

AUDIT COMMITTEE

21st January 2021

Subject: Internal Audit Service, Quarterly Performance Report

1. Purpose of Report

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

2. Internal Audit Plan Status

Appendix A sets out the current status of the audit work planned for the year as at 18th December. There have been no changes to audits contained in the original plan considered by the Audit Committee in November 2020.

3. Audit Opinions and Themes

Appendices B to F summarise the results of the audit work completed this year and for audits completed as part of the 2019/20 audit plan which have not yet been provided, but were reported as part of the Head of Internal Audit report presented to the meeting in November.

4. Performance Targets

As outlined in the Strategy presented to the March 2019 Audit Committee, the team will be reporting on a more limited set of indicators this year given the amount of work that is still being contracted out.

As at 18th December 2020:

- For the period since 1st April 2020 the team had sickness absence which equates to 6.91 days per FTE. This is primarily as a result of two members of the team requiring long periods of sickness absence.
- of the 19 jobs in the plan:
 - three are completed
 - one has a report being produced
 - one has an interim report with the business and further work planned for Q4
 - eight are in progress
 - four are being scoped and planned or have terms of reference produced
 - two are resourced and booked, but yet to be started.

A programme of stakeholder surveys is usually produced each quarter, but this is on hold due to the Audit Business Support Officer being re-deployed to the Test and Trace service within Southend Borough Council. It is anticipated that these will be recommenced for the 2021/22 audit year.

Despite this, positive feedback has been received from Officers in relation to the Project and Programme Management audit that has been completed, commenting that it provided a transparent and fair assessment with a supportive approach.

5. Resourcing

Since the last report to the Audit Committee in November 2020 there have been no changes to the in house team, although at the time of writing a recruitment exercise is being undertaken for a Senior Auditor position that is currently being advertised with a closing date for applications of 8th January.

If we are successful to recruiting to this post, we will be left with four vacancies. The salaries of the vacant posts are currently being used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.

The expected requirements of the internal audit service into the future continue to evolve and the impact of Covid-19 is causing further deliberations to take place both at an industry level, as partially reflected in the CIPFA Audit Committee Update included as an information item with the papers for this meeting, and at a local level.

An in-house team supported by suitably experienced contractors is currently assessed as being the most appropriate team model, utilising the financial resources available. The ongoing development of the team to implement this approach will result in an appropriate mix of experienced staff, trainees who will be put through a relevant training programme and externally sourced skills. This will enable the team to deliver the internal audit service required by the organisations that it serves.

6. Corporate Implications

Financial Implications

The Audit Plan will be delivered within the approved budget.

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

Legal Implications

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

7. Human Resources and Equality Implications

Human Resources

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

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

Equality Implications

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

IT and Asset Management Implications

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

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

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

9. Timescale for Implementation

The Audit Plan relates to the 2020/21 financial year.

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

10. Risk Factors

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

The main risks the team continues to manage are the:

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

Recommendations:

The Audit Committee notes the progress made in delivering the 2020/21 Internal Audit Strategy.

Background Papers

- The Accounts and Audit Regulations 2015
- UK Public Service Internal Audit Standards

- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards

Appendices

- Appendix A Internal Audit Plan 2020/21
- Appendix B Opinions and Themes – Audits Revisited
- Appendix C Opinions and Themes - High
- Appendix D Opinions and Themes - Satisfactory
- Appendix E Opinions and Themes – Partial
- Appendix F Opinions and Themes – Other Audits and Grants

Report Author: Andrew Barnes, Head of Internal Audit

Appendix 2A: Internal Audit Plan 2020/21

Managing the Business			
All Aims			
C&D	<p>Letting of the ICT Contract</p> <p>To provide timely independent assurance that the re-procurement of the ICT contract is being effectively managed to ensure the procurement process complies with, where relevant, regulations / policies / procedures and is administered fairly, in order to identify the most economically advantageous and effective solution.</p>	Yes	<p>Feedback provided during the letting process. Draft report being produced.</p>
C&D	<p>Implementation of the ICT Contract</p> <p>To assess the adequacy of arrangements in place to ensure the handover to and implementation of a new ICT contractor ensures continuity of service and minimal disruption to the Council.</p>	No	<p>Planned for Q3-Q4.</p>
Res	<p>Financial Sustainability Following Covid-19</p> <p>To assess the adequacy of arrangements around budget monitoring for 2020/21, financial assumptions and forecasts used to inform the budget setting for 2021/22 and ensure the Council is prepared for any potential financial impact as a result of Covid-19.</p>	Yes	<p>Planned for Q3-Q4.</p>
Managing Service Delivery Risks			
Aim: Environment			
Env	<p>Health and Safety</p> <p>To assess the robustness of the arrangements in place to ensure health and safety risks within the workplace are effectively and efficiently identified, assessed, responded to, and reported against, in line with legislation.</p>	No	<p>Work in progress.</p>

