

Thurrock: A place of opportunity, enterprise and excellence, where individuals, communities and businesses flourish

AUDIT COMMITTEE

The meeting will be held at **7.00 pm** on **11 July 2024** at the **Committee Room 2, Civic Offices, New Road, Grays, Essex, RM17 6SL**

Membership:

Councillors Fraser Massey (Chair), Srikanth Panjala (Vice-Chair), Mark Hurrell, Ngozi Alike, Alex Anderson, James Halden, Charles Clarke (Co-opted Member) and Jasrdip Singh Nijjar (Co-opted Member)

Substitutes:

Councillors Tony Fish, George Coxshall, Vikki Hartstean and Neil Speight

Agenda

Open to Public and Press

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Information for members of the public and councillors

Access to Information and Meetings

Advice Regarding Public Attendance at Meetings

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DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF

Breaching those parts identified as a pecuniary interest is potentially a criminal offence

Helpful Reminders for Members

- *Is your register of interests up to date?*
- *In particular have you declared to the Monitoring Officer all disclosable pecuniary interests?*
- *Have you checked the register to ensure that they have been recorded correctly?*

When should you declare an interest *at a meeting*?

- **What matters are being discussed at the meeting?** (including Council, Cabinet, Committees, Subs, Joint Committees and Joint Subs); or
- If you are a Cabinet Member making decisions other than in Cabinet **what matter is before you for single member decision?**



Does the business to be transacted at the meeting

- relate to; or
- likely to affect

any of your registered interests and in particular any of your Disclosable Pecuniary Interests?

Disclosable Pecuniary Interests shall include your interests or those of:

- your spouse or civil partner's
- a person you are living with as husband/ wife
- a person you are living with as if you were civil partners

where you are aware that this other person has the interest.

A detailed description of a disclosable pecuniary interest is included in the Members Code of Conduct at Chapter 7 of the Constitution. **Please seek advice from the Monitoring Officer about disclosable pecuniary interests.**

What is a Non-Pecuniary interest? – this is an interest which is not pecuniary (as defined) but is nonetheless so significant that a member of the public with knowledge of the relevant facts, would reasonably regard to be so significant that it would materially impact upon your judgement of the public interest.

Pecuniary

If the interest is not already in the register you must (unless the interest has been agreed by the Monitoring Officer to be sensitive) disclose the existence and nature of the interest to the meeting

If the Interest is not entered in the register and is not the subject of a pending notification you must within 28 days notify the Monitoring Officer of the interest for inclusion in the register

Unless you have received dispensation upon previous application from the Monitoring Officer, you must:

- Not participate or participate further in any discussion of the matter at a meeting;
- Not participate in any vote or further vote taken at the meeting; and
- leave the room while the item is being considered/voted upon

If you are a Cabinet Member you may make arrangements for the matter to be dealt with by a third person but take no further steps

Non- pecuniary

Declare the nature and extent of your interest including enough detail to allow a member of the public to understand its nature



You may participate and vote in the usual way but you should seek advice on Predetermination and Bias from the Monitoring Officer.

Our Vision and Priorities for Thurrock

An ambitious and collaborative community which is proud of its heritage and excited by its diverse opportunities and future.

1. **People** – a borough where people of all ages are proud to work and play, live and stay
 - High quality, consistent and accessible public services which are right first time
 - Build on our partnerships with statutory, community, voluntary and faith groups to work together to improve health and wellbeing
 - Communities are empowered to make choices and be safer and stronger together

2. **Place** – a heritage-rich borough which is ambitious for its future
 - Roads, houses and public spaces that connect people and places
 - Clean environments that everyone has reason to take pride in
 - Fewer public buildings with better services

3. **Prosperity** – a borough which enables everyone to achieve their aspirations
 - Attractive opportunities for businesses and investors to enhance the local economy
 - Vocational and academic education, skills and job opportunities for all
 - Commercial, entrepreneurial and connected public services

Minutes of the Meeting of the Standards and Audit Committee held on 29 February 2024 at 7.00 pm

Present: Councillors Kairen Raper (Vice-Chair), Lynn Worrall, Elizabeth Rigby and James Thandi

Charles Clarke - Co-opted Member
Jasdip Singh Nijjar – Co-opted Member

Apologies: Councillors Fraser Massey (Chair) and Gary Collins

In attendance:

Rachel Brittain, Binder Dijke Otte (BDO)
Matthew Boulter - Head of Democratic, Scrutiny and Members Services
Asmat Hussain, Director of Legal and Governance and Monitoring Officer
Mike Jones, Assistant Director of Finance
Lee Henley, Head of Information Management
Colin Ratcliffe, The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance
Rhiannon Whiteley, Senior Democratic Services Officer

Before the start of the Meeting, all present were advised that the meeting may be filmed and was being recorded, with the audio recording to be made available on the Council's website.

[Thurrock Council - Standards and Audit Committee, 29/02/2024 \(youtube.com\)](https://www.youtube.com/watch?v=...)

73. Minutes

The minutes of the Standards and Audit Committee meeting held on 23 November 2023 were approved as a correct record.

74. Items of Urgent Business

The Chair confirmed that the item 14 report on Risk Management will need to be deferred as the report is not ready. Item 12 will be deferred to the next meeting on 21 March 2024.

75. Declaration of Interests

No interests were declared.

76. External Audit Progress Report - Verbal Update

Rachel Brittain from BDO introduced the presentation to the committee.

The following key points were highlighted: -

- Members queried the effect of re-classifying heritage assets. Rachel confirmed it just changes the way they are accounted for.
- Members queried whether the Finance team have the resources to assist the external auditors in completing the audit. The Assistant Director of Finance stated that he is doing this work alongside his role and Camdor are also doing some of the work.
- Members queried if the external auditors are happy with the information they are receiving. Rachel agreed but acknowledged that some things are complex and taking longer as there are only a few team members assisting them on top of their day job.
- Members queried when the 2022/23 accounts would be completed. Rachel confirmed their focus is getting the 2020/21 completed and key closing balances. There is a consultation being completed on the Code of Audit Practice to deal with the backlog in Local Government Audits. This could lead to a disclaimer opinion being issued that they are not able to provide any assurance with regard to the 2022/23 accounts.

77. Internal Audit Progress Report

The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance presented the report. He explained that when the Service migrated to the new system their recommendations were not transferred and it would be a sizeable amount of work to put them on the system. The Chair and Vice-Chair requested in the Pre-Brief meeting that a list is circulated to the Committee members so the Committee can decide which actions Internal Audit should follow-up on.

The following key points were highlighted:

- Members queried Internal Audits resources to complete the audit plan. The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance updated members on the recruitment of new staff members and confirmed that 21 out of 33 audits should be substantially completed by 31 March 2024.
- Members queried how it was decided which audits would be deferred. The Interim Head of Financial Assurance, Risk, Internal Audit, stated that there were various factors that he has had to take into consideration when agreeing to a deferral. This includes slippage in the delivery of current audits which push back start dates into what would be busy periods for the audited service. He also noted that he consults senior managers regarding current priorities, which reflect current risks and issues, some of which were documented in the BVI report.
- The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance confirmed that the revised Risk Management Strategy is

being reviewed. Once the review is complete it will need to go through the appropriate governance channels in the Council.

- The Chair proposed amended wording to recommendation 1.8 and this was seconded by Councillor Worrall.

RESOLVED:

- 1.1 Note the progress to 11 January 2024 against the Audit Plan 2023/24 as documented in Appendix 1.**
- 1.2 Consider the Key Findings from the assignment, Embedded Risk Management Culture (INT2324-02) as documented in Appendix 1.**
- 1.3 Consider the Key Findings from the assignment, Stock and Security Assurance (INT2324-03) as documented in Appendix 1.**
- 1.4 Note Internal Audit's quality checking of its earlier verification work associated with the Supporting Families Programme. (See paragraph 3.2.4)**
- 1.5 Note and agree the revised scope for audit *INT2324-17 – Governance Recovery Board*, which is now retitled *INT2324-17 – Change Board*. (See paragraph 3.4.1)**
- 1.6 Note and agree the deferral of the audits *INT2324-22 – Talent Management and Retention*, and *INT2324-30 – Waste – Compliance with ISO requirements*. (See paragraphs 3.4.2 and 3.4.3)**
- 1.7 Note the inclusion of additional engagements (See section 3.5)**
- 1.8 Note the verification of management actions associated with recommendations from 2018/19 and 2019/20 audit reports. (See paragraph 3.6.2 and Appendix 1)**
- 1.9 Internal Audit are to provide a list of management actions from audit reports from 2020/21 engagements for the Committee to consider. (See paragraph 3.6.3)**
- 1.10 Note Internal Audit's depleted level of resources and its reliance on support from Mazars. (See section 3.7)**
- 1.11 Note that Internal Audit expects to have completed or substantially completed 21 of its 33 engagements by the end of March 2024. There are requests to defer two audits (see**

recommendation 1.6). The remaining ten audits will still be in their respective planning stages at the end of the financial year. (See section 3.8)

78. Future Arrangements for the Standards and Audit Committee

The Head of Democratic Scrutiny Members Services introduced the report and explained that the proposal is to split the Standards and Audit committee and have 4 Audit Committee and 3 Standards Committee meetings a year. This will allow for sufficient capacity and focus on both functions properly. The Independent Remuneration Panel will consider the allowances and the Co-opted members allowances on 18 March 2024.

Members queried if the Committee should have been split. The Head of Democratic Scrutiny Members Services confirmed that some authorities have a merged committee and some have separate ones. It is hoped that members can develop specialisms. The decision can always be made to re-merge in years to come.

The Committee members unanimously agreed to split the Committee into two separate Committees. The Committee were also of the view that the current Co-opted members could sit on both Committees once separated.

RESOLVED:

- 1.1 To consider the options set out in this report and recommend a preferred option for inclusion in the Annual Council report on committees, of either keeping the current joint arrangement or to separate the two functions into two committees.**
- 1.2 If the functions are split, to agree that the remit of the current Member Training Sub-Committee be taken back into the parent Standards Committee from 2024/25.**

79. Mid Year 2023-24 Complaints and Information Governance Activity Report

The Head of Information Management presented the report to the Committee.

The following key points were highlighted: -

- Members highlighted that they do not receive enough follow up to close member enquiries.
- Members queried how compliments were collected as it was noted that the contact centre had received 925 compliments. It was noted that other service areas should also have satisfaction surveys.

RESOLVED:

1.1 That Standards and Audit Committee consider and note the report.

80. Member Development Strategy

The Head of Democratic, Scrutiny and Members Services introduced the report, he acknowledged this year the pressure to deliver training quickly to members due to the BVI report has been a challenge but providing mop-up sessions has worked as a way of involving as many members as possible.

The Interim Director of Legal and Monitoring Officer confirmed the training programme is also available to co-opted members and the Independent Persons.

Members acknowledged member development has improved but has a long way to go.

RESOLVED:

1.1 The Member Development Strategy as presented was agreed.

81. Member Training Schedule Report

The Head of Democratic, Scrutiny Members Services introduced the report

RESOLVED:

1.1 The Committee agreed the Member Training Schedule for 2024/25.

1.2 The categories for training sessions as indicated in the schedule: 'statutory', 'highly recommended' and 'recommended' be endorsed and agreed.

1.3 The Committee supports the ongoing change activity outlined in the report to enhance and improve training in coming years to support Members in their roles.

-

82. Member Attendance Statistics Report

The Head of Democratic, Scrutiny and Members Services introduced the report.

Members raised that if they cannot attend a meeting in the day for General Services Committee because they are working or have prejudiced themselves on a decision there is no way of showing that in the attendance statistics. The Head of Democratic Scrutiny Members Services introduced the report acknowledged that the attendance statistics are taken from Mod Gov and it does not allow for reason to be provided and this has been raised where members have been double booked in the evening for two separate Committees.

RESOLVED:

1.1 The Committee noted the report.

83. Committee on Standards in Public Life Update

This item was deferred to the next meeting on 21 March 2024.

84. Decision Notice of Complaint against a Councillor under the Code of Conduct - Report to Follow

The Interim Director of Legal and Monitoring Officer introduced the report.

The following key points were highlighted: -

- Members queried if the apology had been given and training attended. The Interim Director of Legal and Monitoring Officer confirmed the apology had been given and the training has not yet been organised.
- The Chair proposed that it will be reported in the Standard and Audit Committees Annual report to Full Council. This was seconded by Councillor Worrall. The Committee voted in favour of this recommendation.
- The Chair noted that Councillor Speight had raised concerns that the Public could not have gained access to the committee meeting easily

RESOLVED:

1.1 That the Standards and Audit Committee note the decision as set out in the Decision Notice attached to the report at Appendix 1

1.2 The Members Advisory Panel decision will be reported in the Standard and Audit Committees Annual report to Full Council.

85. Review of Risk Management - Report to follow

This item was deferred as the report was not ready.

86. Work Programme

The Committee discussed the work programme.

The Risk Management report will be deferred to a date to be confirmed.

The update on Committee on Standards in Public Life will be deferred to the next meeting on 21 March 2024.

The Code of Corporate Governance will be deferred to a date to be confirmed.

Internal Audit will provide a report for the next meeting on 21 March 2024 regarding Management actions.

The meeting finished at 9.29 pm

Approved as a true and correct record

CHAIR

DATE

**Any queries regarding these Minutes, please contact
Democratic Services at Direct.Democracy@thurrock.gov.uk**

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Minutes of the Meeting of the Standards and Audit Committee held on 21 March 2024 at 7.00 pm

Present: Councillors Fraser Massey (Chair), Kairen Raper (Vice-Chair), Gary Collins, James Thandi and Cathy Kent (substitute for Cllr Lynn Worrall)

Charles Clarke - Co-opted Member
Jasdeep Singh Nijjar – Co-opted Member

Apologies: Councillors Elizabeth Rigby and Lynn Worrall

In attendance:

Gina Clarke, Governance Lawyer
Daniel Fenwick, Executive Director Corporate Services/Monitoring Officer
Colin Ratcliffe, Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance
Rhiannon Whiteley, Senior Democratic Services Officer

Before the start of the Meeting, all present were advised that the meeting may be filmed and was being recorded, with the audio recording to be made available on the Council's website.

