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SOUTHEND-ON-SEA BOROUGH COUNCIL

Audit Committee

Date: Wednesday, 29th June, 2016

Time: 6.30 pm

Place: Committee Room 1 - Civic Suite

Contact: Colin Gamble

Email: committeesection@southend.gov.uk

AGENDA

- 1 Apologies for Absence**
- 2 Declarations of Interest**
- 3 Minutes of the Meeting held on 30th March 2016** (Pages 1 - 4)
- 4 Housing Benefit**
Presentation at meeting
- 5 South Essex Homes: Annual Governance Statement 2015/16 and supporting reports** (Pages 5 - 38)
Report of Corporate Director for People
- 6 Internal Audit Services, Quarterly Performance Report** (Pages 39 - 54)
Report of Corporate Director for Corporate Services
- 7 Head of Internal Audit Annual Report 2015/16** (Pages 55 - 88)
Report of Corporate Director for Corporate Services
- 8 Annual Governance Statement 2015/16** (Pages 89 - 112)
Report of Chief Executive and Town Clerk
- 9 BDO: Planning Letter 2016/17** (Pages 113 - 118)
Report of Corporate Director for Corporate Services
- 10 Corporate Risk Register 2016/17** (Pages 119 - 142)
Report of Chief Executive and Town Clerk
- 11 BDO: Progress Report to Those Charged with Governance** (Pages 143 - 156)
Report of Corporate Director for Corporate Services

Information Items

- CIPFA Better Governance Forum, Audit Committee Update, Helping Audit Committees to be Effective, Issue 19:
 - Good Governance in Local Government - 2016 Framework
 - Appointing local auditors
- Fighting Fraud & Corruption Locally, The local Government counter fraud and corruption strategy 2016-2019

Members:

Cllr M Davidson (Chair), Cllr S Buckley (Vice-Chair), Cllr B Ayling, Cllr C Nevin, Cllr Bright, Cllr D Garston, Cllr M Stafford, Cllr Moyies and Cllr Ware-Lane

SOUTHEND-ON-SEA BOROUGH COUNCIL

Meeting of Audit Committee

Date: Wednesday, 30th March, 2016
Place: Committee Room 1 - Civic Suite

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Present: Councillors McMahon (Vice-Chair), Buckley, Courtenay, M Davidson, C Nevin, I Robertson, Betson and Mr Everitt (co-opted member).

In Attendance: Ms S Holland, Mr R Harris, Ms L Everard, Mr D Kleinburg, Ms E Allen, Ms J Denman and Ms L Clampin (External BDO Auditor).

Start/End Time: 6.30 - 8.15 pm

743 Apologies for Absence

Apologies for absence were received from Councillor Ayling (no substitute).

744 Declarations of Interest

The following declarations of interest were made:

(a) Councillor McMahon – Minute 747 (BDO: Progress Report to those charge with Governance) – Non-Pecuniary Interest – member of Troubled Families Administrative Board and a close colleague works alongside the CQC and on Serious Case Reviews;

745 Minutes of the Meeting held on 20th January 2016

Resolved:-

That the Minutes of the Meeting held on 20th January 2016 be confirmed as a correct record and signed.

746 BDO: Grant Claims and Returns Certification Report for the Year ended 31 March 2015

The Committee considered a report of the BDO External Auditor presented the External Auditor's Grant Claim and Return Certification report for 2014/15.

The Committee asked a number of questions related to the Housing Subsidy Grant Claim which were responded to by officers and the BDO External Auditor.

The Committee expressed concerns regarding the potential £480,000 housing benefit subsidy loss in 2014/15 which occurred as a result of miss-classification errors in the Council's benefit administration and subsidy entitlement calculations. In response the Corporate Director for Corporate Services would ensure that there would be appropriate officer representation at the next meeting to provide a progress report on the actions being taken to address this matter and also provide a detailed explanation / overview of the complexities of the benefits administration process in respect to subsidy claims.

Resolved:

1. That the Grant Claim and Return Certification Report for 2014/15 be accepted.
2. That Cabinet be requested to note the concerns of the Audit Committee regarding the high level of loss in housing benefit subsidies in 2014/15 due to misclassification errors in the Council's benefit administration and subsidy entitlement calculations.

747 BDO: Progress Report to Those Charged with Governance

The Committee considered a report of the BDO External Auditor which provided an update on progress in delivering the 2014/15 and 2015/16 Annual Audit Plans.

Resolved:

That the progress made in delivering the Annual Audit Plans for 2014/15 and 2015/16 be accepted.

748 Internal Audit Service Quarterly Performance Report

The Committee considered a report of the Corporate Director for Corporate Services which provided an update on the progress made in delivering the Internal Audit Strategy for 2015/16.

The Committee asked a number of questions which were responded to by officers.

Resolved:

That the progress made in delivering the 2015/16 Internal Audit Strategy, be noted.

749 Counter Fraud & Investigation Directorate: Annual Report 2015/16 and Corporate Counter Fraud & Investigation Strategy for 2016/17.

The Committee considered a report of the Corporate Director for Corporate Services which provided an update on the progress made in delivering the Council's Corporate Counter Fraud & Investigation Plan for 2015/16, and the Corporate Counter Fraud & Investigation (CF&I) Strategy for 2016/17.

The Committee asked a number of questions which were responded to by officers.

Resolved:

1. That the Directorate's performance to date be noted.
2. That the 2016/17 Corporate Counter Fraud and Investigation Strategy be endorsed.

750 BDO: Audit Plan 2015/16

The Committee considered a report of the BDO External Auditor which presented the External Auditor's Audit Plan for 2015/16.

The Committee asked a number of questions which were responded to by the BDO External Auditor.

Resolved:

That the BDO Audit Plan for 2015/16, be accepted.

751 Internal Audit Charter, Strategy and Audit Plan for 2016/17

The Committee considered a report of the Corporate Director for Corporate Services which presented the Internal Audit Charter with the supporting Strategy, Audit Risk Assessment and proposed Audit Plan for 2016/17 for consideration.

Resolved:

That the Charter, Strategy and proposed Audit Plan for 2016/17, be approved.

752 Vote of Thanks

The Vice-Chair reported that this would be the last meeting which Mr Everitt would be attending as he was retiring from the Committee as the co-opted member. The Vice-Chair, on behalf of the Committee, extended her thanks and appreciation to Mr Everitt for his work and significant contributions and wished him every success for the future.

Members also noted that this was Councillor Robertson's last Audit Committee meeting before retiring as a Councillor. The Vice-Chair, on behalf of the Committee, extended her thanks and appreciation for his work and contributions and wished him every success for the future.

Chairman: _____

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South Essex Homes Limited

Report of the Head of Internal Audit
to

Audit Committee

on
16 May 2016

Report prepared by: Linda Everard

Agenda
Item No.
5

Head of Internal Audit Annual Report 2015/16

A Part 1 Public Agenda Item

1 Purpose of the Report

- 1.1 To provide, for the 2015/16 financial year:
- the rationale for and an audit opinion on the adequacy and effectiveness of South Essex Homes (the company's) risk management, control and governance processes
 - a statement on conformance with the UK Public Sector Internal Audit Standards (the Standards) and the results of the Quality Assurance and Improvement Programme.

2 Recommendations

2.1 The Audit Committee:

- **accepts the Head of Internal Audit's Annual Report for 2015/16**
- **satisfies itself that the contents of this report are appropriately reflected in the company's Annual Governance Statement.**

3 Background

- 3.1 The Head of Internal Audit's Annual Report and Opinion provides the company with an independent source of evidence regarding both the design of its risk management, control and governance framework and how well it has operated throughout the year.
- 3.2 The company is not required to produce a Governance Statement for its own purposes. However as a wholly owned subsidiary, it is required to provide Southend-on-Sea Borough Council (the Council) with evidence of the robustness of these arrangements in support of the disclosures it needs to make in its Annual Governance Statement.
- 3.3 The opinion is predominantly based upon the audit work performed during the year as outlined in the risk based Audit Plan agreed with the Executive Management Team and the Audit Committee.
- 3.4 As outlined in the Internal Audit Charter, audit coverage is determined by prioritising the significance of company's activities to its ability to deliver its Aims.

This is done:

- using a combination of Internal Audit and management risk assessments (including those set out in risk registers)
- in consultation with Group Managers, Directors and the Chief Executive, to ensure the work is focused on key risks.

3.5 At least, six monthly meetings are then held with the Chief Executive and Directors to:

- reflect on the original risk profile and work planned
- determine whether any changes are required to it or the Audit Plan.

Organisationally, this reflects a very mature approach to operating an internal audit function.

3.6 All individual audit reports are presented to the Audit Committee having first discussed and agreed them with the relevant Group Manager, Director and or the Chief Executive.

4 Head of Internal Audit Opinion for the year ended 31 March 2016

4.1 ***Overall, the design and operation of the company's risk management, control and governance framework was satisfactory throughout the year, with the opportunity to strengthen these arrangements in some areas.***

Particular focus has been given by the company, to further developing the processes for managing the Careline service and the Door Entry Service and Repair Contract.

4.2 **The basis for forming this opinion is an assessment of:**

- the design and operation of the underpinning governance and assurance framework
- the range of individual opinions arising from risk based and other audit assignments that have been reported during the year taking into account the relative significance of these areas
- whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales.

4.3 The Head of Internal Audit has not reviewed all risks and assurances relating to the company's activities in coming to her opinion.

5 Supporting Commentary

5.1 **Appendix 1** summarises the audit opinions from each audit completed this year. It should be noted that this is the first year where four instead of three audit opinions have been used. The previous "adequate" assurance category has been split into two, i.e. satisfactory or partial assurance, to enable a more accurate view to be given on how well a service or process is operating.

The following paragraphs then:

- summarise the findings from this audit work
- highlight some of the areas requiring improvement

- expand on how assurance obtained from other relevant sources has been used to support the overall opinion.

Where necessary, actions have been agreed with officers improve the arrangements where serious control issues were identified during the audits.

Governance and Assurance Arrangements

- 5.2 The company's arrangements for **safeguarding** vulnerable people were satisfactory and based upon a safeguarding framework agreed by Southend-on-Sea Borough Council, Essex County Council and Thurrock Council. This was supported by a clear framework of policies, procedures and reporting processes to be used should a concern be identified by staff or contractors. These now need to be subject to regular review and approval to ensure they remain relevant.

Staff were properly vetted before they are employed. Arrangements needed to be established to ensure staff update Disclosure and Barring Service (DBS) checks when they become due. Safeguarding training was provided both at induction and then tri-annually, targeted to deal with safeguarding issues that have been reported. Attendance needs to be made mandatory and action taken when staff don't attend the required sessions.

The company needs to develop processes to satisfy itself that each contractor used, has appropriate safeguarding arrangements in place that are applied consistently by its staff. This should be achieved through both the contract letting and monitoring arrangements.

Action was required to ensure the Safeguarding Referrals spread sheet contains the most up to date information regarding each case.

- 5.3 The Local Government Ombudsman (LGO) has stated that actions of any firm contracted to provide a service should be treated as actions of or on behalf of a Council. The LGO urged all councils to consider how they integrate their **complaints** policies into contracts with external companies, to make sure:

- complaints are dealt with effectively
- the Council maintains oversight of them.

Given the company's relationship with the Council, it should consider how to integrate this into its own arrangements.

A Complaints Policy was being produced and the current procedures refreshed to ensure they were still fit for purpose. Otherwise, the complaints process was well designed and managed.

- 5.4 Other assurance has also been taken from the:

- performance and effectiveness assessments completed by the Audit Committee
- arrangements established to validate the Management Assurance Statement assessments.

(Refer to the Audit Committee Annual Report)

Service Risks and Key Financial Systems

- 5.5 The **residential leaseholder** framework complied with statutory requirements and the calculation of both estimated and actual service charges, which are recharged to leaseholders, was well documented.

Action was being taken to:

- ensure the core standing data in the Leaseholder Details spreadsheet was accurate and complete (as a one off exercise)
- restrict access to the cells containing this standing data, thus making it more secure and reliable
- improve the arrangements for highlighting any potential maintenance costs that would be above £250, as it is necessary to consult with leaseholders before they are incurred if the costs are to be fully rechargeable
- redesign the operational processes for identifying which version of the Right to Buy lease (there have been nine so far) each leaseholder had been issued with, which is critical when calculating recharges.

This will help ensure that the leaseholder recharges are correct and the Council fully recovers such monies due.

- 5.6 Management were determining what performance information was required, how often and in what format in order to enable the **Careline service** to be monitored more effectively. Staff training needs and how individual performance monitoring is undertaken, was also being revisited.

Although the disaster recovery procedure had been implemented successfully during system failures, a formal testing programme will be implemented going forward. A more standard way of documenting these incidents was being developed so lessons can be learnt from these events.

Arrangements for managing the contract with Tunstall, who maintain the Careline units, were being actively strengthened.

Action had already been taken to review what operating costs should be included in Careline's budget. As a consequence, the company had revised customer charges to cover increased costs and bring them in line with other Careline services delivered locally. It had also reviewed its approach to marketing this service more widely.

A procedure note was being developed to help staff ensure annual battery discharge testing was undertaken properly and monitored effectively. A stock holding and ordering policy was also being introduced.

- 5.7 The services required were clearly set out in the **Door Service Entry and Repair Contract**. However, the arrangements for managing it needed strengthening significantly.

Guidance was to be provided for staff managing contracts, supported by appropriate training that sets out the company's expectations regarding the:

- level of targeted and proportionate checks required before signing off work
- monitoring arrangements required in order to ensure contract terms are being complied with.

Key to improving these arrangements was to proactively use the contract to manage service delivery. This would ensure that:

- changes to contract terms are dealt with using variation orders
- all properties are being visited and properly serviced
- responsive repairs are dealt with in a timely manner
- the contractor uses appropriately skilled and experience staff to do the work
- the right quality materials are used and the uplift for non scheduled materials is being properly applied
- regular and targeted post work inspections are undertaken
- more robust checks are undertaken before payments are made to confirm works orders are appropriate and have been properly approved
- contractor performance is discussed regularly and issues are recorded and dealt with.

Monitoring actual spend against budget for all Property Services team contracts, was done through an insightful monthly report produced from the iWorld system. However, more thoroughly documented reconciliations must be completed with all inconsistencies investigated, for senior management to be able to fully rely on this.

- 5.8 The purpose of **key financial systems** work was to provide assurance as to whether controls were in place to effectively prevent or detect material errors on a timely basis, so that this information could be relied upon when producing the company's and Council's financial statements.
- 5.9 Overall, satisfactory arrangements were in place regarding the **Housing Rents system**, to both raise and then collect rental income from Council house tenants. The element of the system managed by the company was well controlled. Going forward, tenancy terminations will be independently checked each month to ensure they are valid.
- 5.10 There were good arrangements in place to ensure the company's **Treasury Management**:
- Policy and reporting process comply with good practice guidance
 - transactions are properly authorised and supported by appropriate evidence to confirm their validity.
- 5.11 With regards to the **Accounts Payable system**, the arrangements operated by the company provided a high level of assurance that payments made were accurate, complete and appropriate.
- Action was being taken to strengthen the process for evidencing that independent checks were undertaken before supplier details were amended.
- 5.12 The company uses the Council's **Payroll system** to pay its staff which is reliant on manual checks to ensure the accuracy and completeness of its records. The planned improvement of the Agresso payroll module and supporting operational processes will significantly strengthen these arrangements, and is planned for implementation in September 2016. Therefore, the key areas where improvements are still required include:

- ensuring the company's establishment list of employee posts reconciles to HR and Payroll records
- improving the consistency of the documentation that demonstrates the annual uplift to the Payroll system was properly tested to ensure its accuracy before the changes were made live on the system
- strengthening controls over making amendments to Payroll records
- ensuring BACs payment runs are complete, accurate and appropriately authorised prior to payments being made
- validating the accuracy and authorisation of:
 - overtime payments
 - payments made to Her Majesty's Revenues and Customs.

5.13 The company also uses aspects of the Council's **Income, Receipting and Banking** system, which was operating well. This provided assurance that income received was being banked and properly posted to the Rent system.

Implementing Action Plans

5.14 Actions are proposed to address internal control weaknesses identified during all audit reviews. When implementation dates have past, Internal Audit retest to ensure the agreed action has taken place and is being applied consistently where the opinion was partial or minimal. Going forward, management will be providing the Audit Committee with this assurance where high or satisfactory audit opinions are given.

5.15 The original **Allocations** audit assessed whether there were adequate processes and procedures in place to re-let empty properties efficiently and in a timely manner in line with the Council's expectations.

Good progress had been made to strengthen these arrangements. As a result:

- evidence had been provided of the validity of new tenancies processed since the Tenancy and Rent teams merged in 2014
- the process for verifying the identify of prospective tenants and evidencing the letting process had been improved
- there was proactive monitoring of key void milestones to ensure properties were reallocated at the earliest opportunity.

Action was being taken to independently validate, on a regular basis:

- all cases where one person had been involved in terminating a tenancy and then creating a new tenancy / rent account
- that all properties had actually been advertised or were approved direct lets / mutual exchanges.

The draft Tenancy Incentive Scheme procedure notes were also being amended to clarify how tenants will be contacted, where the response will be recorded and who needs to be informed should the tenancy change.

The company will also discuss with Counter Fraud & Investigations Directorate, how best to better mitigate the risks relating to identity fraud when allocating Council properties, as part of the Allocations pilot exercise.

- 5.16 The original **Information Management** audit assessed whether the company's information is used and managed effectively.

The company had made good progress in addressing issues raised where it was possible to do so. Some issues cannot be progressed until the Council's upgrade of Civica (now planned for 2016/17) has taken place. These relate to:

- developing a work flow on Civica for the management of leaseholders
- undertaking post implementation reviews of IT software amendments / upgrades
- enabling the archiving / deletion module in line with the Document Retention Policy.

The Document Retention Policy was to be updated to include guidance on the treatment of hardcopy documents once scanned, electronic documents and entries deleted from the Potential Risks Register.

The company also needs to seek assurance from the Council regarding how it will ensure that only appropriate people are granted access to HR and Payroll module on Agresso, as this also provides access to company data.

6. Conformance with Professional Standards

Head of Internal Audit Opinion

- 6.1 ***The service has substantially conformed to the relevant professional standards throughout the year.***

There continues to be a high level of compliance with the requirements of the CIPFA Statement on the Role of the Head of Internal Audit.

Audit Plan 2015/16

- 6.2 92% of the Audit Plan (all audits except one) has been delivered against a target of 100%. Nevertheless, sufficient work has been delivered to enable the Head of Internal Audit to give her annual audit opinion (**refer Appendix 2**).

The fieldwork on the remaining audit is being completed and the report will be issued in June 2016.

Other Performance Indicators

- 6.3 The service had a performance target this year of issuing draft reports to clients within 15 working days following the final meeting with officers to feedback on work done. Unfortunately this requirement has not been met in the latter part of the year due to changes in the mix of staff resources available to the team.
- 6.4 During the year, the service revised its approach to obtaining feedback from stakeholders at the conclusion of audits so it focused more on obtaining evidence of compliance with some of the less tangible elements of the UK Public Sector Internal Audit Standards (the Standards).

The key message from the surveys undertaken is the need for there to be a more seamless service regardless of whether work is undertaken by the in-house Internal Audit team or contracted in resources.

Cost

- 6.5 The cost of the service remains competitive, as discussed by the Audit Committee when a new three year Service Level Agreement was approved by in February 2016.

Quality and Improvement Programme

- 6.6 I can confirm I have maintained an appropriate Quality and Improvement Programme (QAIP) during the year for the in-house team. As required by the Standards, this consisted of:
- ongoing supervision and review of individual audit assignments
 - reporting on a set of performance targets to the Audit Committee each quarter (for all work done including that of the external supplier)
 - undertaking a self assessment which evaluates:
 - conformance with the Standards
 - compliance with the CIPFA Statement on the Role of the Head of Internal Audit.

Due to resource constraints, there have been no independent files reviews completed this year.

I have received assurance from the external supplier that its arrangements also comply with the Standards.

- 6.7 The final position statement on the actions taken by the in-house team during the year, to address areas that were not fully conformant with the Standards at the end of 2014/15 were also reported to the Audit Committee. These were substantially completed. The outstanding items will be addressed once the outcome of the service review is known.

No new actions have been identified from the 2015/16 assessments outlined above.

Other Disclosures

- 6.8 As required by the Standards, I can confirm that the Internal Audit service has:
- operated in a manner that maintains its organisational independence throughout the year
 - been able to determine the scope of reviews, perform the work and report on its findings without interference neither has there been any inappropriate resource limitations imposed upon it.

Conclusion

- 6.9 Therefore, it is possible to conclude that the company maintained an adequate and effective internal audit service during 2015/16.
- 6.10 The service will continue to maintain an action plan that captures opportunities to strengthen its operating arrangements as and when they arise. The results of this work will be reported to the Audit Committee periodically.

7 Issues for the Annual Governance Statement

7.1 **No issues** have come to my attention relating to either the company or the operation of its Internal Audit Service that I believe need to be disclosed in its Annual Governance Statement, other than those already identified.

8 Diversity and Equal Opportunities

8.1 There are no direct diversity or equal opportunities issues to consider as a result of this report.

9 Risk

9.1 Failure to operate a robust assurance process (which includes an internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact upon the ability of the company to deliver its objectives.

10 Financial Implications

10.1 The Audit Plan was delivered within approved budgets.

11 Resident Consultation

11.1 None.

12 Background Papers

- 12.1
- UK Public Sector Internal Audit Standards
 - CIPFA, Local Governance Application Note for the UK Public Sector Internal Audit Standards
 - CIPFA, The Role of the Head of Internal Audit in Public Service Organisations 2010
 - CIPFA, Audit Committees, Practical Guidance for Local Authorities and Police 2013.

13 Appendices

- 13.1
- Appendix 1a: Assurance Summary 2015/16
- 13.2
- Appendix 1b: Internal Audit Services, 2015/16 Audit Plan as at 6 May 2016

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Appendix 1a: Assurance Summary 2015/16

Audit Plan Areas	Level of Assurance			
	High	Satisfactory	Partial	Minimal
Managing the Business			<ul style="list-style-type: none"> • Safeguarding (Apr 2016) • Complaints (Apr 2016) 	
Managing Service Delivery Risks			<ul style="list-style-type: none"> • Residential Leaseholder Recharging (Apr 2016) 	<ul style="list-style-type: none"> • Careline (Jan 2016) • Door Entry Service and Repairs Contract Management (Apr 2016)
Key Financial Systems	<ul style="list-style-type: none"> • Treasury Management (Apr 2016) • Income Receipting and Banking (Apr 2016) (<i>Council operated</i>) 	<ul style="list-style-type: none"> • Housing Rents (Apr 2016) (<i>Partly Council operated</i>) • Accounts Payable (Feb 2016) 		<ul style="list-style-type: none"> • Payroll (Apr 2016) (<i>Council operated</i>)

Appendix 1a Assurance Summary 2015/16

Audits Revisited	Action Implementation Level			
	High	Satisfactory	Partial	Minimal
Implementing Action Plans		<ul style="list-style-type: none"> • Allocations (Apr 2016) • Information Management (Apr 2016) 		

Internal Audit Services
2015/16 Audit Plan as at 6 May 2016

Audit Activity	Last Audited	Fraud Risk	Priority	Est Days	Current Status / Planned for
Managing the Business					
Financial Planning and Management	2013/14		High	0	Postponed (refer Oct 2015 report)
Other Assurance and Governance Arrangements:	Annual		N/A	20	
• Safeguarding					Report issued May 2016
• Complaints					Report issued May 2016
Managing Service Delivery Risks					
Ensure fair and equal access to excellent services for all residents and business customers					
Income Management:	2013/14	Yes	Medium	10	Report issued May 2016
• Residential Leaseholder Management					
Supported Housing: Careline	2011/12		Medium	10	Report issued February 2016
Bring all homes to Decent Homes standard by 2013 and ensure maintenance meets residents' expectations					
Procurement and Contract Management	2013/14	Yes	High	10	Report issued May 2016
• Door Entry Service & Repair Contract					
Asset Management and Investment	2013/14		High	10	Work in progress
• Responsive Repairs Contract					
Contribute to meeting local housing need and increasing supply of affordable housing locally					
No worked planned this year					

Internal Audit Services
2015/16 Audit Plan as at 6 May 2016

Audit Activity	Last Audited	Fraud Risk	Priority	Est Days	Current Status / Planned for
Increase our local customer base to create a healthy, sustainable future for our business					
Atilius Ltd	N/A	Yes	High	0	Deleted (refer Oct 2015 report)
Further develop our contribution to local neighbourhoods to improve residents' quality of life					
No worked planned this year					
Promote environmental sustainability and minimise negative environmental impact					
No worked planned this year					
Key Financial Systems					
In House Systems					
Housing Rents	Annual	Yes	N/A	8	Report issued May 2016
Treasury Management	2013/14	Yes	High	5	Report issued May 2016
Accounts Payable (creditors)	2013/14	Yes	High	8	Report issued February 2016
Systems Shared with Southend Council (SEH transactions included in testing therefore no days in this plan)					
Income Receipting and Banking	Annual	Yes	High	0	Refer May Quarterly Performance Report
Payroll	Annual	Yes	High	0	Refer May Quarterly Performance Report
Other Chargeable Time					
Following up previous reports:				10	
• Allocations					Report issued May 2016
• Information Management					Report issued May 2016

Internal Audit Services
2015/16 Audit Plan as at 6 May 2016

Audit Activity	Last Audited	Fraud Risk	Priority	Est Days	Current Status / Planned for
Planning				3	
Audit Committee				5	
Total Chargeable Audit Plan Days				109	
Other Value Adding Work					
Work with the company to produce Audit Committee performance assessment and Annual Report.					Delivered May 2015
Provide targeted training sessions for the Audit Committee where relevant.					As required
Total Time on Other Adding Value Work				10	
Total Number of Days of Complete Service				119	

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South Essex Homes Limited

Report of the Head of Internal Audit and
the Director of Finance

to

The Audit Committee

on

16 May 2016

Report prepared by: Linda Everard & David Lincoln

Agenda Item No.

Audit Committee Annual Report 2015/16

Confidential

1 Purpose of Report

1.1 To provide the Audit Committee with an assessment of:

- its compliance with relevant good practice guidance on the operation and effectiveness of Audit Committees
- whether it has:
 - seen sufficient evidence during the year to be able to give a view on the accuracy of the Annual Governance Statement
 - successfully discharged its role as set out in its Terms of Reference for 2015/16.

2 Recommendations

2.1 The Audit Committee:

- **accepts the performance and effectiveness assessments outlined in the report and the recommendations made for further action (Appendices 2 and 3)**
- **reports to the Board that it has successfully delivered the requirements of its Terms of Reference in 2015/16**
- **recommends that the Board approves the Annual Governance Statement.**

3 Background

The Audit Committee's Role

3.1 The purpose of an audit committee is to provide to those charged with governance, independent assurance on the:

- adequacy of the risk management framework and internal control environment
- integrity of the financial reporting and annual governance processes.

Source: CIPFA: Audit Committees, Practical Guidance for Local Authorities and Police 2013

Operating Arrangements and Effectiveness of the Audit Committee

3.2 The Audit Committee operates under Terms of Reference that are reviewed regularly and approved by the Board. In 2015/16, they reflected the requirements of the relevant CIPFA Guidance and were supported by an annual work programme.

3.3 Membership is reviewed annually. In 2015/16, it consisted of four Board Members including one that had 'recent relevant financial experience' although not someone who is a qualified accountant for most of the year. The new Chair is a qualified accountant.

3.4 Members receive training when a specific need is identified.

Future training needs are discussed with Members as part of the annual performance assessment process, during committee meetings or directly with auditors as issues arise.

The Audit Committee has also been provided with briefings or information papers on relevant current issues as they have arisen during the year e.g. CIPFA Better Governance Forum newsletters.

3.5 Good practice recommends that the Audit Committee:

- meets at least four times a year, which it did, with meetings being timed to enable it to deal with specific elements of its remit
- is able to meet privately and separately with the external auditor and the Head of Internal Audit, which it also has done during the year.

The Audit Committee reports to the Board following each meeting by the submission and adoption of its minutes.

3.6 In order for the Audit Committee to operate effectively it requests:

- attendance of key officers, both internal and external to the company
- that reports be presented to it by officers and auditors regarding the activities that fall within its remit.

The schedule of attendance was presented to the Audit Committee which demonstrates:

- full compliance with the quorate requirements
- key officers regularly attended meetings as requested
- other officers attended as necessary to present specific reports
- relevant senior officers also attended to respond to any questions arising from Internal Audit reports presented to the Audit Committee.

3.7 Audit Committee performance assessment demonstrates that it **has a high level of compliance** with the good practice guidance which covers its operating arrangements.

The Audit Committee's Terms of Reference will be amended during 2016/17 to include working with others to support ethical values and reviewing the arrangements to achieve those values.

- 3.8 The Audit Committee was also able to evidence that it **has been effective in supporting improvement and added value to the company** in areas covered by its work programme.

Given the change in membership during 2015/16, some training will be provided on the Audit Committee's role, particularly in relation to approving the Annual Governance Statement.

During 2016/17, action will also be taken to:

- produce a Value for Money Strategy and assessment against the HCA requirements
- assess the company's compliance with the refreshed, national Fighting Fraud Locally Strategy
- develop an approach to assessing the effectiveness of the company's ethical governance arrangements.

- 3.9 Therefore, it is possible to conclude that the Audit Committee has complied with recognised good practice guidance on the operation and effectiveness of Audit Committees, throughout the year.

Progress made in implementing improvement opportunities identified is reported to the Audit Committee at its October or January meeting each year.

Annual Governance Statement

- 3.10 On an annual basis, the Audit Committee is required to consider the Annual Governance Statement (AGS) and decide whether to recommend its adoption to the Board.

It is then provided to Southend-on-Sea Borough Council (the Council) for inclusion in its AGS.

- 3.11 In order for the Audit Committee to be able to give a view on the AGS, it needs to satisfy itself that:

- it has received sufficient evidence during the year covering all areas of its responsibility
- the AGS reflects its understanding of how the company's risk management, control and governance framework has operated throughout the year.

- 3.12 A summary was presented to the Audit Committee of the reports presented to it during 2015/16 compared to its key areas of responsibility as outlined in its Terms of Reference. This demonstrates that it has received relevant information in all these areas, setting out both expectations and actual performance in delivering them.

- 3.13 The Managers Assurance Statements give an indication on how services are generally applied against the key governance arrangement required by the Company. They are currently being completed by Service Managers and will be evidenced and assured by the Corporate Services Manager. The information will be completed in advance of the Board Meeting on 25th July, 2016 to support the recommendation to agree the Annual Governance Statement.

- 3.14 Finally, the Audit Committee also received the company's Annual Governance Statement for 2015/16. This reflected the evidence outlined above, including the Head of Internal Audit's Opinion, the external auditor's opinion and other appropriate independent assurances.

4 Diversity and Equal Opportunities

- 4.1 None

5 Risk

- 5.1 Without an effective Audit Committee, the company is at risk of not obtaining ongoing assurance as to the robustness of its risk management, control and governance arrangements.

An ineffective system of internal control potentially puts the delivery of company services and objectives at risk.

6 Financial Implications

- 6.1 None

7 Resident Consultation

- 7.1 None

8 Background Paper

- 8.1
- CIPFA: Audit Committees, Practical Guidance for Local Authorities and Police 2013

9 Appendices

None

South Essex Homes Annual Governance Statement 2015/16

1. Scope of responsibility

South Essex Homes

South Essex Homes (SEH), formed in October 2005, is the Arm's Length Management Organisation of Southend-on-Sea Borough Council, responsible for the management and maintenance of the Council's homes. It was financed by a Management Fee in 2015/16, from the Council, of £9,264k together with income from external organisations of £677k.

There is a formally binding Management Agreement between the Council and SEH and this clearly sets out the governance arrangements that should apply between the two parties. This complies with national best practice.

SEH is managed by a Board comprising four Council nominees, three tenants and three independent members. The Board is ultimately responsible for ensuring that SEH establishes and maintains a sound system of internal control appropriate to the various business environments in which it operates. Committees reporting to the Board include Audit Committee and Personnel and Remuneration Committee. In addition, the commercial subsidiary – Atilius Ltd reports directly to its parent company.

2. The purpose of the Governance Framework

Good governance leads to good management, good performance, good stewardship, good public engagement, and ultimately good outcomes for citizens and service user. Good governance enables the Company to pursue its vision effectively, as well as underpinning that vision with mechanisms for control and management of risk.

The governance framework comprises the systems, processes, culture and values, by which the Company is directed and controlled and its activities through which it accounts to, engages with and serves the community. It enables the Company to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Company's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.

South Essex Homes Annual Governance Statement 2015/16

3. The Governance Framework

The Key elements of the Governance Framework are:

Community Engagement
Business Strategy
Financial Reporting including budgetary control
Risk Management including Anti-fraud and Corruption
Health and Safety
Asset Management
Performance Management & Data Quality
Value for Money

- Corporate governance arrangements outlined in The Articles of Association, Code of Governance and Financial Regulations.
- The employment of suitably qualified and experienced staff to take responsibility for key areas of the business. This is supported by a formal appraisal system.
- The preparation of forecasts and budgets that allow the Committees and the executive officers to monitor the key business risks and financial objectives and identify variances arising during the monthly reporting cycle.
- Business planning that cascades through the organisation, supporting Service Plans and key actions to enable SEH to achieve its ambitions and aspirations as set out in the Vision 2020 Business Plan.
- The regular reporting and review by Executive Management and the Board of performance against objectives and targets detailed in service plans.
- The Board has two Committees which review and scrutinise delegated work from the Board in accordance with the Terms of Reference.
- The Company operates a development and training programme for the Board Directors developed from appraisals and one to ones and Committee self-assessment which are carried out annually.

South Essex Homes Annual Governance Statement 2015/16

- South Essex Homes ensures that the Board Directors are fulfilling their responsibility under Companies Act 2006 for adequate risk management, control and governance. The Audit Committee has a key role in overseeing and assessing the risk management arrangements and reporting to the Board on an exception basis.

4. Review of Effectiveness

South Essex Homes is responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Executive Directors, the Director of Finance and Group Managers within the Company who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

The Council's processes to review on-going effectiveness of SEH include Council officers meeting with SEH officers on a monthly basis to review performance against a suite of performance indicators and its strategic aims as follows;

- Deliver Value to the Council
- Empower Residents and Staff
- Manage High Quality Homes
- Provide Excellent Services
- Engage with Communities

SEH's internal arrangements for ensuring the effectiveness of its governance arrangements consist of;

- The SEH Board receiving monthly performance reports across operational, human resources and value for money indicators;
- The Audit Committee undertaking a review of the Risk Management Strategy and the Strategic Risk Register to ensure that Risks are relevant and applicable and that the Board Members are responsible for ensuring that Risks are monitored effectively by the Executive Management Team.
- The Audit Committee undertaking a review of both its effectiveness as well as the operational arrangements
- The production and approval of annual Manager Assurance Statements by service managers and group manager to assess compliance with key governance processes throughout the year;

South Essex Homes Annual Governance Statement 2015/16

- The Corporate Services Manager then independently checking that the evidence supports the service manager's assessment of how well each of the business management processes have operated in their area.
- Internal Audit auditing these arrangements to evaluate whether the company operates a robust process for assessing how well services have applied the critical business management systems throughout the year.
- The Company undertaking a review of leaseholder services and voids and allocations during 2015/16. A number of actions were identified to improve the service and the Board receive an update at each meeting on progress against actions.
- South Essex Homes continuing to review and adjust staffing structures aligning them with the services provision and the business plan Vision 2020.