Appendix 2A: Internal Audit Plan 2020/21

Aim: Housing and Regeneration			
H	<p>Housing Management System Project Management</p> <p>To assess whether appropriately robust project processes have been established to ensure the new Housing Management System is fully operational within the intended timeframes as well as achieving the expected benefits.</p>	No	<p>Interim feedback provided to the Project Board.</p> <p>Work planned to re-commence in March 2021.</p>
H	<p>Preparedness for Replacement Responsive Repairs Contractor</p> <p>To assess the adequacy of arrangements in place to manage a change in contractor, in order to ensure a seamless service to tenants.</p>	Yes	<p>Planning underway.</p>
Env	<p>Private Sector Housing (2019/20)</p> <p>To assess the effectiveness of the Environmental Health service's arrangements for the safeguarding and wellbeing of private sector housing and residential caravan tenants, and that these arrangements fulfil the Council's legal obligations.</p>	Yes	<p>Work in progress. Put on hold due to Covid-19 and the Environmental Health Team's work in response to the pandemic.</p>
Aim: Health and Community Safety			
All	<p>Partnerships</p> <p>To assess the effectiveness of arrangements to ensure strategic partnerships the Council is party to are effective in enabling more joint working and support the delivery of the Council's corporate aims and objectives.</p>	Yes	<p>Terms of reference being drafted.</p>
SD, MO	<p>Safeguarding (2019/20)</p> <p>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.</p>	No	<p>Planned for Q4, terms of reference being discussed with the service.</p>

Appendix 2A: Internal Audit Plan 2020/21

Aim: All Aims			
C&D	<p>Development of the CRM Specification</p> <p>To assess the adequacy of arrangements to determine and develop the specification for the new CRM system, ensuring its ability to deliver efficiencies through technology while maintaining excellent customer services.</p>	Yes	Work in progress.
Key Financial Systems: All Aims			
Res	<p>Income Receipting and Banking</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	Work in progress.
Res	<p>General Ledger</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	Work in progress.
<i>Implementing Action Plans</i>			
All	<p>Accounts receivable</p> <p>To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.</p>	Yes	Work in progress.
All	<p>Accounts payable</p> <p>To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.</p>		

Appendix 2A: Internal Audit Plan 2020/21

Grant Claims			
Env	<p>Disabled facilities capital grant determination</p> <p>To confirm the monies have been spent in accordance with the terms of the grant.</p>	Yes	Completed October 2020.
P&P	<p>Interreg Go Trade grant</p> <p>To confirm the monies have been spent in accordance with the terms of the grant.</p>	Yes	<p>Claim 6 completed in September 2020.</p> <p>Claim 7 planned for Q4.</p>
Advice and Support Work			
Aim: A Commercial and Democratically Accountable Council			
Res	<p>Knightswick Centre</p> <p>To provide advice, support and challenge over the contract management arrangements being developed to ensure the Knightswick Centre is well managed and remains financially viable.</p>	Yes	Work in progress.
P&P	<p>Development Control Peer Review</p> <p>To provide advice, support and challenge over the arrangements in place to address the recommendations of the April 2019 Peer Review.</p>	Yes	Planning underway.
All	<p>Project and Programme Management</p> <p>To assess the design and application of the Council's Project and Programme Management Framework and provide advice and support on the development and implementation of a revised framework that can be used to manage and deliver plans, strategies and projects within the Council and borough.</p>	Yes	Completed December 2020.

Appendix 2A: Internal Audit Plan 2020/21

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

Audit Activities	Resource allocation
Managing the Business	16%
Managing Service Delivery Risks	37%
Key Financial Systems	13%
Grant Claims	6%
Advice and Support	17%
Managing Delivery of the Audit Plan	10%
Total	100%
Total Council Audit Plan Days	
	223

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

Analysis Over Departments		
Env	Environment	10%
H	Housing	15%
P&P	Place and Policy	7%
C&D	Customer and Digital	20%
Res	Resources	21%
SD, MO	Strategic Director, Monitoring Officer	0%
All	Cross cutting	17%
All	Managing Delivery of the Audit Plan	10%
	Total	100%

Appendix 2A: Internal Audit Plan 2020/21

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

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

Appendix B: Audits Revisited

Purpose of these audits

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

GDPR (2019/20: Report finalised December 2019)

Original Objective

To assess whether Castle Point Borough council (the Council) has an appropriate programme of work to ensure compliance with General Data Protection Regulation (GDPR).

Summary findings

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Closed
5		5		

The Council has made good progress in implementing the recommendations raised as part of the previous audit dated February 2019. The Council has prioritised those recommendations and as a result of this revisit, it has been confirmed that five of the original ten recommendations have been fully implemented and are now part of day-to-day operations.

Five recommendations remain in progress at the point of reporting. These recommendations relate to the following:

- Ensuring that the follow-up health check is completed by Zurich Risk Engineering in May 2019 (*In Progress*).
- Ensuring all eleven Information Assets registers are updated to reflect the comments made from the Internal Review. (*In progress*).
- Compiling a central record of outstanding issues with IT systems (*In progress*).
- Continuing to investigate, identify and progress a solution to enable the Council's use of email to comply with GDPR (*In progress*).
- Updating the remaining contracts which involve processing personal information (*In progress*).

Good progress has been made in respect of the following areas of activity designed to enhance the Council's compliance with the requirements of GDPR.

The Retention Policy was updated in May 2019 and was approved by the Operational Management Team in June 2019. The Policy was publicised on the staff intranet and made available to all staff. Internal Audit reviewed the policy to ensure compliance with the core components and contents of GDPR with no exceptions.

