforming the operating model of the Council is being increased during 2023/24 with the next stage being a rapid 14-week investigation and planning period, engaging with the whole organisation, including the review and future state design of 51 service areas within the organisation. The outcome will create implementation plans to deliver the recognised need to change the way the Council works, so that it can become more agile, more efficient, more entrepreneurial and more engaged with residents and customers. This enhanced transformation programme is aiming to deliver the identified necessary operating model across all aspects of the Council's activities so that the council has the right arrangements to achieve its priorities and ambitions, and become financially sustainable. Delivering this change will require a significant change in mind-set and practice across the organisation that work is ongoing to achieve. (Principle D)
- 5.11 Work has also continued on the Member development programme aiming to enhance the mutual understanding between officers and Members of roles and pressures, and how to support each other, to have a positive impact on Member / Officer relationships and improve joint working. (Principle E)

- 5.12 The council has been continuing to work to the stated values of being 'inclusive, collaborative, honest and proud'. It has also been embedding the agreed expected behaviours of staff and councillors that are: 'driving positive change, trust and respect, demonstrating strong leadership, act with integrity and behaving responsibly and building relationships to work well together'. These form the basis of the council's appraisal process that was being embedded during the year. (Principle A)
- 5.13 Arrangements for identifying, recording and monitoring corporate risks are in place through the council's Risk Management Strategy and Toolkit. The level of understanding about how to apply this needs refreshing and the process is not being applied as well or consistently at service level, thus reducing the assurance available that risks at this level were being properly documented and communicated, and as a result, efficiently and effectively mitigated or managed. Work is underway to deliver an updated approach across the organisation so that it operates in a proportionate, practical way, focussing on adding value and minimising the investment of resources required to support the service and corporate process. (Principle F)
- 5.14 In a practical sense, there is a strong understanding of risks being faced by individual Directors and a discipline around the maintenance of the Corporate Risk Register, but the value obtained from the overall process is not being optimised. Better arrangements are needed to effectively communicate risks across the organisation as required. There were some gaps in assurance and insufficient evidence of managing the impact for some risks. Some managers and team leaders still need assistance to:
- fully understand the objectives of and risks relating to the services they are delivering
 - understand what evidence they need to obtain to provide assurance that these processes were designed and / or being applied properly by their staff, consistently throughout the year.
- 5.15 Service Plans have been introduced from April 2023, setting out service area objectives, how services will contribute to the delivery of the corporate plan, how success will be measured, risks that could impact on delivery and how these are being managed. If used effectively they will help services to plan, organise and increase coordination and consistency across the Council and provide the organisation with the information and assurances required for good governance. Service plans sit underneath the Council's Corporate Plan and form a key component of the golden thread approach (linking individual performance to service tactics and organisational strategy).
- 5.16 Overall, the changes in approach that are being applied across the council represent further significant change and much work will be required to implement those changes fully and effectively. Inevitably the need to respond to the challenges caused by the economic circumstances in the wider operating environment has impacted on the progress that has been made. As a result, it is recognised that there is still much to be done to properly identify, deliver and embed the changes to the ways of working and culture that are being sought, and the Transformation Programme is taking place to organise and drive this. Once the changes have been implemented there will be a need to seek assurance that they are working effectively, as intended, before they can be considered to be operating effectively and embedded.

- 5.17 As demonstrated above, the council's overall evolving approach to governing and managing itself is consistent with the principles outlined by CIPFA and therefore provides a good platform from which to continue the ongoing work to enhance and optimise the Council's governance arrangements. As a result of issues that have arisen during the year that demonstrate the need for the improvements that are being sought, partial assurance over governance arrangements is being provided for this year.
- 5.18 Work previously undertaken on the approach to **Remote Working**, as most of the council moved away from the physical premises, and became increasingly reliant on remote access technology, recognised that any disruption caused by cyber security attacks or IT outages will have a significantly greater operational impact and that the usual manual or physical workarounds used to overcome these issues may be unavailable.
- 5.19 Work undertaken on the **Technology Modernisation Programme Assurance** confirmed that the programme's established governance structures are well defined, supported by a risk and issue management process and include detailed progress reporting. The effectiveness of the governance arrangements could be improved by:
- ensuring consistency of the Red, Amber, Green (RAG) scores applied to key reporting metrics, such as risks, issues and progress
 - clarifying the escalation process to be utilised by the programmes three projects, and
 - updating the programmes plan on a page to include progress against key milestones, to identify any slippage and highlight potential resource pinch points between projects.
- 5.20 Roles and responsibilities of key individuals are documented and operating in practice, except for the Business Lead role, which needs to be fully defined and documented across the programme.
- 5.21 The programme's agreed scope is defined and documented for the Civica and User Data Migration projects and work is underway to document the Technical Remediation and Decommissioning of the Cisco Unified Computing System platform project. The programme could manage potential changes to the programmes scope more efficiently through the introduction of a formal change control process, that ensures changes can be managed in a consistent manner.
- 5.22 The programme's expected benefits are described at a high level in the Programme Business Case, however further work is required to fully define planned benefits in detail, determine baselines and agree targets and methods of measurement.
- 5.23 In our review of **Cyber threat** 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.
- 5.24 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.

- 5.25 Despite the fact that the Council has established key incident management controls in place to combat cyber attacks, it is important 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.
- 5.26 We identified the following areas for further development and improvement:
- addressing key person dependency risk by ensuring that an operational procedure should be documented based on potential cyber threat scenarios to support circumstances where any key personnel involved were to suddenly leave or be out of office at the time of an incident
 - devise table-top exercises on a quarterly basis and secondly, document observations from the exercises to ensure the processes defined are appropriate and the team involved is comfortable with their parts to play
 - update all playbooks to accurately represent the processes that are followed by the IT security team during an incident response
 - ensure lessons learned are documented and shared with the incident response team, team leads and the wider organisation as appropriate
 - implement a mandatory cyber security awareness training module to be completed on an annual basis for all staff members.
- 5.27 Our review of the **ICT Strategy** confirmed that 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.
- 5.28 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.
- 5.29 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.
- 5.30 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.

- 5.31 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.
- 5.32 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.
- 5.33 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 Governance Group, providing oversight and linkages with the Smart Council technology development programme, as part of the council’s current wider review of governance arrangements.
- 5.34 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 to aid this collaboration.
- 5.35 Our audit of **Procurement cards** confirmed that these are an important tool to support council staff in the delivery of services, through enabling the purchase of appropriate goods and services in an efficient manner. 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.
- 5.36 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.
- 5.37 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.

Service Delivery Risks

5.38 A key objective for Internal Audit is to give a view on whether the council's risk management and control processes are robust enough to enable services to effectively contribute to the delivery of the council's Priorities, Ambition and Outcomes. In respect of 2022/23 audit work was undertaken in the following areas.

Safe and Well

5.39 Work undertaken on the **Alternative Education Provision** covered three teams within the Council that are involved in the commissioning and monitoring of Alternative Education Provisions (AEP) for Children and Young Adults or Persons (CYPs) of school age.

5.40 The three teams engaged with in this work and an overview of the findings in each area are:

- The Virtual School (VS) team has appropriate procedures in place and had thorough processes to ensure CYPs who are Looked After Children (LAC) are appropriately placed and monitored.
- The Access & Inclusion (A&I) team has overall responsibility for Children Missing Education (CME) and includes monitoring of Alternative Education provision at Schools. We noted a number of opportunities for improvement to controls and process gaps for the team to address, including having clear internal policy and procedure notes so that the team members working on the alternative education provisions have clear processes to follow in their respective teams, and we understand that there are plans being put in place to further mitigate the risks arising.
- The Special Education Needs and Disability (SEND) team. We noted a number of opportunities for improvement to controls and process gaps for the team to address, including having clear internal policy and procedure notes so that the team members working on the alternative education provisions have clear processes to follow in their respective teams, to ensure that the whole team are working together and that there are clear processes put in place within the team to ensure appropriate engagement and monitoring is undertaken for placements to all vulnerable CYPs who fall under their responsibilities.

5.41 The Council should define the key accountabilities, responsibilities, and delegation between the three teams to ensure appropriate controls and processes within the teams are put in place and followed through so that each team has a clarity of responsibilities in ensuring the CYPs are accessing a safe appropriate placement for their alternative education provision and that their educational needs are met.

5.42 In addition, all three teams should enhance the induction programme for new recruits and refresh sessions for current staff, to discuss the Council's guidance and current applicable legislation in relation to Alternative Education Provision.

5.43 The lack of unification of systems for data repositories between the three teams also has the potential to lead to duplication of effort, miscommunication, and mismanagement. The Council should consider unification of the systems used by the learning services departments, and especially these three teams, to record information on children missing education.

- 5.44 Work undertaken on **Direct Payments** confirmed that all direct payment transactions are recorded in the Liquid Logic application and this process therefore underpins the Council's key purpose of reviewing and capturing information regarding funding and monitoring care needs.
- 5.45 We assessed overall governance arrangements in relation to direct payments in both adult and children's social care, monitoring of direct payments, use of direct payments, annual reassessment of the direct payments in place and management information.
- 5.46 We identified that appropriate controls are in place, particularly in relation to the assessment process. In addition, the Council's direct payments are regularly monitored and reported through appropriate management information.
- 5.47 There were areas for improvement in respect of ensuring that procedure notes are regularly reviewed and updated where necessary to reflect best practice and to ensure that written procedures are in line with actual processes, and that the Council should ensure that the care packages are reviewed annually to ensure the recipients of Direct Payment are receiving right amount to support their care needs.
- 5.48 To follow up our previous work on the **Adult Social Care Savings and Recovery Programme** we informally reviewed several documents that had been introduced by the programme to strengthen its control environment, including the Programme Mandate, Transformation Board Terms of Reference, Project Management Handbook and associated project templates. We provided management with interim feedback on the progress of the audit recommendations in relation to the design of controls introduced to mitigate the potential risks. Management acted upon our feedback and the operating effectiveness and ultimate completeness / closure of audit recommendations, was assessed, to determine the extent to which the controls were operating in practice.
- 5.49 Since the original audit, significant progress has been made in implementing the agreed actions, the majority of which are now effectively embedded into the day-to-day operation of the management of the programme.
- 5.50 Since our original audit, the programme has transitioned from recovery to a more transformational focus. The programme's aim is to enable the Adult Social Care vision to work collaboratively with people to enable them to live safe, well and independently in the community, connected to the people and things they love. The programme will now have a maximum planning horizon of 3 years and this will be reviewed regularly by the Transformation Board.
- 5.51 It was possible to certify that **grant terms and conditions** had been complied with for the following grant claims:
- Disabled Facilities Capital Grant Determination
 - Supporting Families Programme
 - Covid-19 Contain Outbreak Management Funding
 - Covid-19 Protect and Vaccinate Grant
 - Covid-19 Test and Trace Support Payment
 - Universal Drug Treatment Grant
- 5.52 All of the above grant work provides assurance that the Council is utilising grant funding in the manner expected by the funding departments.