Internal Audit

Internal Audit is delivered through a Service Level Agreement with the Council's Internal Audit Services. The Charter, Strategy and risk based Audit Plan is prepared in consultation with The Executive Management Team and approved by the Audit Committee.

The Audit Plan was delivered with reports issued to senior managers at the conclusion of each audit highlighting internal control weaknesses identified and the actions required to address them. Recommendations were also reviewed to ensure they were implemented properly, by the due date. A quarterly performance report was taken to the Audit Committee.

The Head of Internal Audit also prepared an Annual Report that was considered by the Audit Committee.

Head of Internal Audit Opinion for the year ended 31 March 2016 was as follows:

Overall, the design and operation of the company's risk management, control and governance framework was satisfactory throughout the year, with the opportunity to strengthen these arrangements in some areas.

Particular focus has been given by the company, to further developing the processes for managing the Careline service and the Door Entry Service and Repair Contract

The service has substantially conformed to the relevant professional standards throughout the year.

There continues to be a high level of compliance with the requirements of the CIPFA Statement on the Role of the Head of Internal Audit.

South Essex Homes Annual Governance Statement 2015/16

The Council's external auditor continues to confirm that internal audit's financial systems work can be relied upon when undertaking the audit of the statement of accounts.

The Company provided the Council with the following assurance regarding the robustness of its governance arrangements during the year:

- Internal Audit reports;
- Summary results of Manager Assurance Statements;
- Head of Internal Audit annual report (including an opinion on the adequacy and effectiveness of the company's governance, risk management and control framework ; and
- Audit Committee Annual Report.

External Audit

External Audit of the annual financial statements was undertaken by Scrutton Bland with the view to expressing an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

In carrying out the audit work Scrutton Bland considered whether the financial statement were free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. An item will normally be considered material if its omission would reasonably influence the decisions of those using the financial statements.

Scrutton Bland issued a report to management at the conclusion of the audit work. This included a management letter containing comments and recommendations for improvements in operations and internal control in respect of the Company. This was discussed with management prior to the issue of the final report. The report also includes details of significant adjusted and unadjusted items that arose as a result of the audit work.

The Audit Committee consider the external auditor's report and recommends adoption of the financial statements to the Board.

South Essex Homes Annual Governance Statement 2015/16

Key Governance Issues

The main area for further work identified through the Governance Assurance Process in 2015/16, and which should be disclosed in the Governance Statement Action Plan is;

- **Value for Money** – To review and update the Value for Money Register & in accordance with the HCA regulations on value for money & governance financial viability standards

Appendices

Appendix 3a: Annual Governance Statement Action Plan 2015/16

Appendix 3b: Current Status of the Annual Governance Statement Action Plan for 2014/15

Appendix 3a: Annual Governance Statement Action Plan 2015/16



Report Type: Actions Report
Report Author: Beverley Gallacher
Generated on: April 2016

Code & Title	Governance Action Plan 2016/17	Managed By	Group Manager Resources & Business Development
Description	Governance Action Plan 2016/17	Progress Bar	
Status Icon			

Code & Title	VFM- Value for Money	Managed By	Director of Finance
Description	To review and update the Value for Money Register	Progress Bar	
Status Icon			

Code	Title	Description	Expected Outcome	Status Icon	Planned start date	Due date	Progress bar	Assigned to
VFM-01	Value for Money	To complete a self assessment based on HCA formula	The self assessment will be the driver for the development of the Value for Money Strategy			31-March 2017		Director of Finance

Appendix 3a: Annual Governance Statement Action Plan 2015/16

Code	Title	Description	Expected Outcome	Status Icon	Planned start date	Due date	Progress bar	Assigned to
VFM – 02	Value for Money	To produce the Value for Money Strategy and to complete a framework of performance measures to be monitored on an annual basis	To monitor costs rigorously throughout the organisation			31-March, 2017		Director of Finance

Appendix 3b: Current Status of the Annual Governance Statement Action Plan for 2014/15



Report Type: Actions Report
Report Author: Beverley Gallacher
Generated on: January 2016





Code & Title	Governance Action Plan 2015/16	Managed By	Corporate Services Manager
Description	Governance Action Plan 2015/16	Progress Bar	
Status Icon			

Code & Title	Risk Management	Managed By	
Description	To review the Company's Risk Management Framework and ensure that risk appetite and a focus on the key strategic risks has been incorporated . The company will now be arranging a programme of training needs for the Board and Staff to be undertaken in workshops with updates at Staff Briefing sessions.	Progress Bar	
Status Icon			



33






Code	Title	Description	Expected Outcome	Status Icon	Planned start date	Due date	Progress bar	Assigned to
RM01	Risk Management	To complete a review of the Risk Management Strategy incorporating risk appetite and a strategic focus	For the roles and responsibilities of the Board, EMT and Managers is understood and the company understands the appetite for risk as an organisation			28 Oct-2015	<div style="width: 100%;"><div style="width: 100%;"></div></div> 100%	Corporate Services Manager

Appendix 3b: Current Status of the Annual Governance Statement Action Plan for 2014/15

Code	Title	Description	Expected Outcome	Status Icon	Planned start date	Due date	Progress bar	Assigned to
RM02	Risk Management	To Review the Strategic Risk Register and incorporate the risk appetite and streamlining of strategic risks	To ensure that risks are identified at an early stage and that they are aligned to the business plan actions and focus on the strategic business.			28-Oct-2015	<div style="width: 100%;"><div style="background-color: #4f81bd; height: 10px; width: 100%;"></div></div> 100%	Corporate Services Manager
RM03	Risk Management	To review the operational risk register and ensure that any risks identified as high are escalated to the EMT for consideration and inclusion in the Strategic Risk Register if necessary	To ensure that all staff report to their Managers on identified risks and that the Group Managers regularly review the operational risk register and keep it up to date and directly linked to the organisations business planning actions.		Immediate	31-May-2015	<div style="width: 100%;"><div style="background-color: #4f81bd; height: 10px; width: 100%;"></div></div> 100%	Corporate Services Manager
RM04	Risk Management	To arrange a development programme on risk and associated risk appetite for the Board and the EMT	To ensure that roles and responsibilities within the risk management framework are understood and adhered to.			15-Feb-2016		Director of Finance
RM05	Risk Management	To present at Staff Briefing the Risk Register and a synopsis of risk appetite throughout the organisation	For all members of staff to be aware of the risk management framework and that everyone is part of it			31-march-2016		Group Managers



Appendix 3b: Current Status of the Annual Governance Statement Action Plan for 2014/15

Code & Title	DR – Disaster Recovery Plan	Managed By	Corporate Services
Description	To complete a review of the business continuity processes for South Essex Homes in partnership with Southend Borough Council and to further to test the Disaster Recovery Plan for South Essex Homes following our relocation to the Civic Centre	Progress Bar	
Status Icon			



Code	Title	Description	Expected Outcome	Status Icon	Planned start date	Due date	Progress bar	Assigned to
DR	Disaster Recovery	To review the Disaster Recovery Plan following relocation to the Civic Centre	To utilise SBC facilities to ensure that South Essex Homes has business continuity if access to the Civic Centre or system failure occurred.			31-Dec - 2015		Corporate Services Manager
DR	Disaster Recovery	To complete a review of the system required in the instances of 24 hours/48 hours/1 week or more outage	To ensure that partnership working with the Council incorporates the requirements of South Essex Homes			31-March-2016		Corporate Services Manager
DR	Disaster Recovery	To test the Disaster Recovery Plan in conjunction with ICT at SBC	To give assurance to the EMT and the Board that processes and procedures contained within the plan work in practice.			31-March-2016		Group Managers
DR	Disaster Recovery	To produce scenarios for Disasters that can be tested as part of an overarching approach to the Business Continuity.	To test a number of scenarios that could occur in practice and ensure that systems are available and outage is reduced.			31-Mar-2016		Corporate Services Manager





Appendix 3b: Current Status of the Annual Governance Statement Action Plan for 2014/15

Code & Title	VFM- Value for Money	Managed By	Director of Finance
Description	To review and update the Value for Money Register & in accordance with the HCA regulations on value for money & governance financial viability standards	Progress Bar	
Status Icon			

Code	Title	Description	Expected Outcome	Status Icon	Planned start date	Due date	Progress bar	Assigned to
VFM-01	Value for Money	TO complete self assessment from HCA on Value for Money.	The self assessment will be the driver for the development of the Value for Money Strategy which will be in line with HCA and Housing Association Regulations	See Exception Report		31-March 2016		Director of Finance
VFM – 02	Value for Money	To produce the Value for Money Strategy and to complete a framework of performance measures to be monitored on a annual basis	To monitor costs rigorously throughout the organisation	See Exception Reprt		31-March, 2016		Director of Finance

Appendix 3b: Current Status of the Annual Governance Statement Action Plan for 2014/15

Code & Title	CSGA- Commercial Subsidiary Governance Arrangements	Managed By	Corporate Services Manager
Description	To review the governance assurance arrangements and internal controls mechanisms of Atilius Limited (the company's trading subsidiary)	Progress Bar	
Status Icon			

Code	Title	Description	Expected Outcome	Status Icon	Planned start date	Due date	Progress bar	Assigned to
CSGA	Commercial Subsidiary Governance Arrangements	To produce a Service Level Agreement between SEH and Atilius Limited	To ensure that recharges are managed appropriately			Oct 2015		Corporate Services Manager
CSGA	Commercial Subsidiary Governance Arrangements	To produce Financial Regulations and Scheme of Delegation for Atilius Limited				Oct 2015		Director of Finance

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Southend-on-Sea Borough Council

Report of Corporate Director for Corporate Services

to

Audit Committee

on

29th June 2016

Report prepared by: Linda Everard, Head of Internal Audit

Agenda
Item No.

66

Internal Audit Services, Quarterly Performance Report

Executive Councillor – Councillor Mooring

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present to the Audit Committee, summary results of 2015/16 audit reviews completed.

2. Recommendations

- 2.1 **The Audit Committee notes the assurance provided by the audit work completed this quarter.**

3. Background

- 3.1 To comply with the UK Public Sector Internal Audit Standards, the Head of Internal Audit's Annual Report includes details of the team's final performance in 2015/16 in delivering:
- the Audit Plan
 - its targets.

4. Audit Opinions and Themes

- 4.1 **Appendix 1** summarises the results of and where appropriate, the audit opinions given for each audit completed since the March Audit Committee meeting.
- 4.2 The work undertaken on debt collection to support the corporate project to review these arrangements has been completed and a draft report has been provided to management for their review. Opportunities to strengthen the process are being taken into account in redesigning the service.

5. Corporate Implications

- 5.1 Contribution to Council's Aims and Priorities
Audit work contributes to the delivery of all corporate Aims and Priorities.
- 5.2 Financial Implications
The Audit Plan was delivered within the approved budget.

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

5.3 Legal Implications

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

5.4 People and Property Implications

People and property issues that were relevant to an audit within the Audit Plan were considered as part of the review.

5.5 Consultation

The audit risk assessment and the Audit Plan were periodically discussed with the Chief Executive, Corporate Directors / Director, and Heads of Service before being reported to Corporate Management Team and the Audit Committee.

All terms of reference and draft reports were discussed with the relevant Corporate Directors / Director and Heads of Service before being finalised.

5.6 Equalities Impact Assessment

The relevance of equality and diversity was considered during the initial planning stage of the each audit before the Terms of Reference were agreed.

5.7 Risk Assessment

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact of the Council's ability to deliver its corporate aims and priorities.

The main risks the team has had to manage are the:

- loss of in-house staff and the ability of the service to replace this resource at all or in a timely manner
- possibility that the external supplier won't deliver contracted in work within the required deadlines to the expected quality standards
- the outcome of the review of the service.

With the loss of the Senior Audit & Resources Manager, limited time has been available within the Audit Plan for managing this contract in the latter half of the year.

5.8 Value for Money

Opportunities to improve value for money in the delivery of services were identified during some reviews and recommendations made as appropriate.

Internal Audit also consider whether it provides a value for money service periodically.

5.9 Community Safety Implications and Environmental Impact

These issues were only considered if relevant to a specific audit review.

6. Background Papers

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

7. Appendices

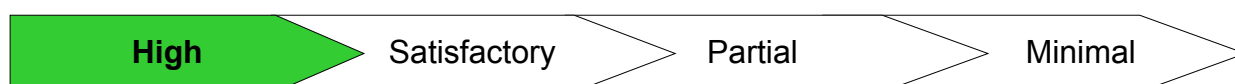
Appendix 1 Audit Opinions and Themes

- a Business Rates
- b Special Education Needs
- c Accounts Receivable, Social Care Debt
- d Payroll System
- e Other Audits and Grant Claims
- f Audits Revisited

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Appendix 1a: Audit Opinion and Themes

Assurance



Key Financial System

Objective

To assess whether the key controls in the Business Rates system effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's statement of accounts.

Scope and Control Opinions

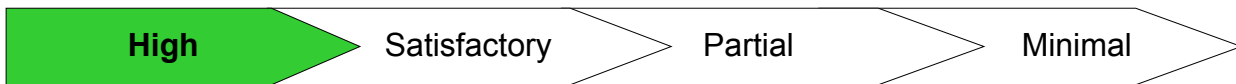
The audit evaluated the adequacy and effectiveness of the design and operation of the key controls listed in the table below, which also shows the assessed strength of each control.

Business Rates

Key Controls Audited	Strength of control
<ul style="list-style-type: none"> The list of business properties in the Business Rates system and on the Local Land and Property Gazetteer is complete, accurate and regularly reconciled to the Valuation Office Agency valuations. 	High
<ul style="list-style-type: none"> The total amount of Business Rates to be collected from all businesses is set up accurately and on a timely basis. 	High
<ul style="list-style-type: none"> Discounts for small businesses, empty properties, charity reliefs and exemptions are accurately calculated, authorised and supported by appropriate evidence to confirm their validity, annually. 	High
<ul style="list-style-type: none"> In-year adjustments to Business Rates accounts are accurate, applied promptly and supported by appropriate evidence to confirm their validity (e.g. change of occupancy, change of business use, addition and removal of properties). 	High
<ul style="list-style-type: none"> Correct direct debits are raised and payments received are accurate, complete and allocated to the correct Business Rates account, in a timely manner. 	High
<ul style="list-style-type: none"> Reconciliations between the Business Rates and the General Ledger systems are complete, accurate and timely. 	High
<ul style="list-style-type: none"> Staff declare relevant interests and appropriate action is taken to avoid conflicts of interest when allocating work. 	Partial

Appendix 1a: Audit Opinion and Themes

Assurance



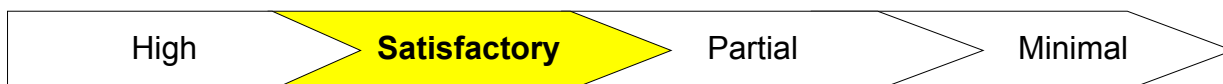
Key Issues

Due to lack of resource, the annual Declaration of Interest refresh had not taken place since June 2014 and there are no plans to do this. It is important that these are renewed regularly to ensure that declared interests can be managed effectively.

Number of actions agreed: 1

Appendix 1b: Assurance and Themes

Assurance



Special Educational Needs

Objective

To assess whether:

- “Element 1” and “Element 2” allocations of Special Educational Needs (SEN) budgets to maintained schools are calculated based on accurate assumptions that have been agreed in advance
- there is sufficient, effective allocation to and use of “Element 3” funding for pupils in Local Authority schools and special schools with SEN provision.

Themes

In general, the Special Educational Needs (SEN) team had implemented robust arrangements that ensured:

- SEN Element 1 and 2 funding was being utilised appropriately before allocating Element 3
- statutory censuses were completed on time and suitable follow-up and advice was available to schools if required.

There was a need to consolidate guidance regarding the use of Element 1 and 2 funding and confirm it remains current. Guidance on Element 3 funding needs to be produced for the team to refer to when looking to set funding levels. It should be noted that no errors were found in the sample of cases tested.

An officer needs to be made accountable for ensuring legislative and compliance requirements are fulfilled by ensuring guidance documentation and processes are updated as necessary.

Adequate processes were found to be in place regarding the management of annual reviews carried out by case workers, where decisions were made around whether to escalate any requests onto the Education, Health and Care (EHC) Panel. The EHC Panel had a significant role in ensuring decisions made regarding assessments and funding were appropriate and discharge this role effectively.

Annual reviews of SEN statements were completed by the schools. However, the Council needs to introduce a monitoring process to track which pupils had received a review. This would also support the current exercise of converting statements to EHC plans (a legal requirement whereby all SEN pupils require an EHC plan by 2018).

Number of actions agreed: 4

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Appendix 1c: Assurance and Themes

Assurance



Accounts Receivable, Social Care Debt

Objective

To assess whether the key controls in the Accounts Receivable, Social Care Debt system effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's statement of accounts.

Scope and Control Opinions

The audit evaluated the adequacy and effectiveness of the design and operation of the key controls listed in the table below, which also shows the assessed strength of each control.

Key controls tested	Strength of control
<ul style="list-style-type: none"> The required escalation process is applied following non-payment of invoices. 	Partial
<ul style="list-style-type: none"> Parked or Suspended Debt (i.e. debt not being actively pursued) is properly authorised and supported by appropriate evidence to confirm the initial and ongoing validity of the action. 	Minimal
<ul style="list-style-type: none"> Staff declare relevant interests and appropriate action is taken to avoid conflicts of interest when allocating work. 	Minimal
<ul style="list-style-type: none"> Staff access to, and permissions within, the Accounts Receivable system are restricted, according to assigned roles and responsibilities. 	Minimal
<ul style="list-style-type: none"> Previous audit recommendations have been implemented properly, in a timely manner. 	Partial

In August 2013:

- an Internal Audit 'Minimal' assurance opinion on the overall arrangements for the recovery and performance monitoring of social care debt was reported to management
- a number of recommendations to improve processes and controls were agreed with officers.

Progress made in improving those processes was reported as 'Minimal' in September 2015 and new implementation dates were agreed with officers for outstanding recommendations.

Appendix 1c: Assurance and Themes

Assurance



Some progress has been made to implement the outstanding areas and fully addressing all the remaining actions will ensure the escalation processes for the recovery of debt is timely as well as properly and consistently applied. The team responsible for recovering social care debt is receiving support from the Department for Corporate Services to further improve debt recovery arrangements. This piece of work also aims to address all the audit recommendations that remain outstanding in this area.

In the longer term, management are looking to further improve efficiency via a new finance module which is being introduced as part of the implementation of the new social care case management system (Liquid Logic).

The circumstances which are appropriate for 'parking debt', need to be made clear to staff. Regular management review of that debt will confirm that this is being properly applied. The Group Manager Business Support proactively undertook a review of all parked debt to ensure it was appropriate, during the audit.

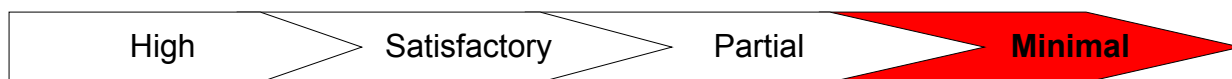
Staff had not previously been asked to declare any conflicts of interest that may occur as part of the work they do. Managers in the team were proactive during the audit in addressing this. Now all members of the Finance team in the Department for People have completed the relevant documentation and appropriate action has been taken where conflicts of interest have been identified.

There is an ongoing exercise to check whether all staff access permissions to tasks and functions in the Agresso system are in line with operational need. This was agreed as part of the 2014/15 General Ledger audit. Progress made in implementing the recommendation is being reported to the Agresso Review Group chaired by the Head of People and Policy.

Number of actions agreed: 11

Appendix 1d: Assurance and Themes

Assurance



Key Financial System

Objective

To assess whether the key controls in the Payroll system effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's statement of accounts.

Scope and Control Opinions

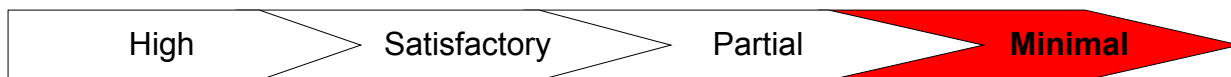
The audit evaluated the adequacy and effectiveness of the design and operation of the key controls listed in the table below, which also shows the assessed strength of each control.

Payroll

Key controls audited	Strength of control
<ul style="list-style-type: none"> Changes to be made to payroll payments (e.g. salary, tax codes, national insurance) are accurately configured at the start of the financial year, and are done so in a timely manner. 	Partial
<ul style="list-style-type: none"> Amendments to the Payroll system (including starters, leavers and amendments to staff records) are accurate, independently authorised and supported by appropriate evidence to confirm their validity. 	Minimal
<ul style="list-style-type: none"> BACS payment runs are complete, accurate, and appropriately authorised. 	Satisfactory
<ul style="list-style-type: none"> Overtime payments made to staff are accurate, properly authorised and supported by appropriate evidence to confirm their validity. 	Minimal
<ul style="list-style-type: none"> Payments made to Her Majesty's Revenues and Customs (HMRC) (with respect to PAYE income tax and national insurance) are accurate, complete and supported by appropriate evidence to confirm their validity. 	Partial
<ul style="list-style-type: none"> Reconciliations between the establishment list and payroll records are complete, accurate and timely. 	Partial
<ul style="list-style-type: none"> Reconciliations between the Payroll and General Ledger systems are complete, accurate and timely. 	Satisfactory
<ul style="list-style-type: none"> Staff declare relevant interests and appropriate action is taken to avoid conflicts of interest when allocating work. 	Minimal

Appendix 1d: Assurance and Themes

Assurance



The integrated HR and Payroll system continued to be reliant on manual checks to ensure the accuracy and completeness of its records. The planned improvement of the Agresso payroll module and supporting operational processes will significantly strengthen these arrangements, and is planned for implementation in September 2016. Therefore, the key areas where improvements are still required include:

- improving the consistency of the documentation that demonstrates the annual uplift to the Payroll system was properly tested to ensure its accuracy before the changes were made live on the system
- strengthening controls over making amendments to Payroll records
- ensuring BACs payment runs are complete, accurate and appropriately authorised prior to payments being made
- ensuring the Council's establishment list of employee posts reconciles to HR and Payroll records
- validating the accuracy and authorisation of:
 - overtime payments
 - payments made to Her Majesty's Revenues and Customs.

Number of actions agreed: 9

Appendix 1e: Other Audits and Grant Claims

Local Sustainable Transport Fund Grant

Purpose of funding

To maintain highways and improve small transport schemes.

Objective

To carry out appropriate investigations and checks in order to certify, in all significant respects, that the terms and conditions attached to this funding have been complied with.

Opinion: Unqualified.

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Appendix 1f: Audits Revisited

Purpose of these audits

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

Schools Revisited

Original Objective

To assess whether individual schools have adequate and effective governance, information and asset management as well as financial management and reporting arrangements in place.

Chalkwell Hall Infant School

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Unable to retest
16	1	1	0	1

The School has substantially completed the actions agreed in the original report and as a result, has strengthened its governance, information and asset management and financial management and reporting arrangements.

The School will be:

- asking the Governing Body to ratify appendices to the Information or Records Management Policies, that list:
 - the names and responsibilities of key staff agreed as responsible for the various data types
 - the retention length for those records.
- producing an action plan and monitoring its implementation, to confirm that improvement opportunities identified from testing the Business Continuity Plan, have been addressed.

No asset write offs had occurred since the original audit so it was not possible to retest this process.

However, the School had established appropriate arrangements to properly authorise write offs in line with Financial Regulations and the Scheme of Delegation, should the need arise.

Appendix 1f: Audits Revisited

Purpose of these audits

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

Blenheim Primary School

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Unable to retest
11	2	1	0	0

Summary Findings

The school has made very good progress in addressing the issues raised in the original report and therefore strengthening its governance, information and asset management and financial management and reporting arrangements.

With regard to the outstanding issues:

- the skills audit matrix is being updated to reflect the skills brought to the Governing Body by the new Governors
- key standing data in the Asset Register, will be password protected to limit the risk of the data becoming corrupted
- **all** future proposed changes to supplier details will be investigated by a School-instigated contact with a known and trusted person at the supplier.

Southend-on-Sea Borough Council

Agenda
Item No.

7

Report of Corporate Director for Corporate Services
to
Audit Committee
on
29th June 2016

Report prepared by: Linda Everard, Head of Internal Audit

Head of Internal Audit Annual Report 2015/16

Executive Councillor – Councillor Mooring

A Part 1 Public Agenda Item

1. Purpose of Report

1.1 To provide, for the 2015/16 financial year:

- the rationale for and an audit opinion on the adequacy and effectiveness of Southend-on-Sea Borough Council's (the Council's) risk management, control and governance processes
- a statement on conformance with the UK Public Sector Internal Audit Standards (the Standards) and the results of the Quality Assurance and Improvement Programme.

2. Recommendation

2.1 The Audit Committee accepts the Head of Internal Audit's Annual Report for 2015/16.

3. Background

3.1 The Head of Internal Audit's Annual Report and Opinion provides the Council with an independent source of evidence regarding both the design of its risk management, control and governance framework and how well it has operated throughout the year.

3.2 The opinion is predominantly based upon the audit work performed during the year as set out in the risk based Audit Plan agreed with the Corporate Management Team and the Audit Committee.

3.3 As outlined in the Internal Audit Charter, audit coverage is determined by prioritising the significance of Council's activities to its ability to deliver its Aims and Objectives. This is done:

- using a combination of Internal Audit and management risk assessments (including those set out in risk registers)
- in consultation with Heads of Service, Corporate Directors and the Chief Executive, to ensure work is focused on key risks.

- 3.4 Quarterly meetings are then held with the Chief Executive and Corporate Directors to:
- reflect on the original risk profile and work planned
 - determine whether any changes are required to the Audit Plan.
- 3.5 Organisationally, this reflects a very mature approach to operating an internal audit function.
- 3.6 All individual audit reports are discussed with the relevant Group Managers, Heads of Service and Corporate Directors / Director before being finalised.
- 3.7 The opinion and summary findings from audit reviews are reported to the Corporate Management Team and the Audit Committee throughout the year.

4 Head of Internal Audit Opinion for the year ended 31 March 2016

4.1 *As reported last year, where audits identified the need for improvement, the common theme was managers needing to ensure they have a clear understanding of the:*

- *day-to-day actions taken by their staff; and or*
- *suite of 'management information' needed to inform them of key actions taken by staff and performance achieved; and or*
- *checks and balances needed in day-to-day activity to reduce the chance of error, omission or fraud.*

4.2 *It is opportune for the Council to confirm that risk and performance continues to be managed effectively, day-to-day, by operational managers, in support of the delivery of service objectives.*

4.3 *As part of this work, particular consideration needs to be given to ensuring there is clarity around roles and responsibilities where processes cross team, service, department or organisational boundaries. Without clear accountabilities, processes may not operate as efficiently and effectively as possible.*

4.4 *Otherwise the design and operation of the Council's risk management, control and governance framework is considered to be satisfactory.*

4.5 The basis for forming this opinion is an assessment of:

- the design and operation of the underpinning governance and assurance framework
- the range of individual opinions arising from risk based and other audit assignments that have been reported during the year taking into account the relative significance of these areas
- whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales.

4.6 The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to her opinion.

5. Supporting Commentary

- 5.1 **Appendix 1** summarises the audit opinions issued regarding the limited amount of work completed this year.
- 5.2 The following paragraphs then:
- summarise findings from this work
 - highlight the key areas requiring improvement
 - expand on how assurance obtained from other relevant sources has been used to support the overall opinion.
- 5.3 Where necessary, actions have been agreed with services to improve the arrangements where the more serious control issues were identified during the audits.

Governance and Assurance Arrangements

Service Delivery Risks

- 5.4 A key objective for Internal Audit is to give a view on whether the Council's risk management and control processes are robust enough to enable services to effectively contribute to the delivery of its corporate aims and objectives.
- 5.5 The remainder of the report therefore, structures the audits undertaken of services areas under the corporate aims they help deliver so this connection can be made.

SAFE

- 5.6 The **licensing** policy framework satisfactorily set out the basis for assessing applications for all types of licence. Clearer document version control would further improve this framework.
- 5.7 The team liaises appropriately with external agencies when assessing application to confirm the accuracy of the information provided.
- 5.8 No issues were identified with the sample of licenses checked however, the process is not provide regular evidence that this delegated authority was being consistently and properly discharged.
- 5.9 Therefore, going forward, management will be independently checking that staff have assessed applications correctly and promptly. Arrangements are also being put in place to ensure all income due from licenses is received or missing payments are chased effectively. This includes regularly reconciling the Licensing IT System (Uniform) with the Financial Accounting System (Agresso) and dealing with historic, "parked" debt.

CLEAN

- 5.10 An unqualified opinion was given on the Repair and Renew (Flooding) Grant.

HEALTHY

- 5.11 The **Adult Social Care File Audit Framework** was still in the early stages of development in August 2015 when this review was undertaken. Internal Audit shared sources of good practice identified that could be used to develop the framework with Adult Social Care.

- 5.12 The Adult Social Care team was to update the Safeguarding Vulnerable Adults Board with the current position in developing the framework, and keep it updated with progress until it is implemented.
- 5.13 Internal Audit will work proactively with the **Child Sexual Exploitation** service to:
- redraft actions in the action plan where necessary, to make them SMART and ensure they address the cause of the issue not the symptom
 - provide some guidance and or training on how to do this more effectively, for future reference
 - in future, help translate issues identified from investigations into targeted actions that will permanently improve systems and processes, whilst the action plans are being created.
- 5.14 Good arrangements were in place to ensure:
- **Special Educational Needs**(SEN) pupils were adequately identified and funded
 - statutory censuses were completed on time and follow-up and advice was available to schools.
- 5.15 Guidance on the use of Element 1 and 2 funding needed consolidating, and then reviewing regularly to ensure it remains current. Guidance on how to set funding levels for Element 3 funding needs to be produced.
- 5.16 The processes supporting the annual assessments by caseworkers, where decisions were made about whether to escalate additional funding requests to the Education, Health and Care Panel, were sound. The Panel played a significant and effective role in ensuring appropriate decisions were made regarding assessments and funding.
- 5.17 Annual reviews of SEN statements were completed by the schools. The Council needs to implement a monitoring process to confirm that all pupils had an annual review of their SEN statement.
- 5.18 The arrangements for awarding **Essential Living Fund** (ELF) grants and managing expenditure from the fund are generally sound. Management reporting was being developed to show how claims or awards made support the delivery of the published aims of the ELF scheme.
- 5.19 Legal advice should have been sought prior to entering into the contract for Allpay cards in 2013, given the potential implications of some of its clauses. Once this advice has been obtained, working practices will be revised as necessary.
- 5.20 Good progress had been made in implementing the actions contained in the original **Children's Social Care Services, Internal Assurance Processes report**. As a result:
- the Quality Audit Plan Framework (the framework) and the associated key processes required to address identified areas for improvement have been strengthened
 - engagements with the external auditors have also been formalised and an appropriate review of their performance introduced.

- 5.21 Going forward, management will periodically benchmark the number of file audits to be completed each month to ensure the Council's approach is in line with others and then ensure this is delivered. A greater degree of independent review still needs to be introduced when quality assuring Fostering and Adoption files.
- 5.22 Action is being taken to ensure all social workers' and line managers' regular supervision takes account of the results of file audits and identifies any support and training needed. This is key to ensuring standards improve where necessary and are consistently applied across the service.

PROSPEROUS

- 5.23 Strong controls were in place to ensure **planning applications** are:
- properly, correctly and promptly assessed by the relevant officer or, where necessary, referred to the Development Control Committee for a decision
 - processed in compliance with the government-set timescales for all different types of application.
- 5.24 Unqualified opinions were given on the:
- Southend City Deal Grant
 - Local Transport Plan, A127 and Pothole Repair Grants
 - Local Sustainable Transport Fund Grant.
- 5.25 The Expanded **Troubled Families Programme, Payments by Results Scheme for Local Authorities** returns continued to be audited. The Scheme's Financial Framework requires Internal Audit to verify a 10% representative sample of claims before they are made to ensure there is supporting evidence to confirm families:
- met the required criteria to be considered for entry to the expanded Troubled Families Programme
 - have achieved either continuous employment or significant and sustained progress as defined by the Council's agreed Family Outcomes Plan.
- 5.26 All three claims audited under the new arrangements have been partially compliant opinion.
- 5.27 The Family Outcome Plan now details all the evidential expectations required to claim a PBR outcome under each of the six headline areas. Internal Audit will continue to work with the team to develop this further as new issues affecting families emerge.
- 5.28 In addition, the quality assurance processes being developed by the service should ensure only valid claims are presented for audit in the future.
- 5.29 The majority of the recommendations raised within the original **Capital Project Management** report had been implemented fully. The action taken has strengthened the operational framework that sets out expectations of how projects of different sizes, will be managed. Evidence was also seen of these amended arrangements operating effectively, in practice.
- 5.30 Whilst Project End Report and Lessons Learnt Log templates had been produced, their effective implementation could not be tested at the time of the audit as there were no projects at this stage of the process.

Schools Audits

- 5.31 The 2015/16 Schools Audit Programme covered the adequacy and effectiveness of finance, management and governance arrangements.
- 5.32 Five **schools were audited** during 2015/16, of which:
- four were assessed as having good or adequate arrangements overall
 - one needed to significantly improve its overall arrangements.
- 5.33 Of the seven **schools revisited** this year, the majority had satisfactorily implemented most of their action plan actions. In the remaining instances, it was possible to establish that they were being or would soon be addressed.

EXCELLENT

- 5.34 The arrangements for ensuring that the **Family Mosaic contract** delivered the services expected, to the required quality standards and price, needed strengthening significantly. This contract was valued at £5.1M over six years.
- 5.35 Officers had already identified some shortcomings in the contract management arrangements and developed this understanding further as the audit progressed.
- 5.36 Before a decision was required as to whether to extend this contract into 2016/17, an exercise was to be undertaken to assess whether it was delivering value for money.
- 5.37 Contract management and performance monitoring arrangements were being fundamentally challenged and improved so, going forward, the Council can evidence services are being delivered and targeted effectively. These revised arrangements were to be formalised via a contract variation order, approved at an appropriate management level in line with the Scheme of Delegation.
- 5.38 Finally, both departmental and wider reporting requirements regarding the delivery of this and other Supporting People Programme contracts were being revisited.
- 5.39 During the year, action was taken to significantly strengthen the arrangements for managing and monitoring the **contract for cleaning** various premises within the Borough. This work included:
- defining the role of the Contracts Manager so he was responsible for and involved in all matters relating to the contract
 - introducing a formal change control process
 - confirming the precise cleaning requirements for each location and incorporating them into the contract using a formal Variation Order
 - further developing contract management and monitoring arrangements and a formal process for measuring and reporting on performance, including the management of risk
 - involving client representatives at all sites in more proactively in managing contract delivery and signing off on the service provided.
- 5.40 The rationale for the **changes made to ICT staffing structures and operational processes** was clearly documented. However approximately half of the required benefits from the restructure could have been defined more specifically.