Appendix B: Audits Revisited

Whilst the decision remained not to make additional resources available centrally, to support the implementation and ongoing embedding of compliance with GDPR, the reliance on service areas complying with expectations, with limited checking or oversight, has been recognised as a risk on the Strategic Risk Register, with the risk that the Council is '*Unable to fully implement the requirements of the General Data Protection Act Regulations*' having been added to the register which is being monitored and managed, as evidenced by review of the strategic risk register in September by the Council's Executive Management team and the Audit Committee.

Management have reviewed the information on the Record of Processing Activities (ROPA) against the underlying Information Asset registers, both to ensure that there are no gaps and that the information in the ROPA is consistent with the underlying Information Asset registers. The ROPA identifies retention periods and the legislative justification for processing. The ROPA addresses gaps in the Information Asset Registers. They have both now been updated. The ROPA and Information Asset Registers have been cross referenced to ensure that they are consistent with each other with no exceptions noted.

Management have reminded service managers of the importance of ensuring that their staff complete mandatory training, with completion rates being reported to and monitored by the OMT. Internal Audit obtained a spreadsheet showing the staff members that have not completed the mandatory GDPR training. The five permanent staff members that have not yet completed the eLearning have been chased in December 2019.

Training completion is monitored by the training provider who issue status reports to the Council when requested. The training must be completed every two years to keep staff knowledge up to date. Compliance is reported to OMT at their meetings and minutes of these have been reviewed to confirm this.

Management have introduced scheduled compliance checks of staff adherence to clear desk expectations. An exercise was performed in October 2019 to review the information on all desks within the Castle Point building for any and all files, with a focus on those containing personal data. Ratings were issued as follows:

- Green tick - Clear desk, no further action.
- Amber - Files/work left out on desks, no sensitive personal data.
- Red - Sensitive personal data accessible.

The same evening staff were informed of the results of the check via email. Out of one hundred and eighty-three desks inspected in the main council building, it was confirmed:

Fifteen resulted in an Amber note and one desk resulted in a red note as it had sensitive data left out due to a member of staff retiring and leaving files on another person's desk who was out of the office that day. This was an isolated incident.

Such a review will take place on an annual basis and there is a reminder set to perform this clear desk review again in October 2020.

Appendix B: Audits Revisited

Development Control Support Team (2019/20: Report finalised September 2020)

Original Objective

To assess whether the Development Control Support Team's redesigned operational processes are fit for purpose.

Summary findings

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Closed
4	1			

Guidance Notes

The Support Team Procedure Notes and Planning and Validation Notes outline how to undertake all of the team's activities. They also specify the timescales for the team's key tasks, including:

- inputting applications onto Uniform within one day
- validating applications within three days
- completing appeal questionnaires within five days

Timescales for all other tasks are included in the Development Support Team Information document (see below section).

The procedures also make clear:

- that all paper documents must be date stamped on receipt
- the role of the Finance team when a cheque for payment has been declined
- how to cross validate the data from Uniform and Access for the PS1 and PS2 quarterly government returns.

The team reported that they have a pin board located next to their desks, which includes timeframes they need to follow, along with any other important notes, new procedures or information. Unfortunately it was not possible to confirm this due to Covid-19 restrictions.

Performance Information

The Development Support Team Information document is a log of all Admin Tasks and Planning Technician Tasks. It lists the endeavoured timescales for each, and ranks them by high, medium or low impact. This determines how often they are checked to:

- ensure tasks are being completed in line with the procedures
- identify whether any training is required
- identify if procedures need updating.

Appendix B: Audits Revisited

The Planning Technician Supervisor is responsible for these checks, however due to their current absence these checks have not been completed. This may mean any issues with performance would not be identified. However, the process is now documented which means the Strategic Developments Officer will be able to pick it up more easily.

The team's Performance Indicators (PIs) are monitored quarterly and this is done by checking five applications at random and reviewing whether the identified indicators have been met for those five applications. The Head of Housing feels this number is sufficient as the team have seen a reduction in the number of applications they receive due to the current circumstances brought about by Covid-19, so are able to meet their timeframes. However, it could easily be increased if any issues arise.

There are currently no PIs or monitoring for the:

- inputting of amended plans onto Uniform. The Head of Housing does not plan to introduce this.
- closing down of cases. The Head of Housing has decided to tolerate this risk as they receive assurance that the team are working to closedown timeframes through completion of the PS1 and PS2 returns.

IDOX System Governance & Change Management (2019/20: Report finalised October 2020)

Original Objective

To assess whether Castle Point Borough Council has a suitable governance framework in place for managing, planning and implementing changes to the IDOX system.

Summary findings

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Closed
4	0	1	2	3

The Council has made progress in implementing the recommendations raised as part of the previous audit dated March 2018. It has been confirmed that four of the original seven recommendations that remain applicable have been fully implemented and are now part of day-today operations. In particular:

- terms of references for both the Governance Group and Working Group have been developed and meetings commenced in Spring 2019
- meeting minutes from Governance Group and Working Group meetings show discussions and resulting actions are outlined clearly and succinctly. Attendance at each meeting has been monitored and appropriate individuals have been elected to attend in the absence of group members
- a rolling action tracker to monitor the decisions made at the above meetings has also been developed. This outlines the action to be taken, the due date, responsible officer, the priority of the action and its progress or completion date.