Opportunity and Prosperity

- 5.53 Work on the **Better Queensway Workstreams** confirmed that the project's governance structures are well defined, documented and include progress reporting. Escalation processes are clear however, a lack of application of risk and issue management processes and detailed Council side plans, mean they were unable to operate effectively.
- 5.54 Fully embedding risk and issue management processes, across the governance hierarchy is a particular area for focus going forward to ensure the Operational Group can properly deliver its obligations to the Partnership Board. This will also improve visibility and accountability for internal decision making and gives increased opportunity to demonstrate ongoing alignment to the Council's Values and Behaviour framework. As such management have agreed actions to:
- ensure everyone involved is clear on their roles and responsibilities in relation to risk management, by re-circulating the roles and responsibilities information to Workstream Leads and tabling at Operational Group and Partnership Board meetings
 - work with Workstream Leads and Partnership Board members to ensure that the information contained within the project's risk register is complete, accurate and timely.
- 5.55 The introduction of regular internal project communications will also ensure that Workstream Leads are clear on the project's priorities and the actions required of them. The appointment of the new Council Programme Manager presents an opportunity to reset and develop relationships across the project more generally.
- 5.56 Council-side project plans and detailed workstream plans need to be fully developed for the current phase of the project, which capture all the required information, outline the critical path of activity and key dependencies, as well as the resources required to deliver Council tasks.
- 5.57 As such, management have agreed actions to develop Council-side plans (which are driven by The Porters Place Southend Limited Liability Partnership) that will ensure the project is aware of the key tasks to be completed and the amount of resource required. This will provide the Operational Group and Partnership Board with the information required to fully challenge the completion of tasks and be fully confident the project remains on track to deliver as planned.
- 5.58 Work on **Corporate Asset Management** assessed the governance arrangements to monitor, review and assess the existing Corporate Asset Management Strategy (CAMS), a sample of commercial initiatives run for both the commercial and operational portfolios to confirm whether the commercial team has effectively applied the rent and lease uplifts as expected and, when applicable, the initiatives were supported by a completion statement of work; the reviews of both portfolio performance and finances; processes to identify and understand resourcing needs; and management information.
- 5.59 We noted a number of areas of good practice in relation to the adequacy of the most recent CAMS, which is fit for purpose and provides a clear link to the Corporate Plan and Southend 2050 ambition. Additionally, in relation to the commercial assets, we noted that the initiatives run in the year are adequately recorded and regularly reviewed by the Team Lead for Corporate Property and Asset Management. For all the samples we selected, we also noted that the approval process is robust, as all the approvals were in line with the Council Constitution and sufficient evidence of approvals was retained.

- 5.60 However, we have identified a lack of adequate controls in a number of areas, particularly in relation to the timely collection, reporting and strategic use of management information for both portfolios, which is currently missing, and the lack of regular review of the wider estate portfolio performance and finances for the operational portfolio.
- 5.61 The Council is aware of the current gaps and has future plans to collect management information in relation to overall costs and carbon emissions. This data will then be used to rationalise the wider portfolio and inform strategic decision making around the development, commercialisation, property acquisitions and disposals of assets. Our work confirmed that the project has begun with the first element being the categorisation of the assets through a cost analysis exercise.
- 5.62 We have assessed the overall governance arrangements in place for the **Community Investment Fund and Community Investment Board**. This has included the arrangements for appointing Community Investment Board members, arrangements for awarding the Community Investment Fund and the monitoring and reporting arrangements around the Community Investment Fund. We identified appropriate controls in many areas, particularly the arrangements around awarding the investments to various organisations.
- 5.63 Opportunities for enhancing arrangements were identified in respect of:
- governance information and arrangements being consolidated into one document that board members can access and obtain information from. Currently, the governance arrangements are present, however they are included within multiple documents
 - a recruitment document which captures the end-to-end process of recruiting a board member onto the CIG Board
 - the process for monitoring of expenditure should be conducted annually, as planned, for all investments. Consideration should also be given to the risk level associated with investments and their value individually, so that a proportionate approach can be taken.
- 5.64 Our work on **Housing Allocations** confirmed that the Council has in place a ten-year Housing, Homelessness and Rough Sleeping Strategy covering the period 2018-2028. It considers the future challenges and requirements of residents and the stock required to meet housing needs. Included within the Strategy are a number of commitments.
- 5.65 An Allocations Policy was approved via delegated authority by the Director for Housing and the Executive Director in consultation with the Cabinet Member for Housing in November 2021. We noted that the Policy did not include a target completion period for the review of applications.
- 5.66 The review identified 16 Registered Providers that each have more than 20 properties operating within Southend's boundaries; SCC only have nomination agreements with four. A review of the four nomination agreements identified that all were signed and dated at the point of creation. However, in all cases, the information contained within the agreements had not been updated in line with the stated review procedures.

- 5.67 Reporting of allocations performance information had not been completed in prior years, although a report on both the housing register and allocations was produced in November 2022 and presented to the Cabinet Member for Economic Recovery, Regeneration and Housing. However, additional regular KPI reporting would improve the provision of key allocation information to management and Members.
- 5.68 Some areas relating to counter-fraud controls were identified as having scope for improvement, including the need to complete a counter-fraud risk assessment and utilising the information provided on potential fraud cases via the National Fraud Initiative and the formalisation of procedures surrounding applicant declarations of interests, staff declarations of interest and suspected fraudulent applications.

Active and Involved

- 5.69 No specific audit work was undertaken in respect of the Active and Involved theme.

Connected and Smart

- 5.70 During the year work undertaken on the **My Southend** project included meeting with key project stakeholders, reviewing key project documents and providing comments and advice, to management. The output of this work was a mix of informal feedback and comments directly within documentation.
- 5.71 We reviewed the project's business case (as it was developed) and the supporting solution assessment produced by Agilisys, which underpinned, the version of the business case presented to the October 2022 and subsequently approved by the November 2022 Investment Board meeting.
- 5.72 Overall we found the Business Case to be well structured and containing the appropriate elements to aid decision making. The scope, objectives, efficiencies and benefits were well documented and directorate stakeholders had been well engaged and were generally supportive of the process. The following potential enhancements were suggested:
- Business case sign-off - the project is a business transformation impacting most Council directorates and has key dependencies which must be met to ensure a successful on time and on budget delivery, many of the directorate officers will become benefit owners and change enablers. With such a high dependency upon the directorates it would be helpful to include details of their sign off of the business case prior to further approval, particularly in relation to the timeline, resources and a commitment to potentially changed ways of working
 - Resource requirements and associated costs - the high-level information within the document could have been expanded to clarify that all costs were captured, particularly in relation to provisions for cost contingency which may be required, and potential back fill costs for directorate costs
 - Risk management - Risks identified within the business case did include detailed context in terms of cost, time, operational impact or weighting and mitigation actions. The Risk Worksop noted within the business case development plan had not occurred, which could give a false indication as to the level of programme and cost risk being signed off by the Investment Board.

- 5.73 The business case was subsequently approved by Cabinet in January 2023 and it was agreed that these areas would be considered for inclusion within the Project Initiation Document to be developed as part of the project's Initiation Phase.
- 5.74 A Project Manager has been appointed and has been developing key project documentation, such as the Project Initiation Document, RAID (Risks, Assumptions, Issues and Dependencies) log and project plans.
- 5.75 Internal Audit intend to include a review of the Delivery Phase of the My Southend Project as part of the 2023/24 Audit Plan
- 5.76 It was possible to certify that **grant terms** and conditions had been complied with for the following grant claims:
- Local Transport Capital Block Funding – Highways Maintenance Challenge Fund
 - Local Transport Capital Block Funding – Pothole Action and Challenge Fund
 - Local Transport Capital Block Funding – Integrated Transport and Highways Maintenance.

Pride and Joy

- 5.77 During February 2022 Internal Audit conducted an advisory piece of work on managing the **Highways Capitalised Maintenance programme** 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.
- 5.78 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.
- 5.79 Overall responsibility for these works transferred over to the Highways team along with the associated resource from February 2023. Internal Audit met with the Service Manager for Highways & Asset Management and have been shown 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.

- 5.80 Management have agreed robust implementation dates with Internal Audit and we intend to follow up progress of the implementation of actions.
- 5.81 Our original audit work on **Energy Projects Status Assurance** identified a number of key overarching aspects that had consistently caused issues within the individual projects. These included:
- Governance and decision making arrangements
 - Portfolio management
 - Project scoping and approval process
 - Project management processes.
- 5.82 To support addressing some of these issues Internal Audit developed a draft Governance Framework for the Energy and Sustainability team to utilise and the management at the time agreed robust implementation dates for the completion of recommended actions.
- 5.83 We conducted a follow up of the progress of the implementation of actions and found that now the team is under new management, this has resulted in the rationalisation of the number of the energy related projects, with a number of those projects which would not directly deliver benefits aligned to the Councils Climate Change Action Plan being cancelled, and the remaining projects being completed during 2022/23.

Key Financial Systems

- 5.84 The audit of **Accounts Payable** focussed on the processes for ensuring accurate, transparent, and valid payments are made to suppliers and individuals. We identified a suitable 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.
- 5.85 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, and to ensure that policies which 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 in respect of external payment files loaded into the system only, rather than payments generated from invoices processed via the system workflow by the Accounts Payable team, and there is no duplicate payment reporting functionality on Business World, the Council's ERP system in respect of these type of transactions. 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.

Implementing Action Plans

- 5.86 Internal Audit ordinarily input agreed actions into Pentana¹ once audit reports are issued. This was delayed during the year due to the secondment of the Business Support Officer to the pandemic response team, but is now being addressed as the duties have been reallocated within the Internal Audit team. Management then use this to monitor their implementation via Departmental Management Team meetings.
- 5.87 Internal Audit only revisited and retested action plans where a partial or minimal assurance opinion was given. Management closed down agreed actions in reports with high and satisfactory audit opinions once they were satisfied they had been properly dealt with.

Proactive Advice and Support

- 5.88 The knowledge obtained through the proactive advice and support work undertaken during the year was also taken into account in coming to the overall opinion given. In 2022/23, this work included providing ongoing support and challenge:
- of the arrangements being developed and implemented to support delivering **financial sustainability** through the Getting to Know Your Business work to challenge Council services about what they do, why they do it and how they do it, to ensure that the council is delivering the right things effectively and in a financially sustainable manner
 - to the team reviewing arrangements for **device return and issue** arrangements to optimise the utilisation of equipment
 - to the project team as the **Corporate Plan** was being developed
 - to the project team as the risks and control environment for the planned **Corporate Establishment** cloud-based module is implemented, as part of the changes to update the **Business World Enterprise Resource Planning** system
 - to the Contract Manager of the **Recruitment Management System** to support identifying and optimising the options for a replacement system
 - to the service area as the **Adult Care Quality Assurance Framework** was developed
 - to the service area as the revised framework for **Supporting Families Programme** was implemented
 - to support the work undertaken on the **Homes for Ukraine** scheme and the development of cash distribution arrangements.

¹ Pentana is the council's Corporate Performance Information System.

Grant Claims

- 5.89 It was possible to certify that grant terms and conditions had been complied with for the following grant claims:
- Local Transport Capital Block Funding – Highways Maintenance Challenge
 - Local Transport Capital Block Funding – Pothole
 - Disabled Facilities Capital Grant Determination
 - Covid-19 Contain Outbreak Management Funding
 - Covid-19 Protect and Vaccinate Grant
 - Covid-19 Test and Trace Support Payment
 - Universal Drug Treatment Grant.
- 5.90 The expanded **Troubled Families Programme, Payments by Results (PBR) Scheme for Local Authorities** returns continued to be audited on a quarterly basis. All claims audited this year had an unqualified audit opinion. The protocols agreed with the service for producing evidence to support the claims, along with the continued independent review of a sample claims by its staff to complement Internal Audit's examination of claims work, operated well and the process remains a collaborative one, with strong feedback from the Head of Service about the role that Internal Audit have played in supporting the service.

6. Compliance with Professional Standards

Head of Internal Audit Opinion

- 6.1 The Institute of Internal Auditors assessed the in-house team as fully meeting most of the Standards, as well as the Definition, Core Principles and the Code of Ethics in October 2017 (classified as "Generally Conforms", the highest rating).
- Good assessments were achieved in relation to:
- reflection of the Standards
 - focus on performance, risk and adding value
 - the quality assurance and improvement programme.
- Needs improvement assessments were given in relation to:
- coordinating and maximising assurance
 - the efficiency of its operations.
- 6.2 Preparations are now being made for the next round of external quality assessment that is planned to be undertaken in early 2024.

