SteVenage
BOROUGH COUNCIL

AUDIT COMMITTEE

Date: **Monday, 26 March 2018**
Time: **6.00 pm**
Location: **Shimkent Room - Daneshill House, Danestrete**
Contact: **Colin Sweeney on 01438 242706**
committees@stevenage.gov.uk

Members: Councillors: M McKay (Chair), J Gardner (Vice-Chair), R Broom, H Burrell,
L Chester, D Cullen, G Lawrence, G Snell and B Mitchell

AGENDA

PART 1

1.   APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

To receive from Members, any apologies for absence or declarations of interest in relation to any items of business on the agenda for this meeting.

2.   MINUTES OF THE LAST MEETING OF 5 FEBRUARY 2018

To approve as a correct record for signing by the Chair, the minutes of the last meeting of the Committee, held on 5 February 2018.

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3.   SAFS PROGRESS AGAINST SBC'S ANTI-FRAUD ACTION PLAN 2017/2018

To provide Members with information on:

Progress on the SBC *Anti-Fraud Action Plan* for 2017/2018
A proposed SBC *Anti-Fraud Plan* 2018/2019
Transparency Code Data

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4.   PROPOSED ANTI-FRAUD ACTION PLAN FOR 2018/2019

5.   ASSESSMENT OF CORPORATE GOVERNANCE ARRANGEMENTS AND GOVERNANCE CODE ANNUAL REVIEW

To advise Members of the Audit Committee of activity planned for 2018/2019 to enhance governance arrangements, as a result of the Council's self-assessment of corporate governance arrangements against the requirements that form the core principles of corporate governance in the CIPFA and SOLACE Framework, "Delivering Good Governance in Local Government."

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6.   2018/19 INTERNAL AUDIT PLAN REPORT

To provide Members with the proposed Stevenage Borough Council 2018/19 Internal Audit Plan.

7. **SHARED INTERNAL AUDIT SERVICE PROGRESS REPORT**

To provide Members with:

a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2017/18 Internal Audit Plan as at 9 March 2018.

b) The findings for the period 21 January to 9 March 2018.

c) The proposed amendments required to the approved Annual Internal Audit Plan.

d) The implementation status of previously agreed high priority audit recommendations.

e) An update on performance management information as at 9 March 2018.

8. **URGENT PART 1 BUSINESS**

To consider any Part 1 business accepted by the Chair as urgent.

9. **EXCLUSION OF PUBLIC AND PRESS**

To consider the following motions –

1. That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as described in paragraphs1 – 7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to Information) (Variation) Order 2006.

2. That Members consider the reasons for the following reports being in Part II and determine whether or not maintaining the exemption from disclosure of the information contained therein outweighs the public interest in disclosure.

10. **PART II MINUTES OF THE AUDIT COMMITTEE OF 5 FEBRUARY 2018**

11. **STRATEGIC RISK REGISTER**

To note the latest Strategic Risk Register (SRR) for Stevenage Borough Council.

NOTE: Links to Part 1 Background Documents are shown on the last page of the individual report, where this is not the case they may be viewed by using the following link to agendas for Executive meetings and then opening the agenda for Monday, 26 March 2018 –
http://www.stevenage.gov.uk/have-your-say/council-meetings/161153/

Agenda Published Insert date of Publication

STEVENAGE BOROUGH COUNCIL

**AUDIT COMMITTEE
MINUTES**

Date: Monday, 5 February 2018
Time: 6.00 pm
Place: Shimkent Room - Daneshill House, Danestrete

Present: Councillors: Maureen McKay (Chair), Rob Broom, Howard Burrell, Laurie Chester, David Cullen, John Gardner, Graham Lawrence and Brian Mitchell

Also in attendance : Councillor S Speller

Start / End Time: Start Time: *6.00pm*
End Time: 7.15pm

1. **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received on behalf of Councillor G Snell.

There were no declarations of interest.

2. **MINUTES - 8 NOVEMBER 2017**

It was **RESOLVED** that the Minutes of the meeting of the Audit Committee held on 8 November 2017 are approved as a correct record and signed by the Chair.

3. **ANNUAL CERTIFICATION REPORT**

Kay Storey, Ernst and Young LLP presented the Certification of Claims and Annual Returns Report 2016/17 which summarised the results of the work on the Council's 2016-17 claims.

The main considerations for the Committee related to the Housing Benefits Subsidy Claim and the fees for certification and other returns work

It was **RESOLVED** that the report be noted.

4. **EXTERNAL AUDIT PLAN**

The Assistant Director (Finance and Estates) advised that with the consent of the Chair, the report had been withdrawn and would be submitted to the next meeting of the Committee.

5. **ANNUAL TREASURY MANAGEMENT STRATEGY (INCLUDING PRUDENTIAL CODE INDICATORS 2018/19)**

The Assistant Director (Finance and Estates) presented a late report which would be recommended to Council at its meeting on 28 February 2018 seeking approval of the Treasury Management Strategy 2018/19 including its Annual Investment Strategy and the prudential indicators.

The Committee was advised that the Council had elected to professional client status to allow uninterrupted advice and opportunities for investment/debt products. The status would also enable the Council to maintain its existing relationships with financial institutions and the ability to use alternative financial instruments.

In relation to the level of cash reserves, Members were advised to note that the HRA Business Plan, General Fund MTFS and the Capital Strategy had a planned use of the resources which meant that whilst not committed in the current year, they would be utilised in future years.

In response to a question regarding the level of balances that would be remaining by 2021/22, Officers reminded the Committee that this was within the Council's approved plans and that taking historic external borrowing would increase balances, but would also be a cost to the General Fund.

It was **RESOLVED:**

1. That the Treasury Management Strategy is recommended to Executive and Council for Approval;

2. That the draft prudential indicators for 2018/19 subject to any changes proposed by CIPFA to the Treasury Management Code and Prudential Code be approved;

3. That the minimum revenue provision policy be approved and the proposed changes currently under consultation be noted.

4. That it be noted that no changes are being proposed to treasury limits contained within the Council's Treasury Management policies.

6. **SHARED INTERNAL AUDIT SERVICE PROGRESS REPORT**

The SIAS Audit Manager presented a report providing Members with:

- The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2017/18 Internal Audit Plan as at 20 January 2018;
- The findings for the period 20 October 2017 to 20 January 2018;
- The proposed amendments required to the approved Annual Internal Audit Plan;
- The implementation status of previously agreed high priority audit recommendations;
- An update on performance management information as at 20 January 2018.

Members were pleased to note that significant progress has been made in the delivery of both of the key performance indicators (billable days and audits to draft report stage) since the last meeting of the Committee. Following recruitment to posts, the Audit Manager advised that formal audit start dates had now been agreed with management and resources allocated accordingly.

The SIAS Audit Manager agreed to include the final report for the Repairs and Voids Service in the agenda for the next meeting of the Committee.

It was **RESOLVED** that the Internal Audit Progress Report for the period to 20 January 2018 be noted.

7.   **URGENT PART 1 BUSINESS**

None.

8.   **EXCLUSION OF PUBLIC AND PRESS**

It was **RESOLVED** that:

1.   Under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as described in paragraphs 1-7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to information) (Variation) Order 2006.

2.   Members having considered the reasons for the following reports being in Part II and determined that the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

9.   **TECHNOLOGY SHARED SERVICE IMPROVEMENT PLAN**

It was **RESOLVED** that the progress to date in relation to enhancing the Council's Cyber Security and resilience arrangements, as set out in the IT Improvement Plan is noted.

10.   **URGENT PART II BUSINESS**

None

CHAIR

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Stevenage Borough Council
Shared Anti-Fraud Service
Report
March 2018

Recommendation

Members are recommended to:

Read the LGA Councillors Workbook on Fraud and Bribery Prevention 2017.

Note the progress made by the Council and the Shared Anti-Fraud Service in delivering the Anti-Fraud Action Plan 2017/2018.

Review and approve the proposed Anti-Fraud Plan 2018/2019.

Contents

Appendices.

1   Introduction and Background

Purpose of Report

1.1   To provide Members with information on:

- Progress on the SBC *Anti-Fraud Action Plan* for 2017/2018
- A proposed SBC *Anti-Fraud Plan* 2018/2019
- Transparency Code Data

Background

1.2   Several reports issued by Government and public sector organisations have highlighted fraud as a significant risk for local government. These reports are used by SAFS to ensure that the Council is aware of its own fraud risks and finds ways to mitigate or manage these effectively wherever possible.

These reports include:

- *Fighting Fraud and Corruption Locally 2016–2019 Strategy* produced by CIPFA in March 2016 and supported by CLG. The new strategy estimates annual fraud losses in local government at around £2.1bn (this report is based on 2013 data).

- *UK Annual Fraud Indicator 2017* published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian which estimates the risk of fraud losses for local government in excess of £8bn per annum.

- CIPFAs *Fraud and Corruption Tracker 2017* indicates that identified fraud had increased since 2016 but that the capacity within the sectors counter fraud capacity had reduced, and would continue to do so, placing local government at even greater risk of fraud.

- The Governments *United Kingdom Anti-Corruption Strategy 2017-2022* includes the vision and priorities for dealing with and reducing the risk of corruption within the UK private, public & charity sectors and when working with organisations /companies/government agencies abroad.

