

**AUDIT COMMITTEE**

**16th November 2021**

**Subject: Head of Internal Audit Annual Report 2020/21**

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**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 Castle Point 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. Background**

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

2.2 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 Executive Management Team and approved by the Audit Committee.

2.3 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 Priorities, Objectives and Targets. This is done:

- using a combination of Internal Audit and management risk assessments (including those set out in risk registers)
- in consultation with some service managers, Heads of Service and the Strategic Director, Resources to ensure the work is focused on key risks.

2.4 Periodic discussions are then held with the Strategic Director, Resources to:

- reflect on the original risk profile and work planned
- determine whether any changes are required to it or the Audit Plan.

2.5 Organisationally, this reflects a mature approach to operating an internal audit function.

2.6 All individual audit reports are discussed with the relevant Service Managers and Heads of Service or Strategic Directors before being finalised.

2.7 The opinion and summary findings from audit reviews are reported to the Executive Management Team and the Audit Committee throughout the year.

### **3 Head of Internal Audit Opinion for the year ended 31 March 2021**

- 3.1 The Council continues to maintain satisfactory and effective risk management, control and governance arrangements, despite the challenges posed by the impact of the covid-19 pandemic throughout this year. The Council continues to face financial pressures that it is dealing with, and the impact of the pandemic on the longer term financial position is being worked on. During the previous year an external provider reported on a high-level assessment of the Council's risk management arrangements which concluded that risk management is happening as expected across the Council, however there is further work to be done to fully embed this to drive value from the process and help inform decision making at all levels of the Council. Work has begun to move this forward, but this has yet to be completed. However, reliance continues to be placed on the Council's risk management arrangements, and steps will be taken to further enhance the consistent utilisation of arrangements and to refresh the Risk Management Policy and Strategy.
- 3.2 The work of the Good Governance Group and results of the audits completed continue to confirm that:
- corporate business management processes remain generally well designed and, in some areas, work is underway to update or strengthen them further
  - there is inconsistency in terms of application, across some services which still need to be addressed.
- 3.3 Therefore as a result of the assurance provided by audit and other work undertaken, the design and operation of the Council's risk management, control and governance framework in place for the year remains satisfactory overall.
- 3.4 The impact of the covid-19 pandemic has manifested itself throughout the year as the Council was initially in emergency response mode in line with the rest of the country and most of the world. The Council's response appears to have held up well, cooperating with and coordinating a 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 has gone through different periods of lockdown during the year. There remains work to be done as the situation continues to evolve and there will be further challenges as the Borough and the Council works on recovery from the pandemic, and the Council is gearing itself up to deliver and meet the multiple challenges ahead.
- 3.5 During the year there have been changes made to way the Council is operating, including most staff operating remotely for most of the time. These new ways of working in the current situation appear to have worked effectively throughout the year, but continue to develop and evolve, and there is a need for an opportunity for them to be properly embedded with assurance obtained that they are working effectively as intended. However as the situation continues to develop and evolve the opportunity for a period of time in which things can settle into a 'new normal' does not appear to be forthcoming very soon.

- 3.6 The Council also experienced the sad passing of the Chief Executive in March 2021, and while the Council has continued to function effectively in his absence, this has stretched the capacity of management. As a result the Council should seek to move forward with making a decision about how to deliver that role in the future and then implementing that decision as quickly as possible to end the current period of uncertainty and enhance the capacity of management to deliver the objectives of the Council.
- 3.7 Therefore, the remainder of this report should be read within this context.
- 3.8 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.
- 3.9 Internal Audit is subject to a formal, independent review of its compliance with professional standards every five years. External audit relies on the work internal audit complete on financial systems where it is relevant to its audit of the Council's financial statements.
- 3.10 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
  - any other assurance available from independent sources.
- 3.11 The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to his opinion.

#### **4. Supporting Commentary**

- 4.1 **Appendix A** summarises the audit opinions issued this year.
- 4.2 The following paragraphs then:
- summarise findings from all the work completed this year
  - highlight the key areas requiring improvement
  - summarise how other independent assurance has been used to support the opinion.
- 4.3 Where necessary, actions have been agreed with services to improve the arrangements where the more serious control issues were identified during the audits.

## Managing the Business

- 4.4 The **Good Governance Group** continued to operate efficiently and effectively, in that it had:
- a Terms of Reference agreed by the Executive Management Team that required it to ensure:
    - the Council maintains arrangements that are fit for purpose and comply with good practice requirements
    - that sufficient assurance is available throughout the year to support the production of the Annual Governance Statement
    - it has an appropriate membership of senior officers responsible for maintaining the main corporate business management processes that are then applied at service level.
- 4.5 It continued to deliver its work programme during the year which ensured key tasks were completed, and involved:
- robustly challenging Manager Assurance Statements for 2020/21 before signing off the assessments and the action required to improve these business management arrangements
  - critically evaluating a summary of service assessments of these arrangements, as contained in the Manager Assurance Statements.
- 4.6 Therefore it is possible to place reliance on the conclusions drawn from this work, which are summarised in the audit opinion above.
- 4.7 The Strategy, Policy & Performance Manager continued to produce regular reports on the operation of the Council's **key business management arrangements**. These were presented to and challenged by the Executive Management Team and the Audit Committee. No significant concerns were reported. Opportunities to strengthen or develop arrangements were highlighted in the year as they arose.
- 4.8 The processes outlined above remain key elements of the Council's assurance framework and continued to provide evidence of the effective design and operation of its business management arrangements.
- 4.9 In the previous year an external provider reported on their high level assessment of the Council's **risk management** arrangements which concluded that risk management is happening as expected across the Council, however there is further work to be done to fully embed this to drive value from the process and help inform decision making at all levels of the Council. As a result, reliance continues to be placed on the Council's risk management arrangements, but steps are being taken to enhance arrangements. The understanding of risk was assessed as sound at both corporate and service levels. The governance of the organisation ensured that risk management was operating in a way that met its needs.
- 4.10 The Council continued to maintain a Corporate Risk Register that was reported to the Executive Management Team each quarter and the Audit Committee twice a year. Heads of Service were required to identify key risks in their service plans, which were reviewed by the Strategy, Policy & Performance Manager.
- 4.11 Therefore, reliance continued to be place on the Council's risk management framework throughout the year.

