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**Ann C. Horgan**  
**Head of Governance**  
**Proper Officer**

## **AGENDA**

<b>Committee:</b>	<b>AUDIT</b>
<b>Date and Time:</b>	<b>Thursday 22nd July 2021 at 6.p.m <u>(NB Time)</u></b>
<b>Venue:</b>	<b>Council Chamber</b> <b><u>N.B. This meeting will be webcast live on the internet.</u></b>
<b>Membership:</b>	<b>Councillors Riley (Chairman), Blackwell, Ms Drogman, May and Thornton</b> <b>Substitutes: Councillors Acott, Mrs Blissett, MacLean and Thomas</b>
<b>Officers attending:</b>	<b>Lance Wosko, Financial Services Manager</b> <b>Ben Brook, Strategy Policy and Performance Manager</b> <b>Andrew Barnes, Head of Internal Audit</b> <b>Michael Dineen, Senior Manager,</b> <b>Counter Fraud &amp; Investigation Directorate</b>
<b>Also attending</b>	<b>Debbie Hanson, Associate Partner, EY</b> <b>Councillor Johnson – Cabinet Member Resources</b>
<b>Enquiries:</b>	<b>Ann Horgan, Ext. 2413</b>

### **PART I** **(Business to be taken in public)**

- 1. Apologies:**
- 2. Members' Interests:**
- 3. Minutes:**  
A copy of the Minutes of the meeting held on 22nd April 2021 is attached.
- 4. Internal Audit: Quarterly Performance Report 2020/21:**  
Report by the Head of Internal Audit is attached.
- 5. Internal Audit: Charter Strategy and Plan 2021/22**  
Report by the Head of Internal Audit is attached.

- 6. Annual Governance Statement 2020/21:**  
Report by the Strategy Policy and Performance Manager is attached.
- 7. Counter Fraud & Investigation Annual Report and Strategy & Work Plan for 2021/22**  
Report by the Senior Manager; Counter Fraud & Investigation Directorate is attached.
- 8. Annual Report on the Treasury Management Service and Actual Prudential Indicators 2020/21:**  
Report by the Financial Services Manager is attached.

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## **AUDIT COMMITTEE**

### **VIRTUAL MEETING VIA MS TEAMS**

**22ND APRIL 2021**

**PRESENT:** Councillors Skipp (Chairman), Acott (substitute for Councillor Blackwell), Cutler and May.

**ALSO PRESENT:** Councillors Mumford, Riley and Varker.

Head of Internal Audit, Andrew Barnes, Ann Horgan, Head of Governance, Ben Brook, Strategy Policy and Performance Manager, Lance Wosko, Financial Services Manager and Michael Dineen were also present.

**APOLOGIES:** Councillor Blackwell

#### **40. MEMBERS' INTERESTS**

There were none.

#### **41. MINUTES**

The Minutes of the meeting held on 21<sup>st</sup> January 2020, were taken as read and signed as a correct record subject to an amendment to show Cllr C Mumford was also present.

#### **42. EY ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2020**

The External Auditor's Annual Audit Letter for 2019/20 was presented to the Audit Committee.

This Annual Audit Letter summarised the key issues arising from the work EY had carried out in respect of the 2019/20 year as the Council's auditors and highlighted the key findings that should be considered by the Council.

Members asked questions but were pleased to note that this was a positive audit despite the challenges presented by the impact of the Covid 19 pandemic with no issues identified.

#### **Resolved:**

To approve the EY Annual Audit Letter for the year ended 31 March 2020.

#### **43. EY AUDIT PLANNING REPORT YEAR ENDED 31 MARCH 2021**

The External Auditor's Audit Planning Report for the year ended 31 March 2021 was presented to the Audit Committee. Members considered the report and noted the progress to date.

#### **Resolved:**

To note External Auditor's Audit Planning Report for the year ended 31 March 2021.

**44. QUARTERLY MONITORING REPORT OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS**

A report was considered by the Committee on the findings from the ongoing monitoring of the Council's governance arrangements and on progress against the action plan to address governance issues as identified in the Annual Governance Statement.

Updates were provided with regard to financial planning, reporting and budgetary control. Data quality features on the governance action plan for 2020/21. The Committee noted that training was given at Operational Management Team (OMT) at the March meeting and work continued with internal audit on developing a system of spot checks in areas of risk. Work was being undertaken to refresh the Risk Management Policy and Strategy.

The Committee considered at Appendix 1, the action plan from the Annual Governance Statement containing an update on progress against the actions. The Committee noted that Officer involvement in the ongoing response to Covid during Q4 2020/21 had delayed implementation of some of these actions and timescales had been adjusted.

**Resolved:** To note the assurance provided by this report about the operation of the Council's governance framework.

**45. CORPORATE RISK REGISTER UPDATE**

The Committee considered an update on Risk Management matters, specifically the Corporate Risk Register.

The Corporate Risk Register had recently been reviewed by the Strategy, Policy and Performance Manager in consultation with Corporate Management Team (CMT) and other key officers. The updated register had been agreed by Executive Management Team (EMT) and was included as Appendix A to the report.

The Corporate Risk Register would continue to be regularly reviewed and updated, and periodically presented to Audit Committee, normally on a six-month cycle.

There were no particular concerns to draw to the attention of the Committee in its discussion and questions on the report.

**Resolved:** That the Corporate Risk Register is noted.

**46. COUNTER FRAUD & INVESTIGATION DIRECTORATE: QUARTERLEY PERFORMANCE REPORT:**

The Committee considered a report on the progress made in delivering the Corporate Counter Fraud & Investigation strategy for the Council in 2020/21.

Appendix A, outlined the progress made in delivering the agreed Counter Fraud Proactive Work Plan for this year (2020/21). The team was making good progress in delivering the planned work which had been adjusted and reported to Committee in October as a consequence of Covid 19 pandemic .

The CFI team continued to receive referrals and progress all investigations that were viable. Figures recorded by the CFI crime management system during Q3 were detailed in the report. The total value of fraud under investigation was £128,500. Investigations that could not be progressed due to movement restrictions had been placed within the CFI intelligence system and would result in post Covid-19 checks by CFI officers.

The Committee was informed that CFI had also been working with the revenues department to assist in the 'pre and post assurance' checks on grants that were administered by the Council on behalf of HMG which related to Covid-19 stimulus packages.. This would continue with a new swath of grants being administered for HMG concerning Covid-19 business grants, these were similar in nature to previous, although there were greater 'pre-assurance' requirements placed onto the local authority.

The CFI team had checked in excess of 800 applications against the government designed analytical tool, SPOTLIGHT. It had resulted in a number of 'anomalies' within some of applications and these were currently being developed by the CFI team. These have not been recorded as 'crimes' at this time.

The Committee was advised that report would be made to the next meeting on policy adjustments following exit from the EU.

Members discussed and raised questions in respect of the report.

**Resolved:**

To note the performance of the Counter Fraud & Investigation team to date.

**47. INTERNAL AUDIT SERVICE, QUARTERLY PERFORMANCE REPORT:**

The Committee received an update on progress made in delivering the Internal Audit Strategy for 2020/21.

Appendix A sets out the status of the audit work planned for the year as at 29th March. There had been one additional audit added to the original plan considered by the Audit Committee in November 2020. This was the Business Rates Grants, Post Payment Assurance work that was required by the Department for Business, Energy and Industrial Strategy.

The Private Sector Housing audit had been removed from the plan. This was initially put on hold due to the increased workload of the Environmental Health team in response to the Covid-19 pandemic and would be revisited at a later date. The planned audit work on the Development of the CRM Specification, had been deferred to 2021/22 as a result of the Council's project being placed on hold while the Council responded to the pandemic.

Appendix B summarised the results of the audit work completed since the last report in January.

A programme of stakeholder surveys was usually produced each quarter, but this was on hold due to the Audit Business Support Officer being re-deployed to the

Test and Trace service within Southend Borough Council. It was anticipated that these would be recommenced for the 2021/22 audit year.

**Resolved:**

To note the progress made in delivering the 2020/21 Internal Audit Strategy.

**48. AUDIT COMMITTEE WORK PROGRAMME FOR 2021/22**

The outline 2021/22 work programme for the Audit Committee was presented for consideration.

The timetable for approving the Statement of Accounts has changed as a result of the impact of the Covid-19 pandemic. The Audit Committee had a key role to play in this process, as it receives the report on the audit of the Statement of Accounts from the external auditor. Therefore, its meeting cycle for the 2021/22 municipal year reflects these requirements.

Appendix A set out the proposed work programme for the year. In principle, the approach adopted to producing the work programme was that annual plans and policy refresh type reports would be the focus for the April meeting. Annual Governance reports as well as those relating to the Statement of Accounts would go to the September meeting. The July meeting would monitor progress in delivering in year work and the January meeting would consider progress made on delivering annual governance type action plans as well as the Treasury Management Strategy and Grant Claims report.

**Resolved:**

To approve the outline work programme for 2021/22.

Chairman

**AUDIT COMMITTEE**

**22nd July 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 2020/21.

**2. Internal Audit Plan Status**

**Appendix A** sets out the current status of the audit work planned for the year as at 9th July 2021.

There have been no changes to the audit plan since the update provided to Audit Committee in April 2021.

**3. Audit Opinions and Themes**

**Appendix B** summarises the results of the audit work completed since the last report in April.

**4. Performance Targets**

As outlined in the Strategy presented to the November 2020 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 9<sup>th</sup> July 2021:

- For the period since 1<sup>st</sup> April 2021 the team had no sickness absence.
- of the 19 jobs in the plan:
  - five are completed
  - three have draft reports with the business for review
  - seven have the audit work completed with a report being produced
  - two are in progress
  - one has a terms of reference agreed and resource being agreed
  - one is being scoped and planned.

A programme of stakeholder surveys is usually produced each quarter, but this is on hold 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.

## **5. Resourcing**

Since the last report to the Audit Committee in April 2021 there have been no changes to the in-house team. A further recruitment exercise is currently being 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 this position, with a view to succession planning for the team.

This leaves the team with five 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.

## **6. 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.



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

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

## **9. Timescale for Implementation**

The Audit Plan relates to the 2020/21 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.

## **10. 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 won't 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 2020/21 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 2020/21

Appendix B Opinions and Summaries – Partial

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

## Appendix A: Internal Audit Plan 2020/21

Dept	Service Activity	Fraud risk	Status as at 9 <sup>th</sup> July 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	Planning underway, objective likely to change.
<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 9 <sup>th</sup> July 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	<b>Completed.</b>
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>Draft report with the business.</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>Draft report with the business.</b>

## Appendix A: Internal Audit Plan 2020/21

Dept	Service Activity	Fraud risk	Status as at 9 <sup>th</sup> July 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	Report being drafted.
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	Terms of Reference agreed, resource being organised.
<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 9 <sup>th</sup> July 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	Report being drafted.
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	Report being drafted.
<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>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>Work in progress</b>

## Appendix A: Internal Audit Plan 2020/21

Dept	Service Activity	Fraud risk	Status as at 9 <sup>th</sup> July 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	<b>Report being drafted.</b>
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 B: Audit Opinion and Summaries

### Assurance



## Housing Management System Project Management

### Purpose of this Audit

To assess whether the actions agreed in the original audit report dated January 2021 have been implemented and are now effectively embedded into the day-to-day operation of the project.

### Original Objective

To assess whether appropriately robust project processes have been established to ensure the new Housing Management System (HMS) is fully operational within the intended timeframes as well as achieving the expected benefits.

### Action Implementation Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Closed
5	0	4	3	-

### Summary

The Project Initiation Document (PID), which sets out many of the project management processes has been revised and was formally agreed by the Project Board on the 26<sup>th</sup> February 2021. A dependency log has been developed and these are 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.

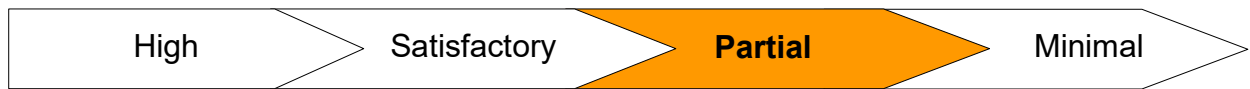
The role of the Project Board has been formalised and is supported by a terms of reference and standing agenda to ensure that key project areas are discussed. The board's ability to fulfil its full remit is however dependent upon the completion of the remaining actions.

Further work is underway to:

- define the necessary processes required to ensure issues are escalated and managed effectively and refine the projects 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 / potential resource constraints

## Appendix B: Audit Opinion and Summaries

### Assurance



- 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.

Internal Audit will continue to support the Head of Housing as part of the 2021/22 audit plan as the project continues into the next stage.

**AUDIT COMMITTEE**

**22nd July 2021**

**Subject: Internal Audit Charter, Strategy and Audit Plan for 2021/22**

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**1 Purpose of Report**

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

**2 Background**

The Accounts and Audit Regulations 2015 (Regulations) make it a requirement for internal audit to take into account public sector internal auditing standards or guidance in delivering the service.

The Public Sector Internal Audit Standards (the Standards) require the service to produce:

- a Charter
- a risk based plan that:
  - takes into account the:
    - requirement to produce an annual internal audit opinion
    - council's assurance framework
  - incorporates or is linked to a strategic or high-level statement of how:
    - the service will be delivered and developed in accordance with the Charter
    - it links to the council's vision, priorities, objectives and targets.

**3 Charter, Strategy and Audit Plan**

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

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

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

#### **4 Charter (Appendix 1)**

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

- changes in officer roles
- updates to the Head of Internal Audit acts as the Chief Audit Executive.

#### **5 Strategy (Appendix 2)**

The **Strategy** sets out:

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

A few very minor amendments have been made to the Strategy this year. These are cosmetic and do not change the manner in which the audit service provided is delivered under the Collaborative Working Agreement.

As outlined in the Strategy, activities are only considered for inclusion in the Audit Plan if they are assessed as being significant enough to require periodic independent review. The coverage provided within the proposed **Audit Plan for 2021/22 (Appendix 2a)** is based upon the audit approach outlined in the Strategy, which complies with the requirements of the Standards. It has been discussed by the Executive Management Team.

The Audit Plan was initially developed in June 2021. As is usual practice, any proposed future amendments to the Audit Plan will be reported to the Audit Committee for approval.

**Appendix 2b** identifies where audit reviews provide some assurance regarding the mitigation of the Council's corporate risks.

The full suite of performance indicators are designed to enable the service to demonstrate:

- it provides adequate **coverage** by delivering sufficient work in year to enable the Head of Internal Audit to give an opinion on the adequacy and effectiveness of the council's risk management, control and governance arrangements
- its **professional competence**
- its **costs** are competitive.

If delivered, this suite of indicators provides evidence that the Council is maintaining an adequate and effective internal audit service that:

- operates in accordance with proper internal audit practices
- also adds value and helps the Council to improve its operations.

The **How We Will Work With You Statement is at (Appendix 2c)** has been revised this year to reflect the change in timing of Audit Committee meetings.

## **6 Corporate Implications**

### **Financial Implications**

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

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

### **Legal Implications**

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

The Standards require:

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

### **Human Resources**

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

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

### **Equality Implications**

None.

## 8 Timescale for Implementation

The Audit Plan covers the 2021/22 financial year although work to deliver this will continue until the Head of Internal Audit's Annual report for that year is produced for the July 2022 Audit Committee.

## 9 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 Vision, Priorities, Objectives and Targets. This risk is being mitigated by the work of the Good Governance Group. Assurance provided by this Group is summarised in the regular 'Monitoring Report of the Council's Governance Arrangements'.

The key team risks are:

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

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

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

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

## Background Papers

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

## **Appendices**

Appendix 1: Internal Audit Charter

Appendix 2: Strategy:

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

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



## **Internal Audit Charter**

Subject to annual review by Head of Internal Audit

Reported to Audit Committee: July 2021



## Appendix 1: Internal Audit Charter

### Introduction

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

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

### Service Objective

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

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

In doing this, Internal Audit aims to:

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

### Responsibilities

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

In a local authority, internal audit:

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

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<sup>1</sup> Institute of Internal Auditors

## Appendix 1: Internal Audit Charter

It is a management responsibility to:

- establish and maintain appropriate governance arrangements and internal control systems
- ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

### Statutory Role

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

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

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

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

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

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

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

This statutory role is set out in the Council's Detailed Financial Regulations and Procedures.

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

### Independence and Accountability

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

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

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

## **Appendix 1: Internal Audit Charter**

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors should have no operational responsibilities. Where the Head of Internal Audit is responsible for other services, arrangements are in place to ensure that any:

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

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

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

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

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

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

### **Internal Audit Scope**

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

## **Appendix 1: Internal Audit Charter**

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

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

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

### **Reporting Lines and Relationships**

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

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

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

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

The Head of Internal Audit also provides:

- quarterly performance reports on audit matters to the Audit Committee that the Strategic Director (Resources) also shares with the Executive Management Team which includes the Head of Paid Service, Section 151 Officer and Monitoring Officer
- sits on the Council's Good Governance Group which includes the Deputy Section 151 Officer and Deputy Monitoring Officer and reports to the Executive Management Team.

Full details of how Internal Audit works with key officers and the Audit Committee are set out in the Strategy, (Appendix 2), and the How We Will Work With You Statement (Appendix 2c).

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

## Appendix 1: Internal Audit Charter

### Internal Audit Standards

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

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

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

With regard to the application of these Standards only, the Council's 'Audit Committee' undertakes the role of the 'Board' and 'Executive Management Team', undertakes the role of 'senior management'.