[Thurrock Council - Standards and Audit Committee, 21/03/2024 \(youtube.com\)](https://www.youtube.com/watch?v=...)

1. Items of Urgent Business

The Chair confirmed that the Whistleblowing report will need to be deferred to the first meeting in the next municipal year as it is not ready.

The Chair also confirmed that all Members received a letter from Simon Hoare MP yesterday regarding the withholding of Councillor's sensitive interests and home addresses. The Chair stated that he had discussed the letter with officers and a report will be brought in the next municipal year to confirm a council wide approach.

2. Declaration of Interests

No interests were declared.

3. Management Actions from Internal Audit's 2020/21 Reports

The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance presented the report. He explained that at the last meeting of the Standard and Audit Committee on 29 February, the Committee requested that Internal Audit provide a list of "High" and "Medium" priority rated recommendations

from Internal Audit's 2020/21 audit reports so they could review the list and select a set of recommendations for follow up work by Internal Audit. The list is contained within appendix A of the report.

The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance stated that it would likely take 10 full days ($\frac{1}{2}$ a day per action for the internal audit team member to follow up the management actions) and this will impact on the resources for the audit plan. The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance informed the Committee that when the internal service migrated to a new system, the recommendations were lost and it is a resource demand to upload them again on the system and follow through on them.

At 19.09 Councillor Collins joined the meeting

The following key points were highlighted: -

- The Chair noted that some of the recommendations were now 4 years old
- Members queried if the Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance was of the view that any of the recommendations were high risk. He responded that if there was anything high risk, an audit on the current audit plan was likely to cover it and there was nothing that was jumping out to him that needed to be prioritised.
- The Executive Director of Corporate Services and Monitoring Officer confirmed that a shortcut would be to go through SLT and seek an update on the management actions and that something is in place.
- Members queried whether the Commissioners would be happy with this approach. The Executive Director of Corporate Services and Monitoring Officer confirmed he would discuss this with the Director of Finance and with Commissioners.
- The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance provided an update on the recruitment situation for the Internal Audit team. A number of audits have been substantially completed by Mazars. He confirmed that by July 2024 they should be in a good position to deliver on the audit plan and complete an opinion.
- Members discussed project management and Internal Audits review of this.
- Members queried the line of reporting if there is a problem and Internal Audit are denied access to the Council's business even when they are overdue for an audit. The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance responded that this would be shared with Directors, the Leader, the Deputy Leader, the Portfolio Holder, Shadow Portfolio Holder and the Chair of the Standards and Audit Committee. The Internal Audit progress report is also shared with all Standards and Audit Committee members. The Executive Director of Corporate Services and Monitoring Officer confirmed if a service wasn't allowing access to Internal Audit, Internal Audit would report to the Chief Finance Officer, the Monitoring Officer and the Chief of Staff who are known as the 'golden triangle'. The Monitoring Officer has a statutory

duty to ensure the Council acts lawfully. If one of these officers were implicated, Internal Audit could refer it to one of the other officers and bring it to the Standards and Audit Committee.

- The Chair confirmed he would like the Project Management Control Framework management recommendation to be followed up by Internal Audit. The Committee discussed amending the report recommendation to include this. The Chair proposed alternative wording to the recommendation which was seconded by Councillor Raper. Councillor Collins stated that his preference was for the report to come back to the Committee once the full information had been provided. The Committee voted and Councillor Massey, Councillor Raper and Councillor Kent supported the revised wording of the recommendation as set out below. Councillor Collins and Councillor Thandi voted against this.

- **ACTION 1** - The Executive Director of Corporate Services and Monitoring Officer will discuss this with the Director of Finance and Commissioners if they are content for SLT to provide an update on the management actions for the Committee.

- **ACTION 2** - The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance revise the list of recommendations to include associated management actions.

RESOLVED:

- 1.1 The Committee reviewed the list of 2020/21 recommendations at Appendix A and selected the Project Management Control Framework for Internal Audit to follow-up regarding the implementation status of the associated management actions.**

- 1.2 The Executive Director of Corporate Services and Monitoring Officer will check the other Internal Audit management actions with the Senior Leadership team and report back to the Committee.**

4. Internal Audit Charter 2024

The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance introduced the report and explained that the Internal Audit Charter is a formal document that defines the Internal Audit Service's purpose, authority, and responsibility. An effective Internal Audit service should be professional, independent and objective. It should understand the organisation's needs and objectives, be a catalyst for improvement, add value and assist the organisation in achieving its objectives. The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance confirmed that Mazars were

engaged to conduct a review of the Charter. They have looked at other Local Authority's Charters and come up with what they view as good practice.

The following key points were highlighted: -

- Members commented that the Charter was a good document and queried if the Internal Audit service was delivering on its obligations as set out in the Charter. The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance responded that the service was under-resourced and had struggled to recruit and this has impacted on the service's ability to deliver on all of the obligations under the Charter.
- Members queried if they can adopt a Charter in these circumstances. The Executive Director of Corporate Services and Monitoring Officer highlighted that as this was identified as a potential risk it should be included on the Risk register.
- The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance added that in future Internal Audit Progress reports they could include a statement regarding their undertaking under the Charter and where there are any shortfalls.
- The Executive Director of Corporate Services and Monitoring Officer clarified that is the work of the Committee throughout the year to appraise performance with the Charter. He also confirmed that the issues with recruitment in Internal Audit is a national issue and not unique to Thurrock.
- The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance stated that the Charter and Protocol should be a document that the committee members refer to and hold Internal Audit accountable to. Members agreed that each member should have a hard copy of the Charter and Protocol for the first meeting of the municipal year on 6 June 2024.
- The Committee members unanimously agreed the recommendation.

ACTION 3 – Standards and Audit Committee members must be provided with a hard copy of the Charter and Protocol for the first meeting of the municipal year due to take place on 6 June 2024.

RESOLVED:

1.1 That the Standards and Audit Committee approve the Internal Audit Charter 2024 (Appendix 1) and the Chair of the Standards and Audit Committee signs the Charter on behalf of the Committee.

5. Internal Audit Protocol- Item to follow

The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance introduced the report. He confirmed that the Protocol had been refreshed.

The following key points were highlighted: -

- Members queried the relationship with external audit. The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance conceded that he would like communications between the two to be more regular. Internal Audit do share their reports with the external auditors.
- The Chair highlighted the escalation process within the protocol. The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance confirmed that the Standards and Audit Committee will be informed when a service is not fully engaging.
- The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance stated that Governance, the Control Environment and Risk Management is where Internal Audit provide expertise.
- The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance stated that the Divestment report is still outstanding and has been in draft since September and the Freeport report is also outstanding and has been in draft since December but they are advancing and will hopefully published in the next month or so.
- The Interim Head of Financial Assurance, Risk, Internal Audit, and Insurance stated that it was pleasing that Committee members were providing challenge and holding internal audit to account.

RESOLVED:

- 1.1 That the Standards and Audit Committee agree that the Internal Audit Protocol provides the Council and the Internal Audit Service with a process for improving the timeliness of reporting arrangements and sets out a formal escalation process for non-compliance.**

6. Committee on Standards in Public Life Update

The Executive Director of Corporate Services and Monitoring Officer introduced the report and explained that it is about awareness and education. There is a growing issue of abuse and intimidation of councillors. The item is for discussion and members can provide any lines of enquiries they would like to be looked at.

The Governance Lawyer reminded the Committee members that they had received a report previously to exclude councillor's addresses on the register and confirmed the report is for the Committee members to confirm any further action that could be taken to protect members.

The following key points were highlighted:

- Members queried whether the Senior Management Team are also subject to the Nolan Principles. The Executive Director of Corporate Services and Monitoring Officer confirmed that Officers have a Code of Conduct to abide by.
- Members queried what is being done to protect members from harassment and threats. The Executive Director of Corporate Services

and Monitoring Officer stated that it is taken more seriously by the Police and it is increasingly considered an aggravating factor if a victim is in public office. There has also been an increase in online social media offences. There are offences if you receive a series of abusive emails. Guidance can be given to members.

- Members raised concern that the families of elected representatives can also be affected, and they would like this to be taken into consideration.
- Members queried if the police were offering any practical advice to Members. The Executive Director of Corporate Services and Monitoring Officer confirmed that they can liaise with the Police and the Council's own Community Safety Teams about this. All surgery venues should be risk-assessed. Members should sit closest to the door and should not be alone.

RESOLVED:

- 1.1 Note the content of report of the Committee on Public Life's report Leading in Practice (Appendix 1), and consider any matters which may be relevant to the Council that require action.**
- 1.2 Note the research that has been undertaken by the Local Government Association on abuse and intimidation of councillors and consider any matters that may require further to action.**

As it was the last meeting of the municipal year, the Chair thanked the Committee Members, Co-opted Members and Officers for all their hard work and contributions throughout the year.

The meeting finished at 8.56 pm

Approved as a true and correct record

CHAIR

DATE

Any queries regarding these Minutes, please contact Democratic Services at Direct.Democracy@thurrock.gov.uk

Audit Committee	
<p>Appointed by:</p> <p>The Council, in accordance with the provisions of S101 and S102 Local Government Act 1972 and Regulations made thereunder.</p>	<p>Number of Elected Members:</p> <p>Six elected Members (of whom one member may be a member of the Executive nominated by the Leader of the Council)</p>
<p>Chair and Vice-Chair appointed by:</p> <ol style="list-style-type: none"> 1. The Chair will be appointed by Council. 2. There will be one Vice Chair, who will be appointed by Council 3. The Vice-Chair shall deputise for the Chair in his or her absence. 	<p>Political Proportionality:</p> <p>Rules of political proportionality apply.</p> <p>Substitutes:</p> <p>Substitutes are permitted for the Standards and Audit Committee.</p> <p>Frequency:</p> <p>At least quarterly.</p>
<p>Quorum:</p> <p>At least three voting Members of the Committee</p>	<p>Co-opted Members:</p> <p>Up to six non-voting, to be appointed by the Committee</p>
<p>Terms of Reference:</p> <ol style="list-style-type: none"> 1.1 providing independent assurance that the Authority's financial and risk management is adequate and effective and that there is a sound system of internal control that facilitates the effective exercise of its functions, including: <ol style="list-style-type: none"> 1.1.1 keeping under review the Authority's own audit standards and whether they are relevant and represent best practice 1.1.2 considering or reviewing the following and the action taken on them and advising the Council and/or the Cabinet, as appropriate: <ol style="list-style-type: none"> (a) internal and external audit plans and progress against plans (b) summaries of external and internal audit reports and progress against recommendations made in audit reports (c) the annual report of the internal auditor and the Annual Governance Statement (d) approving the annual statement of accounts and whether appropriate accounting policies have been followed 	

- (e) reports from inspection agencies, including the external auditor's Annual Management letter and report to those charged with governance issues
- (f) keeping under review the Authority's control environment and anti-fraud and anticorruption arrangements, including compliance with the Financial and Contracts Procedure Rules
- (g) keeping under review the relationships between external and internal audit and other inspection agencies

1.2 reviewing the performance of the Council's appointed Internal Audit provider

11 July 2024	ITEM: 6
Audit Committee	
Progress Report – Statement of Accounts and Audit – 2020/21 - 2023/24	
Wards and communities affected: All	Key Decision: Non-key
Report of: Dawn Calvert, Interim Chief Finance Officer s151 Officer	
Accountable Assistant Director: Caroline May, Assistant Director Strategic and Corporate Finance	
Accountable Director: Dawn Calvert – Interim Chief Financial Officer and S151 Officer	
This report is Public	
Version: Committee / Final	

Executive Summary

To provide an update on the recent Department for Levelling Up, Housing & Communities (DLUHC) proposals for amending the Accounts and Audit Regulations 2015 to clear the backlog of audits, and to put the system on a sustainable footing. It describes the Government’s proposed “backstop” arrangements, and the Council’s approach to uncompleted and outstanding 2020/21 external audit, and the external audits for financial years 2021/22 and 2022/23, which have not yet commenced.

Under the proposed backstop arrangements, the Council’s 2021/22 and 2022/23 statement of accounts are to be published and issued with a disclaimed opinion from audit by 30 September 2024.

The absence of a full valuation for the solar farm investment supporting the 2020/21 statement of accounts will possibly lead to a disclaimed opinion from audit for the 2020/21 statement of accounts by the deadline of 30 September 2024.

Commissioner Comment:

1. Recommendation(s)

1.1 That Audit Committee notes and comments on the position for the outstanding external audits of the Council’s statement of accounts covering 2020/21, 2021/22 and 2022/23.

