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**Angela Hutchings**  
**Chief Executive**

## **AGENDA**

<b>Committee:</b>	<b>AUDIT</b>
<b>Date and Time:</b>	<b>Wednesday 12<sup>th</sup> July 2023 at 7.00p.m (NB Time)</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 Harvey (Chairman), Benson, Edwards, May, and A Thornton</b> <b>Substitutes: Councillors Acott, Barton-Brown, TBC, Thomas</b>
<b>Officers attending:</b>	<b>Ben Brook, Strategy Policy and Performance Manager</b> <b>Andrew Barnes, Head of Internal Audit</b> <b>Michael Dineen, Senior Manager, Counter Fraud &amp; Investigation Directorate</b>
<b>Also attending</b>	<b>Debbie Hanson, Associate Partner, EY</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 26<sup>th</sup> January 2023 is attached.
- 4. Counter Fraud & Investigation Annual Report 2022/23 and Strategy 2023/24**  
Report of the Senior Manager, Counter Fraud & Investigation Directorate.
- 5. Internal Audit Service, Head of Internal Audit Annual Report 2022/23**  
Report of the Head of Internal Audit.
- 6. Annual Governance Statement 2022/23**  
Report of the Strategy, Policy & Performance Manager.

7. **Internal Audit Charter, Strategy and Plan 2023/24**  
Report of the Head of Internal Audit.
8. **EY External Audit Status Report for the year ended 31st March 2021**  
Report of the External Auditor to follow.

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## AUDIT COMMITTEE



26TH JANUARY 2023

**PRESENT:** Councillors Harvey (Chairman), Acott substitute for Councillor May Barton-Brown Substitute for Councillor Edwards, Cutler – Substitute for Councillor Riley and Thornton.

**SUBSTITUTE MEMBERS PRESENT:** Councillors Acott, Barton-Brown and Cutler

**ALSO PRESENT:**

Andrew Barnes, Head of Internal Audit; Lance Wosko, Financial Services Manager Ben Brook, Strategy Policy and Performance Manager Michael Dineen, Senior Manager, Counter Fraud & Investigation Directorate, Ann Horgan, Head of Governance.

**APOLOGIES:** Councillors Edwards, May, Riley

**37. MEMBERS' INTERESTS**

There were none.

**38. MINUTES**

The Minutes of the meeting held on 21st July 2022, were taken as read and signed as a correct record.

**39. COUNTER FRAUD & INVESTIGATION QUARTERLY REPORT Q2 2022/23**

Audit Committee were informed on the progress of the Counter Fraud & Investigation(CFI) work plan for the Council in 2022/23. The report also reported the statistical information in relation to the work performed by the CFI for the Council.

The figures for the cases dealt with in Q2 were set out below.

- 6 Fraud Alerts had been sent out to internal and external partners
- 23 Intelligence Reports had been sent to other Law Enforcement agencies assisting in their investigations.
- 1 report of suspected fraud had been received
- 33 active investigations were currently being conducted
- The value of open investigations was £339,850

The Committee noted was clear that the changes being implemented by the separation of NATIS and the day-to-day activity of the CFI had affected the referral rates to the council. The Committee was advised that in Q3 there was already a clear uplift in the referrals and the work being carried out.

The lack of referrals would be concerning if it was over a protracted timeframe or if there had been no change to the working personnel of the CFI team. It was expected that the referral rate and the interaction with teams within CPBC would increase as concentration on education and referrals would be prioritised.

**Resolved:**

1. To note the performance of the Counter Fraud & Investigation team to date.
2. To note the progress of the proactive work plan for 2022/23

**40. INTERNAL AUDIT: QUARTERLY PERFORMANCE REPORT 2022/23:**

The Committee received an update on progress made in delivering the Internal Audit Strategy for 2022/23.

Appendix A set out the current status of the audit work planned for the year as at 12th January 2023. This was one change to the Audit Plan with the addition of the Contain Outbreak Management Fund grant certification following a request received from the Covid Funding Team within the UK Health Security Agency.

Appendices B and C set out the high-level results of the audit work completed and reported upon since the last Audit Committee meeting.

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

At 12th January 2023 of the 27 jobs in the plan, including those outstanding from the previous year ten were complete; eleven were at draft report stage; three were in progress; one at planning stage and five were yet to start

Members were advised that Stakeholder surveys had recommenced. The feedback provided by services had highlighted some difficulties experienced with the use of contractors when delivering audits on our behalf. The feedback had been discussed with the contractor and additional support would be provided by the in-house team leads moving forward to ensure the service provided maximises value to the Council.

Members receive an explanation regarding the different stages within draft reports in response to questions.

**Resolved:**

That Audit Committee notes the progress made in delivering the 2022/23 Internal Audit Strategy.

**41. MONITORING REPORT OF GOVERNANCE ARRANGEMENTS AS PRESENTED IN THE ANNUAL GOVERNANCE STATEMENT**

The Committee received a report presenting the findings from the ongoing monitoring of the Council's governance arrangements, and reports on progress against the action plan to address governance issues as identified in the Annual Governance Statement.

The Committee's attention was drawn to a number of matters. Work was being undertaken to improve engagement and consultation.

Within Business Planning and Strategy including Partnerships service planning arrangements were being revised. Work was being undertaken through the Wellbeing Policy & Scrutiny Committee on key health partnerships.

Changes to Financial update reporting to Cabinet to quarterly from bimonthly from 2023/24 were noted.

**Resolved:**

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

## **42. LOCAL CODE OF GOVERNANCE**

The Committee was presented with an updated Local Code of Governance for consideration and adoption.

The Local Code of Governance (the Code), sets out the governance framework adopted by the Council and the principles that underpin it, was reviewed regularly, and updated no less frequently than every three years. A proposed revision (version was included as an Appendix to this report.

The overall aim of the governance framework set out in the Code was to help local authorities adopt governance arrangements that:

- are proportionate to the risk environment facing the Council
- are directed in accordance with agreed policy and according to priorities
- lead to sound and inclusive decision making
- ensure clear accountability for the use of those resources in order to achieve desired outcomes for the service users and communities.

It also reinforced the importance of having processes that provide assurance throughout the year that these arrangements are effective and takes account of partnership arrangements, collaboration, commissioning, shared services and other less traditional ways of service provision as these new ways of working provide additional challenges with regard to managing risk, ensuring transparency and demonstrating accountability.

The Local Code of Governance had been amended to reflect some minor changes to the operation of the governance framework.

The Code includes a Good Governance Group of officers to ensure that the governance framework remained appropriate and effective. The work of the Group was reflected in the governance monitoring reports that go to Leadership Team and to the Audit Committee regarding the operation of the Council's governance framework, and which support the production of the Annual Governance Statement.

The purpose of the Annual Governance Statement was to report on the extent to which the Council's Local Code of Governance has been complied with, including how the effectiveness of governance arrangements have been monitored in year and

on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the corporate governance and internal control framework of an organisation, and this would be achieved at the Council through the discussion and collaboration that takes place between the Good Governance Group and senior management as part of the production process.

**Resolved:**

To approve and adopt the Local Code of Governance

**43. TREASURY MANAGEMENT AND INVESTMENT STRATEGIES 2023/24**

The Council must comply with the Code of Practice - Treasury Management in the Public Services published by the Chartered Institute of Public Finance and Accountancy (CIPFA). As part of this Code the Council was required to approve an annual Treasury Management and Investment Strategy for the forthcoming financial year.

The strategies for 2023/24 were attached as an appendix to the report. The Council continued to comply with all the relevant statutory and regulatory requirements

Members discussed and asked questions on the report regarding ethical investments.

**Resolved:**

That following scrutiny, the Treasury Management and Investment Strategies for 2023/24 are approved for onward submission to Council on 15 February 2023 as part of the overall Policy Framework and Budget Setting Report.

Chairman

## AGENDA ITEM NO 4

### AUDIT COMMITTEE

12th July 2023

**Subject: Counter Fraud & Investigation Annual Report 2022-23**

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#### **1. Purpose of Report**

The Counter Fraud & Investigation team (CFI) 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 throughout 2022/23.

#### **2. Counter Fraud Proactive Work Plan 2022/23**

**Appendix A** outlines the progress made in delivering the agreed Counter Fraud Proactive Work Plan for 2022/23.

CFI has a programme of proactive work proposed to ensure the Council's posture against fraud is robust and effective.

**Appendix B** outlines the proactive work plan proposals for 2023/24. This is the work that the CFI will complete throughout the year for Castle Point Borough Council (CPBC) as well as the routine day to day criminal investigations that are required.

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 and Performance**

CFI continued to undertake investigations of suspected fraud or other economic crime for the Council. Since the pandemic CFI have found significant reductions in referrals to CFI reporting portals. Although every referral is assessed on its own merits, with action being taken when required. It is believed that referrals will increase with directed efforts being made by the CFI to engage with all persons that report matters to the team, including internal staff and external persons.

CFI can comment on the following statistics for the previous year (2022/23):

- 6 referrals were suitable for Investigation
- 10 referrals were not suitable for investigation and were closed
- 6 active investigations are currently being conducted
- The value of open investigations is currently £301,800

- 43 Property Visits were made by the CFI team
- 2 Sanctions were issued with 1 house recovered

The CFI alongside Housing Management have identified the reduction in referrals and acted proactively to raise awareness and increase engagement. Weekly meetings between staff within both areas and monthly strategic meetings will take place between managers of the services to ensure the continued awareness and enable sharing of intelligence. Although CFI and Housing are working closely, referrals come from across the Council as well as members of the public and Elected Members and further work is needed to increase referrals from those reporting streams.

This collaborative approach has already seen greater interaction between the teams and an increase in the performance. This is evidenced by an increase in referrals for Q1 this year and the recovery of a property in March 23, only weeks after the new collaborative working took place, where Housing Officers and CFI Officers attended an address to evict the tenant after they had been found to be in breach of their tenancy.

There were also 2 joint service proactive operations took place between CFI, Housing and Essex Police at the start of Q1 of 22/23. Over 30 properties were visited and tenancy audits were undertaken. This resulted in 2 investigations being created by the CFI as well as an arrest being made by Essex Police for offences not related to the Council.

There was also an instance where an individual started a housing application, but upon being told the application was to be referred to the fraud team, the application was withdrawn.

The continuing success and progress of this approach with Housing will be monitored and reported back to Audit Committee throughout the year as well as any results from the wider promotion of fraud referrals.

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

The CFI are working collaboratively with the Housing Management Team, and closer working partnerships will be the cornerstone of the CFI strategy.

It is the intention of the CFI to increase awareness of the work that can be carried out by the team and to offer training to all departments within the Council, this will be offered through the Operational Management Team meetings, where direct presentations will take place to ensure Fraud is at the forefront of those embarking on something new or processing something that has been in place for a while.

CFI will also be offering training sessions to members, newly elected or otherwise, to understand what the CFI do for the council and to outline what matters Councillors can refer to the team. All of this has formed part of the proactive work plan for 2023/24 in **Appendix B**.

The CFI recognised the financial pressures facing Local Authorities and are keen to raise the profile of their work to assist in saving various departments money by the action it takes or by recovering lost monies through civil and criminal recoveries.

The CFI is available for all departments to utilise if the staff feel there are any issues that can be resolved by CFI intervention, however its primary role is to ensure those that commit economic crime against the Council are appropriately investigated. The CFI holds professional expertise in all types of

economic crime, including theft, fraud, corruption/bribery and have historically worked within service areas such as waste, procurement, revenues & benefits and planning as well as corporate areas such as finance across several Local Authorities.

The CFI are also available for members of the public that feel they have a criminal act to report that involves the Council, its property, or its processes and recognise that it is vital for local people to feel there is a way to report these things and their concerns will be investigated and we want to work to raise awareness for the residents of the Borough.

### **Financial Implications**

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 investigations and pursing those that commit crime against the authority.

The CFI service costs the Council £68,000 per annum, which amounts to 1 FTE per year. However, for that cost, several roles are utilised by the Council, such as Investigators, Financial Investigators, Digital Forensic Examiners, Investigation Managers and finally the strategic direction from the Assistant Director/Strategic Lead for Fraud. All posts, and their input, are available to those at the Council when required under the terms of the service agreement.

In 22/23, working alongside the Housing team, a property was recovered which allowed for a resident to be housed and removed from the 'waiting list'. This in turn allows the Council to cease spending on temporary / emergency accommodation and other associated costs. This represents a government agreed 'saving' of £23,500 per recovered property, reducing the cost of the team to £44,500 for the year 22/23.