- 5.41 There is satisfactory evidence that the required benefits have been achieved. However, there could have been more formal and regular reporting to senior management on their delivery.
- 5.42 There was a need to define, in formal standards, the Council's expectations of:
- when third party hosting of IT software would be considered appropriate
 - what features must be included in any new contract, which should include:
 - the data security standards required from the third party host
 - the exit strategy if the Council stops using the host to ensure all data is returned completely and accurately.
- 5.43 The Digital Strategy Programme Board was well placed to effectively enforce the requirements of the formal third party hosted strategy when developed.
- 5.44 With regard to contracts involving **third party software hosts**, there was evidence that Contract Procedure Rules had been complied with, contract managers had been assigned and the majority of the contractual requirements expected were included. Arrangements were being strengthened to ensure contract documentation is always available to staff.
- 5.45 Existing IT data security standards were being used to produce the minimum contractual requirements that must be applied when procuring software services where a third party will hold the Council's data. The Digital Strategy Programme Board was well placed to effectively enforce the requirements of the formal third party hosted strategy, when it is developed. Action was also being taken corporately to clarify what should be included in such contracts regarding Data Governance and an exit strategy.

Key Financial Systems

- 5.46 The objective of this work is to provide the Section 151 Officer with assurance that:
- significant controls within these financial systems effectively prevent or detect material errors on a timely basis
 - information produced by these financial systems can be relied upon when producing the Council's financial statements.
- 5.47 Some progress had been made to address the outstanding actions from previous **Social Care debt** audits. Most notably, key reconciliations between the Council's Agresso system and the records used to monitor debt by the Department for People were being produced.
- 5.48 Whilst the overall level of debt outstanding has been constant over recent years, implementation of outstanding recommendations will particularly:
- improve the arrangements which ensure prompt debt recovery
 - support the Council in meeting the requirements of the Care Act 2014, especially when debts need referring for legal action.
- 5.49 The key areas where improvements are still required include:
- clarifying arrangements so there is a clear pathway for the recovery of debt
 - ensuring those arrangements are properly and consistently applied by staff
 - more fully understanding the profile the debt so that resources can be focused on priority areas

- providing the Department for People's senior management team with appropriate information to monitor overall debt levels and / or challenge performance.
- 5.50 The **Business Rates** system was assessed as providing high assurance overall that this objective would be met.
- 5.51 The integrated HR and **Payroll** system continued to be reliant on manual checks to ensure the accuracy and completeness of its records. The planned improvement of the Agresso payroll module and supporting operational processes will significantly strengthen these arrangements, and is planned for implementation in September 2016.
- 5.52 Overall, satisfactory arrangements were in place regarding the **Housing Rents system**, to both raise and then collect rental income from Council house tenants. The element of the system managed by the South Essex Homes was well controlled. Going forward, tenancy terminations will be independently checked each month to ensure they are valid.

Implementing Action Plans

- 5.53 Action plans from audit reports have only been revisited during the year if the control weaknesses identified were more significant (e.g. where a partial or minimal assurance opinion was given). The result of this work is reported to the Corporate Management Team and the Audit Committee as part of the Quarterly Performance Report.
- 5.54 The process adopted by services to monitor the implementation of action plans was reviewed this year. It was agreed that:
- senior management will continue to sign them off as part of the normal performance management process and periodically provide evidence that this has been done
 - Internal Audit will include this evidence in its quarterly performance report to the Audit Committee.
- 5.55 Internal Audit has worked closely with the Departmental performance leads to develop this corporate process using Covalent (the performance management system). Standard reporting templates are now being developed for services to use once they have signed off on high and satisfactory assurance reports.

Other Work

- 5.56 A brief review was undertaken of the approach auditing schools during the year. Two types of audit can now be undertaken which either focus on:
- governance, information and asset management and financial management and reporting
 - managing the business of the school.

CONCLUSION

- 5.57 As reported last year, an important source of evidence that service, process and systems are operating as they should, is obtained through targeted and proportionate management checks undertaken by managers. Managers need to be clear on the checks needed to be taken to ensure that these controls are adequate and effective. Greater focus is needed to sustain this.

6. Compliance with Professional Standards

Head of Internal Audit Opinion

6.1 *The in-house service has substantially conformed to the relevant professional standards and the Council's operational requirements throughout the year.*

6.2 *I have obtained assurance from the external supplier regarding its conformance with relevant professional standards, but have not independently confirmed this with regards to audit work completed at the Council.*

Background

6.3 In July 2015, Audit Committee were advised of the intention that a review of the Internal Audit Service would be undertaken in 2015/16 so recruitment was stopped until this was completed. At this point, the combined team was carrying four vacancies out of nine permanent auditor posts that were being covered by:

- resources bought in through a framework contract with an external supplier, which was already being used to buy in specialist services that are funded in addition to this
- agency or casual staff and staff on short term contracts.

6.4 This contracted out resource was primarily being managed by the Senior Audit & Resource Manager who resigned in August 2015. Another auditor resigned in May 2016, leaving the combined service with only three permanent staff in post. Therefore, the service is now substantially contracted out.

6.5 The impact of the late allocation of work to the external supplier in 2015/16 and the resourcing issues outlined has been:

- a significant amount of the contracted out work has been undertaken in the last six months of the financial year
- contracted out work has not been supported proactively, to ensure, for example, local knowledge is accounted for and any issues with performance are identified promptly and dealt with
- the Head of Internal Audit role has been curtailed significantly in order to provide some (although not sufficient) resource to set up and sign off contracted out audits and deal with any issues arising from this work.

6.6 All these factors have adversely impacted on the service's ability to deliver its targets this year.

Audit Plan 2015/16

6.7 As at 10 June 2016:

- 57% of planned work (excluding schools) has been delivered
- 36% is at draft report stage
- 96% of schools work planned has been delivered or is at draft report stage.

6.8 The 2015/16 Audit Plan is attached at **Appendix 2**, and is a comparison of actual audit work completed against work planned.

Other Performance Indicators

- 6.9 Staff productivity of the combined team (including bought in resources) has remained on target at 78.7% compared to 75%. Sickness absence remained very low at 0.78 days per FTE compared to a target of less than 5 days per FTE.
- 6.10 During the year, the service revised its approach to obtaining feedback from stakeholders at the conclusion of audits so it focused more on obtaining evidence of compliance with some of the less tangible elements of the UK Public Sector Internal Audit Standards (the Standards).
- 6.11 The key message from the surveys undertaken is the need for there to be a more seamless service regardless of whether work is undertaken by the in-house Internal Audit team or contracted in resources.
- 6.12 External Audit confirmed that it could rely on Internal Audit's work where it was relevant to its audit of the Council's financial statements.

Cost

- 6.13 The cost of the service remains competitive, as demonstrated by benchmarking and other relevant information obtained as part of the service review process that has gone on throughout the year. The service review will comment on the costs v's benchmark position of the service.

Service Management Arrangements

- 6.14 An assessment was also completed of the team's compliance with Castle Point Borough Council's governance arrangements requirements as set out in the Manager Assurance Statements (which are not dissimilar to those used by the Council). This highlighted some areas where they should be strengthened and actions are in hand to address this.

Quality and Improvement Programme

- 6.15 I can confirm that I have maintained an appropriate Quality and Improvement Programme (QAIP) during the year for the in-house team. As required by the Standards, this consisted of:
- ongoing supervision and review of individual audit assignments
 - reporting on a set of performance targets to the Audit Committee each quarter (for all work done including that of the external supplier)
 - undertaking a self assessment which evaluates conformance with the Standards.
- 6.16 I have received assurance from the external supplier that its arrangements also comply with the Standards.
- 6.17 Due to resource constraints, the contract with the external supplier has not been proactively managed during the year and no independent file reviews have been completed of either in-house or external work.
- 6.18 **Appendix 3** shows the final position statement on the actions taken by the in-house team during the year to address areas that were not fully conformant with the Standards at the end of 2014/15. No new actions have been identified from the 2015/16 assessments outlined above.

- 6.19 Senior management has chosen not to implement the Standard relating to the appointment and removal of the Head of Internal Audit as the Council's normal HR practices would already mitigate this perceived potential risk.
- 6.20 The Internal Audit Service is required to have an external assessment of its compliance with the Standards at least once every five years. The combined service **must** now complete this assessment before 31 March 2018.

Other Disclosures

- 6.21 As required by the Standards, I can confirm that the Internal Audit service has:
- operated in a manner that maintains its organisational independence throughout the year
 - been able to determine the scope of reviews, perform the work and report on its findings without interference neither has there been any inappropriate resource limitations imposed upon it.

Conclusion

- 6.22 Whilst the service has largely operated in the manner set out in the Standards, it has found it difficult to deliver its Audit Plan primarily due to the resourcing issues outlined above.
- 6.23 The service will continue to maintain an action plan that captures opportunities to strengthen its operating arrangements as and when they arise. The results of this work will be reported to the Audit Committee periodically.

7. Issues for the Annual Governance Statement

- 7.1 **No issues** have come to my attention this year, other than those already disclosed, that I believe need including in the Council's Annual Governance Statement.

8. Corporate Implications

8.1 Contribution to Council's Aims and Priorities

Audit work contributed to the delivery of all Council Aims and Priorities

8.2 Financial Implications

The Audit Plan was delivered within the approved resource budget.

8.3 Legal Implications

The Council is required, by the Accounts and Audit Regulations 2015 (the Regulations) Section 5, to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. Professional Standards require that the Head of Internal Audit to report on compliance with this annually to the Audit Committee. This report satisfies this requirement.

8.4 People and Property Implications

People issues that were relevant to delivering the Audit Plan were raised in the quarterly progress reports.

8.5 Consultation

All terms of reference and draft reports were discussed with the relevant Corporate Directors and Heads of Service before being finalised. This annual report has also been presented to and discussed with senior management.

8.6 Equalities Impact Assessment

The relevance of equality and diversity was considered during the initial planning stage of every audit before the Terms of Reference were agreed.

8.7 Risk Assessment

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the governance, risk management and control arrangements which may impact of the Council's ability to deliver its corporate objectives.

8.8 Value for Money

Opportunities to improve value for money in the delivery of services were identified during some reviews and recommendations made as appropriate.

Internal Audit periodically undertakes a service review to assess whether its costs remain competitive. This was reported upon to the January 2014 Audit Committee. Its regular suite of performance indicators cover cost, process delivery, staff productivity and effectiveness and so enable a view on whether the service delivered provides value for money.

8.9 Community Safety Implications and Environmental Impact

These issues were only considered if relevant to a specific audit review.

9. Background Papers

- The Accounts and Audit Regulations 2015
- UK Public Sector Internal Audit Standards
- CIPFA Local Governance Application Note for the UK Public Sector Internal Audit Standards
- CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2010

10. Appendices

- Appendix 1: Assurance Summary 2015/16
- Appendix 2: Internal Audit Plan 2015/16, Status as at 10th June 2016
- Appendix 3: Compliance with the UK Public Sector Internal Audit Standards 2014/15 Action Plan as at May 2016

Appendix 1: Assurance Summary 2015/16

Audit Plan Areas	Level of Assurance			
	High	Satisfactory	Partial	Minimal
Managing the Business				
Managing Service Delivery Risks		<ul style="list-style-type: none"> • Special Educational Needs (Jun 2016) • Essential Living Fund (Sept 2015) • Development Control (Nov 2015) • IT Service Changes Benefits Realisation (Aug 2015) 	<ul style="list-style-type: none"> • Licensing (Nov 2015) • Family Mosaic Contract Management (Jan 2016) • Third Party Hosting (Dec 2015) 	<ul style="list-style-type: none"> • Cleaning Services Contract Management (Dec 2015)
Key Financial Systems	<ul style="list-style-type: none"> • Business Rates (Apr 2016) 	<ul style="list-style-type: none"> • Housing Rents (Apr 2016) (Partly operated by South Essex Homes) 	<ul style="list-style-type: none"> • Accounts Receivable, Social Care Debt (Jun 2016) 	<ul style="list-style-type: none"> • Payroll (Jun 2016)

Appendix 1: Assurance Summary 2015/16

Audits Revisited	Action Implementation Level			
	High	Satisfactory	Partial	Minimal
Implementing Action Plans	<ul style="list-style-type: none"> • Capital Project Management (Dec 2015) 	<ul style="list-style-type: none"> • Children's Social Care Services Internal Assurance Processes (Sept 2015) 		

Appendix 1: Assurance Summary 2015/16

Grant Claims	Level of Assurance	
	Unqualified	With Qualification
	<ul style="list-style-type: none"> • Local Transport Plan Grant (Sept 2015) • A127 Grant (Sept 2015) • Pothole Repair Grant (Sept 2015) • Repair and Renew (Flooding) Grant (Nov 2015) • Southend City Deal Grant (Jan 2016) • Local Sustainable Transport Fund Grant (Mar 2016) 	<ul style="list-style-type: none"> • Troubled Families Grant (Jun and Sept 2015, Feb 2016)

Appendix 1: Assurance Summary 2015/16

Schools Full Audits	Level of Assurance		
	Good	Adequate	Improvement Required
	<ul style="list-style-type: none"> • St George's Catholic Primary School (July 2015) 	<ul style="list-style-type: none"> • Friars Primary (Dec 2015) • Our Lady of Lourdes Catholic Primary (Nov 2015) • St Nicholas (Sept 2015) 	<ul style="list-style-type: none"> • Hinguar Primary (Nov 2015)

Appendix 1: Assurance Summary 2015/16

Schools Audits Revisited	Action Implementation Level			
	High	Satisfactory	Partial	Minimal
Implementing Action Plans	<ul style="list-style-type: none"> • Chalkwell Hall Infant (Jun 2016) • Futures Community College (Feb 2016) • Thorpedene Primary (Nov 2015) • Blenheim Primary (Jun 2016) • Eastwood Primary (Sept 2015) 	<ul style="list-style-type: none"> • Bournes Green Infant (Dec 2015) • St Mary's Prittlewell Church of England Primary (Nov 2015) • Porters Grange (Sept 2015) 		

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Appendix 2: Internal Audit Plan 2015/16

Dept	Council activity and focus of audit work	Work type	Status as at 10 June 2016
Managing the Business			
Aim: Excellent			
All	Business Continuity To assess whether the Council has effectively analysed the results of Operation Meltdown and introduced the required improvements.	Core	Draft report produced.
All	Complaints Handling To assess whether stage one and two complaints have been handled in compliance with the policy.	Core	Draft report to be produced.
PE	Partnership Management: Section 75 Agreements To assess whether Section 75 agreements clearly set out the service requirements and how the service will be managed on an ongoing basis.	Core	Draft report with client.
All	Procurement To provide critical but supportive challenge as the Head of Procurement develops and implements the new procurement and contract management.	Core Fraud Risk	Draft report produced.
All	Risk Management To assess whether risks, controls and assurances in risk registers are being properly identified and recorded in line with the requirements of the Risk Management Policy and Strategy.	Core	Draft report with client.
All	Risk Management To assess whether project risks are properly understood and consistently defined in accordance with the Council's Risk Management Strategy and Toolkit.	Core	Draft report with client.
Managing Service Delivery Risks			
Aim: Safe			
PL	Licensing To assess whether licence applications are effectively and promptly processed and all due income is received	Core Fraud Risk	Report issued November 2015.

Appendix 2: Internal Audit Plan 2015/16

Dept	Council activity and focus of audit work	Work type	Status as at 10 June 2016
Aim: Clean			
	Repair and Renew (Flooding) Grant To certify approved claims for the flood support scheme as required by the memorandum of understanding between the Department for the Environment, Food and Rural Affairs and the Council.	New In year risk	Grant Claim signed off November 2015. Unqualified opinion given.
Aim: Healthy			
	Adult Social Care Services		
PE	To assess whether improvement actions identified by the Care Quality Commission inspections are effectively and promptly dealt with.	Core	Audit deleted as there were no outstanding inspection reports to be reviewed.
PE	Assessment of Personal Budgets To assess whether personal budgets paid by direct payments are valid, accurate and complete as per the client's assessed needs.	Core Fraud Risk	Draft report with client.
PE	Financial Monitoring of Direct Payments To assess whether there are robust financial monitoring arrangements in place to ensure payments directly to clients are used properly.	New Core Fraud Risk	Audit postponed until 2016/17 as the service is still developing the arrangements in this area.
PE	To assess whether there is robust management review of adult social care files to ensure they met all required statutory and good practice requirements.	Core	Work completed July 2015.
PE	To assess whether residential care placements are effectively and economically procured to meet the client's assessed needs.	Core Fraud Risk	Insufficient resource available to complete by the end of March 2016.
PE	Fostering and Adoption To assess whether payments to foster and adoption parents are valid, accurate and complete.	Core Fraud Risk	Draft report to be produced.

Appendix 2: Internal Audit Plan 2015/16

Dept	Council activity and focus of audit work	Work type	Status as at 10 June 2016
Aim: Healthy			
	Safeguarding		
PE	To assess whether any required improvement actions identified by the review of the arrangements to prevent child sexual exploitation have been formed into a robust action plan and implemented in a timely manner.	Core	Interim feedback provided. Further work being done with the service as part of the 2016/17 Audit Plan.
PE / PL	To assess whether action plans produced following safeguarding reviews (children's and or adult Serious Case Reviews and or Domestic Homicide reviews) are being implemented, in a timely manner and actively monitored by senior management.	Core	Draft report to be produced.
PE	Special Educational Needs To assess whether allocations of Special Educational Needs budgets to schools are accurately calculated and there is effective use of top up funding to those with most acute needs.	Core	Report issued June 2016.
PH	0 to Five Year Old Commissioning To assess whether the 0 to five year old services to be transferred to the Council in October 2015 are effectively integrated into the Council and associated budgets are sufficiently understood to ensure the services can be affordable delivered future years	In year risk	Draft report produced.
CS	Essential Living Fund To assess whether there are robust procedures in place for the accurate, consistent, timely and appropriate award of grants from the Essential Living Fund and that arrangements to monitor expenditure against the fund are effective.	Core	Report issued September 2015.
PH	Health Protection To assess whether there are robust policies, procedures and working arrangements in place with relevant parties to ensure public safety, prevent transmission of diseases and manage incidents which threaten the public's health.	Core	Draft report with client.

Appendix 2: Internal Audit Plan 2015/16

Dept	Council activity and focus of audit work	Work type	Status as at 10 June 2016
PE	<p>School Improvement</p> <p>To assess whether any required improvement actions identified by the review of the School Support and Improvement Board have been effectively implemented in a timely manner.</p>	Core	Draft report produced.
PE	<p>Schools</p> <p>This programme of work is funded by schools directly and the audit resource is bought in through the framework contract.</p>	Core Fraud risk	See Schools Audit Programme section below.
Aim: Prosperous			
PL	<p>Development Control</p> <p>To assess whether planning applications are effectively and promptly processed and all due income is received</p>	Core Fraud Risk	Report issued November 2015.
PL	<p>Local Growth Fund and City Deal</p> <p>To assess whether the projects as part of the Local Growth Fund and City Deal are well managed to ensure they deliver their required outcomes, to timetable and budget meeting any associated terms and conditions.</p>	Core	Assurance provided by external sources as part of obtaining the grant funding so audit no longer required.
PL	<p>Southend City Deal Grant</p> <p>To certify, in all significant respects, that the conditions attached to the grant have been complied with.</p>	New	Grant Claim signed off January 2016. An unqualified opinion given.
PE	<p>Schools Audit Programme: Finance Management and Governance</p> <p>This programme of work is funded by schools directly and resourced through the framework contract.</p>	Fraud Risk	See below for details.
PE	<p>Strategic Housing</p> <p>To assess whether robust governance and operational planning arrangements have been or are being established to set up a Local Authority Housing Company to deliver increased numbers of affordable housing.</p>	In year risk	Deleted as further work on the project is still required before an audit would be appropriate.
PL	<p>Local Transport Plan, A127 and Pothole Repair Grants.</p> <p>To certify, in all significant respects, that the conditions attached to the grant have been complied with.</p>	Grant Claim	Grant Claims signed off September 2015. Three unqualified opinions given.
PL	<p>Local Sustainable Transport Fund Grant</p> <p>To certify, in all significant respects, that the conditions attached to the grant have been</p>	New	Grant Claim signed off March 2016. An unqualified opinion given.

Appendix 2: Internal Audit Plan 2015/16

Dept	Council activity and focus of audit work	Work type	Status as at 10 June 2016
	complied with.		
PE	<p>Troubled Families Intervention To challenge Troubled Families Grant returns in line with Department for Communities and Local Government requirements.</p>	Grant Claim	<p>Claims reviewed:</p> <ul style="list-style-type: none"> • June 2015 • September 2015 • February 2016.
	To provide advice and support as the Extended Troubled Families Programme is developed.	Grant Claim	Interim feedback provided September 2015 and March 2016.
Aim: Excellent			
PE	<p>Children's Services and Adult Services To assess whether the replacement IT system for CareFirst, the Children's Services and Adult Service case management system, is:</p>	In year risks	
	<ul style="list-style-type: none"> • appropriately specified and selected, so audit focus will be how the package was procured 		Draft report with client.
	<ul style="list-style-type: none"> • implemented properly, so the audit focus will be the development of the project implementation plan. 		Draft report with client.
	<p>Contract Letting To assess whether the A W Hardy works contract was let properly, met the clients' expectations and delivered in budget.</p>		Draft report with client.
	<p>Contract Management To assess whether a sample of contracts are being effectively managed to ensure:</p> <ul style="list-style-type: none"> • required outcomes are achieved • accurate and valid payments are made to the contractor and or income received. 	Core Fraud Risk	(See contracts listed below)
PE	<ul style="list-style-type: none"> • Family Mosaic 		Report issued January 2016.
CS	<ul style="list-style-type: none"> • Cleaning Services Contract Management 		Report issued December 2015.
PL	<ul style="list-style-type: none"> • Highways Contract, Processing Payments 		<p>Interim feedback provided. Additional work to be completed as part of the 2016/17 Audit Plan.</p>

Appendix 2: Internal Audit Plan 2015/16

Dept	Council activity and focus of audit work	Work type	Status as at 10 June 2016
PE	<p>Corporate Procurement Team To assess whether the Corporate Procurement Team is appropriately staffed and operating in a manner that complies with statutory requirements and recognised good practice.</p>	In year risk Core	Initial feedback provided. This is being followed up as part of the Procurement work contained in the Managing the Business section above.
PL	<p>Debt Collection To assess whether there are robust processes in place to ensure all debt due is cost effectively collected.</p>	Core Fraud Risk	Report issued to management June 2016.
CS	<p>IT Data Security To assess whether the relevant standards are met to ensure the Council's data is secure.</p>	Core	Draft report produced.
CS	<p>IT Disaster Recovery To assess whether there are robust plans and procedures in place to minimise the impact and duration of any distribution to the Council's services following a disaster incident.</p>	Core	Review deleted as new arrangements are being put in place.
CS	<p>IT Infrastructure To assess whether the ongoing management of IT fixed assets ensures the IT infrastructure meets the Council's service needs.</p>	Core (new)	Work in Progress.
CS	<p>IT Service Changes Benefits Realisation To assess whether there is evidence the new structures and processes are at an early stage delivering the required improvements in service outcomes.</p>	Core	Report issued August 2015.
CS	<p>Third Party Hosting To evaluate whether services hosted with third parties are effectively planned and managed.</p>	Core	Report issued December 2015.

Key Financial Systems

Aim: Excellent

To assess whether the key controls in each of the key financial systems effectively prevent or detect material errors on a timely basis so that this information can be relied upon when producing the Council's statement of accounts.

CS	Accounts Payable	Annual Fraud Risk	Draft report to be produced.
CS	Accounts Receivable:		
CS	• General		Draft report produced.

Appendix 2: Internal Audit Plan 2015/16

Dept	Council activity and focus of audit work	Work type	Status as at 10 June 2016
PE	• Social Care Debtors		Report issued June 2016.
CS	Business Rates		Report issued April 2016.
CS	Council Tax		Draft report with client.
CS	General Ledger		Draft report produced.
CS	Housing Benefit		Draft report produced.
CS	Income Receipting and Banking		Draft report with client.
CS	Payroll		Report issued June 2016.
CS	Treasury Management		Draft report with client.
CS	Payroll Improvement Project		Feedback provided on the introduction of the "view your own payslip" function. <ul style="list-style-type: none"> • Update March 2016.
CS	Computer Assisted Audit Techniques (CAATs)		Completed for Accounts Payable and Payroll audits.

Implementing Action Plans

All	Audit Reports to be Revisited To check that actions agreed have been implemented, properly, in a timely manner.	Core	
PL	Capital Project Management		Report issued December 2015.
PE	Children's Social Care File Quality Assurance Review		Report issued September 2015.
PE	Accounts Receivable, Social Care Debt		Report issued June 2016.
	The Forum		Draft report produced.
	Welfare Reform		Draft report with client.

Other Work

N/A	The Leas Sun Shelter To assess whether proper processes have been followed by the Council when dealing with all matters relating to the Leas Sun Shelter in its roles as planning authority, land owner and custodian of the public space.	Fraud Risk	Work completed and feedback provided. No further action required.
PE	To fundamentally review the approach adopted to auditing schools to see if it is fit for purpose going forward, taking into account potential assurance available from other Council services.	New Core Fraud risk	Work completed February 2016.

Appendix 2: Internal Audit Plan 2015/16

Dept	Council activity and focus of audit work	Work type	Status as at 10 June 2016
PE	To assess the level of assurance that can be placed on work being undertaken with schools by other services within the Council.	New Core	Work not required given the findings from the review to update the schools audit approach.
All	<p>Working with the Counter Fraud & Investigation Directorate</p> <p>To work collaboratively where an investigation identifies the need for an audit of an activity to ensure control weaknesses are properly mitigated or proactively on audits in the plan that are considered to be high fraud risks.</p>	Fraud Risk	
Managing Delivery of the Audit Plan			
	Audit Planning, Resourcing		
	Managing Contractor Work		
	Reporting to Management Team and Audit Committee		
	Contingency		

Audit Plan Definitions

Departments:

- CS: Corporate Services
- PE: People
- PH: Public Health
- PL: Place

* **Core work** means those service activities that score as high risk (i.e. risk level 1 or 2 out of 4) from an audit perspective based on the criteria set out in the Internal Audit Strategy.

Appendix 2: Internal Audit Plan 2015/16

Dept	Council activity and focus of audit work	Work type	Status as at 10 June 2016
Schools Audit Programme			
Below is a complete list of all schools still requiring a full audit or revisit with regard to this three year programme of audit visits. It covers 2015/16 and 2016/17 as some action plans are not due to implemented until 2016/17.			
PE	Full Audits covering finance, management and governance To assess whether effective arrangements are in place to develop and implement a suitable strategic framework as well as organise, manage and control the specified activities	Fraud Risk	
	<ul style="list-style-type: none"> • Friars Primary School 		Report issued December 2015.
	<ul style="list-style-type: none"> • Hinguar Community Primary School 		Report issued December 2015.
	<ul style="list-style-type: none"> • Leigh North Street Primary School 		The infant and junior schools have now amalgamated to become Leigh North Street Primary School. The new school has requested a financial audit in 2016/17.
	<ul style="list-style-type: none"> • Our Lady of Lourdes Catholic Primary School 		Report issued November 2015.
	<ul style="list-style-type: none"> • St George's Catholic Primary School 		Report issued July 2015.
	<ul style="list-style-type: none"> • St Nicholas School 		Report issued September 2015.
PE	Revisiting audit reports To check that recommendations made have been implemented, properly, in a timely manner.		
	<ul style="list-style-type: none"> • Blenheim Primary School 		Draft report with client.
	<ul style="list-style-type: none"> • Bournes Green Infant School 		Report issued December 2015.
	<ul style="list-style-type: none"> • Chalkwell Hall Infant School 		Report issued June 2016.
	<ul style="list-style-type: none"> • Chalkwell Hall Junior School 		Draft report produced.
	<ul style="list-style-type: none"> • Eastwood Primary School 		Report issued September 2015.
	<ul style="list-style-type: none"> • Earls Hall Infant School 		The infant and junior schools have now amalgamated to become Earls Hall Primary School. The new school has requested a financial audit in 2016/17.
	<ul style="list-style-type: none"> • Friars Primary School 		Draft report to be produced.

Appendix 2: Internal Audit Plan 2015/16

Dept	Council activity and focus of audit work	Work type	Status as at 10 June 2016
	<ul style="list-style-type: none"> • Futures Community College 		Report issued February 2016.
	<ul style="list-style-type: none"> • Hamstel Infant School 		Draft report produced.
	<ul style="list-style-type: none"> • Heycroft Primary School 		Draft report produced.
	<ul style="list-style-type: none"> • Hinguar Community Primary School 		2016/17 Audit Plan.
	<ul style="list-style-type: none"> • Kingsdown School 		Draft report produced.
	<ul style="list-style-type: none"> • Milton Hall Primary School 		Draft report produced.
	<ul style="list-style-type: none"> • Our Lady of Lourdes Catholic Primary School 		2016/17 Audit Plan.
	<ul style="list-style-type: none"> • Porters Grange Primary School 		Report issued September 2015.
	<ul style="list-style-type: none"> • Seabrook College, Prittlewell (PRU) 		Draft report produced.
	<ul style="list-style-type: none"> • St Mary's Prittlewell C of E Primary School 		Report issued November 2015.
	<ul style="list-style-type: none"> • Sacred Heart Catholic Primary School 		Draft report produced.
	<ul style="list-style-type: none"> • St George's Catholic Primary School 		Draft report produced.
	<ul style="list-style-type: none"> • St Helen's Catholic Primary School 		Draft report produced.
	<ul style="list-style-type: none"> • St Nicholas School 		2016/17 Audit Plan.
	<ul style="list-style-type: none"> • Thorpedene Primary School 		Report issued November 2015.
	<ul style="list-style-type: none"> • The Federation of Greenways Schools 		Draft report produced.
	<ul style="list-style-type: none"> • West Leigh Infant School 		These schools are becoming an academy on the 1 April 2016 so no further work is being undertaken.
	<ul style="list-style-type: none"> • West Leigh Junior School 		

Appendix 3: Compliance with the UK Public Sector Internal Audit Standards 2014/15 Action Plan as at May 2016

Ref	Standard		Evidence / Comment	Action Required	Current Status
3	Attribute Standards				
3.1	1000 Purpose, Authority and Responsibility				
C3 (new)	Does the internal audit charter also:				
83	<ul style="list-style-type: none"> establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities? identify internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2011? 	Y	It does but it refers to the previous Accounts and Audit (England) Regulations 2011.	Update the Charter in Jan 2016 to reflect the wording of the Accounts and Audit Regulations 2015.	Updated Charter approved by the Audit Committee in March 2016.
	1120 Individual Objectivity				
C20 (new)	Do internal auditors avoid any conflict of interest, whether apparent or actual?	Y	See the ethical governance statement template.	Include a requirement for auditors to confirm there is no conflict of interest on the Audit Management Checklist.	Amendment made. This will be applied to all 2016/17 audits.
	1130 Impairment to Independence or Objectivity				
C29 (new)	Have internal auditors complied with the Bribery Act 2010?	Y	The actions required to comply with this are included in the Council's Anti Fraud & Corruption Policy and Strategy which staff are aware of.	Make specific reference to this in the team's ethical standards statement.	Amendment made. This will be applied to all 2016/17 audits.

Appendix 3: Compliance with the UK Public Sector Internal Audit Standards 2014/15 Action Plan as at May 2016

Ref	Standard		Evidence / Comment	Action Required	Current Status
3.3	1200 Proficiency and Due Professional Care				
	1210 Proficiency				
C35 LGAN	Does the Head of Internal Audit (HoIA) ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	Y	Last reviewed and job evaluated in October 2012.	Re-assess relevance of job profiles as part of the service review to be completed this in the summer 2015.	Outstanding as the service review has yet to be completed.
	1220 Due Professional Care				
C41 84	Do internal auditors exercise due professional care by considering the: c) Adequacy and effectiveness of governance, risk management and control processes?	Y	This was set out in the Terms of Reference and now the Charter.	Assess whether the audit approach in the Audit Manual sufficiently covers the role of internal audit in assessing the adequacy of risk management processes when undertaking audits.	The Audit Manual does cover this.
3.4	1300 Quality Assurance and Improvement Programme				
	1311 Internal Assessments				
C57 LGAN	Does ongoing performance monitoring include obtaining stakeholder feedback?	Y	Client satisfaction surveys are sent out at the end of each assignment. The results of this are reported upon to each Audit Committee meeting as part of the team's suite of performance indicators.	Develop a short service survey for completion periodically by senior management and the Audit Committee.	The new stakeholder survey approach was piloted between Jan and Mar 2016. This will be applied fully to the 2016/17 Audit Plan.

Appendix 3: Compliance with the UK Public Sector Internal Audit Standards 2014/15 Action Plan as at May 2016

Ref	Standard		Evidence / Comment	Action Required	Current Status
1312 External Assessments					
C61 LGAN 85	Has the HoIA considered the pros and cons for the different types of external assessment (i.e. 'full' or self-assessment plus 'independent validation')?	Y	<p>The last external assessment by external audit against the CIPFA Code of Practice for Internal Audit in LG in the UK covered the year ended 31 March 2011.</p> <p>To date, the HoIA has completed the assessment, and sometimes has provided it with supporting evidence for someone independent of the service to assess.</p> <p>However the other option is to opt for a full external assessment by a suitably qualified person.</p> <p>The assessment must take place within 5 years of the UK Public Section Internal Audit Standards (Standards) coming into force i.e. April 2013.</p>	Decide on the approach to be adopted with senior management and the Audit Committee when the assessment is due.	This needs to be completed before 31 March 2018.

Appendix 3: Compliance with the UK Public Sector Internal Audit Standards 2014/15 Action Plan as at May 2016

Ref	Standard		Evidence / Comment	Action Required	Current Status
4	Performance Standards				
4.1	2000 Managing the Internal Audit Activity				
	2040 Policies and Procedures				
D31 LGAN 88	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	Y	The Charter and Strategy are reviewed annually and presented to senior management and the Audit Committee with the Audit Plan. The adequacy of the audit approach was assessed as part of the external audit review of the service in 2010/11. It has not changed significantly since then although it is continually developed.	Assess whether the Audit Manual is still fit for purpose taking into account the new Standards.	The Audit Manual was reviewed in July 2015 to ensure compliance with the PSIAS.
	2050 Coordination				
D32	Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	Y	This is not explicitly stated in any of the audit documents / approach but it is the approach auditors would take should the opportunity arise to do so.	Document the approach in the Audit Manual that auditors should take when undertaking an audit to identify and assess the level of assurance that can be provided by other sources and how this can be used.	In reality, this is dealt with at Audit Planning stage when any other assurance available to auditors is identified, assessed and if necessary turned into an audit – refer to the Strategy. The relevant approach would then be applied from the Audit Manual.

Appendix 3: Compliance with the UK Public Sector Internal Audit Standards 2014/15 Action Plan as at May 2016

Ref	Standard	Evidence / Comment	Action Required	Current Status
4.2	2100 Nature of Work			
	2110 Governance			
D44	Has the internal audit activity evaluated the: a) design b) implementation, and c) effectiveness of the organisation's ethics-related objectives, programmes and activities?	Y The design of the Council's ethical governance framework was completed in 2014/15. The other aspects of this requirement do form part of the Council's audit risk assessment	Plan to cover the other aspects of ethical governance in the 2016/17 Audit Plan.	All 2015/16 financial system audits included an assessment of whether declarations of interest were being appropriately recorded and acted upon this year.
87	2120 Risk Management			
D47	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes	Y This is an entity in the audit risk assessment. Elements of this have been reviewed over the last couple of years e.g. risks in corporate reports. It is also considered as part of individual audit reviews. The Risk Management Strategy and Toolkit has been updated and taken to the June 2015 Audit Committee.	Evaluate the effectiveness of the updated arrangements as part of the 2016/17 Audit Plan.	A risk management review has been undertaken during 2015/16.