2. Introduction and Background

Version Control (delete as appropriate)

Version 1 - First draft ready for DMT, SLT and Commissioner input; **Version 2** - Second Draft ready for Portfolio Holder, Leader and other Member Input; **Version 3** - Third draft for any further comments; **Version Committee** – Draft ready for submission to public committee; **Version Cabinet** – Final version ready for Cabinet/Executive decision

- 2.2 The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level, as acknowledged by DLUHC. In July 2023, the Minister for Local Government published a cross system statement setting out proposals to tackle the local audit backlog. Since then, organisations involved in the regulation and oversight of local body financial reporting and audit (“system partners”) have been working collectively to agree a proposed solution to clear the outstanding historical audit opinions and ensure that delays do not return. A significant number of local body audits in England remain outstanding. The number of outstanding opinions peaked at 918 on 30 September 2023. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771. The current deadline for local authorities to publish unaudited accounts is 31 May following the financial year end.
- 2.3 Government, like all stakeholders involved, did not want this unresolved issue to continue into the next appointing period (2023/24-2027/28) for new external auditors and local authorities. In March 2024, the Government released a 4-week consultation paper on the “backstop arrangement”. The proposal in the consultation paper is that the Accounts and Audit Regulations 2015 will be amended so that any audit from 2015/16 to 2022/23 that is not completed by September 2024, may be disclaimed by the Auditors if necessary.
- 2.4 It is anticipated there would be modified and disclaimed opinions on outstanding accounts from the 30 September 2024 backstop date, designed to enable auditors to rebuild assurance over several audit cycles rather than in a single year, reducing the risk of the backlog re-emerging. There would also likely to be modified or disclaimed audit opinions for several years. The proposal also covers temporary changes to the code of practice on Local Authority Accounting to include extending overrides on infrastructure assets, simplifying the professional revaluation of operational property, and reducing disclosure requirements around net pension assets and liabilities for at least 2 years.
- 2.5 The regulations were expected to be issued after the consultation closed on 7 March 2024. However, as this wasn’t done by the time of the ‘wash up’ period following the announcement of the general election this will now be subject to a new Minister. Also, given that the Financial Reporting Council (FRC) have not released draft regulations to the forms during the pre-election period, and that we are now moving into summer recess, there is likely to be a delay until at least September 2024.
- 2.6 At present the Council has published the 2020/21 draft accounts, although the audit remains uncompleted and outstanding. The external audit of financial years 2021/22 and 2022/23 has not yet commenced. Under the proposals, the 2021/22 and 2022/23 statement of accounts would be published and issued with a disclaimed opinion from audit by 30 September 2024. The absence of a full valuation for the solar farm investment supporting the 2020/21 statement of accounts will possibly lead to a disclaimed audit opinion for 2020/21.

3. Issues, Options and Analysis of Options

- 3.1 DLUHC has worked collaboratively with the FRC and the other system partners to develop proposals to set a series of backstop dates to clear the backlog in local audit opinions in England and embed timely audit.

The proposed measures consist of three phases:

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3.2 Phase 1: Reset

Legislating for a statutory backstop date of 30 September 2024 for the publication of audited financial statements up to and including financial year 2022/23.

Auditors should issue opinions based on the work they have completed by the backstop date, which may lead to a modified or qualified opinion, and are expected to prioritise to ensure that their audit work provides as much assurance as possible ahead of the date. The promise is also made that the National Audit Office (NAO), working with the FRC, will produce statutory guidance and any additional advice needed to ensure the reset works as intended.

There are expected to be very limited exemptions for either authorities or auditors. A specific exemption for example is if the auditor is unable to issue their opinion where there are outstanding elector objections to the accounts that could be material to the opinion. Thurrock has a pending objection in relation to its 2020/21 statement of accounts.

It is also expected that there will be a requirement for the outgoing audit firms to carry out Value for Money (VFM) audits and provide a single commentary on VFM arrangements for local bodies for all outstanding years up to and including 2022/23. This is a crucial part of the backstop arrangement.

3.3 Phase 2: Recovery

A series of statutory backstop dates covering the financial years 2023/24 to 2027/28 to allow auditors to rebuild assurance over a five-year period of local bodies' financial information, which has been subject to a modified opinion as part of the reset. Auditors will not have the assurance from closing balances that would normally support opening balances for 2023/24, Auditors will therefore need to perform sufficient testing on opening balances to rebuild assurance.

To prevent this recovery work causing delays to future audits, the proposals involve further backstop dates for all years up to and including 2027/28, in consideration that recovery work may take a number of years as modified opinions/disclaimers are rolled forward. The backstop dates within the Recovery phase are proposed as follows:

Statement Accounts	Audit Deadline
2023/24	31 May 2025
2024/25	31 March 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

To reduce burdens on preparers and auditors, CIPFA will make temporary changes to the Code of practice on Local Authority Reporting.

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For VFM it is proposed that the Audit Code identifies that auditor's Annual Report is issued in draft to those charged with governance by 30 November each year (from 2023/24 onwards), irrespective of the position on the audit. This will enable auditors to report the majority of the VFM arrangements work on a timely basis.

3.4 **Phase 3: Reform**

The FRC, alongside The Department for Levelling Up, Housing and Communities (DLUHC) and other system partners, will continue to work to address systemic challenges in the local audit system and embed timely financial reporting and audit. This includes publishing a local audit workforce strategy and parallel workforce strategy for local government finance teams.

3.5 **Council External Audit position**

Thurrock Council has prepared and published all its annual accounts (up to date) by the deadline, apart from the recent three years – 2020/21, 2021/22 and 2022/23. The Council have had all annual accounts audited and VFM opinion issued up to 2019/20.

The 2020/21 external audit by BDO remains uncompleted after almost 3 years. Substantial audit work covering investments remain outstanding as well as other areas such as Heritage assets, Intangible assets, and Infrastructure assets, with the latter two areas impacted by accounting changes. Technical papers have been prepared and submitted to BDO on these matters over the past 10 months. The Council has had informal feedback on these areas, confirming the Council's accounting approach and treatment. However, the Council continues to respond to intermittent queries as part of auditor's review and waits for formal BDO sign off within these areas.

BDO continues to revisit previous areas of substantive audit work requiring further sampling and procedures, due to the passage of time and changes in auditing standards and methodology and coupled with BDO's quality review processes.

The Council is engaged with its valuation expert to obtain prior year valuations of its investment assets for the 2020/21 statement of accounts so that accounting adjustments in relation to Investments can be finalised with the aim of meeting the requirements of a true and fair audit opinion. The valuation expert has recently communicated issues around formulating a valuation for the solar farm covering 31 March for the years between 2019 and 2021, due to the security status of the bonds and the absence of a full balance sheet for the above dates.

External audit had indicated that any valuation would be based on numerous assumptions, open to significant challenge and due to the material value of the solar farm investment most likely to result in an audit qualification. As the solar farm valuation would have a pervasive impact on the statement of accounts, external audit would be expecting to issue a modified opinion specifying the lack of assurance over the solar farm investment valuation.

For best value purposes, due to the complexity of the solar farm valuation, officers propose to Standards and Audit committee that the accounts are prepared without commissioning a comprehensive valuation for the solar farm investment (expected cost to be circa £0.5m) and accept the 2020/21 statement of accounts to be qualified. External audit will continue finalising other areas of 2020/21 audit with the expectation of meeting 30 September 2024 deadline, so that a 'disclaimed opinion' is specific to the solar farm investment.

The 2020/21 audit has been resource intensive, cost and time consuming for the council. The current forecast for 2020/21 audit fees is circa £0.5m.

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The Council's draft 2021/22 and 2022/23 statements of accounts are also currently being prepared waiting on the outcome of the 2020/21 audit and the finalising of non-current valuations. The accounts were not published in the respective years, due to concerns over opening balances and the ongoing treatment of investments, therefore falling short of being 'true and fair.' External auditors have indicated that for these accounts they will not perform any audit work by the proposed 30 September 2024 backstop date and a 'disclaimed opinion' to be issued, with the backstop date as the reason for the qualification. Many local authorities will be in similar situations.

The Council is preparing its 2023/24 statement of accounts. The Council did not meet the deadline of 31 May 2024 as valuations for non-current assets, as per rolling valuation programme, are outstanding. Also due to the issues above regarding opening balances, the accounts would fall short of being 'true and fair' until the Council updates its 2020/21 statement of accounts with audit amendments, which will feed through subsequent years. The auditors for 2023/24 statement of accounts are Ernst and Young (EY).

3.6 Council's Uncertain Position

Following the consultation on the above proposals, the amended accounts and audit regulations are yet to be issued. Although there are limited exemptions for authorities or auditors against the backstop date arrangements, a possible identified exemption is an outstanding elector objections to the accounts that could be material to the opinion. Currently the Council has one pending objection in relation to its 2020/21 statement of accounts. In the absence of the amended regulations the Council is uncertain of its position regarding the proposed timelines and its current objection.

Further, the Government has approved a capitalisation direction for the Council for 2022/23 which is based on the funding gap for the period 2022/23 and prior periods. This exceptional financial support is contingent on the Council reporting a final amount for which it requires capitalisation with the agreement of the Council's external auditors and the Commissioners. This would require the usual full audit for the years impacted by the Capitalisation in order for external audit to provide their assurance. This is contrary to a possible disclaimed opinion for 2020/21, 2021/22 and 2022/23.

4. Reasons for Recommendation

- 4.1 This an update report which informs the committee of the proposals to address the ongoing challenges in respect of the audit backlog which is a national problem.
- 4.2 The report also gives the committee an indication of the impact on the delivery of the outstanding audit of accounts for the council, the potential outcomes and timescales for completion of the audits.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 N/A

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 This report is for information purposes only.

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7. Implications

7.1 Financial

This report is for information purposes only.

Implications verified by: **Mike Jones**
Head of Finance – Adults and Health
20 June 2024

7.2 Legal

Implications verified by: **Helen Nicol**
Assistant Director Legal & Governance
24 June 2024

Section 21 Local Government Act 2003 enables the Secretary of State to issue regulations on the preparation and publication of accounts for local authorities. The Account and Audit Regulations 2015 (as amended) require that: each Council must prepare an Annual Statement of Accounts in accordance with the Regulations to include a narrative statement and to be signed by the section 151 officer that they are satisfied that they provide a true and fair view of the Council's finances; and that following a period of public consultation that the Statement of Accounts be considered by Full Council or a Committee of the Council. Thereafter, the Statement of Accounts are required to be submitted to external auditors for review.

The Regulations contain various deadlines for these steps with the Statement of Accounts to be completed by 31 May following the end of the financial year and the audited Statement of Accounts to be published by 30 September.

Due to challenges in compliance with the timescales in the Regulations and a national backlog of audited accounts, the Government has consulted authorities on draft regulations: The Account and Audit Amendment Regulations 2024. This report sets out the proposed amendments to regulations to address the backlog of audited accounts. It is noted that these Regulations are in draft at present.

7.3 Diversity and Equality

The report provides an update on the position regarding the financial statements 2020/21 to 2023/24, and is for information purposes. There are no direct diversity and equality implications.

7.4 Risks

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N/A

- 7.5 **Other implications** (where significant) – i.e., Staff, Health Inequalities, Sustainability, Crime and Disorder, or Impact on Looked After Children

N/A

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

None

9. **Appendices to the report**

None

Report Author:

Mike Jones

Head of Finance – Adults and Health

Version Control (delete as appropriate)

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11 July 2024	ITEM: 7
Audit Committee	
2024/25 Internal Audit Plan (July 2024 – March 2025)	
Wards and communities affected: All	Key Decision: Non-key
Report of: Frankie Smith - Head of Financial Assurance, Internal Audit, Risk & Insurance	
Accountable Director: Dawn Calvert - Chief Financial Officer (S151)	
This report is Public	
Version: Committee / Final	

Executive Summary

This report sets out the draft Internal Audit Plan for July 2024 – March 2025.

The report sets out why the Internal Audit Plan is required, and the planning methodology followed.

The report confirms that the Internal Audit Plan will be kept under regular review throughout the year to provide added value to the Authority by incorporating emerging risks and priorities into the Internal Audit Plan as needed.

The report illustrates the audit resource position for delivery of the Internal Audit Plan.

The report also details how the outcomes of each audit engagement will be used to form the basis of the Head of Internal Audit’s 2024/25 Annual Audit Opinion and how this will be incorporated in the Authority’s Annual Governance Statement.

The report also covers how the Internal Audit service will be developed throughout 2024/25 to ensure ongoing continuous improvement and conformance with the [Public Sector Internal Audit Standards](#) and the [Global Internal Audit Standards](#).

Commissioner Comment:

The 2024/25 Internal Audit Plan has been discussed and agreed with the Finance Commissioner.

1. Recommendation(s)

1.1 That the Audit Committee

Consider and **Approve** the 2024/25 Internal Audit Plan.

2. Introduction and Background

- 2.1 The [Public Sector Internal Audit Standards](#) specify that the Chief Audit Executive must create a risk-based Internal Audit Plan to support the achievement of the organisation's objectives.
- 2.2 The Council's [Internal Audit Charter](#) sets out that the Audit Committee will consider and approve the risk based Internal Audit Plan.
- 2.3 The 2024/25 Internal Audit Plan has been developed by the Audit Manager and Head of Financial Assurance, Internal Audit, Risk and Assurance, in conformance with the Public Sector Internal Audit Standards.
- 2.2 The 2024/25 Internal Audit Plan has been developed through a series of audit planning activities, which has included discussions with key stakeholders.
- 2.3 The 2024/25 Internal Audit Plan includes 27 audit engagements, which include both assurance and consultancy reviews. The Internal Audit Plan also includes other work required for the ongoing management and continuous improvement of the Internal Audit service.
- 2.4 The report sets out the audit resource position for the year, and confirmation that the resource gap will be addressed through a combination of permanent and temporary recruitment.
- 2.5 The report also confirms that there are no conflicts of interest within the Internal Audit team, which would represent an actual or perceived impairment to independence or objectivity.
- 2.5 The report also confirms that all audit engagements completed during 2024/25 will conform with the Public Sector Internal Audit Standards and the ambition to be working towards conformance to the new Global Internal Audit Standards by 31 March 2025.
- 2.6 The report also details that the Key Performance Indicators for the Internal Audit service are currently under review. An update on the KPI's will be reported to Audit Committee later in the year.
- 2.7 The 2024/25 Internal Audit Plan will be kept under regular review throughout 2024/25 to ensure there is sufficient coverage of new and emerging risks and priorities.

3. Issues, Options and Analysis of Options

- 3.1 The number of audit engagements on the 2024/25 Internal Audit Plan could be reduced, rather than recruiting additional temporary and permanent resources. However, this will limit assurance coverage on the adequacy and effectiveness of the Authority's governance, risk management and internal control arrangements, which may impact on the Head of Internal Audit's 2024/25 Annual Audit Opinion.

4. Reasons for Recommendation

- 4.1 To meet the requirements to devise and approve a risk-based Internal Audit Plan as set out in the Internal Audit Charter and Public Sector Internal Audit Standards.

