



AUDIT COMMITTEE

DATE: Thursday, 25 March 2021
TIME: 10.30 am
VENUE: Meeting to be held pursuant to Statutory Instrument 2020/392. Link to live stream will be found at <https://www.tendringdc.gov.uk/livemeetings>

MEMBERSHIP:

| | |
|--------------------------------------|-------------------|
| Councillor Coley (Chairman) | Councillor Miles |
| Councillor Alexander (Vice-Chairman) | Councillor Placey |
| Councillor Fairley | Councillor Steady |
| Councillor King | |

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Meeting papers can be provided, on request, in large print, in Braille, or on disc, tape, or in other languages.

For further details and general enquiries about this meeting, contact Ian Ford Email: democraticservices@tendringdc.gov.uk or Telephone: on 01255 686584.

DATE OF PUBLICATION: Wednesday, 17 March 2021

AGENDA

1 Apologies for Absence and Substitutions

The Committee is asked to note any apologies for absence and substitutions received from Members.

2 Minutes of the Last Meeting (Pages 1 - 10)

To confirm as a correct record, the minutes of the last meeting of the Committee, held on Thursday 25 February 2021.

3 Declarations of Interest

Councillors are invited to declare any Disclosable Pecuniary Interests or Personal Interest, and the nature of it, in relation to any item on the agenda.

4 Questions on Notice pursuant to Council Procedure Rule 38

Subject to providing two working days' notice, a Member of the Committee may ask the Chairman of the Committee a question on any matter in relation to which the Council has powers or duties which affect the Tendring District **and** which falls within the terms of reference of the Committee.

5 Report of the Internal Audit Manager - A.1 - Internal Audit Plan 2021/22 and March 2021 Periodic Update (Pages 11 - 22)

To seek the approval of the Audit Committee for the 2021/22 Internal Audit Plan.

6 Report of Assistant Director (Finance & IT) - A.2 - The Audit Committee's Work Programme 2021/11 (Pages 23 - 28)

To present for approval the Audit Committee's proposed work programme covering the period April 2021 to March 2022.

7 Exclusion of Press and Public

The Committee is asked to consider passing the following resolution:

"That under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of Agenda Item 8 on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A, as amended, of the Act."

8 Report of the Assistant Director (Finance & IT) - B.1 - Risk Based Verification Policy (Pages 29 - 38)

To seek the necessary annual approval of the Council's Risk Based Verification Policy.

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,
HELD ON THURSDAY, 25TH FEBRUARY, 2021 AT 10.30 AM
THE MEETING WAS HELD PURSUANT TO STATUTORY INSTRUMENT 2020/392.**

| | |
|----------------------------|--|
| Present: | Councillors Coley (Chairman), Alexander (Vice-Chairman), Fairley, King, Miles, Placey and Steady |
| In Attendance: | Lisa Hastings (Assistant Director (Governance) & Monitoring Officer), Richard Barrett (Assistant Director (Finance and IT) & Section 151 Officer), Craig Clawson (Internal Audit Manager), Ian Ford (Committee Services Manager), Kai Aberdeen (Theatre General Manager (Technical))(items 13 - 17 (part) only), Keith Durran (Democratic Services Officer) and Emma Haward (Leadership Support Assistant) |
| Also in Attendance: | Lisa Clampin (Lead Partner – BDO LLP, the Council's appointed External Auditor) |

13. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were no apologies for absence submitted or substitutions on this occasion.

14. MINUTES OF THE LAST MEETING

The Minutes of the last meeting of the Committee held on 30 November 2020 were approved as a correct record.

15. DECLARATIONS OF INTEREST

There were no declarations of interest made on this occasion.

16. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38

There were no Questions on Notice on this occasion.

17. REPORT OF THE INTERNAL AUDIT MANAGER - A.1 - REPORT ON INTERNAL AUDIT: OCTOBER 2020 - JANUARY 2021

The Committee had before it a report submitted by the Council's Internal Audit Manager (A.1) which provided a periodic update on the Internal Audit function for the period October 2020 to January 2021. That report was split into two sections as follows:-

- (1) Internal Audit Plan Progress 2020/21; and
- (2) Quality Assurance Improvement Programme (QAIP).

(1) INTERNAL AUDIT PLAN PROGRESS 2020/21

It was reported that a total of nine audits had been completed since the previous update to the Audit Committee in October 2020. Eight of the nine audits completed had received a satisfactory level of assurance. One audit (Princes Theatre) had received an overall opinion of 'Improvement Required'.

Fieldwork had been completed on a further three audits with the draft report yet to be negotiated, namely:-

- GDPR – Data Sharing Agreements;
- Fleet Management; and
- Impact on Governance – COVID-19.

Fieldwork was ongoing on another eight audits with a final four audits allocated and started during February 2021. Three of those four related to the revenues and benefits service unit and had purposely been left as late in the financial year as possible due to the impact that issuing Covid-19 business grants had made on that service.

Members were informed that consultancy and advice continued to be provided on the corporate Digital Transformation, Office Transformation and Project Management projects where required. There were no significant issues to report at this time.

Quality Assurance

Members were aware that the Internal Audit function issued satisfaction surveys for each audit completed. In the period under review 100% of the responses received had indicated that the auditee had been satisfied with the audit work undertaken.

Resourcing

It was reported that the Internal Audit section was currently working with an establishment of 3 'Full Time Equivalents' with access to a third party provider of internal audit services for specialist audit days as and when required.

The Committee was informed that the Internal Audit Team had recruited an apprentice in October 2020. However, due to the on-going impact of COVID-19, that apprenticeship subsequently had been put on hold and would be reassessed later in the year. The Internal Audit Team continued to support the Emergency Planning function as required.

Members recalled that at their meeting held in October 2020 it had been expected that the Internal Audit Plan would be on track to be complete earlier than anticipated. However, since the end of the third quarter and the start of the latest Covid-19 lockdown, it had been a challenge for some services to provide enough resource to support the audit. As a result Officers had been risk assessing each audit in order to determine the level of work needed and negotiating with the relevant service unit managers on resource requirements in order to ensure that Internal Audit could complete enough work to still be able to provide an overall opinion. Limitations to the scope of that audit were then reported in both the Draft and Final Audit Reports.