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

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

## **Appendix 1: Internal Audit Charter**

### **Internal Audit Resources**

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

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

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

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

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

### **Fraud and Corruption**

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

The joint Counter Fraud & Investigation Directorate (the Directorate), a public authorities collaboration hosted by Thurrock Council will investigate allegations of fraud and corruption in line with the council's Anti-Fraud and Corruption Strategy.

The Internal Audit Service will work collaboratively with the Directorate where necessary to ensure system or process weaknesses identified during investigations are addressed.

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



## **Internal Audit Strategy**

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



## Appendix 2: Internal Audit Strategy

### Introduction

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

This Strategy sets out how the service will be delivered and developed in accordance with the Charter and how it links to the delivery of the Council's Vision, Priorities, Objectives and Targets.

### Code of Ethics

All internal auditors working on the audit of the Council will comply with the:

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

The four key principles they will adopt are as follows:

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

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

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



## **Appendix 2: Internal Audit Strategy**

### **Basis for Annual Audit Opinion**

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

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

### **Audit Approach**

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

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

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

### **Governance**

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

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

In doing this, Internal Audit will:

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

## **Appendix 2: Internal Audit Strategy**

### **Risk Management**

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

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

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

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

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

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

### **Control**

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

### **Types of Assurance Provided**

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

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

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

## **Appendix 2: Internal Audit Strategy**

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

### **Limitations**

Internal Audit will not:

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

### **Risk Assessment**

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

- key corporate and service level documents (e.g. plans and risk registers)
- regular discussions with the Strategic Director (Resources)
- at least annual discussions with Heads of Services, the Head of Law and Deputy Monitoring Officer as well as service managers involved in higher risk activities
- the work of the Good Governance Group
- the audit risk assessment
- horizon scanning to establish potential new risks that may materialise during the year
- outcomes from other relevant, independent audits, inspections or work undertaken.

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

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

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

## **Appendix 2: Internal Audit Strategy**

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

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

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

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

- the agreed action has been properly implemented
- the strengthened control arrangements are firmly established in the day to day running of the service.

### **Assurance Framework**

Before producing the Audit Plan, account will be taken of any evidence already available regarding the:

- operation of individual services (ie. from management or external)
- management of corporate, strategic and operational risks
- effectiveness of the Council's governance arrangements.

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

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

## Appendix 2: Internal Audit Strategy

### Coordinating the Three Lines of Defence

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

### Audit Plan

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

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

Therefore the Audit Plan, attached at **Appendix 2a**, reflects the results of the risk assessment and the information gathered about the Council's assurance framework. It shows how the work will provide evidence that risks relating to the delivery of the Council's Vision, Priorities, Objectives and Targets are being managed effectively. **Appendix 2b** maps audit work against the Council's corporate risks.

There is no contingency budget within the Audit Plan. Therefore, any risks that arise during the year will be considered against the risk profile of the work already planned before:

- a review is deleted and replaced by a new audit
- additional audit resource is purchased by the Council.

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

## **Appendix 2: Internal Audit Strategy**

Changes to the Audit Plan will be reported to the Executive Management Team and the Audit Committee for approval.

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

### **Resources**

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

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

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

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

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

### **Training and Development**

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

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

Opportunities to purchase tailored training with other organisations will continue to be explored.

## **Appendix 2: Internal Audit Strategy**

### **Service Performance Indicators**

The performance indicators being proposed cover economy, efficiency and effectiveness; and consist of:

- delivering 100% of the Audit Plan by the July Audit Committee
- operating in the manner set out in the Standards at team and individual audit level as evidenced by:
  - the annual internal review completed by the Head of Internal Audit
  - five yearly independent, external performance assessments.
- completing a representative sample of stakeholder surveys that assess compliance with elements of the Standards:
  - reporting the results regularly to the Audit Committee, with actions to be taken to improve performance, where required
  - reflecting the results in the annual performance assessment reported upon in the Head of Internal Audit Annual Report.
- discharging the duties set out in the CIPFA Statement on the Head of Internal Audit role
- assessing the competitiveness of cost, when reviewing the Collaborative Working Agreement.

When the service is more fully resourced and settled, the target of issuing draft reports to the Council within 15 days of the final meeting to discuss the findings from the fieldwork will be re-introduced.

Performance against relevant targets set will be reported to the Executive Management Team and the Audit Committee each quarter.

### **Service Risk Register**

Internal Audit will maintain a service risk register that supports the delivery of this Strategy. This will be reviewed and reported upon periodically in the quarterly performance reports to management.

### **Delivering Audit Assignments**

An audit manual will be maintained that guides staff in the performance of their duties. It will be reviewed regularly to reflect changes in working practices and standards. This will ensure that auditors obtain and record sufficient evidence to support their conclusions, professional judgements and recommendations.

The standard of files will be such that an experienced auditor, with no previous connection with the audit, will be able to ascertain what work was performed, re-perform it if necessary and support the conclusions reached.

The service will adhere to a clear desk policy.

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

## Appendix 2: Internal Audit Strategy

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

### How We Will Work With You

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

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

Terms of Reference and Draft Reports will be discussed and agreed to be factually accurate with Group Managers before being finalised with the Strategic Director or Head of Service.

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

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

Audit reports will generally be designed to:

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

Those weaknesses giving rise to significant risks for which the proposed management action is not agreed will be brought to the attention of senior management and if necessary the Audit Committee.

The Head of Internal Audit Annual Report will include:

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



## **Appendix 2: Internal Audit Strategy**

### **Audit Committee**

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

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

### **External Audit**

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

### **Partners**

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

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

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

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

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

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

When this assessment is due, the Head of Internal Audit will discuss and agree with the Council's senior management and Audit Committee the:

- form of external assessment
- qualifications and independence of the external assessor including any potential conflict of interest
- person who will act as the internal sponsor for this process.

## **Appendix 2: Internal Audit Strategy**

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

### **Appendices**

- Appendix 2a: Internal Audit Plan 2021/2022
- Appendix 2b: Audit assurance linked to the Council's corporate risks
- Appendix 2c: How We Will Work With You Statement

## Appendix 2a: Internal Audit Plan 2021/22

Dept	Service Activity	Fraud risk	Outline objective
<b>Managing the Business</b>			
<b>All Aims</b>			
CS	<b>Ethical Governance</b>	Yes	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. <i>Planned Q3</i>
All	<b>Workforce Management</b>	No	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. <i>Planned Q3</i>
All	<b>Business Continuity and Response to Covid-19</b>	No	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. <i>Planned Q2</i>
C&D	<b>Cyber Security: Incident Management</b>	Yes	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. <i>Planned Q3</i>

## Appendix 2a: Internal Audit Plan 2021/22

Dept	Service Activity	Fraud risk	Outline objective
<b>Managing Service Delivery Risks</b>			
<b>Aim: A Commercial and Democratically Accountable Council</b>			
CS	<b>Corporate Estate and Asset Management (Property)</b>	Yes	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. <i>Planned Q4</i>
<b>Aim: Housing and Regeneration</b>			
P&P	<b>Community Infrastructure Levy and Section 106</b>	Yes	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. <i>Planned Q2</i>
H	<b>Fire Safety</b>	No	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. <i>Planned Q3</i>
<b>Aim: All Aims</b>			
C&D	<b>Development of the CRM Specification</b> (2020/21 deferred due to the Council pausing the project during the Covid-19 response).	No	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. <i>Planned Q1</i>

## Appendix 2a: Internal Audit Plan 2021/22

Dept	Service Activity	Fraud risk	Outline objective
Key Financial Systems: All Aims			
Implementing Action Plans			
R	General Ledger	Yes	To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.  Planned Q3
Grant Claims			
C&D	Test and Trace Support Payment Scheme	Yes	To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.  Planned Q2 – Q3
E	Green Homes Grant	Yes	
E	Disabled Facilities Grant	Yes	
Advice and Support Work			
Aim: A Commercial and Democratically Accountable Council			
All	Project Management	Yes	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.  Planned Q2 – Q3

## Appendix 2a: Internal Audit Plan 2021/22

Dept	Service Activity	Fraud risk	Outline objective
<b>Aim: Housing and Regeneration</b>			
H	<b>Housing Management System Project Implementation</b>	Yes	<p>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.</p> <p>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.</p> <p><i>Planned Q1 – Q4</i></p>
H	<b>Housing Management Process Review</b>	Yes	<p>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.</p> <p><i>Planned Q2</i></p>
<b>Aim: Environment</b>			
E	<b>Climate Change and Carbon Reduction</b>	No	<p>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.</p> <p><i>Planned Q3</i></p>
E	<b>Waste and Recycling Services</b>	Yes	<p>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 &amp; Waste Strategy are suitably considered.</p> <p><i>Planned Q2 onwards</i></p>

## Appendix 2a: 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		30%	
Managing Service Delivery Risks		24%	
Key Financial Systems		3%	
Grant Claims		8%	
Advice and Support		25%	
Managing Delivery of the Audit Plan		9%	
<b>Total</b>		<b>100%</b>	
<b>Total Council Audit Plan Days</b>		<b>214</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	8%
P&P	Place and Policy	8%
C&D	Customer and Digital	11%
E	Environmental	14%
H	Housing	19%
All	Cross cutting	28%
All	Managing Delivery of the Audit Plan	9%
	<b>Total</b>	<b>100%</b>

## Appendix 2a: Internal Audit Plan 2021/22

Risk Watch List	
CS	Leases and Licences of Council Property
E / CS	The Paddocks
C&D	Cyber Security Arrangements
C&D	Business Rates
C&D	Council Tax
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
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 2b: Audit assurance linked to the Council's corporate risks

	Council Priority	Corporate Risks	Audit work providing assurance in 2021/22
1	Housing and Regeneration	Non delivery of grant-funded regeneration projects resulting in project failure, loss of grant (current and future) and financial penalties to repay grant.	An advice and support piece of work was undertaken in the 2020/21 audit plan focusing on the development of Project and Programme Management arrangements, and a second bit of work in planned in 2021/22 to review the improvements and implementation of the revised Project Management Framework.
2	Housing and Regeneration	The Local Plan is not sound resulting in no local plan being in place and central government intervention and high costs.	No work planned.
3	Health and Community Safety	Partnership arrangements are not fully effective and could result in a focus on work that does not always support Council priorities	An audit on Partnerships is currently in progress as part of the 2020/21 audit plan.
4	Health and Community Safety	Approach to safeguarding not fully effective and embedded in the organisation with lack of clarity on responsibilities	An audit carried forward is continuing into 2021/22, focusing on safeguarding arrangements for adults and children.
5	Health and Community Safety	Risk of large numbers of households being evicted from rented accommodation causing them to become homeless households requiring support from the Council with limited resources to provide assistance.	Homelessness audit was undertaken in 2018/19.

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

	Council Priority	Corporate Risks	Audit work providing assurance in 2021/22
6	Health and Community Safety	Risk of widespread staff absence from illness and self-isolation caused by Covid-19 pandemic resulting in interruption to service delivery.	No specific work planned but there may be some coverage from the Business Continuity work planned for 2021/22.
7	A Commercial and Democratically Accountable Council	Unable to deliver a balanced budget and achieve financial self-sufficiency.	We will continue to discuss the financial position and financial plans at regular meetings with the Strategic Director (Resources).
8	A Commercial and Democratically Accountable Council	A long term Housing Revenue Account business plan which is unsustainable in future years.	No specific work planned but Housing Rents and Arrears Management is on the risk watch list for future audit. As with risk 7, we will continue to discuss the financial position with the Strategic Director (Resources) and Head of Housing.
9	A Commercial and Democratically Accountable Council	Adequate Business Continuity (BC) arrangements in place that mitigate severe disruption to Council services.	An audit on Business Continuity is included in the 2021/22 audit plan. This will look to follow up on the actions recommended as part of the audit undertaken early in 2020 and review the Council's response to Covid-19.
10	A Commercial and Democratically Accountable Council	Successful cyber security attack resulting in disruption to service, theft or loss of data / information, financial and reputational damage	An audit is planned for 2021/22 focusing on Cyber Security Incident Management.

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

	Council Priority	Corporate Risks	Audit work providing assurance in 2021/22
11	A Commercial and Democratically Accountable Council	Income streams from the Knightswick do not meet expectations and/or other unforeseen operational issues/costs result in the centre not being self-funding, with a consequential impact on the General Fund	Some advice and support work to support development of the arrangements in place to oversee the management of the Knightswick Centre was undertaken in 2020/21.

Internal Audit	Relevant Service Managers	Relevant Heads of Service	Strategic Director (Resources) (s151 Officer) (see note 2 below)	Executive Management Team (see note 1 below)	Audit Committee
Charter and Strategy			Receive annually March	Receive annually March	Approve annually April
Audit Plan	Discuss risk assessment as part of planning process	Discuss risk assessment as part of planning process	Discuss risk assessment as part of planning process Update quarterly	Receive annually March Update quarterly	Approve annually April Update quarterly
Terms of Reference for audits *	Discuss drafts and finalise with	Finalise with	Copy final		
Detailed audit work *	Discuss findings on an on-going basis	Brief if issues of concern arise during the review	Brief if issues of concern arise during the review		
Individual audit reports *	Discuss drafts and finalise with	Finalise with	Copy final	Copy final to Chief Executive (Head of Paid Service)	
IA Performance Report (inc. follow up)			Receive quarterly	Receive quarterly	Receive quarterly
Annual report			Receive May	Receive May	Approve July

*\* This approach applies whether it is an original audit or whether we are revisiting an audit report to ensure agreed actions have been implemented and are embedded into the day to day operations of the service.*

**Note 1** This group includes the Council's Head of Paid Service, Monitoring Officer and Strategic Director (Resources) (s151 Officer)  
**Note 2** All reports to Executive Management Team and the Audit Committee are reviewed by the Strategic Director (Resources) (s151 Officer)

**AUDIT COMMITTEE**

**22nd July 2021**

**Subject: Annual Governance Statement 2020/21**

**Report author: Ben Brook - Strategy, Policy and Performance Manager**

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**1. Purpose of Report**

- 1.1 To present the Annual Governance Statement for 2020/21 to the Committee.

**2. Background**

- 2.1 The responsibility for ensuring that there is a sound approach to governance, risk management and control rests with the Council. It is required to report on this annually via its Governance Statement which is published with the financial statements.
- 2.2 In order to do this, the Council should seek regular assurance that its systems are functioning effectively. It should also ensure that the controls in place are effective in managing significant risks in the way that it would expect.
- 2.3 The Council has delegated responsibility for monitoring and reporting on the adequacy and effectiveness of its governance, risk management and controls to the Audit Committee.
- 2.4 Therefore, the Committee is required to satisfy itself that the Annual Governance Statement is consistent with its view on the Council's systems based upon the assurance presented to it throughout the year.

**3. Report**

- 3.1 The Annual Governance Statement is attached as Appendix 1.

#### **4. Corporate Implications**

##### **a. Financial implications**

*Financial reporting including budgetary management* is one of the key assurance processes reported on in the Annual Governance Statement

##### **b. Legal implications**

The [Accounts and Audit Regulations 2015](#) section 6 states that:

- (1) A relevant authority must, each financial year—
  - (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
  - (b) prepare an annual governance statement;
- (2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must—
  - (a) consider the findings of the review required by paragraph (1)(a)
    - (i) by a committee; or
    - (ii) by members of the authority meeting as a whole; and
  - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of—
    - (i) a committee; or
    - (ii) members of the authority meeting as a whole.
- (3) [Makes reference to Category 2 authorities – not relevant to Castle Point Borough Council which is Category 1]
- (4) The annual governance statement, referred to in paragraph (1)(b) must be—
  - (a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
  - (b) prepared in accordance with proper practices in relation to accounts

##### **c. Human resources and equality**

*Workforce management* is one of the key assurance processes reported on in the Annual Governance Statement. There are no direct equality implications although the assurance process of *Consultation and engagement* covers the need to consult, especially when considering changes to or cessation of council services.

##### **d. Timescale for implementation and risk factors**

Failure to operate robust governance arrangements can potentially lead to poor management, performance, stewardship of public money, public engagement and ultimately, poor outcomes for citizens and service users. It increases the risk that corporate priorities will not be delivered.

**Recommendations:**

The Committee adopts the Annual Governance Statement 2020/21 and, subject to any further amendments from external audit, recommends its adoption to Council.

**Resolution required****Background Papers:**

- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework.
- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Guidance Note for English Authorities
- The CIPFA Finance Advisory Network, The Annual Governance Statement, meeting the requirements of the Accounts and Audit Regulations 2003, Incorporating Accounts and Audit (Amendment) (England) Regulation 2006, Rough Guide for Practitioners.
- The Accounts and Audit Regulations 2015
- Delivering Good Governance in Local Government Framework 2016

# Castle Point Borough Council

## Annual Governance Statement 2020/21

### 1 Scope of Responsibility

- 1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.
- 1.2 In discharging this overall responsibility, the Council must put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 Castle Point Borough Council has approved and adopted a Local Code of Governance, which is consistent with the principles of the *CIPFA Delivering Good Governance in Local Government: Framework*. A copy of the Council's code is on our website at <https://www.castlepoint.gov.uk/local-code-of-corporate-governance> or can be obtained from the Strategy, Policy and Performance Manager by e-mail [bbrook@castlepoint.gov.uk](mailto:bbrook@castlepoint.gov.uk) or by phone on 01268 882220. This annual governance statement explains how the Council has complied with the local code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

### 2 The Purpose of the Governance Framework

- 2.1 The governance framework comprises the vision, culture and values, systems and processes and structure by which the Council is organised, directed and controlled as well as its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The framework needs to be flexible to ensure it meets the needs of a changing environment.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
  - identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
  - evaluate the likelihood and potential impact of those risks being realised; and
  - manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Castle Point Borough Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.

