

# Public Document Pack

Audit Committee

1 October 2020

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,  
HELD ON THURSDAY, 1ST OCTOBER, 2020 AT 3.35 PM  
THE MEETING WAS HELD IN ACCORDANCE WITH THE PROVISIONS OF  
STATUTORY INSTRUMENT 2020/392.**

<b>Present:</b>	Councillors Coley (Chairman), Alexander (Vice-Chairman), Fairley, Placey and Winfield
<b>In Attendance:</b>	Richard Barrett (Assistant Director (Finance and IT) & Section 151 Officer), Craig Clawson (Internal Audit Manager), Ian Ford (Committee Services Manager), Matt Cattermole (Communications Assistant) and Hattie Dawson-Dragisic (Apprentice (Democratic Services & Elections))

## **1. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies for absence were submitted on behalf of Councillors King (with Councillor Winfield substituting) and Miles (with no substitute).

## **2. MINUTES OF THE LAST MEETING**

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

## **3. DECLARATIONS OF INTEREST**

There were no declarations of interest made on this occasion.

## **4. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38**

There were no Questions on Notice on this occasion.

## **5. REPORT OF THE INTERNAL AUDIT MANAGER - A.1 - REPORT ON INTERNAL AUDIT**

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 March to June 2020 as well as the Internal Audit Manager's Annual Report for 2019/20. That report was split into three sections as follows:-

- (1) Internal Audit Plan Progress 2019/20;
- (2) Annual Report of Internal Audit Manager; and
- (3) Internal Audit Plan Progress 2020/21.

### **(1) Internal Audit Plan Progress 2019/20**

The Committee was informed that the 2019/20 Internal Audit Plan had been completed with the exception of three audits which had been deferred to the 2020/21 Internal Audit Plan. It had been agreed previously to defer both the North Essex Garden Communities and the Financial Resilience Audits to the 2020/21 Audit Plan and the Health and Safety service review had had to be stopped during fieldwork due to the impact of COVID-19 on that service.

All further audits completed during March 2020 to June 2020 had received satisfactory assurance opinions with no significant issues being identified.

Members were reminded that an update was usually provided to the Committee on the continuous and consultative work undertaken by the Internal Audit Team in order to ensure that the Committee was aware of service area supportive work that was not measured in the same way as a standard Internal Audit. Unfortunately, due to the impact of COVID-19 the Internal Audit Team had been unable to provide the same level of support to the transformation programme and the digital transformation programme due to other emergency planning priorities across the District.

However, an update could be provided on the Northbourne Depot Security Review. The Corporate Director responsible for the Northbourne Depot had provided the following update:

- the locks on the compound area had been changed with access limited to specific Officers;
- the CCTV System had been fully upgraded;
- an electronic gate had been installed on the front entrance to the Depot which required fob access and was locked in the evenings and at weekends;
- the job scheduling system was currently being implemented.

The Committee was advised that Internal Audit were supporting the service on the implementation of the job scheduling system. This was a staged process which would potentially benefit other service areas such as Horticultural Services and Facilities Management in the long term if it was implemented effectively.

#### 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. Due to COVID-19 all recruitment had been put on hold and Officers had therefore had not been in a position to continue with the recruitment process of a new Apprentice to the section. However, the recruitment process had recently re-started and it was expected that an Apprentice would be appointed shortly.

From March 2020 until July 2020 no Internal Audits had been undertaken as every service area across the Council had had to adapt to the changes required by their service due to the global pandemic. In order to support the Council and the emergencies it faced, the Internal Audit Team had offered up resources to tackle the emerging challenges. The Internal Audit Manager had been a part of the Silver Command Team within the Council's Emergency Planning function as the information and communication lead. In addition, two Auditors had assisted the support hubs by taking phone calls and ensuring that the most vulnerable persons in the community received food parcels. At the same time the Team had continued to ensure that audits

where information was readily available either online or on the network had continued to progress in order to ensure that the Team did not fall too far behind on the audit plan.

#### 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 five audits had been completed and the final report issued. One audit had received a 'Substantial Assurance' audit opinion and the other four had received an 'Adequate Assurance' audit opinion.

#### 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 five high severity issues overdue (by less than three months) which all related to either Planning Enforcement or Housing Allocations.