Quality and Improvement Programme

- 6.3 I can confirm that I have maintained an appropriate Quality and Improvement Programme (QAIP) during the year for the in-house team and work undertaken by contractors when being managed by the in-house team. As required by the Standards, this consisted of:
- on-going supervision and review of individual audit assignments completed by in-house staff or contractors working to in-house staff
 - reporting on a limited set of performance targets to the Audit Committee (for all work done including that of external suppliers)
 - reviewing the independent external assessment of compliance with the Standards which is required at least every five years and updating for the position for this year.
- 6.4 I have received assurance from external suppliers used that where they have undertaken work using their own audit approach, this is also compliant with the Standards.
- 6.5 **Appendix 3** summarises the results of the independent external assessment of compliance against each element of the Standards, updated for the position this year.
- 6.6 **Appendix 4** sets out the remaining actions that still need to be implemented arising from the:
- Head of Internal Audit's assessment of compliance as reported in the Annual Report
 - independent external review.
- 6.7 Senior management has chosen not to implement the Standard relating to the appointment and removal of the Head of Internal Audit as the council's normal HR practices would already mitigate this perceived potential risk.

Resourcing

- 6.8 Since the last Head of Internal Audit annual report to the Audit Committee there has been further change within the team. One of the Audit Managers retired in August 2022 and has been very difficult to replace. Subsequently the other Audit Manager began a period of maternity leave in December 2022, resulting in a significant deficit in the management resource available to the team which has impacted the delivery of the planned audit work.
- 6.9 During 2023 there have been three additions to the staffing of the team with the appointment of two new auditors and a new Audit Manager who began working for the team in May.
- 6.10 Therefore, as at 3 July 2023 that leaves the team with five vacancies, with the other Audit Manager currently taking maternity leave. 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.

- 6.11 The internal audit team has engaged with the Southend City Council Learning and Development Team to facilitate a session to apply the team's analytical thinking to the current position of the internal audit team and the expected requirements of the internal audit service into the future, as this continues to evolve both at an industry level and at a local level. An action plan was discussed to assist with the development and delivery of the most appropriate team model, utilising the financial resources available. Work to deliver this is ongoing.
- 6.12 The expected requirements of the internal audit service into the future continue to evolve and the ongoing challenges to the local government sector on a number of fronts is causing further consideration to take place. There is a growing requirement for better collaboration between risk functions (risk management, internal audit, compliance and other risk functions) as organisations evolve to embrace the fourth industrial revolution as part of their response to and subsequent impact of the covid-19 pandemic. Risk functions are being expected to be active participants, helping to achieve and protect the value of the organisation. Risks are becoming increasingly complex and interconnected, and without close risk function collaboration it is possible that blind spots to risk will arise for key stakeholders in the organisation that can then impact on strategic, financial and operational initiatives.
- 6.13 The remainder of this report needs to be considered within this context.

Audit Plan 2022/23

- 6.14 The target was to deliver 100% of the Audit Plan by mid-May so that the Head of Internal Audit Annual Opinion could be included in the council's Annual Governance Statement. As reported in **Appendix 2**, and in the list below, 75% of audits had all of the audit work delivered, although not all of the reporting had been completed and finalised. This provides a sound basis on which to provide the Head of Internal Audit opinion for the year.
- 6.15 In respect of the 46 audits and other audit work included in the final audit plan:
- 57% of audits are complete with finalised reports issued
 - 9% of audits are complete with draft reports issued
 - 7% of audits are complete with draft reports with the Head of Internal Audit
 - 2% of audits are completed with draft reports being produced
 - 15% of audits are in progress
 - 10% of audits have been deferred or removed due to changes of circumstances.

Other Performance Indicators

- 6.16 As much of the work this year has continued to be resourced through framework contracts, a more limited set of performance indicators have been reported upon.
- 6.17 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.

6.18 Stakeholder surveys are designed to assess compliance with some of the less tangible elements of the UK Public Sector Internal Audit Standards (the Standards). These have not been undertaken during 2022/23 due to the redeployment of the Business Support Officer as part of the Council's reorganisation of business support resource. These are being reintroduced for work completed from 1 April 2023 and will be reported in future quarterly performance updates.

Other Disclosures

6.19 As required by the Standards, I can confirm that the Internal Audit service has:

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

7. Issues for the Annual Governance Statement

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

8. Reasons for Recommendations

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

9. Corporate Implications

9.1 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 priorities and outcomes.

9.2 Financial Implications

The Audit Plan has been delivered within the approved budget.

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

9.3 Legal Implications

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

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

9.4 People Implications

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

9.5 Property implications

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

9.6 Consultation

The audit risk assessment, the Audit Plan and the results of audits are periodically discussed with the Chief Executive, Executive Directors and Directors before being reported to Corporate Management Team and the Audit Committee.

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

9.7 Equalities and Diversity Implications

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

9.8 Risk Assessment

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

The main risks the team continues to manage are the:

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

9.9 Value for Money

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

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

9.10 Community Safety Implications

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

9.11 Environmental Impact

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

10. Background Papers

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

11. Appendices

Appendix 1	Internal Audit Plan 2022/23 as at 7 July 2023
Appendix 2	Assurance Summary 2022/23
Appendix 3	Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2022/23
Appendix 4	Compliance with the UK Public Sector Internal Audit Standards Action Plan as at 7 July 2023

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Appendix 1: Assurance Summary 2022/23

Audit Plan Areas	Level of Assurance				
	High	Satisfactory	Partial	Minimal	No Opinion
Managing the Business		<ul style="list-style-type: none"> • Technology Modernisation Programme • Cyber Threat • Procurement Cards 	<ul style="list-style-type: none"> • Risk Management • ICT Strategy 		
Managing Service Delivery Risks		<ul style="list-style-type: none"> • Direct Payments • Community Investment Fund and Community Investment Board 	<ul style="list-style-type: none"> • Alternative School Provision • Better Queensway Workstreams • Corporate Asset Management • Housing Allocations 		<ul style="list-style-type: none"> • Highways Capitalised Maintenance Programme – Internal Audit Memo
Key Financial Systems		<ul style="list-style-type: none"> • Accounts Payable 			

Appendix 1: Assurance Summary 2022/23

Audit Plan Areas	Level of Assurance				
	High	Satisfactory	Partial	Minimal	No Opinion
Audits Revisited		<ul style="list-style-type: none"> • Adult Social Care Savings and Recovery Programme 	<ul style="list-style-type: none"> • Energy Projects Status Assurance • Highways Capitalised Maintenance Programme 		
Advice & Support					<ul style="list-style-type: none"> • My Southend • Financial Sustainability • Device return and issue • Corporate Plan • Business World ERP phase 2 • Recruitment management system • Letting of new waste collection contract • Adult care quality assurance framework

Appendix 1: Assurance Summary 2022/23

Audit Plan Areas	Level of Assurance				
	High	Satisfactory	Partial	Minimal	No Opinion
					<ul style="list-style-type: none"> • Supporting Families programme • Homes for Ukraine

Appendix 1: Assurance Summary 2021/22

Grant Claims	Level of Assurance	
	Unqualified	With Qualification
	Disabled Facilities Grant (No. 31/5515)	
	Supporting Families Programme	
	Universal Drug Treatment Grant (31/5494)	
	Covid 19 Contain Outbreak Management Funding (No. 31/5456)	
	Covid 19 Protect and Vaccinate Grant (No.31/5912)	
	Covid 19 Test and Trace Service Support Grant (No: 31/5385)	
	Local Transport Capital Block Funding – Highways Maintenance Challenge Fund	
	Local Transport Capital Block Funding – Pothole and Challenge Fund	
	Local Transport Capital Block Funding – Integrated Transport and Highway Maintenance	

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Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 7 July 2023
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Managing the Business

F&R	<p>Risk Management</p> <p>To support the council to embed robust assessment of risk and opportunity into decision making that encourages creativity, learning and improved outcomes.</p> <p>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.</p>	No	<p>Work complete in year, but is ongoing to enhance risk management across the Council, including the inclusion of risks to delivery of service objectives now included in the new service plans in place for 2023/24</p>
SC&G	<p>Technology Modernisation Programme Assurance (2021/22)</p> <p>To assess the robustness of the arrangements to deliver the programme of works required to achieve the Council's target technology operating model.</p>	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	<p>Green City Action Plan</p> <p>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.</p>	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 7 July 2023
Implementing Action Plans			
N&E	<p>Energy Projects Status Assurance (2021/22)</p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service</p>	Yes	Draft report issued to the service
N&E	<p>Highways Capitalised Maintenance Programme</p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.</p>	Yes	Completed April 2023
<p>Safe and Well</p> <p>By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives</p>			
C&PH	<p>Alternative School Provision (2021/22)</p> <p>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.</p>	No	Draft report with the Head of Internal Audit
F&R	<p>Contain Outbreak Management Funding (No. 31/5456)</p> <p>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).</p>	Yes	Completed September 2022
G&H	<p>Protect and Vaccinate Grant (No. 31/5912)</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	Completed July 2022

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 7 July 2023
A&C	<p>Disabled Facilities Grant (No. 31/5515)</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	Completed November 2022
C&PH	<p>Supporting Families Programme</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p> <p><i>Planned throughout the year to align with the Payment by Results claim windows set by Department for Levelling Up, Housing & Communities.</i></p>	Yes	<p>April – September claims completed September 2022</p> <p>October – December claims completed December 2022</p> <p>January – March claims completed March 2023</p> <p>April – June claims completed June 2023</p>
F&R	<p>Test and Trace Support Payment Scheme (No. 31/5385)</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>	Yes	Completed June 2022
C&PH	<p>Universal Drug Treatment Grant 2021-22 (No. 31/5494)</p> <p>To certify that, in all significant respects, the conditions attached to the grant have been complied with.</p>		Completed November 2022
G&H	<p>Rough Sleepers</p> <p>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.</p>	Yes	Deferred to August 2023 at the request of the service due to competing priorities and deadlines resulting in insufficient capacity to engage with the audit
C&PH	<p>Independent Reviewing Officers</p> <p>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.</p>	No	Work in progress

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 7 July 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	Work removed from the plan as assurance obtained from the OFSTED review Resource being re-purposed in discussion with service
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	Completed June 2023
<i>Implementing Action Plans</i>			
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
Active and Involved By 2050 we have a thriving, active and involved community that feel invested in our city			
N/A	No work planned	N/A	
<i>Implementing Action Plans</i>			
<i>None planned</i>			

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 7 July 2023
<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>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 Head of Internal Audit
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 7 July 2023
Connected and Smart By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure			
N&E	Local Transport Capital Block Funding (No. 31/5505) To certify that, in all significant respects, the conditions attached to the grants have been complied with.	Yes	Completed October 2022
N&E	Local Transport Capital Block Funding – Pothole Fund (No. 31/5506) To certify that, in all significant respects, the conditions attached to the grants have been complied with	Yes	Completed October 2022
F&R	My Southend 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.	No	Feedback provided directly to the service area on the project's business case Further work to be undertaken as the project progresses
<i>Implementing Action Plans</i>			
<i>None planned</i>			
All Outcomes			
SC&G	Cyber Threat (2021/22) 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.	Yes	Completed March 2023
SC&G	ICT Strategy (2021/22) 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.	No	Completed December 2022