4.5	2400 Communicating Results
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Appendix 3: Compliance with the UK Public Sector Internal Audit Standards 2014/15 Action Plan as at May 2016

Ref	Standard		Evidence / Comment	Action Required	Current Status
2431 Engagement Disclosure of Non Conformance					
D113	<p>Where any non-conformance with the Standards has impacted on a specific engagement, do the communication of the results disclose the following:</p> <p>a) The principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved?</p> <p>b) The reason(s) for non-conformance?</p> <p>c) The impact of non-conformance on the engagement and the engagement results?</p>	Y	<p>This has not been an issue to date but this information would be disclosed.</p> <p>However the action to be taken should this arise is not formally set out in any team documentation.</p>	<p>Build the requirement to disclose non-conformance with the Standards into the:</p> <ul style="list-style-type: none"> • Audit Manual • report templates used. 	<p>Outstanding.</p> <p>Will review during 2016/17.</p>

Key: Y= Yes, P = Partial, N = No

Southend-on-Sea Borough Council

Agenda
Item No.

8

Report of Chief Executive & Town Clerk

to

Audit Committee

on

29 June 2016

Report prepared by: Tim MacGregor, Team Leader - Policy &
Information Management

Annual Governance Statement 2015/16

Executive Councillor – Councillor Lamb

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present to Audit Committee the Annual Governance Statement for 2015/16 together with actions for 2016/17 and an update on progress made with the 2015/16 action plan.

2. Recommendation

- 2.1 **That Audit Committee approve the Annual Governance Statement for 2015/16, subject to any further views expressed by External Audit and recommends it to the Leader of the Council and Chief Executive for authorisation and signature.**

3. Background

- 3.1 The responsibility for ensuring that there is a sound system of internal control rests with the Council. It is required to report on this annually via its Governance Statement which is published with the Council's annual statement of accounts.
- 3.2 In order to do this, the Council should seek regular assurance that its systems of internal control are functioning effectively. It should also ensure that the system of internal control is effective in managing significant risks in the way that it would expect.
- 3.3 The Council has delegated responsibility for monitoring and reporting on the adequacy and effectiveness of its system of internal control to the Audit Committee.
- 3.4 The Annual Governance Statement 2015/16, including the action plan for 2016/17 is attached at **Appendix 1**. Progress against the 2015/16 action plan is attached at **Appendix 2**.
- 3.5 The Annual Governance Statement for South Essex Homes (SEH) was considered by the SEH Audit Committee on 16 May, for recommended approval by the SEH Board on 25 July 2016 and is reported elsewhere on the agenda

(item 5).

3.6 In appraising the Annual Governance Statement members of Audit Committee should take into account:

- That the Audit Committee has acted in accordance with its terms of reference, that members attendance was regular and that training and development of members was undertaken to enable them to fulfil their role.
- That the statement reflects the evidence seen by members during the course of their duties and that it reflects their experience in undertaking other roles as Councillors, including as members of Scrutiny Committees.

3.7 Managers Assurance Statements have been produced by all Heads of Service as a self-assessment of whether the council's key business management processes have been operating effectively and consistently across 15 key business management processes. These have been assessed against four assessment levels, 'High, Satisfactory, Partial and Minimal'. A summary of the findings is attached at **Appendix 3**.

3.8 The Council's Good Governance (officer) Group has undertaken a review of the Council's governance processes against the Cipfa/Solace six core 'principles of good governance' outlined in their 'Delivering Good governance in local government framework 2012' to help inform the AGS. The Good Governance Group will continue to review and update this self-assessment as part of the evidence considered by the group to highlight areas of governance for potential further focus and/or good practice.

4. **Further governance issues**

The Council continues to face a range of challenges in relation to future governance arrangements as a result of the changing landscape of local service delivery, national/local government relationships and new funding arrangements. For example, the Council is increasingly having to achieve its aims with, or through partnership bodies, agencies or other service delivery vehicles. Some of these challenges include:

- The Government's devolution agenda and the work across Essex, Southend and Thurrock on a Greater Essex proposition. In late May 2016 the 15 councils in Essex voted by 8 votes to 7 against pursuing a devolution bid which involved a directly elected mayor. Southend Council voted against. All 15 Councils voted to continue to pursue devolution opportunities.
- The Chancellor announced in his 2016 budget that Michael Heseltine will lead a 'Thames Estuary 2050 Growth Commission', to develop an ambitious vision and delivery plan for North Kent, South Essex and East London up to 2050, with a view to reporting back at the Autumn Statement 2017.
- The development of the South Essex Growth Partnership, led by local business and comprising South Essex local authorities, including Southend-on-Sea BC and replacing the former Thames Gateway South Essex Partnership, to promote economic growth in the area.

- The proposal by Southend and Thurrock Councils to pursue and develop opportunities for growth in South Essex and across the Estuary.
- Working with the South East Local Enterprise Partnership (SELEP) business led, public/private body established to drive growth across East Sussex, Essex, Kent, Medway, Southend and Thurrock.
- The closer integration of health and social care. This is reflected in the health and social care integration Pioneer Programme, the Better Care Fund and the integrated health and social care commissioning arrangements, including the joint commissioning team with Southend Clinical Commissioning Group.
- The Government's desire to move schools towards academy status and other measures outlined in the Education Excellence Everywhere White Paper (even allowing for the decision to withdraw the requirement for all schools to become academies) will see a changing role for the Local Authority over time. The Authority will still retaining a range of significant duties, especially in relation to school places and supporting vulnerable learners.
- The proposed 'Bus Bill' which will enable councils to set standards for ticketing, branding and frequency of services and the ability to apply for new powers to franchise services (a power which will be granted to combined authorities with directly elected mayors).
- The continuing trend to multi-party politics, confirmed by the 2015 general and recent local elections, and reflected by the lack of any one group having an overall majority on the Council since May 2014.

5. Revised Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (Solace) Good Governance Framework

- 5.1 The 2012 Cipfa/Solace Good Governance in Local Government framework has been updated and significantly revised. The new framework is intended to reflect the International Framework for Good Governance in the Public Sector, as well as on-going financial constraints, new ways of working and it aims to be more outcome focussed. This will mean that the 2016/17 Annual Governance Statement will be undertaken against the new framework and, in particular, seven new principles rather than the current six core principles.
- 5.2 The framework provides the following definition of governance:
'Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved'.
- 5.3 It states that to deliver good governance:
'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'.
- 5.3 The seven new principles are:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the law.

B. Ensuring openness and comprehensive stakeholder engagement.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits.

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

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.

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

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

Principles A and B provide the overarching requirements for acting in the public interest, while principles C to G focus on the implementation of governance and achievement of outcomes.

5.4 The Council will, therefore, need to revise its current Local Code of Governance to reflect the new framework and a report on this will be presented to a future Audit Committee.

6. Corporate Implications

6.1 Contribution to Council's Aims and Priorities

Operating robust governance arrangements contributes to the delivery of all Council aims and priorities.

6.2 Financial Implications

All officers have been required to adopt robust financial management arrangements within their service areas.

6.3 Legal Implications

Accounts and Audit (England) Regulations 2011 Section 4 requires that the relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.

The findings of the review must be considered by Council or by a committee. Following the review, the body or committee must approve an annual governance statement prepared in accordance with proper practices in relation to internal control.

Proper practice in this sense is defined as guidance issued by the relevant professional body, which for local government is the CIPFA / SOLACE Framework This requires local authorities to produce a Local Code of Governance and sets out the operational framework that it should adopt.

Therefore, the work undertaken to support and produce the Annual Governance Statement satisfies the requirements of the Accounts and Audit (England) Regulations 2011.

6.4 People

All Members and staff have been required to adopt the principles and values outlined in the Local Code of Governance and staff ensuring the business management processes required within their service areas are applied.

6.5 Property Implications

All services have been required adopt proper processes in managing their assets.

6.6 Consultation

The Corporate Management Team has agreed all supporting reports and the Annual Governance Statement.

6.7 Equalities Impact Assessment

This has been reflected in the principles, values and business management processes adopted.

6.8 Risk Assessment

Failure to operate robust governance arrangements can potentially lead to poor management, performance, stewardship of public money, public engagement and ultimately, poor outcomes for citizens and service users. It increases the risk that corporate priorities won't be delivered.

6.9 Value for Money, Community Safety Implications and Environmental Impact

These have been reflected in the principles, values and or business management processes adopted.

7 Background Papers

7.1 Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework.

7.2 Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Guidance Note for English Authorities – 2012.

7.3 The CIPFA Finance Advisory Network, The Annual Governance Statement, meeting the requirements of the Accounts and Audit Regulations 2003, Incorporating Accounts and Audit (Amendment) (England) Regulation 2006, Rough Guide for Practitioners.

7.4 The Accounts and Audit (England) Regulations 2011.

7.5 Cipfa/Solace – Delivering Good Governance in Local Government Framework:

8 Appendices

Appendix 1 - Annual Governance Statement 2015/16 incorporating the corporate Governance Action Plan 2016/17.

Appendix 2 - Corporate Governance Action Plan, 2015/16, progress report.

Appendix 3 - Summary of Managers Assurance Statements for 2015/16

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Southend-on-Sea Borough Council Annual Governance Statement – 2015/16

1. Scope of responsibility

- 1.1 Southend-on-Sea Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 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.
- 1.2 In discharging this overall responsibility, the Council is responsible for ensuring the proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk, are in place. This responsibility extends to satisfying itself that any wholly owned subsidiary companies also have robust governance arrangements in place. To this end South Essex Homes has produced its own Annual Governance Statement which is included as part of this statement.
- 1.3 Southend-on-Sea Borough Council has approved and adopted a Local Code of Governance (the Code), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's code is part of the Council's constitution and is available on the Council's website at www.southend.gov.uk/constitution or can be obtained from the Policy, Engagement and Communications Team, Civic Centre, Victoria Avenue, SS2 6ER.
- 1.4 This statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4 of the Accounts and Audit (England) Regulations 2011 in relation to the production and publication of an Annual Governance Statement.

2. The purpose of the Governance Statement

- 2.1 The governance framework comprises the systems, processes, culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks

being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

- 2.3 The main governance framework has been in place at Southend-on-Sea Borough Council for the year ended 31 March 2016 and up to the date of approval of the annual report and statement of accounts.

3. The Council's Governance Framework

- 3.1 The governance framework ensures the Council's vision and key priorities are effectively promoted and progressed through its corporate governance arrangements and business planning processes. The key elements of the governance framework are as follows:

- Community Engagement
- Business Strategy and Planning
- Financial Reporting including Budgetary Control and Asset Management
- Policy Framework
- Risk Management including Fraud and Corruption
- Health and Safety
- Business Continuity
- Asset management
- Performance Management
- Data Quality
- Information Management and Security
- Value for Money
- Procurement
- Project Management
- Complaints
- Ethical Governance – including Codes of conduct for Members and staff
- Workforce management
- The operation of Cabinet, Scrutiny Committees, Audit Committee and the Standards Committee.

- 3.2 These areas form the main sources of assurance to be considered in any review of the Council's governance arrangements.

- 3.3 The Corporate Director for Corporate Services has the responsibility for overseeing the implementation and monitoring of 'The Code', through a process which includes:

- Regular reports to the Corporate Management Team (CMT) and the Audit Committee which set out:
 - weaknesses identified in the governance arrangements and
 - any corrective action necessary to resolve concerns identified;
- An annual review of the governance framework supported by managers assurance statements certified by Heads of Service and Corporate Directors;
- An annual report to the Corporate Management Team and the Audit Committee on the adequacy of governance arrangements and

- An annual review of 'The Code', with any significant amendments being reported to the Audit Committee, endorsed by Cabinet and approved by Council.
- 3.4 The Council's key governance and business planning processes are also subject to audit on a risk basis. Such work completed during the year forms part of the evidence in support of the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's system of internal control.
 - 3.5 Key elements of the Local Code of Governance are outlined below:
 - 3.6 The Council's Monitoring Officer is responsible for the maintenance of the Constitution and for reviewing its relevance and effectiveness, ensuring that it is fit for purpose at all times. Any changes to the Constitution are approved by full Council.
 - 3.7 The Council operates a Cabinet and strong leader model of governance, with the Leader (who is appointed by Full Council for a four year term) appointing up to 9 other Councillors to form the Cabinet. Cabinet is responsible for the majority of functions of the Council within the budget and policy framework set by full Council. Executive decisions are taken by the Cabinet collectively or by officers acting under delegated powers, depending upon the significance of the decision being made. For urgent issues, the chief officer can take a decision in conjunction with the portfolio holder.
 - 3.8 The Council has three Scrutiny Committees which review and scrutinise proposed decisions in their respective areas of responsibility – People, Place and Policy & Resources. The committees will review and scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions. In accordance with the Health and Social Care Act 2012, the People Scrutiny Committee also scrutinises health matters.
 - 3.9 Decisions made by the Cabinet may be called in to a Scrutiny Committee in accordance with the provisions of the Scrutiny Procedure Rules. A decision made by Cabinet can be called in by any two Members with written notice given to the Chief Executive within five working days from the date of publication of the digest.
 - 3.10 Since May 2012 the Council has operated a pre-Cabinet scrutiny system where scrutiny and opposition Members are given opportunities to contribute to and offer advice on key decisions prior to consideration by Cabinet. This is achieved by reports to Scrutiny Committees and the outcomes of cross party working groups.
 - 3.11 The Council has a Standards Committee to promote and maintain high ethical standards of conduct for elected and co-opted Members. A key role of the Committee is to help elected and co-opted Members to observe the Members' Code of Conduct and to monitor the effectiveness of the Members' Code of Conduct. The Standards Committee also deals with formal complaints against Members.
 - 3.12 The Council operates a development and training programme for Members to help support them in their strategic roles.

- 3.13 A local authority has a duty to ensure that it is fulfilling its responsibility for adequate and effective risk management, control and governance. To this end, the Council has in place an Audit Committee. The Audit Committee has a key role in overseeing and assessing the risk management, control, and corporate governance arrangements and advising the governing body on the adequacy and effectiveness of these arrangements.
- 3.14 The Council's major policy objectives and priorities are detailed in the Corporate Plan and Annual Report. The plan articulates the authority's vision, is subject to regular progress review, and is approved by the Corporate Management Team, Cabinet, and Council.
- 3.15 The Corporate Plan and Annual Report is underpinned by detailed service plans which are monitored monthly by Departmental Management Teams. In addition, a monthly performance report outlines key performance indicators that underpin the Council's corporate priorities and corporate priority actions. This is monitored by the Corporate Management Team, Cabinet, and each Scrutiny Committee.
- 3.16 Financial monitoring reports are produced on a monthly basis and form part of the Council's Monthly Performance Report. Reports detail explanations of variance from budget and identify a projected outturn for the year and are considered by Cabinet and the Scrutiny Committees. A three year Medium Term Financial Strategy is refreshed annually and is driven by the priorities agreed by the Council and outlined in the Corporate Plan and Annual Report.
- 3.17 The Corporate Risk Register is formally reviewed each quarter by the Corporate Management Team, and the Audit Committee half yearly. Departmental risk registers are reviewed regularly by Departmental Management Teams.
- 3.18 The Council engages with its communities and its arrangements are formulated within a consultation and engagement framework. Consultation and engagement activity and the results of this activity are reported and integrated into service planning and delivery.
- 3.19 The Council has a Health and Safety Policy, with an accompanying action plan that is reviewed each year and overseen by the Strategic Health and Safety Group, chaired by a Corporate Director, which has assisted the Council in reaching Level 5 out of 5 on the RoSPA (Royal Society for the Prevention of Accidents) assessment.
- 3.20 A complaints procedure and a whistle-blowing policy are maintained and kept under review to enable issues to be raised by public, staff, Councillors and co-opted Members, when they feel appropriate standards have not been met. A report analysing complaints, comments and complements is submitted to Cabinet and Council annually.

4. Role of the Chief Financial Officer

- 4.1 The Chief Financial Officer (CFO) occupies a key position in managing the Councils' finances and ensuring that resources are used wisely to secure positive results. In order to support the post holder in the fulfilment of their duties, and ensure that the Council has access to effective financial advice, in 2010 the Chartered Institute of Public Finance Accountants (CPIFA) issued a Statement on the Role of the Chief

Financial Officer in Local Government. The statement:

- Sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role and
- Includes five key principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them.

These principles are:

- The CFO in a local authority is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the authority's overall financial strategy;
- The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively;
- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose; and
- The CFO in a local authority must be professionally qualified and suitably experienced.

4.2 The Council has the necessary arrangements and procedures in place which ensure that these principles are complied with. This is through a combination of direct compliance by the CFO and, where not directly complied with, ensuring there are alternative procedures in place to make sure that the necessary outcomes and objectives are still achieved and suitable controls are in place. For example, this may include deputising arrangements and delegated authority for financial management in the clearance of relevant Member reports.

5. Review of effectiveness

5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by: the work of Corporate Directors and Heads of Service within the Council (who have responsibility for the development and maintenance of the governance environment); the Head of Internal Audit's annual report; by comments made by external auditors and other review agencies and inspectorates and by a governance self-assessment reviewed by the Good Governance Group.

5.2 The May 2015 Council elections resulted in a new joint administration with three Southend Independence Group councillors joining the existing administration of Independent, Labour and Liberal Democrat councillors. This new four political group coalition was maintained throughout the year, with the Council's decision making processes continuing to prove effective. A renewed joint administration agreement, and associated commitments, for 2015/16 was adopted by the Council in July 2015, providing a high level policy framework for Council officers and

members to work to.

- 5.3 2015/16 saw the Council undertake a 'summer/autumn of challenge', with a series of peer reviews to enable the Council to take stock of progress, assess challenges ahead and obtain an independent reality check to aid thinking about the future direction of the Council. The peer reviews consisted of:
- LGA Health and Wellbeing Board peer challenge: 23 to 26 July;
 - Children's Safeguarding (Eastern Region LGA Sector Led Improvement programme) Peer Challenge: 15 to 17 September;
 - LGA Public Health peer challenge: 30 September to 1 October;
 - LGA Corporate Peer Challenge: 13-16 October;
 - A local authority school improvement peer review 18 and 19 November.
- 5.4 Following the four day on-site review, the Corporate Peer Challenge feedback (reported to Cabinet on 5.1.16) stated that the Council is one that 'constantly strives to improve outcomes for its residents and itself' with all stakeholders referring to 'the 10 year journey to date that has led to many significant improvements for the borough and for the Council'. It also states that the Council ... 'has a track record of achieving' ... is recognised by stakeholders as having a 'can do' attitude, has benefited from 'an enduring and purposeful senior management leadership' with the Council, both politically and managerially having 'faced and met the significant financial challenges to date'.
- 5.5 The review highlighted a number of issues for the Council to consider going forward. These included: to more clearly articulate its future direction; look to invest more in member development; develop more commercial/alternative service models; look at a more transformational budget process; maximise opportunities for 'cross-wire' working across the organisation and ensure governance arrangements are appropriate for the future.
- 5.6 The feedback was considered by the Corporate Management Team (CMT), Cabinet and Scrutiny Committees and is informing thinking on the future of the borough and the Council. This complemented a series of community conversations (called 'Our Town, Our Future') with local business, community groups and partners along with a programme of 'Leader meetings' with community groups. In addition, the Council has developed a targeted intervention programme for managers and staff, 'Doing the Right Thing', to embed good governance practice, particularly in relation to ethical governance.
- 5.7 The Department for People commissioned the LGA Eastern Region Sector Led Improvement Programme, in September 2015, to conduct a peer review of children's services with a particular focus on safeguarding. The experienced Peer Review team focussed on the 'front door' (the first point of contact for families, children and professionals), the 'early help offer', the first contact team and working with partners including the Local Safeguarding Children's Board. The team were very impressed with staff commitment at all levels, noting a very strong emphasis on ensuring children are safeguarded (report to Cabinet, 5.1.16).
- 5.8 In particular, they were impressed with early help and the ability of staff to respond to safeguarding referrals in a timely manner, the level of resources being put into child sexual exploitation (CSE) and evidence of good partnership working. An

action plan was developed and agreed by the Council to respond to areas of concern identified, with good progress being made against all areas. This includes the development of the Southend Multi-Agency Risk Assessment Conference (MARAC) to tackle domestic abuse and a new early help model of service provision.

- 5.9 The local authority school improvement peer review undertaken in November 2015 proved helpful in addressing challenges and building relationships with schools, in particular moving the Council's model of school improvement forward, in the light of the Education White Paper (Education Excellence Everywhere) and related Government policy developments.
- 5.10 The Health and Wellbeing Board (HWB) responded positively to recommendations from a Local Government Association(LGA) 'follow up' Peer Review in July 2015, by focusing on five 'Big Ticket' priorities and ensuring time for more strategic discussion to address system needs and opportunities. The Board has established, and regularly monitors, a set of performance measures which are driving forward progress for three 'Broad Impact Goals'; a) Increased Physical Activity (prevention of ill health); b) Increased aspiration and opportunity (addressing inequality); c) Increased personal responsibility and participation (sustainability). The Board has agreed a decision making structure which is now 'business as usual', with further strategy development sessions scheduled to inform longer term strategic priorities. The Board commenced its governance role for the A Better Start Southend programme.
- 5.11 The Public Health Peer Review, undertook an appraisal of the current service and made a number of recommendations which are being taken forward.
- 5.12 The Council was a key and active partner in discussions to develop a submission for a Greater Essex devolution bid for greater freedoms and flexibilities, in September 2015, from all local authorities in the County. However, both Southend and Thurrock Councils made clear that neither was willing to support a proposal that includes a Directly Elected Mayor.
- 5.13 The Council pursued its agenda for economic growth through the South Essex Growth Partnership and through continuing to explore potential partnership opportunities with Thurrock Council, as part of its preference for a Thames Gateway based approach.
- 5.14 The Council played, and plays, an active part in the Essex Success Regime, one of three such areas the country identified as having deep-rooted, systemic pressures in the field of health and social care. The Council has brought the benefit of its experience and expertise to the regime of management and financial support and to the desire for greater programme discipline to speed up the pace of change.
- 5.15 The Council further progressed its culture change programme, The Southend Way, which is focussed on three areas of:
- Engaging Leadership
 - Focused Performance
 - Resilience and Growth

- 5.16 To assess the impact of the programme, and other related work, the Council undertook its regular employee engagement survey providing invaluable staff feedback at organisation, directorate, service and group manager levels. The breakdown of results has enabled focussed support in areas where feedback was less positive. The response rate, of 68%, was 11% higher than the 2013 survey with the overall 'engagement score' 1% higher. From 84 questions all but four were above or in line with the local government benchmark, bearing out the award of IIP Gold to the organisation in February 2015 and feedback from the corporate peer reviewers that the Council's employee engagement was 'second to none'.
- 5.17 The Council's Staff Code of Conduct was significantly reviewed and updated to take account of developments in recent years (notably staff use of social media) and was agreed by Council in February 2016. In addition, the Council's Pay Policy Statement and Reward Policy for 2015/16 was agreed at the February 2015 Council meeting and for 2016/17 at the February 2016 Council meeting.
- 5.18 Seven issues were subject to pre-Cabinet scrutiny through reports being considered by a Scrutiny Committee during 2015/16, with other issues (such as future provision of secondary school places) considered through working parties. All budget items were referred directly to the three scrutiny committees. There were 24 'call-ins' from Cabinet to the Policy & Resources, 14 to the People and 21 to the Place scrutiny committees. Three 'in-depth' scrutiny reviews were undertaken: 'Transition arrangements from children's to adult life'; 'Control of personal debt and the advantages of employment' and '20mph speed limits in residential streets'.
- 5.19 The revised and enhanced member development programme for 2014/15 was continued for 2015/16, with an extensive induction programme for new members. The member induction included: sessions on service areas, getting the most from ICT, a bus tour of the borough and one to one briefings on Member Code of Conduct with the Monitoring Officer. Information packs with key sources of information were also made available, along with a dvd outlining the role of a councillor, and key information available via the Council's e-learning portal (SPARK). In total, 30 member training sessions were held during the year on a range of subjects, which included development control, safeguarding, illegal money lending, risk, corporate parenting and child sexual exploitation.
- 5.20 In light of continuing budgetary savings the Council continues to review and adjust staffing structures to meet budgetary requirements and to align services appropriately. The integrated joint commissioning arrangements with Southend CCG began on 1 April 2015, with a new Joint Associate Director of Integrated Care Commissioning to drive improved outcomes for service users and efficiency. The housing function was aligned to the Head of Adult Services from 1 April 2015 in order to better align social care and housing services, particularly given the high level of cross-over of clients between the two areas.
- 5.21 The Council's approach to information management is reviewed each year in respect of completing the Health and Social Care Information Centre Information Governance toolkit, enabling organisational assessment against Department of Health information governance policies and standards. The Council achieved level 3 (the highest possible, in 17/28 requirements and level 2 in the remaining 11) against the required standards. The Department of Health continues to use the Council as a reference site for its work on health and social care integration and the

Information Commissioner's Office continues to use the Council as a reference authority in relation to its work in processing Subject Access Requests.

- 5.22 The Good Governance Group of senior managers met quarterly to review the Council's governance arrangements to ensure they are fit for purpose and comply with good practice requirements and ensure that sufficient assurance is available throughout the year to support the production of the Annual Governance Statement. The group oversaw the agreement by Cabinet, in September 2015, of the Council's revised Local Code of Governance and Corporate Risk Policy and Toolkit.
- 5.23 Service reviews and other assessments identified areas requiring an update to the Council's contract management framework. Work to address these areas has been undertaken to:
- Update the Council's Financial Regulations
 - Update the Council's Contract Procedure Rules
 - Update the Council's Procurement Strategy and Toolkit.
 - Implement a new e-procurement system
 - Collate Council contracts and related documentation.
 - Develop performance information to assess compliance with Contract Procedure Rules
- 5.24 Appendix 2 highlights the significant progress made in these areas of risk and in relation to the current payroll system (notably the upgrade of the payroll system in June 2015). However, risks to the payroll system will be a continuing area of focus for 2016/17 following a further Internal Audit review.
- 5.25 The Corporate Management Team has undertaken a review of the Council's corporate risk management arrangements, resulting in an updated corporate policy and toolkit for use by council staff.
- 5.26 Regular reviews of the recommendations made are addressed by the Head of Service and Departmental Management Team and subsequently as part of the summary audit progress reports to Audit Committee on a quarterly basis.
- 5.27 Progress on actions to enhance governance arrangements arising from the 2014/15 Annual Governance Statement were reported to Audit Committee during the 2015/16 financial year, with relevant outcomes against the action.
- 5.28 The Council continued to explore new models of service delivery. It approved the establishment of a Local Authority Trading Company to manage Delaware House, Priory House adult care homes and Viking Day Centre to lead improvements in social care across the borough's care economy. The Council's partnership with OVO energy, enabling residents to switch to a Southend specific deal resulted in 4,000 residents signing up to Southend Energy as their partner by end of March 2016. The Council also continued its role in the innovative tripartite management of The Forum, Southend-on-Sea library and learning zone, with South Essex College and the University of Essex.

6. Internal Audit

6.1 The annual risk based Audit Plan was prepared in consultation with Corporate Directors and the Audit Committee. The Audit Plan was substantially delivered with reports issued to senior managers at the conclusion of each audit highlighting internal control weaknesses identified and the actions required to address them. Recommendations were also reviewed to ensure they were implemented properly, by the due date. Periodically summary audit progress reports were taken to Corporate Management Team and the Audit Committee.

6.2 Head of Internal Audit Opinion

6.2.1 The Head of Internal Audit Annual Report and opinion for 2015/16 was considered by the Corporate Management Team and the Audit Committee in June 2016. This stated that:

'As reported last year, where audits identified the need for improvement, the common theme was managers needing to ensure they have a clear understanding of the:

- ***day-to-day actions taken by their staff; and or***
- ***suite of 'management information' needed to inform them of key actions taken by staff and performance achieved; and or***
- ***checks and balances needed in day-to-day activity to reduce the chance of error, omission or fraud.***

It is opportune for the Council to confirm that risk and performance continues to be managed effectively, day-to-day, by operational managers, in support of the delivery of service objectives.

As part of this work, particular consideration needs to be given to ensuring there is clarity around roles and responsibilities where processes cross team, service, department or organisational boundaries. Without clear accountabilities, processes may not operate as efficiently and effectively as possible.

Otherwise, the design and operation of the Council's risk management, control and governance framework is considered to be satisfactory'.

6.2.2 Compliance with Professional Standards, Head of Internal Audit Opinion

The in-house service has substantially conformed to the relevant professional standards throughout the year and the Council's operational requirements throughout the year.

I have obtained assurance from the external supplier regarding its conformance with relevant professional standards, but have not independently confirmed this with regards to audit work completed at the Council.

- 6.3 The only area where the Council has chosen not to implement the standard relates to the appointment and removal of the Head of Internal Audit, as the Council's normal human resources practices would already mitigate this perceived potential risk.
- 6.4 [External audit has confirmed it can rely on Internal Audit's financial systems work to support of the financial accounts audit where appropriate].

7. External Audit

7.1 External Audit is undertaken by BDO LLP which annually concludes whether:

- The financial statements give a true and fair view of the Council's financial affairs;
- The Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources;
- The arrangements for preparing grant claims and other returns to Government departments are operating effectively and
- Grant claims reviews are fairly stated and the return has been prepared in accordance with the relevant terms and conditions.

7.2 Where the auditor identifies weaknesses in the Council's arrangements, these are highlighted in the Final Report to Those Charged with Governance or the Grant Claim Certification Report. The external auditor attends meetings of the Audit Committee and provides a progress report on their recommendations at each meeting. The Progress Report to those Charged with Governance and the Annual Audit Letter 2014/15 were presented to the January 2016 Audit Committee.

8. External Inspections

8.1 Assurance over the control environment is also obtained from external inspections and assessments of service areas. External assessments for 2015/16 included:

- The five peer challenges outlined in paragraph 5.3.
- Three Ofsted primary school inspections (2 'good', 1 'Inadequate').
- One Ofsted secondary school inspection ('requires improvement').

8.2 These along with other external assessments, provide further independent assurance of governance arrangements and the quality of service provision. The Council is also regularly recognised through industry awards such as:

- The Council's Senior Leadership Team was shortlisted for the Municipal Journal's (MJ) 2016 Senior Leadership Team award.
- The Council's Services For Schools team were commended in the MJ's 2016 Excellence in Community Engagement award.
- The Council won a National Cleansing Award (silver) from the Chartered Institute of Waste Management.
- The Council was ranked 82nd in the top 100 in Stonewall's workplace equality index and ranked 9th highest local authority and 7th out of 45 local authorities in the Stonewall Education Equality Index.

- All seven of Southend's beaches have been awarded the prestigious Keep Britain Tidy 'seaside award', including three beaches achieving the top Blue Flag award.
- The Council's planning team were shortlisted for the Royal Town Planning Institute (RTPI) Awards for Planning Excellence

9. Conclusion

- 9.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 9.2 Actions to be specifically addressed are outlined below.

Further Actions to strengthen the Council's governance arrangements for 2016/17

No	Area	Action	Date of Implementation	Responsible Officer
1.	Payroll system	To implement all outstanding audit recommendations relating to the Payroll system	March 2017	Joanna Ruffle – Head of People and Policy
2.	Combined authority and joint working	To play an active part in on-going discussions with neighbouring local authorities on joint working (including devolution deals) which will promote the Council's economic growth agenda and other interests, challenging options for a directly elected mayor, developing the South Essex growth agenda and contributing to the Thames Estuary Commission.	March 2017	Rob Tinlin – Chief Executive and Town Clerk
3.	Ofsted Inspection of Children's Services	To implement any recommendations arising from the Ofsted Inspection of Children's Services in April-May 2016.	March 2017	Simon Leftley – Corporate Director of Children's Services

Significant Governance Issues

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

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ROB TINLIN
CHIEF EXECUTIVE
DATE:

COUNCILLOR LAMB
LEADER OF THE COUNCIL
DATE:

APPENDIX 2

SBC Corporate Governance Actions – 2015/16 – Progress

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No.	Governance Issue	Action 2015/16	Responsible Officer	Comment on Progress
1.	Contracts Management Framework	<p>That the Council continues to update the contract management framework, including:</p> <ul style="list-style-type: none"> - Updating the Council's Financial Regulations. - Updating the Council's Contract Procedure Rules - Updating the Council's Procurement Strategy and Toolkit. - Implementing a new e-procurement system - Collating and recording Council contracts and related documentation. - Developing performance information to assess compliance with Contract Procedure Rules 	<p>Simon Leftley (Corporate Director for People)</p> <p>Sally Holland (Corporate Director for Corporate Services)</p>	<p>Revised Contract Procedure Rules; Revised Financial Procedure Rules and - Scheme of delegation were agreed by Council in July 2015, with all staff notified of revised procedures in August 'In the Loop' staff bulletin and a series of staff briefing sessions.</p> <p>The Council's Procurement Strategy and toolkit have been completed and procurements are now run via the new e-procurement system. Further development is required to get the 'quick quote module (for under £25,000 contracts) in place. Contract management application is being tested for wider roll out.</p> <p>Contracts are recorded on the Corporate Contracts Register. The vast majority of corporate contracts are held by the Corporate Procurement Team, either electronically or in hard copy. The contract management</p>

				<p>supporting documents are also retained by the team, although there is a need to move this documentation into the e-procurement system.</p> <p>Processes and systems are in place to ensure compliance with the Contract Procedure Rules, including the Agresso gatekeeper process, process review and performance monitoring of compliance. The Corporate Performance Team provide support and analysis to service areas in relation to effective contract management and in developing and embedding contract manager skills across the Council.</p>
2.	Staff Code of Conduct	To introduce and embed a new staff code of conduct that reflects the current needs of the council and encompassing standards required of staff in relation to personal conduct, declarations of interest, political neutrality, gifts and hospitality, use of social media and procuring/managing contracts, among others.	<p>Sally Holland (Corporate Director for Corporate Services)</p> <p>Joanna Ruffle (Head of People and Policy)</p>	<p>Revised staff Code of Conduct agreed by Council in February 2016 encompassing issues of staff personal conduct, declarations of interest, political neutrality, gifts and hospitality, use of social media and procuring/managing contracts, among others. This is complemented by a new social media policy for staff.</p> <p>The new Code is being communicated to staff through a development programme, 'Do the Right Thing' which will encompass a range of competence and ethical issues.</p>
3.	Payroll assurance	To complete the upgrade of the payroll system and to implement all outstanding audit recommendations in full.	Joanna Ruffle (Head of People and Policy)	The upgrade of the payroll system (to Milestone 4) was completed in June 2015. Significant progress has been made in respect of the 2015 Internal Audit actions and

				further actions are being identified and agreed as part of the 2016 Audit.
4.	Direct Payments	To implement all outstanding audit recommendations in full	Simon Leftley – Corporate Director, People	All outstanding audit recommendations have been implemented in full.

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Southend-on-Sea Borough Council

Agenda
Item No.

9

Report of Corporate Director for Corporate Services
to
Audit Committee
on
29 June 2016

Report prepared by: BDO External Auditor

BDO: Planning Letter 2016/17

Executive Councillor – Councillor Mooring

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To present the External Audit Planning Letter for 2016/17 to the Audit Committee.

2. Recommendation

- 2.1 The Audit Committee agrees the Planning Letter for 2016/17.**

3. Background

- 3.1 As required by the National Audit Office's Code of Audit Practice 2015, the external auditor must produce an audit planning document. This should set out how the auditors intend to carry out their responsibilities in light of their assessment of risk.
- 3.2 The auditor is required to present a "letter" setting out the proposed 2016/17 audit fee. A more detailed Audit Plan will be issued in early Spring which will include any accounts risks identified after completion of the 2015/16 audit.
- 3.3 A senior representative of BDO (the appointed External Auditor to the Council) will present this report and respond to Members questions.