1.3   The Cabinet Office, Ministry for Housing, Communities and Local Government, National Audit Office, LGA, and CIPFA have also issued guidance, advice, and best practice directives to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for Councils to be vigilant in recognising their fraud risks and to invest resources in counter fraud activities that deliver savings.

1.4   The Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). Members have received detailed reports about the creation of SAFS in 2015, its development since, and how the service works closely with the Shared Internal Audit Service. SAFS works across the whole Council dealing with all aspects of fraud from deterrence & prevention to investigation & prosecution.

1.5   To support SAFS and protect local services it is essential that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, and plans to deal with the investigation and prosecution of fraud.

1.6   In 2017 the LGA published its Councillors Workbook on Bribery and Fraud Prevention. A copy of the Workbook can be found at **Appendix A** and Members are recommended to read and review this document.

2.   Plans, Activity and Reports

Anti-Fraud and Corruption Strategy

2.1   The Council has in place an Anti-Fraud and Corruption Strategy. This document lays out the Council's position and includes advice to Members, senior officers, and staff about how to deal with identified fraud. This document pre-dates the formation of the SAFS and will be reviewed in 2018; at present it complies with best practice guidance from CIPFA/NAO/CLG.
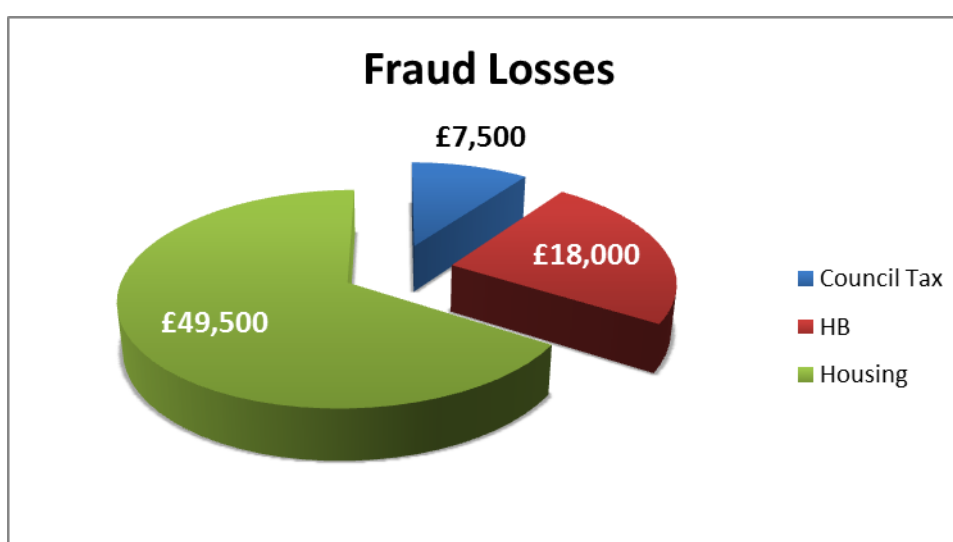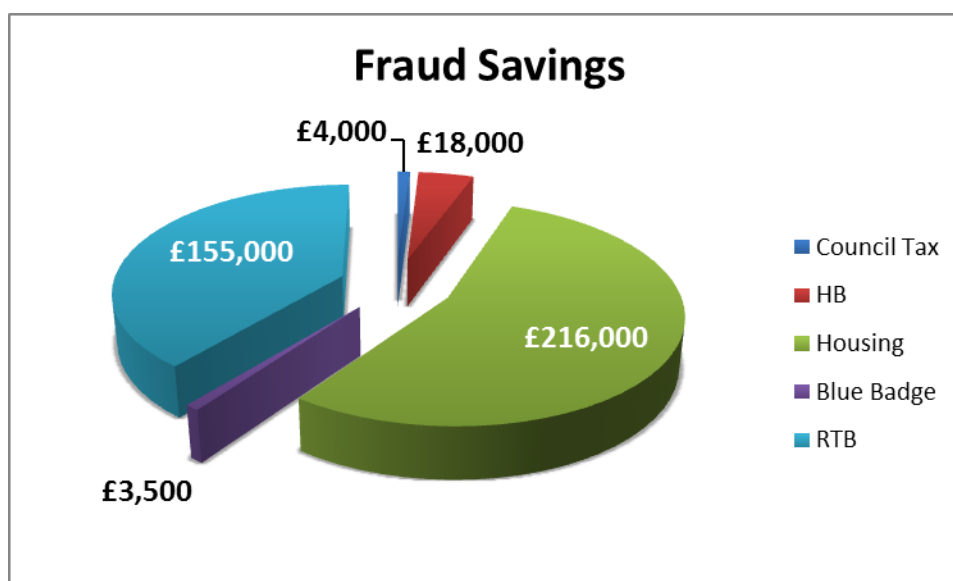
Anti-Fraud Action Plan 2017/2018

2.2   The Councils Anti-Fraud Action Plan for 2017/2018, approved by Members in March 2017, covered all areas recommended by CIPFA to ensure that the Council acknowledges the risk of fraud, its responsibility to combat these risks, and takes appropriate action to prevent/deter/pursue fraud. A report detailing progress against the plan was provided to Members in September 2017 and a final report for 2017/2018 will provided to this Committee in the summer 2018.

Anti-Fraud Activity April - December 2017

2.3   In the first three quarters of the current financial year 184 cases of alleged fraud were reported to SAFS for investigation (69 from staff, 79 from public, 20 from proactive data matching and 16 from other sources), including allegations of fraud affecting areas such as council tax liability, housing applications, blue badge use, housing benefit and business rates.
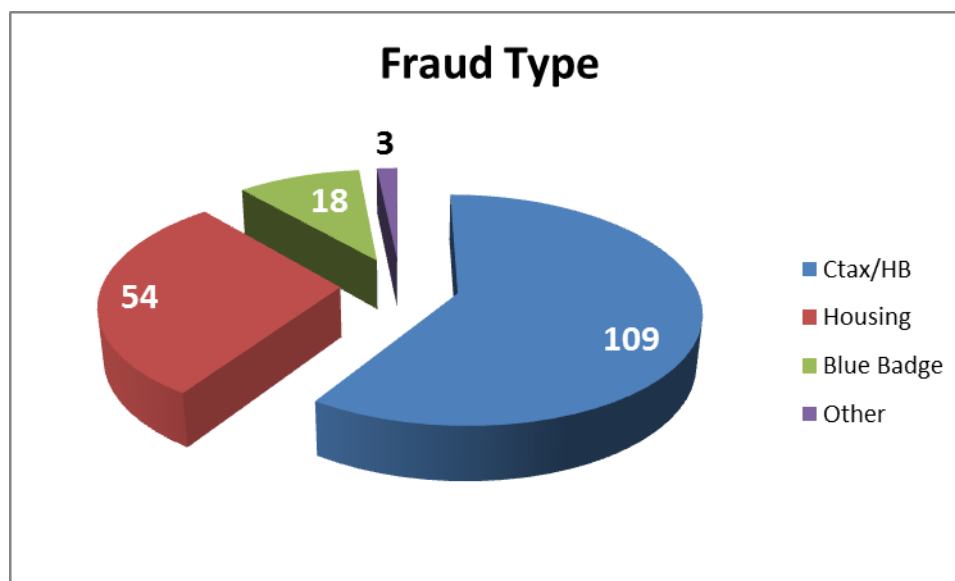
2.4   Of 51 cases where action has been taken, and investigations closed to the end of the 3rd Quarter, financial savings of £396.5k and fraud losses of £75k have been identified. In 6 of the most serious cases sanctions, including fines totalling £1,000 and prosecutions have been applied, several cases are currently awaiting court hearings. As noted above, a full report will be provided to this committee later in 2018 as a number of significant cases are still awaiting financial reporting in the 4th quarter.

2.5   For the Council 'Fraud Loss' is where a fraud has occurred resulting in a debt that can be recovered through civil/statutory routes. 'Fraud Savings' reflect attempted frauds that have been prevented or an ongoing 'Loss' that has been stopped. For Stevenage this includes social housing that has been misused through sub-let or non-occupation or fraudulent Right to Buy (RTB) applications that have stopped.

2.6   SAFS working with the Councils in-house Tenancy Fraud Officer has assisted with the recovery of 10 properties and prevented 2 RTBs and one fraudulent housing application SAFS continues to provide intelligence, administrative and management support for this officer.

Fraud Savings

£4,000 £18,000

£155,000

£216,000

£3,500

- Council Tax
- HB
- Housing
- Blue Badge
- RTB

Fraud Losses

£7,500

£18,000

£49,500

- Council Tax
- HB
- Housing

2.7   In the table above for Housing Benefit 'Loss,' which can recovered in full through civil and legislative routes, the Council will also receive an additional 40% subsidy from the DWP for identifying and seeking to recover these losses. Todate this additional subsidy will be £19k (40% of £49.5k) for 2017/2018.

2.8   Work in 2017/2018 has been focused on the opportunity to work jointly with the DWP through the National Pilot, of which the Council is one of six sites in England. This pilot allows investigators from SAFS (working for the Council) and the DWP to work together to share data and evidence where fraud impacts on local welfare schemes such as Council Tax Support or Housing Benefit and national schemes such as Income Support and Job Seekers Allowance or Universal Credit. The following are some examples of this work in 2017/2018 todate.