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 CFI contributes to the delivery of this.

This is an informative report and as such has no further legal implications.

### **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.

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

The effects of the CFI and its work do not pose a significant impact on the wider community. The work carried out by the CFI is predominantly reactive and is always due to a criminal offence taking place. If a prosecution is to take place, an equality impact assessment will be completed to determine if the actions of the CFI are justified if there is a detriment to an individual. This will be completed by appropriately trained staff.

All interactions with individuals are to adhere to the principles of the Council as well as legislation that oversees the work completed by the CFI. All persons are treated fairly and equally, with any adjustment to working practices being made to suit the situation faced by officers of the CFI.

### **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.

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

Although the investigations that are completed by the CFI are criminal, none involve violence or safety implications to the local community or public in the wider sense. If a situation arose where the safety of any member of staff or member of public became apparent, police assistance would be sought.

### **Recommendations**

The Audit Committee:

- To note the performance of the Counter Fraud & Investigation team over the last year, 2022/23
- To note that work completed on the proactive workplan for 2022/23
- To note and accept the work proposed on the proactive work plan for 2023/24.

## **Background Papers**

Fighting & Corruption Fraud locally, the Local Government Fraud Strategy  
Crowe Whitehall & Clarke Annual Fraud Indicator 2017

## **Appendices**

Appendix A: Counter Fraud & Investigation Work Plan 2022-23

Appendix B: Proposed Counter Fraud & Investigation Work Plan 2023-24

**Report Author:** Michael Dineen, Assistant Director for Counter Fraud & Investigation, Enforcement & Community Safety

## Counter Fraud & Investigation



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# Counter Fraud & Investigation Proactive Work Plan 2022-23



## Proactive Work Plan 2022/23

Risk Area	Activity	When	Current Status	Responsible Officer	Date Completed
Council-wide	<p><b>Training of high risk areas in counter fraud measures</b></p> <p>Ensure understanding of the threats posed to those areas. To be tailored to the areas and ongoing support offered via a Single Point of Contact (SPOC) with CFI. This is on the proactive work plan every year and will continue to be a regular feature in the work the CFI completes</p>	June 2022 To May 2023	Some training was given to officers of the Council, however more training is to be rolled out across the Council, including Elected Members in 23/24	Michael Dineen	May 2023
Council-wide	<p><b>Review all relevant policies concerning fraud aspects</b></p> <p>Ensuring that all hold the most up to date legislative information as well as ensuring best practice is always adhered to.</p>	Jan 2023	The review of all Fraud related papers has taken place with no changes being made.	Michael Dineen	March 2023
Council-wide	<p><b>Targeting POCA and Civil Legislation to maximise effect on criminal behaviour</b></p> <p>Ensure that CFI utilise the appropriate legislation to maximise the effects on criminals and ensure that our vision of protecting the public purse is adhered to by promoting this work.</p>	June 2023	Ongoing – This is a consistent approach that is taken by the CFI. Where cases of wrongdoing are made and there is acceptable application of the laws, POCA will always be used. This will be placed within the 2023/24 work plan as well.	Michael Dineen	May 2023
Housing	<p><b>Proactive High Risk Housing Project</b></p> <p>To work with the Housing department and local police hubs to complete at least 3 proactive operations in areas of high-risk housing.</p>	June 2023	2 Proactive Operations took place, in which the CFI worked alongside the housing team and local police teams. This was successful with an investigation falling out from the efforts made as well as an arrest by EP. A high number of tenant audits also took place. A further operation was being worked on but due to resourcing it was not possible to complete in year. However, this activity will be a yearly proactive work stream moving forward.	Michael Dineen	January 2023

## Counter Fraud & Investigation



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# Counter Fraud & Investigation Proactive Work Plan 2023-24



## Proactive Work Plan 2023/24

Risk Area	Activity	When	Current Status	Responsible Officer	Date Completed
Council-wide	<p><b>Training of Staff and Elected Members</b></p> <p>Ensure understanding of the threats posed to the Authority in modern times, including cyber enabled fraud. This is to be tailored to the specific areas and ongoing support offered via a Single Point of Contact within CFI.</p>	June 2023 To Mar 2024		Rob Kleinberg	
Council-wide	<p><b>Review all relevant policies concerning Fraud</b></p> <p>Ensuring that all hold the most up to date legislative information as well as ensuring best practice is always adhered to.</p>	Mar 2024		Rob Kleinberg	
Council-wide	<p><b>Targeting POCA and Civil Legislation to maximise effect on criminal behaviour</b></p> <p>Ensure that CFI utilise the appropriate legislation to maximise the effects on criminals and ensure that our vision of protecting the public purse is adhered to by promoting this work.</p>	Mar 2024		Rob Kleinberg	
Housing	<p><b>Proactive High Risk Housing Project</b></p> <p>To work with the Housing department and local police hubs to complete at least 4 proactive operations in areas of high-risk housing. This should be taking place once a quarter.</p>	Mar 2024		David Cavanagh	
Council-wide	<p><b>Develop NFI systems and upload process</b></p> <p>To establish a process and work-flow for all NFI updates with leads from all areas involved. Develop relevant responses and establish flow of cases to the Counter Fraud &amp; Investigation Team.</p>	Sep 2023		Rob Kleinberg	

Risk Area	Activity	When	Current Status	Responsible Officer	Date Completed
Revenue	<p><b>Undertake an SPD review</b></p> <p>The Counter Fraud &amp; Investigation team will work with the Revenues team and establish where a review of those claiming SPD could be targeted to ensure minimal abuse to the benefit.</p>	Jan 2024		David Cavanagh	

**AGENDA ITEM NO. 5**

**AUDIT COMMITTEE**

**12th July 2023**

**Subject:** **Head of Internal Audit Annual Report 2022/23**

**Report author:** **Andrew Barnes – Head of Internal Audit**

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**1. Purpose of Report**

1.1 To provide for the 2022/23 financial year:

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

**2. Background**

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

2.2 The opinion is predominantly based upon the audit work performed during the year as set out in the risk-based Audit Plan discussed with the Executive Management Team (Leadership Team) and approved by the Audit Committee.

2.3 As outlined in the Internal Audit Charter, audit coverage is determined by prioritising the significance of the Council's activities to its ability to deliver its Priorities, Objectives and Targets. This is done:

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

2.4 Periodic discussions are then held with management to:

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

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

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

2.7 The opinion and summary findings from audit reviews are reported to Directors, Managers and the Audit Committee throughout the year.

### **3 Head of Internal Audit Opinion for the year ended 31 March 2023**

3.1 The Council continued to operate risk management, control and governance arrangements, despite the challenges posed by the external environment that it operates within, particularly in respect of the wider economic situation, with the impact of inflation, including the cost of energy, creating additional financial pressures for the Council, residents, the supply chain, and other stakeholders, as well as the wider impacts of the fallout from the Covid-19 pandemic. Significant changes that have occurred to the operations of the Council are becoming embedded, including many staff working remotely and the changes implemented to enable that remote working. These changes enabled the Council to deliver what was required in response to the pandemic, and similar focus now needs to be applied to the financial challenges that the Council is facing, so that the Council can address the medium-term budget gap that has arisen and bring the Council back into a financially sustainable position.

3.2 During the year the Council appointed a new permanent Chief Executive, who is driving a transformation programme aimed at addressing the challenges that the Council is facing and transforming the Council into a modern, financially sustainable organisation focussed on delivering the priorities of the Council and residents. The success of the transformation programme will be critical for the Council to transform the culture and the way that the Council operates, so that the Council shifts to a culture, a focus, a structure, and ways of working that are most appropriate, effective and financially sustainable to deliver the priority outcomes in the changed circumstances that the Council is now facing.

3.3 Management needs to continue to monitor both the actual and potential impact of these pressures, the progress against delivery of the transformation programme to drive change that arises, as well as delivery of the Corporate Plan. Management and Members need to be ready to adjust, if necessary, as the situation continues to evolve and the understanding of the impact on future needs and priorities becomes clearer.

3.4 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 that still needs to be addressed.

3.5 With regards to the assurance provided by audit work undertaken, the results of the work indicate that for the design of the Council's risk management arrangements satisfactory assurance can be provided – although the Risk Management Policy Statement and Strategy is due to be reviewed and refreshed – but partial assurance in respect of operation, as there is a need for further embedding of the arrangements within the services so that there is increased understanding of the need to capture the conversations about risk that are happening, to provide increased visibility, transparency and accountability for decision making around the risks that sit below those on the corporate risk register. The design and operation of internal control can be provided with satisfactory assurance, but issues have been highlighted in

respect of the application of the governance framework as operated for the year, indicating that this requires improvement before it can be considered to be satisfactory overall. Therefore, partial assurance is provided for the year. Work to improve elements of the governance framework is being undertaken, as reflected in the Annual Governance Statement.

- 3.6 Therefore, the remainder of this report should be read within this context.
- 3.7 No issues have come to my attention this year, other than those already disclosed, that I believe need including in the Council's Annual Governance Statement.
- 3.8 Internal Audit is subject to a formal, independent review of its compliance with professional standards every five years. External audit relies on the work internal audit complete on financial systems where it is relevant to its audit of the Council's financial statements.
- 3.9 The basis for forming this opinion is an assessment of:
  - the design and operation of the underpinning governance and assurance framework
  - the range of individual opinions arising from risk based and other audit assignments that have been undertaken during the year, taking into account the relative significance of these areas
  - whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales
  - any other assurance available from independent sources.
- 3.10 The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to his opinion.

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

- 4.1 **Appendix A** summarises the status of the delivery of the Audit Plan for 2022/23.
- 4.2 The following paragraphs then:
  - summarise findings from all the work completed this year
  - highlight the key areas requiring improvement
  - summarise how other independent assurance has been used to support the opinion.
- 4.3 Where necessary, actions have been agreed with services to improve the arrangements where there is scope for improvement in control issues identified during the audits.

## Managing the Business

4.4 The **Good Governance Group** continued to operate in that it had:

- a Terms of Reference agreed by the Executive Management Team that required it to ensure:
  - the Council maintains arrangements that are fit for purpose and comply with good practice requirements
  - that sufficient assurance is available throughout the year to support the production of the Annual Governance Statement
  - it has an appropriate membership of senior officers responsible for maintaining the main corporate business management processes that are then applied at service level.

4.5 It continued to deliver its work programme during the year which ensured key tasks were completed, and involved:

- challenging Manager Assurance Statements for 2022/23 before signing off the assessments and the action required to improve these business management arrangements
- critically evaluating a summary of service assessments of these arrangements, as contained in the Manager Assurance Statements.

4.6 Therefore it is possible to place reliance on the conclusions drawn from this work, which are summarised in the audit opinion above.

4.7 The Strategy, Policy & Performance Manager continued to produce regular reports on the operation of the Council's key business management arrangements. These were presented to and challenged by the Executive Management Team and the Audit Committee. No significant concerns were reported, but opportunities to strengthen or develop arrangements were highlighted in the year as they arose.

4.8 The processes outlined above remain key elements of the Council's assurance framework and continued to provide evidence of the effective design and operation of its business management arrangements.

4.9 In the previous year an external provider reported on their high level assessment of the Council's **risk management** arrangements which concluded that risk management is taking place across the Council, although this is inconsistent and 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. Steps are being taken to enhance arrangements. The understanding of risk was assessed as sound at both corporate and service levels.

4.10 The Council continued to maintain a Corporate Risk Register that was reported to the Executive Management Team and the Audit Committee on a regular basis. Heads of Service were required to identify key risks in their service plans, which were reviewed by the Strategy, Policy & Performance Manager.

4.11 An audit was completed on the **Project Management Framework and Toolkit**. This focused on the revisions that had been made to strengthen the key project management processes following the advice and support work completed in 2021/22.

4.12 The Toolkit and associated Project Workbook provide a solid foundation for project management, particularly in relation to the early scoping and initiation of projects. Internal Audit identified areas where the requirements of tabs within the Project Workbook could be improved to ensure that once projects are initiated, they can be managed and governed effectively, such as:

- the recording of key decisions and their rationale;
- financial monitoring to ensure projects remain financially viable; and
- benefits realisation to ensure that projects deliver their intended outcomes over time.

4.13 The various project board meetings and associated governance, reporting and escalation arrangements set out in the Toolkit have not been established in practice and as a result projects have not been subject to sufficient scrutiny and oversight. Without effective governance arrangements, sufficient reporting information and agreed escalation processes in place, it may be difficult for management to make effective decisions regarding projects, resulting in delays, unexpected costs or projects failing to realise their intended benefits.