4. Corporate Implications

- 4.1 Contribution to Council's Aims and Priorities

Audit work contributes to the delivery of all corporate Aims and Priorities.

- 4.2 Financial Implications

The fee scales and overall requirements of what needs to be undertaken by the external auditor are defined by Public Sector Audit Appointments Limited. The fees proposed reflect the application of these requirements to this Council based upon an assessment of risk from audits completed in prior years.

4.3 Legal Implications

The Council is required to have an external audit of its activities that complies with the requirements of the National Audit Office's Code of Audit Practice (the Code). By considering this report, the Committee can satisfy itself that this requirement is being discharged.

4.4 People and Property Implications

None

4.5 Consultation

This planned audit work has been discussed and agreed with the Corporate Director for Corporate Services and the Head of Finance and Resources.

4.6 Equalities Impact Assessment

None

4.7 Risk Assessment

Periodically considering whether the external auditor is delivering the agreed Annual Audit Plan helps mitigate the risk that the Council does not receive an external audit service that complies with the requirement of the National Audit Office's Code of Audit Practice.

4.8 Value for Money

Public Sector Audit Appointments Limited sets the fee formula for determining external audit fees for all external auditors, taking into account the results of the outsourcing of their audit practice and market testing the audit work that is now fully delivered by the private sector audit firms.

4.9 Community Safety Implications and Environmental Impact

None

5. Background Papers

None

6. Attachment: BDO's Planning Letter 2016/17



SOUTHEND ON SEA BOROUGH COUNCIL

115 Planning Letter 2016/17

27 April 2016

PROPOSED FEES

Scope of the audit

We are required to report to you our proposed fees and programme of work for the 2016/17 financial year.

Code audit fee

The Code audit fee is based on the work required under the Code of Audit Practice issued by the National Audit Office and covers the audit of the financial statements and value for money conclusion.

Public Sector Audit Appointments Limited (PSAA) is responsible for setting the scale fees for local authorities and consulted on the proposed work programme and scale of fees in October 2015. There are no planned changes to the overall work programme for 2016/17 and the scale audit fees have been set at the same level as 2015/16, although it is acknowledged that for some authorities a change in accounting requirements relating to highways network assets will require additional audit work. PSAA expect the additional fees for a highway authority to be in the range of £5,000 to £10,000 where authorities are able to provide the information required and the auditor is able to rely on central assurance of the models in use. We will agree an appropriate additional fee for this work with management in due course.

Certification of housing benefits subsidy claim

PSAA makes arrangements for certification of housing benefit subsidy claims. An indicative fee is set based on the latest actual certification fees available but this is reset annually and the 2016/17 indicative fee is not yet published.

Audit related services

Audit related services are those non-audit services that are largely carried out by members of the engagement team where the work involved is closely related to the work performed in the audit and the threats to auditor independence are clearly insignificant and, as a consequence, safeguards need not be applied. In recent years, a number of grants and returns were included in the certification scale fee that are no longer mandated for review by PSAA, but still require certification by the auditor.

Other non-audit services

Other non-audit services are those services not closely related to the work performed in the audit that could be provided by a number of firms. Auditors are prevented from undertaking such work if it would present a threat to independence for which no adequate safeguards are available. Independence concerns may arise due to the nature of the work or from the value of fees derived.

Fees

AUDIT AREA	PROPOSED FEE 2016/17 (£)	SCALE FEE 2016/17 (£)	PROPOSED FEE 2015/16 (£)
Code audit fee	142,816	142,816	142,816
Housing benefits subsidy claim Certification fee *	21,284	21,284	22,226
Audit related services *			
- Teachers Pension Return	7,193	n/a	6,950
- Pooled Housing Receipts	2,588	n/a	2,500
- Highways Network Assets	10,000	n/a	Nil
Non audit services			
- Review of Internal Audit	-	n/a	6,000
Total fees	183,881		180,492

*These fees are indicative, pending completion of the current years' reviews.

Amendments to the proposed fees

If we need to propose any further amendments to the fees during the course of the audit or where our assessment of risk and complexity are significantly different from those reflected in the proposed fee, we will first discuss this with the Head of Finance & Resources. Where this requires a variation to the scale fee we will seek approval from the PSAA.

If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

At this stage, nothing has come to our attention that would require us to seek approval to further amend the scale fee.

Arrangements from 2017/18

CLG has confirmed that the current contracts negotiated by the Audit Commission in April 2014 will be extended for one year. As a result, the Council will be required to make a local appointment for external audit services from 2018/19.

AUDIT ARRANGEMENTS

Planned outputs

We plan to issue the following reports and opinions over the course of the 2016/17 audit:

REPORT	DATE
Progress reports to the Audit Committee	each meeting
Audit plan	January 2017
Report on any significant deficiencies in internal controls, if required, based on the results of our interim audit visit	April 2017
Final report to those charged with governance	September 2017
117 Independent auditor's report including: <ul style="list-style-type: none">• Opinion on the financial statements• Value for money conclusion• Certificate	September 2017
Consistency opinion on the summarisation schedules	October 2017
Summary of findings from the audit in the annual audit letter	October 2017
Grant claims and returns certification report	December 2017

Audit team

The key members of the audit team will be:

Engagement Lead - Lisa Clampin

email: Lisa.clampin@bdo.co.uk

Tel: 01473 320716

Lisa will be responsible for the overall delivery of the audit including the quality of outputs and liaison with senior management.

Project Manager - Alison Langridge

email: Alison.langridge@bdo.co.uk

Tel: 01473 320752

Alison will manage and co-ordinate each aspect of the audit and will be the key contact with the Finance team.

Assistant Manager - Charlie Lovlee

email: Charlie.lovlee@bdo.co.uk

Tel: 01473 320774

Charlie will lead the delivery of the financial statements audit.

Client satisfaction

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact Lisa Clampin in the first instance. Alternatively, you may wish to contact our Managing Partner, Simon Michaels. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

In addition, the PSAA complaints handling procedure is detailed on their website <http://www.psaa.co.uk/about-us/contact-us/complaints/>.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Southend-on-Sea Borough Council

Agenda
Item No.

10

Report of Chief Executive and Town Clerk
To

Audit Committee

On

29th June 2016

Report prepared by:
Tim MacGregor – Team Manager, Policy and Information

2016-17 Corporate Risk Register

Executive Councillor – Cllr Lamb

A Part 1 Public Agenda Item

1 Purpose of Report

1.1 To consider the 2016/17 Corporate Risk Register.

2 Recommendations

2.1 **That CMT/Audit Committee considers the 2016/17 Corporate Risk Register.**

3 Background

3.1 Corporate Risk Register 2016/17

3.1.1 The Council's Corporate Risk Register sets out the key risks to the successful delivery of the Council's corporate aims and priorities and outlines the key controls and actions to mitigate and reduce risks, or maximise opportunities.

3.1.2 The Corporate Risk Register has been refreshed to reflect the challenges for 2016/17 and is attached at **Appendix 1**.

3.1.3 The Corporate Management Team have identified the following areas to be included in, and then reviewed, as part of the Corporate Risk Register for 2016/17:

- Council Budget for 2017-20
- Recruiting and retaining staff
- Partnership arrangements
- Housing Policy
- Local Infrastructure
- Alternative service deliver models
- Health and Social Care Integration
- Contract management
- Secondary education and school places
- Surface water flooding
- Seafront cliff movement
- Ofsted joint inspection
- Waste Management
- Healthy Lifestyles
- Major developments

3.1.4 The format of the Corporate Risk Register follows a 3 stage process:

1st stage: An 'inherent score' with the risk assessed with no controls, assurance or actions in place.

2nd stage: The 'current score' where the risk is assessed with controls, assurances and progress against identified actions. The current score is adjusted in light of progress against actions.

3rd stage: The target score which is the risk with the controls, assurances and actions, as if they have been completed

The current score is then adjusted in light of progress against actions.

3.1.5 Updates on the Corporate Risk Register will be reported to CMT quarterly and to Audit Committee every 6 months.

3.1.6 Corporate Directors ensure service specific risks are managed within their departments, within service plans and in accordance with the risk management strategy and processes. 'Red' rated risks with corporate implications can be escalated to CMT via Corporate Directors. Actions for all these risks are updated and reviewed by Departmental Management Teams.

3.1.7 Operational risks, managed within departments, are also assessed as part of reviews undertaken by Internal Audit and project risks are monitored by the Corporate Delivery Board where applicable.

4 Corporate Implications

4.1 Contribution to Council's Vision & Corporate Priorities

The Corporate Risk Framework underpins the operational effectiveness of the Council's Corporate Governance arrangements and specifically monitors progress of managing key risks associated with the successful delivery of Corporate Aims and Priorities.

4.2 Financial Implications

Any financial implications arising from identifying and managing risk will be considered through the normal financial management processes. Proactively managing risk can result in reduced costs to the Council by reducing exposure to potential loss.

4.3 Legal Implications

The Accounts and Audit Regulations 2003 require that:

The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's function and which includes the arrangements for the management of risk.

- 4.4 **People Implications**
Any people and property implications arising from identifying and managing risk will be considered through the Council's normal business management processes.
- 4.5 **Property Implications**
None specific
- 4.6 **Consultation**
Consultation has taken place with key stakeholders.
- 4.7 **Equalities Implications**
Corporate Equalities considerations have been considered in the drafting of the Register and any specific equality related risks have been identified for the Council.
- 4.8 **Risk Assessment**
Failure to implement a robust assurance framework which includes fit for purpose risk management arrangements increases the risk that Council objectives will not be delivered.
- 4.9 **Value for Money**
Effective forecasting and timely management of risk is a key factor in preventing waste, inefficiency and unnecessary or unplanned use of resource.
- 4.10 **Community Safety Implications**
None specific
- 4.11 **Environmental Impact**
None specific.

5 Appendices

Appendix 1 - Corporate Assurance Risk Register 2016/17

Corporate Assurance Risk Register

June 2016/17

Contents

- Section 1** **3 Stage Risk Scoring Process**
Brief description of the 3 stage risk scoring process and clarification of each stage
- Section 2** **Risk Matrix**
The matrix used for calculating Risk score.
- Section 3** **Corporate Assurance Risk Register**
- Inherent, Current and Target scores
 - Controls and Assurances
 - Future Actions and comments.

Southend-on-Sea Borough Council's Corporate Assurance and Risk Register is a best practice template for recording and managing risks. The Council also promotes the use of Assurance and Risk Registers for managing risks within service areas which are recorded and managed in service and project plans.

The Risk Register is a management tool where a review and updating process identifies, assesses and manages down the risk to acceptable levels. It provides a framework in which problems that may arise and adversely affect the delivery of the Council's aims and priorities are captured and actions instigated to reduce the likelihood and impact of that particular risk.

Section 1 - Three Stage Risk Scoring Process

Southend-on-Sea Borough Council operates a 3 Stage Risk Scoring process as outlined in the Council's Risk Management Toolkit which is available on the Council intranet site. The information below offers a brief overview of each stage of the Risk process.

Inherent score – the risk scored with no controls, assurances or actions in place.

Current score – the risk scored with controls, assurances and progressed actions.

Target score – the risk score with controls and assurances in place and linked actions completed.

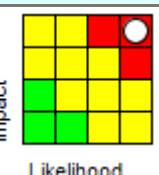
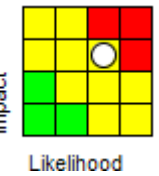
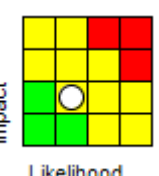
As controls and assurances are put in place and actions completed the Risk will be more controlled and, therefore, the current score moves towards the Target Score. The current score from the last reported Corporate Risk Register is shown in brackets.

Section 2 - Risk Matrix

E X A M P L E S				IMPACT	CORPORATE RISK GRID			
Reputational:	Compliance	Financial:	Service Provision / Continuity:					
National publication (name and shame) by external body leading to a loss of control over the running of Council operations. Front page of national paper.	The council faces serious penalties or prosecution & criticism from institutions such as, Ombudsman, Information commissioner. Customers are treated unfairly & suffer damage by the council.	Over £1m loss More than 20% of total budget individually or cumulatively	Service delivery affected by over 3 months. Statutory / critical service delivery will cease for a period of time without any effective contingency.	Catastrophic	4	8	12	16
National or local front-page press article leading to a reduced ability to affectively deliver one or more services. National press article.	The council may face criticism and be ordered to comply with legislation by an external body as a result of a breach.	Between £500k - £1m, 10-20% of total budget individually or cumulatively	Delivery affected between 1 & 3 Months. Loss of a non-critical service for a significant period of time.	Severe	3	6	9	12
Disgruntled local groups/ individuals possibly leading to internal complaints with research into the causes. Local press article &/or ombudsman enquiry.	The council may commit largely undetectable breaches in legislation and internal procedures that could have other minor effects on reputation, service delivery etc.	Between £50k - £499k, 5 – 10% of total budget individually or cumulatively	Delivery affected by up to 1 month. Minor disruption or inconvenience to service delivery & customers. (Reduced staffing, late opening, temp loss of IT).	Material	2	4	6	8
Rumour and gossip	All other material risks.	Under £50k, less than 5% of total budget individually or cumulatively	Minor disruption	Negligible	1	2	3	4
					Unlikely <10%	Likely 10-40%	Very Likely 40-75%	Almost Certain >75%
					LIKELIHOOD			

2016-17 Corporate Risk Register

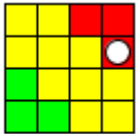
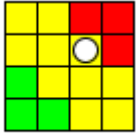
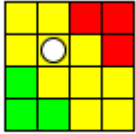
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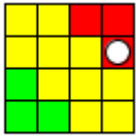
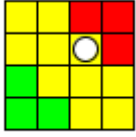

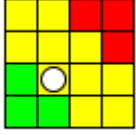



Risk Title	1. Budget for 2017-20							
Stage 1 - Risk without controls (Inherent risk)								
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score			
1617CRR01	Risk that the scale of predicted funding reductions for 2017-20 budgets will result in significant adverse impact on council services	Sally Holland	Strategic	Financial/Reputational	16		 <p>Impact</p> <p>Likelihood</p>	
Stage 2 - Risk with Controls and Assurances (current risk)								
List of controls and associated assurances to ensure controls are working					Current risk score	9	 <p>Impact</p> <p>Likelihood</p>	
<p>1. Control: Budget setting process to identify required savings through: budget proposal reports to Departmental and Corporate Management Teams; member seminars; Cabinet; Scrutiny Committees; Council Assurance: reports to and minutes of meetings.</p> <p>2. Control: Management oversight of budget setting process through: reports to CMT and Administration Assurance: Reports/Minutes</p> <p>3. Control: Senior member and Chief Executive challenge to departments on proposed savings Assurance: Reports and minutes of meetings.</p> <p>4. Control: Director challenge to Heads of Service Assurance: Minutes of Departmental Management Team meetings/emails.</p> <p>5. Control: Medium Term Financial Strategy (MTFS), including budget pressures to regularly consider financial impact of Government policy reported to CMT, Cabinet and Council Assurance: Reports and minutes of meetings.</p>								
Stage 3 - Further actions to reduce the risk (target risk)								
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	4	 <p>Impact</p> <p>Likelihood</p>
1617CRA0101	Continually monitor and assess government's position on grant to be distributed to Local Authorities and other Government announcements that impact funding	Joe Chesterton	31-Mar-2017	Head of Finance and Resources horizon scanning for all relevant government announcements. Utilising treasury network as an additional source of information.	✓			
1617CRA0102	Budget Timeline outlining key milestones to be agreed with the Administration and Senior Leadership Team.	Joe Chesterton	30-Sep-2016	In progress - draft timeline being prepared.	✓			
1617CRA0103	All Member briefing session on local government finance	Joe Chesterton	31-Oct-2016	Briefing session planning underway.	✓			
1617CRA0104	Continual monitoring, risk assessment and reporting of progress on options to meet the saving targets required to set balanced budgets in 2017/18 to 2019/20	Joe Chesterton	31-Mar-2017	Relevant meetings have been arranged and will be included in budget timeline. Cabinet/CMT meeting to be held in July.	✓			

Risk Title	2. Recruiting and retaining staff						
Stage 1 - Risk without controls (Inherent risk)							
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score		Impact Likelihood
1617CRR02	Risk that failure to retain or recruit staff with the required skills and experience will result in an inability to deliver key projects or services to meet expectations of residents, members, businesses and partners.	Sally Holland	Strategic	Service Provision	12		
Stage 2 - Risk with Controls and Assurances (current risk)							
List of controls and associated assurances to ensure controls are working					Current risk score	6	Impact Likelihood
<p>1. Control: Managing Organisational Change Policy; Redeployment Policy & Procedure; Redundancy Policy & Procedure Assurance: Policy documents available via intranet.</p> <p>2. Control: Oversight of policies and procedures to ensure consistency of HR policies and processes and in implementing policies relating to restructures through the People Management & Development Working Party; Corporate Management Team and Workforce Planning Panel Assurance: Reports to and Minutes of meetings.</p> <p>3. Control: All staff vacancies, redeployments and redundancies reviewed by the Workforce Planning Panel Assurance: Minutes of Workforce Planning Panel</p> <p>4. Control: New recruitment provider to identify recruitment hotspots and plan effective recruitment campaigns Assurance: Service Level Agreement, Contract management.</p>							
Stage 3 - Further actions to reduce the risk (target risk)							
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	Impact Likelihood
1617CRA0201	Continue to embed Talent Management Strategy (including apprenticeships, graduate traineeships, graduate sponsorships and career progression)	Joanna Ruffle	31-Mar-2017	Specific action identified within People Management Strategy action plan to progress this work.	✓	2	
1617CRA0202	Participate in regional Children's Social Care Workforce project	Joanna Ruffle	31-Mar-2017	Project to continue into 2 nd year subject to approval at East of England Chief Executive Forum on 10 th June.	✓		
1617CRA0203	Participate in regional Planners Workforce project	Dean Hermitage	31-Mar-2017	Initial meeting held to scope project. Being considered at East of England Chief Executive Forum on 10 th June.	✓		
1617CRA0204	Develop a framework contract to deliver professional/interim resources to supplement the Reed contract	Joanna Ruffle	31-Mar-2017	Corporate Management Team approved report. Resources to develop framework currently being recruited.	✓		

Risk Title	3. Partnership arrangements							
Stage 1 - Risk without controls (Inherent risk)								
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score	Impact	Likelihood	
1617 CRR 03	Risk that failures in partnership working as a result of pressures on partner organisations reduces the ability of the Council to achieve its objectives and adversely affects service provision and council finances.	Rob Tinlin	Strategic	Reputation	12			
Stage 2 - Risk with Controls and Assurances (current risk)								
List of controls and associated assurances to ensure controls are working					Current risk score	Impact	Likelihood	
1. Control: Southend Borough Council active member of South East Enterprise Partnership (SELEP) Board and officers aligned to relevant working groups to engage and influence activity and decisions , Assurance: Minutes/Reports 2. Control: Corporate Delivery Board Assurance: Minutes/Reports 3. Control: Success For All Children Group Assurance: Children and Young People Plan/Reports/Minutes 4. Control: Health and Wellbeing Board Assurance: Joint Health and Wellbeing Strategy/Report/Minutes								6
Stage 3 - Further actions to reduce the risk (target risk)								
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	Impact	Likelihood
127 1617CRA03 01	Work with Mid and South Essex health and social care partners to develop a multi-year Sustainability and Transformation Plan (STP)	Simon Leftley	31-Mar-2017	Dr Anita Donley appointed as Mid and South Essex STP lead. Submission due from Essex Success Regime STP footprint at end of June 2016. Southend on Sea Borough Council (SBC) to draft and submit letter to Essex Success Regime programme office setting SBC position and requirements for STP plan.				
1617CRA03 03	Work with Government and local partners to develop and deliver a devolution deal which maximises benefits for Southend, building on City Deal and profile of the Thames Gateway	Andrew Lewis	31-Mar-2017	In May, Leaders and Chief Executives meeting voted against a devolution deal with a Mayor but that finding other ways of achieving the outcomes and mechanisms agreed through the process should be explored. The announcement of the Thames Estuary 2050 Growth Commission in the 2016 Budget now draws particular attention to this area with potential opportunities to raise profile and attract new investment. Officers are in regular contact with civil servants to keep updated on engagement opportunities with a forward plan for the Commission expected mid-late June.				
1617CRA03 04	Secure funding to ensure on-going sustainability of the BEST Growth Hub within the LEP umbrella	Andrew Lewis	31-Mar-2017	Outline bid has been progressed to full business case which is going through final negotiations with DCLG prior to submission for approval				

1617CRA03 04	Continue to make the case for Growth Fund Investment in Southend by working with the South Essex Growth Partnership and SELEP.	Andrew Lewis	31-Mar-2017	Four business cases for projects in Southend have been prepared and submitted to an independent evaluator. These business cases will be assessed against the SELEP prioritisation framework ready to be agreed by the Growth Partnership then submitted by the LEP to Government by 28th July. The link to the Thames Estuary Growth Commission is key in the narrative linking these projects.				
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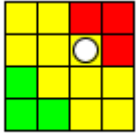
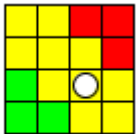
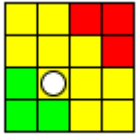
Risk Title	4. Housing Policy						
Stage 1 - Risk without controls (Inherent risk)							
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score	12	 Likelihood
1617CRR04	Risk that changes to government housing policy (such as selling off high value council properties) and increasing levels of housing need (notably homelessness) results in further significant pressure on council budgets.	Simon Leftley	Strategic	Financial			
Stage 2 - Risk with Controls and Assurances (current risk)							
List of controls and associated assurances to ensure controls are working					Current risk score	9	 Likelihood
1. Control: Core Strategy and Local Development Plan in place Assurance: Strategy documents 2. Control: Cabinet/Scrutiny Assurance: Reports/Meeting minutes 3. Control: Housing Strategy Assurance: Documents							
Stage 3 - Further actions to reduce the risk (target risk)							
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	 Likelihood
1617CRR0401	Review and update Housing Strategy in light of the Thames Gateway South Essex Strategic Market Assessment and housing policy announcements.	Sharon Houlden	31-Mar-2017	An organisation wide Corporate Housing Strategy being developed with input from Housing, Planning and Finance.	✓	6	
1617CRR0402	Work in partnership to develop affordable housing	Sharon Houlden	31-Mar-2017	On-going discussions with Registered Providers and Developers	✓		
1617CRR0403	Work collaboratively to develop a coordinated approach to homelessness prevention.	Sharon Houlden	31-Mar-2017	Work stream underway bringing together a range of services to review service delivery and complexity of need of those presenting as homeless. Being picked up as an element of the Corporate Housing Strategy.	✓		

Risk Title	5 Local Infrastructure							
Stage 1 - Risk without controls (Inherent risk)								
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score	Impact	Likelihood	
1617CRR05	Risk that failure to maintain access to future rounds of the Regional Growth Fund and Department for Transport Challenge Fund will significantly restrict future infrastructure improvements.	Andrew Lewis	Strategic	Financial	12		Likelihood	
Stage 2 - Risk with Controls and Assurances (current risk)								
List of controls and associated assurances to ensure controls are working					Current risk score	Impact	Likelihood	
1. Control: Highway/Footpath Assets Management inventory in place Assurance: Reports 2. Control: Monthly progress reported to DMT and senior managers Assurance: Reports/Minutes 3. Control: Regular reporting to Capital Delivery Board Assurance: Reports/Minutes 4. Control: Cabinet/Scrutiny Assurance: Reports/Meeting minutes					9		Likelihood	
Stage 3 - Further actions to reduce the risk (target risk)								
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	Impact	Likelihood
1617CRR0501	Produce a Transport Asset Management Plan to support the maintenance and improvement of the roads, pavements and street furniture across the Borough	Paul Mathieson	31-Mar-2017	Project board and governance structure set up. Dedicated project officer in place. Project Board meets monthly to monitor progress and is chaired by Corporate Director for Place.		4		Likelihood
1617CRR0502	Continue to make the case for Growth Fund Investment in Southend by working with the South Essex Growth Partnership and SELEP.	Paul Mathieson	31-Mar-2017	Local Growth Fund (LGF) investment update: £3.2m agreed for Airport Business Park. 10 th June Accountability Board to sign off business case for Kent Elms junction (final scheme design to be confirmed) and Southend Central Area transport scheme. Process of prioritisation underway for LGF phase 3 projects: Better Queensway and Airport Business Park put forward.				
1617CRR0503	Conduct detailed self-assessment to support Challenge Fund bid	Paul Mathieson	31-Mar-2017	Underway and part of Transport Asset Management Plan project.				
1617CRR0504	Complete Whole Government Account return (with Finance Dept)	Paul Mathieson	31-Mar-2017	Underway and part of Transport Asset Management Plan project.				

Risk Title	6. Alternative service delivery models							
Stage 1 - Risk without controls (Inherent risk)								
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score	Impact	Likelihood	
1617CRR06	Risk that failure to effectively manage (staffing, relationships, contracts) the transition to alternative service delivery models results in the organisation not meeting its statutory responsibilities to residents/customers	Simon Leftley Andrew Lewis	Strategic	Financial	16			
Stage 2 - Risk with Controls and Assurances (current risk)								
List of controls and associated assurances to ensure controls are working					Current risk score	Impact	Likelihood	
<p>1. Control: Corporate Delivery Board Assurance: Reports/Meeting minutes</p> <p>2. Control: Changes to service delivery considered by Scrutiny/Cabinet/Council Assurance: Reports/Minutes.</p> <p>3. Control: Government Consultations register to record forthcoming changes in Government policy and potential legislation to enable potential implications to be considered. Assurance: Consultation register held on intranet.</p> <p>4. Control: Regular tracking of new legislation, government regulations and policy developments. Assurance: Production of Policy briefings and reports to Corporate Management Team.</p>					9			
Stage 3 - Further actions to reduce the risk (target risk)								
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	Impact	Likelihood
1617CRA0501	Explore alternative delivery models for Adult Social Care services	Simon Leftley	31-Mar-2016	Considerable work undertaken between SBC and Southend CCG in remodelling community recovery pathways including development of localities. Work streams being overseen by Sharon Houlden.		4		
1617CRA0502	Implement the new model of service delivery for Ground Maintenance Service	Nick Harris	31-Mar-2016	New model of service delivery operational since 1st April 2016.				
1617CRA0503	Implement the outcome of the Library Review in accordance with the delivery plan contained within the Library Development Strategy 2013 – 2028	Nick Harris	31-Mar-2016	Work being undertaken to develop a programme of capital improvement works at Leigh, Kent Elms & Westcliff.				
1617CRA0504	Continue to embed the Council's new frontline waste collection, street cleansing and ancillary service contracts	Dipti Patel	31-Mar-2016	New contract started on 5th October 2015 and includes commitment to increase recycling rates to 60% and redesigning the Household Waste Recycling Centres.				

Risk Title	7. Health and Social Care Integration							
Stage 1 - Risk without controls (Inherent risk)								
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score	Impact	Likelihood	
1617CRR07	Risk that failure to integrate health and social care effectively (inc Pioneer, Better Care Fund and Care Act) will harm the ability of the health and care system to operate at optimal levels, adversely affecting service provision and council finances.	Simon Leftley	Strategic	Service Provision, Financial	12			
Stage 2 - Risk with Controls and Assurances (current risk)								
List of controls and associated assurances to ensure controls are working					Current risk score	Impact	Likelihood	
<p>1. Control: Joint Executive Group (JEG). Assurance: Reports/Meeting Minutes.</p> <p>2. Control: Health and Wellbeing Board. Assurance: Reports/Meeting Minutes.</p> <p>3. Control: Locality Transformation Group. Assurance: Reports/Meeting Minutes.</p> <p>4. Control: Corporate Delivery Board. Assurance: Reports/Meeting Minutes.</p>								9
Stage 3 - Further actions to reduce the risk (target risk)								
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	Impact	Likelihood
1617CRA0701	Ensure that the Health and Wellbeing Strategy is underpinned by relevant performance indicators	Simon Leftley	30-Sep-2016	A robust performance framework is in place and is routinely reported to Health and Wellbeing Board.		4		
1617CRA0702	Work with Southend Clinical Commissioning Group (CCG) and partners to support Integrated Pioneer status	Simon Leftley	31-Mar-2017	Integrated Commissioning function now well established between CCG and SBC. Work programme to support the Pioneer is now completely aligned with BCF work programme re Locality Transformation and the redesign of adult social care.				
1617CRA0703	Better Care Fund (BCF)	Simon Leftley	31-Mar-2017	For 2016/17 the BCF plan has been approved and will be formally created through a S75 agreement. This will be completed by 30th June 2016. Pioneer Programme Board has changed to the Locality Transformation Group and reports directly to the Senior Officers Transformation Oversight group and Health and Wellbeing Board.				

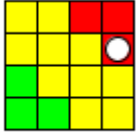
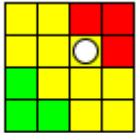

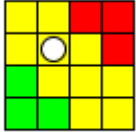

Risk Title	8. Contract Management						
Stage 1 - Risk without controls (Inherent risk)							
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score		
1617CRR08	Risk that failure to embed effective contract management, combined with contract price inflation, across the authority will result in a loss of value for money, saving opportunities and/or quality of service provision.	Simon Leftley	Strategic	Financial	9		
Stage 2 - Risk with Controls and Assurances (current risk)							
List of controls and associated assurances to ensure controls are working					Current risk score		
1. Control: Contract price inflation clauses (linked to government indices) included within Highways contracts, Assurance: Contract documentation 2. Control: Capital Projects Board Assurance: Reports/Meeting Minutes 3. Control: Corporate Delivery Board Assurance: Reports/Meeting Minutes 4. Control: Contract management arrangements Assurance: Contract documentation/minutes/meetings					6		
Stage 3 - Further actions to reduce the risk (target risk)							
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	
1617CRR0801	Governance and Monitoring of highway contracts to ensure proper management including new processes and workflows to support the management of these contract	Paul Mathieson	31-Mar-2017	Service mangers for the five lots continue to manage and monitor the contracts. New processes and workflows being developed e.g. Symology and in conjunction with Asset Management Plan.	✓	4	
1617CRR0802	Employ where appropriate professional cost advice on all major projects and update and refresh cost plans on regular basis.	Andrew Lewis	31-Mar-2017	Utilising in house expertise and conducting early contractor involvement. Call-off framework for cost consultation advice being utilised where required. Project variations reported to Corporate Delivery Board.	✓		
1617CRR0803	Deliver a programme of contract management training and support across the organisation.	Mark Atkins	31-Mar-2017	Training content/delivery being scoped. Procurement advisors linking with contract managers for contracts over threshold (£75k).	✓		

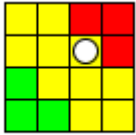
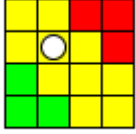
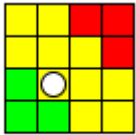
Risk Title	9. Secondary education and school places						
Stage 1 - Risk without controls (Inherent risk)							
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score		
1617CRR09	Risk that failure to provide the required number of school places and failure to narrow the gap in results at secondary schools will lead to an undesirable level of young people not in education, employment or training (NEET) and significant reputational damage for the Council.	Simon Leftley	Strategic	Reputational	9		 Likelihood
Stage 2 - Risk with Controls and Assurances (current risk)							
List of controls and associated assurances to ensure controls are working					Current risk score		
1. Control: Improving Learning Together Strategy in place with impact reviewed by Success for All Group Assurance: Report/Minutes. 2. Control: Partnership with South Essex Teaching School Alliance established Assurance: Reports/Minutes. 3. Control: Pupil Premium Strategy Group Assurance: Reports/Minutes. 4. Control: School Support Improvement Board Assurance: Reports/Minutes. 5. Control: Success for All Children Group Assurance: Reports/Minutes.					6		 Likelihood
Stage 3 - Further actions to reduce the risk (target risk)							
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	
1617CRA0901	Further develop the School Led School Improvement System (school-to-school support).	Brin Martin	31-July-2017	A formal Service Level Agreement with South Essex Teaching Schools Alliance (SETSA) has been agreed. Action plan to deliver outcomes in place – monitoring on-going.	✓	4	 Likelihood
1617CRA0902	Provide support to secondary schools causing concern (including working with Regional Commissioner).	Brin Martin	31-July-2017	Work on-going to develop effective partnership arrangements with schools and the Regional Commissioner. The Education Board and associated sub-groups will effectively challenge and support schools causing concern.	✓		
1617CRA0903	Develop a secondary school places strategy to cater for the increasing pupil numbers.	Brin Martin	31-Mar-2017	Expansions to meet the need for September 2018 are progressing well with schools moving towards the feasibility and design stage.	✓		
1617CRA0904	Establish a strategic Education Board to co-ordinate and monitor performance and policy.	Brin Martin	31-Mar-2017	Positive initial discussions have taken place with key stakeholders. A proposal will be going to the schools forum in June.	✓		
1617CRA0905	Develop an Education and Skills Strategy	Brin Martin	31-Mar-2017	Meetings have taken place to establish a small working group involving SBC and partners from Southend Adult and Community College and South Essex College.	✓		

Risk Title	10. Surface water flooding							
Stage 1 - Risk without controls (Inherent risk)								
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score	Impact	Likelihood	
1617CRR10	Risk that surface water flooding, due to overwhelmed drainage infrastructure, will result in damage to property and infrastructure as well as significant disruption.	Andrew Lewis	Strategic	Reputational, Financial	12			
Stage 2 - Risk with Controls and Assurances (current risk)								
List of controls and associated assurances to ensure controls are working					Current risk score	Impact	Likelihood	
<p>1. Control: Flooding Reports considered by Cabinet Assurance: Reports/Meeting minutes.</p> <p>2. Control: Gully cleaning programme in place Assurance: Programme documents.</p> <p>3. Control: Regular monitoring of Met Office weather alerts Assurance: Alerts/Reports</p> <p>4. Control: Cabinet/Scrutiny Assurance: Reports/Meeting minutes</p>					9			
Stage 3 - Further actions to reduce the risk (target risk)								
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	Impact	Likelihood
1351617CRA1001	Jointly investigate with Anglia Water Services, possible improvements to drainage system.	Richard Atkins	31-Mar-2017	Investigation and modelling of existing system at Marine Parade and Victoria Road being carried out by Anglian Water including potential improvements. Other flood risk sites to be investigated based on prioritised list from previous flood events.		6		
1617CRA1001	Ensure compliance with the requirements of the Floods and water Management Act 2010 with regard to Sustainable Drainage Systems (SuDS).	Paul Mathieson	31-Mar-2017	Officer appointed with responsibility for SuDS and advising planning and scheme developers on technical requirements. Study underway into benefits of SuDS for town centre and sea front. Minor schemes being implemented.				