A Stevenage woman who had claimed benefits for several years as a single person submitted an application to buy her council house. Checks conducted into her mortgage application by SAFS revealed that the lady had been living with her partner for some years and that he was in full time work. These facts had never been reported to the Council.

Further checks by SAFS revealed that the lady's partner had been living with her since 2006 and as a result she had been overpaid £21,000 in housing benefit and council tax benefit. The lady was prosecuted by the County Councils Legal Team and received a 7 month prison sentence suspended for 18 months, she was also ordered to repay all the monies falsely claimed from the Council.

SAFS are currently working on 6 cases with the DWP where allegedly fraudulent claims for housing benefit, council tax support and council tax discounts and various other welfare benefits totalling more than £60k. These cases are still live but a number of them are likely to result in prosecutions which in these cases will be led by the DWP/CPS.

2.9 As can be seen, joint working with the DWP is progressing well and 3 further cases are at various stages of preparation for court hearings to commence. This work could not have been so successful without the co-operation of staff working in the Council's shared Revenue and Benefit Service.

2.10 SAFS have worked with Parking Enforcement and the Police in the town centre; investigating allegations of Blue Badge abuse/misuse, this has included several seizures of badges and prosecution where the offending was serious or persistent.

A Stevenage woman, who was reported as parking her car in a disabled parking bay at a town centre carpark for several months, was identified as part of a routine check along with the Councils Parking Enforcement Agent.

The lady claimed that the Blue Badge she had been displaying belonged to her grandmother who she had just brought into town, although she was not with her at the time she was spoken to. Further enquiries, which included speaking to the ladies grandmother, revealed that the lady had been using the Blue Badge without the holder's knowledge or permission for some time.

The lady appeared at Stevenage Magistrates where she pleaded guilty to misusing a Blue Badge and was fined £200 and ordered to pay the Councils costs.

2.11 SAFS have assisted with and funded the delivery of two tenancy fraud prevention projects this year. *Housing Partners* provide a system which will alert the Council to potential fraud in its stock as part of a real time process and the Councils Housing Team will roll this system out for use from April 2018. A mobile phone application *I-*

Latch has been procured and has been shared with local letting agents for free since February 2018. This App will allow the letting agent and any prospective tenants to check any address in the Stevenage area to see if the property belongs to the Council and is being offered for subletting. If anyone were to search for a property and that property was part of SBC's stock an alert will be sent to SAFS and the Council.

Anti-Fraud Plan 2018/2019

2.12   The plan for 2018/2019 uses a similar format to that used in previous years taking into account changes in guidance from CIPFA and/or changes in fraud risks for the Council. See **Appendix B** for a copy of the plan.

2.13   Adherence to the proposed plan for 2018/2019 will ensure compliance with the Council's own Strategy, and the best practice guidance issued by the CLG, NAO, LGA, and CIPFA.

Transparency Code Data 2017/2018

2.14   SAFS will also provide data to meet the requirements of Transparency Code for publication by the Council in the summer of 2018 on its activity on Counter Fraud for the whole of 2017/2018.

Appendices

A.   LGA Councillors Workbook.

LGA Councillors Workbook 2017

B.   SAFS/SBC Anti-Fraud Plan 2018/2019-

SAFS/SBC Plan 2018/2019

**Stevenage Borough Council
Anti-Fraud Plan 2018/2019**

In partnership with

The Shared Anti-Fraud Service

Contents

Introduction

This plan supports the Councils current Anti-Fraud and Corruption Policy by ensuring that the Council, working in partnership with the Hertfordshire Shared Anti-Fraud Service, has in place effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Policy states that the Council;

- **is opposed to fraud and corruption,**

- **recognises the need for staff and Members to support the policy,**

- **expects Members and staff to adhere to the highest standards of honesty and integrity,**

- **that Members and staff will act in accordance with legal requirements and Council procedures,**

- **that individuals and organisations that deal with the Council to meet the same standards.**

This plan includes objectives and key performance indicators that support the Councils Strategy and meet the best practice guidance/directives from central government department such as Department for Communities and Local Government and other bodies such as National Audit Office and the Chartered Institute for Public Finance and Accountancy.

National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government was large, but difficult to quantify with precision.

In its 2015 publication *Code of practice on managing the risk of fraud and corruption* CIPFA highlighted the five principles for public bodies to embed effective standards for countering fraud and corruption in their organisations. These principles support good governance and demonstrate effective financial stewardship and strong public financial management

The five key principles of the code are to:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption.

The CIPFA *Local Government Counter Fraud and Corruption Strategy (2016-2019)* included a summary of reported fraud losses across councils in England totalling £307m per annum but that hidden and unreported fraud risks could exceed £2bn each year. The strategic response for local government to respond to the threat of fraud threats provides three key principles **'Acknowledge/Prevent/Pursue'**. The strategy was supported by Department for Communities and Local Government, the Local Government Association and Fighting Fraud Locally Board.

In addition, local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes (the 6 Cs) identified in the CIPFA Strategy:

- 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 Annual Fraud Indicator (AFI) 2017 (published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian) attempts to identify the cost of fraud to the UK economy. The AFI estimated fraud losses for local government as follows.

- Total loss across local government - £7.8bn
- Tenancy Fraud- £1.8bn
- Procurement Fraud - £4.4bn
- Payroll Fraud - £1bn
- Other - £.6bn

The AFI does not include housing benefit fraud or council tax fraud as a loss to local government but estimates the loss of these combined at around £1.1bn.

What is clear is that every pound lost to fraud from the public purse is a pound lost from essential front line services. The Councils Anti-Fraud Plan 2017/2018 is founded on the principles of 'Acknowledge/ Prevent/ Pursue' and the 6 C's to ensure the Council is adequately protected from fraud risk or that where fraud does occur there are plans to manage and mitigate any losses.

SAFS Resources 2018/2019

Budget

In December 2016 the SAFS Board accepted a report from the SAFS Manager to restructure and reorganise the Service from April 2017/2018.   This restructure would result in a small increase in fees for all Partners. The Board agreed that the annual fee for District Councils, with housing stock, would be fixed to £100,000 +VAT. The Board also received assurance, from extensive financial modelling, that the service would be sustainable, in its current form, for 5 years with any increase in fees to be reviewed each year from 2018/2019 onwards.

Fees for Stevenage Borough Council in 2018/2019 remain at £100,000 + VAT.

Staffing

The full complement of SAFS now stands at 15 FTE's; 1 Manager, 2 Assistant Managers, 8 Investigators, 3 and 1 Data-Analyst. SAFS also have access to an Accredited Financial Investigator (AFI), specialist IT/financial and forensic services through third party providers and criminal litigation services, through the Shared Legal Service with the County Council.

Stevenage Borough Council will have exclusive access to 1 FTE Investigator, access to the intelligence functions of the service, all data-matching services being offered through the local data-warehouse and can call on SAFS management for liaison meetings, management meetings and two Audit Committees reports per annum.

SAFS will also support the Tenancy Fraud Investigator employed by the Council, providing access to systems, intelligence and management support for investigations.

SAFS will also provide fraud awareness training for Council staff and be available during normal office hours to provide general advice or guidance to officers on emerging fraud threats or those matters requiring an immediate response.

SAFS - Standards of Service.

SAFS will provide the Council with the following fraud prevention and investigation services as part of the contracted anti-fraud function.

1. Access to a managed fraud hotline and webpage for public reporting.
2. Process and document for SAFS Partner staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Prevention.
4. Assistance in the design of Council policies, processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates to be adopted by the Council.
6. SAFS will provide a proactive data-matching solution (data-warehouse) to assist in the early identification of fraud and fraud prevention
   - The data-warehouse will be funded by SAFS
   - The data-warehouse will be secure and accessible only by nominated SAFS Staff. Data will be collected and loaded in a secure manner.
   - SAFS will design and maintain a data-sharing protocol for SAFS Partners to review and agree annually. The protocol will clearly outline security provisions and include a Privacy Impact Assessment.
   - SAFS will work with nominated officers in the SAFS Partners to access data-sets to load into the data-warehouse and determine the frequency of these.
   - SAFS will work with Partners to determine the most appropriate data-matching for each of them and the frequency of such data-matching.
7. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
8. All SAFS investigations will comply with legislation including DPA, GDPR, PACE, CPIA, HRA, RIPA* and all relevant policies of the Council.
9. Reactive fraud investigations.
   - All reported fraud will be actioned by SAFS within 5 days, on average.
   - The Council will be informed of all reported fraud affecting its services.
   - SAFS will allocate an officer to each investigation.
   - SAFS officers will liaise with nominated officers at the Council to access data/systems/accommodation required to undertake their investigations.
   - SAFS officers will provide updates on cases and a report with summary of facts and supporting evidence on conclusion of the investigation for the Council to review and make any decisions.
   - Where a decision indicates an offence SAFS Officers will draft a report for the nominated officers of the Council to make a decision on any further sanctions/prosecutions.
10. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal based on the Code for Crown Prosecutors and the Council's published policies. SAFS will provide reports through the SAFS Board on progress and to the Council's Audit Committee.
11. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.