5. Consultation (including Overview and Scrutiny, if applicable)

5.1 The 2024/25 Internal Audit Plan has been compiled following consultation with the Authority's Senior Management Leadership Team.

6. Impact on corporate policies, priorities, performance and community impact

6.1 There is no direct impact on corporate policies, priorities, performance and community. Although delivery of a risk based Internal Audit Plan should add value to Council services through promoting the opportunity for improvement and efficiencies.

7. Implications

7.1 Financial

Implications verified by: **Rosie Hurst**
Interim Finance Manager
22 May 2024

There are no financial implications arising from this report.

The proposal to recruit temporary and permanent Internal Auditor resources to support audit plan delivery will be from the existing Internal Audit budget.

7.2 Legal

Implications verified by: **Jayne Middleton-Albooye**
Interim Head of Legal Services and Deputy Monitoring Officer
30 May 2024

There are no legal implications arising from this report.

7.3 Diversity and Equality

Implications verified by: **Natalie Smith**
Head of Community Development
30 May 2024

Whilst there are no direct diversity implications resulting from this report, implementing the Public Sector Internal Audit Standards will support improved equality outcomes.

7.4 Risks

If the 2024/25 Internal Audit Plan is not agreed, the Internal Audit service will not be conforming with the Public Sector Internal Audit Standards and the Head of Financial Assurance, Internal Audit, Risk and Insurance will not be able to provide the 2024/25 Annual Audit Opinion, which will impact on the outcomes reported in the Authority's 2024/25 Annual Governance Statement.

7.5 **Other implications** (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder, or Impact on Looked After Children

There are no other implications arising from this report.

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- [Public Sector Internal Audit Standards \(PSIAS\)](#)
- [Global Internal Audit Standards](#)
- [Thurrock Council Internal Audit Charter 2024](#)

9. **Appendices to the report**

- 2024/25 Internal Audit Plan

Report Author:

Frankie Smith

Head of Financial Assurance, Internal Audit, Risk and Insurance

Finance

Audit Committee

Internal Audit Plan 2024/25

Date: 11 July 2024

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1.1 Introduction

1.2 Approach to Internal Audit Planning 2024/25

1.3 Audit Resources

1.4 Audit Coverage 2024/25

1.5 Conformance with the Public Sector Internal Audit Standards

1.6 Key Performance Indicators

Appendix A: Internal and External Factors which may impact the Council

Appendix B: Internal Audit Plan 2024/25

1 The Internal Audit Plan

1.1 Introduction

The [Public Sector Internal Audit Standards](#) specify that the Chief Audit Executive must create a risk-based Internal Audit Plan to support the achievement of the organisation's objectives.

Delivery of the Internal Audit Plan will ensure there is sufficient and appropriate coverage to provide a well-informed and comprehensive year-end annual Internal Audit Opinion, which can then be incorporated into the Annual Governance Statement.

The following report sets out the proposed 2024/25 Audit Plan.

The Audit Plan will be kept under regular review, in-line with available resources and to allow the opportunity to adapt the Audit Plan in response to new or emerging priorities or risks. Any changes to the Audit Plan will be agreed with Senior Management and Audit Committee

1.2 Approach to Internal Audit Planning 2024/25

The following activities have been completed to compile the 2024/25 Audit Plan:

Review of the Authority's key objectives and Corporate Plan	Review of the outcomes and actions from the Best Value Inspection Report and the Enhanced Improvement and Recovery Plan	Review of the Authority's Corporate and Directorate Risk Registers
Review of the Authority's 2022/23 Annual Governance Statement	External Benchmarking and Horizon Scanning to identify trends and emerging risks	Discussion with other key assurance providers
A review of audits deferred from 2023/24	Consideration of cyclical / core audit engagements due	Consideration of the internal and external factors which may impact the Council (APPENDIX A)
Consideration of findings / outcomes from previous audit work and outstanding follow ups activity		Discussions with key stakeholders and inclusion of specific client requests

1.3 Audit Resources

Based on the current team resources, the total audit days available between 01 July 2024 and 31 March 2025 is **360 days**.

It is estimated that the audit days needed to deliver the proposed 2024/25 Audit Plan is **550 days**.

This resource gap will be addressed through a combination of the permanent recruitment of new colleagues to fill vacant posts and the use of temporary contractor resources.

There are currently no conflicts of interest within the Internal Audit team, which would represent an actual or perceived impairment to independence or objectivity.

1.4 Internal Audit Coverage

APPENDIX B sets out the proposed audit engagements to be completed between **01 July 2024** and **31 March 2025**.

The 2024/25 Audit Plan includes a total of **27** audit engagements which are a combination of both assurance and consultancy reviews.

The 2024/25 Audit Plan also includes **6** audit engagements deferred from 2023/24:

DIRECTORATE	AUDITS
Adults & Health	1
Childrens Services	3
Corporate Services	5
Finance	4
Place	4
Strategy, Engagement & Growth	1
Thematic Reviews	3
2023/24 Deferrals	6
TOTAL	27

1.5 Conformance with the Public Sector Internal Audit Standards

All audit work completed during 2024/25 will be completed in accordance with the [Public Sector Internal Audit Standards](#).

During 2024/25, the Internal Audit Team will also be working towards compliance with the new [Global Internal Audit Standards](#). This will include development of a Quality Assurance and Improvement Programme, a review of the Audit Manual and the preparation for an External Quality Assessment (EQA). A further update on this will be provided to Audit Committee later in the year.

1.6 Key Performance Indicators

The Key Performance Indicators (KPI's) for the Internal Audit service are currently being reviewed, in-line with the Council's Corporate Plan. A revised suite of KPI's will be reported to Audit Committee later in the year.

Appendix A: Internal and External Factors Which May Impact the Council

The table below illustrates some of the internal and external factors which may impact the Council:

INTERNAL	EXTERNAL
Spending Controls	Government Intervention
Safeguarding	Best Value Inspection
Fraud	Financial Sustainability
Procurement of goods and services	Climate Change (Net Zero by 2050)
Medium Term Financial Planning	War in Ukraine (Assistance for refugees)
Major Projects/Contract Management	War in Gaza (Combating extremism)
Risk Management	Cost of Living (Impact on Homelessness)
Business Continuity & Disaster Recovery	Increasing Children's and Adult Social Care costs
Commercialisation (including income generation and investments)	Regeneration
Financial Resilience and Reporting	House building and financing schemes
Homelessness	Cyber Security
Change Programme (including digital and new operating model)	General Data Protection Regulation

APPENDIX B: Internal Audit Plan 2024/25 (JULY 2024 – MARCH 2025)

AUDIT ENGAGEMENT	SCOPE	NATURE OF WORK
Adults & Health		
Demand Management for Adult Social Care	To assess the adequacy and effectiveness of the controls in place to reduce the risk of unsustainable demand on budget for external placements.	Assurance
Children's Services		
Supported Families Programme	Checking a sample of claims to determine if evidence is sufficient to confirm that the claims being submitted are appropriate and correct.	Assurance
Demand Management for Children's Services	To assess the adequacy and effectiveness of the Council's demand management for Children's Services.	Assurance
Children's Social Care Safeguarding	To assess the adequacy and effectiveness of the controls in place to reduce the risk of failures in the regime of safeguarding and supporting children and young people in need of help or protection.	Assurance
Corporate Services		
IT and Digital Change Project	To assess the adequacy and effectiveness of the governance and control framework around the IT and Digital Change Project and the implementation of a robust Customer Relationship Management system.	Assurance
IT Needs Assessment	To review the systems, procedures and operations of the Council's IT services and associated risks. To classify the results into risk rated auditable areas.	Advisory
Capacity and Capability Management	To assess the adequacy and effectiveness of controls in place to reduce the risk that the Council experiences a loss of core skills or is unable to recruit adequately skilled personnel to deliver the Council's business objectives under the new operating model.	Assurance
Employment of Agency Staff - IR35 Compliance	To review the adequacy and effectiveness of controls in place to ensure compliance with IR35 when employing agency staff.	Assurance

Housing Complaints	To assess the adequacy and effectiveness with which Council's Complaints and Housing Services Teams collection and processing of housing complaints into useful management information that provides transparent information about the condition of the Council's housing stock and the performance of its contractors.	Assurance
Finance		
Cash Management	To assess the adequacy and effectiveness of controls over the following: <ul style="list-style-type: none"> • Processes and procedures • Governance controls • Banking controls • Access controls • Interface controls • Business continuity • Management information and analytics 	Assurance
Expenses	To assess the adequacy and effectiveness of controls over the following: <ul style="list-style-type: none"> • Policies, processes, and procedures • Master data (employee and expense categories) • Advances • Booking systems • Expense claims • Approval • Payment processing • Management information 	Assurance
Forecasting and Financial Sustainability	To assess the adequacy and effectiveness of controls over the following: <ul style="list-style-type: none"> • Preparing forecasts • Adjusting forecasts • Risks • Management information 	Assurance
Contract Management	To assess the adequacy and effectiveness of the Council's contract management framework in supporting the successful delivery of procured services, works, or supplies.	Assurance

Place		
Damp and Mould	To assess the adequacy and effectiveness of Housing Services' measures to ensure that residents occupying Council provided / funded housing are adequately aware of and protected from health risks associated with damp and / or mouldy properties.	Assurance
Homelessness and Temporary Accommodation	To assess the adequacy and effectiveness of the Council's controls to manage homelessness across the borough through the provision of cost-effective temporary accommodation.	Assurance
Housing Stock - Fire Safety	To assess the adequacy and effectiveness of the controls in place to reduce the risk that properties within the Council's social housing portfolio breach fire safety regulations or requirements identified by the Government's independent enquiry.	Assurance
Pothole Management	To assess the adequacy and effectiveness of the Council's controls to repairing potholes, encompassing the Council's system of inspection, maintenance and repair, budget pressures, managing changes to the system, insurance policy risks, and reputational issues.	Assurance
Strategy, Engagement and Growth (Office of the Assistant Chief Executive)		
Change Programme	To assess the adequacy and effectiveness of the governance, control framework and risk management around the implementation of the Council's change programme and the development of new ways of working.	Advisory
Thematic Reviews		
Business Continuity Planning	To assess the adequacy and effectiveness of the governance, risk management and control processes over business continuity planning and the assurance that the Council can recover from a partial or total loss of business services in a timely and controlled manner.	Assurance
Savings – Assumptions and Plans	To assess that the assumptions and plans for savings in 2024/25 were realistic, appropriately risk-based (including agreed changes in the Council's risk appetite), and deliverable in a trackable manner.	Assurance
Central Government Grant Claim Certification	To review income and expenditure relating to grants and ensure it has been used in accordance with the grant conditions.	Compliance

2023/24 Deferrals	
Waste – Compliance with ISO requirements	Major Projects – Managing the Design Phase
Budget Setting and Management	Readiness for CQC Inspection (Children’s Services)
Data Protection	Payroll

Other Work	
Follow ups	To provide assurance on action taken to address HIGH and MEDIUM recommendations previously agreed by management.
Expenditure Control Panel	One Internal Auditor is a member of the Expenditure Control Panel set up as part of the response to the issuing of the Section 114 notice. This panel meets regularly to approve all expenditure between £500 and £25,000.
Audit Management	<p>This will include:</p> <ul style="list-style-type: none"> • Ongoing audit planning. • Preparation of key reports and attendance at the Audit Committee. • Regular stakeholder relationship management meetings. • Liaison with External Audit and other assurance providers. • Attendance at regional and local audit groups. • Assistance in preparation of the AGS. • Ad hoc consultancy support to senior management as needed
Internal Audit Service Improvement Programme	<p>This will include:</p> <ul style="list-style-type: none"> • Review and update of the Audit Manual • Development of a Quality Assurance and Improvement Programme • Development of an Internal Audit, Risk and Insurance Service Plan • Development of an Internal Audit Strategy • Preparation for the new Global Internal Audit Standards + External Quality Assessment • Review and re-procurement of the Internal Audit Management software
Contingency	To allow additional reviews to be undertaken in agreement with the Audit Committee or management based in changes in risk profile or assurance needs as they arise during the year. Ad hoc project work for services in an advisory capacity.

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11 July 2024	ITEM: 8
Audit Committee	
Local Code of Corporate Governance	
Wards and communities affected: All	Key Decision: Key
Report of: Helen Nicol, Assistant Director Legal & Governance and Deputy Monitoring Officer	
Accountable Assistant Director: Helen Nicol, Assistant Director Legal & Governance and Deputy Monitoring Officer	
Accountable Director: Daniel Fenwick, Executive Director Corporate Services and Monitoring Officer	
This report is Public	
Version: Committee	

Executive Summary

Corporate governance means the systems, processes, and values by which a Council operate and by which they engage with and are held accountable to their communities and stakeholders. Thurrock Council is committed to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively.

As part of the intervention Improvement and Recovery Plan there is a requirement for Thurrock Council to improve governance and control, and to implement processes that maximise transparency and accountability.

As such, Thurrock Council seeks to introduce a new Local Code of Corporate Governance, which has been developed in accordance with the latest guidance. This code brings together in one document the Council's governance and accountability arrangements. It is a public facing living document that will be regularly reviewed and updated as required. The Annual Governance Statement will measure performance against the Local Code of Corporate Governance.

Commissioner Comment:

The draft Code will be taken to Governance Recovery Board to ensure Commissioners are fully sighted and can provide comment.