Risk Title	11. Seafront cliff movement						
Stage 1 - Risk without controls (Inherent risk)							
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score		
1617CRR 11	Risk that a seafront cliff movement will result in damage to property, transport dislocation and significant financial and reputational damage to the Council.	Andrew Lewis	Strategic	Reputational, Financial	12		
Stage 2 - Risk with Controls and Assurances (current risk)							
List of controls and associated assurances to ensure controls are working					Current risk score		
1. Control: Corporate Deliver Board Assurance: Reports/Minutes 2. Control: Regular reporting to DMT Assurance: Reports/Minutes 3. Control: Cabinet/Scrutiny Assurance: Reports/Meeting minutes					9		
Stage 3 - Further actions to reduce the risk (target risk)							
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	
1617CRR 1101	Development of a Cliff Slip Strategy based on a risk minimisation approach	Richard Atkins	31-Mar-2017	Funding identified in 2016/17 capital programme. Consultant being appointed to provide advice.	✓	6	
1617CRR 002	Completion of stabilisation work at Clifton Drive	Richard Atkins	31-Mar-2017	Stabilisation work on-going. Work programme being monitored. Anticipated completion date – end of July 2016	✓		

Risk Title	12. Ofsted joint inspection							
Stage 1 - Risk without controls (Inherent risk)								
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score			
1617CRR 12	Risk that increased demand for child safeguarding services and on-going financial and partnership challenges results in a lower than anticipated Ofsted joint inspection rating.	Simon Leftley	Strategic	Reputational	9			
Stage 2 - Risk with Controls and Assurances (current risk)								
List of controls and associated assurances to ensure controls are working					Current risk score	6		
<p>1. Control: Ofsted Inspection Planning Group Assurance: Report/Minutes. 2. Control: Inspection Preparation Plan monitored by Ofsted Inspection planning group Assurance: Report/Minutes. 3. Control: Inspection Logistics Plan outlining key timelines/personnel Assurance: Report. 4. Control: Monthly data set monitored by DMT and senior managers Assurance: Report/Minutes 5. Control: HoS is member of Police's Gold Command advisory group Assurance: Regular attendance at meetings.</p>								
Stage 3 - Further actions to reduce the risk (target risk)								
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	4	
1617CRR 1201	Conduct detailed performance analysis to identify areas for improvement using for example the Annual Safeguarding Report and Children and Young People Plan needs assessment.	John O'Loughlin	31-Mar-2017	Work on-going to identify areas for improvement building on the self-assessment.	✓			
1617CRR 1202	Conduct a detailed self-assessment against the inspection criteria	John O'Loughlin	31-Mar-2017	Self-assessment completed and regularly reviewed.	✓			
1617CRR 1203	Monitor the outcome for Local Authorities who have recently been inspected.	John O'Loughlin	31-Mar-2017	All published inspection reports from other authorities reviewed for key inspection criteria.	✓			

Risk Title	13. Waste Management							
Stage 1 - Risk without controls (Inherent risk)								
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score	Impact	Likelihood	
1617CRR13	Risk that failure to effectively manage waste contractual arrangements results in additional financial liability for the Council and loss of service quality.	Andrew Lewis	Strategic	Financial Reputational	12		Likelihood	
Stage 2 - Risk with Controls and Assurances (current risk)								
List of controls and associated assurances to ensure controls are working					Current risk score	Impact	Likelihood	
1. Control: Regular contract management meetings with suppliers Assurance: Meeting Minutes/Reports 2. Control: Data set monitored by DMT and senior managers Assurance: Reports/Minutes 3. Control: Cabinet/Scrutiny Assurance: Reports/Meeting minutes					9		Likelihood	
Stage 3 - Further actions to reduce the risk (target risk)								
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	Impact	Likelihood
138 1617CRR1301	Ensure contractors are performing to service outputs and that performance management is monitored to achieve service standards as specified within relevant contracts	Dipti Patel	31/03/17	The Veolia contract commenced October 2015. There is a robust contract performance management framework in place and this is regularly monitored to ensure the contract delivers the outcomes required. Through the current roll out period of service changes, significant problems have been experienced and escalated to contractor's senior management. Recovery plans and additional resources allocated to rectify the position and ensure the outcomes are achieved.		6		Likelihood
1617CRR1302	New Mechanical Biological Treatment Waste Facility to become fully operational (currently in commissioning).	Dipti Patel	31/03/17	The MBT facility is currently within the commissioning phase. All Southend Borough Council's household waste being taken into the MBT. Several contractor performance issues identified are causing concern. This is being tracked through the Essex and Southend Officer/Member Board meetings.				

Risk Title	14. Health Lifestyles						
Stage 1 - Risk without controls (Inherent risk)							
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score		
1617CRR 14	Risk that continued pressure on the health system including Public Health funding results in a failure to adequately address lifestyle behaviours and reduce health inequalities.	Andrea Atherton	Strategic	Financial Service Provision	9		 Likelihood
Stage 2 - Risk with Controls and Assurances (current risk)							
List of controls and associated assurances to ensure controls are working					Current risk score	6	 Likelihood
1. Control: Joint Executive Group (JEG). Assurance: Reports/Meeting Minutes. 2. Control: Health and Wellbeing Board. Assurance: Reports/Meeting Minutes. 3. Control: Monthly data set monitored by DMT and senior managers: Assurance: Report/Minutes 4. Control: Cabinet/Scrutiny Assurance: Reports/Meeting minutes							
Stage 3 - Further actions to reduce the risk (target risk)							
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	
1617CRR 1401	Implement the Southend physical activity strategy	Margaret Gray	31-Mar-2017	Southend Physical Activity Strategy being considered by Cabinet 28 th June.	✓	4	 Likelihood
1617CRR 1402	Develop a social marketing programme to raise awareness of main lifestyle risk factors contributing to poor health	Andrea Atherton	31-Mar-2017	Developing programme utilising materials from Public Health England 'One You' campaign. Launch event planned for July 2016.	✓		
1617CRR 1403	Mobilise the Southend Healthy Lifestyle Service	Margaret Gray	31-Mar-2017	Service launched at beginning of June. Service incorporates advice and prevention initiatives.	✓		
1617CRR 1404	Continue to deliver Southend Public Health Responsibility Deal for local employers	James Williams	31-Mar-2017	Performance currently strong for number of businesses signing up. Event planned for 14 th July bringing together businesses to share best practice and benefits.	✓		

Risk Title	15. Major Developments							
Stage 1 - Risk without controls (Inherent risk)								
Code	Risk - CAUSE, EVENT, EFFECT	Risk Owner	Risk type	Risk category	Inherent risk score	Impact	Likelihood	
1617CRR15	Risk that failure to progress major infrastructure developments (e.g. Seaways, Airport Business Park and Queensway) will result in significant financial and reputational damage to the Council.	Corporate Directors	Strategic	Financial Reputational	12			
Stage 2 - Risk with Controls and Assurances (current risk)								
List of controls and associated assurances to ensure controls are working					Current risk score	Impact	Likelihood	
1. Control: Corporate Deliver Board. Assurance: Reports/Minutes. 2. Control: Capital Projects Board Assurance: Reports/Meeting Minutes 3. Control: Project Boards Assurance: Reports/Meeting Minutes 4. Control: Cabinet/Scrutiny Assurance: Reports/Meeting minutes					9			
Stage 3 - Further actions to reduce the risk (target risk)								
Code	Actions to further mitigate risk / maximise opportunities	Action Owner	Due date	Comments / update on progress	RAG Status	Target risk score	Impact	Likelihood
1617CRR15 40	Queensway Area Regeneration Project, 2016/17 actions: <ul style="list-style-type: none"> Progress the finance option and housing plans for the Queensway area regeneration project Consultation and communication with existing residents of the Queensway development to inform specifications for the redevelopment. 	Simon Leftley	31-Mar-17	Process of prioritisation underway for Local Growth Fund phase 3 projects, business case for Better Queensway put forward. Continued consultation and engagement with residents and businesses. Work commenced on the outline planning application.		6		
1617CRR15 02	Airport Business Park 2016/17 actions: <ul style="list-style-type: none"> To commence Phase 1 infrastructure works To agree Westcliff Rugby Club relocation strategy and commence work To submit a planning application for the Innovation centre 	Sally Holland	31-Mar-17	£3.2m infrastructure funding secured through Local Growth Fund. Process of prioritisation underway for Local Growth Fund phase 3 projects: Airport Business Park put forward. Agreement with Westcliff Rugby Club being progressed.				
1617CRR15 03	Seaway Car Park 2016/17 actions: <ul style="list-style-type: none"> To support Turnstone to submit a planning application To meet the Coach Park Relocation Condition To support Turnstone in securing prime tenants 	Sally Holland	31-Mar-17	Continuing to support Turnstone with planning application and tenant negotiations. Work underway on options for Coach Park Relocation condition.				

1617CRR15 04	Generally to ensure that all major infrastructure projects do not have adverse impacts on Southend e.g. on the highways network	Sally Holland	31-Mar-17	On-going engagement with developers regarding proposed major infrastructure projects across the borough.				
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Southend-on-Sea Borough Council

Agenda
Item No.

11

Report of Corporate Director for Corporate Services
to
Audit Committee
on
29 June 2016

Report prepared by: BDO External Auditor

BDO: Progress Report to Those Charged with Governance

Executive Councillor – Councillor Mooring

A Part 1 Public Agenda Item

1. Purpose of Report

1.1 To report on progress in delivering the 2015/16 Annual Audit Plan.

2. Recommendation

2.1 The Committee accepts progress made in delivering the Annual Audit Plan for 2015/16.

3. Background

3.1 A senior representative of BDO (the appointed External Auditor to the Council) will present the key matters from this report to the Audit Committee and then respond to Members' questions.

4. Corporate Implications

4.1 Contribution to Council's Aims and Priorities

Audit work contributes to the delivery of all corporate Aims and Priorities.

4.2 Financial Implications

This audit work will be delivered within the agreed audit fee for 2015/16.

4.3 Legal Implications

The Council is required to have an external audit of its activities that complies with the requirements of the Code of Audit Practice (the Code) issued by the National Audit Office. By considering this report, the Committee can satisfy itself that this requirement is being discharged.

4.4 People and Property Implications

None

4.5 Consultation

The planned audit work has been discussed and agreed with the Corporate Director for Corporate Services and the Head of Finance and Resources.

4.6 Equalities Impact Assessment

None

4.7 Risk Assessment

Periodically considering whether the external auditor is delivering the agreed Annual Audit Plan helps mitigate the risk that the Council does not receive an external audit service that complies with the requirement of the Code of Audit Practice.

4.8 Value for Money

Public Sector Audit Appointments Limited sets the fee formula for determining external audit fees for all external auditors.

4.9 Community Safety Implications and Environmental Impact

None

5. Background Papers

None

6. Attachment: BDO's Progress Report to Those Charged with Governance

SOUTHEND-ON-SEA BOROUGH COUNCIL

Progress report to those charged with governance

June 2016



INTRODUCTION

Summary of progress

This report provides the Audit Committee with an update of the progress in delivering the 2015/16 audit.

Auditors' principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code of Audit Practice for Local Government, the audited body's:

- financial statements
- arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to certify specified grant claims and returns.

2015/16 Annual Audit Plan - progress summary as at 13 June 2016

Area of work	Scope / Associated deadlines	Status	Outputs / Date
Planning	Risk assessment and formulation of the audit plan. Detailed audit plan to be issued outlining direction of the audit.	First phase of work completed.	Planning Letter 2015/16 Reported to the Audit Committee in June 2015. Audit Plan 2015/16 Reported to the March 2016 Audit Committee.
Interim audit	Audit of the key financial systems that support the financial statements of accounts. To be completed prior to commencement of the audit of the financial statements in July 2016.	Work in progress.	We report to management any deficiencies in internal control identified during the audit. Where such deficiencies are significant we also report them in our Final Report to the Audit Committee .
Financial Statements audit	Audit of the draft financial statements to determine whether they give a true and fair view of the Council's financial affairs and the income and expenditure for the year. Deadline for issue of audit opinion and publication of the statement of accounts is 30 September 2016.	Start date agreed as June 2016.	Final Report to the Audit Committee Target issue date September 2016. Opinion on the financial statements Target issue date September 2016.
Whole of government accounts audit	Audit of the consolidation pack for consistency with the audited statement of accounts. Consolidation pack opinion – deadline not yet finalised – expected to be early October 2016.	Start date agreed in line with Financial Statements audit.	Opinion on the WGA Consolidation Pack Target date October 2016.
Use of resources	New approach for VFM Conclusion: One criteria: In all significant respects, the audited body had proper arrangements to ensure it took properly	Start date July 2016.	Final Report to the Audit Committee Target issue date September 2016. VFM conclusion Target issue date September 2016.

Area of work	Scope / Associated deadlines	Status	Outputs / Date
	<p>informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</p> <p>The overall criterion is supported by three sub-criteria:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties <p>Conclusion to be given alongside the accounts opinion by the deadline of 30 September 2016.</p>		
Annual Audit Letter	Public-facing summary of audit work and key conclusions for the year. To be finalised by 31 October 2016.	This will follow completion of the Audit.	Annual Audit Letter Target issue date October 2016.
Grants and returns	To audit and submit BEN 01 (Housing Benefit) grant claim and returns by 30 November 2016 deadline.	Start date 5 th September 2016.	Housing Benefit grants claim and return to be audited by 30 November 2016 deadline.
Non Audit Commission grants and returns	<p>To audit and submit Teachers' Pension and the Housing Pooled Capital Receipts grant claims and returns by the deadline.</p> <p>Teachers' Pensions: Deadline to issue reasonable assurance report is 30 November 2016.</p> <p>Housing Pooled Capital Receipts: Deadline TBC.</p>	Start date to be agreed.	<p>Teachers' Pension grants claim and return to be audited by the 30 November 2016 deadline.</p> <p>Housing Pooled Capital Receipts grants claim and return to be audited by the deadline.</p>
Grants Report	Summary of our certification work completed on 31 March 2016 claims, to be issued by February 2017.	To be drafted after certification work concluded.	Grants Report to those charged with governance to be issued by February 2017.

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Appendix A: Action Plan

Summary of progress with implementing audit recommendations

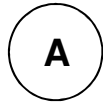
This report is intended to provide the Audit Committee with an update of the progress that the Council has made in implementing our recommendations.

We have received an update on progress from management and assessed whether the action taken by the Council addresses the expectations of the recommendation. This is included as a “RAG” assessment in the report with the following definitions:



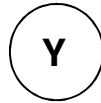
NC&O

Not completed and
overdue



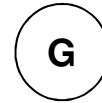
NCNYD

Not yet completed, but
not yet due



CNYC

Reported as
completed, but not yet
checked



CCIP

Completed and
confirmed in place

2011/12 AUDIT RECOMMENDATIONS

Conclusions from work	Recommendations 2011/12	Management responses	Responsibility	Timing	Latest management update	RAG status
Internal controls						
<p>1. Reconciliations Our audit work identified that the bank and payroll reconciliations were not being completed on a monthly basis. This resulted in a delay in receiving the year end reconciliations for these areas and adjustments being required to be made to the financial statements as a result.</p> <p>We also identified that, since the implementation of Agresso, Officers have not been utilising the reconciliation / checks between the feeder modules as the system intends. Instead manual reconciliations were being used.</p>	<p>Ensure that all reconciliations are completed on a monthly basis and that the year end reconciliations are completed in time for the closure of the 2012/13 financial statements.</p> <p>Ensure that reconciliations within the Agresso system are completed as the system intended, making use of the automated reconciliation controls within the system.</p> <p>We are aware that significant progress has been made by management into this recommendation and we have received balancing bank reconciliation of the year end 31 March 2015 during September 2015 which has yet to be subject to audit.</p>	<p>Agreed.</p> <p>We are working towards that position, however there needs to be changes to systems outside of Agresso so that the cashbook information can be disaggregated in a way that enables automated reconciliation. Until automation can be successfully enabled, reconciliations will continue to be manually compiled.</p>	<p>Caroline Fozzard (Group Manager - Financial Planning & Control)</p>	<p>June 2016</p>	<p>January 2016: A lot of work has been done in this area with an upgrade to the cash receipting system and the implementation of the bank reconciliation module in Agresso to enable the bank reconciliations to be completed within the system. Significant progress has been made with catching up the backlog of monthly reconciliations and so the year-end reconciliations will be completed in time for the closure of the statement of accounts in line with normal timescales.</p> <p>June 2016: The year-end reconciliation has been completed in time for the closure of the statement of accounts in line with normal timescales.</p>	<p>G CCIP</p> <p>Y CNYC</p>

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2012/13 GRANTS RECOMMENDATIONS

Conclusions from work	Recommendations 2012/13	Management responses	Responsibility	Timing	Latest management update	RAG status
HOUSING AND COUNCIL TAX BENEFIT SUBSIDY						
A number of errors were identified during our testing on the input of income and the classification of overpayments.	Carry out regular checking of a number of claims to ensure that: <ul style="list-style-type: none"> Income has been input correctly. Overpayments have been correctly classified. 	Additional resource introduced on checking claims 5 days a week to support quality assurance team and increase the volumes checked	Asst Benefit Managers	Implemented January 2014	January 2016: Checking continues to be carried out on earned income as this remains an area with a high potential for errors to occur. June 2016 Complete and on-going	G CCIP ¹
		Team leaders to check high value Admin Delay overpayments to check correctly classified. To be reviewed regularly by Asst. Benefit Manager.	Team Leaders & Asst Benefit Manager	Implemented January 2014	January 2016 High value Admin delay overpayments continue to be checked. Management are discussing ways that checking on this area can be made more effective June 2016 Complete and on-going	G CCIP ²

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¹ Reduced number of errors in respect of earned income in qualification letter – satisfied implemented this part of recommendation.

² We are satisfied that checks are in place however a number of errors were identified during the audit of the 2014/15 claim form. As a result management are revisiting this process. This recommendation will therefore remain.

³ Although checking was undertaken during the audit for the 2014/15 grant claim errors were still identified. This recommendation will therefore remain.

SOUTHEND-ON-SEA BOROUGH COUNCIL

Conclusions from work	Recommendations 2012/13	Management responses	Responsibility	Timing	Latest management update	RAG status
Our testing identified a number of uncashed cheques that should not have been included in Cell 179 as they had not been stopped during 2012/13.	Review a sample of uncashed cheques included within cell 179 to ensure that they are appropriately included in this cell.	Agreed will be added as a task for the QA team.	Asst Benefit Manager & Quality Assurance Team	June 2014	January 2016: All uncashed cheques were reviewed. There were a number of cases that could not be reconciled due to their complex nature and one error. A full review of all uncashed payments will be made after April 2016 to ensure that all payments are reconciled prior to the next audit. June 2016 Complete and on-going	G CCIP ³

2014/15 AUDIT RECOMMENDATIONS

Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Latest management update	RAG status
FINANCIAL STATEMENTS						
School Title Deed From review of title deeds in our testing of school assets it was identified that one foundation school, Eastwood Primary School, has not had its title registered with Land Registry. Not having the title deed registered could lead to potential disputes over the ownership of the land.	Liaise with the school to apply to have the title for the site registered at the land registry in the name of the governing body in order to avoid any potential disputes over ownership of the land. Review other schools under the Council's control and confirm that the title for each has been registered at the land registry.	Agreed The Council will work with the school to resolve this issue, and review other schools for registration	Alan Richards (Group Manager - Asset management) in conjunction with Peter Tremayne (Principal Solicitor)	March 2016	January 2016: A letter is being prepared by legal to send to Eastwood Primary School. An audit of all schools has been completed and a further 3 unregistered schools have been identified. All other schools are registered. Letters will also be sent to these additional unregistered schools, as for Eastwood Primary School	Y CNYC

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Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Latest management update	RAG status
					<p>June 2016</p> <p>An audit of all schools has been completed and 4 unregistered schools have been identified the land for one of which is in the Council's control. All other schools in the borough are registered.</p> <p>The latest position is below:</p> <ul style="list-style-type: none"> • Blenheim Primary School – Community – Title now all registered • Sacred Heart School – Community School – Land now registered (Diocese of Brentwood) • Eastwood Primary School – Foundation school – not registered at 13/6/2016 - they will register their land but when they convert to an academy (last update 13/4/16) • Westborough School – Academy – no answer to date. Chased several times, no response (last chased 14/04/16) <p>The two remaining schools are not in SBCs control. They have been advised of the situation, asked to register their interests and chased.</p> <p>No further action planned.</p>	

SOUTHEND-ON-SEA BOROUGH COUNCIL

Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Latest management update	RAG status
<p>Property, Plant and Equipment Existence</p> <p>From the work we have completed on the existence of fixed assets we have identified a number of items on the Council's fixed asset register which no longer exist and should be removed. This means that the Council's balance sheet is overstated which if left unchanged could lead to a material difference.</p>	<p>Undertake an annual review of a sample of assets to test for existence. Completing this and following up on any specific asset types identified which may not exist. As a result the Council will ensure that over time any out of date assets are identified and removed from their balance sheet.</p>	<p>This will be actioned by checking a sample of assets each year and extending the sample if this leads to the identification of defined types or groups of assets that need further investigation.</p>	<p>Caroline Fozzard – Group Manager (Financial Planning & Control)</p>	<p>April 2016</p>	<p>January 2016: On target.</p> <p>June 2016: Completed for the 2015/16 year end.</p>	<p>Y</p> <p>CNYC</p>
<p>Operating Leases</p> <p>Our testing identified a number of instances where the end dates on the schedule of leases prepared by the Asset Management team have not been accurately recorded compared to the actual lease end date. We have also identified one instance where an asset was disposed of but not removed from the lease schedule. This means that the Council is not reporting the correct value of lease commitments which if left unchanged could lead to a material difference.</p>	<p>Review the lease schedule against the supporting lease documentation and update where relevant so that accurate end dates are recorded. The listing should also be checked against the listing of disposals and any relevant items removed.</p>	<p>Agreed</p> <p>On-going process of review and data improvement will continue</p>	<p>Alan Richards (Group Manager - Asset management)</p>	<p>March 2016 and on-going</p>	<p>January 2016: All lease data is continually updated and checked on an on-going basis.</p> <p>Those errors identified through the Audit have been corrected.</p> <p>June 2016 Complete</p>	<p>Y</p> <p>CNYC</p>

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SOUTHEND-ON-SEA BOROUGH COUNCIL

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Conclusions from work	Recommendations	Management responses	Responsibility	Timing	Latest management update	RAG status
<p>Insurance Provision</p> <p>Our testing identified two cases where full recovery was achieved for the claim from a third party during the year and as such did not represent a valid provision at the year end. These claims were included in the provision because the insurance database, which is used to generate the main part of the provision, must be held open for several months after they have been settled in order to comply with the terms of the Council's insurers. These claims are no longer provisions in line with the code.</p>	<p>Complete a review of cases where potential third party recovery could be possible, such as building claims, as part of the year end closedown procedures with the Insurance Manager and any unresolved cases should be manually adjusted in the figure recognised in the financial statements.</p>	<p>Only a small minority of claims against the Council present an opportunity to seek recovery against a third party. The two cases identified relate to old claims. Methods of recording recovery action have since been changed which should minimise the risk of a mismatch between the amounts provided against the Council's insurance liabilities, and its potential recovery from third parties.</p>	<p>Ian Ambrose Group Manager – Financial Management</p>	<p>Already implemented</p>	<p>January 2016: Complete</p>	<p style="text-align: center;">(Y)</p> <p style="text-align: center;">CNYC</p>
<p>CONTROL ENVIRONMENT</p>						
<p>Payroll Amendments</p> <p>This point was previously reported by Internal Audit:</p> <p>Evidence to support amendments to the Payroll system (including starters, leavers and amendments to staff records) could not be found for a number of amendments during testing completed by Internal Audit.</p>	<p>Fully implement the recommendations raised by Internal Audit in their final payroll report.</p>	<p>Agreed</p> <p>Anticipated all recommendations will be fully implemented by December 2015</p>	<p>Sue Putt (Group Manager HR Services)</p>	<p>December 2015</p>	<p>January 2016: Amendment log in place. Actions in relation to this recommendation are completed as of December 2015.</p> <p>June 2016 Completed December 2015</p>	<p style="text-align: center;">(Y)</p> <p style="text-align: center;">CNYC</p>

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Agenda Ann

CIPFA Better Governance Forum

Audit Committee Update

Helping Audit Committees to Be Effective

Issue 19

Good Governance in Local Government – 2016 Framework

Appointing local auditors

March 2016

Introduction

Dear audit committee member,

This is the 19th issue of Audit Committee Update covering two major developments of interest to the audit committee: the new governance framework for local government and the implementation of changes to the appointment of external auditors.

Audit committees in local government are likely to receive reports on the new governance framework in the coming months with an update of their local code of governance. As organisations begin the transition to the new framework it will be worth the audit committee bearing in mind the new governance principles when it reviews the 2015/16 governance statement.

While the regulations supporting the [Local Audit and Accountability Act 2014](#) have been in place for some time, organisations have not had to put into practice the new requirements for appointing their local auditors. However, 2016 is the key year for deciding on the best strategy and starting the procurement process. Our briefing will keep you up to date with the latest developments.

The remainder of this issue focuses on keeping you up to date with our regular briefing covering recent legislation, reports and guidance.

Overall I hope you will find this issue interesting, informative and helpful in your work on the committee.

Best wishes

Diana Melville

CIPFA Better Governance Forum

Sharing this Document

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Receive our Briefings Directly

This briefing will be sent to the main contact of organisations that subscribe to the CIPFA Better Governance Forum with a request that it be sent to all audit committee members.

If you have an organisational email address (for example jsmith@mycouncil.gov.uk) then you will also be able to register on our website and download any of our guides and briefings directly. To register now, please visit www.cipfa.org/Register.

Previous Issues of Audit Committee Update

You can download all the previous issues from the CIPFA Better Governance Forum website. Click on the links below to find what you need.

Issue	Principal Content	Link
Issues from 2010		
1	Reviewing the Audit Plan – Please note that Issue 13 provides an updated review of this topic.	Issue 1
2	Reviewing the Annual Governance Statement – Issue 10 includes an update on this topic.	Issue 2
3	Countering Fraud – Please note that Issue 15 provides an updated review of this topic.	Issue 3
Issues from 2011		
4	Strategic Risk Management, Governance Risks in 2011, Role of the Head of Internal Audit	Issue 4
5	Understanding the Impact of IFRS on the Accounts, Key Findings from CIPFA’s Survey of Audit Committees in Local Government	Issue 5
6	Partnerships from the Audit Committee Perspective	Issue 6
Issues from 2012		
7	Assurance Planning, Risk Outlook for 2012, Government Response to the Future of Local Audit Consultation	Issue 7
8	Commissioning, Procurement and Contracting Risks	Issue 8
9	Reviewing Assurance over Value for Money	Issue 9
Issues from 2013		
10	Public Sector Internal Audit Standards and Updates to Guidance on Annual Governance Statements	Issue 10
11	Local Audit and Accountability Bill, the Implications for Audit Committees, Update of CIPFA’s Guidance on Audit Committees	Issue 11
12	Reviewing Internal Audit Quality, New CIPFA Publication, Audit Committees Practical Guidance for Local Authorities and Police, Regular Briefing on Current Issues	Issue 12

Issues from 2014		
13	Reviewing the Audit Plan, Update on the Local Audit and Accountability Act, Briefing on Topical Governance Issues	Issue 13
14	External Audit Quality and Independence, Government Consultation on Local Audit Regulations, CIPFA's Consultation on a New Counter Fraud Code, Regular Briefing on Current Issues	Issue 14
15	CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, the Audit Committee Role in Countering Fraud, Regular Briefing on Current Developments	Issue 15
Issues from 2015		
16	What Makes a Good Audit Committee Chair? Governance Developments in 2015	Issue 16
17	The Audit Committee Role in Reviewing the Financial Statements, Regular Briefing on Current Developments	Issue 17
18	Self-assessment and Improving Effectiveness, Appointment and Procurement of External Auditors, Regular Briefing on Current Issues	Issue 18

Workshops and Training for Audit Committee Members in 2016 from CIPFA

Introduction to the audit committee

This event is particularly suitable for those relatively new to the audit committee and it is applicable for audit committees in all parts of the public and not for profit sector. It includes an overview of the roles, responsibilities and core functions of the committee, together with sessions on working with the internal and external auditors.

- [13 September 2016, Leeds](#)
- [20 September 2016, London](#)

Developing the knowledge and skills of the audit committee

This training course will provide more in-depth knowledge of the core areas of an audit committee's functions, including risk management, assurance planning and improving the effectiveness of the committee.

- [14 September 2016, Leeds](#)
- [21 September 2016, London](#)

Developments in police audit committees

These events are suitable for members of the joint audit committees supporting police and crime commissioners and chief constables. These events are run in conjunction with CIPFA's Police Network.

- 15 September 2016, London
- 28 September 2016, York

Development day for local government audit committees

The workshop is suitable for audit committee members or those working with the audit committee in local government. It will cover an update on new developments and legislation relevant to the audit committee role. In addition, it will feature the new governance framework, internal audit developments and other key topics.

- 30 November 2016, London
- 7 December 2016, Birmingham

CIPFA events information and dates are available on the website: www.cipfa.org/Events.

In house training and facilitation

In house audit committee training and guidance tailored to your needs is available. Options include:

- key roles and responsibilities of the committee
- effective chairing and support for the committee
- working with internal and external auditors
- public sector internal audit standards
- corporate governance
- strategic risk management
- value for money
- fraud risks and counter fraud arrangements
- reviewing the financial statements
- assurance arrangements
- improving impact and effectiveness.

For further details contact blane.sweeney@cipfa.org or email diana.melville@cipfa.org or visit the [CIPFA website](http://www.cipfa.org) where we have a brochure to download outlining the support we have available for audit committees.

We are also delivering workshops to support English local authorities plan their arrangements for appointing their local auditors, with a particular focus on establishing an auditor panel. These events are primarily aimed at officers but may also be of interest to audit committee members if they are likely to be on the auditor panel or wish to understand more about the new requirements.

Establishing an auditor panel

- [11 May 2016, Birmingham](#)
- [19 May 2016, Leeds](#)
- [21 June 2016, London](#)

The New Governance Framework for Local Government

From April 2016 there will be a new governance framework for local authorities, police and fire authorities. [Delivering Good Governance in Local Government: Framework](#) (CIPFA/Solace, 2016) will be published in April for application for the 2016/17 year.

The framework includes the elements that authorities are required to include in their annual governance statement. Different parts of the UK have different regulations, but they all mandate an annual statement on governance or internal control. The adoption of the framework is also a requirement of the [Code of Practice on Local Authority Accounting in the United Kingdom 2016/17](#) (CIPFA/LASAAC, 2016).

The new framework is based on the [International Framework: Good Governance in the Public Sector](#) (CIPFA/IFAC, 2014) and was developed by CIPFA and Solace supported by a UK wide steering group made up of local government practitioners and stakeholders. The framework includes a new definition of governance that stresses how essential it is to have good governance to enable an organisation to achieve its goals:

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

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.

There are seven principles of governance that will enable organisations, public sector partnerships and combined authorities to achieve their outcomes while working in the public interest. The principles are further supported by examples of behaviours and actions that demonstrate what good governance looks like in practice. The principles are set out in the following diagram.



During 2016/17 authorities should formally adopt the new framework. It is recommended that a local code is developed to show how the framework operates in practice at each individual organisation. As each organisation is different it is expected that local codes will vary also, although there are likely to be a number of areas common to all. Some organisations may not have a single document that forms a 'local code' but may have a suite of documents that set out their arrangements. Ideally your local code of governance should clearly demonstrate how your values, constitution and policies align to the new principles of governance.

Having set out a local code, authorities will be able to reference this when they undertake their annual review and publish their governance statement. The governance statement for 2015/16 will still relate to the 2007 governance framework and the 2012 addendum, but the governance statement for 2016/17 will need to relate to the new framework. CIPFA is keen to encourage authorities to produce governance statements that are more meaningful and easier to read. The changes being introduced provide a good opportunity to refresh your approach to governance statements.

Alongside the framework CIPFA is publishing guidance notes which provide some examples of how authorities are working to improve governance alongside more detailed guidance on key governance issues and legislative change. The Better Governance Forum ran a series of regional workshops in February 2016 to explain the changes and copies of the presentations from the workshop can be downloaded from the [website](#).

We also hope to share further examples of local codes and governance statements that reflect the new framework later in the year.

Diana Melville

Governance Advisor

Appointing Your Local Auditor

Issue 18 of Audit Committee Update highlighted the changes introduced by the [Local Audit and Accountability Act 2014](#), particularly for the appointment of local auditors. In summary, the appointment process needs to be completed by 31 December 2016 for health bodies and smaller bodies (parish and town councils, drainage authorities etc) and by 31 December 2017 for larger local authorities, police and fire. So what needs to happen now?

Smaller authorities

Appointment for these councils is being managed by the Smaller Authorities' Audit Appointments Ltd (SAAA). All councils and boards with an annual turnover of less than £6.5m are automatically part of the scheme unless they decide to opt out and appoint their own local auditors. The company will manage the procurement process of local auditors and make appointments for each council. Authorities wishing to opt out must do so by 31 March 2016.

The alternative arrangement would be to undertake an appointment process in accordance with the Act and establish an appropriate auditor panel to oversee this.

Health bodies

The Department of Health (DH) announced that health bodies will adopt the provisions of the Act with effect from the 2017/18 financial year. This means that auditors will need to be appointed by the end of December 2016 as the Act requires appointments to be in place three months before the start of the financial year.

The DH commissioned the Healthcare Financial Management Association (HFMA) to write guidance on auditor panels specifically for health bodies. This guidance can be accessed on the [Department of Health website](#) and is of value for audit committees of health bodies.

Local authorities and fire authorities

The Department for Communities and Local Government (DCLG) extended the auditor contracts let by the Audit Commission by one year so that authorities do not need to have their appointments completed until 31 December 2017, ready for the 2018/19 financial year. Decisions do need to be made by authorities during 2016 over how they plan to make that appointment. The Act provides for two principal routes:

1. The authority leads the appointment process, either independently or in collaboration with other authorities. For this they need to appoint an auditor panel to advise on the process. The final decision is made by full council or the fire authority.
2. The Act provides for the approval of a sector-led body to act as 'appointing person' and to undertake a procurement exercise and appointment on behalf of the authority. As yet no organisation has been approved by the secretary of state, however the LGA has announced that it proposes that Public Sector Audit Appointments Ltd (PSAA) will seek that approval. PSAA is the company managing the current external audit contracts since the Audit Commission closed.

Police and crime commissioners (PCCs) and chief constables

As for local and fire authorities, the PCC and chief constable will need to have their local auditor appointed by 31 December 2017. Under the Act it is the responsibility of the PCC to appoint the auditor for both the PCC and force accounts. The same routes for appointment, leading their own appointment or using a sector led body, also apply to the police. If PCCs decide to commission their own auditors it is anticipated that the existing joint audit committees will be able to undertake the auditor panel role.

Current position regarding the sector-led body

So far only PSAA have indicated that they will seek approval from the secretary of state, but it is possible that other organisations could also seek approval. The Local Government Association (LGA) has written to council chief executives asking them to express interest in taking the opt-in route by 30 April 2016, although this would not be a binding commitment. A similar direct approach has not been made to fire authorities or PCCs, but PSAA have stated that they intend to seek approval to operate as an 'appointing person' for all relevant bodies not covered by the SAAA.

It is not certain when arrangements will be finalised and further planning needs to be undertaken by PSAA before approval is made and they can make a formal invitation to councils. The LGA and PSAA websites do contain details of their current intentions and further updates are likely to become available in due course. They have suggested that they would like the opt-in decision to be completed by September 2016. Under the regulations eight weeks must be allowed to authorities from the issue of the invitation. This would indicate that the invitation would need to be sent to authorities by the end of July at the latest.

Under Part 7 of the [Local Audit \(Appointing Person\) Regulations 2015](#) the decision to accept the invitation of the sector led body to opt in to a procurement led by them can only be made by full council, the fire authority or the PCC as appropriate. It cannot be an officer or executive committee decision. The decision to opt in commits the authority to the full compulsory appointing period, which will need to be set out in the invitation.

Leading your own appointment and setting up an auditor panel

The alternative to the sector-led option is to conduct your own appointment, either independently or in collaboration with others. For this option the appointment of an auditor panel will be required and the appropriate regulations must be followed. DCLG commissioned CIPFA to write guidance on setting up an auditor panel and this is available to download from the [CIPFA website](#).