4.14 As such, management have agreed actions to:

- amend the project Workbook to include additional areas required;
- introduce a single Project Board to oversee all projects, regardless of their classification level. As boards would likely share many of the same officers this will help to avoid duplication.
- consider appointing a Project Management Officer, or including that explicitly within the remit of an existing role in order to support the introduction of a formal board and to further embed the use of the Toolkit and good practice project management.

4.15 Our review found that all projects had been thoroughly scoped and had a clear rationale, however four of our six sample projects had not been fully monitored as projects had progressed and workbooks had not been fully updated in line with the requirements of the Toolkit. Consistent areas of improvement required are ensuring projects are formally signed off to proceed to the next delivery stage and produce regular reporting information in order to make effective decisions, although this is likely due to a lack of a Project Board requiring the information on a regular basis.

4.16 The **Workforce Management** audit looked at the arrangements the Council has in place to ensure it has an effective workforce, with the right skills and level of knowledge in place to deliver the Council's vision, priorities and objectives.

4.17 At the time of the audit, the Council had limited arrangements in place to strategically appraise the organisational workforce needs, and to plan effectively for how any gaps in skill can be addressed to ensure corporate goals can be met, for example through training or recruitment.

- 4.18 Since then much work has been undertaken to enhance arrangements and the work being undertaken by the **Transforming Together** programme will take this further forward as it works to right size and shape the Council, defining and upskilling the workforce to ensure it has the right skills and capabilities at the right cost to establish the foundations for the Council to transform into a modern, customer focused and financially sustainable organisation.
- 4.19 The audit of **Procurement** arrangements confirmed that there is scope for improvement of understanding of procurement requirements in parts of the organisation, and that the passing of the Procurement Bill into law should be used as an opportunity to refresh officers understanding of how to ensure compliance with regulations. The Council is aiming to shift the organisation's approach to procurement to having more of a strategic commissioning view where options for alternative provision of a good or service is taken into account before the procurement exercise starts in earnest.
- 4.20 The initial findings of the audit of **Ethical Governance** indicated that a number of the key documents that form the ethical governance framework require review and updating, publishing on the intranet, promoting and reinforcing to all staff to ensure awareness of these documents and what is required to comply with the principles and expectations around behaviours and values that they contain.
- 4.21 The audit on **Business Continuity** arrangements identified areas of best practice for the Council to develop, which have now been incorporated into the Council's business continuity activities. Revised service-level business impact analysis and response plan templates have been produced and rolled out in November 2022 to further improve usability, clarity and outcomes involving a business continuity 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.
- 4.22 The audit of **Cyber Security: Incident Management** identified the foundations of a basic control environment in relation to the incident management process and that some controls are in place to mitigate the risks in this area through the contracting with ABS IT Services ("ABS") and CCL Solutions Group ("CCL"). However, there are a number of gaps that need to be addressed in order to further mitigate the risks identified as part of the review.
- 4.23 Areas of improvement were identified, particularly a lack of documentation of arrangements and procedures being in place, or that was made available to us for the purpose of the audit, that restricted us from providing a greater level of assurance on the overall process in place for how the incident management process works.
- 4.24 Other areas noted for improvement were the roll out of multi-factor authentication (MFA), introduction of mandatory security awareness training, and the outline of clear responsibilities between the Council and their third parties.

## Service Delivery Risks

4.25 A key objective for Internal Audit is to give a view on whether the Council's risk management and control processes are robust enough to enable services to effectively contribute to the delivery of its Corporate Priorities, Objectives and Targets. The remainder of the report therefore, structures the audits undertaken of services areas under the Corporate Priorities they help deliver so this connection can be made.

### **ENVIRONMENT**

4.26 During the year, the Council has been reviewing options around its **Waste and Recycling Services** with an options appraisal being completed by Waste Resources Action Programme (WRAP). The report considers alternative arrangements for kerbside waste and recycling across Castle Point, with a view to improving service efficiency and increasing environmental benefits.

4.27 The options explored by WRAP have been shared and discussed with Members through the Environment Policy and Scrutiny Committee that has recently presented its recommended option for adoption, and public consultation to Cabinet.

4.28 The audit review of the Waste Service Delivery arrangements recognise that this is currently operating whilst the WRAP review was taking place and the service is subject to the Transforming Together programme but identified that there was no clear waste service strategy, action plans or overarching waste ambitions communicated by the Council. This is being addressed through the WRAP review and the Council's response to taking forward and implementing the findings of that review.

4.29 One of the key challenges facing the waste service is staff recruitment, and retention, which the Council has been struggling with for a number of years. The Transforming Together programme will seek to improve this situation, aligned with the implementation of the revised waste and recycling service once that has been agreed and is taken forward.

### **PLACE**

4.30 The review of **Housing Health and Safety Compliance** identified recommendations to deliver improvements that will improve the level of assurance that the Council has for meeting its responsibilities in respect of Landlord health and safety.

4.31 There are opportunities to improve the policy framework so that it contains a full suite of policies and procedures, including for Landlord H&S, and clarifying roles and responsibilities for all Landlord H&S activities, from the operational implementation, to the strategic management of Landlord H&S.

4.32 Improvements to reconciliation of the Landlord H&S databases to ensure they are complete and accurate, and to conduct data reviews of Landlord H&S activity databases, would improve the assurance the Council can provide in respect of these responsibilities.

4.33 Oversight of delivery of Landlord H&S responsibilities would be improved through regular performance reporting to Senior Leadership and the Operational Management Team (OMT).

4.34 The audit of **Fire Safety** did not draw conclusions about the fire safety within the Council's housing stock but reviewed the design and operational effectiveness of the controls and arrangements in place to manage risks in relation to housing fire safety, and that provide assurance that these are being effectively managed.

4.35 The approach to housing fire risk management is contained within the corporate Fire Safety Policy, which requires review and updating to ensure it reflects current practice and evolving legislative requirements. Introducing supporting procedures will provide additional guidance on managing fire safety in practice, including the roles and responsibilities of partners that the council works with to deliver its fire safety responsibilities and how assurance over all aspects of fire safety will be sought.

4.36 Extending the performance monitoring to incorporate additional KPIs on the fire safety programme will help to demonstrate ongoing compliance. Sharing these regularly with Leadership Team will allow for wider oversight, support and challenge in this increasingly complex area, while providing assurance to those responsible for health and safety of its effective management.

4.37 There are a number of areas where there is further opportunity to improve the operational management of fire safety arrangements within the service that management are working to address. These include:

- Extending the guidance outlining the approach to be taken for undertaking Fire Risk Assessments (FRAs) and formalise the expectations of these with partners to help ensure their consistency and quality
- Reconciling fire safety data, including that relating to firefighting equipment (FFE) to ensure all items have been included in necessary programmes to allow maintenance, servicing and inspections to be undertaken
- Clarifying the process for managing remedial actions arising from FRAs and FFE management.

4.38 The audit of **Corporate Estate and Asset Management (Property)** confirmed that the Council has Corporate Estates and Asset Management policies, procedures and guidance, with information in place available to staff via the Council's intranet and available to the general public via the Council's website.

4.39 Some improvements could be made to the control environment including:

- Update an Asset Management Plan and Service Plan to help ensure that there is adequate corporate direction to the Council's asset management approach and strategy
- Document the management reporting mechanisms and frequencies of reporting, to help ensure that there is adequate monitoring, oversight and reporting of asset management performance and any issues that may affect corporate objectives
- Verifying, completing and correcting where necessary all data to help ensure the integrity of the asset management dataset and aid efficiency in its use.
- Producing an income review programme to help ensure that property income is maximised and that no income generating activities are overlooked.

- Reporting service performance to the Asset Management Group to help ensure that any issues are identified in a timely manner to allow for management corrective action to be undertaken.

4.40 The advice and support work on the **Knightswick Centre** confirmed that the Centre is being managed in an appropriate way. Some feedback to improve the robustness of the contract management arrangements have been discussed with officers. This covers:

- Obtaining evidence of any analysis of the strength of a prospective tenant's financial covenant
- Details of rent reviews being included in the Management Reports prepared by the managing agent
- The managing agent being financially vetted at regular intervals and establishing a routine and financial float with regards to the timing of payments made by the agent.

4.41 At the time of the review there was a heavy reliance on the work completed by the Chief Accountant and as a result, potential for a single point of failure. Management were considering how they can mitigate this so that should the Chief Accountant be away from work, another individual can pick up key tasks in their absence.

### **Key Financial Systems**

4.42 Two key financial systems were reviewed to ensure they:

- were designed to prevent and / or detect material financial errors
- had been in place during the year and therefore could be relied on when producing the Council's Statement of Accounts.

4.43 Overall, high assurance was obtained over the **income receipting and banking system** and satisfactory assurance was obtained over the **general ledger accounting** system.

### **Implementing Action Plans**

4.44 Once reports are agreed and finalised, they are issued along with the agreed action plans to Management who monitor their implementation via Departmental Management Team meetings.

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

## Grant Claims

- 4.46 It was possible to certify that money spent under the **Disabled Facilities Capital Grant** Determination, was in line with the grant terms and conditions.
- 4.47 We have worked with the Council to deliver the evidence requirements for the **Interreg Go Trade Grant** provided by the EU and to provide the necessary assurances to the EU over the Council's use of that money.
- 4.48 It was possible to certify that money spent under the **Covid-19 Contain Outbreak Management Fund**, the **Test and Trace Support Payments** the **Protect and Vaccinate** scheme and the **Test and Trace Support Payments** scheme, were all delivered in line with the grant terms and conditions.
- 4.49 It was possible to certify that money spent under the **Green Homes Grant**, was in line with the grant terms and conditions, and work is currently being undertaken on the **Homes Upgrade Grant**.

## 5. Compliance with Professional Standards

### Head of Internal Audit Opinion

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

*Good assessments were achieved in relation to:*

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

*Needs improvement assessments were given in relation to:*

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

- 5.2 Preparations are now being made for the next round of external quality assessment.

### Resourcing

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

are being used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.

5.6 The internal audit team has engaged with the Southend City Council Learning and Development Team to facilitate a session to apply the team's analytical thinking to the current position of the internal audit team and the expected requirements of the internal audit service into the future, as this continues to evolve both at an industry level and at a local level. An action plan was discussed to assist with the development and delivery of the most appropriate team model, utilising the financial resources available. Work to deliver this is ongoing.

5.7 The expected requirements of the internal audit service into the future continue to evolve and the ongoing challenges to the local government sector on a number of fronts is causing further consideration to take place. There is a growing requirement for better collaboration between risk functions (risk management, internal audit, compliance and other risk functions) as organisations evolve to embrace the fourth industrial revolution as part of their response to the covid-19 pandemic and the subsequent impact of that. Risk functions are being expected to be active participants, helping to achieve and protect the value of the organisation. Risks are becoming increasingly complex and interconnected, and without close risk function collaboration it is possible that blind spots to risk will arise for key stakeholders in the organisation that can then impact on strategic, financial and operational initiatives.

5.8 The remainder of this report needs to be considered within this context.

### **Audit Plan 2022/23**

5.9 The original target was to deliver 100% of the Audit Plan by mid-May so that the Head of Internal Audit Annual Opinion could be included in the Council's Annual Governance Statement, which ordinarily has to be produced by 31 May. As reported in **Appendix A** most pieces of audit work had all of the audit work delivered, although not all of the reporting had been completed and finalised.

5.10 In terms of the 27 jobs included in the 2022/23 audit plan:

- 26% of audits are complete with finalised reports issued
- 19% of audits are complete with draft reports issued
- 19% of audits are complete with draft reports with the Head of Internal Audit
- 7% of audits are completed with draft reports being produced
- 7% of audits are in progress
- 22% of audits have been deferred due to changes of circumstances.

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

### **Other Performance Indicators**

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

5.13 For the period 1 April 2022 – 31 March 2023 the team had a total of 12 days of sickness absence. 10 days of this absence relates to one member of staff who was unwell with Covid-19.

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

### **Service Management Arrangements**

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

### **Quality and Improvement Programme**

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

- on-going supervision and review of individual audit assignments completed by in-house staff or contractors working to in-house staff
- reporting on a limited set of performance targets to the Audit Committee each quarter (for all work done including that of the external supplier)
- reviewing the results of the independent external assessment of compliance with the Standards which is required at least every five years and ensuring that the resultant action plan continues to be delivered.