- 4.12 A piece of advice and support work on **Project and Programme Management** confirmed that the Council recognise it is essential to have clearly defined the pathways for identifying projects, approving projects and change control. This provides clarity for Members (who agree policy and priorities), for decision makers and for project managers (PMs). The PMs will also be empowered to manage projects without constant recourse to more senior elements of the organisation for decisions and approvals.
- 4.13 An assessment was undertaken of the design and application of Castle Point's Project and Programme Management Framework which included assessing a service area as a benchmark to assess how effectively controls have been designed and were operating.
- 4.14 During audit testing, a sample of projects were selected. These provided a diverse view of the projects undertaken at the Council due to the range of associated budgets, the type of projects and whether the projects were delivered from within the Council or through outsourced providers.
- 4.15 The Council has a documented PROMPT framework, centred around the PRINCE2 project management methodology which provides a method to break projects down into smaller and manageable stages. The framework covers many of the elements expected of a project management framework to include and provide information on: approaches to projects; classification of projects; how PROMPT should be applied; project management stages; project reporting; risk management; and project roles and responsibilities. PROMPT is supported by twelve PM template documents which project managers can use when delivering projects.
- 4.16 Work has subsequently, and continues to be, undertaken to strengthen and improve the PROMPT framework and associated processes in the following areas:
- Further details within PROMPT over some project management issues, such as the process for business readiness assessments and preparation for go-live
  - Increasing guidance on how projects should be classified, and the level of documentation required for each
  - Improving the level of compliance with PROMPT through awareness raising and training for those involved in projects
  - Development of a tool / process to give a single view of on-going projects and their status and a clear escalation pathway for change control
  - Clarifying the processes for dependency management, project planning and the approach to contingency planning.
- 4.17 Work on the **letting of the new ICT contract** was designed to provide timely independent assurance that the re-procurement of the ICT contract was being effectively managed to ensure the procurement process complied with regulations, policies, procedures and was administered fairly, in order to identify the most economically advantageous and effective solution. The work was timed to fit around the deadlines for the key stages of the procurement process and feedback was provided after each stage.

- 4.18 This concluded that the procurement was being administered fairly, in order to identify the most economically advantageous and effective solution. Some feedback to improve the robustness of future procurements has been discussed with officers. This covered:
- Producing and disseminating a guidance protocol for officers on the conduct of audible moderated sessions which take place and are recorded via Microsoft Teams (as the recording could be requested as a Freedom of Information request and used as part of a challenge to the procurement arrangements), or alternatively, producing and recording in the moderated scoring manual record narrative of the reasons and reasonings linking bidders' responses to the allocated consensus scores only, to capture the required evidence of the decision making process.
  - Evidencing the rationale linking bidders' responses to the published scoring criteria on individual scoresheets, thereby capturing the areas of the evaluation that will stimulate discussion at the moderation session that follows, and where the consensus scores (see above point) are agreed.
- 4.19 In addition, it was recommended that evidence of the winning bidder's self-certified responses to the pass / fail criteria published in the Invitation to Tender evaluation matrix be obtained and retained, to ensure that their alternative accreditations to those detailed in the Invitation to Tender met the Council's underlying requirements for an IT service provider. Regulatory guidance allows for bidders to 'self-certify' their responses and for evidence only to be obtained from the preferred bidder prior to contract award.
- 4.20 This was followed up with a piece of work on the **handover and implementation of the ICT** contract to provide timely assurance that the handover to and mobilisation of the implementation of the new ICT contract was being effectively managed to ensure a smooth transfer of services. The work was timed to fit around the deadlines for the handover to the incoming service provider.
- 4.21 Feedback to address issues regarding the handover was discussed with officers. This covered:
- Appending outstanding items to a risk register and RAG rating the items
  - Identifying mitigating actions for each item
  - Considering placing the payment for the final month of service on hold
  - Seeking immediate confirmation of those employees who intend to transfer
  - Identifying mitigating actions for each staff member in the event that they do not transfer.
- 4.22 This assisted the Council with achieving a successful transition to the new contractor for what is a critical underlying support service to enable the effective functioning of the Council.

## Service Delivery Risks

- 4.23 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 its Corporate Priorities, Objectives and Targets. The remainder of the report therefore, structures the audits undertaken of services areas under the Corporate Priorities they help deliver so this connection can be made.

## ENVIRONMENT

- 4.24 No specific audit work was planned in respect of this aim, although a number of the audits undertaken do contribute towards assurance over this aim.

## HOUSING AND REGENERATION

- 4.25 Our work to assess whether appropriately robust project processes were established to ensure the **new Housing Management System** (HMS) is fully operational within the intended timeframes as well as achieving the expected benefits reviewed key project documentation and provided management with feedback and interim recommendations to either strengthen the project control environment or highlight where further clarity is required for the process to operate effectively. Feedback was provided in the following key areas:
- clarification of the project's governance processes and associated roles and responsibilities
  - the effective management of project assumptions and dependencies to ensure the critical path remains achievable within the agreed limits
  - the introduction of processes to ensure project outputs and outcomes are delivered to an acceptable standard and that benefits can be fully realised
  - advice to strengthen project option papers and ensure the project board and Cabinet are able to make fully informed decisions.
- 4.26 Further work was undertaken later in the year to assess whether the actions agreed in the original audit report had been implemented and were effectively embedded into the day-to-day operation of the project.
- 4.27 This found that the Project Initiation Document (PID), which sets out many of the project management processes had been revised and was formally agreed by the Project Board. A dependency log had been developed and these were included within the regular highlight report provided to the Project Board, allowing them opportunity for review and challenge to ensure dependencies do not impact on project delivery.

- 4.28 The role of the Project Board had been formalised and is supported by a terms of reference and standing agenda to ensure that key project areas are discussed. The board's ability to fulfil its full remit was however dependent upon the completion of further work that was underway to:
- define the necessary processes required to ensure issues are escalated and managed effectively and refine the project's escalation tolerances to allow effective decision making regarding the project
  - ensure all project assumptions are formally identified to enable their management and ensure delivery remains on track
  - fully define the quality measures linked to project deliverables to support the project board in ensuring that key criteria at each stage is being met
  - develop a detailed resource plan to ensure the project is sufficiently resourced from the Council side and to identify any pinch points or potential resource constraints
  - specify the change management process to be followed for changes that affect time, scope, costs and / or the business case to ensure suitable sign off is obtained from the Project Board.
- 4.29 Internal Audit are continuing to support the Head of Housing as the project continues.
- 4.30 Work on the **preparedness for the replacement of the responsive repairs contractor** to assess the adequacy of arrangements in place to manage a change in contractor, in order to ensure a seamless service to tenants, found that the Council undertook a re-procurement of their responsive repairs and voids contract that was concluded in the autumn of 2020, and following Cabinet approval and compliance with required leaseholder consultation and standstill period, the new contract was awarded to MCP Property Services (MCP).
- 4.31 From January 2021, plans were implemented to mobilise MCP in order to transition in advance of the contract start date of 1 April 2021. These plans included:
- Implementing a formal mobilisation plan provided by MCP as part of their tender response
  - Commencing weekly mobilisation meetings with attendees from the Council, South Essex Homes and MCP to review status against planned actions and target dates, as well as forthcoming actions to hold those responsible to account. These meetings acted as a frequent escalation route to discuss any potential issues and proposed mitigations to maintain progress and ensure readiness ahead of the go live date
  - Holding relevant sub meetings to progress detailed process and document reviews, inform Council decisions and responses to tailored aspects of the proposed service delivery and share communication of changes to wider Council, South Essex Homes and MCP staff.