Outcomes of Internal Audit Work

The Public Sector Internal Audit Standards (PSIAS) required the Internal Audit Manager to report to the Committee on significant risk exposures and control issues. Since the last such report nine audits had been completed and the final report issued. Three audits had received a 'Substantial Assurance' audit opinion and four had received an 'Adequate Assurance' audit opinion. One audit had received an 'Improvement Required' audit opinion and the other remaining audit had not required an opinion to be made.

Princes Theatre – ‘Improvement Required’ Audit Outcome

1. Management Examination of Reconciliations

It was reported that reconciliations between systems were required and undertaken in order to ensure that all payments had been received correctly and allocated to the correct accounting codes. At present those reconciliations were being carried out by the Operational Services support team and therefore any discrepancies were not being viewed and approved by Theatre Management Officers.

Agreed Audit Action: Reconciliations are to be viewed by a member of theatre management to evidence reconciliations have been completed accurately and promptly. There should also be evidence of this check being carried out.

2. Inadequate Till System

Members were informed that The Essex Hall bar in Clacton Town Hall used tills to record bar sales when it was used for events and hire. Those tills were stand alone and did not offer the analytics available to most till systems used in the industry. In addition, those tills could not be connected to the Council's network and so the full functionality and office based reporting were not available.

Agreed Audit Action: Replacement till system to be installed, tested and working in liaison with IT in time for Theatre re-opening. Till system to have full stock tracking functionality, back office interrogation and analysis and other suitable features as required for robust modern financial and stock processes.

3. Lack of Stock Takes

The Committee was advised that no formal stocktaking was undertaken so it was difficult to ascertain if, or how much, shortfall of stock there was. This could be caused by either wastage, fraud/theft, leakages or stock incorrectly logged.

Agreed Audit Action: Once the new till system was installed, regular stocktakes and line checks were to be undertaken to ensure stock management was carried out in a consistent and robust manner. Audit and accountancy were to advise and assist as required.

Periodic stock takes were to be undertaken manually in the short term until the new till system was implemented.

The Council's Theatre General Manager (Technical) (Kai Aberdeen) attended the meeting and addressed the Committee on the issues listed above. He then responded to Members' questions on those matters.

Management Response to Internal Audit Findings

Members were aware that there were processes in place to track the action taken regarding findings raised in Internal Audit reports and to seek assurance that appropriate corrective action had been taken. Where appropriate, follow up audits had been arranged to revisit significant issues identified after an appropriate time. There were two high severity issues overdue (by less than three months) which both related to either Planning Enforcement or Housing Allocations.

Update on previous significant issues reported

Housing Allocations

It was reported that the outstanding action for Housing Allocations related to the implementation of a new Housing Allocations system. The latest update from the service was that the system was at its final stages of testing. Internal Audit had used the days available in the follow-up review to support the service in implementing the new system and to ensure that as many different scenarios were tested as possible before going live.

Planning Enforcement

Members were advised that the Planning Enforcement Follow-Up audit was now in progress. The Auditor was currently reviewing whether all previous issues had now been addressed and would gather evidence to support the actions implemented.

There was also currently one major action outstanding regarding the update of the Planning Enforcement Policy. A draft policy was currently being reviewed by the Council's legal services team. The policy would then be submitted to the Planning Committee to be formally approved and adopted.

Impact on Governance – COVID 19

The Committee recalled that it had been reported at its meeting held in October 2020 that Internal Audit would undertake a review on the impact of governance within the Council due to COVID-19. An external consultant had been commissioned to undertake the work due to the Internal Audit Manager's involvement with the emergency planning response, which would ensure that the review remained independent. That work was now close to completion and was currently being assessed. It was anticipated that the outcomes of the review would be reported to the meeting of the Committee scheduled to be held during March 2021.

(2) QUALITY ASSURANCE IMPROVEMENT PROGRAMME (QAIP)

Members had before them the latest QAIP update as set out in Appendix B to the Internal Audit Manager's report.

The Committee was reminded that the Internal Audit function was required to be assessed externally every five years on its compliance with the Public Sector Internal Audit Standards (PSIAS). This had last been undertaken three years ago and actions from that assessment had been implemented. Within the five year assessment period, Internal Audit was required to undertake a periodic self-assessment against the PSIAS in order to develop a QAIP.

It was reported that the QAIP had been reassessed and the agreed actions had been updated where the Internal Audit Team were now compliant where they had previously been not. One area to highlight where Internal Audit was only partially compliant related to 'risk appetite'. Aligning the risk appetite of Internal Audit and Risk Management remained outstanding as an opportunity to liaise with Senior Management and the Fraud and Risk Manager to assess the complexities of risk management across all departments had not presented itself over the past year.

Having considered and discussed the contents of the Internal Audit Manager's report and its appendices:-

It was moved by Councillor Fairley, seconded by Councillor Alexander and:-

RESOLVED that –

- (a) the contents of the report be noted;
- (b) the contents of the Quality Assurance Improvement Programme be noted;
- (c) the outstanding action for Housing Allocations (the implementation of a new IT system) be added to the Committee's Table of Outstanding Issues; and
- (d) the Committee endorses the agreed Audit Actions in relation to the Princes Theatre as they will also support and protect staff going forward.

18. REPORT OF THE ASSISTANT DIRECTOR (GOVERNANCE) - A.2 - NEGC LTD JOINT SCRUTINY PANEL: SCRUTINY OF NEGC LTD AND THE GOVERNANCE OF FUTURE COUNCIL CONTROLLED COMPANIES.

There was a report submitted by the Council's Assistant Director (Governance) & Monitoring Officer (report A.2) which sought to enable the Committee to consider its formal response to a recommendation made by the Resources and Services Overview & Scrutiny Committee following that Committee's consideration of the report submitted by the NEGC Ltd Joint Scrutiny Panel on completion of the Panel's scrutiny of NEGC Ltd and the governance of future Council controlled companies.