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 7 July 2023
SC&G	<p>Letting of Recruitment Contract</p> <p>To assess the robustness of the arrangements for reletting the council's contract for recruiting agency and permanent employees.</p>	Yes	<p>Phase 1 Award of Contract work completed July 2022</p> <p>Phase 2 Contract negotiations work completed December 2022</p>
F&R	<p>Clearing House Automated Payments System (CHAPS) payments</p> <p>To assess the robustness of arrangements that ensure valid and accurate and payments are made using the CHAPS facility.</p>	Yes	Draft report with the HoIA
F&R	<p>Procurement Cards</p> <p>To assess the robustness of processes for ensuring staff purchases made using procurement cards is transparent and valid.</p>	Yes	Completed March 2023
SC&G	<p>Staff Pay</p> <p>To assess the robustness of processes for ensuring accurate and valid payments are made to staff when these are outside of standard salary payments.</p>	Yes	Work in progress
<i>Implementing Action Plans</i>			
SC&G	<p>Business World Enterprise Resource Planning Programme of Work</p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day management of the Programme.</p>	No	Work in progress
Key Financial Systems - All Outcomes			
F&R	<p>Accounts Payable</p> <p>To assess the robustness of processes for ensuring accurate, transparent, and valid payments are made to suppliers and individuals.</p>	Yes	Completed March 2023

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 7 July 2023
<i>Implementing Action Plans</i>			
<i>None planned</i>			
Advice and Support			
All Outcomes and Future Ways of Working			
F&R	<p>Financial Sustainability (including Getting to Know your Business Initiatives)</p> <p>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.</p>	No	Draft report being produced
SC&G	<p>Device Return and Issue</p> <p>To provide support and challenge to the team assessing arrangements to improve processes for issuing and returning IT equipment to new starters and leavers.</p>	Yes	Work complete. Input provided as the group improved the process for the return of equipment
SC&G	<p>Corporate Plan</p> <p>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.</p>	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	<p>Business World Enterprise Resource Planning Phase 2</p> <p>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.</p>	Yes	<p>Work in progress</p> <p>Discussions underway with the ERP Project Team as work continues to refine the project deliverables as part of the business case development.</p>

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 7 July 2023
SC&G	<p>Recruitment Management System</p> <p>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.</p>		<p>Work complete. Feedback has been provided during workshops to date focused on:</p> <ul style="list-style-type: none"> • Recruitment and technical requirements • Invoicing and finance
<i>Implementing Action Plans</i>			
G&H	<p>Better Queensway Highway Scheme (2021/22)</p> <p>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.</p>	No	Draft memo being discussed with the business
<p>Pride and Joy</p> <p>By 2050 Southenders are fiercely proud of, and go out of their way, to champion what our city has to offer.</p>			
N&E	<p>Climate Project Management</p> <p>Provide advice, support and challenge over the project management framework in place to deliver projects within the climate agenda on time and within budget.</p>		Work deferred until 2023/24 to enable changes being made to arrangements to be embedded
N&E	<p>Letting of new Waste Collection Contract</p> <p>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.</p>	Yes	Work in progress. Feedback being provided as the procurement arrangements progress

Appendix 1: Internal Audit Plan 2022/23

Dept	Service Activity and Focus for Audit	Fraud risk	Status as at 7 July 2023
<p>Safe and Well</p> <p>By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives</p>			
A&C	<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 7 July 2023
<p>Active and Involved</p> <p>By 2050 we have a thriving, active and involved community that feel invested in our city</p>			
<p><i>No work planned</i></p>			
<p>Opportunity and Prosperity</p> <p>By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people</p>			
G&H	<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>			
<p><i>No work planned</i></p>			

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 3 Summary Assessment of Compliance with
UK Public Sector Internal Audit Standards 2022/23**

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

**Appendix 3 Summary Assessment of Compliance with
UK Public Sector Internal Audit Standards 2022/23**

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

**Appendix 3 Summary Assessment of Compliance with
UK Public Sector Internal Audit Standards 2022/23**

Ref	Standard	Generally Conforms	Partial Conforms	Does Not Conform	N/A
2300	Performing the Engagement	✓			
2310	Identifying Information	✓			
2320	Analysis and Evaluation	✓			
2330	Documenting Information	✓			
2340	Engagement Supervision	✓			
2400	Communicating Results	✓			
2410	Criteria for Communicating	✓			
2420	Quality of Communications		✓		
2421	Errors and Omissions	✓			
2430	Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'	✓			
2431	Engagement Disclosure of Non-conformance	✓			
2440	Disseminating Results	✓			
2450	Overall Opinions	✓			
2500	Monitoring Progress	✓			
2600	Resolution of Senior Management s Acceptance of Risks	✓			
	TOTAL OUT OF 64	60	4	0	0

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Appendix 4: Compliance with UK Public Sector Internal Audit Standards Action Plan (SCC Version) as at 7 July 2023

Action required	Current status	Date
Attribute Standards		
1200 Proficiency and Due Professional Care		
<i>1230 Continuing Professional Development</i>		
<p>Continue with the recruitment programme for professional audit staff.</p> <p>149</p>	<p>Further changes to the team during 2022/23 with people leaving and new recruits joining mean there are five vacant posts, the salaries of these are currently being used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.</p> <p>The internal audit team has engaged with the Learning and Development Team to facilitate a session to apply the team’s analytical thinking to the current position of the internal audit team and the expected requirements of the internal audit service into the future, as this continues to evolve both at an industry level and at a local level. An action plan was discussed to assist with the development and delivery of the most appropriate team model, utilising the financial resources available. Work to deliver this is ongoing.</p>	<p>HoIA, Ongoing</p>

Appendix 4: Compliance with UK Public Sector Internal Audit Standards Action Plan (SCC Version) as at 7 July 2023

Action required	Current status	Date
Performance Standards		
2000 Managing the Internal Audit Activity		
<i>2030 Resource Management</i>		
When resources allow, arrange more regular meetings with individual Group Managers as required, to help progress work in the Audit Plan.	These sessions have been taking place throughout 2022 and 2023 as audits have been planned and set up. Since covid-19, regular catch ups with the business are taking place via Microsoft Teams.	AMs, Ongoing
<i>2040 Policies and Procedures</i>		
Refresh the Audit Manual and supporting forms to reflect: <ul style="list-style-type: none"> • updates in the Standards • current working practices • any issues arising from the independent external assessment. 	Some of this work is still in progress. It will take longer than anticipated to complete due to the changes in the senior management team. Work is also needed to update the Audit Manual to ensure the audit approach is compliant with the General Data Protection Regulations (GDPR) and reflects the actual procedures now followed by the team.	AMs, Ongoing
<i>2050 Co-ordination and Reliance</i>		
At all clients, further develop the "other assurance" element of the audit risk assessments particularly with regard to corporate business management processes.	This work is now established as part of the Audit Planning process. This has also been developed throughout the year as audit work is completed.	AMs, Ongoing

Appendix 4: Compliance with UK Public Sector Internal Audit Standards Action Plan (SCC Version) as at 7 July 2023

Action required	Current status	Date
2100 Nature of Work		
2110 Governance		
Assess whether an ethical governance audit should be included in Audit Plan.	This was considered as part of the audit planning for 2022/23, and will remain on the issues to be considered for inclusion at each planning assessment.	HoIA, ongoing
2400 Communicating Results		
2410 Criteria for Communicating		
Reassess the reporting templates as part of updating the Audit Manual, to see how underlying issues with the Council's governance arrangements could be highlighted.	This will be reassessed after the Transformation Programme work has been undertaken during 2023/24 and changes to the Council's operating model are implemented.	AMs, Ongoing
2431 Engagement Disclosure of Non-Conformance		
Consider updating the Audit Manual with a small section covering this particular situation and referencing PS2431.	This is still work in progress. It will take longer than anticipated to complete due to the changes in the senior management team. In addition, a prompt will be included in the reporting template to ensure any incidents of non-conformance have been considered and managed in line with audit manual guidance.	AMs, Ongoing
2500 Monitoring Progress		
Introduce the process for management to provide the Audit Committee with this assurance for reports with high and satisfactory audit opinions.	The Auditors are currently working on this project with Council officers that operate the Pentana system to identify an automatic reporting process from Pentana.	Auditors, Ongoing

Appendix 4: Compliance with UK Public Sector Internal Audit Standards Action Plan (SCC Version) as at 7 July 2023

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

Key:

- HoIA, Head of Internal Audit
- AM, Audit Manager

Southend-on-Sea City Council

Report of Deputy Executive Director (Finance & Resources)

To

Audit Committee

On

19 July 2023

Report prepared by: Sarah Brown Policy Manager and Andrew Barnes

Head of Internal Audit and Counter Fraud

Agenda Item No.

88

Adoption of the Annual Governance Statement 2022/23

A Part 1 Public Agenda Item

1 Purpose of Report

- 1.1 To present to Audit Committee the Annual Governance Statement for 2022/23 together with actions planned for 2023/24 and an update on progress made with the 2022/23 action plan.

2 Recommendation

- 2.1 That the Annual Governance Statement for 2022/23, subject to any views expressed by External Audit, be approved and that it is recommended to the Leader of the Council and Chief Executive for authorisation and signature, and incorporation in the Statement of Accounts 2022/23.

3 Annual Governance Statement

- 3.1 The responsibility for ensuring that there is a sound system of internal control rests with the Council. It is required to report on this annually via its Annual Governance Statement which is published within the Statement of Accounts each year.
- 3.2 To achieve this, the Council seeks regular assurance that its systems of internal control are functioning effectively. It also ensures that the system of internal control is effective in managing significant risks in the way that it would expect.
- 3.3 The Council has delegated responsibility for monitoring and reporting on the adequacy and effectiveness of its system of internal control to the Audit Committee.
- 3.4 The Annual Governance Statement is attached at **Appendix 1**.

3.5 In appraising the Annual Governance Statement members of Audit Committee should consider:

- That the Audit Committee has acted in accordance with its terms of reference, that members attendance was regular and that sufficient training and guidance for members was provided to enable them to fulfil their role effectively.
- That the statement reflects the evidence seen by members during the course of their duties and that it reflects their experience in undertaking other roles as Councillors, including as members of Scrutiny Committees.

3.6 The Council approved and adopted the Local Code of Governance (the Code) in December 2019, that is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The Council's Governance (officer) Board has undertaken a review of the draft Annual Governance Statement against the CIPFA / Solace seven core 'principles of good governance'. The Governance Board will continue to review and update this self-assessment as part of the evidence considered by the group to highlight areas of governance for potential further focus and updated good practice.

4 Corporate Implications

4.1 Contribution to the Corporate Plan and Southend 2050 Road Map

Operating robust and appropriate governance arrangements contributes to the delivery of all Council aims and priorities.

The accuracy, format and content of the Annual Governance Statement and Statement of Accounts are key determinants in maintaining the Council's reputation for financial probity and effective financial stewardship.

4.2 Financial Implications

All officers have been required to adopt robust financial management arrangements within their service areas.

The Annual Governance Statement and Statement of Accounts is required to present a true and fair view of the Council's financial position as at 31 March 2023 and also the income and expenditure for the financial year.

4.3 Legal Implications

The Accounts and Audit Regulations 2015:

- Section 6(1)(a) require an authority, each financial year, to conduct a review of the effectiveness of the system of internal control
- Section 6(1)(b) requires it to prepare an Annual Governance Statement.

Section 6(2) requires the:

- findings of the review to be considered by a committee or by members of the authority meeting as a whole
- annual governance statement to be approved by a committee or by members of the authority meeting as a whole.

Section 6(4) requires that the annual governance statement must be:

- approved in advance of the authority approving the statement of accounts
- prepared in accordance with proper practices in relation to accounts.

Proper practice in this sense is defined as guidance issued by the relevant professional body, which for local government is the CIPFA / SOLACE Framework. This requires local authorities to produce a Local Code of Governance and sets out the operational framework that it should adopt.