1. Recommendation(s)

Version Control (delete as appropriate)

Version 1 - First draft ready for DMT, SLT and Commissioner input; **Version 2** - Second Draft ready for Portfolio Holder, Leader and other Member Input; **Version 3** - Third draft for any further comments; **Version Committee** – Draft ready for submission to public committee; **Version Cabinet** – Final version ready for Cabinet/Executive decision

- 1.1 **Audit Committee are requested to comment on, consider and agree the draft Local Code of Governance.**
- 1.2 **Audit Committee are requested to recommend that Cabinet approve and adopt the draft Local Code of Governance.**

2. Introduction and Background

- 2.1 Corporate governance is the systems, processes, and values by which a Council operates and by which they engage with and are held accountable to their communities and stakeholders. Thurrock Council is committed to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively.
- 2.2 A core priority of Thurrock Council's Improvement and Recovery Plan ("IRP") is the improvement of governance and controls. At paragraph 5.1 of the IRP the Council confirms that "Members and officers will collaborate to review, refresh and co-create our governing policies, ensuring that we are fully compliant with all external guidelines and good practice and that our policies are enacted through clearly articulated procedures.... that places a high value on repositioning Thurrock as a well-run and governed Council. We will assure the Government, Commissioners, residents and partners of our commitment to transparency, accountability and risk aware decision making".
- 2.3 As part of the work to deliver this priority of the IRP, officers on the Open Governance and Accountability Workstream Group have developed the draft Local Code of Corporate Governance ("the draft Code") (Appendix 1). It is intended to bring together in one document the Council's governance and accountability arrangements. The draft Code sets out: the Corporate Governance Principles; how the Council's Governance Framework meets those Principles; and the review and maintenance of the Code.
- 2.4 'Delivering Good Governance in Local Government (2016)' ("the CIPFA Framework") has been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The CIPFA Framework defines the principles that should underpin the governance of each local government organisation and provides a structure to help authorities with their approach to governance. The CIPFA Framework has been closely followed in the development of the Council's draft Code.
- 2.5 If approved by Audit Committee it is intended that the draft Code will be taken to Cabinet in September 2024.

3. Issues, Options and Analysis of Options

- 3.1 There is no statutory requirement on an authority to adopt a Local Code of Corporate Governance, and so it is an option not to adopt the draft Code.
- 3.2 Given the absence of a statutory requirement to adopt a Local Code of Corporate Governance, and the CIPFA Framework being sector guidance, the decision could be taken to amend the Code to follow a format and cover issues not recommended by the CIPFA Framework.

Version Control (delete as appropriate)

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- 3.3 In consideration of the options as set out in paragraphs 3.1 and 3.2, these would appear to present risk to the Council, particular in terms of being able to demonstrate that improvements in governance and control are being delivered, if the decision is taken not to implement the draft Code. It is stated in the IRP, as quoted in paragraph 2.2 above, that the Council will align its processes with external guidelines and good practice. The CIPFA Framework is the industry standard for production of Local Codes of Corporate Governance and provides the benchmark for good practice, and there would not appear to be good reason to depart from the recommendations within the CIPFA Framework.

4. Reasons for Recommendation

- 4.1 The development and adoption of the draft Local Code of Corporate Governance, against which the Annual Governance Statement will benchmark governance performance, supports the required outcomes of the IRP to improve governance and controls, as agreed by Council with endorsement from Commissioners and the government. Adopting the draft Code, in response to the specific failings of the Council and in an effort to change the culture and perception of governance, is considered to be an important step. The draft Code is also intended to be a public facing document and supports the need for accountability and transparency as the Council seeks to rebuild trust with its residents and stakeholders.

5. Consultation

- 5.1 The draft Code has been developed with input from the Open Governance and Accountability Workstream Group which is comprised of officers from across the organisation including Legal Services, Democratic Services, Information Management, Transformation and Change, ICT, Audit, Risk and Human Resources.
- 5.2 This report also takes into account feedback from the Senior Leadership Team.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 As set out in paragraph 4.1 the draft Local Code of Corporate Governance will be a key policy against which improvements in governance and control will be measured and will be taken into account in the Annual Governance Statement. It seeks to meet the one of the priority aims of the IRP in improvements in governance, transparency and accountability.

7. Implications

7.1 Financial

Implications verified by: **Joanne Freeman and Dawn Calvert**
Assistant Director Finance and Chief Financial Officer

28 June 2024

There are no financial implications arising from this report.

Version Control (delete as appropriate)

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7.2 Legal

Implications verified by: **Helen Nicol**
**Assistant Director Legal & Governance and Deputy
Monitoring Officer**

20 June 2024

The governance of Local Authorities is contained within provisions in a multitude of statutes and regulations. Section 1 Localism Act 2011 sets out a Local Authority's general power of competence to do anything that individuals generally may do.

There is no specific statutory requirement for a Local Authority to produce or adopt a Local Code of Corporate Governance. However, the CIPFA Framework 'Delivering Good Governance in Local Government' clearly sets out that it is best practice to do so.

The Accounts and Audit (England) Regulations 2015 oblige the Council to produce an Annual Governance Statement for each accounting year evidencing how the Council has performed. The Local Code of Governance proposed to be adopted assists the Council in meeting the requirement of producing that Annual Governance Statement and allows the Statement to assess performance as against the Code.

The Local Government Act 1999 requires that council services are "responsive to the needs of citizens, of high quality and cost-effective, and fair and accessible to all who need them". Councils are also under a general best value duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". The proposed Local Code of Corporate Governance supports the delivery of these statutory requirements as it sets the governance framework within which the Council operates in order to deliver services and best value, and to measure compliance with the principles of good governance.

7.3 Diversity and Equality

Implications verified by: **Roxanne Scanlon**
Community Engagement and Project Monitoring Officer

24 June 2024

There are no direct diversity implications contained within this report. The Local Code of Corporate Governance seeks to ensure council services are fair and accessible to all residents and sets out the systems, processes and values by which we will operate, engage with and be held accountable by our communities and other stakeholders. A full CEIA will be completed to accompany this document and be reviewed and updated as required at the same time as the Local Code of Corporate Governance.

Version Control (delete as appropriate)

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7.4 Risks

7.4.1 See paragraphs 3.1 to 3.3 above regarding the risks of failure to implement a Local Code of Corporate Governance.

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Improvement and Recovery Plan, October 2023: [Thurrock Council - Improvement and Recovery Plan, October 2023: full plan](#)

9. Appendices to the report

- Appendix 1 – draft Local Code of Corporate Governance
- Appendix 2 – The CIPFA Framework

Report Author:

Helen Nicol

Assistant Director Legal & Governance and Deputy Monitoring Officer

Corporate Resources

Version Control (delete as appropriate)

Version 1 - First draft ready for DMT, SLT and Commissioner input; **Version 2** - Second Draft ready for Portfolio Holder, Leader and other Member Input; **Version 3** - Third draft for any further comments; **Version Committee** – Draft ready for submission to public committee; **Version Cabinet** – Final version ready for Cabinet/Executive decision

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Thurrock Council

Code of Corporate Governance 2024/25

1. What is Corporate Governance

Corporate governance is the systems, processes, and values by which Councils operate and by which they engage with and are held accountable to their communities and stakeholders. Thurrock Council is committed to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively. Building on best practice the Council has developed and adopted a Local Code of Corporate Governance which follows the most recent guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), "Delivering Good Governance in Local Government (2016)" (The CIPFA Framework). This code brings together in one document the Council's governance and accountability arrangements currently in place.

2. The Governance Framework

2.1 This Code is a public facing document that outlines the Council's systems, processes and standards of behaviour that deliver good governance. As good corporate governance is ever-changing and subject to the principle of continuous improvement, this Code will be a living document. The Code forms part of the Council's Governance Framework and the cycle of continuous improvement of governance.



2.2 The outcome of this cycle is to deliver improvements in corporate governance and the management of corporate risks.

3. Structure & Scope

3.1 This Code sets out

- i. The Corporate Governance Principles
- ii. How the Council's Governance Framework meets the Principles
- iii. Review and Maintenance of the Code

3.2 This Code does not assess the Council's performance against this Framework. This is undertaken in the Council's Annual Governance Statement.

4. The Corporate Governance Principles

4.1 What does good Corporate governance look like? It is often seen as the framework by which the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

4.2 Good governance is vital in contributing to effective:

- i. leadership and management;
- ii. performance and risk management;
- iii. stewardship of public money; and
- iv. public engagement and outcomes for our citizens and service users.

4.3 Conversely, weak or poor governance is likely to have a detrimental impact and the Council's ability to deliver best value. The CIPFA Framework sets out the seven principles of good governance, based on the seven Standards in Public life commonly known as the Nolan Principles.



4.4 The Council's ethical standards are also underpinned by the Nolan Principles.

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

5. How the Council Meets its Corporate Governance Principles

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Constitutional Framework & Councillors' Conduct

5.1 The Council's Constitution is agreed by Full Council and sets the rules by which the Council governs itself and how decisions are made. It includes a system of checks and balances to ensure decisions are scrutinised and transparent. Key elements include:

- i. The respective powers of Full Council, the Leader and Cabinet and Committees

- ii. The scheme of delegation of powers to the Council's officers
 - iii. The checks and balances provided to executive power by overview and scrutiny and audit.
 - iv. The rules of open governance in council decision making and rights of access to information by councillors, the press and public.
 - v. A Code of Conduct for Councillors and co-opted members including:
 - standards in respect of their general conduct
 - requirements to register and declare private interests and when not to participate in decisions which affect their private interests
 - requirements to disclose and publicise gifts and hospitality
 - arrangements for complaints that a councillor has breached the Code of Conduct to be made.
- 5.2 The rules are supported by guidance and protocols to support councillors and officers in meeting high standards of behaviour and conduct.
- 5.3 The Council's Ethical Framework is overseen by a Standards Committee with independent members.
- 5.4 Procedures for the management of the Council's finances, procurement and employment of officers.

Officers

- 5.5 The Council's Constitution and its contracts of employment with officers provides a framework for high ethical standards and lawful performance of duties.
- 5.6 The Council's corporate management team agree schemes of delegation of powers to officers within their directorates so they can lawfully carry out their duties.
- 5.7 The Council has:
- i. Agreed values setting out expected standards of conduct of officers
 - ii. A Code of Conduct that sets standards of behaviour for officers and disciplinary and capability procedures for instances where those standards are not met.
 - iii. A requirement for officers to register and declare private interests and gifts and hospitality received in the course of their duties.
 - iv. A policy setting out politically restricted posts and a published list of those posts

Statutory Officers

- 5.8 Council is required by law to appoint individual officers to hold the following roles to ensure the Council acts lawfully and within its financial means

Office	Statute	Duty
Head of paid service (the Chief Executive)	s.4 Local Government & Housing Act 1989	To ensure the Council's resources deliver its statutory functions
Chief Finance Officer (Chief Finance Officer)	s.151 Local Government Act 1972	To manage the Council's finances and to report unlawful expenditure
Monitoring Officer (Executive Director Corporate Services)	s.5 Local Government & Housing Act 1989	To ensure the Council acts lawfully and to report unlawful activity or omissions

- 5.9 A report of the Chief Finance Officer and / or Monitoring Officer will suspend any unlawful expenditure or activity until the report is considered by the Council or executive.
- 5.10 The Chief Finance Officer may report where s/he consider the Council's income will be exceeded by its expenditure in a financial year and require the Council to stop all non-essential expenditure (s.114 of the Local Government Finance Act 1988).
- 5.11 The Monitoring Officer may report when he/ she believes that a proposal, decision or omission by the authority has, or is likely to, result in a 'contravention of any enactment or rule of law' . (s.5 Local Government and Housing Act 1989.)
- 5.12 The Council must ensure statutory officers have the skills, resources and support necessary to perform effectively in their roles.

Ensuring openness and comprehensive stakeholder engagement

Council Meetings, decisions and papers

- 5.13 All Council, executive and committee meetings are held in public and the agendas and reports of all meetings are published in advance of the meeting and minutes and records of decisions are published after decisions are made.
- 5.14 Where resources allow, member level meetings are or will be filmed or live streamed and recordings published on the Council's website. The Council's

Constitution allows for the filming and / or recording of member level meetings by members of the public or councillors.

- 5.15 A Forward Plan of executive decisions (known as “key decisions”) is published at least 28 days before decisions are made.
- 5.16 The Council will only hold meetings in private and exclude the press and public from meeting in accordance with exceptions allowed or required under the Council’s Constitution and the statutory access to Information regime under the Local Government Act 1972.
- 5.17 The Constitution provides when members of the public can participate in meetings.

Public Engagement

- 5.18 The Council’s website is the main portal for providing information about the Council’s governance and services to residents and other stakeholders.
- 5.19 The Council engages and consults with residents and stakeholders on proposed decisions and takes into account the outcome of consultation in decision making.
- 5.20 The Council works in partnership with local, regional and national public sector and private sector bodies.
- 5.21 The Council is in the process of adopting a new operating model, which will increase engagement of residents in the local delivery of services.

Information Governance & Complaints

- 5.22 The Council has a two stage complaints handling and monitoring procedure, which is reported to the corporate management team for oversight and to ensure improvement of services.
- 5.23 The Council’s information governance function allows any person to make an online request for Council held information or to make a subject access request in relation to their personal data. The Council provides for an internal review of responses and an appeal to the Information Commissioner’s Office.

Determining the outcomes in terms of sustainable economic, social and environmental benefits

- 5.24 The Council is developing a Local Plan with partners and a Corporate Plan that defines its corporate priorities. The Council has a framework of plans and policies to deliver the Corporate Plan and a medium term financial strategy that priorities resources to the delivery of the Corporate Plan.