Members were informed that, following respective meetings held on 29 July and 5 August 2019, the Resources and Services Overview and Scrutiny Committee and the Community Leadership Overview and Scrutiny Committee, had both approved that a joint scrutiny panel be established in order to scrutinise the work of the North Essex Garden Communities Limited (NEGC) and, in particular, its interim business plan and future business plans. That Joint Scrutiny Panel (JSP) had met three times as follows:

16 October 2019;
12 February 2020; and
17 September 2020.

The final report of the JSP had been submitted to the Resources and Services Overview and Scrutiny Committee on 16 November 2020. At that meeting the Resources and Services Overview and Scrutiny Committee had been informed that the JSP had:-

- *examined the various responsibilities of the Council as community leader, shareholder of NEGC Ltd and having a Director of the Board of that Company, including the inherent conflicts and the management of those conflict points;*
- *been made aware of the absolute importance of Part 1 of the Local Plan in the critical path for Garden Communities and NEGC Ltd (and any future delivery vehicle for the Communities). NEGC Ltd had been commissioned by the partner Councils (Braintree, Colchester, Essex and Tendring) to undertake work for those partner Councils to secure approval of Part 1 of their Local Plans;*
- *scrutinised the Interim Business Plans for NEGC Ltd for 2018/19 and 2019/20;*

- *reflected upon the governance arrangements surrounding the work of this Council's Monitoring Officer and Section 151 Officer with their colleagues in the other partner Councils in respect of protecting the interests of this Council in relation to NEGC Ltd;*
- *looked briefly at possible future delivery vehicles for the Garden Communities together with best practice models for the future development of governance arrangements for Council controlled companies such as NEGC Ltd;*
- *noted at its last meeting the decision of the North Essex Garden Communities Ltd Board on 6th July 2020 to take all the necessary steps to wind up its three Local Delivery Vehicles and that the three Councils concerned had also all approved that NEGC Ltd itself cease trading on 31 August 2020 and that the necessary winding up procedures for it be undertaken, subject to, in the case of this Council, the Leader of the Council, in consultation with the Section 151 Officer and the Monitoring Officer, being satisfied around the final accounting processes;*
- *been advised that NEGC Ltd had been solvent and that, after settling any outstanding liabilities, the remaining assets of the company would be apportioned to the shareholders entirely as it should have been; and*
- *had concluded its work based on the approved scope and terms of reference for the Panel on the basis that the NEGC Ltd was being wound up.*

The Resources and Services Overview and Scrutiny Committee having considered the report of the JSP had resolved that it:-

- (1) *notes that the winding up of NEGC Ltd means that the rationale for establishing the Joint Scrutiny Panel, and the approved scope of the Panel, has also ended and requests that Cabinet notes that this Committee and the Community Leadership Overview and Scrutiny Committee will formally note that the Panel is being dissolved.*
- (2) *that this Committee notes the following recommendations from the Joint Scrutiny Panel and formally submits (a), (b) and (d) below to the Cabinet for its consideration:*
 - (a) *To record and applaud the hard work of officers in respect of the development of the Tendring-Colchester Borders Garden Community that resulted in the proposals for the Garden Community being accepted by the Local Plan Inspector in his enquiry into the draft Local Plan;*
 - (b) *To note that there is important work being undertaken on various work streams to secure an exemplar development through the Tendring-Colchester Borders Garden Community;*
 - (c) *To establish a further Joint Scrutiny Panel at an appropriate time in the future to monitor, examine and review arrangements for delivery of the Tendring-Colchester Borders Garden Community (and particularly the commitments and financial expose of the Council to any external body established by the Council to lead on the development of that Garden Community);*
 - (d) *To endorse the principle that where the Council establishes a company limited by shares (on its own or with other bodies) that it also establishes a Shareholder Group (either solely or with the other public bodies where the company established jointly) and that, the terms of reference similar to those set out at Appendix A to this report should form the terms of reference for that Shareholder Group, adjusted as*

necessary to the particular circumstances, business of the Company and consideration of such matters as:

- (i) How any co-opted members are used and how they are defined in the terms of reference;*
- (ii) The Chairman of the relevant overview and scrutiny committee and **the Chairman of the Audit Committee being appointed to the Shareholder Group as non-voting members;** and*
- (iii) Ensuring that any "invitations to attend" issued to councillors or officers etc. must be provided to such persons at least five working days in advance of the meeting.*

Consequently, the Audit Committee was now requested to give its particular consideration to the recommendation of the Resources and Services Overview and Scrutiny Committee highlighted in **bold above** and especially where it pertained to the suggestion that the Chairman of the Audit Committee should be appointed to the Shareholder Group as a non-voting member. The recommended Terms of Reference for the Shareholder Group were attached as Appendix B to the Assistant Director's report.

Members were made aware that the Community Leadership and Partnerships Overview & Scrutiny Committee would also be considering the final report of the JSP at its meeting due to be held on 1 March 2021. The Cabinet would consider in due course all of the above recommendations of the Resources and Services Overview and Scrutiny Committee, and any comments or recommendations made by the Audit Committee at this meeting and by the Community Leadership and Partnerships Overview & Scrutiny Committee on 1 March 2021 would also be submitted to the Cabinet, in order that Cabinet could take them into consideration in reaching its decision.

The Assistant Director & Monitoring Officer suggested that this Committee could determine that the idea of a Shareholder Group could be extended to other outside bodies or partnerships such as Tendring - Colchester Borders, or similar.

The Committee was made aware that, if Cabinet decided to form a Shareholder Group, the Monitoring Officer would recommend that this requirement was formally adopted within the Council's Constitution. Through the Gifted Unit Scheme the Council had been requested to become a shareholder for a number of management companies, although currently no decisions had been required as shareholders as the concept was fairly new.

During their consideration of this matter Members expressed their concern and determination that the independence of the Audit Committee should be maintained.