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

5.18 **Appendix B** summarises the results of the independent external assessment of compliance against each element of the Standards, updated to reflect the developments that the team have made since the most recent independent external assessment.

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

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

5.20 A key focus for the team has been to ensure internal audit files and its audit approach complies with the requirements of the General Data Protection Regulations.

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

### **Other Disclosures**

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

- operated in a manner that maintains its organisational independence throughout the year
- been able to determine the scope of reviews, perform the work and report on its findings without interference neither has there been any inappropriate resource limitations imposed upon it.

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

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

## **7. Corporate Implications**

### **Financial Implications**

7.1 The Audit Plan was delivered within approved budgets.

### **Legal Implications**

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

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

#### **Human Resources**

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

#### **Equality Implications**

7.4 The relevance of equality and diversity was considered during the initial planning stage of every audit before the Terms of Reference were agreed.

7.5 Any significant changes in the Charter and Strategy would also be subject to assessment.

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

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

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

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

## **9. Timescale for Implementation**

9.1 This annual audit opinion relates to the 2022/23 financial year.

## **10. Risk Factors**

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

### **Recommendation**

**The Audit Committee notes the Head of Internal Audit's Annual Report for 2022/23.**

### **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 2022/23 as at 3 <sup>rd</sup> July 2023
Appendix B	Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2022/23
Appendix C	Compliance with the UK Public Sector Internal Audit Standards 2022/23 Action Plan as at 3 <sup>rd</sup> July 2023

## Appendix A: Internal Audit Plan 2022/23

Dept.	Service Activity	Fraud risk	Focus of the Audit
<b>Managing the Business</b>			
<b>All Aims</b>			
All	<p><b>Transformation</b></p> <p>To assess the robustness of programme management arrangements aiming to define and upskill the workforce to ensure it has the right skills and capabilities at the right cost to establish the foundations for the Council to transform into a modern, customer focused and financially sustainable organisation.</p>	Yes	<b>Work in progress</b>
R	<p><b>Procurement</b></p> <p>To assess the robustness of arrangements in place to support compliance with legislation and good practice, while ensuring procurement enables the delivery of quality services and achieves value for money.</p>	Yes	<b>Draft report with the Head of Internal Audit</b>
All	<p><b>Project Management</b></p> <p>To assess the effectiveness of Project Management Toolkit in supporting the Council to deliver projects that support corporate priorities and deliver anticipated benefits, on time and within budget.</p>	Yes	<b>Completed February 20232</b>
C&D	<p><b>ICT audit work</b></p> <p><b>Disaster Recovery or ICT Strategy</b></p> <p>Area and objective to be determined once the Transformation work (see above) has been scoped, as there may be crossover and / or timing considerations to be taken account of.</p>	Yes	<p><b>On hold</b></p> <p><b>Focus dependent on the Transformation work</b></p>
CS	<p><b>Ethical Governance</b></p> <p>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 in the local authority.</p>	Yes	<b>Audit memo shared with the business</b>

## Appendix A: Internal Audit Plan 2022/23

Dept.	Service Activity	Fraud risk	Focus of the Audit
All	<p><b>Senior Management Pay and Conditions</b></p> <p>To assess the adequacy of arrangements to ensure that senior management are effectively recruited, pay and conditions are properly governed, applied consistently and administered appropriately.</p>	Yes	<b>Audit work complete, findings being discussed with the business and next steps being determined</b>
All	<p><b>Business Continuity and Response to Covid-19</b></p> <p>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.</p>	No	<b>Draft report being agreed with the business</b>
C&D	<p><b>Cyber Security: Incident Management</b></p> <p>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.</p>	Yes	<b>Draft report with the Head of Internal Audit</b>
<i>Implementing Action Plans</i>			
All	<p><b>Partnerships</b></p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.</p>	Yes	<b>Draft memo being produced</b>
All	<p><b>Workforce Management</b></p> <p>To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.</p>	No	<p><b>On hold</b></p> <p><b>Dependent on the progress and delivery of the Transformation work</b></p>

## Appendix A: Internal Audit Plan 2022/23

Dept.	Service Activity	Fraud risk	Focus of the Audit
<b>Managing Service Delivery Risks</b>			
<b>Aim: People</b>			
H	<b>Tenancy Management</b> To assess the robustness of tenancy management arrangements to ensure ongoing compliance with tenancy agreements, good practice and applicable legislation, whilst pro-actively managing the risk of fraud.	Yes	<b>Audit deferred due to resourcing issues and to be undertaken during 2023/24</b>
SD, MO	<b>Safeguarding</b> To assess whether the Council has robust arrangements in place to discharge its statutory responsibilities with regard to safeguarding and promoting the welfare of adults and children in accordance with the statutory requirements.	No	<b>Draft report being produced</b>
<b>Aim: Place</b>			
H	<b>Housing Health and Safety Compliance</b> To assess the adequacy of arrangements in place to ensure ongoing compliance with Health and Safety legislation within the Council's housing stock.	Yes	<b>Draft report with the Head of Internal Audit</b>
H	<b>Fire Safety</b> To assess the adequacy of arrangements in place to ensure fire safety within residential properties is proactively and effectively managed in order to reduce the risk of harm to residents.	No	<b>Completed September 2022</b>

## Appendix A: Internal Audit Plan 2022/23

Dept.	Service Activity	Fraud risk	Focus of the Audit
CS	<b>Corporate Estate and Asset Management (Property)</b> To assess the arrangements in place to ensure assets within the Council estate are effectively managed in order to support delivery of the Council's duties, vision, priorities, objectives and plans for the borough.	Yes	<b>Draft report with the Head of Internal Audit</b>
<i>Implementing Action Plans</i>			
CS	<b>Corporate Estate and Asset Management (Property)</b> To check that actions agreed have been effectively implemented and have been embedded into the day-to-day operation of the service.	No	<b>Deferred pending finalisation of the original report</b>
<b>Aim: Environment</b>			
E	<b>Waste Service Delivery</b> To assess the arrangements in place to run the service as efficiently as possible, with an agile approach allowing effective adaption to change, in order to deliver corporate priorities and work to evolving national waste strategies	No	<b>Draft report with the Head of Internal Audit</b>
<b>Key Financial Systems: All Aims</b>			
C&D	<b>Council Tax</b> To assess the effectiveness of arrangements to ensure billing is accurate and income to the Council is maximised, while ensuring financial errors are prevented and / or detected in a timely manner so information can be relied upon when producing the Council's statement of accounts.	Yes	<b>Work on hold due to resourcing issues</b>

## Appendix A: Internal Audit Plan 2022/23

Dept.	Service Activity	Fraud risk	Focus of the Audit
C&D	<p><b>Business Rates</b></p> <p>To assess the effectiveness of arrangements to ensure billing is accurate and income to the Council is maximised, while ensuring financial errors are prevented and / or detected in a timely manner so information can be relied upon when producing the Council's statement of accounts.</p>	Yes	<b>Work on hold due to resourcing issues</b>
Res	<p><b>Income Receipting and Banking</b></p> <p>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.</p>	Yes	<b>Head of Internal Audit discussing draft report with the business</b>
Res	<p><b>General Ledger</b></p> <p>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.</p>	Yes	<b>Head of Internal Audit discussing draft report with the business</b>

### Grant Claims

H	<p><b>Protect and Vaccinate</b></p> <p>To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.</p>	Yes	<b>Completed June 2022</b>
E	<p><b>Homes Upgrade Grant</b></p> <p>To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.</p>	Yes	<b>Work in progress</b>
E	<p><b>Contain Outbreak Management Fund</b></p> <p>To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.</p>	Yes	<b>Completed September 2022</b>

## Appendix A: Internal Audit Plan 2022/23

Dept.	Service Activity	Fraud risk	Focus of the Audit
C&D	<b>Test and Trace Support Payment Scheme</b> To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.	Yes	<b>Completed July 2022</b>
E	<b>Green Homes Grant</b> To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.	Yes	<b>Completed October 2022</b>
<b>Advice and Support Work</b>			
<b>Aim: Place</b>			
Res	<b>Knightwick Centre</b> To provide advice, support and challenge over the contract management arrangements being developed to ensure the Knightwick Centre is well managed and remains financially viable.	Yes	<b>Completed August 2022</b>

## Appendix A: Internal Audit Plan 2022/23

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

Audit Activities	Resource allocation
Managing the Business	32%
Managing Service Delivery Risks	22%
Key Financial Systems	10%
Grant Claims	9%
Advice and Support	6%
Managing Delivery of the Audit Plan	13%
<b>Total</b>	<b>100%</b>
<b>Total Council Audit Plan Days</b>	<b>242</b>

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

Analysis Over Departments		
E	Environment	26
H	Housing	43
P&P	Place and Policy	0
C&D	Customer and Digital	49
R	Resources	24
CS	Corporate Services	7
All	Cross cutting	62
All	Managing Delivery of the Audit Plan	31
	<b>Total</b>	<b>242</b>

## Appendix B: Internal Audit Plan 2022/23

Risk Watch List	
All	Council Commercialisation
All	Corporate Data Strategy
All	Contract Management
All	Information Governance
All	Performance Management
C&D	ICT Data Security and Management
C&D	ICT Steering Group
C&D	ICT Strategy / Disaster Recovery
C&D	ICT Data
C&D	Housing Benefits
CS	Community Safety Partnership
CS	Licensing
Env	The Paddocks
Env	Food Premises Inspections
Env	Private Sector Housing
Env	Grounds Maintenance and Street Scene
H	Housing Strategy
H	Housing Rent Collection and Arrears Management
H	Sheltered Housing
H	Housing Allocations
H	Sustainability of the Housing Revenue Account
H	Management of Void Properties
H	Responsive Repairs
P&P	Regeneration
P&P	Community Infrastructure Levy & S106 Payments
P&P	Building a Safer Future

## Appendix B: Internal Audit Plan 2022/23

P&P	Building Control
Res	Workforce Management
Res	Financial Management and Budgetary Control
Res	Payroll
Res	Treasury Management

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

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

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

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

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

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

## Appendix C: Compliance with UK Public Sector Internal Audit Standards Action Plan (CPBC version) as at 3 July 2023

Action required	Current status	Date
<b>Attribute Standards</b>		
<b>1100 Independence and Objectivity</b>		
<b><i>1111 Direct Interaction with the Board</i></b>		
Re-establish annual Audit Committee performance assessments in line with good practice.	<p>New good practice guidance was published in May 2018. Good practice workshops were undertaken in September 2018.</p> <p>At some point, an assessment of compliance with it should be produced. This can then be considered as part of a wider review of the Council's governance and assurance framework.</p>	HoIA, Ongoing
<b>1200 Proficiency and Due Professional Care</b>		
<b><i>1230 Continuing Professional Development</i></b>		
Continue with the recruitment programme for professional audit staff.	<p>Further changes to the team during 2022/23 mean there are five vacant posts, the salaries of these are currently being used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.</p> <p>The internal audit team has engaged with the Learning and Development Team to facilitate a session to apply the team's analytical thinking to the current position of the internal audit team and the expected requirements of the internal audit service into the future, as this continues to evolve both at an industry level and at a local level. An action plan was discussed to assist with the development and delivery of the most appropriate team model, utilising the financial resources available. Work to deliver this is ongoing.</p>	HoIA, Ongoing

## Appendix C: Compliance with UK Public Sector Internal Audit Standards Action Plan (CPBC version) as at 3 July 2023

Action required	Current status	Date
<b>Performance Standards</b>		
<b>2000 Managing the Internal Audit Activity</b>		
<b>2040 Policies and Procedures</b>		
Refresh the Audit Manual and supporting forms to reflect: <ul style="list-style-type: none"> <li>• updates in the Standards</li> <li>• current working practices</li> <li>• any issues arising from the independent external assessment.</li> </ul>	Some of this work is still in progress. It will take longer than anticipated to complete due to the challenges the management team have experienced during 2022/23.  Work is also needed to update the Audit Manual to ensure the audit approach is compliant with the General Data Protection Regulations (GDPR).	AMs, Ongoing
<b>2050 Co-ordination and Reliance</b>		
Internal Audit will further develop the "other assurance" element of the audit risk assessments particularly with regard to corporate business management processes.	Work has been undertaken to develop the "other assurance" element of the audit risk assessments, particularly with regard to business management processes, as part of the annual audit planning cycles.  Request that the Good Governance Group (GGG): <ul style="list-style-type: none"> <li>• makes this a work stream using all the intelligence it currently has</li> <li>• reconsiders the practicalities of building "assurance" into the risk management process as part of the update of the framework currently being undertaken.</li> </ul> Work with the GGG to integrate all its intelligence into the audit risk assessment.	HoIA, Ongoing