### 3 The Council's Governance Framework

- 3.1 The governance framework ensures the Council's vision and key priorities are effectively promoted and progressed through its corporate governance arrangements and business planning processes. The key business process elements of the governance framework are as follows:
  - Consultation and Engagement
  - Business Planning and Strategy, including Partnerships
  - Financial Planning, Reporting and Budgetary Control, including Value for Money
  - Asset Management
  - Risk Management



- Health and Safety
- Business Continuity
- Performance Management
- Workforce Management
- Data Quality
- Information Governance
- Procurement
- Project Management
- Complaints
- Ethical Governance, including Anti-Fraud and Corruption, and Whistleblowing

3.2 These areas form the main sources of assurance to be considered in any review of the internal control environment. In support of the review process, the Local Code of Governance sets out further detail to be reviewed in each area before an opinion on the effectiveness of the system of internal control can be expressed.

3.3 The Strategy, Policy and Performance Manager has been given the responsibility for overseeing the implementation and monitoring of the Code, through a process which includes:

- two reports over the financial year to Executive Management Team and the Audit Committee which set out:
  - weaknesses identified in the governance arrangements;
  - any corrective action necessary to resolve concerns identified; and
  - progress against the actions to address key governance issues identified in the previous year's Annual Governance Statement
- an annual review of the governance framework supported by manager assurance statements certified by service managers and reviewed and certified by Directors / Heads of Service
- a year-end review of key governance business processes with a nominated officer informing the assessments presented below in 3.5
- an assessment of compliance with the core principles of the *CIPFA Delivering Good Governance in Local Government: Framework*
- an annual report – this Annual Governance Statement – to Executive Management Team and the Audit Committee on the adequacy of governance arrangements.

3.4 The Council has in place a governance group of officers, including the Head of Internal Audit, responsible for the implementation and monitoring of key governance business processes. The group provides a challenge to the operation of the processes and a "sense check" of individual assessments in the manager assurance statements of core governance processes for which they are responsible. Some of their findings and further work have been incorporated into the views expressed in this governance statement. Each business process is subject to an overall assessment by the governance group according to one of four assessments:

- High (majority or all requirements being met),
- Satisfactory (significant proportion greater than 50% of requirements are met),
- Partial (Some requirements are met but less than 50%);
- Minimal (very few requirements are met).

3.5 A summary of the key findings for each business process is set out in the table below and further detail relating to the findings is incorporated into the review of effectiveness set out in section 4:

<b>Key Governance Business Process</b>	<b>Assessment</b>
Consultation and Engagement	Satisfactory
Business Planning and Strategy, including Partnerships	Satisfactory
Financial Planning, Reporting and Budgetary Control including Value for Money	High
Asset management	Satisfactory
Risk Management	Satisfactory
Health and Safety	Satisfactory

Business Continuity	Satisfactory
Performance Management	Satisfactory
Workforce Management	High
Data Quality	Satisfactory
Information Governance	Satisfactory
Procurement	Satisfactory
Project Management	Partial
Complaints	Satisfactory
Ethical Governance, inc. Anti-Fraud & Corruption and Whistleblowing	High

- 3.6 The Council's key governance and business processes are also subject to audit on a risk basis. This work forms part of the evidence in support of the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's risk management, control and governance framework.

## 4 Review of Effectiveness

- 4.1 Castle Point Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies.
- 4.2 The Internal Audit service also produce reports throughout the year on a range of subject areas, that support provision of an opinion on the adequacy and effectiveness of the Council's risk management, control and governance framework. These reports are considered when reviewing the effectiveness of the framework, with audit findings taken into account and reflected in the assessments presented in the table above.
- 4.3 During the review of the operation of the framework for 2020/21, the governance group found that in several areas whilst the core business processes were in place, the application of those processes was not always consistent across the areas of the Council's business. This is set out in more detail for specific processes in the following sections.
- 4.4 This section of the report is structured around the core principles of the *CIPFA Delivering Good Governance in Local Government: Framework (2016 Edition)* with any reference to the key governance business processes – as summarised in section 3 – in bold text to allow for easy referencing.

### **CIPFA Core Principle A: Behave with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- 4.5 An assessment of **ethical governance** has been undertaken and the arrangements have been assessed as high.
- 4.6 The Council has Codes of Conduct for Members and Staff contained within the Council's Constitution. The Code of Conduct for Members makes specific reference to the Seven Principles of Public Life (the "Nolan Principles"), was developed by an Essex-wide legal partnership and has been adopted by a number of councils across Essex.
- 4.7 As a condition of office, all Members are required to sign an undertaking that they will observe the Code of Conduct. There is a requirement to re-sign this undertaking when there are any major revisions to the Code as well as on election or re-election.
- 4.8 The Constitution also includes the requirement for the Council to appoint a Review Committee which has a role that includes promoting and maintaining high standards of conduct and behaviour as well as hearing any complaints referred for breaches of the Code. The Council has appointed two Independent Persons who must be consulted before the Council makes a finding as to whether a Member has failed to comply with the Code of Conduct.

- 4.9 These arrangements relating to Member conduct were effectively implemented following a complaint about an alleged breach of the Code received in 2020/21. An independent investigation took place which concluded that the Code of Conduct had been breached. However, because of the resignation of the councillor concerned, it was not necessary to convene the Review Committee.
- 4.10 Key corporate documents relating to staff conduct are in place. The Council has an established set of organisational values. These values can be found in the Council's Corporate Plan which is available at <https://www.castlepoint.gov.uk/council-strategies-and-policies>. The Code of Conduct for Staff sets out policies and expectations for staff conduct. It is published on the Intranet and a copy is issued to every new starter as part of the induction pack. The Council's PPDP (Appraisal) form includes a record of whether any declarations of interest have been made by staff during the year (although note that monitoring of PPDP compliance is an area to be picked up in 2021/22). Where there is a suspected case of staff misconduct, arrangements are in place to investigate such potential breaches. The number of investigations into alleged staff misconduct was lower in 2020/21 than the already low levels in previous years (3 investigations in 2020/21 down from 8 in 2019/20).
- 4.11 The Council ensures access to its [complaints policies](#) and [whistle blowing procedures](#) by publishing these on the Council's website. Easy access to these is important as the raising of a complaint or concern is an important part of the process, and without which an investigation cannot take place.
- 4.12 A new e-learning package for countering fraud, bribery, corruption and money laundering was launched in September 2019 and is completed by all staff. Counter Fraud and Investigation services continue to be provided by Thurrock Council. A programme of work was in place during the year and progress in delivering the programme is presented to Executive Management Team and Audit Committee. The value of suspected fraud against the Council investigated during 2020/21 was £1,113,400. The value of detected fraud in the Castle Point Borough over 2020/21 was £126,000
- 4.13 It should be noted that Covid-19 restrictions, in particular lockdown at the start of 2020/21, caused a cease to home visits which greatly affected the work of the Counter Fraud and Investigation (CFI) team. However, any cases that could not be progressed due to movement restrictions were recorded in the team's intelligence system for follow up post-Covid-19. Later in 2020/21, the work of the team increasingly focussed on the range of grants made available by Government in response to the pandemic. Despite the speed of administration of some £24m of Covid-related grants, very low levels of potential fraud have been identified.

#### **CIPFA Core Principle B: Ensure Openness and Comprehensive Stakeholder Engagement**

- 4.14 The Council has the core requirements for **customer engagement and consultation** in place.
- 4.15 Corporate guidance requires the results of any customer engagement or consultation activities to be considered as part of the service planning process. Individual services undertake consultation on a range of areas. For example, the Housing Department undertakes routine satisfaction surveys following repairs and maintenance on Council-owned properties. Leisure Services undertake regular feedback from customers and use software to calculate a "Net Promoter Score" which gives an indication of how likely existing customers are to recommend the leisure centres to other people. The Leisure service was informed in December 2020 that it had retained its 2019 award for *Best Member Experience – Local Authority* as well as winning a prestigious *Platinum Medal*, the only club in the UK to achieve this honour and 1 of just 5 from a worldwide pool of over 5,000 leisure facilities.
- 4.16 The Council's Corporate Plan 2018-21, which was subject to the annual refresh of objectives approved by Cabinet in March 2020, refers to public consultation to develop priorities and includes satisfaction levels for a range of services as well as on priorities for improvement. The plan also includes updated Resident Survey results from a consultation commissioned by Essex County Council. The corporate plan update also includes an Annual Report which sets out progress made against the objectives from the previous year.
- 4.17 The emerging Corporate Plan for 2021-24 was subject to public consultation, which started towards the end of 2020/21, running from 1 March to 30 April 2021. 213 responses were received and used

to inform a further iteration of the plan which will be presented to the Council for adoption in autumn 2021.

- 4.18 The new Local Plan was published for consultation on the 16 December 2019 for eight weeks through to the 14 February 2020, during which 1,105 responses were received. These responses informed the revised version of the Local Plan which was submitted to the Secretary of State on 2 October 2020 for examination.
- 4.19 The Council also has a consultation toolkit available for services to use and this is set out in the 'How it Works' guidance. The Council ensures it involves staff in any appropriate decisions and elicits their views on issues. For example, a monthly staff forum meets to discuss and agree any issues important to staff.
- 4.20 The Council ensures its services provide clear expectations for service users and members of the public through a set of service standards known as the "Customer Promise" which is published on the Council's website <https://www.castlepoint.gov.uk/customer-promise>.
- 4.21 Further work was undertaken in 2020/21 to improve the tracking of Freedom of Information requests to maximise performance on response times. As part of this work, more open data sets are now available on the website <https://www.castlepoint.gov.uk/freedom-of-information-foi>, increasing transparency.
- 4.22 All public meetings are [broadcast live](#) and recorded so that members of the public can engage in Council-business without leaving their homes. Agendas and minutes of meetings are made available on the website <https://www.castlepoint.gov.uk/agendas-minutes-library>.
- 4.23 The Council works closely with partners on joint objectives. For example, with the Castle Point & Rochford Health and Wellbeing Board and the Community Safety Partnership, both of which have membership from a range of stakeholders.

#### **CIPFA Core Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits**

- 4.24 The Council's Corporate Plan sets out a high-level vision for the area with four corporate priorities: Environment; Housing and Regeneration; Health and Community Safety; A Commercial and Democratically Accountable Council. The plan complies with a number of good-practice requirements and sets out some defined outcomes. Much of 2020/21 was spent responding to the health emergency caused by Covid-19 and so the final year of the Council's current Corporate Plan 2018-21 did not receive the same degree of attention as it has done in previous years. However, outcomes set out in the plan continued to be monitored over 2020/21 through the Corporate Performance Scorecard which was presented to Cabinet each quarter.
- 4.25 A joint "away day" with Cabinet and the Council's Executive Management Team in December 2019 was the starting point for the development of a new Corporate Plan for 2021-24. Good progress has been made further developing this plan over 2020/21, including engagement with the Council's Scrutiny Committees and a public consultation on priorities and objectives. The new plan which has the proposed priorities of: Economy & Growth; People; Place; and Environment is scheduled for Cabinet and Council in the autumn when it will be formally adopted.
- 4.26 The Council is committed to working in partnership with all other South Essex authorities to develop the South Essex 2050 partnership with ambitions that will include Regeneration, Economic Infrastructure, Transport, Housing and Quality of Life. A Memorandum of Understanding is in place; a prospectus for growth and recovery was submitted to government in July 2021; and a proposal for a Joint Committee under S101 of the Local Government Act is being considered by each member council.

**CIPFA Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

- 4.27 Further to the threat of intervention from central government due to lack of progress with the development of its Local Plan, progressing the draft Castle Point Local Plan remained a top priority in 2020/21. In October 2020, the new Castle Point Local Plan was submitted to the Secretary of State for examination. This examination, by an independent Inspector, commenced upon submission and the hearings stage of the examination started in May 2021. The Council's Local Development Scheme requires the Local Plan to be adopted by the end of 2021.
- 4.28 The Council faces significant financial challenges and needs to reduce net operational spend over the coming years or increase income substantially. Whilst the budget set in February 2020 for 2020/21 was balanced, the impact of the Covid-19 pandemic created significant financial pressures. However, as a result of careful financial management over the year, together with support grants from Government, these pressures have been mitigated. The 2021/22 budget has been set and work continues to address forecast budget gaps in future years. Longer-term, this will be achieved through the combination of a variety of approaches including service reviews, maximising the use of estate and assets, utilising new technology to transform working practices and procedures, procurement, and exploring ways of securing greater income. The Council has made good progress in developing further a Commercialism Strategy with a draft recently shared with specific Cabinet Members for consultation. Work is being undertaken to close the budget gap and will be monitored. Nevertheless, it should be noted that **financial reporting, including budgetary management** is assessed as high level of compliance, so the Council has good control over its finances.
- 4.29 The assessment of the Council's **project management** arrangements continues to be partial. The Council has had in place for a number of years comprehensive project management arrangements with a framework and suite of templates based on PRINCE2 principles. Over 2019/20, this framework and templates were revised, simplified and updated in response to feedback from users. Those managers who used the new templates have reported that they find them easier to follow. However, an advisory audit of the Council's project management arrangements identified several areas of partial compliance and indicated a number of recommendations for improvement, including a further and more comprehensive revision of project documentation together with a review of project oversight arrangements. The audit also identified varying levels of knowledge about the project framework, recommending a programme of training to those in the Council who work on projects to ensure consistency of approach and effective project management. This will feature as a key piece of work in 2021/22.
- 4.30 The approach to **business continuity** (BC) has been assessed as satisfactory. The Council's BC arrangements were severely tested at the beginning of the 2020/21 financial year when large parts of the Council were required to work from home at very short notice following the lockdown announcement at the end of March 2020. However, arrangements for home working, where possible, were quickly put in place and proved effective over the first and subsequent lockdowns. As a result of the flexibility of staff coming to terms with these new arrangements and robustness of recently improved telephony and IT systems, there was not a major disruption to service delivery which, in most cases, was able to continue, albeit with some modifications. An internal audit on business continuity arrangements within the Council was completed in September 2020. This provided partial assurance over the arrangements in place and identified areas of best practice for the Council to develop, which have now been incorporated into the Council's business continuity activities. In response, revised service level business impact analysis and response plan templates have been produced to further improve usability, clarity and outcomes involving a BC incident. A corporate generic business continuity response plan exists, which has recently been subject to full review and revision, as part of a three-year cycle. The subject of business continuity is incorporated into the quarterly risk management sections of Operational Management Team (OMT) meetings. The Council's emergency planning and business continuity framework document, produced in 2018, describes how the Council will go about meeting its duty to be suitably prepared for dealing with emergencies and disruptions to the organisation's ability to deliver its critical services to the public. This will continue to be updated and revised to reflect the lessons learnt from dealing with the Covid emergency.

- 4.31 The Council's **business planning** process has been assessed as satisfactory. A review of the manager assurance statements demonstrated that most services assessed themselves as having satisfactory or high compliance. The business planning processes have been complied with and this included a challenge of individual service plans that was fed back to service managers for further action. Although there remains some inconsistency, service plans for 2021/22 are in place for all areas, with implementation from April 2021. Progress on delivery of these plans is considered at Directorate Management Team meetings each month. The Corporate Performance Scorecard for 2020/21 remains broadly similar to that in 2019/20 as a number of indicators were at risk of being impacted negatively by actions taken in response to Covid-19; for example, leisure memberships as a result of closure of the Council's leisure centres and the inclusion of an indicator of benefit processing times which could be impacted by an increase in volume of applications. The Council's policy framework operates satisfactorily; policies and strategies largely continue to be refreshed by services. A register of policies and strategies is in place, updated annually and reported to Cabinet in October. The policy framework is set out in the Policy Framework and Budget Setting report which went to Cabinet and Council in February 2021.