- 4.32 The purpose of this work was to provide real-time challenge, advice and feedback to key officers accountable for the successful delivery of the transition of the responsive repairs service to MCP. As such, the work proceeded to cover two phases, the setup of transition arrangements and the subsequent delivery of agreed arrangements. This work was performed through attendance at the aforementioned meetings, discussions with management and review of documentation made available, including the mobilisation plan.
- 4.33 Live verbal feedback to consider immediate improvements was provided to management throughout the review, which management implemented directly after feedback was provided. Such feedback contributed to the success of the transition arrangements which resulted in the contract going live from 1 April 2021 as planned.
- 4.34 In addition, key lessons learned have been identified and shared with management to consider in the event a similar transition is undertaken by the Council but also, to consider as the contract provision progresses. Recommendations were raised to consider actions as part of the contract commencement and delivery phase.
- 4.35 Work to assess whether there are robust management and monitoring arrangements in place to ensure the **Property Management Service Level Agreement** (SLA) is being fully and effectively delivered, found that the SLA articulates the required services to maintain the Council's housing stock, including responsive repairs, capital works, health and safety compliance, voids and planned maintenance. This is performed via collaborative, joint working arrangements between the Council and South Essex Homes, with stakeholders from both parties present on the Partnership Board, the governance forum responsible for the effective delivery of the services, and South Essex Homes staff being embedded in the Council's Joint Property Management Team.
- 4.36 As the SLA has been operational for over a year, the purpose of this audit was to assess whether there is robust management and monitoring arrangements in place to ensure the SLA is being fully and effectively delivered, thereby enabling the Council to realise the property management service's desired objectives and outcomes.
- 4.37 It was confirmed that the SLA has been used as the key driver in implementing required management and monitoring arrangements. The Partnership Board and Joint Property Management Team's responsibilities have been outlined, supported by set Key Performance Indicators (KPIs) as agreed upon signing the SLA, to monitor performance in the key service areas.
- 4.38 This has enabled the Council to implement a monitoring regime, where key strategic and operational meetings have been taking place, with required topics being covered, actions being tracked and KPIs monitored to assess performance and evidence is available to support decision making in relation to the service provision.

4.39 Improvements to strengthen arrangements have been identified as a result of working with management during this review and include:

- implementing a Terms of Reference for the Partnership Board to provide clarity, consistency and accountability of its role and responsibilities and help the Board to periodically measure its effectiveness
- ensuring elements of the operational arrangements in place are performed as defined, for example outlining the methodology and quality assurance arrangements for capturing and reporting KPIs so they are reported completely and accurately
- providing clarity regarding the purpose of the risk register, to ensure it is used to capture all applicable risks, whether that is SLA-specific or property management wide.

#### A COMMERCIALY AND DEMOCRATICALLY ACCOUNTABLE COUNCIL

4.40 No specific audit work was planned in respect of this aim, although a number of the audits undertaken do contribute towards assurance over this aim, however a piece of advice and support work was undertaken to provide advice, support and challenge over the contract management arrangements being developed to ensure the **Knightswick Shopping Centre** is well managed and remains financially viable. This helped to ensure that the Council has arrangements in place that will monitor the delivery of the Council's objectives in respect of the centre.

#### HEALTH AND COMMUNITY SAFETY

4.41 Work to assess the effectiveness of arrangements to ensure the Council's strategic **partnerships** enable effective joint working and support the delivery of the Council's corporate priorities and objectives found that the Council work with a number of partners to deliver the required services to the Borough which either are not delivered directly by the Council or are more effectively delivered alongside partners. These partners and the way the Council work with them is vital in delivering the Council's corporate priorities as well as wider community, environment and infrastructure enhancements across the South Essex area.

4.42 Management has created a Partnership Framework and Toolkit to aid staff in establishing new and assessing current partnerships. This defines the various categories of partnerships and is aligned to the principles of good governance in partnerships as set out in the publication *Delivering Good Governance in Local Government: Framework (CIPFA/SoLACE 2016)*. A partnership register has also been created capturing key information regarding the current partners the Council works with.

4.43 Following consultation with Corporate Management Team (CMT) in January 2020, the Partnership Framework and Toolkit was rolled out to Operational Management Team (OMT) in February 2020. This audit identified potential enhancements to provide greater consistency and direction that management should implement before formally communicating the refreshed partnership governance arrangements more widely. These recommendations will also embed such partnership considerations into existing arrangements, such as the procurement and annual service planning processes, to trigger when and how to assess a new or current partnership.

- 4.44 In order to consider how well the partnership arrangement were operating in practice, a deep dive review of a selection of partnership arrangements from across the Council was undertaken to assess how each was structured, being monitored and reported on. As a result recommendations have been identified including to:
- improve the individual partnership working environments such as the formalising of partnership outcomes (eg. via SLA's, especially where there is a financial element) applicable to the partner and defining where such updates will be reported / escalated to
  - provide examples to aid the enhancement of the Partnership Framework and Toolkit for elements such as reporting and exit arrangements.
- 4.45 Management has made progress in developing partnership governance arrangements which were not previously in place, but recognise that further work is needed to embed working practices that will help provide efficient and effective arrangements to support the delivery of the corporate priorities, with partners seen as a key part of that.
- 4.46 Our planned review of **Safeguarding** was deferred because of the impact of the Covid-19 pandemic on the team that leads on safeguarding for the Council. However discussions have been held with the team to re-engage on this and it has been agreed that this work will be undertaken following the completion of their assessment work with Essex County Council during the 2021/22 financial year.

#### ALL PRIORITIES

- 4.47 Work planned to assess the adequacy of arrangements to determine and develop the specification for the **new CRM system**, ensuring its ability to deliver efficiencies through technology while maintaining excellent customer services was paused due to the CRM project being placed on hold by the Council due to Covid-19.

#### Key Financial Systems

- 4.48 Two key financial systems were reviewed this year to ensure they:
- were designed to prevent and / or detect material financial errors
  - had been in place during 2020/21 and therefore could be relied on when producing the Council's Statement of Accounts.
- 4.49 Overall, high assurance was obtained over the **income receipting and banking system** and satisfactory assurance was obtained over the **general ledger accounting** system.

## Implementing Action Plans

- 4.50 Internal Audit input agreed actions into an access database once audit reports are issued. Management then used this to monitor their implementation via Departmental Management Team meetings.
- 4.51 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.
- 4.52 Follow up work undertaken by internal audit provided high assurance over the implementation of recommendations previously made in respect of the **accounts receivable system** and partial assurance over the implementation of recommendations previously made in respect of the **accounts payable system**.

## Grant Claims

- 4.53 It was possible to certify that money spent under the **Disabled Facilities Capital Grant** Determination, was in line with the grant terms and conditions.
- 4.54 We have worked with the Council to deliver the evidence requirements for the **Interreg Go Trade Grant** provided by the EU and to provide the necessary assurances to the EU over the Council's use of that money.
- 4.55 We have worked with the Council to deliver **Covid-19 Support Business Rates Grants, Post Payment Assurance** to confirm the Small Business Grant, Retail Hospitality and Leisure, and Discretionary Grant Fund grants have been awarded in accordance with the terms and conditions of the grant.

## 5. Compliance with Professional Standards

### Head of Internal Audit Opinion

- 5.1 ***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.***

## **Resourcing**

- 5.2 Since the last Head of Internal Audit annual report to the Audit Committee there has been significant change within the team. 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.
- 5.3 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
- 5.4 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.
- 5.5 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.
- 5.6 Developments continue to be monitored and assessed 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.
- 5.7 The remainder of this report needs to be considered within this context.