Data Protection Act, General Data Protection Regulation, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act.
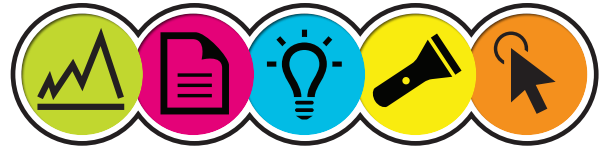
SBC / SAFS Action Plan 2018/2019

CIPFA Principles	SAFS Objectives	Goals & 6Cs	Activities	Responsible Officer
ACKNOWLEDGE	**Ensure ongoing effectiveness and resilience of anti-fraud arrangements**	Fraud is acknowledged as a Risk for the Council *CULTURE*	The Council has in place Anti-Fraud and Corruption Strategy	Head of Shared Legal
			The Council has a Fraud Response Plan and this Action Plan	AD(Finance and Estates)
			Audit Committee and Senior Managers ensure compliance with CIPFA best practice in their counter fraud arrangements	AD(Finance and Estates)
			The Council conducts Fraud Risk Assessments	SAFS Mgr/ Risk Mgr/SIAS Mgr
			The Council has in place Policies to deal with Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime	Head of Shared Legal
	Improve the reach into areas of 'corporate' fraud across all Partners	The Council has a robust communication policy demonstrating its commitment to prevent fraud *COMMUNICATION*	The Councils Communication Team will publicise prosecutions and anti-fraud campaigns conducted by it and SAFS	Head of Comms
			SAFS will provide access to fraud reporting tools (web/phone/email)	SAFS Mgr
			The Council and SAFS will make availble fraud awareness or specific anti-fraud training across all Council services	SAFS Mgr & Head of HR
			Provide fraud alerts to appropriate officers/staff/services.	SAFS Mgr
			SAFS will provide an E-Learning Packages for staff/members	SAFS Mgr & Head of HR
PREVENT	**Create a data hub for Hertfordshire**	Co-ordination of effort, sharing of best practice, data, fraud alerts and new threats. *COLLABORATION*	Develop existing SAFS Data Hub- including support projects for Housing and Shared R&B	SAFS Mgr
			Review data sharing agreements/protocola between internal and external partners	Head of Shared Legal / SAFS Mgr
			Work to develop 'Flexible NFI' & 18/19 NFI Matches	SAFS Mgr
			Work with DWP to deliver CTRS/HB/Housing Fraud 2018 roll-out	SAFS Mgr/ Head of Shared R&B
			Work with other organisations, including private sector, to improve data-sharing	SAFS Mgr
	Develop services which can be marketed to external bodies	Have the highest levels of professional standards *COMPETENCE*	All SAFS staff will be fully trained and accredited	SAFS Mgr
			All investigations will be undertaken in compliance with relevant legisaltion and Council Policies	SAFS Mgr
			SAFS will work with bodies such as CLG/LGC/CIPFA to develop local anti-fraud strategies at a national level	SAFS Mgr
			SAFS will work with Council Services to make best use of 3rd party Providers such as NAFN, PNLD etc	SAFS Mgr
PURSUE	**Deliver financial benefits in terms of cost savings or increased revenue**	Ensuring the Counter-Fraud Measurs are appropriate to the range of fraud risk. *CAPABILITY*	SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council	SAFS Mgr
			SAFS will record and report on all fraud referred, investigated and identified	SAFS Mgr
			SAFS will review fraud trends and new threats and report on these to Council Managers	SAFS Mgr
			SAFS, Shared Legal Service and Debt teams will seek to 'prosecute' offenders and recover losses	SAFS Mgr /Head of Shared Legal/ Head of Shared R&B
	Create a recognised centre of excellence that is able to disseminate alerts and share best practice nationally	Develop the right level of resources to deal with the level of fraud risk *CAPACITY*	The Council will review its ROI from SAFS Membership	AD(Finance and Estates)
			SAFS will assist the Council in providing its Transparency Code (Fraud) Data annually	SAFS Mgr
			Reports to Senior Mgt and Audit Committee on SAFS and Council activity	SAFS Mgr / AD(Finance and Estates)
			Inclusion of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement	AD(Finance and Estates)

AD(Finance and Estates) is the Councils s.151 Officer
Head of Shared Legal is the Councils Monitoring Officer

SAFS

KPIs 2018/2019

KPI	Measure	2018/2019 Target	2017/2018 Targets	2017/2018 Performance to 31.12.2017	SAFS Partnership Aims
1	Provide an investigation resource to the Council to include fraud deterrence/ prevention activities as well as proactive and reactive investigations.	1 FTE on call at HBC (Supported by SAFS Intel/ Management). Membership of NAFN Membership of CIPFA Counter Fraud Centre Access to NAFN for relevant SBC Staff 5 Fraud awareness training events for staff/Members Support for in-house Housing Fraud Investigator	1 FTE on call (supported by SAFS Intelligence/ Management). Fraud training events for staff	FTE provided with support from SAFS Mgt. SBC Housing Investigator 'tasked' and supported by SAFS	**Ensure ongoing effectiveness and resilience of anti-fraud. Deliver a return on investment for the Councils financial contribution to SAFS.**
2	Identified Value of Fraud prevented/detected. Based on the Methodology agreed by SAFS Board & Recovery of Social Housing Properties in the Borough	£450k From fraud identified and savings/prevention 12 Props (Incl Sub-Let/ Abandonment/RTB/Succession Fraud	£400k New Target	£483K 10 Properties Recovered	**Deliver financial benefits in terms of cost savings or increased revenue.**
3	Allegations of fraud Received. From all sources.	150 Fraud referrals from all sources to SAFS	100	184 Allegations Frauds received across all Council Services	**Improve the reach into the areas of non-benefit and corporate fraud within the county.**
4	Success rates for cases investigated. This will ensure that quality investigations are undertaken.	50%	50%	46% 23 from 51 cases closed. *(Also issued 41 **Warning Letters** or **Advice Files**)*	**Create a recognised centre of excellence able to disseminate alerts and share best practice nationally.**
5.	Conduct Data-Matching using the local data-hub, NFI and other data-matching/mining.	Data-Hub for local data matching. Access to NFI output. County wide Council Tax Review Framework. & Housing Partners-(Tenancy Fraud)	• Data-Hub for local data matching. • Access to NFI output.	• Data-Hub operational. • Delivered Housing Data-Match. System. • County Wide Council Tax Review Framework. • NFI work ongoing.	**Create a data hub for Hertfordshire.**

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A councillor's workbook on bribery and fraud prevention

Contents

CIPFA \ The Chartered Institute of
         Public Finance & Accountancy

Foreword

This workbook has been designed as a learning aid for elected members. It makes no judgement about whether you have been a member for some time, or whether you have been elected more recently. If you fall into the former category the workbook should serve as a useful reminder of some of the key skills, approaches and tactics involved in neighbourhood and community engagement – it may even challenge you to reconsider how you have approached aspects of the role to date.

Those members who are new to local government will recognise that they have much to learn. The workbook will help you to get up to speed on the main areas of the neighbourhood and community engagement role that require focus and attention. In effect, it should provide you with some pointers on how to develop a style and approach that you are comfortable with, and that enables you to be most effective in your day to day duties.

The workbook offers few firm rules for ward members as it is recognised that each individual must decide how best to approach the role. This will be influenced by the other commitments in your life, the type of ward you represent and the methods and approaches that suit you best. There is no presumption about 'typical wards' or 'typical members' and the workbook should serve more as a direction marker rather than a road map.

In practical terms, the document will take between two to three hours to work through. You do not need to complete it all in one session and may prefer to work through the material at your own pace. The key requirement is to think about your own approach to neighbourhood and community engagement – how the material relates to your local situation, the people you serve and the council you represent.

In working through the material contained in this workbook you will encounter a number of features designed to help you think about the issues surrounding the development of neighbourhood and community engagement. These features are represented by the symbols shown below:

Guidance – this is used to indicate guidance, research, quotations, explanations and definitions that you may find helpful.

Challenges – these are questions or queries raised in the text which ask you to reflect on your role or approach – in essence, they are designed to be thought-provokers.

Case studies – these are 'pen pictures' of approaches used by councils elsewhere.

Hints and tips– a selection of good practices that you may find useful.

Useful links – these are signposts to sources of further information that may help with principles, processes, methods and approaches.

Bribery and fraud prevention

Every organisation whether large or small is at risk from fraud and councils are no exception to this.

All councils have a duty to protect the public purse and a major part of this is by limiting exposure to fraud and corruption and reducing risk through effective prevention and detection. Authorities, even the smallest, are constantly under threat from fraudsters whether that be single person discount fraud, reducing council revenue or a cyber-attack causing a major data loss, reputational damage and fines from the information commissioner.

Fraud is estimated to cost UK councils around £2.1 billion per year which is money that cannot be used to support local communities.

As an elected member you have a range of statutory and moral obligations to protect the assets of your authority and you also need to equip yourself with the knowledge to deal with enquiries and questions from residents.

Section 1 Fraud from a local authority perspective

The scale of fraud

The challenge presented by fraud to councils is significant. As stated in 'The Local Government Counter Fraud and Corruption Strategy 2016-2019' (usually known as Fighting Fraud and Corruption Locally), it is estimated that fraud costs councils around £2.1 billion each year and some reports produced by other organisations suggest that this figure could actually be higher.