#### Update on previous significant issues reported

##### Housing Allocations

The Committee recalled that this service had previously stated that they were awaiting the approval for a new Housing Allocations System to be implemented as the previous Northgate module was no longer fit for purpose. An update had been provided by that service which stated that a new system was currently at a testing phase with a 'soft' implementation date in November 2020. Internal Audit would review the implementation process as part of the Housing Allocations 'Follow-Up' Audit.

##### Planning Enforcement

An update had been provided by the Assistant Director (Planning). Some work had begun to implement the changes required for Planning Enforcement; however, due to the impact of COVID-19 they had not been able to fully implement all agreed actions because the work was being led by the Council's Corporate Enforcement Group which had only met for the first time in August 2020 since lockdown in March 2020.

It was also reported that work on the Planning Enforcement Policy was still ongoing but use of the Planning System was now expected for all complaints and HARM assessments were also expected to be completed for every review. All of which would be assessed fully as part of the Planning Enforcement 'Follow-Up' Audit.

#### **(2) Annual Report of the Internal Audit Manager**

The Committee was aware that there was a requirement under PSIAS 2450 that the Chief Audit Executive must provide an annual report to the Audit Committee, timed to support the Annual Governance Statement. This must include:

- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment);
- a summary of the audit work from which the opinion was derived (including reliance placed on work by other assurance bodies); and
- a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.

Members were made aware that the Council had adopted a 'Three Lines of Defence' assurance model which was taken from the following sources:

1. Senior Management and Departmental Leadership;
2. Internal Governance; and
3. An Internal Audit function operating in accordance with the Accounts and Audit Regulations 2015.

#### Internal Audit Approach

The Internal Audit function undertook a programme of audits each year in order to provide the Council and its Audit Committee with an assurance on the adequacy of its system of internal control, governance and risk management arrangements. The audit programme had been developed to be risk based and comprised of different audit techniques in order to make it leaner and more supportive of service delivery to meet the Council's needs.

Internal Audit had continued to work with services on a consultancy basis in order to support the implementation of new processes, identify and analyse root cause if necessary and ensure that all relevant employees had the appropriate training to competently carry out their role. Transformation, Project Management, Procurement and Risk Management were some of the areas where this type of work had been undertaken.

In 2019/20 to date, only three audits from a total of 34 undertaken had received an overall audit opinion of "Improvement Required" where high severity issues had been identified. Those audits were Planning Enforcement, Housing Repairs and Maintenance and Housing Allocations. Improvement actions had been put in place for all of the above audits which were followed up in order to assess the progress of implementation. All significant issues were reported to the Audit Committee with required improvement actions throughout the year in order to provide a continuous update on the Council's control environment, governance arrangements, material issues identified and improvement actions.

#### Annual Opinion 2019/20

The Committee was advised that the assurance opinion was based on:

- Internal Audit work completed during the course of the year;
- observations from consultancy/ advisory support;
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- a review of assurance from other providers including those from first and second lines of defence, independent regulators and peer reviews;

- the extent of resources available to deliver the internal audit work; and
- the quality and performance of the Internal Audit service and the extent of compliance with the Public Sector Internal Audit Standards.

*Limitations to the Annual Opinion*

*As the COVID-19 pandemic had forced a national lockdown in March 2020 and as a result forced the Council into remote working and in some areas a complete halt on service provision other than emergency work, it had become particularly challenging to complete outstanding audits. However, with the exception of one core audit (Health and Safety), fieldwork had been completed on all other audits within the audit plan. Health and Safety priorities had naturally shifted in March 2020 which meant that their workload had increased dramatically. Therefore a decision had been taken to suspend work on that audit in order to support the Health and Safety Team during the lockdown period.*

It was the opinion of the Internal Audit Manager that the overall direction of travel regarding the internal control environment since 2018/19 had improved in core areas such as the Council's key systems. However, there were some service areas that required further improvement and others where the expected controls and risk mitigation had not been implemented as expected. Nevertheless, as the majority of audits in 2019/20 had continued to receive an adequate or substantial assurance opinion it was reasonable to suggest that there had not been a considerable deterioration in internal control and operational processes within the year.