## **Audit Plan 2020/21**

- 5.8 The original 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 B most pieces of audit work had all of the audit work delivered, although not all of the reporting had been completed and finalised. To date, 17 pieces of work had the audit work fully delivered, although not all of the reporting had been completed and finalised, three pieces of work are still work in progress and two pieces of work were deferred because of the impact of Covid-19 on both the services being audited and the audit team itself.

- 5.9 **Appendix B** shows the status of the Audit Plan which is a comparison of actual audit work completed against work planned at the start of the year.

#### **Other Performance Indicators**

- 5.10 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.
- 5.11 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.
- 5.12 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 Southend Council's track and trace team.

#### **Service Management Arrangements**

- 5.13 An assessment was also completed of the team's compliance with the Council's governance arrangements requirements as set out in the Manager Assurance Statements. All were high or satisfactory, where they were applicable. Actions have been developed to further strengthen arrangements in some areas.

#### **Quality and Improvement Programme**

- 5.14 I can confirm that I have maintained an appropriate Quality and Improvement Programme (QAIP) during the year for the in-house team or 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 each quarter (for all work done including that of the external supplier)
  - reviewing the results of the independent external assessment of compliance with the Standards which is required at least every five years and ensuring that the resultant action plan continues to be delivered.
- 5.15 I have received assurance from the external suppliers used that where they have undertaken work using their own audit approach, this is also compliant with the Standards.
- 5.16 **Appendix C** summarises the results of the independent external assessment of compliance against each element of the Standards, updated to reflect the developments that the team have made since the most recent independent external assessment.

- 5.17 **Appendix D** 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 presented to the Audit Committee
  - independent external review.
- 5.18 A key focus for the team has been to ensure internal audit files and its audit approach complies with the requirements of the General Data Protection Regulations.
- 5.19 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.

### **Other Disclosures**

- 5.20 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
  - been able to determine the scope of reviews, perform the work and report on its findings without interference neither has there been any inappropriate resource limitations imposed upon it.

## **6. Issues for the Annual Governance Statement**

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

## **7. Corporate Implications**

### **Financial Implications**

- 7.1 The Audit Plan was delivered within approved budgets.

### **Legal Implications**

- 7.2 The Council is required, by the Accounts and Audit Regulations 2015 (the Regulations) Section 5, to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The Standards require that the Head of Internal Audit to report on compliance with this annually to the Audit Committee. This report satisfies this requirement.

### **Human Resources and Equality Implications**

#### **Human Resources**

- 7.3 People issues that were relevant to delivering the Audit Plan were raised in the quarterly performance reports.

## **Equality Implications**

- 7.4 The relevance of equality and diversity was considered during the initial planning stage of every audit before the Terms of Reference were agreed.
- 7.5 Any significant changes in the Charter and Strategy would also be subject to assessment.

## **IT and Asset Management Implications**

- 7.6 There are no Asset Management Implications as a result of this report. Any IT implications are set out in the relevant audit reports issued.

## **8. Links to Council's Aims and Priorities**

- 8.1 Audit work contributes to the delivery of all Council Priorities, Objectives and Targets.

## **9. Timescale for Implementation**

- 9.1 This annual audit opinion relates to the 2020/21 financial year.

## **10. Risk Factors**

- 10.1 Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the governance, risk management and control arrangements which may impact of the Council's ability to deliver its corporate objectives.

### **Recommendation**

**The Audit Committee notes the Head of Internal Audit's Annual Report for 2020/21.**

## **Background Papers**

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

## **Appendices**

Appendix A	Assurance Summary 2020/21
Appendix B	Internal Audit Plan 2020/21 as at 19 <sup>th</sup> October 2021
Appendix C	Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2020/21
Appendix D	Compliance with the UK Public Sector Internal Audit Standards 2020/21 Action Plan as at 19 <sup>th</sup> October 2021

**Report Author: Andrew Barnes, Head of Internal Audit**

## Appendix A: Assurance Summary 2020/21

Audit Plan Areas	Level of Assurance				
	High	Satisfactory	Partial	Minimal	No Opinion
<b>Managing the Business</b>					<ul style="list-style-type: none"> <li>• Letting of the ICT Contract</li> <li>• Implementation of the ICT Contract</li> <li>• Project and Programme Management</li> </ul>
<b>Managing Service Delivery Risks</b>			<ul style="list-style-type: none"> <li>• Housing Management System Project Management</li> <li>• Partnerships</li> </ul>		<ul style="list-style-type: none"> <li>• Housing Management Service Level Agreement with South Essex Homes</li> <li>• Preparedness for Replacement Responsive Repairs Contractor</li> <li>• Knightswick Centre</li> <li>• Development Control Peer Review</li> </ul>

## Appendix A: Assurance Summary 2020/21

Audit Plan Areas	Level of Assurance				
	High	Satisfactory	Partial	Minimal	No Opinion
Key Financials	<ul style="list-style-type: none"> <li>Income Receipting and Banking (draft)</li> </ul>	<ul style="list-style-type: none"> <li>General Ledger (draft)</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>		<ul style="list-style-type: none"> <li></li> </ul>

## Appendix A: Assurance Summary 2020/21

Audit Revisited	Action Implementation Level				
	High	Satisfactory	Partial	Minimal	No Opinion
Implementing action plans	<ul style="list-style-type: none"> <li>Accounts Receivable (draft)</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li>Accounts Payable (draft)</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>

Grant Claims	Level of Assurance	
	Unqualified	With Qualification
	<ul style="list-style-type: none"> <li>Disabled Facilities Capital Grant Determination</li> <li>Interreg Go Trade</li> <li>Covid-19 support business rate grants, post payment assurance</li> </ul>	

## Appendix A: Internal Audit Plan 2020/21

Dept	Service Activity	Fraud risk	Status as at 19 <sup>th</sup> October 2021
<b>Managing the Business</b>			
<b>All Aims</b>			
C&D	<b>Letting of the ICT Contract</b> To provide timely independent assurance that the re-procurement of the ICT contract is being effectively managed to ensure the procurement process complies with, where relevant, regulations / policies / procedures and is administered fairly, in order to identify the most economically advantageous and effective solution.	Yes	Completed March 2021.
C&D	<b>Implementation of the ICT Contract</b> To assess the adequacy of arrangements in place to ensure the handover to and implementation of a new ICT contractor ensures continuity of service and minimal disruption to the Council.	No	Report being drafted.
Res	<b>Financial Sustainability Following Covid-19</b> To assess the adequacy of arrangements around budget monitoring for 2020/21, financial assumptions and forecasts used to inform the budget setting for 2021/22 and ensure the Council is prepared for any potential financial impact as a result of Covid-19.	Yes	Work in Progress.
<b>Managing Service Delivery Risks</b>			
<b>Aim: Environment</b>			
Env	<b>Health and Safety</b> To assess the robustness of the arrangements in place to ensure health and safety risks within the workplace are effectively and efficiently identified, assessed, responded to, and reported against, in line with legislation.	No	Report being drafted.