Therefore, the work undertaken to support and produce the Annual Governance Statement satisfies the requirements of the Accounts and Audit Regulations 2015.

4.4 People Implications

There are no people implications arising from this report.

4.5 Property Implications

There are no property implications arising from this report.

4.6 Consultation

The AGS has been reviewed and agreed by the Governance Board, Chief Executive and Leader in advance of being reported to the Audit Committee.

4.7 Equalities Impact Assessment

There are no equalities implications arising from this report.

4.8 Risk Assessment

There are no risk implications arising from this report.

4.9 Value for Money

There is no value for money implications arising directly from this report, although the audit of the accounts includes an independent value for money assessment.

4.10 Community Safety Implications

There are no community safety implications arising from this report.

4.11 Environmental Impact

There are no environmental implications arising from this report.

5 Appendices

Appendix 1 Annual Governance Statement 2022/23

Southend-on-Sea City Council

Annual Governance Statement – 2022/23

1. Scope of responsibility

- 1.1 Southend-on-Sea City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively. The Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for ensuring the proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk, are in place. This responsibility extends to satisfying itself that there are robust governance arrangements between the Council and its subsidiaries.
- 1.3 The Council approved and adopted an updated [Local Code of Governance](#) in December 2019, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Council's code is part of the Council's Constitution and is available on the Council's [website](#) or can be obtained from the Corporate Strategy Group, Civic Centre, Victoria Avenue, SS2 6ER. The Council has been implementing new governance arrangements during the past year which will be commented upon below. Full details will be available in a refreshed version of the Local Code of Governance due to be published in the latter part of 2023/34.
- 1.4 This Annual Governance Statement explains how the Council has complied with the Code and meets the requirements of Section 6 of the [Accounts and Audit Regulations 2015](#) in relation to the production and publication of an Annual Governance Statement.

2. The purpose of the Annual Governance Statement

- 2.1 The governance framework comprises the structures, systems, processes, culture, and values, by which the Council is directed and controlled and the activities through which it is accountable to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively, and economically.

- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the annual statement of accounts. Revisions and improvements have been implemented, described throughout the statement, and will form a new Local Code of Governance to be published in 2023/24.

3. The Council's Governance Framework

- 3.1 The governance framework ensures the Council's ambition and desired outcomes are effectively promoted and progressed through its corporate governance arrangements and business planning processes. The key business process elements of the governance framework are as follows:

Citizens:

- Community participation
- Co-design and co-production with citizens
- Customer satisfaction
- Consultation and engagement
- Complaints, compliments, and comments

Performance:

- Outcome based strategy and business planning
- Decision making / constitution
- Policy framework and procedures
- Performance management, including data quality
- Risk management, whistleblowing
- Business continuity
- Information security
- Contract management
- Project management
- Change / transformation management

Resources:

- Outcome based financial planning and reporting, budgetary control, and treasury management
- Commissioning
- Procurement
- Asset Management
- Fraud & Corruption and Insurance
- Value for Money (through the Getting to Know your Business and Transformation Blueprint projects)

People:

- People Vision and Plan 2022-26
- Values and behaviours - codes of conduct for members and staff
- Staff performance management and development
- Health and safety
- Ethical governance

- 3.2 These areas form the main sources of assurance to be considered in any review of the Council's governance arrangements.

- 3.3 The Chief Executive has the responsibility for overseeing the implementation and monitoring of the Local Code of Governance, through a process which includes:
- Regular reports to the Corporate Leadership Team (CLT) and the Audit Committee which set out:
 - weaknesses identified in the governance arrangements and
 - any corrective action necessary to resolve concerns identified;
 - An annual review of the governance framework undertaken by the officer Good Governance Group, and more recently by the officer Governance Board;
 - An annual report to the Corporate Leadership Team and the Audit Committee on the adequacy of governance arrangements; and
 - A regular review of 'The Local Code of Governance', with any significant amendments reported to the Audit Committee, endorsed by Cabinet, and approved by Council.
- 3.4 The Council's key governance and business planning processes are also subject to audit on a risk assessed basis. Such work completed during the year forms part of the evidence in support of the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's system of internal control.
- 3.5 Key elements of the Local Code of Governance are outlined below:
- 3.6 The Council's Monitoring Officer is responsible for the maintenance of the Constitution and for reviewing its relevance and effectiveness, ensuring that it is always fit for purpose. Any changes to the Constitution are approved by full Council. Minor changes can also be made to the Constitution by the Chief Executive in consultation with the Group Leaders and the Monitoring Officer.
- 3.7 The Council operates a Leader and Cabinet model of governance, with the Leader (appointed by Full Council for a four-year term) appointing other Councillors to form the Cabinet. During 2022/23 Cabinet had 7 portfolio holders plus the Leader. Cabinet is responsible for the majority of functions of the Council within the budget and policy framework set by full Council. Executive decisions are taken by the Cabinet collectively or by officers acting under delegated powers, depending upon the significance of the decision being made. For urgent issues, a chief officer can take a decision in consultation with the relevant portfolio holder, which will then be reported to the whole Cabinet at the earliest opportunity.
- 3.8 Following the May 2022 election, the Council returned no overall political control and continued to operate a Joint Administration. Led by a Labour Leader, newly appointed in May 2022, the Administration was made up of 16 Labour members, 6 Independent members and 6 Liberal Democrats. The opposition comprised of Conservatives (21 seats) and 2 non-aligned independent members.
- 3.9 Five Special Cabinet meetings took place during 2022/23 increasing the flow of business and support mechanisms around these meetings. The regular occurrence of change and the annual preparation for election periods continues to present challenges and risks to the sustainability of longer-term service and financial planning, these issues were reported in the Local Government Association Corporate Peer Challenge findings in October 2022 (see section for more detail 5.46).

- 3.10 2022/23 also saw changes within the Senior Leadership Team including a new permanent Chief Executive and plans for a reduced number of permanent Executive Directors. The local election in May 2023, returned a result of no overall control. At the Council's AGM on 18th May 2023, the Conservative Group formed a minority administration and appointed 10 Cabinet members (including the Leader).
- 3.11 The Council has three Scrutiny Committees which review and scrutinise proposed decisions in their respective areas of responsibility – People, Place and Policy & Resources. The committees review and scrutinise decisions made, or actions taken in connection with the discharge of any of the Council's functions. In accordance with the Health and Social Care Act 2012, the People Scrutiny Committee also scrutinises health matters.
- 3.12 During 2022/23, the General Purposes Committee, alongside other councillors developed and agreed new Scrutiny Procedure Rules which will be implemented from May 2023. Changes will enable more effective pre-Cabinet scrutiny system where scrutiny and opposition councillors are given opportunities to contribute to and offer advice on key decisions prior to consideration by Cabinet. This will be achieved by identifying reports through a pre-published Forward Plan.
- 3.13 The Council has a Standards Committee to promote and maintain high ethical standards of conduct for elected and co-opted committee members. A key role of the Committee is to help oversee the councillors' Code of Conduct and to monitor the effectiveness of the councillors' Code of Conduct. The Standards Committee also deals with formal complaints against councillors.
- 3.14 The Council has begun to operate a development and training programme for councillors to help support them in their strategic roles. This bespoke offer has been designed with councillors to support robust and effective decision making within a strong governance framework and will enhance councillors' aim for high performing and professional relationships.
- 3.15 The implementation of the 'Work Smart' hybrid framework, enabled by the Digital Smart Strategy and Facilities Management Strategy, and is facilitating more responsive, efficient, and effective ways of working. The model defines two types of working practices, incorporating a flexible mix of remote and in-office working making the location of where employees work, within reason, a choice.
- 3.16 Service Plans have been introduced from April 2023, these set out service area objectives, how services will contribute to the delivery of the corporate plan, and how success will be measured. The purpose of these plans is to provide robust management of service areas. They will help services to plan, organise and increase coordination and consistency across the Council and provide the organisation with the information and assurances required for good governance. Service plans will sit underneath the Council's corporate plan and form a key component of the golden thread approach (linking individual performance to service tactics and organisational strategy).
- 3.17 Annual performance and development conversations are held with employees to review their performance and agreed goals. These are aligned to the service plan and corporate plan priorities, performance development and career progression. This includes leadership capabilities. It is expected that all employees have a minimum of 4 or a maximum of 8 SMART goals. All budget holders must include

the 'knowing your business' goal as one of their 8 goals. As part of the Council's response to the recommendation from the LGA Peer Challenge (see section 5.46), the Council is enhancing the system by which the completion rates of conversations are monitored.

- 3.18 A local authority has a duty to ensure that it is fulfilling its responsibility for adequate and effective risk management, control, and governance. To this end, the Council has in place an Audit Committee. The Audit Committee has a key role in overseeing and assessing the risk management, control, and corporate governance arrangements and advising the Council on the adequacy and effectiveness of these arrangements.
- 3.19 The Council's major policy objectives and priorities are outlined in the 'Southend Corporate Plan 2022 - 2026', which provides the Council's focus for the next four years. The Plan translates ambitions set out in Southend 2050, the long-term vision for Southend-on-Sea, into medium-term priorities. The corporate plan details how employees and councillors will work with residents and partners to deliver strategic priorities. Reports outlining progress against key areas of delivery (Corporate Performance Report) are reviewed by the Corporate Leadership Team, Cabinet and Scrutiny Committees.
- 3.20 Regular integrated financial monitoring reports covering both revenue and capital projects are produced that provide analysis and explanations of any significant variances from approved budgets. The Investment Board has a particular focus on capital expenditure and reviews and challenges business cases.
- 3.21 The Council operates a five-year capital investment programme, with the application of a 'gateway review' process, enabling items on a reserved list to be subject to further and proportionate consideration before being included in the programme. This, among other things, enables consideration of levels of required resourcing to be applied to projects, both in terms of affordability and the capacity of the organisation to deliver them, and in alignment with the priorities outlined in the Corporate Plan.
- 3.22 The Council is undertaking a capital programme review process to consider what schemes should stop, pause or defer. Progress updates of the review were included in the Period 4, Period 6 and Period 8 financial performance reports to September, November, and January Cabinet respectively.
- 3.23 Four rounds of capital challenge sessions were also held with the Cabinet Member for Asset Management and Inward Investment: In August sessions relating to the strategic schemes, in early October sessions relating to all schemes, in early December sessions targeted on the key areas where further progress needed to be made and in late April sessions looking at the outturn position and any budget re-profiles to re-prioritise and re-align the programme. During the LGA Corporate Peer Challenge (see section 5.46) the peer team were impressed with the Council's current approach to the management and review of its capital programme.
- 3.24 A forecast outturn for the year is also developed and considered by Cabinet and the Scrutiny Committees. A five-year Medium Term Financial Plan is refreshed annually and shaped by the priorities agreed by the Council. The Council has also developed a Financial Sustainability Strategy providing a 10-year horizon. The Council's annual budget process is subject to engagement, consultation, and

scrutiny by all interested stakeholders. Formal public Scrutiny Committees take place at the end of January, prior to consideration by Cabinet and decision by full Council on the overall budget package in February. This enables a robust, costed, and balanced, budget to be set. The overall budget development and approval arrangements complies with good practice and helps to ensure that the Council remains financially resilient.