Appendix B: Audits Revisited

One recommendation remains in progress at the point of reporting. This recommendation relates to the following:

- Documentation of the change management process in more detail, building on the existing checklist, produced for the version 10.2.1 upgrade. Without further documentation, it is unclear who has requested changes to the system and why, both for standard and emergency requests.

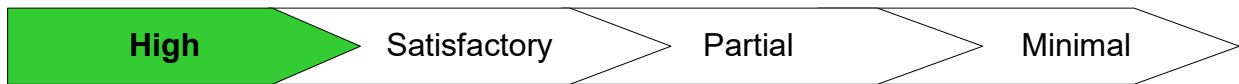
Two recommendations have not been implemented and remain outstanding. They relate to the following:

- Documentation of the Council's current approach to user management, support and change management in flow charts, clearly identifying who is responsible for each process step, has not been completed. In addition, getting the Uniform Working Group / successor forums to agree this as a 'baseline' has also not been completed. Introducing these arrangements will, for example, help to ensure all system access rights are appropriate.
- When User Acceptance Testing (UAT) arrangements are provided by IDOX for future updates, these would now be collated on a central database with all other UAT scripts, however there is no documentation of what checks should be performed over the UAT scripts or by whom.

Three of the recommendations have been closed as they are no longer applicable. Since the Windows Upgrade, no UAT scripts exist for the IDOX suite and after validating with the account manager, it has been confirmed that these are no longer provided by IDOX. Furthermore, the production of an options paper that documents how gaps and inconsistencies regarding support will be addressed is no longer required. Relevant decisions have been made by senior management since the original audit was completed and will be addressed as part of implementing the remaining outstanding recommendations outlined above.

Appendix C: Audit Opinion and Summaries

Assurance



Management and Monitoring of Street Cleansing and Ground Maintenance Contract (2019/20: Report finalised September 2020)

Objective

To assess whether the contract is being effectively managed to ensure the planned outcomes for street cleansing and grounds maintenance are being delivered in compliance with the specified performance and quality standards, at the correct price.

Summary

Arrangements for monitoring the contractor's performance and quality of service are well designed and embedded into day-to-day operations.

The Contract Manager also uses feedback from citizens to inform his assessment of the contractor's performance. Complaints statistics have been collected for each month examined evidencing effective maintenance of the complaints register. Complaints were discussed in all monthly meetings evidencing a consistent and effective application of the process over an extended period of time.

Default and Persistent Failure Notices are tabled at the relevant Monthly Contract Meetings where performance is discussed and agreed as correct by the Council's Contract Manager and the Contractor's Representative. Both sign the 'Default and Persistent Failure Notice Financial Deduction'. Credit notes are raised in respect of the total amount to be deducted and the contractor's invoice is then paid. All deductions were calculated correctly. This evidences a consistent and effective application of the process over an extended period of time.

The Council embarked on a zero-based budgeting exercise in respect of the whole Authority at the beginning of 2019/20 and providing budgetary control services to operational management had been deliberately curtailed, to free up resource for that task. It was confirmed that contract budgetary control for the purposes of monitoring contract costs had caught up by January 2020 evidencing sound financial management practice.

Budgetary control statements are adequately designed and make provision for calculating the outturn variance figure in accordance with recommended practice.

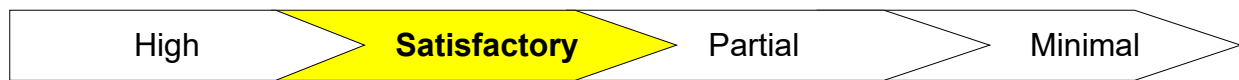
All contract variations were in writing in accordance with the contract clause and were correctly costed evidencing diligent management financial practice.

The contractor's performance is measured and recorded across a suite of monitoring reports. The records for the financial year to the point of audit were up to date, evidencing a consistent and effective application of sound contract performance management principles over an extended period of time.

Number of actions agreed: 0

Appendix D: Audit Opinion and Themes

Assurance



Payroll (2019/20: Report finalised September 2020)

Objective

To review the arrangements from beginning to end, including third party assurance, to assess whether the key controls effectively prevent or detect material financial errors, on a timely basis.

Themes

Standing Data

Amendments to standing data (e.g. salary bands, tax codes, etc.) are made prior to the start of the financial year. The Council's third party provider Rochford District Council (RDC) amends standing data based on a spreadsheet provided by the Council and RDC then provide a system-produced report for checking against the spreadsheet. The Council's Financial Services Manager then checks this to confirm it is accurate against, original documentation such as the agreed pay scales, therefore reducing the risk that incorrect salaries may be paid.

Starters, Leavers and Amendments

New starters, leavers and changes in circumstances are all requested via a standard form. The forms are authorised in line with delegated limits and retained on each individual's payroll file. Scanned copies are then forwarded to RDC to be acted upon.

A spreadsheet is in place at the Council which details the checks and processes (along with a timetable) for the payroll function (including reconciliations, cut off dates, etc.) to be undertaken and who should complete them, along with an assigned deputy in case of absence.

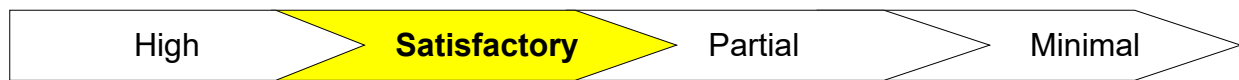
The Council receives a monthly report from RDC detailing all starters and leavers in the period. 100% of starters and leavers are then checked by either the Financial Services Manager or the Principal Accountant to source documentation, therefore reducing the risk that current employees may be inadvertently removed, or ghost employees created, within the system.