The CIPFA (Chartered Institute of Public Finance and Accountancy) counter fraud and corruption tracker, known as CFaCT is an annual survey of fraud activity in councils (and some other public bodies) and measures detection rates across local government and across different types of fraud. Based on returns in 2016 CIPFA estimates that over £325 million worth of fraud was detected in the UK public sector in 2015/16, with the biggest fraud areas being council tax and housing tenancy fraud. In previous years housing benefit fraud will have figured highly on this list.

Whatever the stats and reports say, is clear is that every pound lost by councils to fraud is a pound that cannot be spent on supporting the community.

Useful links
The full CFaCT report for the UK can be found here:
www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker

If your authority took part in the survey they will have received a free comparison report showing their counter fraud activity compared to other authorities in the same tier. See if you can obtain a copy from your fraud manager or head of internal audit.

If your council didn't take part in the survey perhaps you can encourage them to do so next year?

The Fighting Fraud and Corruption Locally strategy and companion documents can be found at:
www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally

The impact of fraud

The impact of fraud should never be underestimated. Fraud leaves the council with less to spend on services for residents and costs taxpayer's money. Fraud against a local council is not a victimless crime.

There's not only the lost/stolen money to consider but also the:

- loss of working time, with officers putting things right and liaising with police and lawyers
- cost of the investigation and any subsequent court costs
- increased insurance premiums.

There are also non-financial implications that are often forgotten. These will also, indirectly, have a financial impact, which is often difficult to qualify, such as:

- reduced or poor service for residents
- political impacts, eg government interventions, by-elections
- reputational damage for individuals or the council as a whole
- poor staff morale leading to poor performance and/or more fraud.

What is fraud?

'Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.'

'Managing the business risk of fraud' published by the Institute of Internal Auditors, et al

There are a number of definitions of fraud that are commonly used, however the majority of crimes committed that are considered to be fraud will be prosecuted under the Fraud Act 2006. Many activities that are carried out by councils are covered by specific legislation, for example, offences such as making false statements in order to obtain a council house or unlawful sub-letting of a council tenancy.

Fraud Act 2006
This legislation was introduced to make the law of fraud simpler and more readily understandable providing a clear understanding of the ways in which fraud can be committed. The Act gives us the provision for the general offence of fraud which is made up of three key sections:

- S2. Fraud by false representation
- S3. Fraud by failing to disclose information
- S4. Fraud by abuse of position.

Challenges
Think about the services that your council provides and identify some fraudulent activity that might occur within each of the categories.

Answers:

S2. Fraud by false representation

S3. Fraud by failing to disclose information

S4. Fraud by abuse of position

If you would like to know more about the Fraud Act 2006 the key provisions of the Act can be found here www.legislation.gov.uk/ukpga/2006/35/contents

There are many other 'activities' that may fall under the overarching definition of fraud and are indeed types of fraud, the most common of these include:

- corruption
- bribery
- theft
- money laundering.

To give a clearer understanding of these terms, they can be defined as:

- **Corruption**: The misuse of a person's position to commit offences, which can include theft, extortion and a number of other crimes, including the soliciting of bribes. The defining characteristic of corruption is that it involves collusion between two or more individuals and is often associated with those holding public office.

- **Bribery**: The offering, giving, receiving, or soliciting of any item of value, or an advantage to another person, to induce that person to improperly perform a relevant function or activity, or to reward them for improper performance.

- **Theft**: Dishonestly appropriating property belonging to another with the intention of permanently depriving that person of it.

- **Money laundering**: The process by which criminals attempt to disguise the original ownership and control of the proceeds of criminal activity by making such proceeds appear to have derived from a legitimate source.

> **Useful links**
> You can find out more about bribery and corruption by completing the CIPFA's Bribery and Corruption e-learning module, in partnership with the LGA. To access the site for the first time, please email: elearning@local.gov.uk
>
> http://lms.learningnexus.co.uk/LGA

Areas of fraud risk for councils

The estimated annual loss to fraud in councils is £2.1 billion. According to the CIPFA Fraud and Corruption Tracker 2016, the areas posing the highest fraud risk were:

1. **Council tax fraud**
   Fraud can occur when an individual intentionally gives incorrect or misleading information in order to pay less or no council tax. Examples include someone stating that they live alone when another adult also lives there or someone claiming to be a student when they aren't.

2. **Social housing/tenancy fraud**
   The unlawful misuse of social housing. This can be broken down into two main areas; social housing fraud and Right to Buy fraud. The former includes offences such as unlawful subletting, false applications, non-residency and unauthorised tenancy succession and the latter includes fraudulent applications under the right to buy/acquire schemes.

3. **Procurement fraud**
   This occurs in connection within the local authority supply chain. It can happen at any point throughout the procurement cycle but is particularly prevalent in the contract letting phase. It can also include tendering issues, split contracts and double invoicing.

4. **Adult social care and direct payments**
   Includes overstatement of needs through false declarations, multiple claims across authorities, collusion with care agencies and posthumous continuation of claims.

Other high risk fraud areas for councils

Housing benefit fraud

Councils are no longer responsible for the investigation of this fraud but as administrators of this benefit there is a responsibility to actively prevent attempts of fraud and to notify the Department of Work and Pensions (DWP) of any suspected fraudulent activity including false applications and failing to declare changes in circumstances.

Business rates (NNDR) fraud

Offences include providing false details to obtain exemptions and reliefs and unlisted properties.

Blue Badge misuse

There are 2.39 million Blue Badges in issue in the UK and it is estimated that 20 per cent of these are subject to fraudulent misuse such as use of the badge when the holder is not present and the alteration of a badge.

Recruitment fraud

Includes false CVs, job histories, qualifications, references or referees.

Insurance fraud

False claims made against a council or their insurers such as 'trips and slips'.

Grant fraud

There are many different types of local authority grants paid out to individuals, businesses and charities. Fraud types include work not carried out, funds diverted, ineligibility not declared.

Cyber fraud

Such as phishing, allows a range of fraud types resulting in diversion of funds and the creation of false applications for services and payments.

Pension fraud

Occurs when the pension provider is not notified of changes in circumstances and payments continue to be cashed fraudulently. Examples include failure to notify the pension provider about the death of the recipient and failure to declare returning to work after retirement.

No recourse to public funds

Fraudulent claim of eligibility, usually by the provision of false papers or by overstaying.

Case study
Dudley Metropolitan Borough Council's Code of Practice

Dudley Metropolitan Borough Council has codes of conduct for employees and councillors 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 its 'Suppliers' Code of Practice' Dudley 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 this code of practice.

All active suppliers have received an email announcing the launch of the code and shown where the code is available on the council's 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's leaflet 'Beating fraud is everyone's business', which sets out guidelines for employees, managers and councillors, is available on the CIPFA website.

www.cipfa.org/services/counter-fraud-centre

Reproduced from Fighting Fraud and Corruption Locally 2016-19

Section 2 Council and councillor responsibilities in relation to fraud prevention and detection

Well governed organisations have a range of policies, procedures and frameworks to support effective risk management, transparency, accountability, financial control and effective decision making, many of which relate directly or indirectly to fraud prevention. Applying these is not only the responsibility of the audit committee or cabinet.

As an elected member, you have an essential role to play in protecting the public purse, in particular within your council. You are responsible for ensuring that your authority adequately manages its risks and that local residents receive value for money. -You have a duty of trust to residents called the 'fiduciary duty' and a major part of this is ensuring that your council adequately controls its finances to reduce losses to fraud and corruption.

In addition to your fiduciary duty, as a councillor you are a public servant and are expected to uphold certain standards of conduct and behaviour in your public life. The Committee on Standards in Public Life calls these standards the 'Seven Principles of Public Life' (also known as the Nolan Principles).

Useful links
If you would like to read more the full report on the Seven Principles of Public Life can be found here:

www.gov.uk/government/uploads/system/uploads/attachment_data/file/543819/CSPL_Annual_Report_2015-2015.pdf

The seven principles of public life

The Seven Principles of Public Life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, non-departmental public bodies (NDPBs), and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

1. Selflessness

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

2. Integrity

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

3. Objectivity

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

4. Accountability

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

5. Openness

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

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

As a councillor you are expected to adhere to a code of conduct. A similar code of conduct will also apply to officers of your council. However, the biggest threat is from external sources, whether that is residents who may lie or exaggerate their circumstances to defraud or steal from the council or large scale, organised fraudsters, attacking public sector organisations as they perceive them to be a 'soft target'.

As a councillor your role in protecting the public purse may take a number of guises depending on your role and the responsibilities of your council but they may include:

1. reporting suspicious activity in your locality to your audit or fraud team eg subletting or council tax evasion

2. scrutinising risk registers and challenging if the fraud risks appear to not be well managed

3. oversight and scrutiny of budgets, especially in high risk areas

4. ensuring you declare any interests if you sit on committees such as planning

5. monitoring performance of your audit or fraud team with regard to detection and prevention of fraud

6. supporting the principles of good governance, and supporting an anti-fraud culture across the council, including whistleblowing

7. supporting the publicising of successful prosecutions by your council to act as a deterrent and perhaps providing quotes to the press if appropriate.