## Appendix A: Internal Audit Plan 2020/21

Dept	Service Activity	Fraud risk	Status as at 19 <sup>th</sup> October 2021
<b>Aim: Housing and Regeneration</b>			
H	<b>Housing Management System Project Management</b> To assess whether appropriately robust project processes have been established to ensure the new Housing Management System is fully operational within the intended timeframes as well as achieving the expected benefits.	No	Completed.
H	<b>Preparedness for Replacement Responsive Repairs Contractor</b> To assess the adequacy of arrangements in place to manage a change in contractor, in order to ensure a seamless service to tenants.	Yes	<b>Completed September 2021.</b>
Env	<b>Private Sector Housing (2019/20)</b> To assess the effectiveness of the Environmental Health service's arrangements for the safeguarding and wellbeing of private sector housing and residential caravan tenants, and that these arrangements fulfil the Council's legal obligations.	Yes	Removed from the plan. Initially put on hold due to the increased workload of the Environmental Health team in response to the Covid-19 pandemic. Due to the time that has now passed, this work will now be revisited at a later date.
H	<b>Housing Management SLA with South Essex Homes (2019/20)</b> To assess whether there are robust management and monitoring arrangements in place to ensure the SLA is being fully and effectively delivered, thereby enabling the Council to realise the property management services desired objectives and / or outcomes.	Yes	<b>Completed August 2021.</b>

## Appendix A: Internal Audit Plan 2020/21

Dept	Service Activity	Fraud risk	Status as at 19 <sup>th</sup> October 2021
<b>Aim: Health and Community Safety</b>			
All	<b>Partnerships</b> To assess the effectiveness of arrangements to ensure the Council's strategic partnerships enable effective joint working and support the delivery of the Council's corporate priorities and objectives.	Yes	<b>Draft report with the business.</b>
SD, MO	<b>Safeguarding (2019/20)</b> To assess whether the Council has robust arrangements in place to discharge its statutory responsibilities with regard to safeguarding and promoting the welfare of adults and children in accordance with the statutory requirements.	No	<b>Work in Progress.</b>
<b>Aim: All Aims</b>			
C&D	<b>Development of the CRM Specification</b> To assess the adequacy of arrangements to determine and develop the specification for the new CRM system, ensuring its ability to deliver efficiencies through technology while maintaining excellent customer services.	Yes	Work paused due to the CRM project being placed on hold due to Covid-19.
<b>Key Financial Systems: All Aims</b>			
Res	<b>Income Receipting and Banking</b> To assess whether the key controls effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's Statement of Accounts.	Yes	Report being drafted.

## Appendix A: Internal Audit Plan 2020/21

Dept	Service Activity	Fraud risk	Status as at 19 <sup>th</sup> October 2021
Res	<b>General Ledger</b> To assess whether the key controls effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's Statement of Accounts.	Yes	<b>Draft report with the business.</b>
<i>Implementing Action Plans</i>			
All	<b>Accounts receivable</b> To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.	Yes	<b>Draft report with the business.</b>
All	<b>Accounts payable</b> To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.	Yes	<b>Draft report with the business.</b>
<b>Grant Claims</b>			
Env	<b>Disabled facilities capital grant determination</b> To confirm the monies have been spent in accordance with the terms of the grant.	Yes	Completed October 2020.
P&P	<b>Interreg Go Trade grant</b> To confirm the monies have been spent in accordance with the terms of the grant.	Yes	Claim 6 completed in September 2020. Claim 7 completed in March 2021.
C&D	<b>Covid-19 Support Business Rates Grants, Post Payment Assurance</b> To confirm the Small Business Grant, Retail Hospitality and Leisure, and Discretionary Grant Fund grants have been awarded in accordance with the terms and conditions of the grant.	Yes	<b>Completed August 2021.</b>

## Appendix A: Internal Audit Plan 2020/21

Dept	Service Activity	Fraud risk	Status as at 19 <sup>th</sup> October 2021
<b>Advice and Support Work</b>			
<b>Aim: A Commercial and Democratically Accountable Council</b>			
Res	<b>Knightswick Centre</b> To provide advice, support and challenge over the contract management arrangements being developed to ensure the Knightswick Centre is well managed and remains financially viable.	Yes	Report being drafted.
P&P	<b>Development Control Peer Review</b> To provide advice, support and challenge over the arrangements in place to address the recommendations of the April 2019 Peer Review.	Yes	<b>Work in Progress.</b>
All	<b>Project and Programme Management</b> To assess the design and application of the Council's Project and Programme Management Framework and provide advice and support on the development and implementation of a revised framework that can be used to manage and deliver plans, strategies and projects within the Council and borough.	Yes	Completed December 2020.

## Appendix A: Internal Audit Plan 2020/21

Managing Delivery of the Audit Plan			
	Audit Planning and Resourcing		
	Managing Audit Plan Delivery		
	Reporting to Executive Management Team and Audit Committee		

Audit Activities	Resource allocation
Managing the Business	15%
Managing Service Delivery Risks	36%
Key Financial Systems	13%
Grant Claims	10%
Advice and Support	17%
Managing Delivery of the Audit Plan	9%
<b>Total</b>	<b>100%</b>
<b>Total Council Audit Plan Days</b>	<b>230</b>

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

Analysis Over Departments		
Env	Environment	10%
H	Housing	15%
P&P	Place and Policy	6%
C&D	Customer and Digital	24%
Res	Resources	20%
SD, MO	Strategic Director, Monitoring Officer	0%
All	Cross cutting	16%
All	Managing Delivery of the Audit Plan	9%
	<b>Total</b>	<b>100%</b>

## Appendix A: Internal Audit Plan 2020/21

Risk Watch List	
H	Housing Strategy
SD, MO	Estate Management
Env	The Paddocks
C&D	ICT Steering Group
All	Performance Management
H	Compliance with Construction, Design and Management Regulations
H	Sheltered Housing
Env	Food Premises Inspections
All	Council Commercialisation
H	Housing Allocations
H	Sustainability of the Housing Revenue Account
P&P	Regeneration Partnership
H	Management of Void Properties
H	Implementation of Health and Safety Legislation Post Grenfell
C&D	Universal Credit
Res	Procurement Hub
P&P	Building a Safer Future
All	Data Strategy
All	Governance Arrangement for Grant and State Aid Funding
Res	Workforce Management
P&P	Building Control

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

## Appendix C Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2020/21

Ref	Standard	Generally Conforms	Partial Conforms	Does Not Conform	N/A
<b>Ref</b>	<b>Definition of Internal Auditing</b>				
<b>Ref</b>	<b>Code of Ethics</b>	✓			
1	Integrity	✓			
2	Objectivity	✓			
3	Confidentiality	✓			
4	Competence	✓			
<b>Ref</b>	<b>Attribute Standards</b>				
1000	<b>Purpose, Authority and Responsibility</b>	✓			
1010	Recognising Mandatory Guidance in the Internal Audit Charter	✓			
1100	<b>Independence and Objectivity</b>	✓			
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	<b>Proficiency and Due Professional Care</b>	✓			
1210	Proficiency	✓			
1220	Due Professional Care	✓			
1230	Continuing Professional Development	✓			
1300	<b>Quality Assurance and Improvement Programme</b>	✓			
1310	Requirements of the Quality Assurance and Improvement Programme	✓			
1311	Internal Assessments	✓			
1312	External Assessments	✓			