Having considered and discussed all of the information submitted in the Assistant Director & Monitoring Officer's report and appendices attached thereto:-

It was moved by Councillor Steady, seconded by Councillor Alexander and:-

RESOLVED that the Audit Committee -

- (a) notes the contents of the report and the suggestion from the Resources and Services Overview and Scrutiny Committee that, in principle, a Shareholder Group should be formed where the Council establishes a company;

- (b) whilst supporting the principle of the Shareholder Group, does not agree, that the terms of reference of that Group should be established at this stage; and therefore
- (c) recommends to Cabinet that further work be undertaken by a small group made up of representatives from Cabinet, the Chairmen of the two Overview and Scrutiny Committees and the Chairman of the Audit Committee, together with the Monitoring Officer and the Section 151 Officer to look into the concerns raised in a joined up approach prior to further recommendations being submitted to the Cabinet.

19. REPORT OF ASSISTANT DIRECTOR (FINANCE & IT) - A.3 - EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2020

There was submitted a report by the Council's Assistant Director (Finance & IT) (report A.3) which presented for the Committee's consideration the External Auditor's Annual Audit Letter for the year ended 31 March 2020.

The Committee was reminded that the Accounts and Audit Regulations required that:

- (1) *A committee must meet to consider the letter as soon as reasonably practicable; and*
- (2) *following consideration of the letter in accordance with paragraph (1) the authority must -*
 - (a) *publish (which must include publication on the authority's website) the audit letter; and*
 - (b) *make copies available for purchase by any person on payment of such sum as the authority may reasonably require.*

Members were informed that there were a number of different strands of external audit work undertaken during the year but primarily they related to the financial statements and value for money opinion. The outcomes from those activities were reported to the Council separately as they were completed during the year. The Annual Audit Letter was effectively therefore an end of year report for the Council which captured and summarised those outcomes in one document. It was primarily directed to Members but it must also be made publicly available.

It was reported that the Annual Audit Letter relating to 2019/20 (as appended to the Assistant Director's report) had raised no significant concerns. Page 7 of the Auditor's letter included some observations in respect of a number of the Council's financial reserves and its approach to managing its finances. The associated recommendations that were referred to had been set out in the External Auditor's Audit Completion Report that had been previously considered by the Committee at its meeting held on 30 November 2020. Those recommendations had now been included within the Table of Outstanding Issues report in order to ensure their progress could be effectively monitored by the Committee and that report would be considered later in the meeting.

Having considered and discussed the contents of the Annual Audit Letter:-

It was moved by Councillor Fairley, seconded by Councillor Alexander and:-

RESOLVED that the contents of the Annual Audit Letter, for the year ended 31 March 2020 be noted.

**20. REPORT OF ASSISTANT DIRECTOR (FINANCE & IT) - A.4 - AUDIT COMMITTEE:
TABLE OF OUTSTANDING ISSUES**

The Committee had before it a report submitted by the Assistant Director (Finance & IT) (A.2) which presented to the Committee the progress on outstanding actions identified by the Committee, together with updates on other general issues that fell within the responsibilities of the Committee.

The Committee was informed that there were four appendices to this report which contained:

- 1) updates against general issues previously identified by the Committee;
- 2) updates against recommendations made by the External Auditor;
- 3) the latest position against the Annual Governance Statement Action Plan for 2020/21; and
- 4) a summary of the Government's initial response to the recommendations made by the Redmond Review.

It was reported that, to date, there were no significant issues arising in respect of the items identified in Appendices A and B, with work remaining in progress or updates provided elsewhere on the agenda, where appropriate. However, there had been a significant impact from COVID 19 in terms of progressing the actions reported in Appendix C as quickly as originally anticipated. However, activity remained in progress against all actions and work would continue into 2021/22 as required.

Redmond Review

The Committee was aware that Sir Tony Redmond, a former council treasurer and local government ombudsman, had been asked by the Government to look at the effectiveness of external audit, as a summary of recommendations emerging from Sir Tony's review had been presented to it at its meeting held in October 2020. At that time, the response from the Government was still awaited. The Government had now published its initial response.

Members were reminded that Sir Tony had made 23 recommendations relating to the quality, timeliness and sustainability of local audit, and the transparency of local authority accounts. The Government had therefore grouped its response into the following five themes, which were summarised in Appendix D to the Assistant Director's report.

- *Action to support immediate market stability;*
- *Consideration of system leadership options;*
- *Enhancing the functioning of local audit, and the governance for responding to its findings;*
- *Improving transparency of local authorities' accounts to the public; and*
- *Action to further consider the functioning of local audit for smaller bodies.*

It was reported that many of the responses indicated that the Government would either be liaising with the relevant stakeholders or would be further considering some of the recommendations, with the Government's full response expected during the spring of 2021.

Having considered the above and having discussed the contents of the report and its appendices:-

It was moved by Councillor Placey, seconded by Councillor Alexander and:-

RESOLVED that –

- (a) the progress made against the actions set out in Appendices A to C to item A.4 of the report of the Assistant Director (Finance & IT) be noted; and
- (b) the contents of the Government's initial response to the Redmond Review's recommendations, as set out in Appendix D to the aforementioned report, be noted.

The meeting was declared closed at 11.54 am

Chairman

AUDIT COMMITTEE

25 MARCH 2021

REPORT OF THE INTERNAL AUDIT MANAGER

A.1 INTERNAL AUDIT PLAN 2021/22 AND MARCH 2021 PERIODIC UPDATE

(Report prepared by Craig Clawson)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek the approval of the Audit Committee for the 2021/22 Internal Audit Plan.

EXECUTIVE SUMMARY

- The 2021/22 Audit Plan has been developed using a risk based approach, taking account of the Council's Corporate Objectives, Corporate Risks and Emerging Risks. The plan has been collated based on the information gained from liaising with Directors, Heads of Service and entire departments to target areas that may benefit from an independent review of processes and procedures to determine potential efficiency gains, improved technology / software requirements or if the function has not been audited for a substantial period of time due to it being considered of lower risk historically.
- The establishment for the Internal Audit function is currently 3.6 full time equivalent (fte) staff. However, it is proposed a trial period of working with a hybrid structure of 3 fte internal employees, while using the budget available from the vacancies we are holding to pay for third party professional services to contribute to the delivery of specialist audit areas within the Internal Audit Plan.
- The level and range of coverage is considered sufficient for the Internal Audit Manager to be able to provide an annual opinion on the Council's assurance framework.