Something to think about…

'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, Newcastle Business School, Northumbria University

Activity
Imagine you are in the following situations, what you would do.
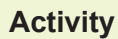
1. A resident comes to speak with you at your surgery and tells you that their neighbour is subletting their council property.

2. There has been a lot of publicity on TV about cyber fraud. You ask a question of your council's chief information officer (or equivalent) about what the council is doing to protect itself. The answer is "it's not a problem for us, so we don't really need to worry too much about it". You are not really comfortable that your chief information officer is taking the risk seriously.

3. You hear a rumour that a member of the planning committee has failed to declare that he has shares in a supermarket that want to develop in your area.

4. Your council is criticised by the external auditors for not doing enough to promote an anti-fraud and corruption culture. You are given the responsibility of leading the campaign. What might you do?

Please see page 26 for some suggested answers.

Section 3 The fraud response

Councillors are not responsible for investigating fraud. If you become aware of fraud, or suspect it, you should immediately report it to the responsible officer in accordance with your authority's local procedures and policies. Do not be tempted to begin an investigation yourself, even if this appears to be helpful.

However, you should be aware of the arrangements your council has in place for responding to fraud and this is particularly important if you are given special responsibilities in this area, such as being a member of the audit and/or governance committee.

Activity
What are your council's procedures for councillors to report fraud or suspicions of fraud? If you do not know, check with your member support officer or your authority's monitoring officer.

A robust and strategic approach is required to effectively tackle fraud perpetrated against local government organisations.

In order to tackle fraud risk, councils should have in place a strategic response based upon three basic principles as detailed below:

Acknowledge	Prevent and Detect	Pursue
Acknowledging and understanding fraud risks	Preventing and detecting more fraud	Being stronger in punishing fraud/ recovering losses
↓	↓	↓
• Assessing and understanding fraud risks • Committing support and resource to tackling fraud • Maintaining a robust anti-fraud response	• Making better use of information and technology • Enhancing fraud controls and processes • Developing a more effective anti-fraud culture	• Prioritising fraud recovery and the use of civil sanctions • Developing capability and capacity to punish fraudsters • Collaborating with law enforcement

Fighting Fraud and Corruption Locally 2016-19

Acknowledge

This is key and will underpin any anti-fraud strategy. If an organisation does not accept that they are at risk from fraud, then they will never be able to develop an effective anti-fraud response and ironically will leave themselves open to a higher likelihood of attack from fraudsters.

As a starting point a council should:

- make a proper and thorough assessment of its fraud and corruption risks that are specifically considered as part of the overall risk management process

- develop and implement an action plan in place to deal with the identified risks

- report regularly to its senior board eg audit committee, and its members

Prevent and detect

The old adage that 'prevention is better than cure' is never more appropriate than in dealing with fraud. The reason for many processes that appear annoying and bureaucratic is to introduce steps that make it harder for people to carry out fraud.

Active prevention and fraud risk management is the most cost-effective way to fight fraud, make savings and reduce risk.

Effective prevention should include:

- A robust programme of anti-fraud and corruption awareness training for councillors, senior managers and all staff.

- Standards of conduct and policies, that are well communicated, including:
  - officer and councillor codes of conduct
  - risk management policy
  - financial regulations and procurement policy
  - anti-fraud, corruption, money laundering and bribery policies
  - whistleblowing policy
  - register of interests
  - gifts and hospitality policy.

Use of technology and data sharing to enable thorough due diligence with regards to recruitment, applications for services, the Right to Buy scheme and procurement processes.

A well-publicised anti-fraud and corruption strategy and policy, and the publicising of successful investigations into cases of fraud and corruption, to build and develop a strong anti-fraud culture. Such a culture, when promoted from 'the top down', will encourage staff and service users to actively participate in fraud prevention through awareness and encouraging them to report any suspicions.

Effective and well operated controls within systems that are regularly audited to provide assurance that they are working.

Good networking by officers and sharing intelligence between authorities so that new types of fraud are picked up early.

Unfortunately, no matter how good prevention measures and controls are, there will still be occasions when your council suffers fraud losses. In these circumstances it is vital that there is the ability to call upon competent, professionally accredited counter fraud specialists trained to a professional standard to investigate the suspected fraud.

Councils need to ensure that evidence is lawfully gathered and professionally presented, irrespective of whether the anticipated outcome is a disciplinary hearing, civil action or criminal proceeding.

Pursue

Successful investigations will result in the identification of the fraudster and usually a financial figure representing the loss to the council. The authority will then have a number of options open to them regarding any course of action they may wish to take. This is a crucial part of the enforcement response and is needed to punish the fraudsters and act as a deterrent to others. Options available to councils include prosecution, cautions, fines and disciplinary action.

The recovery of any financial loss is also one of the most effective ways to deter offenders. It demonstrates that that if caught, they will have to repay their 'ill-gotten gains'. It is important, therefore that there is a culture of rigorous pursuit of losses and that this is publicised.

Investigative approaches

Councils need to regularly review their approach to fraud investigation and adapt when necessary.

Some councils have dedicated corporate anti-fraud teams to deal with all types of fraud and corruption. Others rely on audit staff to conduct investigations and some bring in outside experts when the need arises. Some councils have merged their internal audit and fraud teams to reduce costs. None of these is necessarily better or worse; it depends upon the circumstances of the authority. However, fraud investigation is a specialist job so it is important that councils have access to such trained and experienced staff.

Case study
Recovery of fraud losses

A council employee was illegally paid to provide confidential contract information.

The employees' responsibilities included awarding council contracts for ICT equipment. The employee introduced two new suppliers to the tender list, subsequently advising them of tender submissions by competing companies.

This enabled the two companies concerned to underbid competitive rivals to secure the contracts.

The fraud was identified as a result of information from an anonymous informant.

The employee was dismissed and subsequently found guilty under the Fraud Act and sentenced to two years' imprisonment.

The council successfully obtained a confiscation order under the Proceeds of Crime Act for £75,000 which was the amount the employee had illegally been paid.

Source: Audit Commission (2014)

Activity
What kind of anti-fraud and corruption approach does your council have? Ask your monitoring officer or head of audit/risk management. Do you think it is the right approach?

Irrespective of how any council decides to tackle its fraud and corruption risk, there are always two types of investigation that councils may be involved in; proactive and reactive.

Proactive investigations

These are intelligence led, making use of information from profiling or data-matching exercises.

A common example of this type of investigation would be where the authority was looking to identify people defrauding the council tax single person discount (SPD) scheme.

A household with only one adult is entitled to a 25 per cent discount on their council tax. Checking council tax records against the electoral role can identify cases where a person claims to be living alone is actually living with another adult. This type of data matching is legal and very effective in finding errors or frauds.

National Fraud Initiative (NFI)

The National Fraud Initiative (NFI), coordinated by the Cabinet Office matches electronic data within and between public and private sector bodies to help prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

Participation in the NFI is mandatory for councils who are required to submit data to the National Fraud Initiative on a regular basis.

Reactive investigations
These involve the search for and the gathering of evidence following an allegation or fraud referral, or the discovery of a set of circumstances which amount to an offence. In these cases, the offence is usually already being committed.

An example would be where a member of the public contacts a council to inform them that one of their council tenants is unlawfully sub-letting their council property.

Case study
London Borough of Harrow and Luton Borough Council (NFI 2012/13 exercise)

A payroll-to-payroll match identified an employee who was working full-time in a middle management position, in addition to a part-time night care worker role dealing with vulnerable adults. During the investigation it was established that some weeks she worked in excess of 70 hours, potentially placing vulnerable adults at risk.

There was a suspicion that she had been able to work both shifts on a weekly basis by sleeping whilst at work and the information shared between councils showed that she regularly breached the Working Time Regulations.

After investigation, she was found guilty and dismissed for gross misconduct by one authority and subsequently disciplined by the other for breaching the Working Time Regulations, but later resigned from the role.

This case study comes the official Cabinet Office NFI pages and is one of many cases studies to be found there. They make interesting reading. You may very well find one from your council there. Take a look.

www.gov.uk/government/publications/national-fraud-initiative-case-studies/nfi-public-sector-case-studies

In these cases a professionally qualified investigator, will carry out an investigation that could have some or all of the following components:

- evidence gathering
- interviewing witnesses and taking statements
- interviewing the alleged perpetrator
- preparing the case for court
- giving evidence at court.

The challenges faced by councils in dealing with fraud and corruption

There are a number of challenges facing councils and their ability to effectively tackle fraud and corruption and to manage the risk it poses.

Public sector budget reductions
The impact of budget reductions has a three-fold effect:

- less resources to maintain administrative procedures that prevent fraud
- potentially reduced resources for investigating fraud
- the risk of greater fraud activity by professional criminals or opportunists who identify local authorities as more vulnerable.

These challenges have led to innovative thinking on ways of approaching the fraud and corruption risks such as joint working with other authorities or other public bodies and data sharing (such as the London Counter Fraud Hub). The best and most forward thinking councils use budget constraints as the impetus to drive forward the robust recovery of losses and other criminal assets which can and do lead to significant financial rewards.

Some councils who employ successful financial investigators generate income by charging other organisations such as housing associations for investigative services.

