



## **HEAD OF INTERNAL AUDIT ANNUAL REPORT 2023/24**

### **1 PURPOSE OF REPORT**

1.1 To provide for the 2023/24 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 LINKS TO COUNCIL'S PRIORITIES AND OBJECTIVES**

2.1 Audit work contributes to the delivery of all Council priorities, objectives and targets.

### **3 RECOMMENDATION**

3.1 It is proposed that the Committee **RESOLVES**

That the Head of Internal Audit's Annual Report for 2023/24 be noted and that the assurance provided be used to support the approval of the Annual Governance Statement.

### **4 BACKGROUND**

4.1 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.

4.2 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 Council's Senior Leadership Team and approved by the Audit Committee.

- 4.3 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 Assistant Director, Finance and Procurement (S151 Officer) to ensure the work is focused on key risks.
- 4.4 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.
- 4.5 Organisationally, this reflects a mature approach to operating an internal audit function.
- 4.6 All individual audit reports are discussed with the relevant Service Managers and Assistant Directors before being finalised.
- 4.7 The opinion and summary findings from audit reviews are reported to Managers, Assistant Directors, Directors and the Audit Committee throughout the year.

#### **Head of Internal Audit Opinion for the year ended 31 March 2024**

- 4.8 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.
- 4.9 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 transformation programme that the Council is delivering, so that the Council can address the medium-term budget gap that has arisen and bring the Council back into a financially sustainable position.
- 4.10 The Council has a Corporate Plan that provides the link between the aspirations of the community and individual services. Service plans are produced annually to ensure the future allocation of resources is based on the Council's key priorities. Service plans demonstrate how each service will be delivered and inform the Council's Medium-Term Financial Forecast. The current Corporate Plan expires during 2024, and work is underway to produce an updated Corporate Plan for 2025 to 2028.

- 4.11 The transformation programme is aimed at addressing the challenges that the Council is facing, to transform the Council into a modern, financially sustainable organisation focused on delivering the priorities of the Council and residents. A significant amount of transformation programme work has been completed during 2023/24, particularly the restructure of tiers 2 and 3 of management, that sets the foundations to move forward in 2024/25 and beyond. During 2024/25 Assistant Directors will be completing Service Reviews that will need to be a fundamental examination of current services delivered, how and whether those services will be delivered in the future and how much resource that will require.
- 4.12 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 with 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 operating within.
- 4.13 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.
- 4.14 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; and
  - there is inconsistency in terms of application across some services that still needs to be addressed.
- 4.15 With regard 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.

- 4.16 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 and the accompanying action plan.
- 4.17 Therefore, the remainder of this report should be read within this context.
- 4.18 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.
- 4.19 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 completes on financial systems where it is relevant to its audit of the Council's financial statements.
- 4.20 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; and
  - any other assurance available from independent sources.
- 4.21 As the Head of Internal Audit I have not reviewed all risks and assurances relating to the Council's activities in coming to this opinion.

### **Supporting Commentary**

- 4.22 **Appendix 1** summarises the status of the delivery of the Audit Plan for 2023/24.
- 4.23 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.
- 4.24 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**

- 4.25 The **Good Governance Group** continued to operate in that it had:
- Terms of Reference agreed by the Senior Leadership 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.
- 4.26 It continued to deliver its work during the year which ensured key tasks were completed and involved:
- challenging Manager Assurance Statements for 2023/24 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.
- 4.27 Therefore it is possible to place reliance on the conclusions drawn from this work, which are summarised in the audit opinion above.
- 4.28 The Assistant Director, Policy Performance and Customer continued to produce regular reports on the operation of the Council's key business management arrangements. These were presented to and challenged by the Senior Leadership 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.
- 4.29 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.
- 4.30 In a 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. The understanding of risk was assessed as sound at both corporate and service levels.