RECOMMENDATION(S)

- (a) That the Internal Audit Plan for 2021/22 be approved; and**
- (b) that the existing arrangements for updating the plan during the year, where necessary to reflect changing Authority activity and operational needs and to provide flexibility of service delivery, be continued, with significant amendments reported to this Committee as part of the periodic Internal Audit reporting arrangements.**

PART 2 – IMPLICATIONS OF THE DECISION

| DELIVERING PRIORITIES |
|--|
| Provision of adequate and effective internal audit helps demonstrate the Council's commitment to corporate governance matters. |
| FINANCE, OTHER RESOURCES AND RISK |
| Finance and other resources The total direct budget for Internal Audit is £172,080 (excluding recharges) for 2021/22. The Internal Audit Team has a full time equivalent (fte) establishment of 3.6 staff. The Internal Audit Team are currently holding a vacancy for an Audit Technician post with an fte of 0.6 |
| Risk Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation. |
| LEGAL |
| The Council has a statutory responsibility to undertake an effective internal audit. |
| OTHER IMPLICATIONS |
| Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below. Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement. |
| Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime. |
| During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports. |
| There is no specific effect on any particular ward. |

PART 3 – SUPPORTING INFORMATION

| BACKGROUND |
|--|
| In respect of the Internal Audit Plan the Public Sector Internal Audit Standards require the Internal Audit Manager to: - |
| <ul style="list-style-type: none">• Establish a risk based Internal Audit Plan, at least annually, to determine the priorities of the Internal Audit function, consistent with the Council's goals.• Has in place a mechanism to review and adjust the plan, as necessary, in response to changes to the Council's business, risks, operations, programmes, systems and controls.• Produces a plan that takes into account the need to produce an annual Internal Audit opinion. |

- Considers the input of senior management and the Audit Committee in producing the plan.
- Assesses the Internal Audit resource requirements.

DEVELOPMENT OF THE AUDIT PLAN

The Internal Audit Plan has been produced taking into account the requirements as set out in the Public Sector Internal Audit Standards, the current Internal Audit Charter and with an emphasis on continuing to use different audit techniques and reporting styles. The Internal Audit Team aspire to add value by targeting particular areas of the Council that may benefit from an independent review of processes and procedures to determine potential efficiency gains, improved technology / software requirements or change through new innovative ways of working.

The 2021/22 Audit Plan has been developed using a risk based approach, taking account of the Councils Corporate Objectives, Corporate Risks and Emerging Risks. A Risk Assessment process has also been undertaken on all auditable areas (Audit Universe) of the Council to enable the Internal Audit Manager to provide an opinion on the effectiveness of governance, risk management and internal control processes within the organisation and provide reasonable assurance to the Audit Committee.

Existing knowledge of the auditable areas and historical data on operational processes within each service area has allowed for a practical assessment on whether a full audit, a leaner audit or a more balanced approach is required. Every audit within the plan will include a section on the impact of COVID-19 on the service area rather than have a separate audit covering the entire organisation. This way we can continually monitor the impact throughout the year and provide a more detailed level of assurance overall.

Discussions have been held with Management Team members individually and collectively. The feedback from Management Team has been taken into account and incorporated within the plan presented to the Committee. The Committee now has the opportunity to input into the draft plan provided.

INTERNAL AUDIT RESOURCE REQUIREMENTS

The establishment for the Internal Audit function is currently 3.6 fte, however it has not operated at this level for some time. As reported previously within Audit Committee Periodic Reports two members of the Internal Audit Team have left the organisation leaving 3 fte currently working within the team. The Internal Audit Team has worked hard to deliver the 2019/20 audit plan while holding vacancies. Due to the organisation moving towards digitalisation and the Internal Audit Team already working paperless this has allowed us to stream line our own processes and work smarter by targeting our resources and even undertaking 100% sample testing due to the availability of electronic data. Because of the changes to how we work, it is proposed that the Internal Audit Team remains with 3 fte while retaining the current budget to commission support from a third party for specialist audit days when needed.

The proposed plan has been developed based on the current resource available and the teams' adaptation to new innovative and leaner ways of working. The number of audit days proposed is 450 which remains unchanged from the 2020/21 audit plan. The plan has been created with the following in mind;

- A leaner more practical audit plan has been developed using a risk based approach, knowledge of all operational processes within service areas, historical assurance opinions and an understanding of where procedural changes have occurred around the Council.
- A hybrid structure of both internal and external resource will provide additional resilience within the team as well as provide different experience, skills transfer for more junior staff and access to a hub of audit resource.
- The impact of COVID-19 will be assessed within all auditable areas identified to ensure a consistent level of assurance can be provided.

INTERNAL AUDIT PLAN DETAIL

The plan provides an outline of the work currently proposed to be undertaken during the 2021/22 financial year. In order to provide a proactive and flexible approach the plan should be considered indicative of the work currently intended. The Internal Audit Plan needs to be flexible to ensure that Internal Audit resources are directed where they are most needed, and add as much value as possible to the organisation.

The plan will be kept under review during the year, in consultation with the Council's senior management, and taking account of changes to the Council's priorities, operations and risk. Changes to the plan will be brought to the attention of the Committee for approval.

The Internal Audit Plan is not intended to provide coverage, in any one year, of the entire Audit Universe. If resources become available as a result of plan changes during the year, then priority will be given to audits with the highest ranking that were not included in the plan, that are considered to be due.

For 2021/22, it is proposed that Internal Audit will undertake a random check of areas categorised as low risk within the audit universe. This way we can ensure that even areas where the risk to the organisation is minimal will still have some form of assurance review.

The plan is considered to be in effect a rolling programme of work, rather than being specific to one year, and audits scheduled, but incomplete at the end of any financial year roll forwards and are completed in the new financial year.

A detailed breakdown of the Audit Plan is included in the Appendix.

The Committee's attention is drawn to the following: -

- **The comments section** of the plan provides additional detail on the audit techniques to be used to deliver the reviews, a brief summary of what is included within the audit and in some instances why it is included in the plan
- **Emerging key projects** – there are a number of projects in progress or due to start in 2021/22. It is unknown at this stage the level of capacity needed from Internal Audit to support the Council in delivering and/or providing independent advice on the projects. Time has been allocated to support the Council and further detail will be provided to the Audit Committee when the level of involvement becomes clear.