Reviewing a sample of 20 cases from each category (starters, leavers, and changes), since April 2019, confirmed that, in all cases, a corresponding form had been completed and authorised appropriately, reducing the risk that inappropriate amendments are made. This testing also confirmed that the checks undertaken by the Principal Accountant / Financial Services Management had been completed correctly and accurately.

Leavers are removed from the payroll system by RDC in a timely manner, with the leaving date entered from the leaver form that is supplied by the Council.

Appendix D: Audit Opinion and Themes

Assurance



Overtime and Expenses

Overtime and Expense claims are required to be supported by a claim form, which has been authorised in line with delegated authority. Claim forms are retained within the payroll documentation, for the period they relate to, by the Principal Accountant, in hard copy at the Council's offices. A summary report detailing overtime and expense payments in the months payroll run is received from RDC for checking and approval ahead of the payroll being run, and random sample checking (10% of the population) is undertaken from the reports to the source documentation by the Principal Accountant or Financial Services Manager. This helps to reduce the risk of error and / or fraudulent claims being paid and adds an additional layer of control in addition to the original management authorisation.

Deductions

Voluntary deductions, as well as statutory deductions (such as attachments of earnings), from employees' pay are supported by an authorisation form signed by the employee. Evidence is retained in the hard copy payroll file for the individual employee at the Council. Review of a sample of 20 deductions since April 2019, varying from childcare vouchers to union memberships, identified two cases where authorisation to make the deduction could not be located on file. In one case this related to a subscription dating back to 1992 and in the other case the employee has now left.

Therefore authorisation could have been given a number of years ago before current processes were implemented. All deductions are detailed on payslips and, therefore, the risk of unauthorised deductions being undetected should be adequately mitigated.

Data Transfer

Payroll Data is transferred via a dedicated software named Filezilla. The software is used as the only method of transfer from the Council to RDC in respect of sensitive Payroll information. The Councils IT Support provider (Capita) provided assurance that the software is a secure method of transfer and is supported by them.

It was confirmed that access to Filezilla is restricted to relevant staff within the Financial Services Department. Otherwise, hard copy versions of data are held in locked cupboards with the Financial Services Manager holding the key, or electronically on a secure area of the shared drive, reducing the risk of unauthorised access.

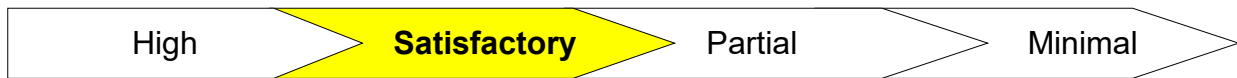
Reconciliations

Periodic reconciliations of the payroll data to the establishment list are undertaken, helping to ensure that only legitimate employees have been set up on the system.

Monthly reconciliations of the payroll reports provided by RDC to the general ledger are also undertaken by the Principal Accountant and reviewed by the Financial Services Manager, enabling any errors or anomalies to be identified.

Appendix D: Audit Opinion and Themes

Assurance



Payments

Payments to staff are made via BACS on behalf of the Council by RDC. A summary report of the payments due is produced and sent to the Council and the Financial Services Manager who will then review and approve the payments proposed before the payment run takes place. The supporting documentation is signed and retained by the Council on the relevant month's payroll file.

Payments to third parties such as HMRC and Essex County Council's Pension Authority are made by the Council. A cashbook voucher / journal is raised by an officer within the Financial Services Team and then approved by the Financial Services Manager. Review of a sample of payments to third parties (relating to payroll) verified the amounts back to source documentation and confirmed that they had been appropriately authorised. This helps to mitigate the risk that payments to third parties may be inaccurate.

Number of actions agreed: 2

Appendix E: Audit Opinion and Summaries

Assurance



Business Continuity (2019/20: Report finalised September 2020)

Objective

To assess whether the Council has effective arrangements in place to enable services (particularly critical ones) to continue to be provided in the event of a disaster occurring.

Summary

The Business Continuity Management (BCM) programme should ensure Business Continuity Plans (BCPs) are in place to enable the continued delivery, or recovery of, critical services following a disruption to business as usual. The plans, which should be based on Business Impact Analysis and exercised to ensure they are fit-for-purpose, should be designed to appropriately minimise the risk to the organisation's obligations, including legal, contractual, and financial requirements, and provide continued service to its residents. This review is informed by ISO 22301, as well as other industry good practice such as the Business Continuity Institute's Good Practice Guidelines.

The Council has developed a Corporate BCP which sits above Service Level BCPs. It details the actions to be considered should the Council be affected by a business continuity incident. Its scope covers all services which are controlled by the Council excluding partners, contractors, and / or suppliers. It also includes criteria for determining its activation, identified risks, and the incident levels and responses to be followed. However, where critical resources are referenced these have not yet been identified to support the recovery of the service. In addition, whilst Service Level BCPs are in place, many use an older template that the Council had already determined as no longer being fit-for-purpose and so are in the process of revising. Introducing, for example, recovery time objectives, and dependencies required to support these functions within these BCPs would ensure the Council are adequately protected at a service level.