Governance arrangements and internal controls had been evaluated in all audits within the plan, albeit with varying levels of scope. Senior Management continued to review strategic risks on a regular basis within Management Team and the Corporate Risk Register was reviewed bi-annually with any feedback reported to Management Team for its consideration.

As the majority of the year had been unaffected by the COVID-19 pandemic the annual opinion would reflect normal operations. However, governance arrangements and key systems would need to be reviewed for the period from March 2020 in order to provide assurance that good governance and control remained strong in light of the procedural changes across all service areas.

Members were reminded that the opinion of the Internal Audit Manager was drawn from all of the information reported above, external reviews carried out throughout the year from other assurance providers and through the ongoing work in supporting Senior Management and Services in delivering the Council's objectives and vision.

The Committee was further informed that the Internal Audit function was expected to commission an independent assessment on compliance with the Public Sector Internal Audit Standards that had been set by the Institute of Internal Auditors (IIA) and adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) every five years. Internal Audit had received an independent report in 2017/18 which had confirmed conformance with the standards. Although this assessment was undertaken, the Internal Audit function must continue to complete an annual Quality Assurance and Improvement Programme (QAIP) which was a self-assessment questionnaire against the PSIAS. A QAIP had been completed and presented to the Audit Committee at its meeting in January 2020.

The Internal Audit Manager was satisfied that sufficient work had been completed in 2019/20 in order to draw a reasonable conclusion on the adequacy and effectiveness of the Council's activities. The internal control environment continued to remain stable with no significant changes from 2018/19; an open dialogue with Senior Management on risk remained in place and a generally sound system of internal control had been assessed across the majority of the Council's operational areas. Therefore, an overall unqualified opinion of Adequate Assurance could be provided.

### **Internal Audit Plan Progress 2020/21**

It was reported that a total of 17 audits from the 2020/21 Internal Audit Plan had been either allocated; were in progress; or fieldwork had been completed. Four Audits had been completed with no significant issues identified.

Members were informed that Internal Audit had been working closely with services to maintain a control environment whilst moving to fully electronic service provision across the Council. The Team had also been supporting some departments with the implementation of new systems and supporting the Emergency Planning function wherever possible.

From July 2020, Internal Audit had been able to progress further with audits allocated within the Internal Audit Plan as services were now adapting to the 'new normal'.

Due to the impacts of COVID-19 the Internal Audit Manager proposed that some changes be made to the Internal Audit Plan in order to incorporate risk areas that had emerged. Some areas that he wanted to add to the audit plan for consideration were as follows;

- Fraud and Corruption
- Change Management
- GDPR
- Financial Strategy and Resilience
- The impact on governance arrangements due to COVID-19

The Committee was aware that work on the above areas would, of course, add additional pressure to the current resources available and it was therefore proposed to use external Internal Audit provision to support the In-House Team in completing the audits within the current plan and to free up resources to undertake work on the additional audits required.

Furthermore, some work had begun on the Carbon Neutrality audit with initial assessments indicating that it might be worth waiting until 2021/22 in order to allow work to begin on the agreed action plan for the Council. This would then free up a further 10 resource days for the Internal Audit Team to use for the additional audit reviews proposed.

Appendix B to the Internal Audit Manager's report provided an update on the status of each audit to date. There were no significant issues or particular areas of concern to report at this time.

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

**RESOLVED** that –

- (a) the contents of the report be noted; and
- (b) the additional proposed audits be included within the 2020/21 Internal Audit Plan.

**6. REPORT OF THE ASSISTANT DIRECTOR (FINANCE AND IT) - A.2 - 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.

The Committee was informed that there were three appendices to this report which would contain:

- 1) updates against general issues previously identified by the Committee;
- 2) updates against the Annual Governance Statement from last year as at the end of March 2020; and
- 3) the latest position against the Annual Governance Statement Action Plan for 2020/21.

It was reported that, to date, there were no significant issues arising from the above, with work remaining in progress or updates provided elsewhere on the agenda, where appropriate.

In addition, updates on other issues such as the outcomes from a Government review of the effectiveness of external audit conducted by Sir Tony Redmond and the revisions to the Statement of Accounts (SoA) and Annual Governance Statement (AGS) reporting timetable as a result of the impact of Covid-19 were set out in more detail in this report. In respect of the latter point, it was proposed to hold an additional meeting of the Committee in November in order to accommodate the revised deadline of 30 November 2020.