Case study
Example of joint working

The Metropolitan Police's Serious and Organised Crime Command has successfully collaborated with financial investigators from several London borough councils There are currently nine Metropolitan Police Criminal Finance Teams set up as hubs – four in the north, four in the south and one central team – that are instrumental in training and mentoring several council investigators working together to tackle serious and organised acquisitive crime. The focus of this relationship is to recover assets and ensure that criminals do not benefit from criminal activities.

How innovative has your council been?
Is there scope for more?

Maintaining an anti-fraud culture

Councils need to develop and embed a culture with clear values and standards in which beating fraud and corruption is part of the daily business. The 'tone from the top' is crucial in this respect and councilors and senior leaders should be seen to 'walk the walk' in terms of their ethics, values and behaviours. The CIPFA Counter Fraud Centre has developed its 'top 10 tips' (see activity below) to support organisations in developing and maintaining an effective anti-fraud culture.

Activity

Review the Top 10 Tips, on the following page, and consider (find out if you don't already know) how good or bad your council is at each of these. Give a score from 1 – 5.

1. Set the tone at the top

Creating an anti-fraud culture is part of good governance and, led by a council's councillors and corporate directors, should start with a clear commitment to tackling fraud, corruption and other similarly delinquent behaviours. Ideally, zero tolerance to fraudsters (as opposed to fraud per se) should form the centre-piece of your organisation's anti-fraud strategy reinforcing expected standards in public service as set out in the 'Seven Nolan Principles of Public Life'. Having professionally qualified counter fraud staff in place can help to achieve this, as they have the credibility, standing and expertise to raise the profile of the anti-fraud agenda internally.
Score: 1…2…3…4…5

2. Know and prioritise your fraud risks

Knowing what the fraud and corruption risks are in an authority determines the type of framework you need to put in place and how your staff work within it. For example, if your risks include procurement fraud, those responsible for procuring contracts and services need to recognise fraud, bribery and corruption indicators when they see them. Professionally qualified counter fraud staff can assist with this process as they can assess risk and train operational staff in appropriate action. **Score: 1…2…3…4…5**

3. Scan the horizon

Fraud is constantly changing and fraudulent schemes often target frontline staff who are an organisation's first line of defence. What might seem a low fraud risk today might turn into a high one in the future. It is therefore vital that your organisation is up-to-date on the latest threats and risks and how to tackle them. Professionally qualified counter fraud staff can ensure that staff know who to come to if they suspect something amiss. As part of their continued professional development, counter fraud staff will also be 'plugged into' various anti-fraud networks which are vital sources of new information and threat alerts. **Score: 1…2…3…4…5**

4. Build fraud awareness

Creating an anti-fraud culture and beating fraud should be everyone's business within a council, from the dedicated counter fraud specialists through to the procurement team, HR, facilities staff and beyond. A qualified counter fraud practitioner will be fully trained in how to help mobilise the entire organisation in the fight against fraud. Whether using e-learning, staff briefings, training, posters or internal alerts – or a combination of all these – they will be best placed to define and execute awareness programmes. **Score: 1…2…3…4…5**

5. Ensure policies and procedures are in order

Professionally qualified counter fraud staff should be adept at finding the fraud gaps in existing organisational policies and procedures and determining what is required to plug those gaps in a cost-effective manner. For example, a general anti-fraud policy should include: guidelines on what to do when suspicions of fraud arise; a fraud response plan; processes for creating and implementing gifts and hospitality registers, declarations of interest registers and so on. An accessible and well-articulated whistleblowing policy should also be part of any effective anti-fraud culture. **Score: 1…2…3…4…5**

6. Create a dedicated anti-fraud team

Build capacity by creating a counter fraud team comprising of professionally qualified who are operationally independent from other teams. This will ensure their objectivity and impartiality. The team should be provided with the necessary resources required for their function, which would include an element of contingency or 'flex' to cater for unforeseen surges in work, such as large and complex investigations. With the necessary safeguards in place, the team should also have access to the information, data systems and senior personnel they need to effectively perform its function. **Score: 1…2…3…4…5**

7. Take action

Recovering money lost to fraud so it can be spent on key services is obviously vital. Professionally qualified counter fraud staff will be fully trained in conducting effective investigations and pursuing cases through the legal system, including the preparation of cases for prosecution. They will have the ability to give evidence in a court of law and take steps to recover lost funds. **Score: 1…2…3…4…5**

8. Measure success

Today's counter fraud specialists not only understand how to detect, prevent and recover fraud losses; they are also trained to measure and report on the effectiveness of the preventive measures they put in place. This forms a key part of an organisation's anti-fraud culture as it highlights to senior management the successes of counter fraud work. **Score: 1…2…3…4…5**

9. Publicise your success

Sharing the outcome of a successful investigation or how an anti-fraud measure has worked is a positive way to advertise the message that fraud doesn't pay. Professionally qualified counter fraud practitioners understand this and will want to publicise their successes both internally and externally, which should be encouraged. As well as being a deterrent, this can also lead to an increase in fraud referrals which is a good indicator that your anti-fraud culture is working. **Score: 1…2…3…4…5**

10. Never take your eye off the ball

Fraud is an ever-evolving threat and as the risk doesn't stand still, nor should your organisation's strategy to combat it. Professionally qualified counter fraud staff are trained to implement and manage prevention programmes to monitor the measurement and control strategies in place and make any necessary adjustments. They will also be able to recognise new threats and risks and the need for refresher training whenever this may arise. **Score: 1…2…3…4…5**

Total Score: ……. Do you think this is good enough?

Abiding by the rules

In dealing with fraud, councils need to abide by the rules in order to ensure that frauds they detect and investigate can be pursued to the most appropriate conclusion. The rules protect the rights of individuals to privacy and the right to a fair trial. Although there are frequent stories in the press about councils 'snooping' on people, the rules are in fact very strict.

For example:

Regulation of Investigatory Powers Act (RIPA) 2000
This was brought in to regulate the powers of public bodies who carry out surveillance and investigation and also to cover the interception of communications. Councils have access to some of these powers for the purpose of prevention and detection of a crime.

Requesting information
Council investigators have certain 'authorised officers' powers to request information about individuals For any other investigations, they are restricted to powers under Section 29 (3) of the Data Protection Act (DPA) 1998 which allow organisations to give such information to council investigators, assuming it is for the prevention and/or detection of a crime, but it does not compel them to do so. Consequently, some organisations choose not to give the requested information to a council.

The data matching approach described earlier is also regulated under the Data Protection Act.

More sophisticated frauds

The landscape of fraud and corruption is ever-changing, especially with the use of technology and the internet. Fraudsters never rest on their laurels and are always looking for new ways to defraud. This means council are constantly exposed to different threats and managing this risk can be extremely difficult so it's extremely important that the investigators keep abreast of emerging risks and trends and share this across the council, but in particular with key teams such as payments.

The advent of 'cyber crime', whether or not it involves fraud, is probably one of the biggest challenges facing public bodies today.

Publicising success

While it may be embarrassing for any organisation, especially a local council, to admit that it has been the victim of fraud, experts would say that publicising successful investigations, where possible, is much the best policy. When a case ends up in court it will in any case become public. Proactive publicity shows residents and taxpayers that you are taking active steps to protect their interests and it may deter future fraudsters. Press and media teams can help to make sure the message is seen in a positive light.

Section 4 Fraud risk management

Note: You should complete this section if you have special responsibility for audit, risk or governance. If not, you can move on to section 6.

Risk management is essential for good governance within any organisation and effective fraud risk management is a vital part of that.

If you have a special responsibility as a councillor for audit, risk or governance, you will need to ensure that your council has appropriate arrangements in place to manage the risk of fraud.

All councils have faced and are still dealing with increased pressure on their budgets meaning that the requirement to identify fraud and reduce risk is perhaps higher now than it's ever been.

The CIPFA code of practice on the management of fraud risk sets out the expected standard for public bodies in the management of fraud risk.
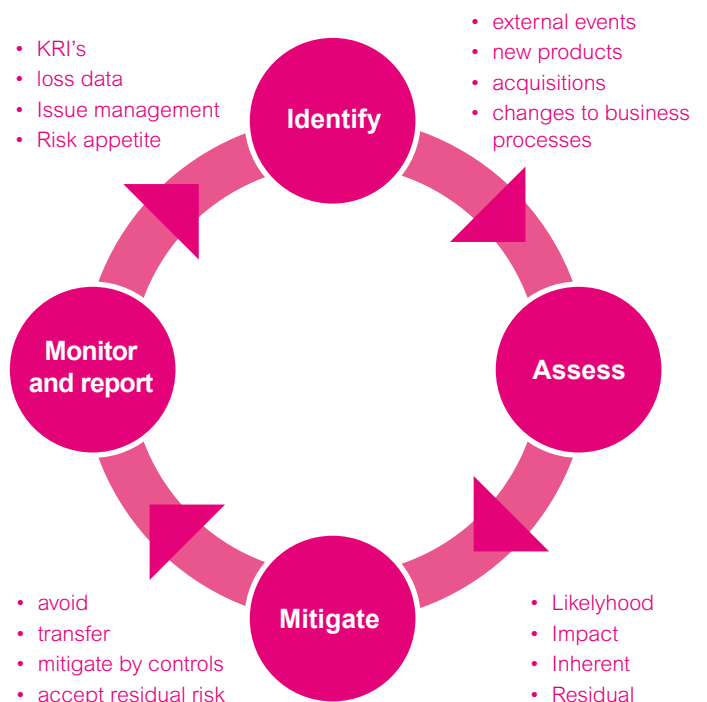
Implementing an effective fraud risk management framework, such as the CIPFA code of practice, will enable authorities to employ controls that help to prevent fraud from occurring in the first place, identify and detect fraud as soon as it occurs and enable a practical and efficient response to those fraud incidents. Fraud risks need to continually reviewed and managed, in the same way that other risks are managed within a council. The identification, assessment, mitigation and monitoring of risk (including fraud risks) is called the risk management lifecycle. The process works as such:

> **Hints and tips**
> **Code of practice principles**
>
> Leaders of public services organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management. The five key principles of the code are to:
>
> - acknowledge the responsibility of the governing body for countering fraud and corruption
>
> - identify the fraud and corruption risks
>
> - develop an appropriate counter fraud and corruption strategy
>
> - provide resources to implement the strategy
>
> - take action in response to fraud and corruption.