## Appendix C Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2020/21

Ref	Standard	Generally Conforms	Partial Conforms	Does Not Conform	N/A
1320	Reporting on the Quality Assurance and Improvement Programme	✓			
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	✓			
1322	Disclosure of Non-conformance	✓			
<b>Ref</b>	<b>Performance Standards</b>				
<b>2000</b>	<b>Managing the Internal Audit Activity</b>	✓			
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	✓			
<b>2100</b>	<b>Nature of Work</b>	✓			
2110	Governance	✓			
2120	Risk Management	✓			
2130	Control	✓			
<b>2200</b>	<b>Engagement Planning</b>	✓			
2201	Planning Considerations	✓			
2210	Engagement Objectives	✓			
2220	Engagement Scope	✓			
2230	Engagement Resource Allocation	✓			
2240	Engagement Work Programme	✓			

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

Ref	Standard	Generally Conforms	Partial Conforms	Does Not Conform	N/A
<b>2300</b>	<b>Performing the Engagement</b>	✓			
2310	Identifying Information	✓			
2320	Analysis and Evaluation	✓			
2330	Documenting Information	✓			
2340	Engagement Supervision	✓			
<b>2400</b>	<b>Communicating Results</b>	✓			
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	✓			
<b>2500</b>	<b>Monitoring Progress</b>	✓			
<b>2600</b>	<b>Resolution of Senior Management's Acceptance of Risks</b>	✓			
	<b>TOTAL OUT OF 64</b>	<b>62</b>	<b>2</b>	<b>0</b>	<b>0</b>

## Appendix D: Compliance with UK Public Sector Internal Audit Standards Action Plan (CPBC version) as at 19<sup>th</sup> October 2021

Action required	Current status	Date
<b>Attribute Standards</b>		
<b>1100 Independence and Objectivity</b>		
<b><i>1111 Direct Interaction with the Board</i></b>		
Re-establish annual Audit Committee performance assessments in line with good practice.	<p>New good practice guidance was published in May 2018. Good practice workshops were undertaken in September 2018.</p> <p>At some point, an assessment of compliance with it should be produced. This can then be considered as part of a wider review of the Council's governance and assurance framework.</p>	HoIA, Ongoing
<b>1200 Proficiency and Due Professional Care</b>		
<b><i>1230 Continuing Professional Development</i></b>		
Continue with the recruitment programme for professional audit staff during 2017/18.	<p>Further changes to the team during 2020/21 mean there are six vacant posts, the salaries of these are currently being used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.</p> <p>The expected requirements of the internal audit service into the future continue to evolve and the impact of Covid-19 is causing further deliberations to take place both at an industry and local level. This continues to be monitored and assessed to determine the most appropriate team model utilising the financial resources available. Once the current team resourcing and integration activities are complete, revised arrangements will be implemented to provide an appropriate mix of experienced staff, trainees who will be put through a relevant training programme and externally sourced skills. This will enable the team to</p>	HoIA, Ongoing

## Appendix D: Compliance with UK Public Sector Internal Audit Standards Action Plan (CPBC version) as at 19<sup>th</sup> October 2021

Action required	Current status	Date
	deliver the internal audit service required by the organisations that it serves.	
<b>Performance Standards</b>		
<b>2000 Managing the Internal Audit Activity</b>		
<b><i>2040 Policies and Procedures</i></b>		
<p>Refresh the Audit Manual and supporting forms to reflect:</p> <ul style="list-style-type: none"> <li>• updates in the Standards</li> <li>• current working practices</li> <li>• any issues arising from the independent external assessment.</li> </ul>	<p>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.</p> <p>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.</p>	AMs, Ongoing
<b><i>2050 Co-ordination and Reliance</i></b>		
<p>Work has been undertaken to develop the “other assurance” element of the audit risk assessments, particularly with regard to business management processes, as part of the annual audit planning cycles.</p> <p>Request that the Good Governance Group (GGG):</p> <ul style="list-style-type: none"> <li>• makes this a work stream using all the intelligence it currently has</li> <li>• reconsiders the practicalities of building "assurance" into the risk management process as part of the update of the framework currently being undertaken.</li> </ul>	Work with the GGG to integrate all its intelligence into the audit risk assessment.	HoIA, Ongoing

## Appendix D: Compliance with UK Public Sector Internal Audit Standards Action Plan (CPBC version) as at 19<sup>th</sup> October 2021

Action required	Current status	Date
<b>2100 Nature of Work</b>		
<b>2110 Governance</b>		
Assess whether an ethical governance audit should be included in 2018/19 Audit Plan.	An ethical governance audit has been included in the 2021/22 audit plan, and planning for this is currently underway. Findings will be reported to Audit Committee in the normal way once the audit has concluded.	HoIA, Ongoing
<b>2400 Communicating Results</b>		
<b>2410 Criteria for Communicating</b>		
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 is still work in progress.	AMs, Ongoing
<b>2431 Engagement Disclosure of Non-Conformance</b>		
Consider updating the Audit Manual with a small section covering this particular situation and referencing PS2431.	<p>This is still work in progress. It will take longer than anticipated to complete due to the changes in the senior management team.</p> <p>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.</p>	AMs, Ongoing

## Appendix D: Compliance with UK Public Sector Internal Audit Standards Action Plan (CPBC version) as at 19<sup>th</sup> October 2021

Action required	Current status	Date
<b>2500 Monitoring Progress</b>		
Introduce the process for management to provide the Audit Committee with this assurance for reports with high and satisfactory audit opinions.	This work has been placed on hold due to the Business Support Officer's redeployment to the Covid-19 response within Southend Borough Council.  The Business Support Officer and Head of Internal Audit will continue to work on this project with Council officers that operate the recommendations database to identify an automatic reporting process.	BSO and HOIA, Ongoing
Finalise the arrangements for reporting to Audit Committee on management sign off of action plans for audit reports with high or satisfactory opinions.		
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.		

Key:

- HoIA, Head of Internal Audit
- AM, Audit Manager
- BSO, Business Support Officer

**AUDIT COMMITTEE**

**16th November 2021**

**Subject: Internal Audit Service, Quarterly Performance Report**

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**1. Purpose of Report**

To update the Audit Committee on progress made in delivering the Internal Audit Strategy for 2021/22.

**2. Internal Audit Plan Status**

**Appendix A** sets out the current status of the audit work planned for the year as at 19<sup>th</sup> October 2021.

There have been three changes to the audit plan since the update provided to Audit Committee in July 2021. These are:

- The Community Infrastructure Levy (CIL) and Section 106 audit has been deferred until 2022/23. The Council is in the process of introducing its CIL arrangements, with a paper on going to Cabinet recently. Delaying this audit will allow for consideration of these new arrangements once they have been implemented.
- The Development of the CRM Specification was originally deferred from 2019/20 but has now been removed from the plan. Due to the changing needs of the business following Covid-19, the project has been put on hold indefinitely while the future requirements of a CRM system are reviewed. The need for this audit will be re-visited as part of the 2022/23 audit planning cycle in Q1 of 2022.
- The Intereg Go Trade grant has been added to the plan. This will be the final review undertaken by Internal Audit as the project has now finished.

In addition, an IT Risk Assessment is planned for Q3. This will look to identify the key risks being faced by the Council in respect of IT, help to identify opportunities to strengthen controls and improve management of risks, which will include future areas of focus for Internal Audit review.