The Committee noted that the changes above would also have an impact on the Annual Audit Letter (AAL) provided by the Council's External Auditor. This could not be prepared and issued until they had completed their work on the SoA and AGS. Therefore the AAL would now be submitted to the January 2021 meeting of the Committee.

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

**RESOLVED** that –

- (a) the progress made against the actions set out in Appendices A to C to item A.2 of the report of the Assistant Director (Finance & IT) be noted;
- (b) the revision to the deadline associated with the production and publication of the Statement of Accounts and Annual Governance Statement be noted; and

- (c) Officers be requested to make the necessary arrangements for an additional meeting of the Committee to be held in November 2020 in order to ensure that the deadline of 30 November 2020 relating to the above is met.

**7. REPORT OF ASSISTANT DIRECTOR (FINANCE & IT) - A.3 - CORPORATE RISK REGISTER UPDATE**

The Committee had before it a report submitted by the Council's Assistant Director (Finance & IT) (A.3) which presented for the Committee's consideration the updated Corporate Risk Register.

Members were reminded that the Corporate Risk Register was regularly updated, and submitted to the Committee every six months, with the last such occasion being in January 2020. Given the unprecedented impact of the COVID 19 crisis, the risk register would need to be reviewed going forward against a potential 'new normal'. Therefore only minor changes to the corporate risk register had been made at this stage. However, to ensure the most up-to-date position and assurance was reported to the Committee, a more detailed interim update against key risks was set out in this report.

It was reported that the risk register had been updated within the context of the usual and underlying risks that were included in the register. However, it was recognised that the unprecedented events experienced this year in respect of the COVID 19 crisis would have a major impact on the Council and likely cut across many of the risks currently included within the register. Given the on-going and 'live' nature of the current COVID crisis, it was difficult to fully revise the register at this point in time to reflect what is deemed to be the 'new normal'.

However, it was felt timely to highlight the following two points in order to provide assurance around the Council's governance related response and reaction to the unprecedented position faced this year:

As set out in the Annual Governance Statement, that had been published (subject to audit) with the Statement of Accounts 2019/20 at the end of July 2020, a number of actions were set out including those directly relating to the COVID 19 crisis. Updates against those actions were set out within the Table of Outstanding Issues report considered earlier in the meeting. Although it was still relatively early in the wider 'recovery / response' phase, it was important to highlight that a review was planned to be undertaken by Internal Audit that would cover the impact on governance falling into the following broad categories:

- *Impact on business as usual in the delivery of services*
- *New areas of activity as part of the national response to coronavirus and any governance issues arising*
- *The funding and logistical consequences of delivering the local government response*
- *Assessment of the longer term disruption and consequences arising from the coronavirus pandemic*

Members were aware that, to date, the Council had been able to maintain, operate and deliver the majority of its operations and services as usual but specific comments in respect of key governance items were set out in the following table as an interim update set against the current COVID 19 crisis:-

<b>Risk As Included within the Register</b>	<b>Update / Comment</b>
<b>RISK 1b – Catastrophic IT network failure</b>	<i>Resilience is built into our IT Investment Strategies including ‘mirrored’ data storage at two national Microsoft Azure platform data centres delivering 85% of our hybrid Private/ Public Applications - all resulting in significantly increased resilience and much speedier ‘disaster recovery’ capability.</i>
<b>RISK 1c- Ineffective communication / management of information</b>	<i>Officers laptops have been upgraded during the last 6 months to ensure a smoother working from home process can be maintained.</i> <i>A significant amount has been undertaken to facilitate remote meetings at both officer and member level.</i>
<b>RISK 1d - Ineffective Cyber Security Physical and Application (software) Based Protection Management</b>	<i>Nationally cyber security attacks have increased by 700% during the COVID 19 crisis. The IT remain alert to these attacks and continue to carry out work in this area including increasing staff awareness on these issues while working remotely.</i>
<b>RISK 3b - Failure to comply with legislative requirements</b>	<i>The Council has remained alert to new legislative requirements such as the changes associated with holding remote meetings etc. The necessary decision making processes and practical arrangements have been put in place where necessary.</i>
<b>RISK 3d - Fraud and Corruption</b>	<i>During a major crisis such as COVID 19, there is unfortunately an increase in attempts to defraud organisations – this can range from organised and widespread ‘attacks’ to businesses wrongly claiming business rates grants. The Council has remained alert to such issues and where controls have had to be changed or implemented to accommodate new working practices (such as remote working), these changes have been made in consultation with Internal Audit and will</i>