## Appendix C: Compliance with UK Public Sector Internal Audit Standards Action Plan (CPBC version) as at 3 July 2023

Action required	Current status	Date
<b>2100 Nature of Work</b>		
<b>2110 Governance</b>		
Assess whether an ethical governance audit should be included in Audit Plan.	An ethical governance audit has been included in the Audit Plan, and memo arising from this review produced. Findings will be reported to Audit Committee in the normal way once the audit has concluded.	HoIA, Ongoing
<b>2400 Communicating Results</b>		
<b>2410 Criteria for Communicating</b>		
Reassess the reporting templates as part of updating the Audit Manual, to see how underlying issues with the Council's governance arrangements could be highlighted.	Audit report templates are being reviewed with a view to trialling alternative presentation as part of the 2023/24 reporting.	AMs, Ongoing
<b>2431 Engagement Disclosure of Non-Conformance</b>		
Consider updating the Audit Manual with a small section covering this particular situation and referencing PS2431.	This is still work in progress. It will take longer than anticipated to complete due to the changes in the senior management team.  In addition, a prompt will be included in the reporting template to ensure any incidents of non-conformance have been considered and managed in line with audit manual guidance.	AMs, Ongoing

## Appendix C: Compliance with UK Public Sector Internal Audit Standards Action Plan (CPBC version) as at 3 July 2023

Action required	Current status	Date
<b>2500 Monitoring Progress</b>		
Introduce the process for management to provide the Audit Committee with this assurance for reports with high and satisfactory audit opinions.	This work has been placed on hold due to the Business Support Officer's redeployment to the Covid-19 response and then removal from the team.	Audit team and HOIA, Ongoing
Finalise the arrangements for reporting to Audit Committee on management sign off of action plans for audit reports with high or satisfactory opinions.	The Audit Team and Head of Internal Audit will continue to work on this project with Council officers that operate the recommendations database to identify an automatic reporting process.	
Design the content and format of a report to go to Audit Committee that shows the progress made by services in addressing agreed actions, for each live audit report.		

### Key:

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

**AGENDA ITEM NO.6**

**AUDIT COMMITTEE**

**12th July 2023**

**Subject:** **Annual Governance Statement 2022/23**

**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 2022/23 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. It should be noted that, ordinarily, there are two governance monitoring reports presented to the Audit Committee over the year; in the autumn and in the spring. In the 2022/23 financial year, there was one governance monitoring report presented in January 2023, due to insufficient business for the planned Audit Committees in November 2022 and March 2023, with cancellation of those meetings.

**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 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 implications

*Workforce management* is one of the key assurance processes reported 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 approves the Annual Governance Statement 2022/23 and, subject to any further amendments from external audit, approves its inclusion in the financial statements for 2022/23.

**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 Local Code of Governance (January 2023)

# Castle Point Borough Council

## Annual Governance Statement 2022/23

### 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/SOLACE Delivering Good Governance in Local Government: Framework*, around which the details presented in section 4 are structured. A copy of this Local Code is available to download from the Council's website at <https://www.castlepoint.gov.uk/local-code-of-corporate-governance>
- 1.4 This annual governance statement explains how the Council has complied with the 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 is accountable to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The framework needs to be flexible to ensure it meets the needs of the changing landscape in which local government operates.
- 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 the Council delivering its priorities and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness.
- 2.3 The system of internal control is based on an ongoing process designed to:
  - identify and prioritise the risks to the delivery of the Council's priorities and objectives;
  - evaluate the likelihood and potential impact of those risks being realised; and
  - manage them efficiently, effectively and economically.
- 2.4 The governance framework has been in place at Castle Point Borough Council for the year ending 31 March 2023 and up to the date of approval of the Statement of Accounts.

### 3 The Council's Governance Framework

- 3.1 The governance framework ensures that the Council's priorities and objectives are effectively promoted and progressed through its corporate governance arrangements and business processes. The key business processes in 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<sup>1</sup> over the financial year to Leadership Team and to 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 nominated officers (who lead on each of the governance processes in this framework) informing the assessments presented below in 3.5
- an annual report – this Annual Governance Statement – to Leadership Team and the Audit Committee on the adequacy of governance arrangements.

3.4 The Council has in place a Good Governance Group, comprising 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 Good 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:

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<sup>1</sup> In the 2022/23 financial year, there was one governance monitoring report to Leadership Team and to the Audit Committee in January 2023, due to insufficient business for the planned Audit Committees in November 2022 and March 2023, with cancellation of those meetings.

Key Governance Business Process	Assessment 2021/22	Assessment 2022/23
Consultation and Engagement	Satisfactory	Satisfactory
Business Planning and Strategy, including Partnerships	Partial	Partial
Financial Planning, Reporting and Budgetary Control including Value for Money	High	High
Asset management	Satisfactory	Partial
Risk Management	Satisfactory	Partial
Health and Safety	Satisfactory	Partial
Business Continuity	Partial	Partial
Performance Management	Satisfactory	Partial
Workforce Management	Partial	Partial
Data Quality	Satisfactory	Satisfactory
Information Governance	Satisfactory	Satisfactory
Procurement	Satisfactory	Satisfactory
Project Management	Partial	Partial
Complaints	Satisfactory	Satisfactory
Ethical Governance, inc. Anti-Fraud & Corruption and Whistleblowing	Satisfactory	Satisfactory

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 base 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 2022/23, the governance group again found that in several areas whilst the core business processes were in place, the application of those processes was not always consistent across the different areas of the Council's business. This is set out in more detail for specific processes in the following sections.

4.4 This part of the report is structured around the core principles of the *CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016 Edition)* with any reference to the key governance business processes – as summarised above 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 Satisfactory.

4.6 The Council has Codes of Conduct for Members and Staff contained within the Council's Constitution. A new Model Councillor Code of Conduct, developed by the Local Government

Association (LGA), was incorporated into a revised version of the Constitution, adopted by Council in November 2022.

- 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. In 2022, new Councillors received training in the importance of ethical governance and the existence of the Code as part of their induction. This was repeated for new Members elected in the May 2023 elections. The new LGA Code of Conduct was formally adopted at full Council in November 2022 and full training on the new code will be rolled out to all members in June 2023.
- 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 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>, albeit these will be subject to review and refresh as part of the Council's Transforming Together programme. 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 in their induction pack. The Council's annual appraisal template includes a record of whether any declarations of interest have been made by staff during the year and an email is sent to all staff in December reminding them of rules around gifts and hospitality. 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 has remained low (three investigations in 2022/23, the same number as in 2021/22).
- 4.10 An audit of Ethical Governance commenced in the first quarter of 2022/23, with initial findings indicating that a number of the key documents that form the ethical governance framework require review and updating, publishing on the intranet, promoting and reinforcing to all staff to ensure awareness of these documents and what is required to comply with the principles and expectations around behaviours and values that they contain.
- 4.11 The Council ensures access to its [complaints policy](#) 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 a key part of the process, and without which an investigation cannot take place.
- 4.12 Counter Fraud and Investigation services continue to be provided by Thurrock Council with a member of the team attending Operational Management Team (OMT), raising awareness of their work across a wider range of managers. A programme of work was in place during the year and progress in delivering the programme was presented to Audit Committee in July 2022 and in January 2023 with a final annual report due to be presented in July 2023. The value of reported suspected fraud against the Council during 2022/23 was £247,500. The value of detected fraud in the Castle Point Borough during 2022/23 was £47,000.
- 4.13 A piece of work was carried out with the Housing Service which has resulted in 43 tenancy audits taking place this year. This ensures that the correct individuals are living in the housing that they are allocated.

#### **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 and has been assessed as Satisfactory.
- 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 by the Council's contractor 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 the winner of *Best Member Experience – Local Authority 2022* and was a finalist for *Regional Centre of the Year for the South region at the UK Active Awards 2022*, both reflecting not only quality of provision but high levels of customer satisfaction.

- 4.16 A public consultation was held over May and June 2022 to establish customer satisfaction with a range of Council services as well as gather thoughts about where people live and the communities around them. However, despite making the survey available online, in hard copy from the Council offices and from any of the four libraries in the Borough, just 125 responses were received. Work in this area continued later in the year, with the development of a new consultation and engagement brand for the Council called *Castle Point Together*, reflecting a different approach to engagement beyond surveys. The first events under this new brand were focus groups held with residents in March 2023. Suggestions and ideas for improvement generated from these sessions have been discussed with the Council’s Leadership Team, with a report planned for Cabinet in 2023.
- 4.17 Towards the end of 2022/23, the consultation and engagement programme for the new Castle Point Plan was developed to be rolled out over the new financial year, starting with a consultation to help the Council understand what local people value and would like to see improved in their area.
- 4.18 The Council also has in place a consultation toolkit available for services to use and this is set out in the ‘How it Works’ guidance.
- 4.19 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>. In February 2023, the Council included a leaflet with Council tax bills setting out its performance highlights from the previous year.
- 4.20 Compliance with processes around the handling of **Complaints** has been assessed as Satisfactory. There is a complaints policy in place and complaints are managed in accordance with this policy. Information on the website has improved signposting to the organisation best placed to respond to the complaint, depending on which service the complainant has an issue with. Recording of complaints in a consistent manner and sharing of learning from complaints is something which continues to require some development, although a new tool to record corporate complaints is now in place (from April 2023). The Housing service is an exemplar in this area, with processes in place to ensure compliance with the Housing Ombudsman Complaints Handling Code, including an annual self-assessment of complaints handling and using complaints as an opportunity to learn and improve processes. Over 2022/23, the Housing Ombudsman investigated two complaints, finding in the Council’s favour in one case and against the Council in one case. The Local Government & Social Care Ombudsman received one complaint about the Council in the period 1 April 2022 to 31 March 2023 which it decided to not investigate.
- 4.21 All public meetings are [broadcast live](https://www.castlepoint.gov.uk/agendas-minutes-library) 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>.

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

- 4.22 The Council’s Corporate Plan 2021-24 was developed jointly with Cabinet and Leadership Team as well as through engagement with the Council’s Scrutiny Committees and a public consultation on priorities and objectives. The Corporate Plan was formally adopted by Council in September 2021 and sets out a high-level vision for the area with four corporate priorities: Economy & Growth; People; Place; and Environment. The plan complies with a number of good-practice requirements, including defined and measurable outcomes which have been reported to Cabinet over the year in the quarterly Corporate Performance Scorecard.

4.23 The Council works closely with partners on joint objectives and outcomes. 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. Work continued in 2022/23 with the South East Essex Alliance, a health and wellbeing partnership across the NHS, local government and the community and voluntary sector.

4.24 The Council remains an active member 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. Officers represent the Council across the ASELA workstreams (Economy and Skills; Digital Connectivity; Transport and Infrastructure; Housing; and The Environment), with the Council's Chief Executive leading on the Environment workstream. A Memorandum of Understanding is in place for ASELA, and the Council is a member of the ASELA Joint Committee in accordance with S101 of the Local Government Act.

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

4.25 The Castle Point Plan is a key piece of work commenced in 2022/23. Work on the Castle Point Plan followed the decision of Council to not adopt the previous draft Local Plan 2018 - 2033 at its meeting on 23 March 2022, with a further decision to withdraw it at a meeting on the 15 June 2022.

4.26 In compliance with the Act and Regulations, the Plan was withdrawn from the Council's website. In addition, staff and the Development Management Committee were advised that the now withdrawn Castle Point Local Plan 2018 – 2033 is no longer a material consideration in determining planning applications.

4.27 The remainder of 2022/23 was therefore spent on preparatory work for the new Castle Point Plan, including the following steps:

- Engagement with Government to set out the approach being taken by the Council to develop the new Plan.
- Approval of a new Local Development Scheme setting out the programme and resources required for preparing the Castle Point Plan in November 2023.
- Establishment of a cross-party Castle Point Plan Board to develop, agree and oversee the approach for the new Castle Point Plan.
- Quarterly updates to Cabinet on progress in the development of the new Plan.
- The procurement of engagement software and the implementation of the first round of engagement on the Castle Point Plan.
- The development and agreement of specifications for key pieces of evidence base work to inform the Castle Point Plan's approach to housing and to Green Infrastructure.