Determining the interventions necessary to optimise the achievement of the intended outcomes

Developing the entity’s capacity, including the capability of its leadership and the individuals within it

- 5.25 The Council's budget and policy framework seeks to align the Council's priorities and its financial and other resources.
- 5.26 The Council's overall spending plans are set out in the annual budget setting report for both revenue and capital expenditure including any provision for savings.
- 5.27 The Council's decision-making pathway and process ensure evidence based decision making and focus on the delivery of Council priorities. Decision making includes the consideration of all relevant considerations and professional advice on financial, legal and equalities implications as well as risk.
- 5.28 The Council's schemes of delegation of executive and non-executive powers set out members' and officers' powers to make decisions on behalf of the Council and the Constitutional and legal requirements for making delegated decisions.
- 5.29 The Council is delivering its Improvement and Recovery Plan to meet the requirements of the statutory directions imposed by the Secretary of State. Performance is overseen by the Council's Senior Leadership team and Cabinet and reported to the Commissioners. The Commissioners report to the Secretary of State on the Council's progress every six months.
- 5.30 Delivery against the budget is monitored by services, the Senior Leadership Team and by Cabinet. Scrutiny committees and the Audit committee also provide input to ensure the effective use of resources.
- 5.31 The Council is currently adopting a new Corporate Plan. The Council will produce a Performance Management & Accountability Framework that reflects the corporate priorities of that Plan and sets clear milestones and metrics to monitor performance. The Senior Leadership Team is accountable for its delivery reporting to the Leader and Cabinet and members.
- 5.32 The Council has a People Strategy including organisational development plans in place which enable us to develop the capacity, skills and behaviour necessary to enable us to effectively deliver our services and priorities including:
- i. An annual performance appraisal framework for individual staff
 - ii. Organisational learning and development plans for services, managers and individual officers
 - iii. Health and well being support to all officers
- 5.33 The People Strategy is currently under review, which includes a review of the Council's current performance framework.

- 5.34 The Council ensures that its members receive the training, support and resources to carry out their role within the Council's resources including:
- (i) Induction upon election
 - (ii) An annual training programme for all councillors (some training is mandatory reflecting the importance and risk in those roles)
 - (iii) IT and support services
 - (iv) The Council intends to introduce a member portal through which Members can access information and training.

- 5.35 A member/officer protocol is used to aid effective communication between officers and members and to clarify their respective roles.

Managing risks and performance through robust internal control and strong public financial management

- 5.36 The Council has a risk management framework. The Council's Risk and Opportunity Management Policy and Strategy is currently under review in accordance with the Improvement and Recovery Plan.

- 5.37 The Council embeds risk and performance management into its Council decision making as a mandatory consideration. Scrutiny committees provide challenge as a "critical friend" to the Leader and Cabinet.

- 5.38 The Audit Committee has oversight of risk management, the Council's system of internal control and audit, which includes:

(i) Internal control processes, which support the achievement of our objectives while managing risks including;

(ii) An annual internal audit plan focussing on significant risk areas

(iii) An annual report on Internal Audit's conclusions into the overall adequacy and effectiveness of the framework of governance, risk management and control.

(iv) The implementation of, or response to improvement recommendations made by Internal and External Auditors and other external assessors.

(v) Clear policies and arrangements in respect of counter fraud and anti-corruption, including clear whistleblowing procedures.

(vi) Systems are in place for the management and security of data including personal data. This includes risk management arrangements in respect of cyber security issues.

(vii) Financial management systems are in place to deliver value for money and protect the public purse. Financial regulations are in place to provide rules and guidance to officers when managing budgets.

- 5.39 The Section 151 Officer, the Council ensures that appropriate advice is given on all financial matters, proper financial records and accounts are kept, and oversees an effective system of internal financial control.

- 5.40 The Council measures itself against the Financial Management Code (FM Code) which sets out the standards of financial management expected for local authorities and is designed to support good practice, and to assist local authorities in demonstrating their financial sustainability.
- 5.41 The Council follows the CIPFA's Prudential Code and Treasury Management Code of Practice which set out the risk framework through which the Council manages its balance sheet and makes capital investment decisions. We maintain strategies and processes detailing our approach to decision making on capital investments, and treasury management (including debt management and cash investing).

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

- 5.42 The Council's commitment to internal and external engagement and consultation and the publication of Council held information and decision making is set out above.
- 5.43 The Council welcomes internal and external review and audit, and inspections from regulatory bodies, giving thorough consideration to arising recommendations.
- 5.44 Assurance progress reports are presented quarterly to Audit Committee, summarising the Council's performance in implementing recommendations effectively and within agreed timescales. We follow and assess ourselves against the Public Sector Internal Audit Standards (PSIAS).

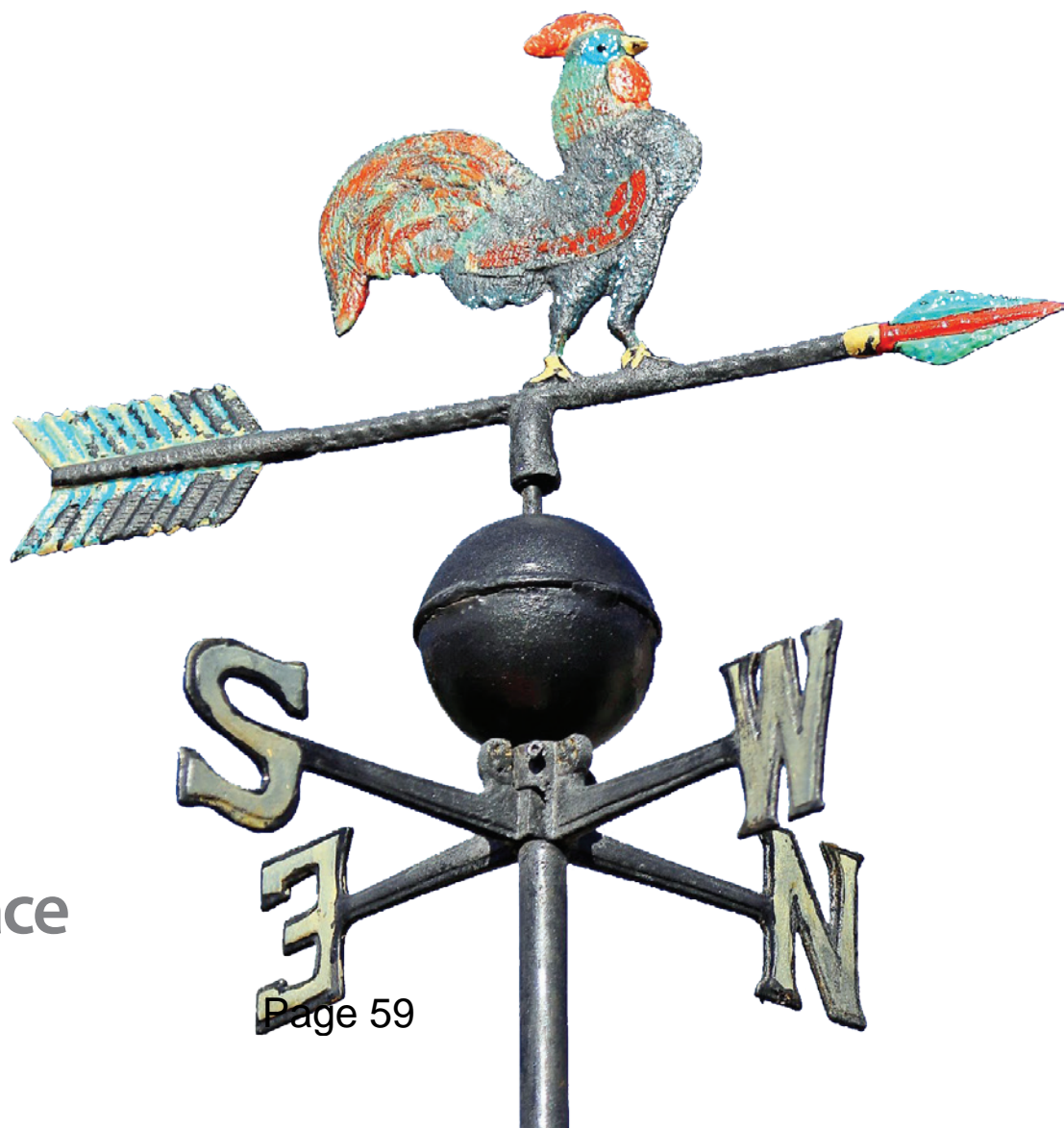
6 Monitoring & Review

- 6.1 Every year the Council publishes an Annual Governance Statement (AGS) to accompany the Annual Accounts. The AGS provides an overview of how the Council's governance arrangements operate, including how they are reviewed annually to ensure they remain effective. Any significant governance concerns are identified and managed through an action plan.

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CHAPTER ONE

Introduction

- 1.1** Governance arrangements in the public services are keenly observed and sometimes criticised. Significant governance failings attract huge attention – as they should – and one significant failing can taint a whole sector. Local government organisations are big business and are vitally important to tax payers and service users. They need to ensure that they meet the highest standards and that governance arrangements are not only sound but are seen to be sound.
- 1.2** It is crucial that leaders and chief executives keep their governance arrangements up to date and relevant. The main principle underpinning the development of the new *Delivering Good Governance in Local Government: Framework* (CIPFA/Solace, 2016) ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 1.3** The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term. Local authorities have responsibilities to more than their current electors as they must take account of the impact of current decisions and actions on future generations.

CHAPTER TWO

Status

- 2.1** Section 3.7 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 notes:

Regulation 6(1)(a) of the Accounts and Audit Regulations 2015, Regulation 4(2) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015, Regulation 5(2) of the Local Authority Accounts (Scotland) Regulations 2014 and Regulation 5(2) of the Accounts and Audit (Wales) Regulations 2014 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England) (as a part of the Annual Accounts (Scotland)). Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, Regulation 4(4) of the Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015 and Regulation 5(4) of the Local Authority Accounts (Scotland) Regulations 2014 require that for a local authority in England, Northern Ireland and Scotland the statement is an Annual Governance Statement.

The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be “prepared in accordance with proper practices in relation to accounts”. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code.

- 2.2** This Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.

CHAPTER THREE

Requirements

- 3.1** The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:
- reviewing existing governance arrangements
 - developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
 - reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.
- 3.2** The term ‘local code’ essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.
- 3.3** To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.
- 3.4** It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

Applicability and terminology

APPLICABILITY

- 4.1** The Framework is for all parts of local government and its partnerships, including:
- county councils
 - district, borough and city councils
 - metropolitan and unitary councils
 - the Greater London Authority and functional bodies
 - combined authorities, city regions, devolved structures
 - the City of London Corporation
 - combined fire authorities
 - joint authorities
 - police authorities, which for these purposes since 2012 includes both the police and crime commissioner (PCC) and the chief constable
 - national park authorities.
- 4.2** The Framework is applicable to a system involving a group of local government organisations as well as to each of them individually. The Framework principles are therefore intended to be relevant to all organisations and systems associated with local authorities, ie joint boards, partnerships and other vehicles through which authorities now work. However, a one-size-fits-all approach to governance is inappropriate. Not all parts of the Framework will be directly applicable to all types and size of such structures, and it is therefore up to different authorities and associated organisations to put the Framework into practice in a way that reflects their structures and is proportionate to their size.

TERMINOLOGY

- 4.3** The terms ‘authorities’, ‘local government organisations’ and ‘organisations’ are used throughout this Framework and should be taken to cover any partnerships and joint working arrangements in operation.
- 4.4** In the police service, where the accountabilities rest with designated individuals rather than a group of members, terms such as ‘leader’ should be interpreted as relating to the PCC or the chief constable as appropriate.

CHAPTER FIVE

Guidance notes

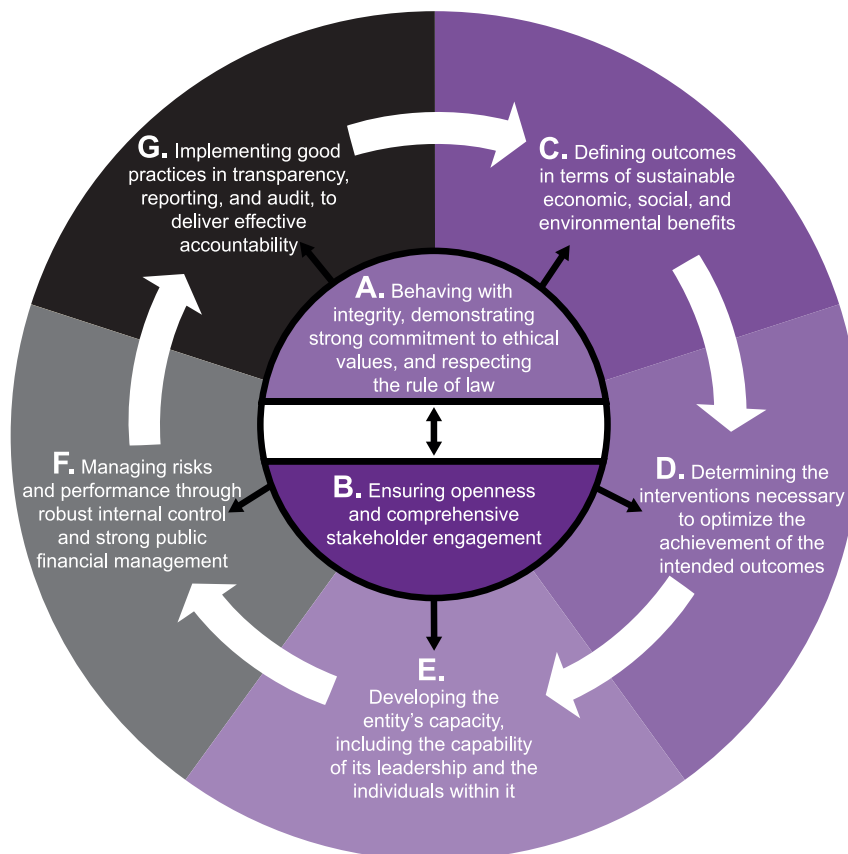
- 5.1** In recognition of the separate legislation applicable to different parts of local government, guidance notes to accompany the Framework have been developed for:
- local government in England (excluding police)
 - local government in Wales (excluding police)
 - police in England and Wales
 - local government in Scotland.
- 5.2** The guidance notes, which should be used in conjunction with the Framework, are intended to assist authorities across their governance systems, structures and partnerships in reviewing their governance arrangements. It will also help them in interpreting the overarching principles and terminology contained in the Framework in a way that is appropriate for their governance structures, taking account of the legislative and constitutional arrangements that underpin them.