**CIPFA Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

- 4.32 The 2018 Corporate Peer Challenge report recognised strong officer leadership and stated: "CPBC is led by strong senior managerial leadership. This is recognised by many, including senior influential figures from external partners, who see the Council as a professional and well-respected organisation". The report also notes that "Positive officer and member relationships have also been identified as a key factor for past success". However, it is also considered that more is required with regular briefings on key issues and the developing vision for the area as well as issues of importance for members to allow them to ask questions. Although formal scrutiny work was impacted by the pandemic, a special meeting of all scrutiny committees was held in August 2020 to present and discuss the proposed aims and objectives in the emerging Corporate Plan 2021-24 to ensure that a wider group of Members were engaged in the vision for the area. A meeting to update on the Council's response to Covid-19 was held in June 2020, together with more formal reports to Council in July. An "E-brief" is sent to all Councillors usually weekly with special briefings sent out as and when required.
- 4.33 The information needs for members to effectively develop policy and make decisions is also considered, and reports to Cabinet included considerable detail in some areas, for example: Housing Allocations Policy Review; Arrangements for the Disposal of Non-recyclable Waste; Test & Trace Support Payments Scheme; Tender for the ICT contract, Tender for the Housing Repairs and Maintenance contract; Health and Wellbeing; Budget and Policy Framework for 2021/22.
- 4.34 Constructive working relationships exist between officers and members across the Council and the work undertaken by Cabinet and Executive Management Team in developing the new corporate plan is a good example of this.
- 4.35 The Council uses partnerships to good effect to increase its capacity. The Council has a Local Strategic Partnership jointly with Rochford District Council and is a lead member of the Joint Castle Point and Rochford Health and Wellbeing Board, Community Safety Partnership and Community Development Board. The Leader and Chief Executive continued as active members of the Association of South Essex Local Authorities (ASELA), a partnership of seven neighbouring councils that have come together to promote growth and prosperity in the region. The Council is also actively involved in the Regeneration Partnership and Opportunity South Essex. Senior officers are leading workstreams in the South Essex 2050 emerging vision for future growth and the delivery of the programmes.
- 4.36 Partnership working was critical to the successful response to Covid-19 and, over the course of the year, the Council further strengthened existing relationships with partners across the public and community sectors. An example of this was the decision to work with and support the Castle Point Association of Voluntary Services (CAVS) to operate the "Castle Point Hub" set up to support residents in need of help; initially to those self-isolating because of a clinical extreme vulnerability to the virus and expanding over time to include a wider group of people who had emerging issues with



loneliness and isolation, mental health, financial worries and access to food and essentials. Many existing community and voluntary organisations, and indeed some new ones that were established in response to the pandemic, acted with flexibility to meet the surge in demand for food parcels and other support.

- 4.37 The Council is successful in obtaining grant funding to pursue projects that will result in better outcomes for local people. Recent and current examples include:
- A successful application to the Getting Building Fund for £700k to support the resurfacing of the Labworth car park
  - £2.3 million grant from the Department for Business, Energy and Industrial Strategy under the Green Homes Grant Local Authority Delivery scheme, to fully upgrade the insulation on 250 homes at Kings Park Village, Creek Road, Canvey Island.
  - £1.5m funding from Round 5 of the Coastal Communities Fund for a £1.7m regeneration scheme at Thorney Bay.
- 4.38 Building on work undertaken over 2019/20 to compile a more accurate and complete picture of partnerships that the Council is involved in, together with a revised partnership framework and toolkit, last year's Annual Governance Statement identified a need to develop and introduce reporting mechanisms on key partnerships to members and senior managers. Although this work was not completed in 2020/21 as planned, Cabinet did receive updates during the year on the Community Safety partnership and on the Castle Point and Rochford Health and Wellbeing Board, two key partnerships for the Council. An audit of partnerships which concluded in July 2021 made some recommendations around this point of reporting and implementation of those recommendations is included in the action plan contained in this report.
- 4.39 The Monitoring Officer is responsible for the maintenance of the Constitution and for reviewing its relevance and effectiveness. Any significant changes to the Constitution are approved by full Council following consideration of a report made by the Chief Executive.
- 4.40 Decisions made by the Cabinet may be called-in (in accordance with the procedure for a Call-in, which is shown in the Overview and Scrutiny Procedure Rules) by the Scrutiny Committee. A decision made by Cabinet is published within 4 working days of the Cabinet meeting and can be called-in for consideration by the Scrutiny Committee within 5 working days of the publication by either the Chairman of the committee or by 3 committee members.
- 4.41 The Constitution sets out the responsibilities for Scrutiny Committee, Policy and Scrutiny Committees and the Audit Committee. The Audit Committee's role includes an overview of the governance arrangements and it received monitoring reports on its effectiveness. In addition, the committee also considered the corporate risk register. The new Audit Committee Chairman received an induction from the Head of Internal Audit. Additional training is provided to meet identified needs and every agenda to the committee includes any relevant publications to help with good practice in governance awareness.
- 4.42 **Workforce management** demonstrates a high level of compliance. The Council has effective recruitment and retention arrangements and provides a corporate programme of training to ensure staff skills are further developed to improve the capacity of the Council and the continued development of staff. Some development for existing employees can be funded by the Apprenticeship Levy. Development and training is varied and includes professional programmes such as CIPFA qualifications through to generic training. The Council has recently signed up to *Working Well*, a programme of workplace-based wellbeing training courses offered through a service commissioned by Essex County Council. The Council also makes use of online training platforms particularly for induction and training in health and safety arrangements. Reporting on compliance with the appraisal process slipped in 2020/21 with the disruption caused by Covid-19 although managers have been able to carry out regular meetings with their teams thanks to the new technology put in place over 2019/20. Review of the PPDP process will be a focus for 2021/22 to ensure it brings value to individual performance management and compliance is in place for all services.
- 4.43 The organisation continues to ensure that there is leadership capacity, bringing in new people where a gap exists and re-assigning people to new posts where there is a business need to do so. Further

to the departure of the Head of Housing in the summer of 2020, some changes were made to the Executive Management Team arrangements to ensure continuity of service and wider sufficient leadership capacity. Recruitment continued over 2020/21 and the introduction of remote working allowed the Council to attract candidates from a wider geographical area, ensuring that the Council attracted the best candidates.

- 4.44 In March 2021, it was with great sadness that the Council announced the passing of Mr. David Marchant, Chief Executive. As a testament to the skill and thought with which he assembled his management team, the Council has continued to function effectively, including the delivery of a complex set of elections in May 2021. The Council's Constitution provides that the Strategic Directors are authorised to act in the absence of the Chief Executive and have done so together with the Executive Management Team.

**CIPFA Core Principle F: Managing risks and performance through robust internal control and strong public financial management**

- 4.45 Core **performance management** arrangements are in place and this includes the operation of a database to produce performance information for all services, with performance scorecard reports produced every quarter and reviewed by Executive Management Team before consideration by Cabinet. There is some variance in the completion of performance information and in the robustness of target setting as although this is reviewed and challenged when compiling performance indicators from service plans for the new financial year, decisions on selection of indicators and target setting ultimately rest with the service managers. However, there are some strong examples of high compliance with performance management processes in the housing and revenues & benefits service areas, where performance officers are in post, and in other areas such as Leisure and Community Services and Financial Services where performance information has been used to inform decision making and deliver improvements in performance levels.
- 4.46 Whilst the key performance reporting arrangements remain in place, there is a need in 2021/22 to resurrect highlight reporting and twice-yearly in-depth reviews of the corporate action plan by Corporate Management Team which monitors the delivery of corporate objectives.
- 4.47 There are three Policy and Scrutiny Committees which may make proposals in relation to their functions, including the review and development of policy items, whose proposals support the Council's published priorities. The work undertaken by the committees was paused in 2020/21 but will resume in the new financial year.
- 4.48 A refresh of the corporate risk register was undertaken in December 2020 by Corporate Management Team following which a new look register was developed in March 2021. The Audit Committee discussed the corporate risk register in April 2021. The risk register will be updated by Corporate Management Team and presented to the Audit Committee at least twice a year. Risks and health and safety issues were also discussed at directorate meetings during the year. The Head of Internal Audit met with some Directorate Management Teams over 2020/21 and attended Corporate Management Team in June 2021 to better understand the organisation's approach to **risk management** and felt that whilst understanding of risks and how to manage these was good, further work was needed to ensure consistency across the organisation.
- 4.49 As an employer the Council continues in its aim to meet its statutory **health and safety** duties and to achieve this employs a 'competent person'. The 'competent person', who as the corporate health and safety lead maintains an overview of Council arrangements and provides analysis on current management performance, attending Operational Management Team to highlight areas of concern. Significant health and safety issues are raised to the Executive Management Team. Compliance with health and safety processes has been assessed as satisfactory with significant work undertaken in 2020/21 to ensure protection from the Covid-19 virus as well as introduction of a wider group of Mental Health First Aiders to support employees. Audit work commenced on this area in 2020/21 and although did not conclude in the financial year, there were no serious concerns raised at the time of writing this report.
- 4.50 The key functions of the corporate health and safety lead is to advise and assist the Council's Operational Management Team in developing a positive health and safety culture, where risk is



managed sensibly with specific aims to reduce accidents and ill health, and to bring about improvements in overall efficiency, quality and productivity. Completion rates of the health and safety online training modules remain high.

- 4.51 At the time of writing this report it is not possible to know when the country will fully return to normal following the pandemic, or what the lasting impact on the Council's financial position may be post recovery. The Council has considered many varying scenarios but, given the high degree of uncertainty, has not made changes to its detailed budget at this time. It has, however, planned to respond to any impact which may arise in a measured way. An earmarked reserve has been established which will sit alongside the detailed budget, demonstrating prudent financial management by setting aside a sum of money which may be utilised to smooth any detrimental impact and maintain a balanced budget.
- 4.52 The position will be monitored throughout 2021/22 and the reserve applied as and when required. The intention is for the 2022/23 budget process to incorporate the lasting impact of the pandemic and changes in services, once these are better understood. This work will be undertaken throughout 2021/22 and Cabinet will be updated accordingly. As a result, it is possible that the budget gap for future years may be greater or less than that currently predicted in the Council's current financial forecast.
- 4.53 Central government have already committed to supporting local authorities with the direct and immediate financial impact of the pandemic, specifically during the first quarter of 2021/22. This support would not however extend to compensating for changes in demand or use of services which may continue post recovery.
- 4.54 Setting aside the potential impact of the pandemic, the financial forecast is currently indicating a budget deficit in 2022/23 circa £1m and work is currently progressing across the organisation to identify and implement options to bring the budget into balance.
- 4.55 Regular reports including a revised medium term financial forecast are made to Cabinet, supported by service specific financial monitoring reports informed by risk assessment. Departures from budget are reported to Executive Management Team.

### ***Role of the Chief Financial Officer***

- 4.56 The Section 151 Chief Financial Officer (CFO) occupies a key position in the Council, managing the Councils' finances and ensuring that resources are used wisely to secure positive results.
- 4.57 In order to support the post holder in the fulfilment of their duties and ensure that the Council has access to effective financial advice, in 2010 the Chartered Institute of Public Finance and Accounting (CIPFA) issued a Statement on the Role of the Chief Financial Officer (CFO) in Local Government, most recently updated in 2016. The statement sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role, and includes five key principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. These statements are set out below
- 1) The CFO in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
  - 2) The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.
  - 3) The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
  - 4) The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.

5) The CFO in a local authority must be professionally qualified and suitably experienced.

- 4.58 The Council has the necessary arrangements and procedures in place which ensure that these principles are either directly complied with or, where not directly complied with, there are alternative procedures in place so that the necessary outcomes and objectives are still achieved, and suitable controls are in place. For example, the CFO is a member of the leadership team (Executive Management Team) and reports directly to the Chief Executive.

**CIPFA Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability**

- 4.59 The processes for **information governance** are in place and guidance has been incorporated into the 'How it Works' document, which is updated annually. Arrangements are led by the Head of Law and include a number of policies ranging from a clear desk policy and document retention policy to guidance on privacy of data and when data is clearly public. Information asset registers are also in place for services. Managers are also required to follow the data security breach management procedure in the event of a data breach. The Head of Law continues to ensure compliance with the General Data Protection Regulations which came into force in May 2018. The Council's insurer, Zurich Municipal, was commissioned during 2020/21 to undertake a review of Data & Information Governance. The findings from this review conclude that the Council is at "Level 3 – Managed" of their model's five-level scale, providing external validation of the assessment of a satisfactory level of compliance for this governance area. Further details of this review are presented in the section below on "External Inspections".
- 4.60 The Council has a comprehensive **procurement** toolkit and strategy and associated governance processes which have been subject to an annual review by the Head of Law. The arrangements are proving to be effective and officers use the expertise provided by the Essex Procurement Hub to help develop invitation to tenders for a range of services and to quantify savings from procurements compared to budgeted costs. The 2019/20 annual governance statement suggested that the organisation would benefit from a plan of upcoming procurements to allow for planning of resources internally and at the Essex Procurement Hub and details of progress against this action is included in the table in paragraph 4.85. The Government ran a consultation through the Green Paper *Transforming public procurement* in the last quarter of 2020/21 which emphasised the importance of delivering social value - including economic, social and environmental outcomes – through public procurement and the Council will give close regard to the direction set out in this Green Paper when revising its procurement toolkit.
- 4.61 Compliance with requirements around **data quality** is assessed as satisfactory. Guidance on the importance of data quality requirements was set out in the 'How it Works' document and communicated to all managers. The 'How it Works' document was refreshed in November 2020. Systems are designed in some areas to ensure data quality requirements are considered, for example, the operation of a detailed performance management framework in the Housing Services, and systems for revenues and benefits and planning. Internal Audit gave a positive opinion on data quality when looking at financial data. Although there is no evidence of poor data quality, there is a risk of variations in the implementation of the approach as there are different systems for a variety of services, with some operating under a nationally set framework and others operating local frameworks. To provide further assurance in this area, training was provided to Operational Management Team in March 2021.
- 4.62 The Council has the core processes in place to ensure decisions consider key information requirements. All Cabinet reports are required to include considerations for financial, legal and equality issues. The Council also recognises when there is the need for external support and has, for example, service level agreements in place to obtain professional advice and support to undertake effective housing estate management and procurement, as well as for a fraud, and internal audit services. The Council continues to procure specialist support in the design and construction of new council homes in the borough.

## ***Internal Audit***

- 4.63 The annual risk-based audit plan was prepared in consultation with Heads of Service, Executive Management Team and the Audit Committee. The audit plan was delivered with reports issued to senior managers at the conclusion of each audit highlighting internal control weaknesses identified and the actions required to address them. Recommendations were also reviewed to ensure they were implemented properly, by the due date. A performance report was taken to Executive Management Team and the Audit Committee at each of its meetings, although these were reduced in number because of the impact of the pandemic. The Head of Internal Audit annual report and opinion was also considered by the Audit Committee and included an assessment of compliance with relevant professional standards. The Head of Internal Audit's annual opinion states:
- 4.64 "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.
- 4.65 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.
- 4.66 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.
- 4.67 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.
- 4.68 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.
- 4.69 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.
- 4.70 Therefore, the remainder of this report should be read within this context.

- 4.71 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."
- 4.72 Internal Audit is subject to a formal, independent review of its compliance with professional standards every five years.

### ***Audit Committee***

- 4.73 The Audit Committee consists of a chairman and four other members. The committee's role is to provide independent assurance to Council on the adequacy of the risk management framework and associated internal control environment and the integrity of the financial reporting and governance processes.

### ***External Audit***

- 4.74 External Audit is undertaken by Ernst & Young and their work includes:
- providing an opinion on the financial statements, including whether they provide a true and fair view of the financial position at the end of the year and the expenditure and income for the year, and that they have been properly prepared in accordance with relevant legislation and applicable accounting standards;
  - reviewing and providing a conclusion of the arrangements in place to secure value for money.
- 4.75 Where the auditor identifies weaknesses in the Council's arrangements or significant deficiencies in internal controls, these are highlighted in the final report to the Audit Committee.

### ***External Inspections***

#### ***Planning Improvement Peer Challenge***

- 4.76 Early in 2019, the Council commissioned the Local Government Association (LGA) and Planning Advisory Service (PAS) to undertake a peer challenge of Planning. The peer challenge team made a number of recommendations, including progressing the local plan and a newly constituted development management committee.
- 4.77 Good progress has been made on recommendations relating to the Local Plan, which is currently at examination stage. The Council also established a Local Plan Delivery Board, which acts as the interface between Councillors and developers of sites allocated in the emerging local plan. This Board has met on a regular basis since September 2020.
- 4.78 The new modernised Development Management Committee has been inaugurated with meetings scheduled to be held in early 2021/22. The new arrangements are being implemented.

#### ***Data & Information Governance Review***

- 4.79 The Council commissioned a Data & Information Governance Review from its insurers, Zurich Municipal, towards the end of the 2020/21 financial year
- 4.80 The review – which consisted of a survey and interviews with key individuals – concluded that *Castle Point BC has been determined to be Level 3 Managed based on 3 in scope categories – Leadership and Management, Strategy & Policy and People & Training*. The model used by Zurich has a five-level scale and so supports the Council's own assessment of satisfactory compliance with information governance processes.
- 4.81 The review included the following recommendations which will be implemented over 2021/22 and are included in the action plan which accompanies this annual governance statement:

## Leadership and Management

1. Remind all staff of who is the current DPO and the reporting requirements associated to a data breach.
2. Formalise the home working policy to include a reminder on higher levels of password security, phishing, email impersonation.
3. ICT to discuss with new IT suppliers the potential to increase controls such as email encryption and auto archiving.
4. Determine how paper-based records can be reduced or removed from the Council and a detailed audit of the bunker contents.

## Strategy and Policy

1. Revise the homeworking policy to include more detail on expected colleague behaviours relating to data and information governance in the home environment.
2. Remind Members on the acceptable use of council assets and email addresses.
3. Senior Leadership Team to consider an acceptable timeframe for asset register reviews and updates including a document classification.
4. Issue a reminder to all staff on GDPR / DPA training on sharing data outside the organisation and the requirement for a DPIA (Data Privacy Impact Assessment).

## People and Training

1. Include members on any wider Council data and information governance training refresh.
2. Senior Leaders to consider an annual training refresh on data and information governance.
3. ICT to lead and develop a long term solution to remove paper from the organisation where appropriate.

