

Southend-on-Sea Borough Council

Agenda
Item No.

Report of the Executive Director (Finance and
Resources)

To

Audit Committee

on

20 October 2021

Report prepared by: Andrew Barnes, Head of Internal Audit

Head of Internal Audit Annual Report 2020/21

A Part 1 Public Agenda Item

1. Purpose of Report

1.1 To provide for the 2020/21 financial year:

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

2. Recommendation

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

3. Background

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

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

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

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

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

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

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

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

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

5. Supporting Commentary

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

5.2 The following paragraphs then:

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

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

Managing the Business

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

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

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

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

Service Delivery Risks

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

Safe and Well

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

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

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

Opportunity and Prosperity

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

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

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

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

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

Active and Involved

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

Connected and Smart

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

Pride and Joy

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

- National Productivity Investment Fund.

Key Financial Systems

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

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

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

Implementing Action Plans

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

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

Proactive Advice and Support

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

- over the governance arrangements being developed, implemented and embedded to achieve **simple and effective governance**
- over the arrangements in place and being developed within the **Future Ways of Working** programme to achieve a Council that is geared up to deliver the Southend 2050 Ambition
- of the arrangements being developed and implemented through the **Getting to Know Your Business** work to challenge Council services about what they do, why they do it and how they do it, to ensure that the Council is delivering the right things effectively and in a financially sustainable manner
- to the project team during the options appraisal process of the procurement arrangements that are currently underway for new **waste collection and street cleansing operations**
- as new change request arrangements for the **Liquid Logic and ContrOCC** systems were being considered

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

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

Grant Claims

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

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

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

6. Compliance with Professional Standards

Head of Internal Audit Opinion

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

Good assessments were achieved in relation to:

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

Needs improvement assessments were given in relation to:

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

Quality and Improvement Programme

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

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

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

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

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

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

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

Resourcing

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

Audit Plan 2020/21

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

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

Other Performance Indicators

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

Other Disclosures

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

7. Issues for the Annual Governance Statement

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

8. Reasons for Recommendations

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

Corporate Implications

9.1 Contribution to the Southend 2050 Road Map

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

9.2 Financial Implications

The Audit Plan has been delivered within the approved budget.

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

9.3 Legal Implications

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

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

9.4 People Implications

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

9.5 Property implications

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

9.6 Consultation

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

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

9.7 Equalities and Diversity Implications

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

9.8 Risk Assessment

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

The main risks the team continues to manage are the:

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

9.9 Value for Money

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

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

9.10 Community Safety Implications

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

9.11 Environmental Impact

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

10. Background Papers

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

11. Appendices

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