Good practice dictates that each BCP is based on a Business Impact Analysis (BIA) that identifies the critical services / activities that must be continued or recovered following disruption. Each service / activity is assessed for its criticality to the continuation of the organisation should a disruption occur; it determines, for example, recovery time objectives (RTO) and resources required to continue or restore the activity. BCPs are based on the outputs of BIAs. Consultation with key stakeholders should ensure that through appropriate liaison with both those depending on an output, and those contributing to it (e.g. IT, suppliers), that the RTOs are appropriate and aligned across planning.

Appendix E: Audit Opinion and Summaries

Assurance



The Council's BIA was last updated in October 2019 and scheduled to be reviewed in 2021. However, it was identified that the current template was not fit for purpose and is currently being refreshed. As the BIA may be out of date, it cannot be confirmed whether critical services have been correctly identified in current BCPs and can be recovered within the timeframes expected by management and will be prioritised according to its current objectives and risks. Alongside these, useful threat and risk assessments have been conducted to support the BIA, however improved clarity on how these have informed the planning to ensure that appropriate work arounds are in place for any significant threat scenarios would benefit the Council.

Exercising the BCP against a range of reasonable worst-case scenarios enables the organisation to identify strengths and weaknesses in the plan and assess whether the current plan will recover critical activities within the agreed timeframes and deliver in accordance with management expectation. The Council has not yet exercised its plans, so it has not yet assured itself that the plans will deliver the intended outcomes. We understand that this was going to take place upon the completion of the BC document refresh exercise, however the current COVID-19 pandemic has impacted the completion of this exercise. From discussions with management we understand that some plans have been exercised for real during the pandemic, including staff successfully working from home during this period. However, we have not reviewed or examined any evidence or documentation to validate this and determine whether critical services/activities were continued as expected. In addition, as the Council is currently refreshing its BIA and BCM plans, and in light of its COVID response, this is a good time to review how it will relaunch its BCM campaign to all staff, highlighting their personal responsibilities, the location of key documents including key templates, and communicating the roles and responsibilities for the divisional BC champion.

The Council has a Business Continuity governance structure in place that provides oversight of the BCM programme with a designated BCM sponsor. Management have already commenced work on the above actions to address identified issues and to realise the recognised benefits from those improvements, in line with good practice. This will be further informed by the learning from the Council's response to Covid-19 that will be incorporated into relevant BCM documentation.

Number of actions agreed: 13

Appendix F: Other Audits and Grant Claims

HRA New Build Property Projects (2019/20)

Overall the project was been managed within its time, cost and quality parameters.

Going forward, for future projects, Internal Audit identified and discussed with officers two areas where opportunities to improve arrangements would positively impact the management of:

- potential financial liabilities that the Council could be exposed to, and
- project budgets.

Improvements were framed taking into account the latest iteration the Royal Institute of British Architects (RIBA) Plan of Work 2013 that details the stages of a construction project from inception through to handover into business as usual.

In relation to potential financial liabilities it was agreed that the drawing up of a project checklist to be used alongside the questions to be asked at each Employer's Decision Point on completion of each RIBA work stage, would help prompt for instance:

- presenting decision makers with a recommended option regarding whether a Performance Bond is or isn't required and then recording that decision in Outline or Final Business cases. This helps ensure that the project is managed in accordance with the Council's risk appetite, whilst maximising the value to the Council of the trade-off between risk transfer and self-insurance
- obtaining evidence of contractors' insurances prior to granting possession of sites.

In relation to managing project budgets, producing regular estimates of final cost / anticipated final costs where projects exceed three months duration on site helps management of the capital programme and the delivery of its intended capital prioritisation.

Licensing Revisited (2019/20)

Work began on this audit in March 2020 prior to the Covid-19 lockdown. Whilst some of the actions have been followed up, the audit testing could not be completed and there are a number of audit actions that need to be progressed to be able to properly conclude.

Interim feedback has been provided to the business and the outstanding actions will be revisited once we return to the office.

Appendix F: Other Audits and Grant Claims

Interreg 'Go Trade' Grant (2019/20 & 2020/21)

Purpose of funding

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

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

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

Opinion: Unqualified opinion on expenditure to the end of December 2019 submitted in March 2020 and expenditure to the end of June 2020 submitted in September 2020.

Disabled Facilities Grant (2020/21)

Purpose of funding

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

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

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

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

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

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

Opinion: Unqualified opinion on expenditure to the end of March 2020 submitted in October 2020

Appendix F: Other Audits and Grant Claims

Project and Programme Management (2020/21)

Objective

To assess the design and application of Castle Point's Project and Programme Management (PROMPT) Framework and provide advice and support on the development and implementation of a revised framework that can be used to manage and deliver plans, strategies and projects within the Council and borough.

Summary Findings

Management recognise that it is essential that the Council clearly defines the pathways for identifying projects, approving projects and change control. This provides clarity for Members (who agree policy and priorities), for decision makers and for project managers (PMs). The PMs will also be empowered to manage projects without constant recourse up the organisation for decisions and approvals.

An assessment was undertaken of the design and application of Castle Point's Project and Programme Management Framework which included assessing the Place and Policy service area as a benchmark to assess how effectively controls have been designed and were operating. This was undertaken through review of key documents and interviews with Castle Point staff.