## *Risk management health check*

- 4.82 The Council commissioned a Risk Management Health Check Report from its insurers, Zurich Municipal, during 2019/20.
- 4.83 Although an advisory report rather than official audit, the review concluded that *there is clear evidence that the organisation recognises the need and importance to engage in risk management and has the appropriate tools and methodologies to do so*. The review identified five areas for improvement:
1. Increase visibility of directorate risk profile
  2. Risk management training and awareness
  3. Risk register and reporting formats
  4. Approach to risk appetite (awareness and understanding)
  5. Project risk management
- 4.84 Progress has been made in areas 1 and 3 with outstanding action required to address areas 2,4 and 5. Areas for improvement in risk management are also identified under core principle F and therefore risk management features as an area for further work in 2021/22.

## Progress against Recommendations Identified in last year's Annual Governance Statement

- 4.85 The table below sets out the actions identified and an assessment of progress. Starting in 2020/21, progress on implementation of these actions has been reported to Audit Committee as part of the governance monitoring report. Some actions have been delayed because of Covid-19 response work over the year with revised implementation dates clearly indicated.

Number	Issue	Action 2020/21	Date of implementation	Responsible officer	Update on progress
1.	Improve the organisation's understanding of the effectiveness of partnership working	Develop and introduce reporting mechanisms on key partnerships to members and senior managers.	<del>Mar 2021</del> Mar 2022	Strategy, Policy and Performance Manager	<p>Work has not yet begun on this action and will be informed by an audit of partnerships which is due to conclude early in 2021/22 financial year. The action will therefore be included in the action plan for 2021/22, exact timing to be confirmed following audit recommendations.</p> <p>Nevertheless, Cabinet has received updates during 2020/21 on the Community Safety Partnership and on the Castle Point and Rochford Health and Wellbeing Board, two key partnerships for the Council.</p>
2.	Address awareness and training needs for project management	<p>Participate in a follow-up audit of project management and use the learning to develop and deliver a training programme for Operational Management Team and others in the Council who manage projects.</p> <p>Develop and implement project governance structures for approval of business cases and ongoing monitoring of key project delivery.</p>	<p>Mar 2021</p> <p>Training by Sep 2021</p>	Strategy, Policy and Performance Manager	<p>An advisory audit of the Council's project management arrangements was issued in January 2021.</p> <p>This audit indicated a number of recommendations for improvement, including a further and more comprehensive revision of project documentation, followed by training.</p> <p>The project documentation is now in draft form with training planned to take place in Q2 2021/22</p>

Number	Issue	Action 2020/21	Date of implementation	Responsible officer	Update on progress
3.	Improve the organisation's understanding and application of good risk management	Update the Risk Management Policy and Strategy and implement the remaining areas of focus identified in the health check of risk management.	<del>Dec 2020</del> Mar 2021	Head of Internal Audit	This action has been delayed and remains work in progress at the end of March 2021 to be completed during 2021/22.  The updated Risk Management Policy and Strategy will be taken to the Audit Committee meeting in January 2022.
4.	Better corporate coordination of data quality	Raise awareness of the importance of data quality and work with internal audit to develop a system of spot-checks in areas of risk.	<del>Dec 2020</del> Mar 2021	Strategy, Policy and Performance Manager	Training was given at Operational Management Team (OMT) at the March meeting and work continues with internal audit on developing a system of spot checks in areas of risk.
5.	Coordination of procurement activity to plan required resources to undertake this procurement	Use service plans to create a register of planned procurement showing timescales and expected resource requirements.  Training on procurement to be delivered.	<del>Dec 2020</del> Mar 2021  Mar 2021 Sep 2021	Senior Resilience and Procurement Officer	Service plans and the Contracts Register were used to identify planned procurements and provide Legal information required to ensure capacity.  Whilst some online training was offered during the Covid lockdown, other planned training was delayed.  There is a risk that the training element of this action may be further delayed by ongoing Covid-19 response work and will need to be revised to reflect the remote working environment.

Number	Issue	Action 2020/21	Date of implementation	Responsible officer	Update on progress
6.	Overdue implementation of the recommendations in the Planning Improvement Peer Review	Implement the outstanding recommendations made in the Planning Improvement Peer Review report.	<del>Oct 2020</del> Oct 2021	Head of Place and Policy	<p>All of the recommendations of the peer review and the actions in the Action plan are either in place or ongoing – including the progression of the local plan, which is at Examination stage. The first meeting of the newly constituted Development Management Committee is being held in April 2021.</p> <p>The Peer review recommendations include a revisit by the review team. No date has been fixed for this.</p>
7.	Business continuity training and exercising is overdue (audit finding)	Undertake business continuity training and exercising with manager and other relevant staff.	Feb 2021	Senior Resilience and Procurement Officer	<p>Business Continuity training was initiated in November 2020, with annual refresher being planned for relevant managers and staff.</p> <p>Desktop exercises (November 2020) sent to service managers and department heads. These are planned as a continuous six-monthly activity and will reflect required Covid considerations going forward.</p>



## Key governance issues

4.86 The following are the key governance issues that have been identified:

	Issue	Action 2021/22	Date of implementation	Responsible officer
1.	Improve the organisation's understanding of the effectiveness of partnership working	Develop and introduce reporting mechanisms on key partnerships to members and senior managers.  Implement recommendations from the Internal Audit of Partnerships	Mar 2022	Strategy, Policy and Performance Manager
2.	Address awareness and training needs for project management	Develop and deliver a training programme for Operational Management Team and others in the Council who manage projects	Sep 2021	Strategy, Policy and Performance Manager
3.	Coordination of procurement activity to plan required resources to undertake this procurement	Procurement training	Sep 2021	Senior Resilience and Procurement Officer
4.	Resurrect formal monitoring of the implementation of the corporate action plan	Re-introduce the highlight reporting at CMT against key corporate objectives and twice-yearly in-depth reviews of the corporate action plan which is established	Aug 2021	Strategy, Policy and Performance Manager
5	Local Plan adoption	Progress the Local Plan through examination stage to formal adoption	Dec 2021	Head of Place & Policy
6	PPDP value and compliance	Review the PPDP process to ensure it brings value to individual performance management and compliance is in place for all services	Aug 2021	Human Resources Manager
7.	Improve the organisation's understanding and application of good risk management	Update the Risk Management Policy and Strategy and implement the remaining areas of focus identified in the health check of risk management	Jan 2022	Head of Internal Audit
8.	Improve the organisation's approach to information governance	Implement the recommendations from the Zurich Municipal review of Data & Information Governance	Mar 2022	Head of Law

## 5 Conclusion

- 5.1 This statement has been considered by the governance group of officers as well as Executive Management Team and is considered an accurate reflection of the Council's governance arrangements. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Councillor Andrew Sheldon  
Leader of the Council  
July 2021

Miss Ann Horgan  
Head of Governance  
July 2021

**AUDIT COMMITTEE**

**22nd July 2021**

**Subject: Counter Fraud & Investigation Annual Report and Strategy & Work Plan 2021/22.**

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**1. Purpose of Report**

The Counter Fraud & Investigation team is responsible for the prevention, detection and deterrence of all instances of alleged fraud and economic crime affecting the authority including allegations of fraud, theft, corruption, bribery and money laundering.

The work of the service is led by the annual Counter Fraud Strategy which is approved following consultation with the council's services and intelligence from partners in government and policing.

This report outlines the performance of the team over the last year as well as proposes the new Counter Fraud Strategy to tackle fraud for the Council in 2021/22.

In order to support the Strategy, the Committee is requested to approve the following policies which have been amended as reported at the last meeting to take account of exit from the EU:

- Money Laundering Policy
- Whistle-blowing Policy
- Counter Fraud Bribery & Corruption Policy

**2. Counter Fraud Proactive Work Plan 2020/21**

**Appendix A** outlines the progress made in delivering the agreed Counter Fraud Proactive Work Plan for 2020/21.

CFI has a programme of proactive work proposed to ensure the council's posture against fraud is robust and effective. **Appendix A** sets out the proposed proactive work programme for this year.

The work programme is a working document and if during the year changes or additions to the plan are proposed between the CFI and the Section 151 Officer, these will be brought back to the Committee for approval.

**3. Investigations**

CFI continued to undertake investigations of suspected fraud or other economic crime for the council. However just prior to Q1 of 2020 the early stages of the Covid-19 Pandemic took hold of the UK and England was placed into Lockdown. This caused CFI to cease home visits and greatly affected the work normally carried out by the CFI team. However, this was not to suggest CFI would not continue the work required where possible.

CFI can comment on the following statistics for the previous year (2020/21):

- 34 Investigations have been undertaken by CFI

- 29 Investigations were closed by CFI
- 13 active investigations are currently being conducted
- The value of open investigations is £153,000

As can be seen the CFI has maintained investigations throughout this time and those that could not be progressed due to movement restrictions have been placed within the CFI intelligence system and will result in post Covid-19 checks by CFI officers.

It is clear that the pandemic has reduced the traditional work that CFI would complete during a year, however that has not meant the CFI team haven't assisted in the fight against fraud. Due to the pandemic the government announced a number of grants that were to be administered by local authorities, these were collectively known as Business Support Grants (BSG).

The CFI team have worked closely with the Revenues team (those responsible for administering the grants) to complete pre and post assurance checks on all applications that were received.

#### **4. Contribution to Council's Aims and Priorities**

CFI have also been working with the revenues department to assist in the 'pre and post assurance' checks on grants that were administered by the council on behalf of HMG which related to Covid-19 stimulus packages.

CFI have formed part of the discussions with regards to 'post assurance' undertakings, working with the Audit and Revenues departments. This will continue with a new swath of grants being administered for HMG concerning Covid-19 business grants, these are similar in nature to previous, although there are greater 'pre-assurance' requirements placed onto the local authority.

The CFI team have checked in excess of 1000 applications against the government designed analytical tools.

#### **Financial Implications**

Proactive fraud and corruption work acts as a deterrent against financial impropriety and might identify financial loss and loss of assets.

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

Proactively managing fraud risk can result in reduced costs to the Council by reducing exposure to potential loss and insurance claims.

#### **Legal Implications**

The Accounts and Audit Regulations 2015 Section 3 requires that:

*The relevant authority must ensure that it has a sound system of internal control which:*

- *facilitates the effective exercise of its functions and the achievement of its aims and objectives*
- *ensures that the financial and operational management of the authority is effective*
- *includes effective arrangements for the management of risk.*

The work of the Directorate contributes to the delivery of this.

### **People Implications:**

Where fraud or corruption is proven the Council will:

- take the appropriate action which could include disciplinary proceedings and prosecution
- seek to recover losses using criminal and civil law
- seek compensation and costs as appropriate.

### **Property Implications**

Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity. This action will benefit the authority by means of returning housing stock to those in need or gaining the assets of those who seek to profit from their criminal behaviour.

It is unfortunate that during this Pandemic and number of 'Abandonment' referrals could not be progressed due to the restrictions being placed on the team through risk assessments, however the CFI will maintain records of these and ensure that these matters are looked into post Covid-19 with proactive work taking place to ascertain if any of the referrals are continuing to be committed.

### **Consultation / Equalities Impact Assessment:**

None

### **Risk Assessment**

Failure to operate a strong anti-fraud and corruption culture puts the Council at risk of increased financial loss from fraudulent or other criminal activity.

Although risk cannot be eliminated from its activities, implementing these strategies will enable the Council to manage this more effectively.

### **Value for Money**

An effective counter fraud and investigation service should save the Council money by reducing the opportunities to perpetrate fraud, detecting it promptly and applying relevant sanctions where it is proven.

The CFI continue to work on criminal behaviour and pursuing those that commit crime against the authority. One of these elements is our Criminal Finance Team (CFT), who currently utilise the Proceeds of Crime Act to re-coup monies from those offending against the authority.

### **Community Safety Implications and Environmental Impact:**

None

## **Recommendations**

### **The Audit Committee:**

- **The Committee notes the performance of the Counter Fraud & Investigation team over the last year.**
- **The Committee approves the Counter Fraud & Investigation strategy and work programme for 2021/22.**
- **The Committee to approve the following policies**
  - **Money Laundering Policy**
  - **Whistle-blower Policy**
  - **Counter Fraud Bribery & Corruption Policy**

## **Background Papers**

Fighting & Corruption Fraud locally, the Local Government Fraud Strategy

Crowe Whitehall & Clarke Annual Fraud Indicator 2017

## **Appendices**

Appendix A: Counter Fraud Annual Report 2020/21 and Counter Fraud Strategy & Proactive Work Plan 2021/22

**Report Author:** Michael Dineen, Strategic Lead for Counter Fraud & Investigation.



## **Counter-money laundering policy and strategy**

# Version control sheet

<b>Title:</b>	Counter-Money Laundering Policy and Strategy
<b>Purpose:</b>	To advise council workers and suppliers what money laundering is, how to identify it and report it.
<b>Owner:</b>	Counter Fraud Service
<b>Approved by:</b>	Executive Management Team – dd/mm/yyyy Audit Committee – dd/mm/yyyy
<b>Date:</b>	Approved – dd/mm/yyyy Implemented – dd/mm/yyyy
<b>Version number:</b>	3.1
<b>Status:</b>	Draft
<b>Review frequency:</b>	Annually
<b>Next review date:</b>	May 2022

## Change history

Date	Change details	Approved by
May 2017	Inclusion of 4 <sup>th</sup> Money Laundering Directive	Chris Mills, Strategic Director Resources (s151 Officer)
March 2020 (not implemented)	Inclusion of 5 <sup>th</sup> Money Laundering Directive	Chris Mills, Strategic Director Resources (s151 Officer)
June 2021	Inclusion of 6 <sup>th</sup> Money Laundering Directive & Criminal Finances Act 2017	Chris Mills, Strategic Director Resources (s151 Officer)



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## 1. Introduction

- 1.1 An overriding responsibility of public sector organisations is the provision of effective and efficient services to our residents in a manner that seeks to ensure the best possible protection of the public purse in our delivery arrangements.
- 1.2 This policy sets out the action we will take to mitigate the risk that money could be laundered through our systems.
- 1.3 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. Whilst the risk to the Council of contravening the legislation is relatively low, it is extremely important that all Council workers are familiar with their legal responsibilities. Serious criminal sanctions may be imposed for breaches of the legislation, including imprisonment.
- 1.4 As a responsible public body, we expect all of our suppliers and contractors to follow to our strong stance and not tolerate any criminality attempting to affect our services or staff.
- 1.5 An overriding responsibility of public sector organisations is the provision of effective and efficient services to our residents in a manner that seeks to ensure the best possible protection of the public purse in our delivery arrangements.

## 2. The 5<sup>th</sup> Anti Money Laundering Directive (5MLD)

- 2.1 The 5<sup>th</sup> Anti-Money Laundering Directives (5MLD) came into force in 2019. It is not as extensive as the Fourth Money Laundering Directive (4MLD), which was passed in the UK as the Money Laundering Regulations 2017. This necessitated a wholesale change in how organisations approach money laundering such as introducing the risk-based approach and removing automatic exemptions from due diligence, for which our previous Anti Money Laundering Policy covered.
- 2.2 The Fifth Directive is more of a series of amendments to the structure of the Fourth Directive, adding various additional provisions that weren't included in the text of 4MLD.
- 2.3 The main changes are focused on enhanced powers for direct access to information and increased transparency around beneficial ownership information and trusts, such as corporate property ownership, none of which plays a part in the day to day running of the council.
- 2.4 There are areas of the 5MLD that as a local authority we should be aware of, mainly around the use of 'prepaid cards' and the 'collecting of cash' on such cards as well as taking cash from, or doing business with, companies that are based within High Risk countries.

### Enhanced Due Diligence for High-Risk third countries

- 2.5 The EU currently maintains a list of High-Risk third countries, and when doing business with clients within these countries, parties are required to undertake enhanced due diligence measures. One of the new updates that the 5MLD brings, is that any client that is based in a High-Risk country is now subject to compulsory enhanced due diligence measures, of which the 'relevant person' must undertake. These include obtaining information on the source of funds, enhanced background checks and beneficial ownership. Transactions with High-Risk third countries are extremely rare for the council. Any transactions proposed with in this area will be initially referred to Counter Fraud to lead on the required due diligence – before any transactions take place.

### 3. The 6<sup>th</sup> Anti Money Laundering Directive (6MLD)

On 12 November 2018, approximately 6 months after the adoption of the 5th EU Anti-Money Laundering Directive (5MLD), the European Parliament published further rules to strengthen the fight against money laundering through the 6th EU Money Laundering Directive (6MLD).

Member States were required to transpose the 6MLD into national law by 3 December 2020. After which, relevant regulations must be implemented by Member States by 3 June 2021.

#### What does that mean for the UK following its exit from the EU?

The UK government decided that it would opt out of the new directive as it considered the measures are largely in place in the UK to tackle money laundering<sup>1</sup>.

The elements the 6MLD were seeking to introduce across the EU already seen as being present in the UK to deal with money laundering are:

##### Predicate money laundering & related criminal offences

- The existing criminal offences under the Proceeds of Crime Act 2002: possess, acquire, use, conceal, disguise, convert, transfer, removes and/or aiding, abetting, attempting, counselling or procuring, being involved in a money laundering arrangement and the addition of the Criminal Finances Act 2017 direct and indirect tax offences.

##### Increased international co-operation for prosecution of money laundering

- Where two Member States each have jurisdiction over the prosecution of an offence, they are required to collaborate and agree to prosecute in a single Member State.
- There are also other measures for a “more efficient and swifter cross-border cooperation between competent authorities”, as well as requirements for Member States to have “effective investigative tools”.