**Appendix B** sets out the high-level results of the audit work completed and reported upon since the last Audit Committee meeting.

**3. Performance Targets**

As outlined in the Strategy presented to the July 2021 Audit Committee, the team will be reporting on a more limited set of indicators this year given the amount of work that is still being contracted out.

As at 19<sup>th</sup> October 2021:

- For the period since 1<sup>st</sup> April 2021 the team had no sickness absence.
- of the 16 jobs in the plan:
  - two are complete
  - one is at draft report
  - two are work in progress
  - four have a Terms of Reference being drafted
  - three are being scoped and planned
  - four are yet to start.

A programme of stakeholder surveys is usually produced each quarter. These were on hold during 2020/21 due to the Audit Business Support Officer being re-deployed to the Test and Trace service within Southend Borough Council. It is anticipated that these will be recommenced for the 2021/22 audit plan as works complete.

Outside of the formal stakeholder surveys, positive feedback has been received from the Head of Housing in relation to the work undertaken to support the implementation of the Housing Management System.

#### **4. Resourcing**

Since the last report to the Audit Committee in July 2021 there has been one change to the in-house team, with the Auditor leaving the team. Work is underway to recruit a Graduate Trainee who will be put through a relevant training programme and have their development further supported by the inhouse team.

The 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, has not been successful. 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.

The expected requirements of the internal audit service into the future continue to evolve and the impact of Covid-19 is causing further deliberations to take place both at an industry and a local level. An in-house team supported by suitably experienced contractors for specifically focussed work is currently assessed as being the most appropriate team model, utilising the financial resources available. The ongoing development of the team to implement this approach is being worked on and will result in an appropriate mix of experienced staff, trainees who will be put through a relevant training programme and externally sourced skills for focussed pieces of work. This will enable the team to deliver the internal audit service required by the organisations that it serves.

## **5. Corporate Implications**

### **Financial Implications**

The Audit Plan will be delivered within the approved budget.

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

### **Legal Implications**

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

### **Human Resources**

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

Regular updates will be provided to the Audit Committee on how the service is being resourced (as required by the Standards).

### **Equality Implications**

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

### **IT and Asset Management Implications**

People or asset management issues that are relevant to an audit will be considered as part of the review.

## **6. Links to Council's Aims, Targets and Objectives**

Audit work contributes to the delivery of all the Council's Aims, Targets and Objectives.

## **7. Timescale for Implementation**

The Audit Plan relates to the 2021/22 financial year.

This is a key piece of evidence available to the Audit Committee when reviewing the Annual Governance Statement, which is presented to the Audit Committee as part of the annual reporting arrangements after the end of the financial year.

## **8. Risk Factors**

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact on the Council's ability to deliver its Corporate Aims, Targets and Objectives. A key mitigating factor is the work of the Good Governance Group (the Group). Assurance provided by this Group is summarised in the regular Monitoring Report on the Council's Governance Arrangements.

The main risks the team continues to manage are the:

- loss of in-house staff and the ability of the service to replace this resource at all or in a timely manner
- lack of management capacity to support and process work in a timely manner and provide strategic leadership to the team
- possibility that the external suppliers will not deliver contracted out work within the required deadlines or to the expected quality standards
- need to maintain relationships with clients / partners.

**Recommendations:**

**The Audit Committee notes the progress made in delivering the 2021/22 Internal Audit Strategy.**

**Background Papers**

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

**Appendices**

Appendix A Internal Audit Plan 2021/22

Appendix B Opinions and Summaries – Other audits and grants

**Report Author: Andrew Barnes, Head of Internal Audit**

## Appendix A: Internal Audit Plan 2021/22

Managing the Business			
All Aims			
CS	<b>Ethical Governance</b> To assess the suitability of arrangement to ensure the Council's operations, conduct and leadership is aligned to required ethical standards and associated good practice, to enable ongoing public confidence and trust in the local authority.	Yes	Planning underway.
All	<b>Workforce Management</b> To assess the effectiveness of arrangements to ensure the Council has an effective workforce with the right skills and level of knowledge, being appropriately managed to deliver the Council's vision, priorities and objectives for high quality services to residents.	No	Terms of Reference agreed.
All	<b>Business Continuity and Response to Covid-19</b> To assess the effectiveness of the Council's response to the Covid-19 pandemic in ensuring minimal disruption to staff and service delivery, and revisit the work undertaken in 2019/20 to confirm the areas identified have been suitably addressed.	No	Terms of Reference being drafted.
C&D	<b>Cyber Security: Incident Management</b> To assess the effectiveness of arrangements in place to quickly identify a Cyber Security incident and the suitability of planned strategic and technical responses following an attack.	Yes	Terms of Reference being drafted.

## Appendix A: Internal Audit Plan 2021/22

### Managing Service Delivery Risks

#### Aim: A Commercial and Democratically Accountable Council

CS	<b>Corporate Estate and Asset Management (Property)</b>  To assess the arrangements in place to ensure assets within the Council estate are effectively managed in order to support delivery of the Council's duties, vision, priorities, objectives and plans for the borough.	Yes	Planned for Q4.
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#### Aim: Housing and Regeneration

P&P	<b>Community Infrastructure Levy and Section 106</b>  To assess the robustness of arrangements to ensure income from CIL and S106 contributions is maximised, and funds are utilised to the benefit of the borough.	Yes	<b>Deferred to the 2022/23 audit plan.</b>  The Council is in the process of introducing its CIL arrangements and so the audit has been delayed while these are developed and implemented.
H	<b>Fire Safety</b>  To assess the adequacy of arrangements in place to ensure fire safety within residential properties is proactively and effectively managed in order to reduce the risk of harm to residents.	No	<b>Terms of Reference being drafted.</b>

#### Aim: All Aims

C&D	<b>Development of the CRM Specification</b>  To assess the adequacy of arrangements to determine and develop the specification for the new CRM system, ensuring its ability to deliver efficiencies through technology while maintaining excellent customer services.	No	<b>Removed from audit plan.</b>  Originally deferred from 2020/21 due to the Council pausing the project during the Covid-19 response.  Work is underway within the Customer and Digital service to re-consider the Council's need from a CRM system given the change to ways of working due to Covid-19.
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## Appendix A: Internal Audit Plan 2021/22

### Key Financial Systems: All Aims

#### Implementing Action Plans

R	<b>General Ledger</b> To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.	Yes	Planned for Q3.
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### Grant Claims

C&D	<b>Test and Trace Support Payment Scheme</b> To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.	Yes	Work in progress.
E	<b>Green Homes Grant</b> To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.	Yes	Planning underway.
E	<b>Disabled Facilities Grant</b> To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.	Yes	Completed October 2021.
P&P	<b>Interreg Go Trade Grant</b> To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.		Completed September 2021.