- **Development** – Some days have been allocated within the plan to ensure that there is enough time available for the Audit Team to incorporate all of the new processes, procedures, techniques and reporting arrangements into all areas of their work.

As referred to above mechanisms exist to allow amendment to the plan and if any issues arise regarding the risks in the current Corporate Risk Register, or new risks emerge including any identified by the Council’s external auditors, then plan adjustments will be considered.

The level and range of coverage is considered sufficient for the Internal Audit Manager to be able to provide an annual opinion on the Council’s assurance framework.

INTERNAL AUDIT PLAN PROGRESS 2020/21

Due to the short period of time since the previous update to the Audit Committee in February 2021 a more summarised report of progress is provided below;

Since the previous update, progress can be provided on the following audits;

GDPR – Data Sharing Agreements

The audit is now complete and received an overall audit opinion of Adequate Assurance. There was one significant recommendation raised during the audit meeting the requirements to be reported to the Audit Committee;

Issue identified

Out of date Data Protection Policy

The current Data Protection Policy may be viewed as ‘Out of Date’. Originally written in May 2018 as a response to GDPR, it was intended that it be reviewed annually. As well as questions whether the policy reflects current GDPR regulations and best practice since implementation of the Act, it would be beneficial to enhance or support the section on Information Sharing Agreements (ISA) or Data Sharing Agreements (DSA)

Agreed Action;

The DPO will record all reviews of the Data Protection Policy in the amendment history on page 2 of the policy. A formal review will be undertaken every 2 years or as required due to a known requirement. A review will also be undertaken of the policy in line with the findings of the audit.

BACKGROUND PAPERS FOR THE DECISION

Audit Plan Working Papers

APPENDICES

Appendix - Draft Internal Audit Plan 2021/22

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A.1 APPENDIX

| Tendring District Council Internal Audit | | | | |
|---|----------------|------------|--|---|
| 2021/22 Internal Audit Plan | | | | |
| Audit Title | Days Allocated | Total Days | Comments | Associated Inherent Risk Categories |
| Key Systems / Key Financial Risk Areas | | | | |
| Procurement | 12 | | To review the Council's compliance with procurement rules for works or services of value which require a tender exercise | <ul style="list-style-type: none"> • Financial • Reputation - General Governance and Fraud |
| Housing Benefits | 10 | | Different Techniques involved. Likely to include self-assessment, Root cause analysis / Data Analytics and Assurance Mapping exercises until Universal Credit is adopted. | <ul style="list-style-type: none"> • Financial • Reputation - General Governance and Fraud |
| National Non Domestic Rates | 15 | | Different Techniques involved. To include self-assessment, Root cause analysis / Data Analytics and Assurance Mapping exercises. Analysis of Legislation changes and pooling arrangements may also be required | <ul style="list-style-type: none"> • Financial • Reputation - General Governance and Fraud |
| Main Accounting System | 10 | | To review the Council's Main Accounting System which includes management accounting processes and budget monitoring and reporting | <ul style="list-style-type: none"> • Financial |
| Corporate Governance | 10 | | Assurance Mapping and Self-Assessments to be used within this audit. Interviews with Senior Management required to ascertain the culture of the organisation | <ul style="list-style-type: none"> • Reputation - General Governance |
| Council Tax | 10 | | Different Techniques involved. To include self-assessment, Root cause analysis / Data Analytics and Assurance Mapping exercises. | <ul style="list-style-type: none"> • Financial • Reputation - General Governance and Fraud |

A.1 APPENDIX

| Key Systems / Key Financial Risk Areas | | | | |
|--|----|------------|--|---|
| Payroll | 10 | | Data Analytics is the main audit technique used within this audit | <ul style="list-style-type: none"> • Financial • Reputation <p>- General Governance and Fraud</p> |
| Treasury Management | 5 | | Assurance Mapping, Self-Assessments and Data Analytics are the main techniques used | <ul style="list-style-type: none"> • Financial • Reputation <p>- General Governance and Fraud</p> |
| Housing Rents | 10 | | Root cause analysis / Data Analytics | <ul style="list-style-type: none"> • Financial |
| Accounts Receivable | 10 | | To review the income management processes involved for collecting income within the Accountancy department and service departments | <ul style="list-style-type: none"> • Financial |
| Banking | 10 | | To review the internal control environment for the management of the Councils bank accounts. This audit will include an assessment of the management of the Corporate Credit Cards | <ul style="list-style-type: none"> • Financial <p>- General Governance</p> |
| Health and Safety | 6 | | Spot checks on service area's to ascertain compliance with H & S recommendations | <ul style="list-style-type: none"> • Safety • Reputation |
| | | 118 | | |

| Other Systems / Service Area | | | | |
|--------------------------------|----|--|---|--|
| Risk Management | 5 | | Required annually under PSIAS and Cipfa guidance | <ul style="list-style-type: none"> - General Governance |
| Pre and Post Employment Checks | 10 | | To review pre and post-employment checks of staff and the different legislative and regulatory requirement for the many different roles within the organisation | <ul style="list-style-type: none"> • Reputation <p>- General Governance and Fraud</p> |

A.1 APPENDIX

| Other Systems / Service Area | | | | |
|--------------------------------------|----|--|--|---|
| Bereavement Services | 10 | | To review the processes and controls in place for the management of the crematorium and cemetery. To advise and consult on the strategic direction of the service | <ul style="list-style-type: none"> • Financial • Reputation - General Governance |
| Transformation Programme | 6 | | <p>Review of governance arrangements, decision making, cost / benefit analysis and benefit realisation</p> <p>Consultative review as the programme progresses.</p> | <ul style="list-style-type: none"> • Reputation • Financial - General Governance |
| Housing Repairs and Maintenance | 15 | | To assess the internal control environment for the reactive maintenance for the in house team and the external contractors undertaking works | <ul style="list-style-type: none"> • Financial - General Governance |
| Careline | 12 | | Undertake Internal Audit of Careline Services and assess the internal control environment and capacity to deliver services | <ul style="list-style-type: none"> • Financial • Reputation - General Governance |
| Waste Management – Northbourne Depot | 12 | | Review Waste Management procedures within the Council's Depot | <ul style="list-style-type: none"> • Safety • Reputation • Financial - General Governance |
| Building Control | 10 | | To review the effectiveness of the Building Control service and the management of operational services, strategic priorities and income management | <ul style="list-style-type: none"> • Financial • Reputation - General Governance |