### 4. Tackling Tax Evasion

- 4.1 The Criminal Finances Act 2017 introduced new criminal offences which apply to Relevant Bodies<sup>2</sup> should be criminally liable where they fail to prevent those who act for, or on their behalf, from criminally facilitating tax evasion. A Relevant Body is “*a body corporate or partnership wherever incorporated or formed*”. Under s.2(3) Local Government Act 1972 a council is recognised as a “*body corporate*.”
- 4.2 The new offences will be committed where a relevant body fails to prevent an associated person *criminally* facilitating the evasion of a tax, and this will be the case whether the tax evaded is owed in the UK or in a foreign country.
- 4.3 Previously, attributing criminal liability to a relevant body required prosecutors to show that the senior members of the relevant body were involved in and aware of the illegal activity, typically those at the Board of Directors level.

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<sup>1</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/684374/eighth-annual-report-to-parliament-eu-justice-home-affairs-matters.PDF](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/684374/eighth-annual-report-to-parliament-eu-justice-home-affairs-matters.PDF)

<sup>2</sup> <https://www.legislation.gov.uk/ukpga/2017/22/section/44/enacted>

#### 4.4 Criminal Offences:

- **Stage one:** the criminal tax evasion by a taxpayer (either an individual or a legal entity) under existing law
- **Stage two:** the criminal facilitation of the tax evasion by an “associated person” of the relevant body acting in that capacity
- **Stage three:** the relevant body failed to prevent its representative from committing the criminal facilitation act

4.5 **Defence:** where the relevant body has put in place ‘reasonable prevention procedures’ to prevent its associated persons from committing tax evasion facilitation offences (stage two), or where it is unreasonable to expect such procedures, it shall have a defence

#### 4.6 Application of new criminal offences in a local government environment:




4.7 The council has a top-level commitment to prevent all forms of financial crime affecting the authority. As guardians of public finance, the council has invested in both proactive counter fraud and internal audit teams to examine, monitor and recommend changes to the system of internal control where improvements could be required.

4.8 The council's contact with the tax regimes are mainly focused in the employment arena. The council has mature procedures on the appointment of staff which include active measures to prevent criminals abusing that area.

4.9 The council uses proprietary systems to capture, monitor and report regularly on the payment of monies to staff and third-parties which is supported by strict policies, procedures and contract clauses.

4.10 Any council worker who suspects that a person may be evading tax has a duty to report their concerns to the Counter Fraud service.

4.11 If you see any of the suspicious activity linked to money laundering you should:

-  Do not tell the person that you have any suspicions about them
-  Take all the records (and any cash) from the person to a secure location
-  Telephone a member of the CFI team right away on **03000 999 111** (24/7)

Follow the instructions given by the CFI team.

#### 5. What is money laundering?

5.1 Money laundering is the process where 'criminal property' (i.e. a person's benefit from criminal conduct) is given the appearance of having originated from a legitimate source.

5.2 Criminal conduct is anything that is a criminal offence in the United Kingdom. It could be fraud, theft, drug dealing, prostitution, terrorism and includes offences such as breaching building planning law and trade mark offences.

5.3 Criminal property is defined as anything which is a person's benefit from their criminal conduct. That could be money, real and personal property (houses, buildings, boats, cars, horses, watches etc.), 'things in action' and other intangible or incorporeal property (i.e. debts, intellectual property such as copyright, designs and patents etc.)

## 6. What are the money laundering criminal offences?

### Proceeds of crime offences

- 6.1 The criminal offences of money laundering are contained in the Proceeds of Crime Act 2002. They are committed when 'criminal property' is transferred, concealed, disguised, converted or removed by a person from England, Wales, Scotland and Northern Ireland.
- 6.2 A person also commits the offence of 'money laundering' if they enter into or becomes concerned in an arrangement which they know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- 6.3 A person commits a criminal offence when they do something that might prejudice 'a money laundering investigation', for example, falsifying or concealing a document or 'tipping off' ("telling") a person who is suspected of being involved in money laundering.

### Terrorist financing offences



- 6.4 The Terrorism Act 2000 also creates money laundering offences where a person enters in to or becomes concerned in an arrangement which facilitates the retention or control by or on behalf of another person of terrorist property ("money"):
- by concealment
  - by removal from the United Kingdom
  - by transfer to nominees, or
  - in any other way
- 6.5 It should be understood that 'terrorist property' covers not only the money stolen in, say, a terrorist robbery, but also any money paid in connection with the commission of terrorist acts. Any resources of a proscribed organisation are also covered: not only the resources they use for bomb-making, arms purchase etc but also money they have set aside for non-violent purposes such as paying their rent.
- 6.6 A proscribed organisation is defined under Schedule 2 of the Terrorism Act 2000. The Counter Fraud Service are responsible for monitoring these organisations and responding appropriately.
- 6.7 A person also commits a criminal offence if they fail to disclose to a constable that they believe a person has committed a terrorism money laundering offence.






### Criminal law defences

- 6.8 A person does not commit a criminal offence where they can demonstrate that "**his employer has established a procedure for the making of disclosures of the matters specified**" and the person *follows* that procedure.

## 7. How to identify suspected money laundering

- 7.1 All council workers should be alert to the possibility of someone trying to launder criminal proceeds through the Council. Some indications of suspicious activity are:

-  Large cash payments (e.g. paying business rates in cash)
-  Regular overpayments by a person/ company in any way

-  Duplicate payments by a person/ company in any way
-  Regular requests for refunds of payments
-  Regular 'chargebacks' for card payments
-  Someone paying regularly on behalf of third parties
-  Cash buyers purchasing land or property (e.g. Right to Buy properties)

7.2 Any council workers with concerns about money laundering should contact a member of the Counter Fraud team (CFI) on **03000 999 111** for advice.





7.3 CFID regularly provides training to council services on identifying and reporting suspected money laundering.

## 8. How to report suspected money laundering?

8.1 The Counter Fraud team are responsible for managing any cases of suspected money laundering.

8.2 It is the responsibility of every council worker to look for and report any possible money laundering taking place. You **do not** have to speak to a manager before reporting your suspicions.

8.3 If you see any of the suspicious activity linked to money laundering you should:

-  Do not tell the person that you have any suspicions about them
-  Take all the records (and any cash) from the person to a secure location
-  Telephone a member of the CF team right away on **03000 999 111** (24/7)
-  Follow the instructions given by the CF team.

8.4 **Remember:** Failure to report your suspicions to CF could expose *you* to criminal prosecution.

## 9. What does the council do about money laundering?

9.1 The Criminal Finances Unit in the Counter Fraud team are accredited by the National Crime Agency to conduct money laundering investigations. The Accredited Financial Investigators in the team can obtain court Production Orders to access bank accounts, seize any cash and restrain a person's assets, worldwide, in a money laundering investigation.

9.2 In cases where money laundering is proven the council will prosecute those offenders and use the Proceeds of Crime Act 2002 to take their ill-gotten gains. Any money confiscated is paid back in to the council to fight crime.

9.3 The CFI team works with business areas and Internal Audit to ensure that the controls in place prevent and identify potential money laundering. The council's policy is that the CFI team must be involved in the provision of new services, systems or contracts to ensure compliance with money laundering legislation.

## **10. Monitoring delivery**

- 10.1 The Counter Fraud team lead the council's fight against money laundering and economic crime. The team reports quarterly to the council's Audit Committee on its work to tackle the problem.
- 10.2 The service also reports regularly on its performance to the council's Executive Management Team.

## **11. Relevant legislation**

- 11.1 The Terrorism Act 2000 as amended by the Anti-Terrorist Crime and Security Act 2001
- 11.2 The Proceeds of Crime Act 2002 (POCA) [i](#)
- 11.3 Serious Organised Crime and Police Act 2005
- 11.4 The Money Laundering Regulations 2007
- 11.5 Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (*known as the EU 4th Money Laundering Directive*)
- 11.6 5th Anti-Money Laundering Directive (5MLD) as amended to Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (*known as the EU 4th Money Laundering Directive*)
- 11.7 6th Anti-Money Laundering Directive (6MLD) on combatting money laundering by criminal law.
- 11.8 Criminal Finances Act 2017

## STRATEGY / POLICY FRONT COVER



**Name of Strategy / Policy:** Whistleblowing Policy

**Date last updated:** June 2021

**Links to Council Priorities:**

Priority	Linked
Public Health & Wellbeing	Yes
Environment	Yes
Transforming Our Community	Yes
Efficient & Effective Customer Focused Services	Yes

**Links to Other Strategies and Policies**

*Counter Fraud, Bribery & Corruption Policy, Money Laundering Policy*

**Action Plan in this document?**

No

### **Officer Monitoring**

**Name of officer responsible for co-ordinating and progressing the action plan:**

### **Member Monitoring**

Delegated to Executive Management Team

**Has it been subject to an Equality Impact Assessment? Yes**





# **WHISTLEBLOWING "CONFIDENTIAL REPORTING" POLICY AND PROCEDURE**

PRODUCED BY: HUMAN RESOURCES & COUNTER FRAUD

SUBJECT TO 3 YEARLY REVIEW

**APPROVED BY:**

- EXECUTIVE MANAGEMENT TEAM: JUNE 2021

### **SCOPE OF POLICY**

- This Whistleblowing Policy applies to all employees, workers and contractors working for the Council, for example agency workers, builders, drivers etc. to enable them to raise serious concerns.
- This Whistleblowing Policy cannot be used by employees who have a grievance regarding their own employment, who should use the Grievance processes, or by members of the public, who should use the Council's Complaints processes.

### **DELEGATION**

- All managers are authorised to discuss and act upon employees concerns about what is happening at work without using the formal process of the Whistleblowing Policy.
- The Strategic Directors, Head of Resources, Head of Internal Audit and the Human Resources Manager are authorised to act upon serious concerns raised under the Whistleblowing Policy, in accordance with the Whistleblowing Policy and Procedure.
- All concerns raised under this Whistleblowing Policy will be notified to **the Human Resources Manager**.
- All concerns raised under this Whistleblowing Policy regarding financial issues will also be notified to the Head of Internal Audit.

### **AMENDMENT**

- February 2008
- July 2009
- May 2011
- June 2013
- September 2015
- January 2016
- June 2021

# **WHISTLEBLOWING POLICY**

## **INTRODUCTION**

Employees, workers or contractors at one time or another may have concerns about what is happening in their work place at Castle Point Borough Council ("the Council"). Usually these concerns are easily resolved by speaking to their manager without using a formal process. The Council has introduced this Whistleblowing Policy and Procedure to enable employees, workers or contractors to raise more serious concerns.

This Whistleblowing Policy cannot be used by employees who have a grievance regarding their own employment, who should use the Grievance processes, or by members of the public, who should use the Council's Complaints processes.

The Council is committed to the highest standards of openness, probity and accountability. In line with that commitment we encourage employees, workers and contractors with serious concerns about any aspect of the Council's work to come forward and voice their concerns. The Council would rather they raised the matter when it is just a concern rather than wait for proof. It is recognised that certain cases will have to proceed on a confidential basis. This Whistleblowing Policy makes it clear that such concerns can be raised without fear of reprisals.

This Whistleblowing Policy is not intended for initial reporting of minor lapses of standards, inaction or incidents. If, however, employees, workers or contractors have something more serious that is troubling them which they have discussed with their manager but feel that they have not been taken seriously, or due to the sensitivity of the matter feel they cannot raise their concerns within their service, then they should use this Whistleblowing Policy.

## **LEGISLATIVE BACKGROUND**

The Public Interest Disclosure Act 1998 protects workers making disclosures about certain matters of concern, where those disclosures are made in accordance with the Act's provisions.

The 1998 Act is incorporated into the Employment Rights Act 1996, which also protects employees who take action over, or raise concerns about health and safety at work.

On 25 June 2013, ss.17 to 20 of the Enterprise and Regulatory Reform Act 2013 amended the relevant provisions of the Employment Rights Act 1996 to provide that:

- a disclosure will not be protected unless it is, in the reasonable belief of the worker making the disclosure, "in the public interest";
- a disclosure no longer has to be made "in good faith" to be protected, but an employment tribunal may reduce a worker's compensation by up to 25% if it appears to the tribunal that a protected disclosure was not made in good faith;
- a worker has the right not to be subjected to a detriment by any act or deliberate omission by another worker employed by his or her employer on the ground that he or she has made a protected disclosure; and

## WHISTLEBLOWING POLICY

- a worker has the right not to be subjected to a detriment by any act or deliberate omission by an agent of his or her employer acting with the employer's authority.

An employer will be vicariously liable for any such acts or omissions committed by another worker or an agent. An employment tribunal will also be able to hold the other worker or agent liable. The employer will have a defence in tribunal proceedings if it can show that it took "all reasonable steps" to prevent the other worker from committing the act or omission, or any act or omission of that description.

A public interest disclosure is a disclosure by a worker concerning a wrongdoing on the part of his or her employer. Protected disclosures include information about: an alleged criminal offence; a failure to comply with a legal obligation; a miscarriage of justice; a breach of health and safety such that an individual has been, is, or is likely to be endangered; damage to the environment; or information that one of the above has been or is likely to be deliberately concealed.

A disclosure is not protected unless the employee reasonably believes that the disclosure is made in the public interest.

### DEFINITION

Any serious concerns that employees, workers or contractors have about any aspect of service provision or the conduct of Officers or Members of the Council or others acting on behalf of the Council can be reported under the Whistleblowing Policy. These may include:-

- a criminal offence
- fraud & corruption, including bribery
- failure to comply with legislation
- failure to comply with good practice, especially where this endangers children and/or vulnerable adults
- disclosure relating to miscarriage of justice
- health and safety risks, including risks to the public as well as other employees
- damage or danger to the environment
- sexual, physical, emotional or psychological abuse of clients
- failure to comply with the Employees or Members Code of Conduct
- theft of Council property and assets
- failure to comply with the Council's rules on gifts and hospitality
- serious mismanagement or failure to manage

## **WHISTLEBLOWING POLICY**

- continuing inappropriate conduct or behaviour or performance by any employee which has been reported to a relevant manager, especially harassment or bullying or discriminatory behaviour. This may include, but not be confined to, actions considered to be based upon the race, gender, disability, age, religion/belief or sexual orientation of the victim
- a cover up of, or failure to report, any of the above.

### **COMMITMENT OF THE COUNCIL**

The Council is committed to considering the concerns of employees, workers or contractors and will take actions as appropriate in line with the Whistleblowing Procedure attached to this policy.

### **SAFEGUARDS**

#### ***Harassment or victimisation***

The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Council will not tolerate harassment or victimisation and will take action to protect employees, workers or contractors when they raise a concern in good faith.

The Council will treat any harassment or victimisation as a serious disciplinary offence to be dealt with under the Disciplinary and Appeals Procedure.

This does not mean that if employees are already the subject of disciplinary, redundancy or other Procedures that those Procedures will be halted as a result of their whistleblowing.

#### ***Confidentiality***

The Council recognises that employees, workers or contractors may nonetheless want to raise a concern in confidence under this Whistleblowing Policy. If an employee, worker or contractor asks the Council to protect their identity, the Council will do its best not to disclose it without their consent. If the situation arises where the Council is not able to resolve the concern without revealing the employee, worker or contractors identity (for instance because their evidence is needed in court), we will discuss with them whether and how we can proceed.

#### ***Anonymous allegations***

This Whistleblowing Policy encourages employees, workers or contractors to put their name to their allegation. Concerns raised anonymously are much less powerful but they will be considered at the discretion of the Council.

In exercising the discretion the factors to be taken into account would include:

- The seriousness of the issues raised;
- The credibility of the concern; and
- The likelihood of confirming the allegation.

## **WHISTLEBLOWING POLICY**

### ***Untrue allegations***

If an employee makes an allegation in good faith but it is not confirmed by the investigation no action will be taken against them. If however, an employee makes a malicious or vexatious allegation, disciplinary action may be taken against them.

### **REPORTING ARRANGEMENTS AND RECORD KEEPING**

The Human Resources Manager maintains a record of concerns raised under the Whistleblowing Policy and Procedure and of the outcomes (in a form that does not endanger employee, worker or contractor confidentiality) on behalf of the Council, and will report if necessary to the Chief Executive.

The delegated officers will consult with such other Council officers as they considers necessary and may arrange for any investigation to be conducted and dealt with in such manner as they decide.

The effective operation of the policy & procedure will be reviewed as part of the annual review of governance arrangements.

## WHISTLEBLOWING PROCEDURE

### HOW TO RAISE A CONCERN

Employees who raise concerns that fall within the scope of other Council Procedures will not be dealt with under this Whistleblowing Procedure, but will be advised on the appropriate procedure to use. Such employees will still receive protection as detailed in the Whistleblowing Policy.

Employees, workers or contractors should normally raise concerns with their immediate manager, without needing to use the Whistleblowing Policy. This depends, however, on the seriousness and sensitivity of the issues involved and who is thought to be involved in the malpractice.

Where a concern is serious or where it is a concern about the line manager, or having made a report they believe that their manager has failed to take appropriate action, the employee, worker or contractor should contact:

- **Human Resources Manager on 01268 882445 or via [whistleblower@castlepoint.gov.uk](mailto:whistleblower@castlepoint.gov.uk)**

Concerns should be raised in writing, clearly marked “**Whistleblowing, Human Resources Manager**” and placed in an envelope marked “**Personal and Confidential**”. The background and history of the concern (giving names, dates, and place where possible), and the reasons for the concern should be set out.