If you want to explore the option of procuring jointly with other authorities and sharing an auditor panel then preliminary discussions should start soon. Partners in the appointment will need to make a number of decisions before the actual procurement can start:

- How the auditor panel will be set up.
- Recruitment of panel members.
- Procurement strategy, including key services required and term of contract.

Which option is best for your organisation?

The position of CIPFA is that authorities need to make an informed choice about the best way to appoint their local auditors. CIPFA will seek to support authorities by keeping them informed, but will not specifically recommend what an authority should do. This briefing and the training we are delivering on auditor panels form part of our information sharing approach.

There are a number of factors that should be taken into consideration:

- Whether there is an approved sector led procurement available for your organisation to opt into. At the moment the only sector led body that is approved is SAAA for smaller authorities.
- How much control and influence your authority wishes to have over the scope, term and specification that will be put out for tender. Please note that all audits will need to be carried out to the Code of Audit Practice set by the National Audit Office.
- An assessment of your current need for external audit and how this is likely to change during the next three to five years. For example, where the organisation has

extensive collaborative arrangements then it may be desirable to ensure that all partners share the same external auditors.

- Your view of the audit market and how you might be perceived as a potential client. While all authorities' accounts must all be prepared to the same standards and to the same timetables, other factors might make authorities more or less attractive to potential bidders. This includes size of potential fees, complexity of work required, geographical location and risk.
- Your capacity, whether individually or collaboratively, to manage the procurement process and ensure the regulations are complied with.
- Your assessment of how the best deal for your organisation will be achieved.

Next steps

The decision to opt into a sector led procurement would need to be made by full council and auditor panel arrangements would also need their approval. It is important therefore that the audit committee is fully aware of the options and new developments so that it can support full council or the PCC in the decision making process.

Key questions to ask:	
1	Who is the lead officer for co-ordinating the authority's option analysis and disseminating information?
2	What are the advantages and disadvantages for our authority of each possible option?
3	What further information is required before a recommendation can be made?
4	What do we know of the views of others, in particular partner authorities?
5	What is the authority's analysis of the best way forward at the present time?

CIPFA resources

Publication

[Guide to Auditor Panels \(CIPFA, 2015\)](#)

Training

The Better Governance Forum is running workshops on the legislation and regulations of the Act, explaining the options available and looking into the requirements of auditor panels. The dates are:

- [11 May 2016, Birmingham](#)
- [19 May 2016, Leeds](#)
- [21 June 2016, London](#)

Diana Melville
Governance Advisor

CIPFA Survey on Audit Committees in Local Authorities and Police

CIPFA is sending out a survey at the beginning of April to find out more about the current operation of audit committees in local authorities and police. The surveys are slightly different reflecting the differing context of the sectors but also contain some common questions.

In local authorities a survey is being sent to the head of internal audit or officer responsible for internal audit in the authority with questions on how the committee is structured and what it covers. It also includes questions about the interaction of internal audit with the committee. A shorter survey is also being sent to the chair of the audit committee, where we have this information available. In April, if you think you should have received a survey and haven't done so please contact research@cipfa.org. We are keen to avoid multiple answers from one authority so the survey has been targeted at specific individuals. This also enables us to monitor the response rate.

We are also sending a survey to the chief financial officer of PCCs in association with the Police and Crime Commissioners Treasurers' Society. We also hope that the chairs of police audit committees will respond to a linked survey.

Please do share your views. We will be publishing the results of the local government survey at the CIPFA Internal Audit Conference on 28 April followed by a published briefing. We hope it will yield helpful insights into how successfully internal audit and audit committees are supporting each other and useful comparative data.

Recent Developments You May Need to Know About

Legislation, regulations and consultations

Public Sector Internal Audit Standards

The Internal Audit Standards Advisory Board (which advises the public service standard setters for internal audit, including CIPFA for local government) is currently consulting about amendments to the Public Sector Internal Audit Standards (PSIAS). This follows changes made to the International Professional Practices Framework (IPPF) by the Global Institute of Internal Auditors on which PSIAS is based. If it is agreed to implement the changes to PSIAS then this will happen in early 2016/17.

The principal changes to the IPPF are the introduction of a new 'mission' of internal audit and the introduction of ten principles that are intended to articulate what effectiveness for internal audit looks like. If PSIAS is amended then it is expected that internal audit teams will need to update their charter to take account of the mission and principles. The consultation closed on 18 March but is still available to view on the [CIPFA website](#).

Cities and Local Government Devolution Act 2016

The [Cities and Local Government Devolution Act 2016](#) includes new governance arrangements for combined authorities and the establishment of mayors. One of the key requirements is that the combined authorities must have scrutiny arrangements and they must also establish an audit committee. This is the first time that an audit committee has been a statutory requirement for an English local authority.

The Act gives powers to the secretary of state to make orders on the membership of the committee and on the appointment of members. The Act includes the requirement that at least one member of the audit committee must be an independent person. The Act also sets out the functions of the committee as follows:

- Reviewing and scrutinising the authority's financial affairs.
- Reviewing and assessing the authority's risk management, internal control and governance arrangements.
- Reviewing and assessing economy, efficiency and effectiveness in use of resources.
- Making reports and recommendations to the combined authority.

The secretary of state has not yet issued any further orders.

Policing and Crime Bill

The [Policing and Crime Bill](#) includes a duty to collaborate on all three emergency services and enables PCCs to take on the functions and duties of fire and rescue authorities (FRAs), where a local case is made. It also proposes to abolish the London Fire and Emergency Planning Authority and transfer responsibility to the Mayor of London. This follows consultation in 2015 about greater collaboration and integration across the emergency services and also the transfer of responsibility for FRAs from DLGC to the Home Office.

Since the Cities and Local Government Devolution Act 2016 also includes the option for an elected mayor to take on the responsibilities of a PCC there is the potential for the governance of some local areas to change considerably.

Auditors' work on value for money arrangements

It is the National Audit Office's (NAO) responsibility to set the [Code of Audit Practice](#) which all local auditors must follow when carrying out the external audit of local authority, police, fire and health accounts. It is also their responsibility to provide more detailed guidance to those auditors to explain or supplement the provisions of the Code of Audit Practice. The NAO have issued an updated auditor guidance note, [Auditors' Work on Value for Money \(VFM\) Arrangements](#). The auditor is responsible for providing an opinion on the VFM arrangements and the guidance note highlights the aspects the auditor should consider when reaching that conclusion. The overall criterion is:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The more detailed criteria are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

When the local auditor reports findings to the audit committee they will not provide a specific conclusion against each aspect, only whether the overall criterion has been met or not. Where the auditor considers there may be significant risks to VFM they will need to consider whether any additional work is required before reaching their conclusion.

Reports, recommendations and guidance

Assessing your counter fraud arrangements

When preparing their annual governance statements, local authorities should review the adequacy of their counter fraud arrangements. CIPFA's guidance to local authority and police audit committees is that they should review the assurances underpinning this assessment. Following the publication of the [CIPFA Code of Practice on Managing the Risk of Fraud and Corruption](#) in 2014 there is now an assessment tool available that will enable your organisation to assess itself against the counter fraud code. The tool includes reports and charts which would be of interest to an audit committee. A benchmarking option is also available to allow you to compare your arrangements against your peers. The assessment tool has been provided free to all subscribers of the Better Governance Forum.

Fighting Fraud and Corruption Locally

The new strategy for local government is now available. The strategy's aim is to help local authorities tackle the risks of fraud and corruption and it has been developed by local authorities and counter fraud experts. It is endorsed by DCLG and the LGA. It provides an overview of the risks, examples of good counter fraud practice and makes a number of recommendations. Audit committees have an important role to play in overseeing their own authority's fraud risk assessment and counter fraud strategy. [Fighting Fraud and Corruption Locally](#)

Fraud landscape review

The NAO has published a [review](#) of the scale of fraud within government and the ability of government departments to identify and address fraud risks. Their conclusion is that the exact scale of fraud within government is unknown. The NAO has recommended that departments should undertake thorough fraud risk assessments of all new policies and programmes and also improve the quality and completeness of fraud data.

CIPFA Fraud and Corruption Tracker (CFaCT) survey

CIPFA has published the [summary report](#) from its survey of fraud and corruption experienced by local authorities, fire authorities and police in 2015. The survey also includes answers to questions suggested by the Fighting Fraud Locally (FFL) board. The survey found that the three most significant issues that need to be addressed to effectively tackle the risk of fraud and corruption were:

1. capacity (sufficient counter fraud resource)
2. effective fraud risk management
3. better data sharing.

CIPFA will be carrying out a similar survey in 2016.

Financial sustainability of fire and rescue services

A [report](#) from the NAO finds that the sector has, so far, coped well with financial changes, but there are some potential signs of low-level stress emerging. One of the recommendations made to DCLG was that it should strengthen its assurance on the operational performance of the sector. This report was made before the transfer of responsibility for fire to the Home Office.

Wales Audit Office report on local government accounts

The Wales Audit Office (WAO) [report](#) summarises the results of the audit work on 2014/15 local government accounts. The WAO has expressed concern that the number of bodies where the accounts had to be amended for material items increased once again. The WAO state that this trend "brings into question the quality of accounts production and review arrangements". Audit committees should be aware of any concerns expressed by their own auditors and monitor the implementation of any recommendations to improve the quality of accounts production.

Report on the results of auditors' work

PSAA has published [reports](#) on the results of auditors' work in English local authority and health bodies during 2014/15. The report finds that the timeliness and quality of financial reporting for 2014/15 remained broadly consistent with the previous year for both principal and small bodies. For the second year in a row there have been no qualified opinions issued to principal bodies. The number of qualified conclusions for local authorities on value for money arrangements remained consistent with the previous year at 4%. Auditors continued to report an increasing level of concern about the financial resilience of NHS trusts, with the number of non-standard conclusions on value for money arrangements and referrals to the secretary of state for health both increasing significantly for the second consecutive year.

Published by:

CIPFA \ THE CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY

77 Mansell Street, London E1 8AN

020 7543 5600 \ www.cipfa.org

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Fighting Fraud & Corruption

LOCALLY

The local government counter fraud and corruption strategy

2016-2019

Supported by:



**CIPFA COUNTER
FRAUD CENTRE**

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Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape. Its production and subsequent implementation is overseen by an independent board, which includes representation from key stakeholders. The board commissioned the drafting and publication of the strategy from the CIPFA Counter Fraud Centre.

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.



With support from:



Foreword by Cllr Claire Kober

Since the last Fighting Fraud Locally Strategy was published in 2011, the landscape has changed considerably for local government. Councils have dealt with unprecedented reductions in funding – up to 40% of central funding over the life of the previous Parliament and further real term reductions announced in the November 2015 Spending Review.

Rather than taking the approach of managing decline, councils have innovated, collaborated and prioritised in order to protect vital services.

Innovation is as important in fighting fraud as any area of council activity to keep ahead of fraudsters and prevent resources being taken away from delivering services to those who need them.

The transfer of welfare benefits fraud investigation staff to the DWP's Single Fraud Investigation Service means that councils need to reconsider how they counter other areas of fraud. The new Fighting Fraud and Corruption Locally Strategy is timely and should be of great help to councils in developing new approaches.

There are many examples of success but it is worth focussing on the Audit Commission's annual report in October 2014 that reported a 400% increase in right-to-buy fraud in London; a fact which we in Haringey anticipated over two years ago when the maximum discount available to purchase a home under the right to buy scheme was increased to £100k.

Our Fraud Team in Haringey has been working pro-actively with services across the council since 2013 to investigate potential Right to Buy fraud. Joining up housing, benefits and fraud teams effectively has meant that we have prevented over 120 cases of right to buy fraud, saving £12m in discounts and retaining the property for use as much needed social housing.

Where we have identified tenancy and benefit fraud alongside the right to buy fraud, we recover the property to help provide homes for those people and families in most need; and we are prosecuting the most serious cases. Secondly, our Benefits Team has been working to make it more difficult for fraud and error to occur in the first place.

Claimants are now asked to periodically resubmit current evidence of their circumstances, especially

their income, and long running claims are now reviewed in depth more often, particularly in high risk areas – those where circumstances might be expected to have changed.

We are also making it easier for claimants to tell us of changes in circumstances and reminding them that they need to tell us, and we are looking at sharing data with other agencies. Every pound siphoned off by a fraudster is a pound that cannot be spent on services where they are needed. Councils need to be vigilant.

Councils do have a good record in countering fraud and the strategy contains numerous case studies and examples of successes. Councils also have an excellent record in collaboration with the LGA's improvement team recording more than 350 successful examples of councils working together to save money and improve services, and collaboration to counter and prevent fraud is a theme running through the strategy.

I am happy to endorse this strategy on behalf of the LGA and welcome it as an opportunity for councils to review and further improve their counter fraud work.



Claire Kober
Chair Resources Portfolio Local Government
Association and Leader Haringey Borough Council

Foreword by Marcus Jones MP

Fraudsters cost the local tax payer many millions of pounds each year. Indeed the estimated loss of £2.1bn quoted in this Strategy is felt to be an underestimate of the total cost to local government.

This is of concern as much to central government as it is to councils. The Strategy rightly places an emphasis on council leaders, chief executives and finance directors to provide the local leadership to take action to protect the public purse.

At a time when every penny should be invested in delivering high quality services to local people, tackling fraud head on should be a priority.

The recent figures from the Office of National Statistics show that an increasing amount of fraud is being reported to the police, Cifas and Financial Fraud Action UK.

The risks are clear, councils must ensure they are active in looking for and identifying fraud and embedding a counter fraud culture at the heart of their organisation.

Currently there is a disparity of effort in tackling this kind of criminal activity across the sector, this is a concern. Some invest in dedicated counter fraud activity and some do not, and the Strategy is right to point out that councils should take an 'invest to save' approach.

I know this is not easy, there have been some successes but more councils need to go further. The Government has helped councils, and last year provided an injection of £16m through the Counter Fraud Fund to support a wide range of council led projects across the country.

The challenge is now for local government to build on this investment, share the learning, and raise the bar. A clear message needs to be sent to fraudsters that councils won't put up with fraud of any sort. As the Strategy says – it is about having robust systems in place to prevent fraud occurring in the first place.

To look in the right areas, by taking a risk based approach to identify fraud, and where fraud is found to publicise it widely and use it as deterrent. And councils will be judged by their residents on their results.

I fully believe the onus lies rightly at the top of the organisation to set the tone and culture that councils are serious and won't tolerate fraud, that all parts of the organisation have a job to build fraud resilience into their systems, to actively look for, and where they find it prosecute fraudsters.

I hope and expect this strategy to be the spring board for councils to go further than before.



Marcus Jones MP
Parliamentary Under Secretary of State
(Minister for Local Government)

Executive Summary

Fighting Fraud and Corruption Locally is the new counter fraud and corruption strategy for local government. It provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities. By using this strategy local authorities will develop and maintain a culture in which fraud and corruption are understood to be unacceptable, understand their fraud risk and prevent fraud more effectively, use technology to improve their response, share information and resources more effectively to prevent and detect fraud loss, bring fraudsters account more quickly and efficiently, and improve the recovery of losses.

This strategy is aimed at council leaders, chief executives, finance directors, and all those charged with governance in local authorities. It is produced as part of the Fighting Fraud and Corruption Locally initiative, a partnership between local authorities and key stakeholders, and succeeds the previous strategy, written in 2011.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage.

Fraudsters are constantly revising and sharpening their techniques and local authorities need to do the same. There is a clear need for a tougher stance. This includes tackling cross boundary and organised fraud and corruption attempts, as well as addressing new risks.

In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

This will offer opportunities to support the National Crime Agency in the fight against organised crime and work with the CIPFA Counter Fraud Centre, which has agreed to take on the hosting of Fighting Fraud and Corruption Locally, and other leaders in this field. Local authorities reported that they were still encountering barriers to tackling fraud effectively, including incentives, information sharing and powers.

The strategy also addresses the issue of new anti-corruption measures for local authorities and integrates the relevant elements of the government's Anti-Corruption Plan.

In response to these challenges, local authorities will need to continue to follow the principles developed in Fighting Fraud Locally 2011 (FFL):

- **Acknowledge:** acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.
- **Prevent:** preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
- **Pursue:** punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat.

This strategy sets out ways in which local authorities can further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and by focusing on the key changes that will make the most difference.

Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes that emerged from the research:

- Culture
- Capability
- Capacity
- Competence
- Communication
- Collaboration

“At a time when resources are becoming ever more scarce, all of us involved in delivering local public services are looking at ways of doing more with less. Acknowledging the risk of fraud and committing resources to tackle it, taking steps to prevent fraud and pursuing offenders must be part of the answer. What we have learnt as a consequence of our continuing work is that success in this field depends not just on what you do but how you do it. Having an embedded anti-fraud approach across an organisation is critical to success and by focusing this strategy on the cross cutting themes of culture, capability, capacity, competence, communication, and collaboration will in my view help ensure that an anti-fraud approach becomes integral to the way we work.

Charlie Adan

Chief Executive Babergh and Mid Suffolk



The Companion to this document contains a section on each of these themes, with information on fraud risks, good practice and case studies to assist local authorities in strengthening their response and ensuring that it is fit for purpose.

This strategy also identifies the areas of focus that will make the most difference to local authorities' counter fraud efforts. These are:

- Leadership
- Assessing and understanding the scope of fraud and corruption risks
- Making the business case
- Using resources more effectively
- Collaborating to improve
- Using technology to tackle fraud
- Tackling corruption

Many local authorities have demonstrated that they can tackle fraud innovatively and can collaborate effectively to meet the challenges. Indeed, many have identified that a reduction in fraud can be a source of sizeable savings.

For example:

- Birmingham City Council, working with other agencies, secured a confiscation order against 2 organised fraudsters of £380,000
- The London Borough of Lewisham, working with Lewisham Homes, recouped £74,000 from one internal fraudster
- The Royal Borough of Kensington and Chelsea, by using data matching techniques to prevent fraud, made savings of £376,000 in the first year, and £250,000 for the following two years.

This strategy has been designed for local authorities by local authorities and other stakeholders. It provides a firm and practical basis to help them to take the next steps in the continuing fight against fraud and corruption.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon *Fighting Fraud Locally 2011* in the light of developments such as *The Serious and Organised Crime Strategy* and the first *UK Anti-Corruption Plan*
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause

It is now for elected members, chief executives, finance directors, and all those charged with governance to ensure this strategy is adopted and implemented in their local authorities.

Introduction

This strategy document is aimed primarily at elected members, chief executives, finance directors, and those charged with governance in local authorities. A companion document aimed at counter fraud practitioners in local authorities has been produced, which lays out detailed actions for them. The strategy sets out the approach local authorities should take and the main areas of focus over the next three years in order to transform counter fraud and corruption performance, and contains major recommendations for local authorities and other stakeholders.

The strategy is based upon research carried out by the CIPFA Counter Fraud Centre.

This consisted of:

- Workshops conducted in York, Birmingham and London with over 90 attendees.
- Twelve individual interviews with key stakeholders from the counter fraud landscape including local authority representative groups, the National Anti-Fraud Network, the Home Office and the Audit Commission.
- Specific focussed interviews with subject matter experts.
- Three regional workshops attended by around 70 practitioners focussed on particular fraud types and barriers.
- A workshop focussing on anti-corruption risks.
- A survey placed on the website of the Local Authority Investigators Group on fraud risks and barriers.
- Desktop research of publications and counter fraud literature, including new legislation. These documents are listed in The Companion.

By following this strategy local government will be better able to protect itself from fraud and corruption and will provide a more effective fraud response.



Our vision is that by 2019:

- there is a culture in which fraud and corruption are unacceptable and everyone plays a part in eradicating them
- by better understanding of risk and using technology local authorities will shut the door to fraudsters who try to access their systems or services
- local authorities will have invested in sustainable systems to tackle fraud and corruption and will see the results of recovery
- local authorities will be sharing information more effectively and by using advanced data technology will prevent and detect losses
- fraudsters will be brought to account quickly and efficiently and losses will be recovered

Since the first local government counter fraud strategy, *Fighting Fraud Locally*, was published in 2011, local authorities have made significant progress in tackling fraud by acknowledging and understanding the risks they face and by collaborating, making more use of technology and information sharing to prevent fraud.

In addition, local authorities have made good use of legislation to recover assets and to take action against fraudsters. There are many examples in this document and the companion that demonstrate the efforts and achievements of local authorities despite reductions in resources and a changing enforcement landscape.

Local authorities should be commended for their part in the fight against fraud and other agencies should learn from their good practice. However, the scale of losses demonstrate that more needs to be done. The landscape continues to change and local authorities will need to respond within the context of budget reductions. There is a need to do more with less.

This document is divided into three sections:

Section 1: The Fraud Challenge

Sets out the nature and the scale of fraud losses, the changes to the national and public sector fraud landscape that require a response from local authorities, and the key issues raised by stakeholders.

Section 2: The Strategic Response

Describes the response that is required from local authorities to address the challenges it is facing, identifying the activities necessary in order to achieve the strategic vision.

Section 3: Delivery Plan

Sets out the recommendations and the framework for delivery.

The Companion

This additional document is aimed at counter fraud practitioners in local authorities and taken together with this strategy sets out a comprehensive blueprint for counter fraud and corruption activities that will deliver the vision.

It identifies the most pressing and serious fraud risks and sets out ways of tackling them, as well as identifying the key organisations that local authorities should work with and the roles they play.

“

Birmingham City Council has invested in creating an anti-fraud culture for some years and a number of examples of its good practice are contained within this document.

At Birmingham City Council, we are committed to protecting the public funds that we are entrusted with. In these times of austerity, the minimisation of losses to fraud and corruption is even more important in ensuring that resources are used for their intended purpose of providing essential services to the citizens of Birmingham.

Through our values, policies and procedures, the council has sought to develop an anti-fraud culture and maintain high ethical standards in its administration of public funds. Anyone who commits, or attempts to commit, fraudulent or corrupt acts against the council, will be held to account in a decisive manner.

The work of our Counter Fraud Team in identifying fraud is invaluable in ensuring that our scarce resources are protected. The development of a sophisticated data analysis capability enables the team not only to detect fraud, but helps our frontline services to prevent it as well. This helps to make sure that the council's services are provided to only those in genuine need and that our valuable resources are directed to where they are needed most”.

Mark Rogers

Chief Executive, Birmingham City Council

Section 1: The Fraud Challenge

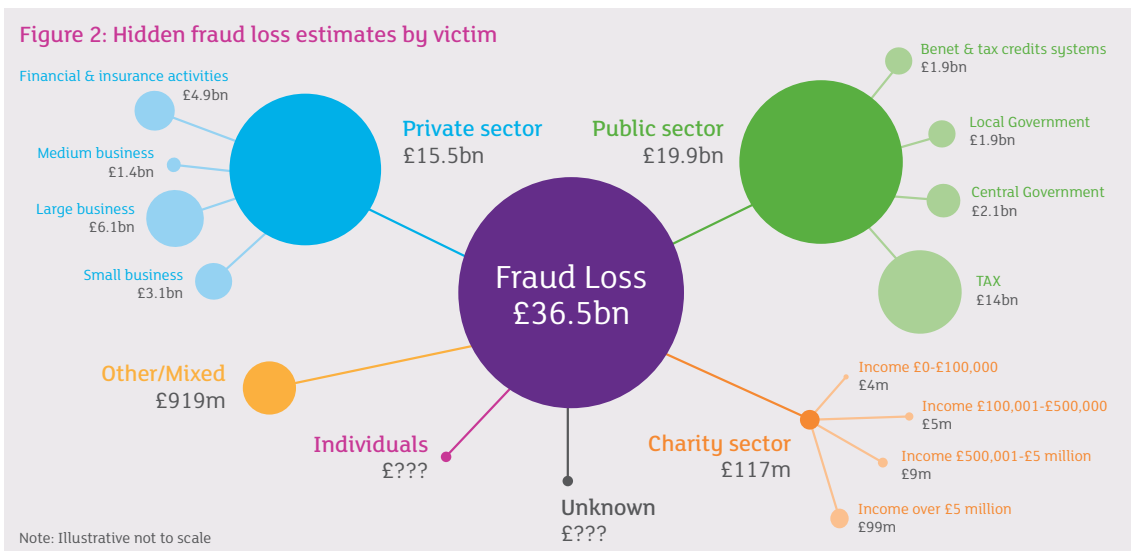
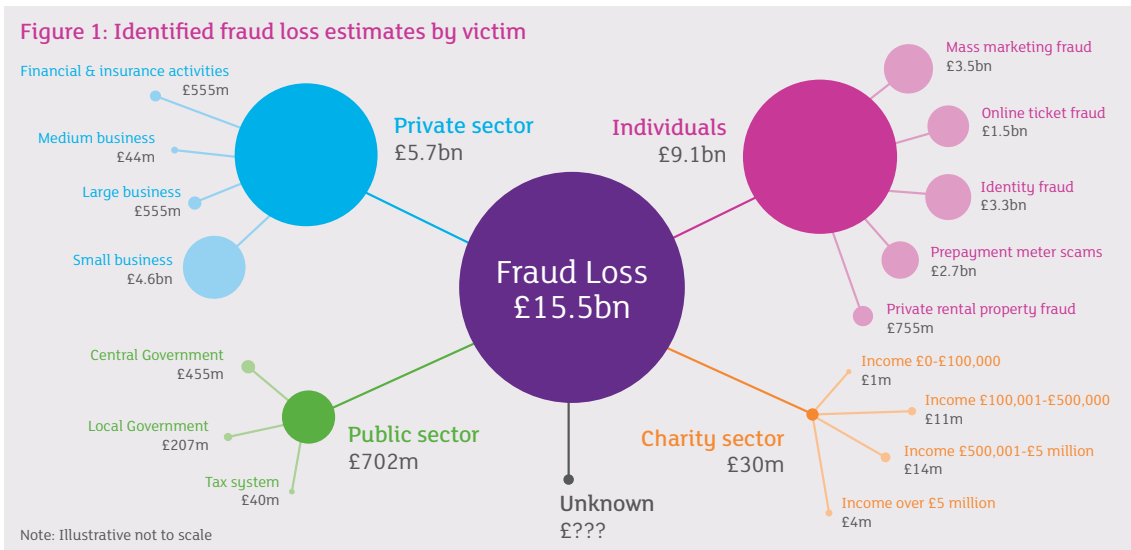
In compiling the evidence that underpins this strategy it became clear that there are three main areas of concern that necessitate a coordinated response from local authorities:

- The scale of fraud losses
- Changes to the national and public sector counter fraud landscape
- Issues raised directly by stakeholders.

The Scale of Fraud Losses

It is accepted that fraud affects the UK across all sectors and causes significant harm. The last, most reliable and comprehensive set of figures was published by the National Fraud Authority in 2013, and indicates that fraud may be costing the UK £52bn a year.

Within these figures the estimated loss to local authorities totalled £2.1bn. The estimated losses for local authorities in 2013 are broken down in the following by identified fraud losses and hidden fraud losses:



Annual Fraud Indicator 2013

Estimated Local Government Fraud Loss 2013

Fraud Type	Estimated Loss	Fraud Type	Estimated Loss
Housing tenancy fraud	£845m	Blue Badge Scheme misuse	£46m
Procurement fraud	£876m	Grant fraud	£35m
Payroll Fraud	£154m	Pension fraud	£7.1m
Council Tax fraud	£133m		

Annual Fraud Indicator 2013

These figures do not take into account the indirect costs of responding to and dealing with fraud and exclude some potentially significant areas of fraud loss.

The Audit Commission’s Protecting the Public Purse 2014 identified detected fraud to the value of £188m following a comprehensive survey of local authorities: this was fraud after the event and did not include potential losses.

Local authorities detected 3% fewer cases of fraud than in the previous exercise but the value increased by 6%, which implies larger fraud cases.

It is clear, even allowing for inaccuracies in the measurement of fraud risk and the absence of recent data, that like other sectors of the economy local government is under attack from fraudsters and the scale of losses to local authorities is significant. There are opportunities for local authorities to take action to reduce their losses, and these are discussed in Section 2 of this document.

Changes to the National and Public Sector Counter Fraud Landscape

Since Fighting Fraud Locally was published in 2011, there have been significant changes in the landscape nationally, including areas covering organised fraud and anti-corruption.

The National Response to Serious and Organised Crime

The National Crime Agency was created in October 2013, and in May 2014 published the National Strategic Assessment of Serious and Organised Crime. Organised crime costs the United Kingdom £24bn each year and includes drug trafficking, human trafficking, organised illegal immigration,

high value crimes, counterfeiting, organised acquisitive crime and cybercrime.

Serious and organised criminals operate across police force boundaries and in complex ways, and the police require sophisticated capabilities to detect and disrupt their activity. The Government invested in the development of the Regional Organised Crime Unit (ROCU) network to ensure that forces have access to the capabilities they need to tackle these threats. Regional Organised Crime Units provide high end specialist capability, including regional fraud teams, to local forces tackling the threat from serious and organised crime in their region.

Action Fraud is the national reporting point for fraud and also cyber crime. As of April 2014, both Action Fraud and the NFIB are run by the City of London Police, which is the UK’s lead force for fraud. This change was made by the Government to ensure that one body was responsible for the whole process of recording and analysing reports of all types of fraud.

Organised crime affects local authorities as well as other organisations. The Government launched a new Serious and Organised Crime Strategy in October 2013. Its aim is to substantially reduce the level of serious and organised crime affecting the UK and it’s interests. All frauds, including those committed within the context of local government should be reported to Action Fraud, either by calling: **0300 123 2040** or by visiting: www.actionfraud.police.uk/report_fraud.

The National Crime Agency (NCA) leads work against serious and organised crime, coordinating the law enforcement response, ensuring that action against criminals and organised criminal groups is prioritised according to the threat they present.

Police forces will continue to conduct most law enforcement work on serious and organised crime. They should be supported by local organised crime partnerships boards, including local authorities and

agencies to ensure all available information and powers are used against this threat.

Local government is not immune from organised fraud. Recent years have seen a number of fraud cases where perpetrators have been part of a larger criminal network. Organised frauds often cross local authority boundaries and investigations tend to be complex, requiring the deployment of specialist resources, such as computer forensics or surveillance capability. Such resources are expensive and expertise needs to be used constantly to maintain effectiveness.

Although organised crime may not immediately seem to be a direct threat to local authorities, many organisations have already been subjected to fraud, money laundering, identity crime, intellectual property crime and theft of assets. Local authorities may be targeted by organised crime, whether to obtain council resources or to fund other activities. Local authorities need to consider how they can protect their employees, communities, businesses and themselves from the threat of organised crime.

Anti-Corruption

On 18 December 2014 the Home Office published the first UK Anti-Corruption Plan. The aim of the plan is to bring about a co-ordinated and collaborative approach, setting out clear actions and priorities. The plan covers both UK and international activities, and includes local government.

“

Most public officials have probably never been offered a bribe and would feel pretty confident that they could spot the offer. If they don't necessarily think of themselves as totally incorruptible, they often think they can avoid getting entangled in situations where their conduct may be called into question.

However, thinking you don't need help or guidance in knowing what is legal or illegal, or even what is right or wrong, in every circumstance is a risk – a risk that could and should be avoided by getting the most of what help and guidance is available.”

Prof Alan Doig – Visiting Professor,
Centre for Public Services Management,
Liverpool Business School, Liverpool John Moores University.

The response to corruption follows the UK's four components of the Serious and Organised Crime Strategy:

- **Pursue:** prosecuting and disrupting people engaged in serious and organised criminality
- **Prevent:** preventing people from engaging in serious and organised crime
- **Protect:** increasing protection against serious and organised crime
- **Prepare:** reducing the impact of this criminality where it takes place.

The plan sets out the immediate priorities for the government, which are to build a better picture of the threat from corruption, increase protection and strengthen the law enforcement response.

Local authorities are included in a number of areas within the plan as well as within a specific section. There are areas to which they should pay close attention and ensure that they have suitable arrangements in place and that they are up to date on current arrangements. It will require a change in culture and competence.

Local government is targeted by those who wish to corrupt local processes, such as housing or planning, for their own gain; and organised crime groups are known to target local officials to consolidate their status in communities.

UK Anti-Corruption Plan, December 2014

The NCA's Economic Crime Command also has a responsibility in respect of anti-bribery and anti-corruption. It is working with the CIPFA Counter Fraud Centre to raise awareness in this area and recommends a policy of zero tolerance to bribery and corruption, which should be endorsed by the chief executive, sound whistleblowing procedures and awareness training. The NCA also recommends reflecting the commitment in all relevant policies.

The Public Sector Fraud Response

The Cabinet Office published Tackling Fraud and Error in Government: a Report of the Fraud, Error and Debt Taskforce in 2012. That report set out an ambitious but focused delivery programme that sought to reduce levels of fraud and error across government.

In his foreword, The Rt. Hon. Francis Maude wrote: “We must continue to work together to support the national fraud strategy Fighting Fraud Together, and demonstrate the significant financial benefits that can be made in reducing the harm of fraud and error in the public sector.”

The Fraud, Error and Debt Taskforce was established under the 2010 to 2015 Conservative and Liberal Democrat coalition government, and was the strategic decision-making body for all fraud and error, debt and grant efficiency initiatives across government.

It met 6 times a year and included ministers, senior officials from relevant government departments, and experts from the private sector and the wider public sector. As a result of its work, this government is putting in place a fraud, error, debt and grants function and is reviewing associated groups.

As a result of the Taskforce’s work, central government is driving ahead with a broad agenda of activity on fraud, error, debt and grants. This includes the roll out of the Debt Market Integrator, a new way of collecting public sector debt and developing capability across central government in countering fraud through the development of government standards for counter fraud work. It also includes projects to enhance the use of data analytics across government and increasing the efficiency and effectiveness of government grant

The National Fraud Initiative (NFI), an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud, is now under the control of the Cabinet Office. The NFI team continues to carry out data matching work with local authorities.

Fighting Fraud Locally 2011

Fighting Fraud Locally, published in 2011, was the first counter fraud strategy for local authorities. It set out the challenges facing local authorities and the response required, noting the good work already carried out and proposing action to overcome the barriers to further progress.

The initiative was supported and hosted by the National Fraud Authority (NFA), which led engagement with local authorities through an independent board on which stakeholders such as the Local Government Association, the Department

for Communities and Local Government, and counter fraud experts working in local authorities were represented.

As a result of Fighting Fraud Locally, local authorities and central government undertook many activities. The DCLG set up working groups to look at the areas raised by local government as barriers. Local authorities took part in around 34 pilots set by the NFA, an annual conference was set up, and an awards regime was established which eventually grew to include the whole public sector.

The NFA undertook an extensive engagement campaign with a national roadshow and events to publicise the work and garner support. It engaged CIPFA to provide a survey on FFL actions which began in 2012, and commissioned free tools and guides under the banner of FFL.

Following the abolition of the NFA in March 2014, most of its work was transferred into the National Crime Agency. Overseeing the delivery of the action plan associated with Fighting Fraud Locally remained the responsibility of the independent board. In October 2014, the Chartered Institute of Public Finance and Accountancy (CIPFA), which was already providing pro bono support by hosting the Fighting Fraud Locally web pages and providing several guides and tools, was asked by the independent board to take over the secretariat and begin research for the next iteration of the strategy.

The CIPFA Counter Fraud Centre now hosts Fighting Fraud and Corruption Locally, manages the secretariat and holds the Fighting Fraud and Corruption Locally Good Practice Bank.

Police Resources

Local authorities collaborate with the Police where appropriate. The law enforcement response to fraud is led by the City of London Police, which is the national lead force for fraud. The City of London Police runs Action Fraud, the national reporting service for fraud and cyber-crime.