A.1 APPENDIX

| Other Systems / Service Area | | | | |
|------------------------------|----|--|---|---|
| Depot Operations | 10 | | To review day to day operations of the depot, overall culture in line with corporate responsibilities and follow up on any outstanding security issues for the depot and its associated satellite compounds | <ul style="list-style-type: none"> • Reputational - General Governance |
| Planning Development | 15 | | To review Planning Development processes and ensure that the Council are complying with all relevant legislative and regulatory requirements | <ul style="list-style-type: none"> • Reputation - General Governance |
| Carbon Neutrality | 12 | | To assess the baseline data used by the Council for setting its Carbon Neutrality aims and objectives and review / assess the planning methodology and feasibility of achieving our aspirations | <ul style="list-style-type: none"> • Reputation - General Governance |
| Strategic Housing | 10 | | To review and assess the services progress in delivering key strategic objectives and obligations | <ul style="list-style-type: none"> • Reputation • Financial - General Governance |
| Performance Management | 15 | | To review the Council's performance management processes and procedures at a strategic and operational level | <ul style="list-style-type: none"> • Reputation - General Governance |
| Code of Corporate Governance | 10 | | Assess the Council's ability to deliver services in line with the core principles of the Code of Corporate Governance | <ul style="list-style-type: none"> • Reputation - General Governance |
| Emerging Key Projects | 20 | | Provision for emerging projects. Considered as a contingency provision to be allocated during year to specific tasks as appropriate | <ul style="list-style-type: none"> • Reputation • Financial - General Governance and Fraud |

A.1 APPENDIX

| IT Audit | | | | |
|----------------------------------|----|-----------|--|---|
| Digital Transformation Programme | 6 | | IT continues to be one of the biggest risk areas to all organisations. Governance arrangements and project delivery to be within scope Consultative review as the programme progresses. | <ul style="list-style-type: none"> • Financial • Reputation <p>- General Governance</p> |
| IT Governance | 6 | | PSIAS expectation that this will be covered each year. | - General Governance |
| Information / IT Security | 12 | | To assess the security controls in place for protecting the Council's data and IT assets | <ul style="list-style-type: none"> • Reputation <p>- General Governance</p> |
| | | 24 | | |

| | | | | |
|------------------------------------|----|-----------|---|---|
| Action Tracking / Follow Up | 36 | | Time allocated to chase, monitor and review the implementation of outstanding audit actions | <ul style="list-style-type: none"> • N/A |
| | | 36 | | |

| | | | | |
|--|----|-----------|--|---|
| Carry Forward of Work in Progress | 40 | | Audits in progress at 31st March 2021. May be necessary to revise figure at late stage in plan process | <ul style="list-style-type: none"> • N/A |
| | | 40 | | |

| | | | | |
|--------------|--|--|--|--|
| Other | | | | |
|--------------|--|--|--|--|

A.1 APPENDIX

| | | | | |
|------------------------|----|------------|---|---|
| Consultancy & Advisory | 50 | | Consultancy and advice, requested and unplanned audits, investigations. | <ul style="list-style-type: none"> N/A |
| Development | 10 | | Time needed to adapt to internal and external changes and ensure that audit techniques, testing and reporting remain up to date | <ul style="list-style-type: none"> N/A |
| | | 60 | | |
| Total | | 450 | | |

***Associated Inherent Risk Categories** are the overarching risk headings in which Corporate Risks and Business Risks are developed. In order to reach a high enough level to be considered a significant risk to the authority and require management action and audit resource there must be an element of Governance, Financial, Reputational, Fraud and Safety risk identified.

Glossary

| | |
|----------------------------|---|
| Self-Assessment | Services to assess own processes and controls. Internal Audit to undertake testing only. |
| Data Analytics | To compare large volumes of data and analyse specific trends, errors or anomalies. |
| Assurance Mapping | To review other assurance reports on the service area and take assurance from those reviews already complete where possible. |
| Root Cause Analysis | Where continuous issues arise, Internal Audit will identify the root cause and support the service in resolving the systemic issue rather than the singular one-off issue arising from audit testing. |

AUDIT COMMITTEE

25 MARCH 2021

REPORT OF ASSISTANT DIRECTOR (FINANCE & IT)

A.2 AUDIT COMMITTEE WORK PROGRAMME 2021/22

(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present for approval the Audit Committee's proposed work programme covering the period April 2021 to March 2022.

EXECUTIVE SUMMARY

A work programme covering the period April 2021 to March 2022 has been prepared which continues to reflect the significant element of regulatory / statutory activity required along with other associated work, which falls within the responsibilities of the Audit Committee.

RECOMMENDATIONS

That the Audit Committee approves its Work Programme for 2021/22.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The existence of sound governance, internal control and financial management practices and procedures are essential to the delivery of the Corporate priorities supported by effective management and forward planning within this overall framework.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

Although there are no significant financial implications associated with the work programme of the Committee, additional officer time or resources may be required to support the activities of the Committee and existing budgets will be reviewed as appropriate if the potential for additional costs arises.

Risk

The work programme of the Committee covers a mix of governance arrangements along with statutory and regulatory functions. The work programme aims to address these areas of responsibility within related timescales and deadlines to support, protect and enhance the Council's reputation and governance framework.

LEGAL

Statutory and regulatory requirements have been recognised within the work programme.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

The work programme has no direct impact on these issues although they could feature within areas of work falling within the remit of the Audit Committee in future, which would be addressed specifically as and when they arise.