- 4.31 The Council continued to maintain a Corporate Risk Register that was fully refreshed by the Senior Leadership Team during the year and is now reviewed on a quarterly basis at the Business Review Board. Heads of Service were required to identify key risks in their service plans, which were reviewed by the Assistant Director, Policy Performance and Customer.
- 4.32 The audit of the **Transformation Programme** was focused on reviewing key management controls for the Transformation Together Programme 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. The audit involved detailed testing around the programme governance structure, roles and responsibilities, programme delivery and risk management. This confirmed that most programme management processes are operating effectively, with a few exceptions, and that most risks to delivering the objectives of the programme are understood but not always completely mitigated.
- 4.33 We highlighted opportunities for improvement around investigating ways to identify and budget for transformation costs, taking into account the volatility of costs for the programme, in order to set a detailed budget which can then be tracked and monitored against to completion of the project. This would then provide an indication as to whether adequate funds are available to complete the programme and realise the intended benefits.
- 4.34 The audit of **Contract Management** found that there was an inconsistent approach to this across the Council, and a number of areas where it is possible to strengthen arrangements were identified, including:
- introducing a standardised procurement, contract and contract management document retention policy and process
  - more formalised management and reporting of contractors' performance
  - increased oversight of budget monitoring and management.
- 4.35 The Council was already in the process of introducing a Procurement Manager who is now in post. This will increase the capacity available to both undertake and manage others to perform effective contract management, and provide a dedicated resource to ensure the Council's contract management policies and procedures are up-to-date and reflective of current regulations and legislation, and that these are adhered to, supporting the Council to ensure and be assured that its contractors are fulfilling the requirements of the contracts they have entered into and act lawfully.

- 4.36 As well as helping to ensure the Council's approach aligns with necessary legislative procurement requirements, introducing independent review and oversight of contract management by a suitably experienced resource will help to ensure:
- regulations, policies and procedures have been complied with
  - suitable documentation is in place and readily available
  - training and support needs of contract managers can be proactively identified and addressed
  - there is suitably robust contract management to ensure contract delivery supports achievement of objectives.
- 4.37 Our audit of **Performance Management** confirmed that there is a framework in place; however, further controls are required to ensure consistency and regularity, and to embed performance management responsibilities throughout the Council.
- 4.38 Key Performance Indicators (KPIs) are currently managed locally by service areas. This has created inconsistency and irregularity in respect of the validation, review and scrutiny of performance. The Council does not have a written procedure for performance management processes and responsibilities and, given the ongoing changes in staff, this may reduce retention of knowledge and business continuity.
- 4.39 KPIs are reported on a quarterly basis to Senior Leadership Team and the Cabinet via the Corporate Scorecard.
- 4.40 To complete the 'golden thread' staff performance appraisals are carried out via annual Personal Performance and Development Plans (PPDPs), as well as probation forms for new joiners. Sample testing of current officers found that PPDPs could not be consistently evidenced. One of the reasons was due to the Council not having a set appraisal year or deadlines in which appraisals are due to be completed on a regular basis, which makes it more difficult for senior management to ensure that they are happening as expected.
- 4.41 The audit of **Procurement** arrangements confirmed that a number of business management processes that were not operating effectively. Most of the Council's regulations, policies, procedures and guidance are out of date and the officers engaged with these had inconsistent knowledge and awareness around these, meaning application in practice is not always aligned.
- 4.42 All expenditure tested had a clear business need; however, there is a need to ensure pre-tender estimates are being properly calculated in all cases to ensure the correct procurement strategies are being followed, and that the successful quotation or tenders are considered against the Council's original pre-tender estimates.

- 4.43 Introducing regular training for staff responsible for procurement, and independent oversight of procurement activities will help to ensure:
- that where framework agreements are being used, agreements and rules are obtained and complied with
  - that where the E-tendering portal is used, communication is taking place through the system and not via email
  - maintaining equal treatment of bidders throughout the procurement process
  - robust record and evidence keeping, especially for moderation and consensus scoring, as well as the evaluation process
  - publication of up-to-date and accurate versions of the contracts register and spend data.
- 4.44 The Council was already in the process of introducing a Procurement Manager who is now in post. This will increase the capacity available to both undertake, and manage others to undertake appropriate and effective procurement, and provide a dedicated resource to ensure the Council's procurement policies and procedures are up-to-date and reflective of current regulations and legislation, and that these are adhered to, supporting the Council to optimise the results from its procurement activities and to act lawfully.
- 4.45 The Council has been working to address the issues raised in the audit of **Senior Management Pay and Conditions**, including amending policies and processes to implement some of the required changes. Much work has been undertaken to enhance arrangements with the transformation programme addressing the remainder of the issues, and the Council is taking advice on the final steps to determining if there is any further action to be taken.
- 4.46 The audit of **Cyber Security: Incident Management** reviewed the incident management processes and policies in place; design of incident response plans to promptly contain and respond to incidents; follow up procedures from a cyber incident; incident response accountabilities, responsibilities, and delegation; governance around incident response management; and alignment with crisis management plans.
- 4.47 We identified appropriate controls in some of these areas including a good understanding of current threats to the business through a business impact analysis and knowledge sharing groups with other local authorities. In addition, the sub-contracting with ABS IT Services and CCL Solutions Group to assist in the detection, investigation and containment phases of the incident response process have assisted the Council in managing cyber incidents adequately. However, there is a need to define the key accountabilities, responsibilities, and delegation between the Council and third parties ABS and CCL to ensure clarity across the incident response process.