- 3.25 The Corporate Risk Register is reviewed regularly by the Corporate Leadership Team, and by the Cabinet every six months. Project risk and departmental risk registers are reviewed by service area management teams.
- 3.26 The Council engages with its communities within a consultation, engagement and participation framework that increasingly harnesses co-design, co-production, and asset-based community development principles, with outputs integrated into business planning and delivery as is the case with the Health and Wellbeing Panel, the development of Adult Social Care Strategies and Tackling Poverty Strategy. Co-production activity through a test and learn approach continues to be evaluated by the Adults and Communities Senior Management Team and supported by Working Together for Change, an organisation working alongside councils and health organisations to improve citizen led change to public services. The Council will continue this relationship into 2023 with the development of the Autism and Neurodivergent Strategy.
- 3.27 The Council has a Health and Safety Policy, with an accompanying assurance mechanism and action plan that is reviewed quarterly by the Corporate Leadership Team and Divisional Management Teams via the Governance Board and newly formed SCC Health and Safety Group. This approach has recently been refreshed to support the learning from the pandemic and to assist the Council in maintaining Level 5 (out of 5) diamond award on the RoSPA (Royal Society for the Prevention of Accidents) Quality Safety Award assessment.
- 3.28 A complaints procedure and a whistleblowing policy are maintained and kept under review to enable issues to be raised by public, staff, councillors, and co-opted Members, when they feel appropriate standards have not been met. A report analysing complaints, comments and compliments is submitted to Cabinet and Council annually.

4. Role of the Chief Financial Officer

- 4.1 The Chief Financial Officer (CFO) occupies a key position in managing the Council's finances and ensuring that resources are used wisely to secure positive results and desired outcomes. To support the post holder in the fulfilment of their duties, and ensure the Council has access to effective financial advice, in 2016 the Chartered Institute of Public Finance Accountants (CIPFA) issued an updated statement on the Role of the Chief Financial Officer in Local Government. The statement:
- Sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role, and
 - Includes five key principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them.

4.1.1 These principles are:

- The CFO in a local authority is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest;
- The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and aligned with the Council's overall financial strategy;
- The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively;
- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose; and
- The CFO in a local authority must be professionally qualified and suitably experienced.

4.2 The Council has the necessary arrangements and procedures in place which ensure that these principles are complied with. This is through a combination of direct compliance by the CFO and, where not directly complied with, ensuring there are alternative procedures in place to make sure that the necessary outcomes and objectives are still achieved, and suitable controls are in place. For example, this may include deputising arrangements and delegated authority for financial management in the clearance of relevant reports to councillors.

4.3 The Chief Finance Officer is responsible for ensuring that the annual Statement of Accounts is prepared in accordance with the Code of Practice on Local Authority Accounting In The United Kingdom. Due to the resourcing and capacity challenges that external auditors have experienced over the last 18 months, the independent external audit of the 2020/21 Statement of Accounts was completed in April 2023, and the external audit of the 2021/22 Statement of Accounts has not yet been finalised. Whilst this is not a reflection on the effectiveness of the Council's governance arrangements or on the quality of the draft Statement of Accounts, it does mean that the Council and its partners and stakeholders do not yet have the assurances they seek from a fully audited and unqualified signed set of accounts for 2021/22. Also, during 2023/24 the Council's finance team will now have to manage the finalisation of the independent external audit for both the 2021/22 and 2022/23 financial years. Discussions for planning this programme of activity are ongoing with the external audit teams, as new external auditors have been appointed to deliver the audit of the 2023/24 statement of accounts.

5. Review of effectiveness

5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by; the work of the Senior Leadership Group, work undertaken by the Good Governance Group (moving to a new officer Governance Board in March 2023), the Head of Internal Audit's annual report, and by comments made by external auditors and other external agencies and inspectorates. The Council has also undertaken an evidenced based self-assessment against each of the 17 standards contained within the CIPFA Financial Management Code (see section 5.37).

5.2 The year 2022/23 has seen the Council undertake several landmark internal activities including, delivery of a new Corporate Plan and implementation of Service Planning, the appointment of a new permanent Chief Executive, as well as responding to a Local Government Association (LGA) Corporate Peer Challenge. The backdrop to which has seen the Council's services step up to respond to residents who have been facing the cost-of-living crisis. This significant increased demand for support at a time of inflationary cost pressures across all service areas has resulted in staff pressures and difficult budget decisions. Following the declaration of a cost-of-living emergency, the Council set up a councillor and officer working party to deliver a suite of bespoke activity. This was alongside the development and publication of a partnership co-produced 'Tackling Poverty Strategy 2023 to 2026'. The latter part of the year has seen the Council embark on a wholesale review of its operating model and service standards so that it can continue to balance its budget and meet the needs of its residents and communities.

5.3 Internal activity

5.4 The councillor development programme, co-designed with councillors, equips them with the skills and knowledge they need to be an effective 21st century councillor. A number of activities have been progressed to include improvements to the dedicated councillor support hub (to improve handling of councillor enquiries); an improved induction programme; improvements to councillor's ICT requirements; more political awareness training for officers; a buddy system where senior officers support all newly elected councillors, and opportunities for better understanding respective roles and how these can be mutually supportive. These measures aim to support effective working relationships between councillors and officers and this work continues to be reviewed and enhanced for ongoing effectiveness.

5.5 Eleven reports were called-in from the Cabinet or referred directly for scrutiny by the People Scrutiny Committee. Thirty-seven reports were called-in or referred to the Place Scrutiny Committee for review and twenty-nine reports were called-in or referred directly to the Policy and Resources Scrutiny Committee.

5.6 An in-depth scrutiny project on behalf of the People Scrutiny Committee for 2022/23 covered the topic 'Providing First-Class Services for Families of Children with Special Educational Needs and Disabilities.' The project for the Policy and Resources Scrutiny Committee was 'Developing Strong Governance at Southend-on-Sea City Council: Strengthening Joint Working Between Councillors and Officers.' The in-depth Scrutiny Project for Place Scrutiny Committee was 'Preparing Southend for the EV Revolution'.

5.7 The Service Design Team support the Council by facilitating the planning and co-ordination of the Transformation Blueprint work. The next stage, starting in summer 2023, will see a rapid 14-week investigation and planning period and includes the review and future state design of 51 service areas within the organisation. The outcome will create implementation plans for change. After this period, the change programme will be delivered over the coming months and years.

5.8 In addition, the Service Design Team have facilitated the implementation of the transition/ learning and development programme to support the new customer support service embed within the organisation.

- 5.9 The development of options for a Project Management Office (PMO) has been scoped by the Service Design Team to support the wider Transformation Blueprint work (see section 5.41). These plans have been developed and presented to the Corporate Leadership Team. Principles underpinning the PMO include enhancing and cascading current skill capacity across the Council. The functions of the PMO will cover: Programme and Project Management, Standards & Guidance, Business Management & Learning & Development. This will be central to the wider change programme within the Council and will be operational in summer 2023.
- 5.10 Mandatory e-learning for both data protection and cyber security is an annual event and was undertaken by staff and councillors, supplemented by alternative tailored training for those for who using an e-learning platform might not be appropriate. To support this learning, a number of email phishing exercises were undertaken to test the awareness and effectiveness of the training.
- 5.11 The Council's approach to cyber security is aligned to best practices and frameworks and is audited. Improvements in maturity are regularly self-assessed. A cyber security audit was completed and highlighted no high risk findings. A new approach to own device usage was trialled in ICT and across Digital Champions and will now be rolled out across all users. The Council's cyber security strategy will continue to increase maturity of understanding both within ICT, across officer teams and councillors.
- 5.12 Officer governance arrangements have continued to evolve, including in the introduction of four new boards to enable better focus on thematic issues and oversight functions. These include a new Governance Board, Performance Board, Strategy, Policy & Legislation Board and Transformation Board.
- 5.13 The Governance Board ensures that the Council has a robust method of scrutiny and appraisal to ensure delivery of the Council's Corporate Plan. The Board will act as a single point of assurance on governance within the Council. The Board advises the Corporate Leadership Team, General Purposes Committee and Cabinet on the adequacy of the governance arrangements and proposes areas for improvement. The Board reviews reports on Internal Audit, Risk & Governance, External Audit, Health and Safety, Business Continuity and other relevant documents. The Board is responsible for:
- Recommending changes to the Constitution
 - Reviewing significant changes to governance policies
 - Regularly reviewing governance structures
 - Reporting on significant governance improvements and weaknesses to the General Purposes Committee
 - Reviewing the Annual Governance Statement
 - Ensuring the Council practices and embeds good governance in line with the Constitution and supporting policies and procedures
 - Ensuring good practice of inclusive decision making through Data Protection Impact Assessments (DPIA) and Equality Analysis (EA).
 - Overseeing development and implementation of key governance training and materials pertinent to running the Council effectively
 - Reviewing reports about Internal Audit, Risk & Governance, External Audit and other relevant inspectorates
 - Monitoring improvement plans and reporting to the Audit Committee

- Reviewing Ombudsman reports
- Reviewing the Council's Health & Safety compliance

5.14 The Performance Board ensures that the Council has a robust method of scrutiny and appraisal to ensure delivery of the Council's Corporate Plan. The Board advises the Corporate Leadership Team, Audit Committee and Cabinet on the performance arrangements and performance against the delivery of the Council's corporate priorities. The Board reviews reports from Corporate Strategy, Finance, HR, and Customer Support. The Performance Board is responsible for:

- Reviewing performance reporting against the delivery of the Council's Corporate Plan
- Reporting progress and key concerns to members
- Reviewing Council's statistical performance in Customer Support
- Oversight of implementation of the recommendations from the LGA Corporate Peer Challenge
- Providing the Corporate Leadership Team with a monthly highlight report.

5.15 The Strategy, Policy and Legislation Board will map all of the Council's policies and strategies, identifying gaps and allocating responsibility as required for updating existing policies or strategies or creating new ones. The Board is responsible for:

- Oversight of the development of the Council's Corporate Plan
- Reviewing all Council policies and strategies as and when required
- Allocating responsibility where policies and strategies require amendments.
- Identify all forthcoming consultations (legislation and guidance) concerning the Council and identifying responsibility for responding.
- Reviewing all new proposed policies and strategies prior to submission for decision

5.16 The Transformation Board will drive transformation aligned with strategic goals to enable the council to be modern and financially sustainable. The Board will continue to develop its measurable outcomes.

- Delivery of the transformation blueprint per the agreed project/programme plans and deliverables;
- Delivery of both the tactical and strategic workstreams;
- Achieving the savings stated in the GT blueprint- roughly £11.5 million each for the two workstreams;
- Achieving other savings identified;
- Delivery of the transformation recommendations from the LGA Corporate Peer Challenge;
- Ensuring the transformation programme is compliant with the Equalities Act and Data Protection Act and other relevant legislation.

5.17 A review of the Council's Constitution commenced in March 2021. Bevan Brittan solicitors were commissioned to carry out an initial review and reflect upon where the Constitution may be improved to better reflect how the Council wishes to operate. Following this review, the General Purposes Committee agreed to provide all councillors with the opportunity to engage in conversations supported by the Centre for Governance and Scrutiny (CfGS) about which aspects of the Constitution may be changed. The CfGS met with each party group, including non-aligned councillors, to discuss the working practices of the Constitution, providing learning and best practice from elsewhere, prior to facilitating cross party workshops in order to establish consensus on changes. Following the CfGS findings, the General

Purposes Committee have designed and implemented new pre-decision scrutiny rules. The new process will provide councillors with greater oversight of planned work and provide an opportunity to collaborate on key decisions ahead of Cabinet. This new process will commence in May 2023 and will enable both councillors and officers to gain more certainty about the timing of decisions as they progress through the governance process.