The earlier employees, workers or contractors express a concern, the easier it is to take action. Employees may invite a trade union representative or work colleague to raise a matter on their behalf.

All concerns raised under this Whistleblowing Policy regarding financial issues will also be notified to the Head of Internal Audit.

### HOW THE COUNCIL WILL RESPOND

Once an employee, worker or contractor has raised their concern under the Whistleblowing Policy with the Human Resources Manager initial enquiries will be made to decide if an investigation is appropriate and if so what form the investigation should take.

The employee, worker or contractor will be advised of the following:-

- who is considering the issue;
- how that person can be contacted;
- whether their further assistance may be needed.

The senior officer responsible for considering the issue will write to the employee, worker or contractor summarising their concern and setting out how the Council proposes to handle it, if requested to do so. The employee, worker or contractor will also be requested to state any personal interest they may have in the matter.

The overriding principle which the Council will have in mind is the public interest. Concerns or allegations which fall within the scope of specific procedures (for example, discrimination issues) will normally be referred for consideration under those procedures. The action taken by the Council will depend on the nature of the concern and may:

## **WHISTLEBLOWING PROCEDURE**

- be resolved by agreed action without the need for investigation;
- be investigated internally;
- be referred to the police;
- be referred to the external auditor;
- form the subject of an independent inquiry.

The amount of contact between the employee, worker or contractor and the officers investigating the concerns will depend on the concerns raised, but the Council may need to seek further information from the employee, worker or contractor. Any meetings may be arranged on or off site and an employee may be accompanied by a friend, union or professional body representative.

While the purpose of this Whistleblowing Policy is to enable the Council to investigate possible malpractice and take appropriate steps to deal with it, they will provide as much feedback to the employee, worker or contractor as they properly can. If requested, confirmation of the response may be provided in writing. It may not, however, be possible to advise the precise action that will be taken where this would infringe a duty of confidence owed by the Council to someone else.

### **HOW A CONCERN CAN BE TAKEN FURTHER**

The Whistleblowing Policy is intended to provide employees, workers or contractors with the reassurance they may need to raise concerns internally and that they will be satisfied with any action taken.

However, if they are not, and feel that it is appropriate to take the matter outside the Council or if they feel unable to raise their concerns internally, the Council would rather they raised the matter with an appropriate regulator than not at all. The following are possible contact points:

- Local Council Member.
- The designated independent organisation (independent charity "Public Concern at Work" which provides a confidential helpline on 020 7404 6609).
- The employee's trade union.
- Local Citizens Advice Bureau.
- The Police.
- Relevant professional bodies, regulatory or other organisations.

**If employees, workers or contractors take their concerns outside the Council they should take care not to disclose any confidential information.**





## **Counter-fraud, bribery and corruption policy**

# Version control sheet

<b>Title:</b>	Counter-fraud, bribery and corruption policy
<b>Purpose:</b>	To advise council workers and suppliers on what fraud, bribery and corruption is, how to identify and report it and our response.
<b>Owner:</b>	Counter Fraud and Investigation
<b>Approved by:</b>	Executive Management Team – dd/mmm/yyyy Audit Committee – dd/mmm/yyyy
<b>Date:</b>	Approved – dd/mmm/yyyy Implemented – dd/mmm/yyyy
<b>Version number:</b>	2.1
<b>Status:</b>	Draft
<b>Review frequency:</b>	Annually
<b>Next review date:</b>	

## Change history

Date	Change details	Approved by
06.2021	No fundamental changes	

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## 1. Introduction

- 1.1 As a local authority Castle Point Council is responsible for delivering key frontline services such as maintaining our parks and open spaces, keeping our borough clean and green, collecting our refuse and providing social housing to those in need.
- 1.2 We deliver these services every year with public money we have in our budget. Criminals do and will continue to seek to take that money from the council. Criminals come in all forms from service users, to suppliers and in rare cases colleagues sitting next to us.
- 1.3 The way to beat those who seek to take the public's money is to make sure our systems and controls in place are strong and we follow them. This means all of the procedures we have as a team are robust and auditable so we can prevent fraud and identify possible concerns.
- 1.4 This policy sets out what fraud, bribery and corruption is, how to spot it and what to do if you do suspect it.
- 1.5 Every council worker, including elected members are responsible for following this policy and reporting their suspicions to our Counter Fraud and Investigation team or Monitoring Officer.

## 2. What is fraud?

- 2.1 In this policy 'fraud' is used as shorthand to any criminal offence where money or other assets belonging to the council can be lost. It includes Theft, Fraud, Burglary and other deception offences such as corrupt practices by workers or suppliers.
- 2.2 Fraud is where a person is dishonest in their actions in order to cause a loss to the council or expose the council to a potential loss. It also includes where a person causes a chain of events by doing **OR** not doing something that causes **or** exposes the council to a loss.
- 2.3 Any of the actions described above are criminal offences and can result in imprisonment.

## 3. How is fraud committed against the council?

### Applying for services / making a declaration

- 3.1 The council provides hundreds of different services to the public we serve. Unfortunately there is a small minority of those who seek to take advantage of those services. This could be by someone embellishing their circumstances, making something up completely or purposefully not declaring something.
- 3.2 In the council's welfare support services such as Housing and Housing Benefit this could be a person not being honest about their needs, what their financial status is or what they will be using the council services for. It may be a person acting on the service user's behalf that is being dishonest in order to benefit them.
- 3.3 In each of these examples the frauds are denying the legitimate use of council funds by those who are in need.

### Suppliers / providers

- 3.4 The highest risk of fraud to the public sector is from its supply chain. A council is a business making regular and sometimes

### Did you know?

Supplier fraud costs local government £4.4bn every year in the UK.

large financial transactions with our suppliers and providers in order to deliver our services.

- 3.5 Some unscrupulous suppliers, or staff working in supplier companies, may seek to take advantage of our payment systems and processes.
- 3.6 Fraud in this area can be committed where suppliers submit false or 'erroneous' invoices or other requests for payment. Suppliers may also be dishonest in how they are delivering the services or goods we have asked them for. They may be poor quality or not supplied at all.
- 3.7 Staff that deal with our suppliers and providers must ensure that the council is getting what it has paid for. The council's Procurement Team and Internal Audit Service are experienced in contract management and applying the right controls when sourcing goods, works and services.

### **Council worker fraud**

- 3.8 Castle Point Council, like any large employer employing hundreds of people, will always have a very small minority of people who seek to commit fraud or allow fraud to take place.
- 3.9 Fraud in this area can be staff who take unauthorised absences, such as claiming 'flexi time' when they haven't accrued any, claim to be working from home when they are not or even claim to be working in the field but going home early/start their duties later.
- 3.10 Payroll or expenses fraud can also be committed by council workers such as staff and agency workers who falsely claim overtime, allowances, mileage or expenses that they aren't entitled to.
- 3.11 It is important for all staff to follow the council's procedures particularly those in management positions as well as colleagues whose duties are to notice irregularities.

### **Did you know?**

The impact of staff falsely working half an hour less per week would cost the council £60k every year.





## **4. What is bribery and corruption?**

- 4.1 As public servants all workers in the council are in a privileged position to serve the people of Castle Point. That responsibility comes with a significant amount of trust in how we conduct ourselves.
- 4.2 It has always been a criminal offence for any council worker to receive gifts or hospitality where the person giving the gift or hospitality is seeking to induce, or reward us to do something for their, or somebody else's benefit. The most common situation here is where a supplier provides hospitality to a council worker so contracts are let to them instead of another.
- 4.3 This type of corruption has been depicted in many different films and fictional stories, where for example, criminals seek to build a house that would be normally rejected by planners, or the criminal who wants the council to 'look the other way' for parking fines or other enforcement action.

- 4.4 All of this conduct is a criminal offence, punishable by imprisonment. It is the most serious type of dishonesty, which brings the council and colleagues in to disrepute.

## 5. What do I do if I suspect fraud, bribery or corruption?

- 5.1 The Counter Fraud and Investigation Directorate (CFID) are responsible for dealing with any cases of suspected criminality described in this policy, not the police.
- 5.2 It is the responsibility of every council worker to look for and report any possible fraud taking place. You **do not** have to speak to a manager before reporting your suspicions.
- 5.3 If you see any of the suspicious activity linked to fraud, against the council, **OR** in any council building you should:

-  not tell the person that you have any suspicions about them
-  take copies of any records that could help to a secure location
-  telephone a member of the CFID team right away on **03000 999 111** (24/7)
-  follow the instructions given by the CFID team

## 6. What does the council do with cases of suspected fraud?

- 6.1 The council has a dedicated team of professionally trained and accredited investigation officers who fully investigate instances of suspected fraud. The CFID team work around the clock, anywhere in the UK with powers to arrest persons, search premises and seize assets to take back what the council has lost.
- 6.2 In cases where there may be a proven case of fraud the council's Legal Services or the Crown Prosecution Service has dedicated criminal lawyers who apply the Code for Crown Prosecutors. This code is applied independently by a lawyer to decide whether there is sufficient evidence of a crime and whether it is in the public interest to prosecute those suspected.
- 6.3 CFID has a Criminal Finances Unit that is accredited by the National Crime Agency to restrain and seize a person's assets, investigate their lifestyle and present cases to a Judge to confiscate any criminal proceeds.
- 6.4 The council will always publicise cases of proven fraud in the media to act as a deterrent and encourage people to come forward to report fraud.

## 7. Whistleblowing

- 7.1 The Council is committed to providing the highest quality service to our residents, businesses and visitors to Castle Point. Maintaining the full trust and confidence in the way the council manages our services and resources and making sure that all those who are vulnerable such as children, the elderly and people with learning disabilities are provided for safely, effectively and in accordance with best practice
- 7.2 The council's Whistleblowing Policy is intended to encourage and enable staff to raise serious concerns. Council workers reporting concerns this way are afforded certain rights and protection through legislation enacted under the Public Interest Disclosure Act 1998.

- 7.3 Workers who report concerns will be supported and protected from reprisals. Everything possible will be done to protect their confidentiality. They will be advised of the action that has been taken by the person to whom they reported their concerns.
- 7.4 Management are responsible for reporting all allegations received from whistleblowing under the confidential reporting policy. Allegations relating to suspected fraud, money laundering, bribery and corruption to the CFI team for investigation.
- 7.5 CFI will deal with the matter promptly, efficiently and in accordance with the law, involving such outside agencies as appropriate (including the police). Where a supplier or other partner employee is involved, their leadership team will be informed where appropriate in liaison with the Chief Finance Officer and CFI.

## **8. Information Sharing**

- 8.1 As a responsible data controller the council always ensures that personal data we hold is safeguarded and used properly with the Data Protection Act 2018.
- 8.2 The council will use data we hold to prevent and detect criminality and identify those responsible.
- 8.3 Any staff contacted by the Counter Fraud and Investigation, Internal Audit or Legal Services teams as part of a criminal investigation must provide any council data held in any form (paper or electronically). Council workers must not tell anyone that they have been asked for any material for an investigation, unless permitted to by the CFI, Internal Audit or Legal Services officer asking for the material.
- 8.4 Any concerns workers may have about releasing information should be directed to the Assistant Director for Fraud & Investigation, Head of Internal Audit, s151 Officer or Monitoring Officer.

## **9. Monitoring Delivery**

- 9.1 The Counter Fraud and Investigation Directorate lead the council's fight against fraud and economic crime, including bribery and corruption. The team reports quarterly to the council's Audit Committee on its work.
- 9.2 The service also reports regularly on its performance to the council's Executive Management Team.

# Appendix A – Roles and responsibilities

## Expected behaviour

The Council requires all workers and elected Members to act honestly and with integrity at all times and to safeguard the resources for which they are responsible. Fraud is an ever-present threat to these resources and hence must be a concern to all workers and elected Members. The purpose of this statement is to set out specific responsibilities with regard to the prevention of fraud.

**Section 151 Officer** (Chief Finance Officer) is responsible for:

- Proper administration of the authority's financial affairs
- Reporting to Members and External Audit if the Council, or one of its representatives makes, or is about to make a decision which is unlawful, or involves illegal expenditure or potential financial loss (Local Government Finance Act 1988 s.114)

**Monitoring Officer** is responsible for:

- Reporting on contraventions or likely contraventions of any enactment or rule of law
- Report on any maladministration or injustice where the Ombudsman has carried out an investigation
- Receiving copies of whistleblowing allegations of misconduct
- Promoting and maintaining high standards of conduct through and with the support of the Standards Committee
- Advice on vires (legality) issues, maladministration, financial impropriety, probity and policy framework and budget issues to all Members

**Managers** are responsible for:

- Maintaining internal control systems and ensuring that the authority's resources and activities are properly applied in the manner intended
- Identifying the risks to which systems and procedures are exposed
- Developing and maintaining effective controls to prevent and detect fraud
- Ensuring that controls are being complied with, including making sure their staff are performing well and meeting council policies and procedures.

**Council workers** are responsible for:

- Their own conduct and for contributing towards the safeguarding of corporate standards (including declarations of interest, gifts and hospitality, private working, whistleblowing etc.)
- Acting with propriety in the use of official resources and in the handling and use of corporate funds, such as when dealing with contractors and suppliers
- Reporting details immediately to the Counter Fraud and Investigation Department or to the Monitoring Officer, if they suspect that fraud, theft, bribery, corruption and or money laundering has been committed or see any suspicious acts or events.



**Internal Audit** is responsible for:

- The independent appraisal of control systems
- Reporting to the Directors Board and the Audit Committee on the council's governance framework
- The implementation of an annual audit plan to include identification of fraud risks to the Counter Fraud and Investigation

**Counter Fraud and Investigation** is responsible for:

- The investigation into allegations of any fraud, bribery, theft, corruption and money laundering committed against the authority
- Prosecution (or the application of an alternative sanction) of offenders
- All action under the Proceeds of Crime Act 2002 and Criminal Justice Act 1988 in respect of financial investigation, restraint, detention, forfeiture and confiscation
- The co-ordination of participation in the National Fraud Initiative (NFI)
- Providing Counter-Fraud, Money Laundering, Theft, Bribery and Corruption Awareness Training
- Taking redress from offenders under criminal and civil law
- Referring any matters to and receiving information and intelligence from all law enforcement agencies (Police, HMRC, Home Office etc) where appropriate.

**External Audit** has specific responsibilities for:

- Reviewing the stewardship of public money
- Considering whether the Council has adequate arrangements in place to prevent fraud and corruption
- Signing off the annual accounts of the authority

**Elected Members** are each responsible for:

- Their own conduct
- Contributing towards the safeguarding of corporate standards, as detailed in the Members' Code of Conduct

## Appendix B – Key contacts

Contact	Details
<b>Counter Fraud and Investigation</b>	Mezzanine, Civic Offices, Kiln Road, Benfleet, SS7 1TF Tel: <b>03000 999 111</b> Email: <a href="mailto:reportfraud@castlepoint.gov.uk">reportfraud@castlepoint.gov.uk</a> Web: <a href="http://castlepoint.gov.uk/fraud">castlepoint.gov.uk/fraud</a>
<b>Chris Mills</b> Strategic Director for Resources (s.151 Chief Finance Officer)	Civic Offices, Kiln Road, Benfleet, SS7 1TF Tel: <b>01268 882215</b> Email: <a href="mailto:cmills@castlepoint.gov.uk">cmills@castlepoint.gov.uk</a>
<b>Andrew Roby Smith</b> Strategic Director for Corporate Services (Monitoring Officer)	Civic Offices, Kiln Road, Benfleet, SS7 1TF Tel: <b>01268 882402</b> Email: <a href="mailto:asmith@castlepoint.gov.uk">asmith@castlepoint.gov.uk</a>
<b>David Kleinberg</b> Assistant Director for Fraud & Investigations	Civic Offices, Kiln Road, Benfleet, SS7 1TF Tel: <b>01375 652157</b> Email: <a href="mailto:dkleinberg@thurrock.gov.uk">dkleinberg@thurrock.gov.uk</a>
<b>Andrew Barnes</b> Head of Internal Audit	Civic Offices, Kiln Road, Benfleet, SS7 1TF Tel: <b>01268 882482</b> Email: <a href="mailto:abarnes@castlepoint.gov.uk">abarnes@castlepoint.gov.uk</a>
<b>Protect</b> (independent charity for whistleblowing) 	The Green House, 244-254 Cambridge Heath Road, E2 9DA Tel: <b>020 3117 2520</b> (* option 1) Email: <a href="mailto:whistle@protect-advice.org.uk">whistle@protect-advice.org.uk</a>

# Appendix C – Fraud legislation

## 1 Fraud

1.1 The Fraud Act 2006 introduced the first statutory definition of fraud whereby:

"A person is guilty of fraud if he is in breach of any of the sections listed in subsection (2) (which provide for different ways of committing the offence).

Fraud can be committed by:

- (a) section 2 (Fraud by False Representation),
- (b) section 3 (Fraud by Failing to Disclose Information), and
- (c) section 4 (Fraud by Abuse of Position). "

### Fraud by false representation

A fraud will be committed if a person dishonestly makes a false representation and when doing so intends to make a gain or cause loss (or a risk of loss) to another.

### Fraud by failing to disclose information

A fraud will be committed if a person dishonestly fails to disclose information where there is a legal obligation to do so and when doing so intends to make a gain or cause loss (or a risk of loss) to another.

### Fraud by abuse of position

A person will commit fraud if he occupies a position in which he is expected to safeguard, or not act against, the financial interests of another person and he dishonestly abuses that position; and in doing so intends to make a gain or cause loss (or a risk of loss) to another.