4.48 We identified some areas of risk and have summarised the key recommendations in relation to these below:

- Document an Incident Response Plan including Incident Identification and First Response, Resources, Roles and Responsibilities, Detection and Analysis, Containment, Eradication and Recovery, Incident Communications and Recovery Actions and ensure this is visible across the Council. As part of this, response exercises should be scheduled to test the plan on a periodic basis, suggested quarterly.
- Establish a clear protocol to follow regarding cyber incident notification to governing authorities as part of the incident response plan, with visibility over which roles and individuals should be involved in the decision-making process to ensure an independent and objective view is maintained in the process.
- The retention periods for event logging require defining to ensure consistency and adherence to compliance measures should forensic investigation of incidents be required.
- All documentation such as the Cyber Security Strategy should be reviewed annually to ensure it is up to date and relevant.
- The Council should continue expanding identity and access management capabilities with the completion of MFA implementation and procure monitoring capabilities for malicious activity attempting to access the network.
- Implement a mandatory cyber security awareness training module to be completed on an annual basis by all Officers and Councillors, as well as other regular reminders to keep the risks being faced and actions to take at the forefront of officers and Councillors thinking.

4.49 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.

Our audit of **Sickness Absence Management** focused on the management arrangements in place to address sickness absence, to appropriately support both the individual and the organisation, including Policy and Procedures, compliance across the organisation and monitoring and reporting processes.

4.50 Sickness Absence Policy and Procedures are present within the organisation, provide clear roles, responsibilities, and expectation for relevant parties and detail the procedures to follow. The Policy requires some clarifications and inclusions, to ensure consistency and compliance across the organisation, and updates are required in line with new and current practices.

- 4.51 There would be a benefit to introducing staff and line manager training in respect to the Sickness Absence Policy and Procedures, to ensure compliance and consistency of action across the organisation, and ensure suitable knowledge and skills are held by line managers to make appropriate decisions and support staff members.
- 4.52 There are opportunities to improve sickness record keeping practices, to ensure that appropriate information is held to support both individuals and the organisation in respect of escalation processes.
- 4.53 Reporting of KPIs to Cabinet takes place quarterly, as required by the Corporate Plan. There is scope for improvement to corporate reporting, to ensure appropriate oversight and scrutiny of PI setting and under-achievement.
- 4.54 It was noted that operational reporting of sickness absence performance is being newly reported at a senior officer level, within the quarterly business review meetings. The details provided to the first of these meetings shows appropriate consideration to required information and organisational improvement discussions.
- 4.55 CPBC has also recently changed the sickness absence management system in use, and the new system processes and controls have not been evaluated within this audit.

### **Service Delivery Risks**

- 4.56 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 service areas under the Corporate Priorities they help deliver so this connection can be made.

### **Environment**

- 4.57 The audit of the **Castle Point Plan (CPP)** evaluated the project planning to develop the CPP's alignment with regulatory frameworks, effectiveness in addressing community development needs, the inclusivity and effectiveness of community engagement and the adequacy of project monitoring and reporting mechanisms.
- 4.58 The audit confirmed that the CPP had clear timelines and stages for the development of the Plan, there was also evidence of engagement with the public in line with the associated Engagement Strategy.
- 4.59 The Plan had established objectives that were being followed during the development of the Plan and progress against these objectives and milestones were being reported to the CPP Board and Cabinet as necessary.

The Council also had a Resource Plan setting out the resources needed to produce the CPP. The development of the Resource Plan utilised knowledge from previous experience, forecast costs and a live Spend Monitoring Document.