5.18 The coming year expects the General Purposes Committee to lead changes to the Council's delegation's framework.

5.19 External facing activity

5.20 The Council continue to work with partners in a number of ways. Following the allocation of UK Shared Prosperity Funds (UKSPF) in August 2022 the Council prepared an Investment Plan to secure the £1.3 million which it had provisionally been awarded. Following confirmation of funding in December 2022 the Council issued an open call for prospective projects to bid for funding for 2022/23 and 2023/24. The government directed priority themes (support to local entrepreneurial ecosystems and volunteering or social action) along with required outputs and outcomes was published on the Council's webpages. A media campaign also raised awareness. The Council used a proportion of the available capacity funding to engage consultants who provided independent analysis and scoring of the bids. The Council also recruited an Assessment Panel made up of local partners representing various groups in Southend who made the final decision on which bids should receive funding. Panel members included representatives from the Department of Work and Pensions, Citizens Advice, Southend Business Partnership, Essex Constabulary, Brentwood Council and local charities and community groups. To maintain independence and transparency in the process, an internal 'firewall' was established within the Council. This meant that those bidding from within the Council were not involved or privy to the process of assessment and decision making.

5.21 Funding was awarded to nine projects, and they are now in delivery and are submitting quarterly monitoring reports. A further call for projects will be conducted in Autumn 2023 to award the 2024/25 allocation.

5.22 From April 2022, the Health Protection Board had a wider remit to include all health hazards and infectious diseases, as well as screening and immunisation. In May 2022, the equivalent member led Oversight and Outbreak Board decided to retain its existence and continued to support the Health Protection Board, under the new name of the Health Protection, Oversight and Engagement Board. Both of these Boards are accountable to the Southend Health and Wellbeing Board. In addition, the Council holds a seat on, and regularly engages with, the new Integrated Health Board.

5.23 Following the establishment of Porters Place Southend-on-Sea LLP as the joint venture partnership with Swan Housing Association, to progress the Better Queensway regeneration project in April 2019, the joint venture secured hybrid planning consent in March 2021 and has subsequently submitted a reserved matters application for the first phase of development. Through SELEP £4.2 million Get Building Fund was also secured to add to the £15 million Housing Infrastructure Fund previously secured from Homes England.

- 5.24 The impact of the pandemic and subsequent economic turmoil has resulted in Swan Housing Association merging with Sanctuary Housing Association, with Swan becoming a subsidiary of Sanctuary from February 2023. The business combination means that Swan Housing remains the council's partner in the LLP but that it has greater business and financial strength as a subsidiary of Sanctuary, a much larger and more robust housing association. Swan Housing Association completed its merger with Sanctuary Group at the end of November 2022. Sanctuary is completing its due diligence around the whole of the Swan Group of companies and all development ventures including Better Queensway. This due diligence will inform Sanctuary's ongoing involvement in the Better Queensway development.
- 5.25 The Council has set December 2023 as the deadline for receipt of the revised business plan for Better Queensway. Based on informal discussions with Swan/Sanctuary the revised business plan is expected to be made available for Council review over the summer.
- 5.26 Vecteo, originally a joint venture company between Southend-on-Sea City Council and London Hire Community Services, was transferred back into full Council ownership in May 2023, following challenges encountered with service delivery and financial sustainability. The service significantly improved during the year and the company is continuing to work to further improve the arrangements, deliver increased consistency in the quality of service provided and value for money to the Council. Changes made to the Directors on the Board have increased the operational and financial management, and the Council and the company are working together to bring the service onto a sustainable operational and financial footing.
- 5.27 The Council's Waste Management contract has gone out to procurement in 2022/23 and is due to conclude in the next few months. A competitive dialogue process will allow the Council to work with the market to secure the best solution from both a financial and environmental perspective and thus deliver best value for taxpayers. Dialogue sessions have commenced with bidders.
- 5.28 The Council continued to be an active partner to the South East Local Enterprise Partnership (SELEP), with the Council represented by the Deputy Leader at the main (Strategic) Board and Accountability Board, and by the Portfolio Holder or Deputy Leader at the South Essex sub-board "Opportunity South Essex". The Council has funding from SELEP for which it is accountable.
- 5.29 In addition, the Council continued to act as the accountable body for a number of externally funded projects operating across Southend, South Essex and the wider South East. These include;
- the South East Business Boost (SEBB) European Regional Development Fund programme (although funding for this has now come to an end),
 - the Enterprise Advisor Network provision in Southend (funded by SELEP) Business Essex Southend & Thurrock (BEST) Growth Hub and which
 - the Construction Industry Training Board funded South Essex Construction Training Academy (SECTA).

- 5.30 Following an LGA Remote Peer Support of how the Council and partners can more effectively support 18–25-year-olds in the city (in October 2020), the Council revised the governance arrangements for Southend Adult Community College (SACC). A shadow internal board was established at the start of 2021 and went live in April 2021 when the Governing Body held its last meeting. An external Advisory Board was recruited and subsequently reviewed and disbanded. Updated governance arrangements have been put in place. The governance group meets monthly and will undertake regular reviews to check its effectiveness.
- 5.31 New developments for Ipeco, Costa, the Launchpad and Quad have been completed at the Airport Business Park Southend. The next phase of Ipeco development and new development for CAMA Assetstore will be on site in 2023. The Airport Business Park Southend Management Company manages the common parts of the estate, the service charge and reports into Shareholder Board.
- 5.32 The cross-party Shareholder Board, formed to oversee the governance of the Council's companies and joint ventures, chaired by the Leader and reporting to Cabinet, continued to meet. It received reports of all the Council's companies and joint ventures, including the accounts and business plans of South Essex Homes; Southend-on-Sea Forum Management Ltd (a zero-profit joint venture between the University of Essex, the Council and South Essex College set up to manage the property of The Forum); PSP Southend LLP, a joint venture company for property development; Southend Care; Porters Place Southend LLP, joint venture formed to regenerate the Queensway estate; LHCS and Southend Travel Partnership Ltd (Vecteo); and, Airport Business Park Southend Management Company Ltd.
- 5.33 The past year has seen the Council deepen its involvement in regional activity and partnerships. This includes exploring opportunities for local government devolution (as described in the Government's February 2022 Levelling Up white paper), as well as, continuing to support the Joint Committee and work programmes of the Association of South Essex Authorities (ASELA).
- 5.34 The latter has seen the Council support a resource review, including taking a leading role in the Digital workstream, as well as, performing the Committee's secretariat and taking on the Accountable Body function. As a means of scrutiny, the Council will continue to submit the minutes of the Joint Committee to the People and Resources Scrutiny Committee.
- 5.35 Devolution conversations have seen Thurrock, Essex County and Southend-on-Sea City Councils working together to understand how devolution might benefit the region. An Expression of Interest was submitted to government in March 2023, outlining an ambitious package of policy aspirations across the Greater Essex area. Working alongside the two upper tier authorities, districts, and key partners (including the Police, Fire and Crime Commissioners office and Local Enterprise Partnership), Southend-on-Sea officers are leading activity to scope potential governance structures. Councillors have been engaged in cross party briefings and a working party to learn more about this work and understand the potential benefits and implications for Southend. Discussions and negotiations with government are expected to take place over the summer before key decisions are presented to the councils for a decision and public consultation.

5.36 Financial management

5.37 The Council undertook a self-assessment against the six core principles and 17 standards contained within **CIPFA's Financial Management Code**. Officers reviewed the evidence of the Council's current arrangements compared to the Code's expectations and expressed their degree of confidence about how well these arrangements met the Code's expectations, using the RAG rating:

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

5.38 The findings, reported to Audit Committee in April 2022, and followed up in November 2022 and April 2023, reported 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 three remaining standards.

5.39 2022/23 has again been an incredibly challenging year, with the Council now having to deal with significant increases in service demand post the COVID-19 pandemic combined with unavoidable rapid increases in operating costs across almost every aspect of the organisation. This has had a substantial impact on the Council's approved financial plans for 2022/23 and 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 no influence or control, and that have happened at great pace, since the Council's 2022/23 budget was approved in February 2022. Despite the financial challenges arising from the continuing national and local conditions, increasing cost and demand pressures, inflation and supply chain issues, the Council has managed its resources for 2022/23 within the approved budget with the use of some of its reserves that had been set aside for that purpose.

5.40 Significantly, the current financial landscape and operating environment for the Council remain extremely challenging and uncertain. While the Council remains financially resilient from the immediate range of local demand and spending pressures, the Council is currently predicting a cumulative budget gap of £29.8m to the end of 2027/28 (Council Budget Report February 2023) that must be addressed. Along with most local authorities, the Council continues to deal with the challenges of uncertainty, financial pressures, service demands and concerns for residents and local area. Coping with the aftermath of the pandemic has been exacerbated and made much more complex by the implications of the events in Ukraine and an unprecedented rise in energy and other prices. This has had a major financial impact on the Council's approved financial plans for 2022/23 and on its forecast for future years.

5.41 A new Transformational Blueprint was agreed as part of the Council's overall budget package which looks to provide a roadmap and framework for building a council that is fit for the future. The overall net cost reduction required to bridge the 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. This will support the Council's future

financial sustainability; help target resources and re-design plans to avoid a financial 'cliff edge' that would then need drastic action over a short time frame.

- 5.42 Other measures to support a drive towards financial sustainability and shape priority focus include: on-going budget reviews; better linking of business planning and budgeting to service outcomes; effective and creative management of service demand; review of major contractual arrangements; further implementation of the Commissioning Framework; exploring new commercial opportunities; a range of income generation initiatives and continuing to enhance systems, processes and internal business transformation arrangements.
- 5.43 The Council's 'Getting to Know Your Business' programme for service managers continued to be embedded in 2022/23 and will be essential in assessing the new operating environment, financial challenges, and value for money of services. The ambition is that all service managers in the Council will have a comprehensive understanding of their business areas in terms of their benchmarked operational and financial performance, key demand and cost drivers, income levels, commercial opportunities, value for money and customer insight.
- 5.44 This programme, together with a comprehensive 'strategic-fit' review against the Southend 2050 ambition, new Corporate Plan, administration priorities, economic recovery aspirations and delivering better outcomes and value for money for local residents influenced the development of the investments, savings, income generation proposals and level of council tax agreed for 2023/24.

5.45 External challenge/inspection

- 5.46 In October 2022, the Council invited LGA peers to conduct a Corporate Peer Challenge (CPC), to provide an external assessment of its progress, and an opportunity for improvement lead review of the key challenges faced by the Council. The CPC considered questions from 5 core components: Local priorities and outcomes, Organisational and place leadership, Governance and Culture, Financial planning and management, Capacity for improvement.
- 5.47 The peer challenge was not an inspection, but improvement focussed. The CPC was designed to complement and add value to the Council's own performance and improvement plans. The peer team used their experience and knowledge of local government to reflect on the information presented to them by the people they met, things they saw and material they read. Preparation for the Challenge included reviewing a range of documents to ensure the peers were familiar with the Council and the challenges it is facing. The team then spent four days at the Civic Centre, during which they: Gathered information and views from more than 51 meetings, in addition to further research and reading; Spoke to more than 160 people including a range of council staff together with councillors and external stakeholders; and Observed four council meetings (two in person and two on-line).
- 5.48 The feedback highlights a range of positive findings. The peers found that the Council was very self-aware, has huge potential and that there are many positive attributes and assets both within the Council and city, including the strong community ethos, ambitious regeneration projects and sound financial management. However, peers found that the approach to leadership, governance and decision making is impacting the council's capacity to progress. As a result,

nine recommendations were made, many of which relate to the theme of governance and decision making. They are as follows:

- completing the review of the Council's Constitution,
- develop more effective councillor and officer working relationships,
- consider changing the election cycle,
- re-engage partners,
- align priorities to resources and capacity,
- better communicate difficult decisions,
- modernise operating systems,
- develop a plan to tackle spatial inequalities and disparities across the city,
- continue to engage in regional activity, such as Association of South Essex Local Authorities.