4.28 The Council continues to face significant financial challenges and needs to pursue actions to reduce net operational spend over the coming years and increase income substantially. Whilst the budget set in February 2023 for 2023/24 was balanced, significant financial pressures remain. The ongoing cost of living financial pressures continue to place Council budgets under significant pressure both in terms of inflation and also demand for Council services. Work continues to address forecast budget gaps and the Council's transformation programme is expected to deliver cashable savings. Additionally, the restructuring of the Council as part of this programme will provide a clear structure against which tiers of financial delegations can be given, replacing the current mix of delegations at the same organisational level which sometimes leads to uncertainty and a culture of needing to ask before doing anything. Finally, the Local Government external audit landscape remains challenging, with a significant number of audits outstanding across multiple years. The Council is affected by this and is still working to have its 2020/21 accounts signed off, after which the audit of 2021/22 will be able to commence. Having outstanding audits has created additional challenges for the Financial Services team and also delayed the production of the 2022/23 accounts. Government, alongside CIPFA, the National Audit Office and the Financial Reporting Council are considering what measures can be taken to help the sector clear the backlog of audits. 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, supported by processes/activity which includes:

monthly budgetary reports to budget holder; bi-monthly financial updates to Cabinet; a “budget fortnight” to focus efforts in the lead up to budget setting.

4.29 The assessment of the Council’s **Project Management** arrangements remains Partial. Over three days in March 2022, training was provided on the new toolkit and workbook to OMT and others in the Council who manage projects. The focus of 2022/23 was to ensure that the revised project toolkit and workbook was being used as intended and that projects were set up more robustly and project delivery effectively managed. To this end, a further piece of audit work was undertaken which concluded partial assurance. The audit reported that the new toolkit and workbook provided a “solid foundation for project management, particularly in relation to early scoping and initiation of projects”, however, “reporting and escalation arrangements set out in the toolkit have not been established in practice and as a result projects have not been subject to sufficient scrutiny and oversight.” Fieldwork for the audit confirmed that all projects taken in the sample had been thoroughly scoped and had a clear rationale but four of the six had not been fully monitored as projects progressed. The audit included a range of recommendations for implementation over 2023/24, including the establishment of a Project Board. Implementation of these recommendations is included in the action plan at the end of this governance statement.

4.30 The approach to **Business Continuity** (BC) has been assessed as Partial. An internal audit on business continuity arrangements within the Council was completed in October 2022. 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. Revised service-level business impact analysis and response plan templates have been produced and rolled out in November 2022 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 discussed quarterly at OMT meetings. The Council’s emergency planning and business continuity framework document produced in 2018, and updated annually, 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 any lessons learnt and following any significant changes in the Council. The Council’s Joint Emergency Planning Officer (JEPO) coordinated and facilitated a business continuity desktop exercise during Business Continuity Week in 2022. A follow-up audit of BC arrangements has been undertaken but is in the process of being finalised. However, any actions arising from the audit will be added to the action plan at the end of this governance statement. Key areas of focus for 2023/24 include: review and refresh of the IT Disaster Recovery Plan; incorporating newly identified BC risks into the Council Corporate risk Register; training needs assessment following any organisational restructure; and a BC desktop exercise to validate the Council corporate BC plan.

4.31 The Council’s **Business Planning and Strategy, inc Partnerships** process has been assessed as Partial. Last year’s governance statement raised issues around the length of time taken for services to produce plans and finalisation of plans later than usual. The template for 2023/24 service plans was revised and compliance with this business process has improved and, although there remains some inconsistency in quality, service plans for 2023/24 are in place for most service areas. There is an opportunity to change the focus of service plans as they are developed for the 2024/25 financial year, linking them strongly with the Transforming Together programme, emphasising transformation and change activity over business as usual. The Corporate Performance Scorecard for 2022/23 remained broadly similar to that in 2021/22, although some measures were removed from the scorecard as they no longer provided insight into priority areas of performance. The Council’s policy framework operates satisfactorily; policies and strategies continue to be refreshed by services, although some updates are overdue. A register of policies and strategies is in place, updated annually and reported to Cabinet in October 2022. The policy framework is set out in the Policy Framework and Budget Setting report which went to Cabinet and Council in February 2022. The reason for the assessment of Partial relates to the Partnerships aspect of this governance process – see paragraphs 4.35 and 4.36 below.

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

4.32 The Council uses partnerships to good effect to increase its capacity. The Council is a lead member of the Joint Castle Point and Rochford Health and Wellbeing Board and Community Safety Partnership. The Leader and representatives from Leadership Team (as well as other Council officers) 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. Work with the South East Essex Alliance has allowed the Council to better understand the range of work being undertaken by partners to improve the health and wellbeing of Castle Point residents, providing the opportunity for more joint working.

4.33 Building on the excellent work across local government, health and the community and voluntary sectors in response to Covid-19, work continued over 2022/23 on Levelling Up, working closely with Essex County Council who have committed resource to the area to support the Council's ambitions, with a particular focus on Canvey Island. In September 2022, the Council submitted to Government its investment plan for the UK Shared Prosperity Fund (UKSPF) to unlock £1m of funding from 2022/23 to 2024/25. Work on Levelling Up and UKSPF will continue into 2023/24.

4.34 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:

- £85k Levelling Up Parks funding, used towards improvements to playground facilities at Thorney Bay Open Space
- £79k (the 2022/23 allocation from the £1m UKSPF) used to: supplement funding for improvements to playground facilities at Thorney Bay Open Space; develop the Council's capacity through engagement brand development and new software; and hold a series of focus groups in March 2023

4.35 Partnership assurance processes have been subject to further development work in the 2022/23 financial year, although further progress is required. A partnership strategy and framework remains in place; this gives guidance to those considering setting up new partnerships and advice on how to ensure that existing partnerships continue to be effective. During 2022/23, work on some key partnerships was reported to members. For example, in November 2022, the work of the Mid and South Essex Integrated Care Board (MSE ICB) was presented to the Wellbeing Policy and Scrutiny Committee (PSC) to improve understanding of this important partnership across health, local government and the community and voluntary sector.

4.36 For 2023/24, work will continue on ensuring that the work of key partnerships is reported to elected members. A further area of focus will be on grants to community and voluntary sector organisations to ensure that the Council continues to see, and is able to evidence, the impact of these grants across the Borough on those people who use the services provided by these organisations.

4.37 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; a revised version of the Constitution was adopted by Council in November 2022.

4.38 The information needs of elected members to effectively develop policy and make decisions is widely considered, and reports to Cabinet and Council include considerable detail where required to give a full understanding of the implications of recommendations made and decisions to be taken.

4.39 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 three committee members.

4.40 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 receives monitoring reports on its effectiveness. 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.

4.41 **Workforce management** has been assessed as having a Partial level of compliance. The Council has effective recruitment and retention arrangements (including a new policy around the use of market supplements, introduced in 2022) 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. The Council continues to fund those wishing to pursue professional and academic qualifications relevant to their job alongside more generic training. The Council also makes use of online training platforms particularly for induction and training in health and safety arrangements. The Council continues to be signed up to *Working Well*, a programme of workplace-based wellbeing training courses offered through a service commissioned by Essex County Council. A new Employee Assistance Programme was commissioned towards the end of 2021/22 and went live on 1 April 2022, allowing employees to access support about wellbeing, family matters, debt management and illness. A gap in capacity to support the Organisational Development side of workforce management has been identified resulting in the need for an additional resource to support the Transforming Together programme, which includes workforce development as a key component.

4.42 During the year the Council engaged the Local Government Association to undertake a Decision Making Accountability review of the Council's workforce, looking at the number of layers of management the Council has, and what it needs in order to deliver its aims and objectives in the most effective way. The Council has used the results of this to inform a transformation programme called Transforming Together. This is aiming to right size and shape the Council, defining and upskilling the workforce to ensure it has the right skills and capabilities at the right cost to establish the foundations for the Council to transform into a modern, customer focused and financially sustainable organisation.

4.43 The transformation programme is organised into four workstreams that are interlinked, run concurrently and address: Organisation re-design; New ways of working; Workforce development and; Communication and engagement. The programme is underway with the first stages of the organisation redesign being implemented, and the whole programme timetabled to be completed by March 2024.

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

4.44 Core **Performance Management** arrangements are in place but overall assessed as Partial. The Council uses a database to produce performance information for all service areas, with a performance scorecard of measures linked to the priorities and objectives in the corporate plan, produced every quarter and presented to Cabinet. There is some variance in the comprehensiveness 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. There are some strong examples of high compliance with performance management processes in the leisure service and in street scene service. The service plans include performance indicators for both Council-run services as well as for services provided on the Council's behalf by contractors or partners. A Business Review Board (consisting of the Leadership Team) was introduced by the Chief Executive and which covers a range of performance information including the corporate performance scorecard, health & safety, risk management and implementation of audit recommendations. 2022/23 was used to start to establish the rhythm around the Business Review Boards, with further development in 2023/24. From the workforce side of performance management, the practice of regular performance reviews alongside records of annual appraisals remains patchy and inconsistent across the organisation, and will be subject to further work in 2023/24, linked to the Transforming Together programme.

4.45 The organisation's approach to **Risk Management** has been assessed as Partial and requires further development work. A corporate risk register remains in place and is reviewed by Leadership Team at its Business Review Board, although the number of risks on the register are too numerous

and it requires a refocus. Risks have been identified as part of the development of service plans for 2023/24 and risks get escalated to the corporate risk register should the identified issue be considered significant. Some gaps in service and directorate risk registers have been identified and so training on risk management was arranged for OMT in March 2023. Directors and Heads of Service will be working with their service areas to develop and refresh their own risk registers to support the re-development of the corporate risk register.

4.46 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 OMT to highlight areas of concern. Significant health and safety issues are escalated to the Leadership Team. Compliance with health and safety processes has been assessed as Partial, and an internal audit of health and safety conducted in 2022 has made recommendations to deliver improvements that will improve the level of assurance that the Council has for meeting its responsibilities in respect of health and safety. The vast majority of health and safety incidents relate to minor incidents to members of the public when using Council facilities such as leisure centres. In 2022/23, no incidents were required to be reported under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013. Work to review, update and introduce health and safety policies and guidance notes is ongoing and a piece of work is planned for 2023/24 for an external review of arrangements to support the Council in this area and any gaps in arrangements are filled. One area that requires further attention is the health and safety e-learning completion rates which has been noted at the Business Review Board and will be reviewed at each subsequent meeting to ensure progress is made.

4.47 To deliver against its priorities and objectives, the Council has a number of assets at its disposal, from IT equipment and information assets through vehicles, plant and machinery to buildings and land assets, which are now captured by services in a new section of service plans introduced as optional for 2020/21 and mandatory for 2021/22 onwards. Overall, compliance with **Asset Management** processes is assessed as Partial. The Corporate Asset Management Plan and the Housing Asset Management Plan both contain progress in asset management activities and plans which contribute towards the short-, medium- and long-term aims and objectives of the Council in relation to asset management. An extensive Planned Preventative Maintenance Programme is in the process of being commissioned for 2023/24 across 10 corporate assets, with works anticipated to begin in late Spring 2023. Funding provision has been earmarked and completion of the works is planned for November 2023. Statutory compliance testing is completed as required. Lease renewals were completed with a range of organisations operating from Council-owned buildings or land. The asset list was comprehensively updated in 2022 to inform asset valuation so the Council now has more reliable measurements for floor areas of buildings and areas of land owned.

4.48 All ITC-related assets – including infrastructure such as servers, network equipment etc – are managed as part of the Council's contract with an external provider. The Council owns a small fleet of vehicles and runs a vehicle maintenance workshop to carry out ongoing checks, servicing and repairs. We look to replace these vehicles with new vehicles every seven to eight years in accordance with their expected useful life.

4.49 The assessment of Partial is largely based on the need for a more strategic approach to asset management (buildings and land) which takes a view across the assets managed by individual service areas to ensure that these are put to best use to support the Council to deliver its aims and objectives. This is a piece of work to be led by the Strategic Asset Group over 2023/24 and beyond.

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

4.50 The Section 151 Chief Financial Officer (CFO) occupies a key position in the Council, managing the Council's finances and ensuring that resources are used wisely to secure positive results.

4.51 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.

4.52 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 Leadership Team and reports directly to the Chief Executive.