	<p><i>form part of their follow up work later in the year.</i></p> <p>A significant amount of assurance work has also been undertaken by the Revenues and Benefits Team in connection with the payment of various business grants to ensure money is paid out correctly to those eligible.</p>
<b>RISK 4a – Loss of Key Staff RISK 4b – Lack of Capacity to Deliver Core Services</b>	<p><i>The Council remains alert to the pressures it currently faces, not only responding to COVID 19 issues which have been varied and challenging to resource over the past few months, but also to other emerging activities both locally and nationally.</i></p> <p><i>Council staff have risen to the challenge in terms of being flexible, positive and willing to support different areas of the Council.</i></p> <p><i>However with continuing changes in the Local Government sector, such as those emerging from the Government, the level of capacity to not only deliver against these emerging issues but also the day to day operations of the Council may become more challenging over time.</i></p>
<b>RISK 5a - Financial Strategy</b>	<p><i>There has been a significant impact on business rates and council tax (Risks 8a and 8b) during the 6 month period to date, along with losses of income from areas such as parking and leisure. The Government have provided financial support to the Council to underwrite some risks and an updated in-year position will be reported to members later in October.</i></p> <p><i>It is very difficult to predict the longer term impact on the Council's financial strategy at the present time. However an underlying strength in the financial resilience of the Council is the flexibility that the long term approach provides, which will enable any adverse impact to be managed over a longer period of time.</i></p>
<b>Risks:</b> <b>3c - Health and Safety;</b> <b>9a - Ineffective Emergency Planning;</b> <b>and</b>	<i>At the beginning of the crisis earlier in the year the Council invoked its emergency planning and business continuity processes. Usually this response would be</i>

<b>9b - Ineffective Business Continuity Planning</b>	over a very short period of time dealing with a one-off major event such as coastal flooding, so they have never been tested in a long term scenario such as COVID 19. However the plans that have been put in place have enabled the Council to maintain business as usual over a major part of its normal operations. Arrangements have also continued to evolve over the course of the year in delivering a successful response to the longer term nature of the COVID 19 crisis. There will inevitably be lessons learnt that need to be reflected in any necessary revisions to emergency planning and business continuity arrangements which will form part of future updates.
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The following table summarised the amendments to the Risk Register since it had been last considered by the Committee in January 2020:

Risk Register Item	Amendments / Comments
New Risks Identified	None
Risks Removed	None
Risk Scores Amended	None – however as mentioned elsewhere in the Officer report, the corporate risk register would be reviewed in the context of the COVID 19 crisis along with lessons learnt which would undoubtedly require changes to be reflected in the register going forward.
Risks Amended	Minor wording changes had been made for the following risks:  <i>1b - Catastrophic IT network failure</i> <i>1c - Ineffective communication/management of information</i> <i>1d – Ineffective cyber security physical and application (software) based protection management</i> <i>2d – Ineffective delivery of transforming Tendring project</i> <i>6a – Loss of sensitive and/or personal data through malicious actions loss theft and/or hacking</i> <i>9a - Ineffective Emergency Planning</i>

The Committee was informed that a Local Government cyber security self-assessment was undertaken by the Council in November each year with the latest one completed in November 2019. The Council had achieved a robust Amber-Green score of 65-79%, but with areas of improvement identified. That rating had placed Tendring District Council in the top-quartile compared with our Essex Online Partnership (EOLP) peer group.

The Service would shortly be undertaking the 2020 self-assessment and it was planned to report any associated recommendations and actions to the January 2021 meeting of the Committee.

Having considered the information provided it was:

**RESOLVED** that the updates provided to the current Corporate Risk Register be noted.

The meeting was declared closed at 4.20 pm

**Chairman**