During audit testing, a sample of ten projects were selected. These provided a diverse view of the projects undertaken at Castle Point due to the range of associated budgets, the type of projects and whether the projects were delivered from within Castle Point or through outsourced providers.

Castle Point has a documented PROMPT framework, centred around the PRINCE2 project management methodology which provides a method to break down projects into smaller and manageable stages. The framework covers many of the areas expected of a project management framework and provides information on: approaches to projects; classification of projects; how PROMPT should be applied; project management stages; project reporting; risk management; and project roles and responsibilities. PROMPT is supported by twelve PM template documents which project managers can use when delivering projects.

Work is being undertaken to strengthen and improve the PROMPT framework and associated processes in the following areas:

- Further details within PROMPT over some project management issues, such as the process for business readiness assessments and preparation for go-live
- Increasing guidance on how projects should be classified, and the level of documentation required for each
- Improving the level of compliance with PROMPT through awareness raising and training for those involved in projects
- Development of a tool / process to give a single view of on-going projects and their status and a clear escalation pathway for change controls
- Clarifying the processes for dependency management, project planning and the approach to contingency planning.

AUDIT COMMITTEE

21st January 2021

Subject: Treasury Management mid-year activity report

1. Purpose of report

The Treasury Management mid-year activity report is a requirement of the Council's reporting procedures. It summarises the Council's Treasury Management activity for the first six months of the current financial year. Supporting information is provided within Annexes A and B.

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

2. Links to Council's priorities and objectives

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

3. Recommendation

That following scrutiny, the Treasury Management mid-year activity report for 2020/21 is approved and submitted to Cabinet.

Resolution required.

4. Treasury Management activity mid-year report 2020/21

4.1 Introduction

4.1.1 Treasury management is: - *“The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

4.1.2 The Code of Practice requires the Council to set annually a Treasury Management Strategy and Investment Strategy. The strategies for the 2020/21 financial year were approved by Council on 19th February 2020.

4.1.3 This report confirms that Treasury Management activity during the year to date has been undertaken in accordance with that strategy and in consultation, where appropriate, with the Council’s external adviser, Link Asset Services.

4.2 Borrowing

4.2.1 A summary of external borrowing at 31st December 2020 is shown at Annexe A.

4.2.2 Annexe A shows that interest paid on General Fund borrowings and on HRA borrowings for the year to date is as budgeted.

4.2.3 The Council’s policy on capital expenditure and borrowing is set out in the Capital Strategy section of the annual Policy Framework and Budget Setting Report, and as part of this, the affordability of new capital proposals has to be demonstrated. Borrowing can only be undertaken for the purposes of capital expenditure, and not for day-to-day revenue expenditure. The financial impact on the longer-term budget positions for both the General Fund on the Medium-Term Financial Forecast and the Housing Revenue Account on the HRA Business Plan, would need to be taken in to account. Any new borrowing would result in additional interest charges to either the General Fund or HRA, as well as the need to set aside sums from those funds for future repayment of the principal.

4.2.4 Although borrowing rates are currently low any potential new borrowing would have to be fully justifiable in terms of the need to borrow. Additional borrowing would be considered for individual projects where for example the business case determines repayment of debt is affordable and can prudently be funded by new revenue generated.

4.2.5 Periodically officers explore the option to reschedule or repay current loans, however at the current time it is not viable for the Council to reschedule its debt as repayment of all current loans would incur significant premiums to do so.

4.3 Investments

4.3.1 The investment activity during the year to date conforms to the approved strategy, and the Council has had no liquidity issues. Investments are managed internally using only those institutions which meet the Council’s strict investment criteria, within a permissible range of periods, depending on the Council’s cash flow and the interest rates on offer.

- 4.3.2 The majority of investments to date in 2020/21 continue to be in AAA-rated Money Market Funds. A Money Market Fund is a pooled source of funds invested in a wide range of short-term investments managed by an independent fund management company. Frequently these are well known banks or investment houses. AAA is the highest investment rating available and means that there is very low credit risk in an entity which is awarded that rating.
- 4.3.3 Funds may be deposited with the Debt Management Office (DMO), an executive agency of HM Treasury, but the facility has not been used this year due to the very low rate of interest.
- 4.3.4 With the exception of the DMO, total investments with any one institution do not exceed **£2.5m**. Internal guidance ensures that at least **50%** of investments at any time are placed with institutions rated AAA (or 40% for up to 5 working days a month).
- 4.3.5 The Council has not made any new investments in Government treasury bills due to very low and, more recently, negative rates of interest.
- 4.3.6 Annexe B summarises the Council's temporary investment activities for the year to date. The amount available for investment varies daily according to the Council's aggregate financial position on all activities. At the end of December 2020, the amount invested was **£39.1m** and the average amount invested for the year to date was **£36.3m**.
- 4.3.7 Annexe B also shows that the amount of interest received on investments to date is **£102k**. This is **£49k** less than the profiled budget for the same period. The budget for the full year is **£200k** and the current forecast is approximately **£120k**, an **£80k** shortfall. This shortfall is being funded by utilising some of the COVID-19 grants the Council has received.
- 4.3.8 Investment rates earned are currently below forecast but are exceeding the benchmark rate. The average rate earned is **0.37%**, higher than the benchmark 7-day LIBID rate of **-0.065%** (LIBID or the London Inter Bank Bid Rate is the rate at which major London banks borrow from each other).
- 4.3.9 As some of the Council's previous investments made at better interest rates mature, the Council will not be able to make new investments at or near the previous rate. Therefore it is expected that the average rate earned is going to fall further by year end.
- 4.3.10 Changes required to the interest budgets to reflect the challenges detailed above will be addressed in the forthcoming budget cycle.