## 2 Theft, burglary and robbery

- 2.1 A person is guilty of **theft** if they dishonestly appropriate property, belonging to another, with the intention of permanently depriving the other of it.
- 2.2 Theft includes where someone takes something "and uses it as their own".
- 2.3 A person is guilty of **robbery** if he steals, and immediately before or at the time of doing so, and in order to do so, he uses force on any person or puts or seeks to put any person in fear of being then and there subjected to force.
- 2.4 A person is guilty of **burglary** if he enters any building or part of a building as a trespasser and with intent to steal anything in the building or that part of it or inflicts or attempts to inflict on any person any grievous bodily harm or; doing unlawful damage to the building or anything therein.

# Appendix D – Bribery and corruption legislation

## 1. Bribery

- 1.1 A bribe is "a financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that the acceptance of such an advantage would constitute the improper performance of such a function or activity."
- 1.2 The types of offending relating to Bribery are:
  - 1.2.1 **Bribery** – giving or receiving something of value to influence a transaction dishonestly makes a false representation
  - 1.2.2 **Illegal gratuity** – giving or receiving something of value after a transaction is completed, in acknowledgment of some influence over the transaction
  - 1.2.3 **Extortion** – demanding a sum of money (or goods) with a threat of harm (physical or business) if demands are not met
  - 1.2.4 **Conflict of interest** – where a worker has an economic or personal interest in a transaction
  - 1.2.5 **Kickback** – a portion of the value of the contract demanded/ provided as a bribe by an official for securing the contract.
- 1.3 The Bribery Act 2010, which came into force on 1st July 2011, introduced four primary offences in a single piece of legislation with all previous statutes being repealed.
  - 1.3.1 Section 1 – Offences of bribing another person, where:
    - (a) a person offers, promises or gives a financial or other advantage to another person, and
    - (b) intends the advantage –
      - (i) to induce a person to perform improperly a relevant function or activity, or
      - (ii) to reward a person for the improper performance of such a function or activity.
  - 1.3.2 Section 2 – Offence relating to being bribed
  - 1.3.3 Section 6 – Bribery of foreign public officials
  - 1.3.4 Section 7 – Failure by a commercial organisation to prevent bribery
- 1.4 Under the Bribery Act, an organisation has a defence if it can show that it has adequate bribery prevention procedures in place. The Ministry of Justice guidance<sup>1</sup> on the Bribery Act 2010, explains what needs to be in place to rely on this defence:

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<sup>1</sup> <http://www.justice.gov.uk/downloads/legislation/bribery-act-2010-quick-start-guide.pdf>

- 1.4.1 *Proportionality: The action we take should be proportionate to the risks we face and to the size of our organisation.*
- 1.4.2 *Top Level Commitment: Those at the top of an organisation are in the best position to ensure their organisation conducts business without bribery. We want to show that we have been active in making sure that our staff (including any middle management) and the key people who do business with us and for us understand that we do not tolerate bribery.*
- 1.4.3 *Risk Assessment: Think about the bribery risks we might face.*
- 1.4.4 *Due Diligence: Knowing exactly who we are dealing with can help to protect our organisation from taking on people who might be less than trustworthy.*
- 1.4.5 *Communication: Communicating our policies and procedures to staff and to others who will perform services for us enhances awareness and helps to deter bribery by making clear the basis on which our organisation does business.*
- 1.4.6 *Monitoring and Review: The risks we face and the effectiveness of our procedures may change over time.*
- 1.5 Prior to 2011, under Common Law, a person commits an offence where a person "Offering, giving or receiving, any undue reward, by or to any person whatsoever in a public office, in order to influence his behaviour in office and incline him to act contrary to the known rules of honesty and integrity."

## **Corruption**

- 1.6 Corruption can be committed in many ways but normally involves "two or more people entering into a secret agreement."
- 1.7 Indicators showing this type of offending can include the following:
  - 1.7.1 Abnormal cash payments
  - 1.7.2 Pressure exerted for payments to be made urgently or ahead of schedule
  - 1.7.3 Private meetings with public contractors or companies hoping to tender for contracts
  - 1.7.4 Lavish gifts being offered or received
  - 1.7.5 An individual who never takes time off even if ill, or holidays, or insists on dealing with specific contractors himself or herself
  - 1.7.6 Making unexpected or illogical decisions accepting projects or contracts
  - 1.7.7 Abuse of the decision process or delegated powers in specific cases
  - 1.7.8 Agreeing contracts not favourable to the organisation either because of the terms or the time period
  - 1.7.9 Unexplained preference for certain contractors during tendering period
  - 1.7.10 Avoidance of independent checks on the tendering or contracting processes

1.7.11 The Council's or its suppliers/partner's procedures or guidelines not being followed

1.8 The Local Government Act 1972 requires under section 117(2) that employees must disclose any personal interest in contracts that have been, or are proposed to be, entered into by the Council. Failure to do so is a criminal offence.

# **Appendix E – Misconduct in Public Office**

## **1 Bribery**

A bribe is "a financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that the acceptance of such an advantage would constitute the improper performance of such a function or activity."



# FRAUD AFFECTS COUNCILS TOO

**Have you seen anything suspicious?**

- Unusual applications for council services
- Suspicious identity documents or transactions
- Suppliers not delivering what we pay for

**If you suspect it, report it.**

Call in confidence on **03000 999 111** or  
visit **[castlepoint.gov.uk/fraud](http://castlepoint.gov.uk/fraud)**





**AUDIT COMMITTEE**

**22nd July 2021**

**Subject: Annual Report on the Treasury Management Service and Actual Prudential Indicators 2020/21**

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**1 Purpose of Report**

The annual treasury report is a requirement of the Council's reporting procedures. It covers both the treasury activity and the actual Prudential Indicators for 2020/21.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

**2 Links to Council's priorities and objectives**

The scrutiny and approval of the Council's Treasury Management activity is linked to the Council's priority of a Commercial and Democratically Accountable Council through sound financial management.

**3 Recommendations:**

1. That following scrutiny, the Treasury Management Activity Report for 2020/21, including the prudential indicators reported in Annexe D, is approved for onward submission to Cabinet.

**Resolution required.**

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**4 Background**

- 4.1 The 2020/21 Treasury Management Strategy summarises the Council's obligations defined in the Code of Practice for Treasury Management in the Public Services, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 4.2 During 2020/21 the Council complied with its legislative and regulatory requirements.

## **5 Treasury Report for 2020/21 and scrutiny of treasury activity**

- 5.1 As required by the Code, the activity report for 2020/21 is submitted at Annexe A for scrutiny by Audit Committee, prior to submission to Cabinet on 15 September 2021.
- 5.2 It is important to ensure that the Council's treasury management activities are subject to a robust process of scrutiny. This report provides Members with information on treasury management activity and variances in order to fulfil this process.

## **6 Corporate Implications**

### **a Legal implications**

This report is the responsibility of the Strategic Director (Resources) – the Officer appointed by the Council as section 151 Officer to have responsibility for the Council's financial administration. Submission of such a report is a requirement of CIPFA's Standard of Professional Practice on Treasury Management.

Under the revised Code of Practice, Cabinet was nominated at Special Council 16<sup>th</sup> February 2010 to ensure effective scrutiny of the treasury management strategy and policies.

### **b Financial implications**

There are no new implications.

### **c Human resources and equality implications**

There are no new implications.

### **d Timescale for implementation and risk factors**

No new targets applicable.

**Report Author:** Rob Greenfield - Accountant

### **Background Papers:**

Chartered Institute of Public Finance and Accountancy: *Code of Practice for Treasury Management in the Public Services*.

CPBC: *Treasury Management Strategy Statement for 2020/21*.

CPBC: *Working paper: external loan calculation 2020/21*.

## Treasury Management Activity Report for 2020/21

### 1 Introduction

- 1.1 This report summarises the Council's treasury management activity for 2020/21 and compares actual interest transactions with the revised estimates set for 2020/21.
- 1.2 The Council must comply with the Code of Practice on Treasury Management in the Public Services, issued by CIPFA and updated in 2017. The code requires the Council to annually set a Treasury Management Strategy. The Strategy for the 2020/21 financial year was approved by Council on 19 February 2020.
- 1.3 This report confirms that all Treasury Management activity during the year was undertaken in accordance with this strategy and in consultation, where appropriate, with our external advisers, Link Group.

### 2 The Economy

- 2.1 **Short-term interest rates.** The Bank of England base rate remained at **0.10%** throughout 2020/21 where it is forecast to stay until 2023-24. The Council therefore continues to earn very low rates on its investments, while facing the challenge of increased counterparty risk.

### 3 Borrowing

- 3.1 A summary of external borrowing at 31<sup>st</sup> March 2021 is in Annexe B. The principal amounts are shown in this annexe but in the statement of accounts the amounts for borrowing also include interest outstanding.
- 3.2 The Council operated within treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement throughout the year. The outturn for the Prudential Indicators is shown in Annexe D.
- 3.3 In October 2019 the Council borrowed £9m from Public Works Loan Board to fund the purchase of the Knightswick Shopping Centre. The loan is a 10-year equal instalment loan at a fixed rate of 1.08%. The balance of the £11.225m purchase price and costs and planned improvements, all totalling £4.5m, is being funded from internal borrowing.
- 3.4 Annexe B shows that interest paid on borrowings was exactly as budgeted.

### 4 Investments

- 4.1 The Council's investment policy is governed by MHCLG Guidance, which was implemented in the annual Investment Strategy approved by Council on 19 February 2020. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity issues.
- 4.2 Annexe C summarises the Council's activities for the year relating to the temporary investment of surplus funds. The average daily balance was **£37.6m** in 2020/21

(£34.7m in 2019/20). Only the principal amounts are shown in this annexe but in some areas within the Statement of Accounts the investment balances include interest outstanding.

- 4.3 Annexe C also shows that the amount of interest received on these investments was slightly more than budgeted by **£1k** (1%). The average interest achieved was **0.32%** (0.74% in 2019/20) compared to the 7-day LIBID average of -0.07% (0.53% in 2019/20).

## 5 Benchmarking

- 5.1 Three benchmark indicators for 2020/21, explained in the Annual Treasury Management Strategy, are reported as follows:

- **Security** – Weighted Credit Rating Score for the year of **6.4** (6.0 in 2019/20) exceeded the target of 4.0.
- **Liquidity** – Weighted Average Life was at a highly liquid level, averaging **72 days** over the year (42 days in 2019/20).
- **Yield** – Interest received on investments – income was over budget, as reported in paragraph 4.3 above.

## 6 Regulatory Framework, Risk and Performance

- 6.1 The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance, including:

- The Local Government Act 2003, and associated Statutory Instruments;
- The CIPFA Prudential Code for Capital Finance in Local Authorities; and
- The CIPFA Code of Practice for Treasury Management in the Public Services.

- 6.2 The Council has complied with all of the relevant statutory and regulatory requirements which require the Council to identify and, where possible, quantify the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.

## Summary of Loan Transactions and Interest Payable (accrued daily) for the year to 31st March 2021

### Loan transactions activity for the year

	Amount o/s 01/04/2020 £000's	Loans Repaid £000's	Amount o/s 31/03/2021 £000's
<b>Public Works Loan Board</b>			
General Fund	14,250	900	13,350
HRA	36,451	0	36,451
<b>Totals for the Council</b>	<b>50,701</b>	<b>900</b>	<b>49,801</b>

### Interest payable Comparison of estimate with actual

Budget Profile to 31/03/2021 £000's	Actual Interest to 31/03/2021 £000's	Variance 31/03/2021 £000's
297	297	0 0.0%
1,087	1,087	0 0.0%
<b>1,384</b>	<b>1,384</b>	<b>0 0.0%</b>

### Interest rates for the year

	Range of loans		Average
	From	To	
General Fund	1.08%	4.10%	2.90%
HRA	2.31%	3.49%	3.96%
<b>Totals for the Council</b>	<b>1.08%</b>	<b>4.10%</b>	<b>3.67%</b>

### Base rate history

08/01/2009	1.50%
05/02/2009	1.00%
05/03/2009	0.50%
04/08/2016	0.25%
02/11/2017	0.50%
02/08/2018	0.75%
11/03/2020	0.25%

## Summary of Temporary Investments and Interest Received (accrued daily) for the year to 31st March 2021

Type of Borrower	Amount Invested 01/04/2020 £000's	Made £000's	Repaid £000's	Amount Invested 31/03/2021 £000's
<b>Investments by Value:</b>				
Treasury bills	1,993	0	1,993	0
Local Authorities	8,500	4,000	6,500	6,000
Money Market Funds	18,630	127,310	113,510	32,430
Notice accounts	2,000	0	0	2,000
<b>Investments</b>	<b>31,123</b>	<b>131,310</b>	<b>122,003</b>	<b>40,430</b>
Lloyds current account	197	93	0	290
<b>Cash equivalents</b>	<b>197</b>	<b>93</b>	<b>0</b>	<b>290</b>
<b>Total</b>	<b>31,320</b>	<b>131,403</b>	<b>122,003</b>	<b>40,720</b>
<b>Number of Investment Transactions:</b>				
	Number	Number	Number	Number
Treasury bills	2	0	2	0
Local Authorities	4	2	3	3
Money Market Funds	10	103	94	19
Notice accounts	2	0	0	2
<b>Investments</b>	<b>18</b>	<b>105</b>	<b>99</b>	<b>24</b>
Lloyds current account	1	0	0	1
<b>Cash equivalents</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Total</b>	<b>19</b>	<b>105</b>	<b>99</b>	<b>25</b>

### Interest Received on Temporary Investments for the year to 31st March 2021

	£000's
Actual Interest Received	122
Original estimate	121
Variance	1 1%

### Temporary Investments

	£000's
Average Balance for the Period	37,595
Average Interest Rate for the Period	0.32%
Benchmark: Average 7-Day LIBID Rate	-0.07%

## Prudential Indicators

**Indicator 1 - Key indicator of prudence - Gross Debt and the Capital Financing Requirement**

"In order to ensure that over the medium term debt (i.e. gross external borrowing) will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

The requirement is met for the current year and is expected to be met for the forthcoming two financial years.

**Indicator 2 - Capital Expenditure**

	<b>2020/21 Revised Estimate £000s</b>	<b>2020/21 Actual £000s</b>
General Fund	2,325	1,266
Housing Revenue Account	2,315	1,522
<b>Total</b>	<b>4,640</b>	<b>2,788</b>

**Indicator 3 - Indicator of Ratio of Financing Costs to Net Revenue Stream**

	<b>2020/21 Revised Estimate %</b>	<b>2020/21 Actual %</b>
General Fund	7	7
Housing Revenue Account	38	38

This indicator shows financing costs such as interest charges and the minimum revenue provision as a percentage of the net General Fund and HRA revenue budgets.

**Indicator 3B - Local Indicator of Ratio of Financing Costs to Net Revenue Stream**

	<b>2020/21 Revised Estimate %</b>	<b>2020/21 Actual %</b>
General Fund	10	8
Housing Revenue Account	39	38

This is a variation on the above indicator, which includes in the financing costs any revenue contributions made to fund capital expenditure.

<b>Indicator 4 - Indicator of Capital Financing Requirement (CFR)</b>		
	<b>2020/21 Revised Estimate £000s</b>	<b>2020/21 Actual  £000s</b>
General Fund	17,946	17,913
Housing Revenue Account	36,713	36,571
The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.		

<b>Indicator 5 - Authorised Limit for External Debt</b>		
	<b>2020/21 Revised Estimate £000s</b>	<b>2020/21 Final  £000s</b>
Borrowing	54,523	54,349
Other Long-Term Liabilities	0	0
<b>Total</b>	<b>54,523</b>	<b>54,349</b>
This indicator shows the overall limit for total external debt, including allowances for changes in the CFR, contingencies, risks, unusual cash flow movements and so on.		

<b>Indicator 6 - Operational Boundary for External Debt</b>		
	<b>2020/21 Revised Estimate £000s</b>	<b>2020/21 Final  £000s</b>
Borrowing	53,241	53,067
Other Long-Term Liabilities	0	0
<b>Total</b>	<b>53,241</b>	<b>53,067</b>
This indicator shows a similar calculation to the previous indicator, without all of the above allowances for contingencies, etc.		



<b>Indicator 7 - Upper Limits of Fixed and Variable Exposure</b>		
	<b>2020/21 Revised Estimate £m</b>	<b>2020/21 Actual £m</b>
Upper Limit - Fixed Rates	56	50
Upper Limit - Variable Rates	(18)	(31)

This indicator identifies upper limits for net investment / borrowing at variable and fixed rates. Currently all borrowings are at fixed rates and our investments are generally at variable rates. Because of this the fixed rate limit is a positive amount and the variable rate is a negative amount. Both indicators were within the limits at year end.

<b>Indicator 8 - Maturity Structure of Fixed Rate Borrowing</b>			
	<b>Upper Limit %</b>	<b>Lower Limit %</b>	<b>Actual %</b>
cumulative within 1 year	50	0	17
cumulative within 2 years	50	0	18
cumulative within 5 years	60	0	36
cumulative within 10 years	80	0	72
after 10 years	100	0	28

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.

For further information on prudential indicators including revised estimates for 2020/21 please refer to sections 9 and 10 of the Policy Framework and Budget Setting report for 2021/22, presented to the Special Meeting of the Council on 24 February 2021.