4.60 We identified two key areas for improvement to help the Council:

- The development of the CPP is split into seven stages. At the end of each stage, the risk assessment should be reviewed and the mitigations updated.
- The public perception risks associated with new developments in the plan should be mapped, to ensure risk assessments and resulting mitigations are relevant and effective.

4.61 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.

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

4.63 The audit review of the **Waste Service Delivery** arrangements recognised that this is currently operating whilst the WRAP review was taking place and the service is subject to the transformation service review 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.

4.64 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 transformation service review 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**

4.65 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 (H&S).

4.66 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.

- 4.67 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.
- 4.68 Oversight of delivery of Landlord H&S responsibilities would be improved through more regular performance reporting to Senior Leadership and the Quarterly Review Board, which is now being addressed through the restructure of senior management and new officers that have been appointed during the year.
- 4.69 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.
- 4.70 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.
- 4.71 This is now being addressed through the restructure of senior management and new officers that have been appointed during the year.

### **Key Financial Systems**

- 4.72 One key financial system was 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.
- 4.73 Partial assurance was obtained over the **housing rent collection and arrears management** system, with opportunities for improvement in respect of policies and procedures and performance reporting that the transformation service review will consider and address.

### **Implementing Action Plans**

- 4.74 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.
- 4.75 Internal Audit only revisited and retested action plans where a partial or minimal assurance opinion was given. Management closed down agreed actions in reports with high and satisfactory audit opinions once they were satisfied they had been properly dealt with. Internal Audit will be working with departments to enhance this process, to enable management to be able to more effectively check that appropriate evidence is presented when agreed actions are to be signed off.
- 4.76 Our follow up of the audit report on **Business Continuity** confirmed that most of the recommendations had been partially implemented, but that a number of actions require further work to ensure the Council has sound arrangements to enable essential works to continue in times of disruption. This includes the need to:
- ensure the Business Continuity Strategy and supporting plans are aligned to the needs of the Council and are regularly updated to ensure they remain fit for purpose
  - undertake regular testing, exercising and awareness programmes to ensure Business Continuity plans operate effectively and as intended
  - use lessons learned activities to build and develop the organisation's approach to Business Continuity
  - increase governance and oversight around Business Continuity within the organisation.
- 4.77 Since the audit work was completed there have been a number of changes to the Business Continuity responsibilities within the Council. The arrangement of a shared resource with Essex County Council has ceased and the Council has now appointed its own full time Emergency Planning and Business Continuity Officer.

- 4.78 It is anticipated that this resource will take forward the outstanding recommendations and will be available to support services to undertake and update their Business Continuity assessments and arrangements.

### **Grant Claims**

- 4.79 It was possible to certify that money spent under the **Disabled Facilities Capital Grant** Determination and the **Homes Upgrade Grant**, were in line with the grant terms and conditions.

### **Compliance with Professional Standards**

#### **Head of Internal Audit Opinion**

- 4.80 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).
- 4.81 Good assessments were achieved in relation to:
- reflection of the Standards
  - focus on performance, risk and adding value
  - the quality assurance and improvement programme.
- 4.82 Needs improvement assessments were given in relation to:
- coordinating and maximising assurance
  - the efficiency of its operations.
- 4.83 Preparations are now being made for the next round of external quality assessment.

### **Resourcing**

- 4.84 Since the last Head of Internal Audit annual report to the Audit Committee there have been further changes within the team. The only Audit Manager in post began a period of maternity leave in December 2022 and returned to the team in November 2023 therefore being on maternity leave for a significant proportion of the year. The other Audit Manager post was also vacant at the start of the year, resulting in a significant deficit in the management resource available to the team which has impacted the delivery of the planned audit work. The vacant post was appointed to in May 2023 which provided an important degree of support to delivery of the Audit Plan.
- 4.85 Therefore, as at 10 July, that leaves the team with four vacancies. 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.

4.86 The expected requirements of the internal audit service into the future continue to evolve, including the announcement of new Global Internal Audit Standards that will become effective for local authorities from 1 April 2025. There have also been the ongoing challenges to the local government sector on a number of fronts which 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 global shock events that have occurred in recent years. 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.