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

4.53 The processes for **Information Governance** are in place and compliance is Satisfactory. Guidance has been incorporated into the 'How it Works' document. Arrangements are led by the Solicitor to the Council 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. Managers are also required to follow the data security breach management procedure in the event of a data breach, although the number of incidents is small with just two during 2022/23. The Solicitor to the Council continues to ensure compliance with the General Data Protection Regulations (GDPR) which came into force in May 2018. The GDPR online annual training module was refreshed, including an update on key legal personnel and how to report or obtain assistance in order to improve staff understanding of GDPR. Staff are reminded to undertake this training (and refresher training) by the Council's e-learning platform. Information Governance is a regular agenda item at OMT. An audit of cyber security has been undertaken and identified the foundations of a basic control environment in relation to the incident management process confirming that some controls are in place to mitigate the risks in this area. However, there are some gaps that need to be addressed to further mitigate the risks including the need for clarity over roles and responsibilities for cyber security. The Council has in place processes for managing any Freedom of Information (FOI) requests received. Performance for responding to FOIs is reported at the Business Review Board and new processes will be implemented in 2023/24 to provide some resource to review and send out reminders to those with FOIs that are approaching the 20 working days statutory deadline.

4.54 Compliance with **Procurement** processes is Satisfactory. The Council has a comprehensive procurement toolkit and strategy and associated governance processes which have been subject to an annual review by the Solicitor to the Council. The new Procurement bill is awaiting Royal Assent and once enacted a review of the procurement toolkit and associated documents will be undertaken. The existing 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. Procurement training is given to OMT each year. The Procurement Bill *Transforming public procurement* was formally introduced in the Queens speech in May 2022. It is envisaged that the Procurement Bill will become law in 2023, with a 6-

month implementation period to follow. A fully revised toolkit setting out the new requirements and procedures to ensure compliance with the reforms will be issued once details are known. Some issues have arisen over the year when insufficient notice has been given to service areas supporting procurement activity resulting in more limited options for procurement than would have been possible with a longer lead in time. The contracts register requires some further attention to ensure that it is as up to date as possible, something which will help with planning the procurement activity expected over the year. A further area of focus for 2023/24 is shifting the organisation's approach to procurement to having more of a strategic commissioning view where options for alternative provision of a good or service is taken into account before the procurement exercise starts in earnest. An audit of Procurement arrangements confirmed that there is scope for improvement of understanding of procurement requirements in parts of the organisation, and that the passing of the Procurement Bill into law should be used as an opportunity to refresh officers understanding of how to ensure compliance with regulations.

4.55 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. Systems are designed in some areas to ensure data quality requirements are considered, for example, the operation of a detailed performance management framework in housing, and systems in place across revenues and benefits. 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 OMT in March 2022, with a reminder of the content of the training sent to OMT in March 2023.

### ***Internal Audit***

4.56 The annual risk-based audit plan was prepared in consultation with Heads of Service, Leadership Team and the Audit Committee. The audit plan has been progressed, 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 Leadership Team and the Audit Committee at each of its meetings, although these were reduced in number because of amendments to arrangements. 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 for 2022/23 states:

4.57 "The Council continued to operate risk management, control and governance arrangements, despite the challenges posed by the external environment that it operates within, particularly in respect of the wider economic situation, with the impact of inflation, including the cost of energy, creating additional financial pressures for the Council, residents, the supply chain, and other stakeholders, as well as the wider impacts of the fallout from the Covid-19 pandemic. Significant changes that have occurred to the operations of the Council are becoming embedded, including many staff working remotely and the changes implemented to enable that remote working. These changes enabled the Council to deliver what was required in response to the pandemic, and similar focus now needs to be applied to the financial challenges that the Council is facing, so that the Council can address the medium-term budget gap that has arisen and bring the Council back into a financially sustainable position.

4.58 During the year the Council appointed a new permanent Chief Executive, who is driving a transformation programme aimed at addressing the challenges that the Council is facing and transforming the Council into a modern, financially sustainable organisation focussed on delivering the priorities of the Council and residents. The success of the transformation programme will be critical for the Council to transform the culture and the way that the Council operates, so that the Council shifts to a culture, a focus, a structure, and ways of working that are most appropriate, effective and financially sustainable to deliver the priority outcomes in the changed circumstances that the Council is now facing.

4.59 Management needs to continue to monitor both the actual and potential impact of these pressures, the progress against delivery of the transformation programme to drive change that arises, as well as delivery of the Corporate Plan. Management and Members need to be ready to adjust, if

necessary, as the situation continues to evolve and the understanding of the impact on future needs and priorities becomes clearer.

4.60 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 that still needs to be addressed.

4.61 With regards to the assurance provided by audit work undertaken, the results of the work indicate that for the design of the Council's risk management arrangements satisfactory assurance can be provided – although the Risk Management Policy Statement and Strategy is due to be reviewed and refreshed – but partial assurance in respect of operation, as there is a need for further embedding of the arrangements within the services so that there is increased understanding of the need to capture the conversations about risk that are happening, to provide increased visibility, transparency and accountability for decision making around the risks that sit below those on the corporate risk register. The design and operation of internal control can be provided with satisfactory assurance, but issues have been highlighted in respect of the application of the governance framework as operated for the year, indicating that this requires improvement before it can be considered to be satisfactory overall. Therefore, partial assurance is provided for the year. Work to improve elements of the governance framework is being undertaken, as reflected in the Annual Governance Statement.

4.62 Therefore, the remainder of this report should be read within this context.

4.63 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."

4.64 The Internal Audit plan for 2023/24 will have increased focus on the key business processes that underpin the governance framework.

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

### ***Audit Committee***

4.66 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***

4.67 External Audit is undertaken by EY (the business name of Ernst & Young Global Limited) 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.

4.68 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.

4.69 As noted above the significant number of external audits outstanding across the sector, and multiple years, is also impacting the Council which is still working towards completion of the audit for the 2020/21 Statement of Accounts, after which the audit of 2021/22 will be able to commence, followed

by the audit of 2022/23. This Annual Governance Statement, that forms part of the Council's Statement of Accounts for 2022/23, will be finalised through the completion of the audit for 2022/23.

***External Inspections***

4.70 There were no external inspections carried out in 2022/23 to report in this Annual Governance Statement.

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

4.71 The table below sets out the actions identified and an assessment of progress. Progress on implementation of these actions has been reported to Audit Committee as part of the governance monitoring report.

	Issue	Action 2022/23	Date of implementation	Responsible officer	Update on progress
1.	Improve the organisation's understanding of the effectiveness of partnership working.	<p>Develop and introduce reporting mechanisms on key partnerships to members and senior managers</p> <p>Implement recommendations from the Internal Audit of Partnerships</p>	Sep 2022	Strategy, Policy and Performance Manager	<p>Reporting mechanisms on key partnerships is still in development although there have been some examples of partnership work being reported to elected members. For example, in November 2022, the work of the Mid and South Essex Integrated Care Board (MSE ICB) was presented to the Wellbeing Policy and Scrutiny Committee (PSC) to improve understanding of this important partnership across health, local government and the community and voluntary sector.</p> <p>Responsibility for overseeing partnerships will be clarified through the Transforming Together programme, and a follow-up audit will be scheduled in 2023/24 once the new target operating model is in place.</p> <p><i>Action to roll over into 2023/24</i></p>
2.	Appraisal process value and compliance.	Review the appraisal process to ensure it brings value to individual performance management and compliance is in place for all services	Jan 2023	Human Resources Manager	<p>Additional resource has been obtained to support this piece of work. The focus of their work since arrival in January 2023 has been on the organisation re-design element of the transformation programme. Work on this and other workforce development elements will be picked up in 2023/24.</p> <p><i>Action to roll over into 2023/24</i></p>

	<b>Issue</b>	<b>Action 2022/23</b>	<b>Date of implementation</b>	<b>Responsible officer</b>	<b>Update on progress</b>
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.	Sep 2022	Head of Internal Audit	<p>The Risk Management Policy and Strategy was refreshed and approved by Audit Committee in January 2018 and a further refresh is now being developed to ensure that service-level risk registers remain current. Internal Audit are considering utilisation of service-level risk registers as a standard element of all audits. This work supports the implementation of the remaining areas of focus identified in the health check of risk management.</p> <p>Work is planned for 2023/24 with Leadership Team to re-engage across directorates to support development of directorate-level risk registers, building on the service-level risk registers, which will support a refresh of the Corporate Risk Register.</p> <p><i>Action to roll over into 2023/24</i></p>
4.	Raise compliance with service planning requirements.	Review of the service plan template and process. Further engagement with service managers in lead up to and throughout the service plan development period.	Jan 2023	Strategy, Policy and Performance Manager	<p>The template for 2023/24 service plans was revised and compliance has improved. Although there remains some inconsistency in quality, service plans for 2023/24 are in place for most service areas.</p> <p><i>Action completed</i></p>
5.	Address any issues raised as part of the audit of business continuity.	Implement audit actions.	TBC	Senior Resilience and Procurement Officer	<p>The audit was not concluded in 2022/23 and, at the time of this report, has not yet concluded although is in the final stages. Therefore, this action will be added to the 2023/24 action plan.</p> <p><i>Action to roll over into 2023/24</i></p>

	<b>Issue</b>	<b>Action 2022/23</b>	<b>Date of implementation</b>	<b>Responsible officer</b>	<b>Update on progress</b>
6.	Address any issues raised as part of the audit of cyber security.	Implement audit actions.	TBC	ICT Manager	<p>The audit was finalised towards the end of 2022/23 and so this action will be included in the action plan for 2023/24.</p> <p><i>Action to roll over into 2023/24.</i></p>
7.	Simplify the process for recording and managing complaints.	Create a simpler and more accessible recording and monitoring tool and review complaints process.	Sep 2022	Head of Governance	<p>A new monitoring tool for corporate complaints has been developed and replaced the existing monitoring system in April 2023.</p> <p><i>Action completed.</i></p>

## Key governance issues

4.72 The following are the key governance issues that have been identified. Note that the Responsible Officer included in this table is based on the organisational structure as at July 2023 and will be subject to change.

	Issue	Action 2023/24	Date of implementation	Responsible officer
1.	Improve the organisation's understanding of the effectiveness of partnership working.	Develop and introduce reporting of key partnerships to members and senior managers.  Review of grants to external bodies.	Q3 2023/24  Q2 2023/24	Strategy, Policy and Performance Manager
2.	Employee element of performance management - appraisal process value and compliance. Link to wider work around workforce development.	Review the appraisal process to ensure it brings value to individual performance management and compliance is in place for all services.  Develop the approach to workforce development.	Q3 2023/24	HR Manager
3.	Improve the organisation's understanding and application of good risk management.	Re-engage across directorates to support development of directorate-level risk registers, building on the service-level risk registers, which will support a refresh of the Corporate Risk Register.	Q2 2023/24	Head of Internal Audit
4.	Address any issues raised as part of the audit of business continuity.	Implement audit recommendations.	TBC once audit is finalised	Emergency Planning and Resilience Consultant
5.	Improve the organisation's approach to reporting and escalation arrangements for projects to ensure sufficient scrutiny and oversight of delivery.	Implement the recommendations in the follow up audit of project management arrangements.	Q3 2023/24	Strategy, Policy and Performance Manager
6.	Address any issues raised as part of the audit of cyber security.	Implement the audit recommendations.	Q4 2023/24	ICT Manager

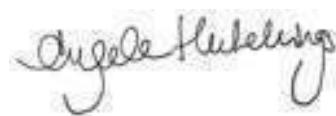
	<b>Issue</b>	<b>Action 2023/24</b>	<b>Date of implementation</b>	<b>Responsible officer</b>
7.	Strategic approach to asset management.	Further develop a strategic approach to asset management (buildings and land) which takes a view across the assets managed by individual service areas to ensure that these are collectively put to best use to support the Council to deliver its aims and objectives.	From Q3 2023/24	Strategic Asset Group
8.	Compliance with Health & Safety e-learning requirements.	Continue to monitor e-learning completion rates at Business Review Board  External review of arrangements to support the Council in this area	Over 2023/24  Q2 2023/24	Environmental Health Operational Manager

## 5 Conclusion

5.1 This statement has been considered by the governance group of officers as well as Leadership 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 Dave Blackwell  
Leader of the Council  
July 2023



Ms. Angela Hutchings  
Chief Executive  
July 2023

**AGENDA ITEM NO. 7.**

**AUDIT COMMITTEE**

**12th July 2023**

**Subject: Internal Audit Charter, Strategy and Audit Plan for 2023/24**

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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 2023/24.

**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 2023/24
  - statement showing how audit work completed during the year will provide assurance regarding the mitigation of the Council's strategic risks
  - How We Will Work With You Statement.

The following paragraphs explain key amendments to these documents which were last presented to the Audit Committee in April 2022. These are also highlighted in **bold** within the documents themselves for ease of reference.