## Appendix A: Internal Audit Plan 2021/22

Advice and Support Work			
Aim: A Commercial and Democratically Accountable Council			
All	<b>Project Management</b> Provide advice, support and challenge over the design of the revised project management framework and the effectiveness of its rollout and implementation within the organisation.	Yes	Draft report with the business.
Aim: Housing and Regeneration			
H	<b>Housing Management System Project Implementation</b> To provide independent advice and support to the Project Sponsors in their understanding and challenge of the information / project documentation presented to Project Board, at key project decision points. To monitor the ongoing implementation / application of robust project processes to ensure the new Housing Management System is fully operational within the intended timeframes as well as achieving the expected benefits.	Yes	<b>Work in progress.</b> An initial review of the revised project management plan has been undertaken and feedback provided directly to the project team. Further work is planned to support the project team review and assess the impact of the risk, issues and assumptions identified on the revised project plan to ensure it is realistic and achievable.
H	<b>Housing Management Process Review</b> To provide advice and challenge over the review and redesign of processes within the Housing Management team, to support the inclusion of a suitable control framework to aid performance and delivery.	Yes	Planned Q3.

## Appendix A: Internal Audit Plan 2021/22

Aim: Environment			
E	<b>Climate Change and Carbon Reduction</b> To provide advice and support around the arrangements currently being developed to enable the Council to work effectively towards delivering its aims of carbon reduction and increased energy efficiency within the borough.	No	Planning underway.
E	<b>Waste and Recycling Services</b> To provide advice, support and challenge as service delivery options are explored, to ensure cost, environmental performance and compliance with the expected outcomes of the Government's Resource & Waste Strategy are suitably considered.	Yes	Planned Q3 onwards.

## Appendix A: Internal Audit Plan 2021/22

Managing Delivery of the Audit Plan			
	Audit Planning and Resourcing		
	Managing Audit Plan Delivery		
	Reporting to Executive Management Team and Audit Committee		

Audit Activities	Resource allocation
Managing the Business	32%
Managing Service Delivery Risks	18%
Key Financial Systems	3%
Grant Claims	9%
Advice and Support	29%
Managing Delivery of the Audit Plan	10%
<b>Total</b>	<b>100%</b>
<b>Total Council Audit Plan Days</b>	<b>205</b>

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

Analysis Over Departments		
R	Resources	3%
CS	Corporate Services	9%
P&P	Place and Policy	0%
C&D	Customer and Digital	12%
E	Environmental	15%
H	Housing	21%
All	Cross cutting	30%
All	Managing Delivery of the Audit Plan	10%
	<b>Total</b>	<b>100%</b>

## Appendix A: Internal Audit Plan 2021/22

Risk Watch List	
C&D	Cyber Security Arrangements
C&D	Business Rates
C&D	Council Tax
C&D	CRM Project
CS	Leases and Licences of Council Property
E / CS	The Paddocks
E	Food Premises Inspections
E	Private Sector Housing
H	Compliance with Construction, Design and Management Regulations
H	Housing Allocations
H	Sustainability of the Housing Revenue Account
H	Housing Rent Collection and Arrears Management
H	Management of Void Properties
H	Implementation of Health and Safety Legislation Post Grenfell
R	Procurement
R	Contract Management
P&P	Building a Safer Future
P&P	Regeneration Partnerships
P&P	Regeneration Project Delivery
P&P	Building Control
P&P	Community Infrastructure Levy and S106 Payments
All	Data Strategy
All	Council Commercialisation
All	Performance Management
All	Governance Arrangement for Grant and State Aid Funding

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

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

### **Interreg 'Go Trade' Grant (Claim 8)**

#### **Purpose of funding**

The 'Go Trade' project, led by Basildon Council, supports the development of high quality local markets in the South of England and North of France. The project will create a unique brand of high quality markets that is expected to increase the number of local and tourist visitors to the town.

The project will also offer support to traders by using modern methods of communication to help them market their products and by introducing digital technologies such as 'click and collect'.

Certified traders will also be given GoTrade passports that will enable them to travel and trade at any of the GoTrade markets in France and the UK.

**Opinion: Unqualified opinion on expenditure to the end of March 2021 submitted in September 2021.**

### **Disabled Facilities Grant (2021/22)**

#### **Purpose of funding**

To support those in non-council properties with required adaptations to their homes, based on their medical needs. Types of works undertaken include installations of:

- level access showers
- ramped access to properties
- stair lifts or through-floor lifts.

It was confirmed that expenditure was in line with the grant conditions, specifically that:

- it was capital
- grant monies had been transferred into the local Better Care Fund pooled budget, under Section 75 of the NHS Act 2006.

In addition, work was undertaken to verify that all cases were supported by:

- an assessment of need and recommendation of adaptation works required, undertaken by an Occupational Therapist
- suitable means testing to ensure eligibility to the DFG scheme, where required
- a signed agreement from surveyors and clients that works had been completed as per the plans and to a suitable standard.

**Opinion: Unqualified opinion on expenditure to the end of March 2021 submitted in October 2021.**

**AUDIT COMMITTEE**

**16th November 2021**

Subject: **EY External Audit Status Report for the year ended 31 March 2021**

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**1. Purpose of Report**

To present an update to the External Auditor's Audit Planning Report for the year ended 31 March 2021 to the Audit Committee.

**2. Background**

As required by the National Audit Office's 2020 Code of Audit Practice (the Code), the external auditor must produce an audit planning document. This sets out how the auditors intend to carry out their responsibilities in light of their assessment of audit risk.

Audit Committee received and considered the initial report on 22<sup>nd</sup> April 2021. This report provides an update to the audit timetable and delivery schedule which is scheduled to commence this month and be completed in January 2022.

The timetable will be circulated to the Committee.

**3. Corporate Implications**

**(a) Financial Implications**

The prescribed requirements of what needs to be undertaken by the external auditor are defined in the National Audit Office's 2020 Code of Audit Practice and the fee scales are defined by Public Sector Audit Appointments (PSAA) Ltd. The plan and fees proposed reflect the application of these requirements to this Council based upon an assessment of risk which is set out in the Audit Planning Report for the year ended 31 March 2021.

The cost to the Council of external audit for 2020/21 is planned to be £72,197 for the Code Audit.

**(b) Legal Implications**

The Council is required to have an external audit of its activities that complies with the requirements of the:

- Local Audit and Accountability Act 2014
- National Audit Office's 2020 Code of Audit Practice
- Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd
- International Auditing Standards and other professional requirements.

By considering this report, the Committee can satisfy itself that this requirement is being discharged.

**(c) Human Resources and Equality Implications**

**Human Resources**

None

**Equality Implications**

None.

**(d) IT and Asset Management Implications**

None

**4. Links to Council's Priorities and Objectives**

This audit work contributes to the delivery of all the Council's Aims and Objectives.

**5. Timescale for Implementation**

The Audit Planning Report sets out the timescales within which the work will be delivered.

**6. Risk Factors**

Poor performance by the Council in the areas subject to review could result in either a qualified audit opinion or value for money conclusion and may also impact adversely on any corporate assessment. Periodically considering whether the external auditor is delivering the agreed Annual Audit Plan helps mitigate the risk that the Council does not receive an external audit service that complies with the requirement of the Code.

**Recommendation**

**The Audit Committee notes the update and revised timetable to EY's Audit Planning Report for the year ended 31 March 2021.**

**Background Papers**

- National Audit Office's 2020 Code of Audit Practice
- PSAA's 2020/21 Directory of Auditors and Scales Fees

**Attachments**

- Updated Audit Timetable and Delivery Schedule