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

#### **Audit Plan 2023/24**

4.88 The original target was to deliver 100% of the Audit Plan by now so that the Head of Internal Audit's Annual Opinion could be included in the Council's Annual Governance Statement. As reported in Appendix 1, most pieces of audit work had all of the audit work delivered, although not all of the reporting had been completed and finalised.

4.89 In terms of the 23 jobs included in the 2023/24 audit plan:

- 48% of audits are complete with finalised reports issued
- 22% of audits are complete with draft reports issued or with the Head of Internal Audit
- 22% of audits are in progress
- 8% of audits have been deferred due to changes of circumstances.

4.90 **Appendix 1** 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**

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

4.92 For the period 1 April 2023 - 31 March 2024 the team has had an average of 13 days of sickness absence, as a result of one member of the team being absent for an extended period. That officer is no longer part of the team.

- 4.93 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 2023/24 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 work completed from 1 April 2024 and will be reported in future quarterly performance updates.

### **Service Management Arrangements**

- 4.94 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**

- 4.95 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:
- ongoing 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 suppliers)
  - 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.
- 4.96 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.
- 4.97 **Appendix 2** summarises the results of the independent external assessment of compliance against each element of the Standards, updated to reflect the developments that the team has made since the most recent independent external assessment.
- 4.98 **Appendix 3** 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.



**Other Disclosures**

- 4.99 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.

**Issues for the Annual Governance Statement**

- 4.100 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.

**5 OPTIONS**

- 5.1 Option 1: Note the assurance provided by the Head of Internal Audit Annual Report, but request amendments to the Annual Governance Statement.
- 5.2 Option 2: Reject the assurance provided by the Head of Internal Audit Annual Report and request for alternative work to be undertaken to provide the Committee with the assurance that it requires.
- 5.3 Preferred Option: Note the assurance provided by the Head of Internal Audit Annual Report and use that to support the approval of the Annual Governance Statement.

**6 RISK IMPLICATIONS**

- 6.1 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 on the Council's ability to deliver its corporate objectives.

**7 ENVIRONMENTAL IMPLICATIONS**

- 7.1 The Internal Audit team operates across all Council sites and Southend City Council sites, therefore some travel is necessary. This is usually performed in private vehicles due to the requirement to visit multiple sites over a geographic area spread during a day.

- 7.2 However, the team reduces its carbon footprint by:
- Operating electronic working paper and audit management arrangements, minimising the use of paper and printing. All documentary evidence is scanned electronically minimising physical storage requirements
  - Travelling by public transport wherever possible
  - Conducting meetings with external stakeholders remotely.
- 7.3 All internal audit officers have undergone carbon literacy training to enhance their understanding of the carbon challenge.

## **8 FINANCIAL IMPLICATIONS**

- 8.1 The Audit Plan was delivered within approved budgets.

## **9 LEGAL IMPLICATIONS**


- 9.1 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 the Head of Internal Audit to report on compliance with this annually to the Audit Committee. This report satisfies this requirement.

## **10 HUMAN RESOURCES IMPLICATIONS**

- 10.1 Human resource issues that were relevant to delivering the Audit Plan were raised in the quarterly performance reports.

## **11 EQUALITY AND DIVERSITY IMPLICATIONS**

- 11.1 The Team is committed to treating everyone equally and with respect. The relevance of equality and diversity is considered during the initial planning stage of each audit before the terms of reference are agreed.
- 11.2 All Officers have undergone equality and diversity training. Our daily activities comply with the Equality Act 2010, the Human Rights Act 1998 and the European Convention on Human Rights.
- 11.3 The relevance of equality and diversity was considered during the initial planning stage of every audit before the terms of reference were agreed.
- 11.4 Any significant changes in the Charter and Strategy would also be subject to assessment.



Lance Wosko

Assistant Director – Finance & Procurement and Section 151 Officer

---

**Background Papers:-**

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

**Appendices**

- Appendix 1 Internal Audit Plan 2023/24 as at 10 July 2024
- Appendix 2 Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2023/24
- Appendix 3 Compliance with the UK Public Sector Internal Audit Standards 2023/24 Action Plan as at 10 July 2024

For further information please contact Andrew Barnes on:-

Phone: 01268 882260  
Email: [abarnes@castlepoint.gov.uk](mailto:abarnes@castlepoint.gov.uk)