PART 3 – SUPPORTING INFORMATION

PROPOSED WORK PROGRAMME 2021/22

The Audit Committee has a wide-ranging area of responsibility with statutory and regulatory functions making up a significant element of their work. The meetings of the Committee are scheduled around a quarterly basis subject to the work required of the Committee to support the statutory and regulatory timescales and deadlines. The Audit Committee's work programme therefore needs to take account of various demands whilst balancing a number of activities within the planned number of meetings scheduled for the year.

In addition to the regulatory and statutory activities undertaken by the Committee such as the Statement of Accounts, Corporate Governance and Risk Management, the Committee are also required to review and scrutinise:

- The work and performance of the Internal Audit function;
- The outcomes from the work of the Council's External Auditor;
- Progress against audit recommendations and other items identified by the Committee.

During the year other matters apart from those set out above may be presented to the Committee for consideration. Given the on-going regulatory and statutory workload and the various additional activities undertaken by the Committee, any additional items that may arise will need to be considered against the proposed work programme and included for reporting at the appropriate meeting, or considered for inclusion in subsequent work programmes.

Although not included in the formal work programme, it is recognised that the Committee may wish to develop training opportunities, especially going into 2021/22 following the revised mandatory training requirements for members of the Committee. Such opportunities will either form part of future meetings or, where necessary, separate arrangements made.

There has been a significant impact on resources over the past year due to the on-going COVID 19 pandemic, which has had a knock-on effect on the timing of specific activities and associated reporting, so it has not been possible to present a number of items originally planned for the March meeting of the Committee. However, in consultation with the Chairman of the Committee, it is proposed to include an additional meeting in April 2021 to enable these outstanding items to be completed and presented to the Committee

as timely as possible, given the next formal meeting after March would ordinarily be in July.

Another impact from COVID 19 is the change in the timetable for the production and audit of the Council's Statement of Accounts. The Government have decided to implement this change on an initial two year period, which reflects their initial response to the wider Redmond review recommendations. The change to the timetable is as follows:

| Key Activity | Existing Date | Revised Date |
|---|---------------|--------------|
| Publication date for Draft Statement of Accounts (Pre-Audit) | 1 June | 1 August |
| Publication date for Final Statement of Accounts (Audited) | 31 July | 30 September |

The above change can be accommodated within the existing timetable of meetings, but the Final Statement of Accounts will now be presented to the September meeting of the Committee instead of the July meeting of the Committee.

In addition to the above, the Council is still waiting for the Government's response to the wider Redmond review into the effectiveness of external audit. It is currently proposed to update the Committee as part of the Table of Outstanding Issues reports included within the work programme rather than it featuring as a standalone item. However, this will be reviewed once the Government have formally announced their response.

Taking into account the responsibilities of the Audit Committee as highlighted above the proposed work programme covering the period from April 2021 up to and including March 2022 is set out in the **Appendix**.

As the year progresses, it may be necessary to review items as some reports / activities and associated timescales may be subject to change or need to be flexible, especially given the current impact of the coronavirus pandemic which may see disruption continue over a prolonged period of time. As appropriate, the Chair of the Committee will be consulted on any significant changes if required.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

APPENDIX – Audit Committee Work Programme 2021/22

A.2 APPENDIX

Audit Committee Work Programme 2021/22

| Audit Committee Meeting | Item | From |
|--------------------------------|---|--|
| April 2021 | Internal Audit Regular Monitoring Report | Internal Audit |
| | External Audit - Audit Plan for Year Ending March 2021 | External Audit |
| | Certification of Claims and Returns Annual Report | External Audit / Assistant Director Finance & IT |
| | Corporate Risk Update <i>(including outcomes from annual cyber security self-assessment)</i> | Assistant Director Finance & IT |
| | Anti-Fraud and Corruption Strategy – Annual Review | Assistant Director Finance & IT |
| | Table of Outstanding Issues <i>(Including update against External Audit Recommendations and Annual Governance Statement Actions)</i> | Assistant Director Finance & IT |
| July 2021 | Annual Report of the Head of Internal Audit 2020/21 | Internal Audit |
| | Internal Audit Regular Monitoring Report <i>(Including annual review of the Internal Audit Charter)</i> | Internal Audit |
| | Corporate Risk Update <i>(including outcomes from annual cyber security self-assessment)</i> | Assistant Director Finance & IT |
| | Table of Outstanding Issues <i>(Including update against External Audit Recommendations and Annual Governance Statement Actions)</i> | Assistant Director Finance & IT |
| September 2021 | Internal Audit Regular | Internal Audit |

| | | |
|---------------------|---|--|
| | Monitoring Report | |
| | Audit Completion Report 2020/21 (Including Statement of Accounts 2020/21, outcomes from the annual review of the Council's Code of Corporate Governance and Annual Governance Statement 2020/21) | External Audit / Assistant Director Finance & IT |
| | Table of Outstanding Issues <i>(Including update against External Audit Recommendations and Annual Governance Statement Actions)</i> | Assistant Director Finance & IT |
| January 2022 | Internal Audit Regular Monitoring Report | Internal Audit |
| | Annual Audit Letter 2020/21 | External Audit |
| | Corporate Risk Update <i>(including outcomes from annual cyber security self-assessment)</i> | Assistant Director Finance & IT |
| | Anti-Fraud and Corruption Strategy – Annual Review | Assistant Director Finance & IT |
| | Table of Outstanding Issues <i>(Including update against External Audit Recommendations and Annual Governance Statement Actions)</i> | Assistant Director Finance & IT |
| March 2022 | Internal Audit Regular Monitoring Report | Internal Audit |
| | Internal Audit Plan 2022/23 <i>(Including annual review of Internal Audit Charter)</i> | Internal Audit |
| | External Audit - Audit Plan for Year Ending March 2022 | External Audit |
| | Risk Based Verification Policy – Annual Review | Assistant Director Finance & IT |

| | | |
|--|---|--|
| | | |
| | Certification of Claims and Returns Annual Report | External Audit / Assistant Director Finance & IT |
| | Audit Committee's Work Programme 2022/23 | Assistant Director Finance & IT |
| | Table of Outstanding Issues <i>(Including update against External Audit Recommendations and Annual Governance Statement Actions)</i> | Assistant Director Finance & IT |

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