It is not only local authorities that are affected by changes in the landscape and a reduction in resources due to the need to curb public expenditure: other enforcement agencies are also facing reductions. It is the view of local authorities that police will have reduced resources to support local authorities on tackling local authority led fraud.

Local authorities will therefore need to consider how they can achieve the results necessary by reconfiguring their approach to enforcement

Whistle-blowing Arrangements

The best fraud fighters are the staff and clients of local authorities. To ensure that they are supported to do the right thing a comprehensive, management-led, anti-fraud and corruption culture needs to be maintained, including clear whistle-blowing arrangements.

These arrangements should ensure that staff and the public have access to a fraud and corruption whistle-blowing helpline, and should be kept under review.

The terms should conform to the British Standards Institute 2008 Whistle-blowing Arrangements Code of Practice as updated within the Code of Practice published in 2013 by the Whistle-blowing Commission set up by Public Concern at Work.

The Department for Business, Innovation and Skills, also recently published Whistle-blowing Guidance and a Code of Practice (March 2015) this helps employer's understand the law relating to whistle-blowing and provides practical advice for putting in place a robust whistle-blowing policy .

The NAO is available as a prescribed body to take calls from whistle-blowers and the NAO has good practice on its website.

“

Whistleblowing arrangements help to provide employees of public bodies, and users of public services with confidence that wrongdoing or the misuse of public funds can be investigated by an independent and impartial party. This is all the more important where services are subject to considerable change and innovative ways of delivering those services are adopted.

The Head of the National Audit Office is a prescribed person for central government, and from 1 April will also be a prescribed person for local government – we take our responsibilities to provide an impartial and objective service extremely seriously, and draw on the lessons learned from our wider work, to support those who make reports to us.”

Sue Higgins

Executive Leader, National Audit Office.

The Transparency Code

DCLG published The Transparency Code on 31 October 2014. The aim is to strengthen transparency within local government. It also affords the opportunity for residents to see how money is spent. The section in respect of local authorities is also referred to in the UK Anti-Corruption Plan as an aid to making anti-corruption issues more transparent.

The Code sets out requirements for local authorities to report on their counter fraud work:

The Code legally requires local authorities to publish annually details of their counter fraud work, including information about the number of occasions they use powers to obtain information from specified bodies to help investigate cases of fraud, the number of staff investigating fraud cases and the number of fraud cases they have investigated.

Specifically, local authorities must publish the following information about their counter fraud work:

- number of occasions they use powers under The Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers
- total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud
- total number (absolute and full time equivalent) of professionally accredited counter fraud specialists
- total amount spent by the authority on the investigation and prosecution of fraud, and
- total number of fraud cases investigated.

The Code also recommends that local authorities publish details about the number of cases where fraud and irregularity has been identified and the monetary value for both categories that has been detected and recovered.

The above is an extract from the UK Anti Corruption Plan

Issues Raised Directly By Stakeholders

In addition to considering relevant policy and academic research, the foundations for this strategy were researched through a series of workshops, surveys, and face to face individual meetings.

There were many instances of good practice, collaborative working and examples of innovative use of data provided by participants.

Local authorities reported issues in the following areas:

Counter Fraud Capacity

Many local authority practitioners reported that the capacity to tackle fraud and corruption was likely to be reduced, or had already been reduced, as a result of austerity-related local authority funding reductions.

In many cases practitioners also reported that the skilled investigation resource transferred to the Department for Work and Pensions Single Fraud Investigation Service (SFIS) had not been replaced, and some stated that after the SFIS transfer their authority would have no fraud team.

Skills

Local authorities reported that their staff did not always have the skills or training to tackle fraud and corruption. Some local authorities stated that they would recruit new staff or transfer staff into fraud-related work post SFIS, but raised the concern that they did not have budgets to train their staff to tackle new areas.

Culture

Some local authority practitioners reported that senior managers were finding it difficult to dedicate sufficient time to demonstrate their support for counter fraud activities due to the focus being on other priorities such as meeting budget savings targets and maintaining key services to residents.

This was considered to have a negative effect upon performance, and was associated with counter fraud work having a low profile and the benefits of counter fraud work not being fully appreciated.

Collaboration

Local authority practitioners demonstrated an appetite for working more formally across local authority boundaries and with other agencies, departments, and the private sector; but reported a range of difficulties in securing progress.

Some examples of this were: counter fraud work not being consistently prioritised; lack of financial incentives to make the business case; a lack of understanding of data protection rules; and lack of funding.

They also reported an appetite for innovative use of data and wider data sharing, but had encountered barriers to this or made very slow progress.

Local authorities further reported that they found it hard to obtain police involvement in their cases and that they did not receive feedback on cases from crime reporting hotlines.

“In times of austerity, collaboration is key. It is of increasing importance to consolidate the approach to fighting fraud and corruption across public services to better inform strategies and to gain a more comprehensive picture of the fraud landscape. We have created CIPFA’s Counter Fraud Centre to lead on creating a coordinated approach, as well as offering thought leadership and to fill the gaps led by others.”

Fraud is a pointless drain on resources emphasised by the need for local authorities to save every penny, but we are committed to helping authorities work together to tackle fraudulent activity, protecting the public pound.

Rob Whiteman, CEO CIPFA

Types of Fraud

Local authorities reported a wide range of fraud types. The main areas of fraud that were reported in Fighting Fraud Locally 2011 continue to feature as significant risks. However, there are also new fraud types emerging and some of these are more prevalent in particular parts of the country. It is clear that a one size fits all approach is not appropriate: local authorities will need to tailor their approach to their particular fraud risks.

Known Fraud Risks Remaining Significant	Emerging / Increasing Fraud Risks
<p>Tenancy – Fraudulent applications for housing or successions of tenancy, and subletting of the property</p> <p>Procurement – Tendering issues, split contracts, double invoicing</p> <p>Payroll – False employees, overtime claims, expenses</p> <p>Council tax – Discounts and exemptions, council tax support</p> <p>Blue Badge – Use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person’s Blue Badge, badges issued to institutions being misused by employees.</p> <p>Grants – Work not carried out, funds diverted, ineligibility not declared</p> <p>Pensions – Deceased pensioner, overpayments, entitlement overstated</p> <p>Schools – Procurement fraud, payroll fraud, internal fraud</p> <p>Personal budgets – Overstatement of needs through false declaration, multiple claims across authorities, third party abuse, posthumous continuation of claim</p> <p>Internal fraud – Diverting council monies to a personal account; accepting bribes; stealing cash; misallocating social housing for personal gain; working elsewhere while claiming to be off sick; false overtime claims; selling council property for personal gain; wrongfully claiming benefit while working</p> <p>Identity fraud – False identity / fictitious persons applying for services / payments</p>	<p>Business rates – Fraudulent applications for exemptions and reliefs, unlisted properties</p> <p>Right to buy – Fraudulent applications under the right to buy/acquire</p> <p>Money laundering – Exposure to suspect transactions</p> <p>Insurance Fraud – False claims including slips and trips</p> <p>Disabled Facility Grants – Fraudulent applications for adaptations to homes aimed at the disabled</p> <p>Concessionary travel schemes – Use of concession by ineligible person, including Freedom Passes</p> <p>No recourse to public funds – Fraudulent claim of eligibility</p> <p>New Responsibilities – Areas that have transferred to local authority responsibility e.g. Public Health grants, contracts.</p> <p>Commissioning of services – Including joint commissioning, third sector partnerships – conflicts of interest, collusion</p> <p>Local Enterprise Partnerships – Voluntary partnerships between local authorities and businesses. Procurement fraud, grant fraud.</p> <p>Immigration – Including sham marriages. False entitlement to services and payments.</p> <p>Cyber dependent crime and cyber enabled fraud – Enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.</p>

Though uncommon, incidents of electoral fraud in the UK undermine wider public confidence in the electoral process and trust in the outcome of elections. Fraudulent electoral registration may also be linked to other types of financial or benefit fraud.

Electoral Registration Officers (EROs) and Returning Officers (ROs) are uniquely placed to identify incidents and patterns of activity that might indicate electoral fraud. In line with Electoral Commission guidance they should ensure mechanisms are in place to assess the risks and monitor indicators of possible electoral fraud.

It is essential that local authorities work in partnership with the police on any issues around registration and the planning for elections and share information relevant to identifying and preventing electoral fraud.

The ERO/RO should be in touch with the relevant police force’s Single Point of Contact (SPOC) for electoral matters and agree the division of responsibilities and the approach for the ERO/RO to refer allegations of electoral fraud to the police where appropriate.

The police are responsible for investigating allegations of electoral fraud and should keep the ERO/RO informed of the progress of cases.

The Electoral Commission has identified 17 local authority areas in the UK which have a higher risk of allegations of electoral fraud, where it recommended a sustained approach to tackle the risks. It is essential that the EROs and ROs for those areas maintain their focus on electoral fraud prevention.

The Government is completing the roll-out of individual electoral registration across Great Britain, which will help reduce the scope for fraud.

The individual nature of the new registration system, in combination with increased assurance of the identity of applicants, means that the register now has greater value as a tool for local authorities and the police to aid in the prevention and detection of crime, including other forms of fraud.

Powers

In *Fighting Fraud Locally 2011*, local authorities reported that they did not have sufficient powers to tackle non benefit fraud and cited examples of this across their counter fraud activities. In the area of social housing fraud, the Department for Communities and Local Government dedicated resource to improving this situation and, in October 2013, The Prevention of Social Housing Fraud Act was introduced which enabled local authorities to acquire information by using new powers.

However, local authorities are still reporting that they do not have sufficient powers to tackle non benefit fraud. For example, local authorities reported having difficulty obtaining evidence from suppliers in procurement fraud investigations.

Further action is required to ensure that local authorities are able to deal with fraud effectively in all areas of their business.

Good Practice Case study – Manchester City Council

Manchester was awarded DCLG tenancy fraud funding to work in partnership with Registered Social Landlords in the area including:

- Review their tenancy fraud processes and procedures
- Produce a tenancy fraud publicity toolkit containing template leaflets and posters
- Develop capacity through delivery of training packages to enable partners to: identify tenancy fraud; gather evidence in compliance with CPIA 1996;
- Provide PACE awareness training enabling social housing staff to work alongside the council counter fraud specialists.

Kate Sullivan, Tenancy Enforcement and Support Manager at Adactus Housing said:

“The Fraud Investigations team has assisted Adactus with complex investigations and has worked with us to create the environment of a true partnership. The investigations they have carried out have been in cases where, prior to the project, we had drawn a blank and had been unable to gather meaningful evidence to proceed with a case.

The team has welcomed an Adactus member of staff to shadow its officers, which has been a valuable learning opportunity for my team member and given an understanding on both sides of the constraints both teams face.”

Barriers to Information Sharing

In *Fighting Fraud Locally 2011*, local authorities expressed frustration that they had difficulty obtaining information from government agencies and departments as well as from internal colleagues. They also provided examples of instances where they were not permitted to share data, even to tackle fraud.

A number of local authorities that subsequently set up hubs to collaborate and share information in line with recommendations in *Fighting Fraud Locally 2011* experienced difficulties over exchanging data and, even where they did not have difficulty,

processes were lengthy. Without exception, at every workshop during research, this issue was raised; across different types of fraud and across different agencies.

Incentives

During the development of Fighting Fraud Locally 2011, DCLG took on board issues raised about housing tenancy fraud and an incentive fund was created. Two tranches of funding were made available in 2009 and 2011 and the last tranche in 2015. This funding has enabled local authorities to set up bespoke counter fraud teams and to undertake data matching and other innovative measures.

Local authorities report that once this stream of funding expires, however, they will not be able to sustain activity in this area. The reason for this is that stopping a housing tenancy fraud rarely provides a cashable saving (tenants sub-letting their property are almost always very good rent payers) and it is difficult to identify sufficient financial benefit to support the business case to undertake counter fraud activity.

In December 2014, DCLG made available a one-off Counter Fraud Fund of £16m to support local authorities in tackling fraud in the period during which the SFIS is due to be implemented.

This fund received bids totalling around £36m, which included innovative ideas and proposed joint working across local authorities, central government and with private sector providers.

Many of the outcomes of this work will be seen during the period of this strategy. The interest and appetite for this initiative on the part of local authorities has not only resulted in many good proposals and mechanisms being put forward, but signals their strong commitment and goodwill to continue to tackle fraud.

Local authorities are still reporting that, apart from these one-off funds, it remains difficult to access funding to tackle fraud. The business case is often not clear cut, which makes it difficult for local authorities to fund initiatives on an invest-to-save basis, and in some instances the business case is frustrated by existing local government funding mechanisms.

“

Councils need central government to set in place the right legal and financial frameworks so that they can tackle fraud and corruption effectively. This strategy offers the opportunity for central government to work with councils in protecting the public purse by providing appropriate powers, removing barriers to information sharing across government, and by providing the right financial incentives for councils to tackle fraud and removing disincentives. Councils should not be expected to fight fraud with one hand tied behind their back.”

Ian O'Donnell

Executive Director of Corporate Resources,
London Borough of Ealing



Section 2: The Strategic Response

The principles of the strategic response to fighting fraud in local authorities remain unchanged from Fighting Fraud Locally 2011. These are set out in the first section below.

The Principles - Acknowledge, Prevent and Pursue



Fighting Fraud Locally official NFA Board Slides

The changing context in which local government services are delivered, the increasing risk of fraud by motivated offenders, reduced local authority resources and associated changes to existing local control frameworks together create a pressing need for a new approach to tackling fraud perpetrated against local government.

Fighting Fraud and Corruption Locally recognises these challenges and the need for a cost effective way to reduce fraud. This strategy calls for a greater emphasis on prevention and the recovery of stolen money and highlights the need to create new arrangements to ensure that local authorities retain a resilient response to fraud based on the sharing of services and specialist resources.

Strong leadership will be required in order to achieve this, with greater use of technology and a stronger emphasis on collaboration. The starting point of the strategic response is to acknowledge the threat of fraud and the opportunities for protecting the public purse that exist. This acknowledgement must start at the top and lead to action.

While this document outlines the main areas of fraud risk across local government, each authority's risk profile will be different.

This strategy recommends that the starting point for each local authority is to perform its own risk assessment and fraud resilience check.

The second element of the strategy focuses on prevention. With investigative and police resources facing budget pressures, a counter fraud and anti-corruption strategy can no longer depend on enforcement activity.

Prevention is often the most efficient way to make savings and so what is called for is a radical realignment of counter fraud resources with greater investment in techniques, technology and approaches that will prevent fraud and corruption.

Stopping fraud and corruption from happening in the first place must be our aim. However, those who keep on trying may still succeed. A robust enforcement response is therefore needed to pursue fraudsters and deter others.

Fraud is an acquisitive crime and the best way to deter offenders is to ensure that they are caught and do not profit from their illegal acts.

This strategy argues for a fundamental shift in culture to emphasise civil recovery and the more rigorous pursuit of losses.

Turning Strategy into Action

The Themes – Six C's

The Companion to this strategy document sets out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective.

Local authorities should consider their performance against each of the six themes that emerged from the research conducted.

These are:

- **Culture** – creating a culture in which beating fraud and corruption is part of daily business
- **Capability** – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks
- **Capacity** – deploying the right level of resources to deal with the level of fraud risk
- **Competence** – having the right skills and standards
- **Communication** – raising awareness, deterring fraudsters, sharing information, celebrating successes
- **Collaboration** – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

The Companion contains a section on each of these, with information on good practice and case studies to assist local authorities in strengthening their response and ensuring that it is fit for purpose.

Fraud knows no boundaries – London Borough of Lewisham

A former housing officer who fraudulently hijacked the tenancy of a dead Lewisham tenant was ordered by the court to pay £74,000 after Lewisham Council was granted a compensation order. At an earlier court hearing, the housing officer had received a 21-month prison sentence while her husband had received a 12-month suspended prison sentence and was ordered to conduct 100 hours of unpaid community work.

Following the death of the original tenant in 2005, the tenancy officer had manipulated the council's records to take control of the property in Catford which she then sublet at a profit. The fraud was uncovered in 2009 after Lewisham Homes, the council's arm's length management organisation (ALMO) conducted a visit to the property as part of a tenancy-checking verification program and found that the original tenant was no longer resident.

Further checks by the council's fraud team revealed that a different person from the tenant was listed as liable for Council Tax at the property.

The housing officer and her husband had also provided false information to secure a tenancy in another borough fraudulently, which they also sublet to another tenant for a higher rent

It is estimated that the actions of the rogue housing officer resulted in a combined loss of approximately £150,000 to the public purse.

Areas of Focus

There are seven areas where a shift in activity will result in long term, sustainable improvement:

1. Leadership

Showing leadership: elected members, chief executives, finance directors and all those charged with governance should demonstrate explicit commitment to fighting fraud and corruption, and provide the necessary leadership.

Counter fraud practitioners cannot operate effectively unless those at the top in local authorities champion counter fraud and corruption work and visibly promote the message that fraud and corruption will not be tolerated.

Culture: those at the top in local authorities should maintain a robust counter fraud and corruption culture with clear values and standards. Culture fundamentally affects all elements of counter fraud and corruption activity: prevention, detection, deterrence, investigation, sanctions and redress.

A key element is having sound whistle-blowing arrangements; communicating how to report fraud and corruption and creating an environment in which reports can be made without the fear of recrimination.

Collaboration and co-ordination: those at the top in local authorities should actively seek to co-ordinate their efforts in the fight against fraud and corruption. Local authorities should seek to break down barriers to collaboration and sharing with other local authorities, central government and other organisations.

Communication: having a robust communication policy, actively publicising initiatives and celebrating successes is integral to having an effective counter fraud culture as a visible demonstration of commitment and values.

2. Assessing and understanding the scope of fraud and corruption risks

Assessing risks: In order to continue to function effectively in a changing landscape post SFIS implementation, and to take account of the recommendations in the UK Anti-Corruption Plan, local authorities will need to make an assessment of their risks.

This will require an honest appraisal of risks and the resources required to tackle them and whether that can be done locally, with the support of the national agencies, or with neighbouring authorities.

Measuring potential and actual losses: local authorities should measure potential and actual losses on a regular basis in order to understand the scope of the challenge, assess the response required, and measure performance.

The impact of crime is not only financial: losses suffered from fraud can have a direct, adverse impact on those people who are in most need of support, and in some cases the reputational damage caused to a local authority can be serious and lasting.

Horizon scanning: in the fast-changing local authority landscape, local authorities should scan the horizon constantly for emerging risks. The Companion to this document details new and changing fraud areas that local authorities reported in the research for this strategy.

However, it is important that local authorities approach this task individually, as some risks are particular to individual local authorities (e.g. districts and counties face different risks), and some fraud risks differ geographically.

3. Making the business case

Investing in counter fraud activity: local authorities should pursue opportunities to invest in counter fraud and corruption activity in order to generate savings by preventing and recovering losses. Local authorities do not, as a rule explicitly budget for fraud losses (the exception to this is housing benefit, where subsidy losses are budgeted for). However, estimates of local authority losses demonstrate that there is a significant problem, and therefore a significant opportunity for local authorities.

Local authorities should seek to assess their potential losses and measure actual losses in order to make the business case for investing in prevention and detection. In many cases there is an existing business case based upon the experience of other local authorities. For example, the prevention and detection of fraud perpetrated in income areas such as council tax is now widespread and offers higher tax revenue which can be recovered through existing, efficient collection systems.

However, each local authority will need to make its own case as fraud risks will vary significantly depending on location, scope, and scale of activities.

Fighting fraud and corruption is not only a financial issue: fraud and corruption in local authorities are unacceptable crimes that attack funds meant for public services or public assets.

The result is that those in genuine need are deprived of vital services. Fraud and corruption are often linked with other criminal offences such as money laundering and drug dealing. Local authorities have a duty to protect the public purse and ensure that every penny of their funding is spent on providing local services. More often than not, in doing so they are achieving wider benefits for the community.

Preventing losses: local authorities should set in place controls that will prevent fraudsters from accessing services and employment. It is nearly always more cost-effective to prevent fraud than to suffer the losses or investigate after the event.

The technology to establish identity, check documents, and cross-check records is becoming cheaper and more widely used. Controls should apply to potential employees as well as service users – e.g. if someone lies about their employment history to obtain a job they are dishonest and it may not be appropriate to entrust them with public funds, and in any case they may not have the training or qualifications to perform the job to the required standard.

Recovering financial losses: prompt and efficient recovery of losses is an essential component in the fight against fraud and corruption. In some cases local authorities can make use of their own income collection systems to recover losses – e.g. council tax, business rates, and housing benefits. In others, local authorities will need to make use of civil and criminal courts.

The Proceeds of Crime Act 2002 remains a powerful tool for local authorities; however, local authorities should strike the right balance, making the business case for prosecutions but not setting unachievable financial targets. Local authorities should continue to work with the courts to improve the speed of processing and develop case law supporting the successful application of recovery powers.

4. Using resources more effectively

Using the right resources: local authorities should make use of the right number of properly skilled counter fraud and corruption staff, adopt best practice standards, make use of tools and technology, and generate economies of scale through collaboration.

In a changing environment where resources are

limited, where fraud types are constantly changing and where staff may be moving roles, it will be vital to ensure that these resources are kept up to date and that the response remains proportional to the threat.

Professional competence: post SFIS, it will be ever more important to have a common set of standards for those working in counter fraud and for them to have proper training and an understanding of the whole picture within counter fraud.

FFL 2011 recommended professionally accredited training. A vital element of any effective counter fraud strategy is the ability of the organisation to call upon competent, professionally accredited counter fraud specialists trained to the highest possible professional standards to investigate suspected fraud.

Local authorities need to be confident that evidence has been lawfully obtained and professionally presented, regardless of whether the anticipated outcome of an investigation is a disciplinary hearing, civil action or criminal proceedings.

5. Collaborating to improve

Sharing resources: in the context of budget reductions and post SFIS many local authorities are faced with reduced counter fraud and corruption resources. Sharing resources and information can help mitigate the risks by ensuring that the response remains proportional and is properly skilled and equipped.

Working together: fraudsters do not respect boundaries of any type – they attack neighbouring local authorities, other agencies and commit other frauds. By working across boundaries local authorities will be better placed to detect the range of fraudulent activity carried out by individuals and gangs.

Local authorities already work with other agencies; the creation of multiple intelligence, data and investigative hubs opens up further opportunities to link up with other local counter fraud agencies – e.g. NHS Local Counter Fraud Specialists.

There are often links between frauds against local authorities and benefit frauds, immigration offences and shadow economy tax evasion, and there are already many examples of good practice and joint working where local authorities work in collaboration

with local police, HMRC, DWP or other agencies. Some local authorities even have police officers seconded and physically located in the authority, while others have access to officers from other enforcement agencies, for example UK Visas and Immigration or Immigration Enforcement and as a result, are more able to detect and investigate fraud.

Local authorities should collaborate with law enforcement partners to understand and mitigate the risks of organised and serious frauds, raise awareness of the tactics used by organised criminals and where possible share fraud data to help prevent future frauds. And where possible share fraud data to help prevent future frauds. Where police investigative support into fraud is required, the fraud must be recorded with Action Fraud.

6. Using technology to tackle fraud

Birmingham City Council Case Study – The value of data

Birmingham City Council makes extensive use of its data warehouse to identify fraud through data matching and data mining. By expanding the data warehouse to hold not only the Council's data, but that of neighbouring authorities and partner organisations, the Council has greatly enhanced its data analysis capability. The facility has now been embedded into frontline housing services to enable users to validate information provided on application forms at the point of receipt.

This provides greater assurance that housing tenancies are being awarded only to those in genuine need and that homes are only sold to those who are genuinely entitled to buy them. Furthermore, it has helped to identify former tenancy arrears of tenants who have been re-housed elsewhere, thereby helping in the collection of those debts.

Data sharing: for many years local authorities have funded and participated in the National Fraud Initiative (NFI); a periodic data matching exercise that identifies potential fraud cases for local authorities to investigate. Local authorities are now pursuing further opportunities to use their data to prevent and detect fraud, taking advantage of

changes in technology and in the appetite of other organisations to collaborate.

These include advanced data analytics, the availability of third party data, and channel shift within local authorities towards online customer contact. Data hubs offer a huge opportunity to work with and inform the wider counter fraud landscape, feeding into the work of the NCA and the Home Office and connecting into the wider architecture of other hubs.

Prevention: local authorities are using new technology to prevent fraud. The availability of relevant data when an application is made for local authority services can prevent fraudsters from obtaining access. Identity can be verified quickly and efficiently.

Technology is being used to check the validity of official documents, such as passports, with the originating government department, and is also being used to generate intelligence alerts, warning local authorities of fraud risks so that a proportional response can be set in place. Local authorities should continue to invest in technology that assists in preventing fraud and corruption.

Sharing good practice: local authorities should make use of good practice to achieve the best results. Within this strategy are examples of a number of local authorities that have begun to do this. The Companion to this strategy contains a checklist for local authorities, a detailed description of fraud types, and examples of good practice with information on where to find more.

As part of Fighting Fraud Locally 2011, the National Fraud Authority undertook research on good practice, legislation and procedure and produced a number of guides. The original research showed the need for a one stop shop for local authorities for good practice, and the guides, which cover recovery, case building and risks, were placed in the CIPFA Good Practice Bank. A number of local authorities have used these documents and they should now be updated where necessary and publicised anew.

The evidence collected for this new strategy shows that the one stop approach has worked and should be continued. A one stop shop for the whole of the public sector is now provided through the CIPFA Counter Fraud Centre website, where the Fighting Fraud and Corruption Locally page can

be accessed free of charge. The London Counter Fraud Partnership has existed since 1998. It is a partnership of all the enforcement agencies involved in tackling fraud in London including local authorities, NHS, Housing Associations and the Metropolitan Police.

This partnership has produced numerous pieces of good practice and fraud prevention documents which are available free within the CIPFA Counter Fraud Centre website. The Metropolitan Police runs a webpage that covers trends in fraud including mandate and vishing/phishing scams and measures to prevent fraud including advice and where to get support. A number of other organisations also offer good practice information which can be accessed by local authorities.

Case Study – Dudley Metropolitan Borough Council Code of Practice

Dudley MBC has Codes of Conduct for employees and members which set out the high standards expected of them. These are also intended to relay certain messages to all suppliers as there is a growing expectation that all service providers in local government should adhere to the same principles of being open and transparent when dealing with colleagues, residents and partners.

In developing their Suppliers' Code of Practice they aimed to reinforce good working practices and to stamp out fraud, bribery, corruption and unacceptable business practices. Staff who buy in goods and services on behalf of the authority and all suppliers are required to work to the guidelines in the Code of Practice. All active suppliers have received an email announcing the launch of the Code and showing where the Code is available on the council website. The Code includes useful contacts if people want to report problems to the council and reinforces the availability of a Fraud Hotline operated by Audit Services. Audit Services also intends to approach key suppliers to obtain feedback and ask for written assurance that they comply with the Code.

Dudley MBC's leaflet Beating Fraud is Everyone's Business, which sets out guidelines for employees, managers and members, is available on the CIPFA website

7. Tackling Corruption

The UK Anti-Corruption Plan requires a response from local authorities. Areas in the plan that local authorities should pay attention to are:

- working more closely with the NCA and other law enforcement agencies
- instituting a public awareness campaign
- putting in place confidential reporting arrangements for whistleblowers and responding effectively to reports of corruption
- preparing corruption risk assessments across all areas of business
- procurement and the European Public Procurement Directives in respect of the exclusion of suppliers.

Areas in the plan that are specific to local authorities are:

- the CIPFA Counter Fraud Centre, which will promote measures and provide tools and services to the public sector in this area. The CIPFA CFC is offering e-learning on anti-corruption and whistle-blowing and health checks on anti-corruption measures
- funding which has been made available by DCLG to support local authorities' efforts to tackle fraud
- the Transparency Code
- working more closely with the Home Office in respect of local partnerships and the way in which these interact
- the research, development and publication of Fighting Fraud and Corruption Locally.

Section 3: Delivery Plan

Recommendations

General recommendations

1. A working group from local authorities should examine and devise a standard and common methodology for measuring fraud and corruption within local authorities. Once it has been agreed, local authorities should use the standard and common measure of estimated levels of fraud and corruption.

2. A working group from local authorities should be established to look at the area of powers, incentives and information barriers to:

- examine areas where barriers exist
- gather evidence
- look at achieving quick wins
- place examples of good practice in the Fighting Fraud and Corruption Locally Good Practice Bank.

3. A working group from local authorities should be established to look at the area of fraud and corruption enablers with a view to preventing more fraud and corruption.

4. There should be an annual report for Fighting Fraud and Corruption Locally which will provide more detail of progress and developments in areas like procurement.

5. DCLG should work with local authorities and the CIPFA Counter Fraud Centre (which host Fighting Fraud and Corruption Locally) to acknowledge good practice and should share useful case studies to ensure that there is an appreciation by central government of achievements at local level.

6. DCLG should give consideration to the provision of future incentives to help local authorities to tackle housing fraud.

7. In relation to procurement fraud, a working group should be established, including subject matter experts and relevant interested parties as well as local authority counter fraud staff, to:

- Investigate and collate good practice in this area and place this in the Fighting Fraud and Corruption Locally Good Practice Bank

- Create a procurement fraud map and define the stages at which procurement fraud can happen in a local authority: highlighting low, medium and high potential risks, to inform risk awareness training for the future. This should include grant fraud where it crosses over.

- Support the implementation of the UK Anti-Corruption Plan by including corruption in procurement in the procurement fraud map

- Work with the London Counter Fraud Partnership to tailor the guidance they have created to the specific needs of local authorities

- Include in the Powers and Penalties Guide a list of powers and potential sanctions relevant to procurement fraud

- Work with the local authorities that are running pilots in order to learn lessons and communicate them to others

- Explore the possibility of cartels and mechanisms to detect them.

Recommendations for local authorities

8. There should be a structured programme on fraud and corruption awareness for elected members and senior managers.

9. Local authorities should undertake up-to-date fraud and corruption awareness programmes and use the free resources developed by local authorities that are available in the Fighting Fraud and Corruption Locally good practice bank.

10. Local authorities should collaborate where it is appropriate to do so and should place examples of useful outcomes in the Fighting Fraud and Corruption Locally Good Practice Bank and use this as a conduit to exchange information with each other.

11. Local authorities should profile their fraud and corruption risks using the section on risks from the Fighting Fraud and Corruption Locally Companion document as a starting point.

12. Local authorities should ensure that they have the right resources in place by having made an assessment of the risks on fraud and corruption which should be reported to the Audit Committee or similar.

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- 13.** Senior officers within local authorities should ensure that officers working in the counter fraud team should be provided with appropriate accredited training.
 - 14.** Senior officers within local authorities should ensure that officers who work in areas where they might encounter fraud and corruption have appropriate training.
 - 15.** Local authorities should continue to work together on counter fraud hubs or, should investigate the benefits of joining hubs, and should share information where possible to help each other increase resilience to fraud and corruption and establish best practice.
 - 16.** Local authorities should participate in data technology pilots to improve their efforts to detect and prevent fraud and corruption.
 - 17.** Local authorities should publicise and celebrate successes. Press stories should be collated on the Fighting Fraud and Corruption Locally Good Practice Bank and, where possible, publicity should be endorsed and promoted by DCLG.
 - 18.** Local authorities should make an assessment using the Fighting Fraud and Corruption Locally Companion Checklist, increasing awareness of the UK's Anti-Corruption Plan, make themselves aware of NCA advice, ensure that staff are trained on anti-bribery and corruption, and report this to their Audit Committee together with actions to meet the criteria set out in the Plan.
 - 19.** Local authorities should use the free CIPFA Code of Practice on Managing the Risk of Fraud and Corruption to ensure a common standard.
 - 20.** Local authorities should make sure that they have in place robust reporting procedures including whistle-blowing and that these include assessment through the BSI or Public Concern at Work and that staff are trained in this area.
 - 21.** Local authorities that do not have their own housing stock should consider working with their housing partners, in return for nomination rights, to prevent and detect social housing fraud.
 - 22.** Where appropriate local authorities should consider participating in the Tenancy Fraud Forum.

- 23.** Local authorities should work with partners on relevant procurement projects and pilots and disseminate information as appropriate.
- 24.** Local authorities should look at insider fraud and consider using the Internal Fraud Database at CIFAS following the London Borough of Ealing pilot.
- 25.** Local authorities should horizon scan and explore new areas, e.g. cyber and identity issues and explore new methods to detect fraud, e.g. behavioural insights.
- 26.** Local authorities should use the FFCL Companion Checklist to ensure that they have the right counter fraud and anti-corruption measures in place and should report the results of this to their Audit Committee and the External Auditor.

Framework for Delivery

To support the delivery of this strategy appropriate governance arrangements should be set in place to oversee the implementation of recommendations and the maintenance of the Fighting Fraud and Corruption Locally resources for local authorities.

A board will be established to ensure activity takes place and to provide senior stakeholder support.

The day to day management and hosting of the Fighting Fraud and Corruption Locally web page, survey, and secretariat sits with the CIPFA Counter Fraud Centre and is provided on a pro bono basis. This arrangement is working effectively.

Deliverables

The FFCL Board will need to ensure that progress in implementing the recommendations in this strategy is monitored and that an annual report is provided and published setting out what has been achieved and what remains to be done, so that local authorities and other stakeholders have clear visibility of how the strategy has improved outcomes.

Thank you

The Fighting Fraud and Corruption Locally Board is:

- Ian O'Donnell (Chair) – London Borough of Ealing
- Bevis Ingram – LGA
- Andrew Hyatt – Royal Borough of Kensington and Chelsea
- Simon Lane – Former London Borough of Brent
- Mike Clarkson – Mazars
- John Baker – Moore Stephens
- Rachael Tiffen – CIPFA Counter Fraud Centre
- Ben Stoneman – DCLG
- Nick Pellegrini – DCLG

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- Ian O'Donnell (Chair) – Executive Director of Corporate Resources, London Borough of Ealing
- Bevis Ingram – Senior Adviser, Finance, LGA
- Ben Stoneman – DCLG
- Nick Pellegrini – DCLG
- Rachael Tiffen – Head of Faculty, CIPFA Counter Fraud Centre and Governance Faculty
- 3 Local Authority representatives
 - John Rosenbloom, former Manchester City Council
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 - Kevin Campbell-Scott, Southwark Council
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The Fighting Fraud Locally Board wishes to thank:

- Andrea Hobbs
- Anna Atkinson
- Colin Sharpe
- Duncan Warmington
- Enfield Council
- Essex Council
- George Sexton
- Helen Peters

- James Flannery
- John Rosenbloom
- Karen Bellamy
- Katrina Robinson
- Les Bradshaw Dudley MBC
- Lewisham Council
- London Councils
- Manchester City Council
- Mark Astley
- Martin Crowe
- Mike Clarkson
- National Audit Office (NAO)
- Paul Bicknell
- Paul Bradley
- Paul Rock
- Phil Sapey
- Professor Mike Levi
- Professor Alan Doig
- Public Concern at Work
- Ray Joy
- Royal Borough of Kensington and Chelsea
- Rob Whiteman
- Simon Bleckly
- Simon Dukes
- Zoe Neal

Special thanks go to:

The researchers and drafters:

- Kate Beddington-Brown
- Leslie Marshall
- Carol Owen
- Rachael Tiffen

The Board wishes to thank Ian O'Donnell for chairing the Fighting Fraud Locally Board 2011-2016

**

And all those who attended the workshops, provided feedback or responded to surveys and who took up the actions after *Fighting Fraud Locally 2011*.

Produced by:

CIPFA / The Chartered Institute of
Public Finance & Accountancy