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

Only very minor amendments have been made to the Charter this year, although new Internal Audit Standards are going to be implemented in the near future, and this may necessitate a different approach.

#### **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 planned to be 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 2023/24 (Appendix 2a)** is based upon the audit approach outlined in the Strategy, which complies with the requirements of the current Standards.

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 that were last reported to the Committee.

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.

## **7 Timescale for Implementation**

The Audit Plan covers the 2023/24 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 2024 Audit Committee.

## 8 Risk Factors

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact on the Council's ability to deliver its 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 audit 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 2023/24.**

## 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 2023/24
- 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**

Annually review by Head of Internal Audit  
Reported to Audit Committee: July 2023

## Appendix 1: Internal Audit Charter

### Introduction

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

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

### Purpose

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

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 Officer’s 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 and safeguards are put 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 '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 Department for Levelling Up, Housing and Communities for this purpose. Therefore, the Head of Internal Audit aims to comply with the CIPFA Statement on The Role of the Head of Internal Audit in Public Service Organisations 2019, wherever possible, as required by the Delivering Good Governance guidance.

## Appendix 1: Internal Audit Charter

### Internal Audit Resources

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

Annually reviewed by Head of Internal Audit

Reported to the Audit Committee: July 2023

## Appendix 2: Internal Audit Strategy

### Introduction

The Internal Audit Charter sets out the purpose and 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 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 (eg. governance arrangements)
- the range of individual opinions arising from risk-based and other audit assignments delivered during the year (eg. service activities and financial systems)
- an assessment of how robustly actions agreed are implemented and whether this is achieved in a timely manner
- the outcome of any other relevant work undertaken (whether internally or externally) where independent assurance is provided about the operation or performance of a service / system.

### Audit Approach

The audit approach is designed to provide the Council with assurance that its governance, risk management and control processes are robust enough to ensure its 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 (eg. 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 (from management or external sources)
- 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:
  - 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 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 is 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 and any other work undertaken.

### Partners

Internal Audit will continue to explore opportunities to work effectively with internal audit services of partner organisations where this is beneficial. It will continue to look to make 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. The next review has been delayed due to the staff resourcing and recruitment challenges that have been experienced by the team. It is planned that the Audit Manager currently on maternity leave will lead the work to administer the next assessment when she returns, and that this will be undertaken in early 2024.

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

When this assessment is being prepared for, 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.

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 2023/2024
- 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 2023/24

Dept.	Service Activity	Fraud risk	Focus of the Audit
<b>Managing the Business</b>			
<b>All Aims</b>			
All	<b>Transforming Together</b>	Yes	To assess the robustness of arrangements in place to deliver the Transforming Together programme of workstreams, and deliver the expectations and benefits for the Council that are anticipated.
All	<b>Contract management</b>	Yes	To assess the robustness of arrangements in place to support compliance with legislation and good practice, while ensuring the contracts deliver the appropriate quality of services and achieve value for money.
All	<b>Health and Safety</b>	No	To assess the adequacy of arrangements in place to maintain the necessary framework of policies and procedures to ensure ongoing compliance with Health and Safety legislation.
All	<b>Performance Management</b>	Yes	To assess the adequacy of arrangements in place to monitor and manage the effective delivery of services, objectives, targets and outcomes in line with Corporate Plan.
C&D	<b>ICT audit work: utilisation, usage and skills</b>	Yes	To assess the adequacy of arrangements to implement new digital tools and solutions and integrate these effectively into the Council's ways of working.
C&D	<b>ICT audit work: projects and contracts</b>	Yes	To assess the adequacy of arrangements to develop and implement projects to maximise the impact of digitalisation opportunities to drive improvements in service delivery and increased efficiency.

## Appendix 2a: Internal Audit Plan 2023/24

Dept.	Service Activity	Fraud risk	Focus of the Audit
<b>Managing Service Delivery Risks</b>			
<b>Aim: People</b>			
All	<b>Sickness Absence Management</b>	Yes	To assess the robustness of management arrangements to address sickness absence, to appropriately support both the individual and the organisation.
<b>Aim: Place</b>			
P&P	<b>Castle Point Plan</b>	No	To assess the adequacy of arrangements in place to ensure the successful delivery of the Castle Point Plan in accordance with the anticipated timetable.
<b>Key Financial Systems: All Aims</b>			
R	<b>Housing Rent Collection and Arrears Management</b>	Yes	To assess the effectiveness of arrangements to ensure billing is accurate and income to the Council is maximised, while ensuring financial errors are
R	<b>Treasury Management</b>	Yes	prevented and / or detected in a timely manner so information can be relied upon when producing the Council's statement of accounts.
<b>Grant Claims</b>			
H	<b>Disabled Facilities Grant</b>	Yes	To certify that, in all significant respects, the terms and conditions attached to the grant have been complied with.
E	<b>Homes Upgrade Grant</b>	Yes	
<b>Advice and Support</b>			
R	<b>Financial sustainability</b>	Yes	Provide ongoing support and challenge of the arrangements to deliver a balanced budget for 2024/25 and medium-term financial strategy.

## Appendix 2a: Internal Audit Plan 2023/24

Dept.	Service Activity	Fraud risk	Focus of the Audit
All	<b>Risk Management</b>	No	Provide ongoing support and challenge to embed robust assessment of risk and opportunity into decision making that encourages creativity, learning and improved outcomes.
H	<b>Disabled Facilities Grant Policy</b>	Yes	Provide support and challenge to ensure the DFG policy provides the greatest opportunity to maximise utilisation of the DFG funding.
<b>Managing Delivery of the Audit Plan</b>			
	Audit Planning and Resourcing		
	Managing Audit Plan Delivery		
	External Quality Assessment		
	Reporting to Executive Management Team and Audit Committee		

## Appendix 2a: Internal Audit Plan 2023/24

<b>Audit Activities</b>	<b>Resource allocation</b>
Managing the Business	35%
Managing Service Delivery Risks	11%
Key Financial Systems	11%
Grant Claims	11%
Advice and Support	20%
Managing Delivery of the Audit Plan	12%
<b>Total</b>	<b>100%</b>
<b>Total Council Audit Plan Days</b>	<b>242</b>

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

<b>Analysis Over Departments</b>		
E	Environment	17
H	Housing	33
P&P	Place and Policy	17
C&D	Customer and Digital	33
R	Resources	48
CS	Corporate Services	0
All	Cross cutting	97
All	Managing Delivery of the Audit Plan	29
	<b>Total</b>	<b>242</b>

## Appendix 2a: Internal Audit Plan 2023/24

Risk Watch List	
All	Council Commercialisation
All	Corporate Data Strategy
All	Data Quality
All	Information Governance
C&D	ICT Data Security and Management
C&D	ICT Steering Group
C&D	ICT Strategy / Disaster Recovery
C&D	ICT Data
C&D	ICT Contract
C&D	Housing Benefits
CS	Community Safety Partnership
CS	Licensing
Env	The Paddocks
Env	Food Premises Inspections
Env	Private Sector Housing
Env	Grounds Maintenance and Street Scene
H	Housing Strategy
H	Damp, Mould and Condensation
H	Sheltered Housing
H	Housing Allocations
H	Sustainability of the Housing Revenue Account
H	Management of Void Properties
H	Responsive Repairs
H	Disabled Facilities Grant: Policies and Procedures to maximise utilisation
P&P	Regeneration

## Appendix 2a: Internal Audit Plan 2023/24

P&P	Community Infrastructure Levy & S106 Payments
P&P	Building a Safer Future
P&P	Building Control
Res	Workforce Management
Res	Financial Management and Budgetary Control
Res	Business Planning, Service Planning and linkage to delivery of Corporate Plan
Res	Payroll

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

	<b>Council Priority</b>	<b>Corporate Risks</b>	<b>Audit work providing assurance in 2023/24</b>
1.1	Economy and Growth	Non delivery of grant-funded regeneration projects resulting in project failure, loss of grant (current and future) and financial penalties to repay grant.	<p>Project Management audit undertaken during 2022/23.</p> <p><b>Performance Management audit to be undertaken during 2023/24.</b></p>
2.1	People	Approach to safeguarding not fully effective and embedded in the organisation with lack of clarity on responsibilities	A Safeguarding audit is being concluded, focusing on safeguarding arrangements for adults and children.
2.2	People	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.	<p>The Tenancy Management audit will include some coverage of the support provided to households facing difficulties, and the Protect and Vaccinate grant audit covered the funding received to place those at risk of homelessness in accommodation.</p> <p><b>Housing Rent Collection and Arrears Management audit to be undertaken during 2023/24.</b></p>
2.3	People	Risk of households experiencing financial difficulties as a result of pressures on family budgets (National Insurance rise, inflation, rising energy costs etc.) resulting in multiple issues including debt, fuel poverty, missed rent / mortgage payments etc. that could also create additional pressures on council services.	<p>No specific work planned around this risk, but the Tenancy Management audit will include some coverage of the support provided to households facing difficulties.</p> <p><b>Transforming Together audit to be undertaken during 2023/24 will include consideration of the plans in place and work being delivered that will support enabling the Council to achieve a balanced budget in future years.</b></p> <p><b>The Financial Sustainability advice and support work will challenge the arrangements to deliver a balanced budget for</b></p>

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

	<b>Council Priority</b>	<b>Corporate Risks</b>	<b>Audit work providing assurance in 2023/24</b>
			<b>2024/25 and medium-term financial strategy.</b>
3.1	Place	The Castle Point Plan is not delivered in accordance with planned expectations resulting in uncertainty in respect of potential development arrangements.	<b>Castle Point Plan audit of delivery arrangements to be undertaken during 2023/24.</b>
4.	Environment	Council is unable to deliver activity in the Climate Change action plan resulting in reputational damage and failure to reduce the environmental impact of Council operations.	Climate Change and Carbon Reduction advice and support work provided in 2021/22 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.
5.1	Enablers	Unable to deliver a balanced budget and achieve financial self-sufficiency.	<p><b>Transforming Together audit to be undertaken during 2023/24 will include consideration of the plans in place and work being delivered that will support enabling the Council to achieve a balanced budget in future years.</b></p> <p><b>The Financial Sustainability advice and support work will challenge the arrangements to deliver a balanced budget for 2024/25 and medium-term financial strategy.</b></p> <p>The Procurement audit in 2022/23 included some coverage of the Council's delivery of value for money.</p> <p>We will continue to discuss the financial position and financial plans at regular meetings with the Strategic Director (Resources).</p>

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

	<b>Council Priority</b>	<b>Corporate Risks</b>	<b>Audit work providing assurance in 2023/24</b>
5.2	Enablers	A long term Housing Revenue Account business plan which is unsustainable in future years.	<p><b>Housing Rent Collection and Arrears Management audit to be undertaken during 2023/24.</b></p> <p>As with risk 5.1, we will continue to discuss the financial position with the Strategic Director (Resources) and Head of Housing.</p>
5.3	Enablers	Adequate Business Continuity (BC) arrangements in place that mitigate severe disruption to Council services.	An audit on Business Continuity was undertaken as part of the 2021/22 audit plan.
5.4	Enablers	Successful cyber security attack resulting in disruption to service, theft or loss of data / information, financial and reputational damage	Cyber Security Incident Management audit undertaken as part of the 2021/22 audit plan.
5.5	Enablers	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 consequential impact on the General Fund.	<p>Advice and support work covering the development of arrangements to oversee the management of the Knightswick Centre has been undertaken.</p> <p><b>Contract Management audit to be undertaken during 2023/24.</b></p>
5.6	Enablers	Partnership arrangements are not fully effective resulting in a focus on work that does not always support Council priorities.	An audit on Partnerships was completed in January 2022.

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

	<b>Council Priority</b>	<b>Corporate Risks</b>	<b>Audit work providing assurance in 2023/24</b>
5.7	Enablers	Risk of widespread staff absence from illness and self-isolation caused by Covid-19 pandemic resulting in interruption to service delivery.	<p><b>Sickness Absence Management audit to be undertaken during 2023/24.</b></p> <p>An audit on Business Continuity was undertaken as part of the 2021/22 audit plan.</p>
5.8	Enablers	Insufficiently robust succession planning in place resulting in increased time to recruit to key posts and disruption to service delivery / organisational leadership in the event of resignation or retirement	<p><b>Transforming Together audit to be undertaken during 2023/24 will include consideration of the plans in place and work being delivered that will support the Council to have the appropriate workforce in place to meet the requirements of future years.</b></p>



\* 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)