4.4 Benchmarking

The current position on three benchmark indicators for 2020/21, as explained in the annual Investment Strategy, is reported as follows:

- Security - Weighted Credit Rating Score for the year to date of **6.3** exceeds the target of 4 (the scale goes from 0 to 7).
- Liquidity – Weighted Average Life is at a reasonably liquid level, currently averaging **77 days**.
- Yield – interest received on investments currently exceeds target as reported above.

4.5 Economic uncertainty

4.5.1 The Bank of England base rate in 2019-20 was **0.75%** and dropped to **0.25%** on 11th March 2020 and eight days later to **0.10%** where it is forecast to stay for at least three years. This is in response to the economic downturn resulting from COVID-19. The average base rate for 2020-21 of **0.10%** is well below the **0.75%** forecast about one year ago in January 2020 and consequently interest received is below budget for the first time in at least twenty years. The forecast for the current and future years will be reduced and included in the budget submitted to Council in February 2021.

4.5.2 The Council will continue to adhere to strict investment criteria. Security and liquidity remain the priority. The Council will then invest for yield. Officers will continue to monitor interest rates offered and seek to ensure the best return possible, without compromising security and liquidity, and within limits specified in the Investment Strategy and internal guidance.

4.5.3 New investments were added to the Treasury Management Strategy in 2019-20 that included deposits with other local authorities longer than one year, which we utilised in 2020-21 to benefit from interest rates considerably better than those now on offer. It is anticipated that in 2021-22 the Council may invest in other new approved investments such as corporate bond and multi-asset funds to further enhance returns. Some research into these funds has been undertaken in 2020-21.

4.6 Conclusion

4.6.1 The results for the nine months to 31st December 2020 continue to demonstrate prudent and efficient treasury management. Although it is disappointing that interest receivable, as with other income streams, will fall below budget this year. The Council will of course adjust estimates and take the necessary decisions to ensure a balanced budget is set and the Council's finances remain robust over the medium term.

5 Corporate Implications

a Legal implications

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

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

The Council continues to comply with all of the relevant statutory and regulatory requirements.

b Financial implications

The financial implications are highlighted throughout the report.

c Human resource and equality implications

There are no new implications.

d Timescale for implementation and risk factors

A mid-year activity report is now presented to the Audit Committee, this year later than September or October when it normally takes place, and then subsequently reported to Cabinet.

Report Author: Robert Greenfield, Accountant

Background Papers:

- Chartered Institute of Public Finance and Accountancy: *Code of Practice for Treasury Management in the Public Services*.
- CPBC: *Treasury Management and Investment Strategy Statement for 2020/21*.

Summary of Loan Transactions and Interest Payable (accrued daily) for the period to 31st December 2020

Loan transactions activity for the period

	Amount o/s 01/04/2020 £000's	Loans Repaid £000's	Amount o/s 31/12/2020 £000's
Public Works Loan Board			
General Fund	14,250	900	13,350
HRA	36,451	0	36,451
Totals for the Council	50,701	900	49,801

Interest payable Comparison of estimate with actual

Budget Profile to 31/12/2020 £000's	Actual Interest to 31/12/2020 £000's	Variance 31/12/2020 £000's
224	224	0 0.0%
819	819	0 0.0%
1,043	1,043	0 0.0%

Interest rates for the period

	Range of loans		Average
	From	To	
General Fund	1.08%	4.10%	2.18%
HRA	2.31%	3.49%	2.98%
Totals for the Council	1.08%	4.10%	2.76%

Base rate history

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

Summary of Temporary Investments and Interest Received (accrued daily) for the period to 31st December 2020

Type of Borrower	Amount Invested 01/04/2020 £000's	Made £000's	Repaid £000's	Amount Invested 31/12/2020 £000's
Investments by Value:				
Treasury bills	1,993	0	1,993	0
Local Authorities	8,500	2,000	4,500	6,000
Money Market Funds	18,630	91,010	79,880	29,760
Notice accounts	2,000	0	0	2,000
Investments	31,123	93,010	86,373	37,760
Lloyds current account	197	1,149	0	1,346
Cash equivalents	197	1,149	0	1,346
Total	31,320	94,159	86,373	39,106
	Number	Number	Number	Number
Number of Investment Transactions:				
Treasury bills	2	0	2	0
Local Authorities	4	1	2	3
Money Market Funds	10	85	76	19
Notice accounts	2	0	0	2
Investments	18	86	80	24
Lloyds current account	1	0	0	1
Cash equivalents	1	0	0	1
Total	19	86	80	25

Interest Received on Temporary Investments for the period to 31st December 2020

	£000's
Actual Interest Received	102
Original estimate	151
Variance	-49 -32%

Temporary Investments

	£000's
Average Balance for the Period	36,328
Average Interest Rate for the Period	0.37%
Benchmark: Average 7-Day LIBID Rate	-0.06%