The principles of good governance – application

DEFINING THE CORE PRINCIPLES AND SUB-PRINCIPLES OF GOOD GOVERNANCE

6.1 The diagram below, taken from the *International Framework: Good Governance in the Public Sector* (CIPFA/IFAC, 2014) (the ‘International Framework’), illustrates the various principles of good governance in the public sector and how they relate to each other.

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



The International Framework notes that:

Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

DEFINING GOVERNANCE

6.2 The International Framework defines governance as follows:

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

The International Framework also states that:

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

6.3 In local government, the governing body is the full council or authority. In the police, PCCs and chief constables are corporations sole and are jointly responsible for governance. The many references to 'members' in the tables which follow should be read in the context that the principles set out apply equally in the police.

PRINCIPLES OF GOOD GOVERNANCE IN LOCAL GOVERNMENT

6.4 The core principles and sub-principles of good governance set out in the table below are taken from the International Framework. In turn they have been interpreted for a local government context.

It is up to each local authority or local government organisation to:

- set out its commitment to the principles of good governance included in this Framework
- determine its own governance structure, or local code, underpinned by these principles
- ensure that it operates effectively in practice.

Core principles and sub-principles of good governance

Core principles (shown in bold)	Sub-principles (shown in bold)
Acting in the public interest requires a commitment to and effective arrangements for:	Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Behaving with integrity
<p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</p>	<ul style="list-style-type: none"> ■ Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation ■ Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles) ■ Leading by example and using the above standard operating principles or values as a framework for decision making and other actions ■ Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively
	Demonstrating strong commitment to ethical values
	<ul style="list-style-type: none"> ■ Seeking to establish, monitor and maintain the organisation’s ethical standards and performance ■ Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation’s culture and operation ■ Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values ■ Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation

Core principles (shown in bold)	Sub-principles (shown in bold)
	<p>Respecting the rule of law</p> <ul style="list-style-type: none"> ■ Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations ■ Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements ■ Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders ■ Dealing with breaches of legal and regulatory provisions effectively ■ Ensuring corruption and misuse of power are dealt with effectively
<p>B. Ensuring openness and comprehensive stakeholder engagement</p> <p>Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</p>	<p>Openness</p> <ul style="list-style-type: none"> ■ Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness ■ Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided ■ Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear ■ Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action <p>Engaging comprehensively with institutional stakeholders</p> <p>NB institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.</p> <ul style="list-style-type: none"> ■ Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably

Core principles (shown in bold)**Sub-principles (shown in bold)**

- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
- Ensuring that partnerships are based on:
 - trust
 - a shared commitment to change
 - a culture that promotes and accepts challenge among partners

and that the added value of partnership working is explicit

Engaging with individual citizens and service users effectively

- Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes
- Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement
- Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs
- Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account
- Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
- Taking account of the impact of decisions on future generations of tax payers and service users

Principles (shown in bold)	Sub-principles (shown in bold)
<p>In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for:</p>	<p>Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.</p>
<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</p> <p>The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<p>Defining outcomes</p> <ul style="list-style-type: none"> ■ Having a clear vision, which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions ■ Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer ■ Delivering defined outcomes on a sustainable basis within the resources that will be available ■ Identifying and managing risks to the achievement of outcomes ■ Managing service users’ expectations effectively with regard to determining priorities and making the best use of the resources available <p>Sustainable economic, social and environmental benefits</p> <ul style="list-style-type: none"> ■ Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision ■ Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints ■ Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs ■ Ensuring fair access to services

Principles (shown in bold)	Sub-principles (shown in bold)
<p>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</p> <p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.</p>	<p>Determining interventions</p> <ul style="list-style-type: none"> ■ Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided ■ Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts <p>Planning interventions</p> <ul style="list-style-type: none"> ■ Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets ■ Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered ■ Considering and monitoring risks facing each partner when working collaboratively, including shared risks ■ Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances ■ Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured ■ Ensuring capacity exists to generate the information required to review service quality regularly ■ Preparing budgets in accordance with objectives, strategies and the medium term financial plan ■ Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy

Principles (shown in bold)	Sub-principles (shown in bold)
	<p>Optimising achievement of intended outcomes</p> <ul style="list-style-type: none"> ■ Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints ■ Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term ■ Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage ■ Ensuring the achievement of ‘social value’ through service planning and commissioning
<p>E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p> <p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<p>Developing the entity’s capacity</p> <ul style="list-style-type: none"> ■ Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness ■ Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently ■ Recognising the benefits of partnerships and collaborative working where added value can be achieved ■ Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources <p>Developing the capability of the entity’s leadership and other individuals</p> <ul style="list-style-type: none"> ■ Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained ■ Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body ■ Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other’s authority

Principles (shown in bold)**Sub-principles (shown in bold)**

- Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:
 - ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged
 - ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
 - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external
- Ensuring that there are structures in place to encourage public participation
- Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections
- Holding staff to account through regular performance reviews which take account of training or development needs
- Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

Principles (shown in bold)	Sub-principles (shown in bold)
<p>F. Managing risks and performance through robust internal control and strong public financial management</p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.</p> <p>A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.</p> <p>It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p>Managing risk</p> <ul style="list-style-type: none"> ■ Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making ■ Implementing robust and integrated risk management arrangements and ensuring that they are working effectively ■ Ensuring that responsibilities for managing individual risks are clearly allocated <p>Managing performance</p> <ul style="list-style-type: none"> ■ Monitoring service delivery effectively including planning, specification, execution and independent post implementation review ■ Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation’s financial, social and environmental position and outlook ■ Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation’s performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making ■ Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement ■ Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)

Principles (shown in bold)**Sub-principles (shown in bold)****Robust internal control**

- Aligning the risk management strategy and policies on internal control with achieving objectives
- Evaluating and monitoring risk management and internal control on a regular basis
- Ensuring effective counter fraud and anti-corruption arrangements are in place
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
- Ensuring an audit committee or equivalent group/function, which is independent of the executive and accountable to the governing body:
 - provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment
 - that its recommendations are listened to and acted upon

Managing data

- Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data
- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies
- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring

Strong public financial management

- Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance
- Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

Principles (shown in bold)	Sub-principles (shown in bold)
<p>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p> <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p>Implementing good practice in transparency</p> <ul style="list-style-type: none"> ■ Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate ■ Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand <p>Implementing good practices in reporting</p> <ul style="list-style-type: none"> ■ Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way ■ Ensuring members and senior management own the results reported ■ Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) ■ Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate ■ Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations <p>Assurance and effective accountability</p> <ul style="list-style-type: none"> ■ Ensuring that recommendations for corrective action made by external audit are acted upon ■ Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon ■ Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations ■ Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement ■ Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met

Annual review and reporting

THE ANNUAL GOVERNANCE STATEMENT

- 7.1** Local authorities are required to prepare an annual governance statement (see Chapter two) in order to report publicly on the extent to which they comply with their own code of governance, which in turn is consistent with the good governance principles in this Framework. This includes how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.
- 7.2** The annual governance statement is a valuable means of communication. It enables an authority to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manage risks of failure in delivering its outcomes. It should reflect an individual authority's particular features and challenges.
- 7.3** The annual governance statement should provide a meaningful but brief communication regarding the review of governance that has taken place, including the role of the governance structures involved (such as the authority, the audit and other committees). It should be high level, strategic and written in an open and readable style.
- 7.4** The annual governance statement should be focused on outcomes and value for money and relate to the authority's vision for the area. It should provide an assessment of the effectiveness of the authority's governance arrangements in supporting the planned outcomes – not simply a description of them. Key elements of an authority's governance arrangements are summarised in the next section.
- 7.5** The annual governance statement should include:
- an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance
 - reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate
 - an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework

- an agreed action plan showing actions taken, or proposed, to deal with significant governance issues
 - reference to how issues raised in the previous year’s annual governance statement have been resolved
 - a conclusion – a commitment to monitoring implementation as part of the next annual review.
- 7.6** The annual governance statement should be signed by the leading member (or equivalent) and chief executive (or equivalent) on behalf of the authority.
- 7.7** The annual governance statement should be approved at a meeting of the authority or delegated committee (in Scotland, the authority or a committee with a remit including audit or governance).
- 7.8** Local authorities are required to include the annual governance statement with their statement of accounts. As the annual governance statement provides a commentary on all aspects of the authority’s performance, it is appropriate for it to be published, either in full or as a summary, in the annual report, where one is published. It is important that it is kept up to date at time of publication.

GOVERNANCE ARRANGEMENTS

- 7.9** Key elements of the structures and processes that comprise an authority’s governance arrangements are summarised below. They do not need to be described in detail in the annual governance statement if they are already easily accessible by the public, for example through the authority’s code of governance.
- Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.
 - Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
 - Documenting a commitment to openness and acting in the public interest.
 - Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
 - Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.
 - Translating the vision into courses of action for the authority, its partnerships and collaborations.
 - Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.
 - Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.

- Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.
- Ensuring that financial management arrangements conform with the governance requirements of the [CIPFA Statement on the Role of the Chief Financial Officer in Local Government \(2015\)](#) or [CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable \(2014\)](#) as appropriate and, where they do not, explain why and how they deliver the same impact.
- Ensuring effective arrangements are in place for the discharge of the monitoring officer function.
- Ensuring effective arrangements are in place for the discharge of the head of paid service function.
- Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.
- Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.
- Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the [Code of Practice on Managing the Risk of Fraud and Corruption \(CIPFA, 2014\)](#).
- Ensuring an effective scrutiny function is in place.
- Ensuring that assurance arrangements conform with the governance requirements of the [CIPFA Statement on the Role of the Head of Internal Audit \(2010\)](#) and, where they do not, explain why and how they deliver the same impact.
- Undertaking the core functions of an audit committee, as identified in [Audit Committees: Practical Guidance for Local Authorities and Police \(CIPFA, 2013\)](#).
- Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.
- Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.



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CIPFA registered with the Charity Commissioners of England and Wales No 231060

11 July 2024	ITEM: 9
Audit Committee	
National Investigation Service - NATIS	
Wards and communities affected: All	Key Decision: Non-Key Decision
Report of: Cheryl Wells, Head of Service Delivery Programme - NATIS	
Accountable Assistant Director: Mark Wheeler – Assistant Director - NATIS	
Accountable Director: Daniel Fenwick – Executive Director of Corporate Services	
This report is Public	

Executive Summary

The National Investigation Service (NATIS) is a department within the Council which has a range of investigative capabilities predominantly focussed on serious financial crime in the public sector. NATIS performs the investigatory work only and NATIS investigation cases are submitted to the Crown Prosecution Service (CPS) or the Council’s legal team for decisions regarding prosecution.

NATIS provides the Council with investigation expertise and can generate income from external opportunities.

There have been several concerns and challenges raised regarding the establishment and governance of NATIS and in particular the misconceived view that NATIS was a separate entity to Thurrock Council. As a result, NATIS has recently undergone an independent review commissioned by the Council. Recommendations arising from the review have either already been addressed or actions are being taken to address them, to ensure that going forward the governance of NATIS is performed as part of the Council function and is robust.

The purpose of this report is: to explain the current position of NATIS to the committee to detail the actions that have been taken by NATIS against the recommendations of independent reviews; and to set out the next steps for the service, which will include a Business Plan to be presented to Cabinet later this year.

1. Recommendation(s)

Audit Committee is requested to note the following:

1.1 The progress made against the recommendations of Mazars in March 2024.

2. Introduction and Background

- 2.1 The National Investigation Services (or NATIS) is a Council service that grew out of the Counter Fraud team and was formed in 2018. It now has around one hundred staff across capabilities including investigation, intelligence handling, digital forensics and criminal financial recovery, and has been designed to provide fraud investigation services to local authorities and government departments. Attached as Appendix 1 is a structure chart of the service, and detail regarding the nature of the work undertaken.
- 2.2 Since its establishment, the Council has entered into contracts and agreements for NATIS to deliver these services on behalf of the government or other authorities.
- 2.3 In 2020 NATIS commenced carrying out investigations into covid incentivisation scheme fraud on behalf of the Department of Business and Trade (previously BEIS). Since 2020 the work of NATIS has been almost exclusively into fraud against the bounce back loan scheme (BBL) and the Business support grant scheme (BSG). The service has been exclusively funded by central government during this period.
- 2.4 In February 2023, BEIS was dissolved as a government department with the relevant work and powers and arrangements transferring to the Department of Business and Trade (DBT). The Council has worked with central Government to update aspects of the contract and the legal framework for the Council's employees to undertake this work. The current contract with DBT is due to end in March 2025, but negotiations are ongoing regarding the continuation of this work and other opportunities. This will be explored in more detail in the Business Case to be presented to cabinet in September 2024.
- 2.5 As a result of the concerns regarding the governance of NATIS, in the autumn of 2023, the Council commissioned a review of the service by Mazars, a London based independent audit firm.
- 2.6 The Mazars review was completed in March 2024. All recommendations have been accepted and either now resolved or being actively progressed under the NATIS service plan progress against these at Appendix 2. It should be noted that by the time of the report, because of internal measures implemented by the Council, that several of the recommendations that arose had already been addressed.
- 2.7 Recommendations from the review were broadly in these areas:
- Governance
 - Contract and financial management
 - Integration with the council
 - Regularisation of arrangements
 - Operations beyond March 2025

2.8 The report from Mazar was commissioned to look at the relationship between the council and the service. The report also references the contractual arrangements with the Department for Business and Trade (DBT). Before disclosure of the report to Audit Committee takes place it is necessary to consult with DBT. It is proposed to bring the full Mazars report to a future audit committee following the DBT consultation.

2.9 Risks

2.9.1 NATIS as a service that generates income and can provide specialist services to the council and external stakeholders requires strong oversight and control, to ensure it is delivering against any contracts and is operating in line with regulations and legislation. There is a risk therefore in not having that appropriate governance and oversight in place.

2.9.2 There would be a risk if there was a failure to implement the Mazars recommendations and accompanying oversight of the service plan. This would indicate that the council had not rectified the issues as recommended.

2.10 Opportunities

2.10.1 NATIS has an excellent network, due in part to the breadth of backgrounds and experience of officers in the team. NATIS is a unique service in terms of scale and capabilities within the public sector fraud landscape, with no other comparable enforcement set up elsewhere. The opportunities for the service require assessment and prioritisation as well as a business development plan and market development plan which will be contained within the paper to be presented later this year.