5.49 Cabinet accepted the peer's findings and recommendations and in response worked with the Senior Leadership Group to develop an Action Plan which begins to identify activity to enable the Council to take steps towards improving the issues identified. The Action Plan will be overseen by a cross party working party and further developed in collaboration with councillors. Key areas of activity are already in motion, and the LGA has endorsed their progression. These include continuing with the review of the constitution, continuing work to improve behaviours, reviewing the Council's operating model and ability to prioritise, and continuing to engage in region wide discussions. Peers will return to the Council to review progress against the Action Plan and support the Council to further embed its learning.

5.50 Ofsted and the Care Quality Commission (CQC) visited the Council area to inspect the local arrangements for children and young people with special educational needs and disabilities (SEND) between 2nd and 10th March 2023.

5.51 Southend is the fourth area to be inspected under the new framework, which came into effect earlier this year, its intention is to provide an independent, external evaluation of the effectiveness of the local area partnership's arrangements for children and young people with SEND. There were five inspectors, including the lead inspector in the inspection team.

5.52 Under this new inspection framework, the team undertook deep dives into specific cases, meeting with the children and their parent / carers, looked at responses to three separate questionnaires; one for children and young people, one for parent / carers and one for practitioners; and looked at a range of documents and information requested and submitted in advance of the inspection. The findings have not yet been published.

6. Internal Audit

6.1 The annual risk-based Audit Plan was prepared in consultation with Directors, the Deputy Chief Executive, and the Chief Executive. It was developed by the Head of Internal Audit and approved by the Audit Committee. Terms of Reference and reports for specific audits are discussed with relevant Directors, Deputy Chief Executive, or the Chief Executive before being finalised, with the recommended actions required to mitigate risks summarised in an action plan.

- 6.2 Internal Audit revisits action plans where the report found either Partial or Minimal assurance. These actions are retested, and the result of this work is reported to management and the Audit Committee as part of the Quarterly Performance Report.
- 6.3 Draft Head of Internal Audit Opinion for the year ended 31 March 2023**
- 6.4 Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. Such arrangements can take many forms and still be effective. Assurance is then required that these processes are fit for purpose and being applied throughout the organisation.
- 6.5 During 2022/23 the Council continued to be challenged by the external environment that it operates within, particularly in respect of the wider economic situation, with the impact of inflation, including the cost of energy, creating additional financial pressures for the Council, residents, the supply chain, and other stakeholders, as well as the wider impacts of the fallout from the Covid-19 pandemic. Significant changes that have occurred to the operations of the Council are becoming embedded, including many staff working remotely and the changes implemented to enable that remote working. These changes enabled the Council to deliver what was required in response to the pandemic, and similar focus now needs to be applied to the financial challenges that the Council is facing, so that the Council can address the medium-term budget gap that has arisen and bring the Council back into a financially sustainable position.
- 6.6 The Council continued to build on the work that had been undertaken to create the shared ambition for the borough, now City, and desired outcomes for its residents, visitors, students, and other stakeholders, through the adoption of a new Corporate Plan that aims to provide the necessary focus on the priorities for the Council, so that the Council's resources can be applied to the delivery of those priorities. Updates have been made to refresh the outcomes being sought and their delivery arrangements to ensure that these remain appropriate given the changed context and circumstances being encountered.
- 6.7 The Transformation Blueprint has been developed with external support to provide the focus that will be necessary to make the further changes that are required to transform the culture and the way that the Council operates, so that the Council shifts to a culture, a focus, a structure, and ways of working that are most appropriate, effective and financially sustainable to deliver the priority outcomes in the changed circumstances that the Council is now facing.
- 6.8 Management needs to continue to monitor both the actual and potential impact of these pressures, the progress against delivery of the Transformation Blueprint and programme to drive change that arises, as well as delivery of the Corporate Plan. Management and councillors need to be ready to adjust, if necessary, as the situation continues to evolve and the understanding of the impact on future needs and priorities becomes clearer.
- 6.9 There is much to do, and the Council is working to deliver and meet these multiple challenges. As a result, there continues to be updates made to way the Council is operating. The governance arrangements have been reworked during the year and need to become effective and embedded to provide the framework that will drive the delivery of what is required to address the multiple challenges faced. The

Transformation Blueprint and change programme will review ways of working, and therefore there is a need for changes arising to have the opportunity to be established and embedded before assurance can be provided that they are working effectively as intended. Management continues to work in the context of ongoing change and challenges arising from the external environment, which makes it difficult to achieve a period of stability that would assist with implementing and embedding revised arrangements.

6.10 With regards to the assurance provided by audit work undertaken in these areas, the results of the work indicate that the design of the Council's risk management can be provided with satisfactory assurance, although the Risk Management Policy Statement and Strategy that has been reviewed and refreshed needs to be formally adopted, but partial assurance in respect of operation, as there is a need for further embedding of the arrangements within the services so that there is increased understanding of the need to capture the conversations about risk that are happening, to provide increased visibility, transparency and accountability for decision making around the risks below those on the corporate risk register. This has been partly addressed moving forward through the re-introduction of Service Plans for 2023/24.

6.11 The design and operation of internal control can be provided with satisfactory assurance, but issues have been highlighted in respect of the governance framework as operated for the year indicating that this requires the changes that have been introduced during the year to become effective and embedded before it can be considered to be satisfactory overall, therefore partial assurance is provided for the year. Work to further improve the governance framework and arrangements is being undertaken, as reflected in the Annual Governance Statement action plan, and will be reported to Members later in the year.

6.12 The basis for forming this opinion is an assessment of:

- the design and operation of the underpinning governance and assurance framework
- the range of individual opinions arising from risk based and other audit assignments that have been reported during the year, taking into account the relative significance of these areas
- whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales
- observations from advisory and support work undertaken
- changes to the Council's Ambition, management structure and use of technology
- assurance from other providers including independent regulators and peer reviews
- the quality and performance of the Internal Audit service and the extent of compliance with the Public Sector Internal Audit Standards.

6.13 The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to this opinion.

6.14 Compliance with Professional Standards, Head of Internal Audit Opinion

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

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

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

7. Issues for the Annual Governance Statement

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

8. External Inspections and assessments

8.1 Assurance over the control environment is also obtained from external inspections and assessments of service areas. External assessments for 2022/23 included:

- **LGA Corporate Peer Challenge – October 2022** – as outlined above.
- **SEND Area Inspection – March 2022** – as outlined above.
- **Schools** - There were 11 full Ofsted school inspections (plus 1 monitoring visit) completed during the financial year 2022/23. The overall position at April 2023 therefore was:
 - Primary schools: 5 outstanding, 26 good, 21 requires improvement, 1 Inadequate.
 - Secondary Schools: 5 outstanding, 5 good, 2 inadequate.
 - Special schools: 1 outstanding, 3 good, 1 requires improvement.
 - Pupil Referral Unit/alternative provision: 1 good, 1 requires improvement.

This means that 88.46% of children were attending good or outstanding schools as of April 2023.
- **Adult Social care ratings:**
 - Nursing homes: 2 outstanding, 8 good, 3 requires improvement and 1 inadequate.
 - Residential homes: 2 outstanding, 51 good, 10 requires improvement, 2 inadequate.
 - Domiciliary care agencies: 4 outstanding; 33 good; 6 requires improvement; 1 inadequate.

9. Conclusion

- 9.1 We have been advised on the result of the review of effectiveness of the governance framework by the Audit Committee and, although the arrangements fundamentally achieve their aims and meet the needs of the Council, it is recognised that there is scope for further development to ensure these are as effective as possible. Work is underway to make the necessary improvements.
- 9.2 Actions to be specifically addressed are outlined below.

Further actions to strengthen the Council’s governance arrangements for 2022/23

No	Area	Action	Date of Implementation	Responsible Officer
1.	Governance and operating model	To progress the recommendations from the LGA CPC (see section 5.46) to continue with the review of constitution, consider changing to an all-out election cycle and modernise operating systems with particular focus on those that will support application of the governance framework.	March 2024	Director of Legal Services Director of Digital Enablement Executive Director Strategy & Change
2.	Risk management	To complete the implementation of the Risk Management Policy Statement and Strategy and then to build on and embed the risk management arrangements that support the delivery of the Council’s Corporate Plan and Service Plans.	March 2024	Head of Internal Audit and Counter Fraud
3.	Transformation and financial sustainability	To proceed with the Transformation Blueprint and develop a programme of work that will revise the Council’s operating model, structure and focus to deliver a modern and financially sustainable Council.	March 2024	Director of Transformation

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Significant Governance Issues

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

ROB POLKINGHORNE
CHIEF EXECUTIVE
DATE:

CLLR TONY COX
LEADER OF THE COUNCIL
DATE:

SBC Corporate Governance Actions – 2021/22 – Progress

No	Governance Issue	Action	Responsible Officer	Comment on Progress
1.	Governance Framework	<p>To complete the review currently being undertaken to address the need to update and strengthen the governance arrangements and processes that underpin how the Council works.</p> <p>To engage with the LGA through the planned Corporate Peer Challenge and gain their insight into the planned work and how best to embed.</p>	Interim Executive Director - Strategy, Change and Governance - Stephen Meah-Sims	<p>The Centre for Governance and Scrutiny concluded their review into the Constitution and made several recommendations. A plan to address these is progressing with changing being implemented from April 2023. See 5.17 for further information.</p> <p>Officer governance processes saw a refresh of reports and guidance as well as the introduction of officer Boards including, see section 5.12 for full details.</p> <p>The LGA completed their Corporate Peer Challenge in October 2022 and made several recommendations. Cabinet accepted the LGA's findings and work is underway to implement improvements and learning. More information can be found at section 5.46</p>
2	Risk Management	<p>To complete the review currently being undertaken of the Risk Management Policy Statement and Strategy and then to update and embed the risk management arrangements that support the delivery of the Council's ambition and outcomes.</p>	Head of Internal Audit and Counter Fraud - Andrew Barnes	<p>An updated Risk Management and Policy Statement has been prepared, but still needs to be formally approved as part of an updated Local Code of Governance. Risk management training has been delivered to the Senior Leadership Group, and increased identification and recording</p>

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				of risks to meeting objectives has been undertaken and captured in the Service Plans for 2023/24.
3	Contract Management	To enhance the Council's approach to contract management through development of a bespoke contract and relationship management system, providing updates and reminders, the returns of quarterly KPI data and a data repository and audit tool for contract management of our most strategic contracts.	Head of Procurement – Lee White	The Electronic Contract Management System (ECMS) has been in place since the autumn of 2022, with training commenced on the system for a number of Level 1 contract managers (those managing the most strategic contracts at SCC). The next stage will see all contract managers for Level 1 contracts actively using the system by the end of 2023 and a number of those who attended the initial training and development of the system are already using the ECMS and are finding it extremely beneficial. It provides a system for all the data, reminders and also a full audit trail of how the contracts have progressed, are being managed and sets reminders for suppliers to update annual requirements such as insurances, accounts and reports. Contract Managers have also been provided with a Contract Management Manual and suite of tools to support them in their day to day management of contracts. Free Contract Management (CM) training is also now available for free through the Council's partnership with central government (Foundation Certification and also access to the CM Pioneer Programme).

4	Project Management	To embed a new Programme Management Officer (PMO) operating model which will provide greater understanding of the capabilities required for strategy materialisation and project success. This will be achieved through greater coordination across priority areas including the governance and assurances processes required.	Interim Executive Director - Strategy, Change and Governance - Stephen Meah-Sims	PMO plans have been developed and presented to the Corporate Leadership Team. Principles underpinning the PMO include enhancing and cascading current skill capacity across the Council. The functions of the PMO will cover: Programme and Project Management, Standards & Guidance, Business Management & Learning & Development. This will be central to the wider change programme within the Council and will be in operational in summer 2023.
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