**Internal Audit Plan 2023/24**

<b>Dept.</b>	<b>Service Activity</b>	<b>Fraud risk</b>	<b>Status as at 9 July 2024</b>
<b>Managing the Business</b>			
<b>All Aims</b>			
All	<p><b>Transforming Together</b> (brought forward)</p> <p>To assess the robustness of programme management arrangements 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, containing the net expenditure of services within allocated budgets</p>	Yes	<b>Completed March 2024</b>
All	<p><b>Contract management</b></p> <p>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.</p>	Yes	<b>Draft report with business</b>
All	<p><b>Health and Safety</b></p> <p>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.</p>	No	<b>Audit removed from the plan due to an external Health and Safety review being undertaken</b>
All	<p><b>Performance Management</b></p> <p>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.</p>	Yes	<b>Draft report with Head of Internal Audit</b>
C&D	<p><b>ICT audit work: utilisation, usage and skills</b></p> <p>To assess the adequacy of arrangements to implement new digital tools and solutions and integrate these effectively into the Council's ways of working.</p>	Yes	<b>Work in progress</b>

<b>Dept.</b>	<b>Service Activity</b>	<b>Fraud risk</b>	<b>Status as at 9 July 2024</b>
C&D	<p><b>ICT audit work: projects and contracts</b></p> <p>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.</p>	Yes	<b>Terms of Reference agreed with the business. Work commencing 15 July</b>
R	<p><b>Procurement</b> (brought forward)</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 business</b>
All	<p><b>Senior Management Pay and Conditions</b> (brought forward)</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	Completed July 2023
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>Completed March 2024</b>
<i>Implementing Action Plans</i>			
All	<p><b>Business Continuity and Covid-19 Response</b> (brought forward)</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>Completed February 2024</b>

Managing Service Delivery Risks			
Aim: People			
Dept.	Service Activity	Fraud risk	Status as at 9 July 2024
All	<p><b>Sickness Absence Management</b></p> <p>To assess the robustness of management arrangements to address sickness absence, to appropriately support both the individual and the organisation.</p>	Yes	<b>Draft report with Head of Internal Audit</b>
H	<p><b>Tenancy Management</b> (brought forward)</p> <p>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.</p>	Yes	Audit removed from plan due to service resourcing issues, to be added to the risk watch list for future consideration.
Aim: Place			
P&P	<p><b>Castle Point Plan</b></p> <p>To assess the adequacy of arrangements in place to ensure the successful delivery of the Castle Point Plan in accordance with the anticipated timetable.</p>	No	<b>Completed March 2024</b>
H	<p><b>Housing Health and Safety Compliance</b> (brought forward)</p> <p>To assess the adequacy of arrangements in place to ensure ongoing compliance with Health and Safety legislation within the Council's housing stock.</p>	Yes	<b>Completed and shared with new management March 2024</b>
CS	<p><b>Corporate Estate and Asset Management (Property)</b> (brought forward)</p> <p>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.</p>	Yes	<b>Completed and shared with new management March 2024</b>

**Aim: Environment**

<b>Dept.</b>	<b>Service Activity</b>	<b>Fraud risk</b>	<b>Status as at 9 July 2024</b>
--------------	-------------------------	-------------------	---------------------------------

**Key Financial Systems: All Aims**

<b>R</b>	<p><b>Housing Rent Collection and Arrears Management</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 complete - draft report with the business</b>
	<p><b>Treasury Management</b></p> <p>To assess the effectiveness of key controls to ensure compliance with the Treasury Management Strategy and prevent or detect material errors, so that this information can be relied upon when producing the Council’s statement of accounts.</p>	Yes	<b>Work in progress</b>

**Grant Claims**

<b>H</b>	<p><b>Disabled Facilities 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 complete October 2023</b>
<b>E</b>	<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 complete October 2023</b>



**Advice and Support**

<b>Dept.</b>	<b>Service Activity</b>	<b>Fraud risk</b>	<b>Status as at 9 July 2024</b>
R	<b>Financial sustainability</b> Provide ongoing support and challenge of the arrangements to deliver a balanced budget for 2024/25 and medium-term financial strategy.	Yes	<b>Terms of Reference agreed with the business. Scheduling of work being agreed with business</b>
All	<b>Risk Management</b> Provide ongoing support and challenge to embed robust assessment of risk and opportunity into decision making that encourages creativity, learning and improved outcomes.	No	<b>Work complete for 2023/24</b>
	<b>Disabled Facilities Grant Policy</b> Provide support and challenge to ensure the DFG policy provides the greatest opportunity to maximise utilisation of the DFG funding.	Yes	<b>Work in progress</b>

**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		

<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>

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

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.

**Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2023/24**

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	✓			

**Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2023/24**

Ref	Standard	Generally Conforms	Partial Conforms	Does Not Conform	N/A
1311	Internal Assessments	✓			
1312	External Assessments		✓		
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	✓			

**Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2023/24**

Ref	Standard	Generally Conforms	Partial Conforms	Does Not Conform	N/A
2220	Engagement Scope	✓			
2230	Engagement Resource Allocation	✓			
2240	Engagement Work Programme	✓			
<b>2300</b>	<b>Performing the Engagement</b>	✓			
2310	Identifying Information	✓			
2320	Analysis and Evaluation	✓			
2330	Documenting Information	✓			
2340	Engagement Supervision	✓			
<b>2400</b>	<b>Communicating Results</b>	✓			
2410	Criteria for Communicating	✓			
2420	Quality of Communications		✓		
2421	Errors and Omissions	✓			
2430	Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'	✓			
2431	Engagement Disclosure of Non-conformance	✓			
2440	Disseminating Results	✓			
2450	Overall Opinions	✓			
<b>2500</b>	<b>Monitoring Progress</b>	✓			
<b>2600</b>	<b>Resolution of Senior Management s Acceptance of Risks</b>	✓			
	<b>TOTAL OUT OF 64</b>	<b>60</b>	<b>4</b>	<b>0</b>	<b>0</b>

**Compliance with UK Public Sector Internal Audit Standards Action Plan as at 10 July 2024**

Action required	Current status	Date
<b>Attribute Standards</b>		
<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.	Further changes to the team during 2023/24 mean there are four 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.	HoIA, further appointments by December 2024
<b>1300 Quality Assurance and Improvement Programme</b>		
<b><i>1312 External Assessment</i></b>		
Undertake the external assessment of the internal audit service.	Preparations have begun, but there has been insufficient capacity to properly resource and address this and deliver the assessment. Additional prioritisation of this needs to take place to ensure this gets completed.	AMs and HoIA, March 2025
<b>Performance Standards</b>		
<b>2000 Managing the Internal Audit Activity</b>		
<b><i>2030 Resource Management</i></b>		
When resources allow, arrange more regular meetings with individual Service Managers as required, to help progress work in the Audit Plan.	These sessions have been taking place throughout 2023 and 2024 as audits have been planned and set up.	Implemented by AMs and to be kept ongoing.



Action required	Current status	Date
<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 2023/24.  Work will also be needed to update the Audit Manual to ensure the audit approach is compliant with the new Global Internal Audit Standards applicable from 1 April 2025.	AMs, to be in place by 31 March 2025
<b>2050 Co-ordination and Reliance</b>		
At all clients, further develop the "other assurance" element of the audit risk assessments particularly with regard to corporate business management processes.	This work is now established as part of the Audit Planning process. This has also been developed throughout the year as audit work is completed.	Implemented by AMs, and to be kept ongoing
<b>2400 Communicating Results</b>		
<b>2410 Criteria for Communicating</b>		
Reassess the reporting templates as part of updating the Audit Manual, to see how underlying issues with the Council's governance arrangements could be highlighted.	This will be reassessed after the Transformation Programme work has been undertaken and changes to the Council's operating model are implemented.	AMs, 31 March 2025

Action required	Current status	Date
<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 challenges the management team have experienced during 2023/24.  In addition, a prompt has been included in the reporting template to ensure any incidents of non-conformance have been considered and managed in line with audit manual guidance.	AMs, 31 March 2025
<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.	The Auditors are currently working on this project with Council officers.	Auditors, 31 December 2024
Finalise the arrangements for reporting to Audit Committee on management sign off of action plans for audit reports with high or satisfactory opinions.	The Auditors are currently working on this project with Council officers.	Auditors, 31 December 2024
Design the content and format of a report to go to Audit Committee, for each client that shows the progress made by services in addressing agreed actions, for each live audit report.	Auditors are currently working on the report format.	Auditors, 31 December 2024

Key:

- HoIA, Head of Internal Audit
- AM, Audit Manager