3. Reasons for Recommendation

3.1 Elected Members have previously had limited exposure to NATIS, it's capabilities and progress. It is acknowledged that transparency with members is essential and is one of the areas where improvement is required.

4. Consultation (including Overview and Scrutiny, if applicable)

4.1 The Senior Leadership Team have been consulted about this report.

5. Impact on corporate policies, priorities, performance and community impact

5.1 NATIS investigates fraud in respect of public funds and generates income for the Council.

6. Implications

6.1 Financial

Implications verified by: **Laura Last – Senior Management Accountant**
Rosie Hurst – Management Accountant

There are no financial implications as this paper is for noting and information only.

6.2 Legal

Implications verified by: **Helen Nicol**
Assistant Director Legal and Governance

There are no legal implications as this paper is for noting and information only.

6.3 Diversity and Equality

Implications verified by: **Roxanne Scanlon**
**Community Engagement and Project
Monitoring Officer**

There are no direct diversity and/or equality implications in relation to this report.

6.4 Other implications (where significant) – i.e., Staff, Health Inequalities, Sustainability, Crime and Disorder, and Impact on Looked After Children

None

7. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Mazars Report March 2024

8. Appendices to the report

- Appendix 1 – Structure and overview of current capabilities
- Appendix 2 – Table of recommendations arising from the Mazars Report and progress against these

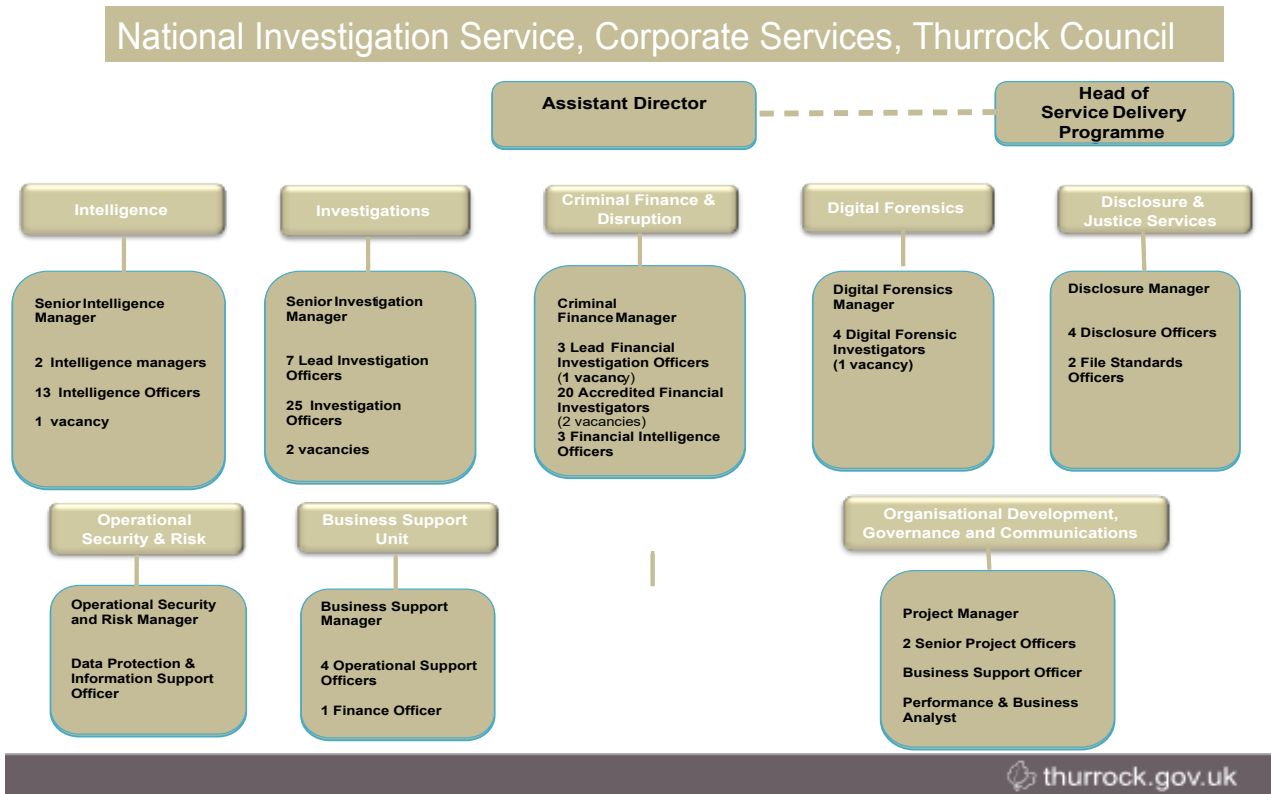
Report Author:

Cheryl Wells

Head of Service Delivery Programme

National Investigation Service - NATIS

Appendix 1



Intelligence

- Triage and assessment of initial referrals
- Research, development, and analysis of information received using a range of law enforcement tools including PNC and PND
- ALTIA (a leading LE supplier) SmartCase used as intelligence handling application
- Experienced and qualified intelligence professionals
- Compliant with the National Intelligence model the standard for law enforcement
- Share and receive information and intelligence across the public sector and law enforcement agencies.

Investigations

The teams of investigators deal with both Serious and organised cases (SOC) as well as the higher volume less complex disruption cases. They are all PIP2 and GCFP accredited with significant experience from policing, HMRC, private sector, SFO and the NCA. NATIS can coordinate with other agencies and execute operational activity across the UK supported by other Law enforcement agencies.

Criminal Finance and Civil Disruption Unit

The teams consist of Accredited financial investigators and are engaged at an early point in the criminal investigations and manage civil cases resulting from referrals from the NCA financial intelligence unit. They obtain the financial information and evidence to support the investigators and support the prosecutions using the Proceeds of Crime Act powers. They identify and exploit opportunities to recover public finance criminal property through account freezing, freezing of Listed Assets, cash detention, restraint, and confiscation.

Digital Forensics

The team of dedicated Digital and Cyber examiners and investigators are hold expertise and significant experience in digital and cyber related investigations; They identify, preserve analyse, and document evidence from digital devices and on-line sources. This includes the analysis of computers, digital media, and mobile phones (including locked and encrypted devices) and providing forensic reports and evidence at court. NATIS offers a fully secure digital laboratory.

The completion of their ISO accreditation is expected in the next 6 months.

Disclosure and Justice

The Disclosure function manages dedicated disclosure reviews across the serious organised crime (SOC) cases and supports disclosure reviews across the disruption investigations with Subject matter expert advice to case teams. They manage the relationship with the Crown Prosecution Service (CPS) as the prosecuting body and have specialist knowledge and experience of management of sensitive material, including intelligence sources, critical issues of legal contention and court process including public interest immunity (PII) applications.

Business Support / Business Unit

The business support function provides operational support across all the department areas including logistics, financial administration, procurement, fleet management, commercial third party engagement and supports the HR function

Security, Information and Risk

The department is responsible for the oversight and management of the risk, security management, data protection and Information management of the service. It provides security advice and guidance to departments and staff and leads on NATIS own personnel security and threat leadership with NCA, policing and other agencies. NATIS is represented on regional and national operational security boards. The department is the strategic lead for ICT infrastructure and Information security and works in close partnership with Corporate ICT. The Operational Security Manager (OpSy) is qualified through College of Policing and Certified Information Security Manager (CISM)

Organisational Development and Governance

- NATIS have a Project support and change team including three certified Prince 2 Practitioners, to undertake Project and Programme leadership and change management.
- They are supported by a Performance and Business analyst and Operational support officer and work across all the teams to support the Service Plan, Governance and communications.

Appendix 2

	Recommendation	Response/Action Taken
1	Develop a contract and appropriate governance arrangements between NATIS / TC and DBT as soon as practicable to formalise the current working relationship up until March 2025;	An interim agreement is in place and formal contract being finalised. New governance arrangements in place with DBT and Thurrock Council.
2	Ensure that all secondments are formalised and remain so, in line with the 17 January 2024 letter from DBT to NATIS.	All secondments formalised
3	Additionally, TC should review the mechanisms in place for ensuring NATIS-focused TC staff members are compliant with their Continuous Professional Development ("CPD") requirements.	Under review and due to be completed by end of June 24
4	Conduct a full review into formalising the structure of NATIS within TC, particularly with regards to governance arrangements, establishing performance monitoring arrangements and the remit of NATIS operations, as well as considering whether it would be appropriate to bring NATIS-focused TC support function staff (finance, business support, HR, business support, marketing, etc) into the established corporate TC business support teams	NATIS is now formalised in the TC structure as part of the Corporate Services directorate. It has council governance and oversight, with all NATIS focussed support functions now aligned with Thurrock Council.
5	Consider the future of the NATIS service, particularly with regards to the lack of future workstreams and a possible redundancy liability around March 2025	Business case is being developed to address risks and future workstreams.
6	TC should assign a trusted senior individual to oversee NATIS operations for the foreseeable future. The job descriptions for key NATIS-focused TC staff members should be updated to accurately reflect the responsibilities and expectations that the current TC Senior Leadership Team ("SLT") expect the jobholders to perform	Assistant Director appointed.
7	As a matter of priority, TC staff should review secondment agreements in place and update where necessary. TC should urgently undertake the "next steps" outlined in one of the legal opinions in order to regularise the situation	All secondments formalised
8	TC SLT consider the best positioning of the TC finance function in relation to the NATIS department, considering how best to both support the NATIS department and to monitor compliance with TC policies and procedures, as well as considering the reorganisation of any NATIS-focused finance staff into the central TC team	NATIS financial governance and oversight is lead by TC
9	TC SLT consider a training programme for relevant NATIS-focused TC staff on procurement procedures and purchasing, if any remain after any centralisation;	NATIS is now fully engaged in all relevant service training. The AD has access to financial applications and received budget management training.
10	TC finance team works alongside the NATIS-focused TC staff to produce detailed and regular financial performance and contractual performance information in relation to NATIS, its current work for DBT, and any other workstreams that emerge for review by TC's elected members;	NATIS leadership is working closely with finance accountants. The majority of elected members have not previously been exposed to NATIS. NATIS will be better engaged with elected members going forward.
11	Improvement of the accounting for Asset Recovery Incentivisation Scheme ("ARIS") monies, with more detailed and formalised evidence kept on file, as well as the creation and upkeep of a forecasting document detailing monies seized, and monies expected to be received;	Close liaison with finance has resolved this. This will be monitored on a monthly basis to ensure appropriate management of ARIS funds.
12	All outstanding payments for NATIS items over 60 days are reviewed and reasons for non-payment are investigated in detail.	No outstanding debt in excess of 60 days
13	Documents provided to Mazars suggest that TC are owed just over £500,000 by Southend-on-Sea Council ("SSC") in relation to work performed by the Counter Fraud and Investigations Department ("CFID"), a precursor to NATIS. TC should explore the recoverability of this debt	Officers are reviewing the information to make a decision on how to proceed.

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**Audit Committee
Work Programme
2024/25**

Dates of Meetings: 11 July 2024, 3 October 2024, 9 January 2025 and 6 February 2025

Topic	Lead Officer	Description of the Report
11 July 2024 Meeting		
Final Report to be submitted to Democratic Services on 27.6.24		
Reports to Amber for SLT 25.4.24, SLT 1.5.24		
Terms of Reference	Democratic Services	
Progress Report – Statement of Accounts and Audit – 2020/21 -2023/24	BDO/ Dawn Calvert	
2024-25 Internal Audit Plan (July 2024-March 2025)	Frankie Smith	
Local Code of Corporate Governance	Daniel Fenwick	
NATIS Update	Mark Wheeler	
Work Programme	Democratic Services	Standing Item

3 October 2024 Meeting Final Report to be submitted to Democratic Services on 19.9.24 Reports to Amber for SLT 1.8.24, SLT 7.8.24		
External Audit Progress Update Report	BDO/ Michael Jones	
<ul style="list-style-type: none"> i. Counter Fraud Strategy 24-27 ii. Bribery & Corruption Policy iii. Whistleblowing Policy iv. Money Laundering Policy v. Counter Fraud & Investigation Annual Report 2023/24 and 2024/25 Work Plan 	Michael Dineen	
Review of Risk Management, Strategy Policy and Framework Report (to include Corporate Risk Register and to be decided how often this is brought to the Audit Committee)	Frankie Smith	
Chief Internal Auditor's Annual Report – Year ended 31 March 2023	Frankie Smith	
Annual Complaints Report 2022-23	Lee Henley	
Annual Information Governance Report 2022-23	Lee Henley	

Regulation of Investigatory Powers Act (RIPA) Activity Report 22/23	Lee Henley	
Counter Fraud Strategy	Michael Dineen	
Work Programme	Democratic Services	
9 January 2025 Meeting		
Final Report to be submitted to Democratic Services on 19.12.24		
Reports to Amber for SLT 31.10.24, SLT 6.11.24		
External Audit Progress Update Report	BDO/ Michael Jones	Standing Item
Counter Fraud & Investigation Quarterly Update (Q1)	Michael Dineen	
Internal Audit Progress Update Report	Frankie Smith	
Work Programme	Democratic Services	
6 February 2025 Meeting		
Final Report to be submitted to Democratic Services on 23.1.25		
Reports to Amber for SLT 28.11.24, SLT 4.12.24		
Audit Progress Report for the Year Ended 31 March 2023	BDO / Michael Jones	
Mid-Year (2024/25) Complaints and Information Governance Activity Report	Lee Henley	

Work Programme		
Internal Audit Charter 2024	Frankie Smith	
Internal Audit Protocol	Frankie Smith	
Internal Audit Strategy 2025/26	Frankie Smith	
Annual Internal Audit Plan 2025/26	Frankie Smith	

Annual Governance Statement – date TBC
Internal Audit Strategy – date TBC

Clerk: Rhiannon Whiteley
Last Updated: June 2024