- KRI's
- loss data
- Issue management
- Risk appetite

- external events
- new products
- acquisitions
- changes to business processes

Identify

Assess

Monitor and report

Mitigate

- avoid
- transfer
- mitigate by controls
- accept residual risk

- Likelyhood
- Impact
- Inherent
- Residual

To help ensure that the fraud risk management is effective, it's important that the roles and responsibilities of all employees, members and those who act on behalf of the council are understood by all. The list below is not exhaustive but the main roles can be summarised as follows:

Councillors

✓ Have and maintain an understanding of fraud risks

✓ Understand the key principles of risk management

✓ Consider fraud risk in relation to the decision making process

Directors

✓ Support the council's fraud risk management strategy

✓ Set the appropriate tone with regards to the council's anti-fraud and corruption approach

✓ Ensure that there is a coordinated and consistent approach to the identification and management of fraud risk

Senior managers/service heads

• Ensure that fraud risks are appropriately managed and implement effective review and monitoring arrangements

• Manage risk in their service areas in accordance with the fraud risk management strategy

Internal audit/corporate fraud team

✓ Consider the council's fraud risk assessment when developing the annual audit plan

✓ Audit the internal fraud control processes across the authority

✓ Coordinate and/or conduct fraud and corruption investigations

✓ Assess the effectiveness of fraud prevention and detection processes

✓ Provide assurance to councillors and senior management of the effectiveness of fraud risk management and controls

All staff

✓ Have a basic understanding of fraud risks and be aware of indicators

✓ Manage fraud risk in the course of their daily duties

✓ Read, understand and have access to fraud related policies and procedures

✓ Contribute towards the development of fraud control processes

✓ Report suspicions of fraud and corruption

✓ Cooperate with investigations

The development and implementation of a robust fraud risk management program will reduce the opportunities for fraudsters to exploit. This, coupled with encouraging employees to actively participate in the fight against fraud will contribute significantly to the creation of a strong anti-fraud culture; helping to change the attitude towards fraud so that it is not tolerated and therefore reducing the risk of fraud happening in the first place.

Fraud risk assessment

The basis of an effective fraud risk management program begins with a Fraud Risk Assessment (FRA).

Councils are likely to face a wide variety of fraud and corruption risks and so a FRA will help the council to understand and identify the risks that are specific to the organisation as a whole as well as those that relate to individual service areas. It will also highlight gaps or weaknesses in fraud controls allowing the council to implement a plan to ensure the best use of resources in order to tackle those risks.

When conducting a FRA the questions that should be considered are:

• How could a fraudster exploit weaknesses in the current system controls?

• How might those controls be over-ridden or by-passed?

• How could the fraudster conceal their activities?

Bearing the above in mind, an effective FRA should generally consist of three main elements:

- **Identification of the fraud risk**
  This will involve the gathering of information to highlight the fraud risks that could affect the council.

- **Assess the likelihood and impact of the fraud risk**
  This assessment is based on historical information, and discussions/interviews with heads of services and other relevant staff.

- **Develop a response to those that present the highest risk**
  Decide how best to respond to the fraud risks.

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Section 5 Assurance that fraud arrangements are effective

Note: You should complete this section if you have special responsibility for audit, risk or governance. If not, you can move on to section 6.

If you have special responsibility for audit, risk or governance you will wish to assure yourself that your council's fraud arrangements are effective.

> **Assurance is:**
>
> 'Data or information provided to management/boards/committees to give comfort that risks are being properly managed and controls are adequate and working effectively'
>
> Institute of Internal Auditors

Best practice dictates that governance, risk management and strong financial controls (called the system of internal control) are part of the daily and regular business of an organisation. The system of internal control is a key component in the prevention and detection of fraud and corruption.

What is internal control?

Any action taken by management, the board and other parties to manage risk. In other words, an action taken to ensure that risks do not materialise or get worse. Some examples might be:

- Expenses claims must be authorised by management before payment. This processes of checking the claim for accuracy prevents fraud or error and so controls the risk of overpayment.

- The housing department carry out regular tenancy audits of their properties. This process of checking acts a deterrent to subletting and a detection if it does happen and so controls the risk of subletting.

- The health and safety team carry out regular inspections of public buildings. These inspections highlight any existing problems for repair or any potential problems for signposting. In this way, the risk of slips, trips and other accidents are controlled.
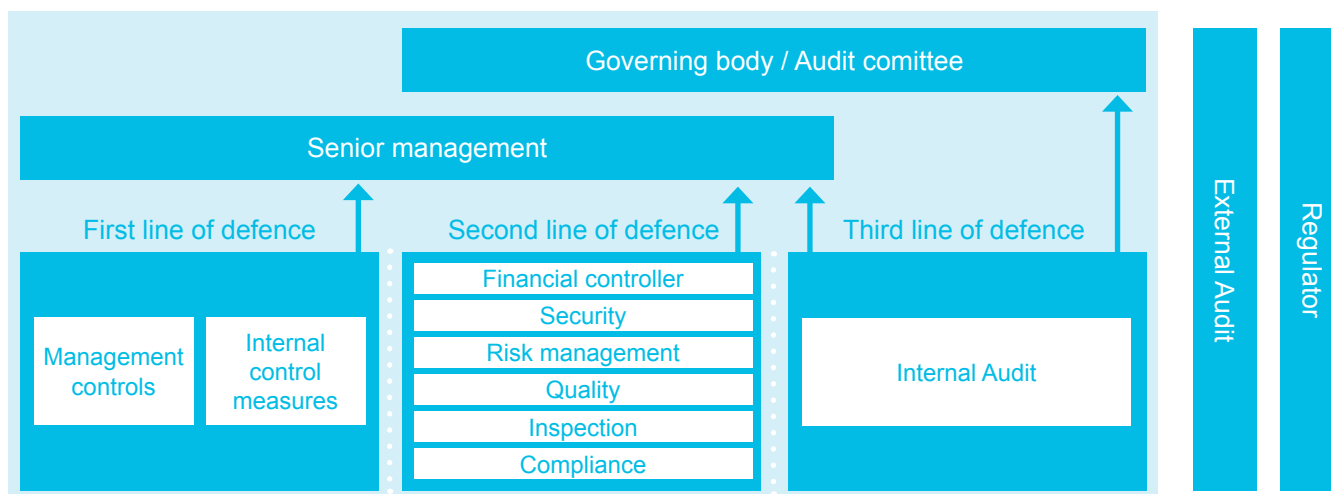
Councils must have a means of obtaining independent assurance that the system of internal control is adequate and working effectively. In local authorities there is usually an audit committee (sometimes called audit and risk committee) to carry out this role.

Usually there is also an overview and scrutiny committee to oversee the decision-making process, ensure that it is clear and that the people taking decisions are held accountable for those decisions.

The existence of an audit committee or scrutiny committee does not remove responsibility from individual members and senior managers, but provides the resource to focus on these issues. There is no 'one–size-fits-all' approach that must be applied to assurance and scrutiny in local government but council leaders and executives must ensure that the model they adopt is independent from the executive and other political influences.

Fraud prevention is heavily reliant on the system of internal control being adequate and working effectively.

Most councils rely on their internal and external auditors to provide these assurances but audit resources are limited and expensive and can never be relied upon to provide assurance across every activity that the local authority is responsible for.

Governing body / Audit comittee				
Senior management			External Audit	Regulator
First line of defence	Second line of defence	Third line of defence		
Management controls / Internal control measures	Financial controller / Security / Risk management / Quality / Inspection / Compliance	Internal Audit		

Therefore all councillors and council officers have a role to play in seeking assurance that the controls are working. After the banking crisis a model was devised to try to capture and utilise the various levels of assurance that exist within organisations. This is called the three lines of defence

The majority of members will have little interaction with auditors other than when reading their report at the year-end but as the model shows, in reality the majority of assurance should come from within the organisation itself.

As a councillor you will receive and review a range of information and reports from within your authority or from external sources such as regulators or inspectors. These will often be related to your areas of expertise or committees that you sit on. It will be your responsibility to inspect and challenge the information you receive to assure yourself that it is accurate, credible and evidence based and that it tells you what you need to know.

When considering the fraud risks that your authority might be facing you need to consider whether the controls that you know exist are doing the job they are meant to be doing. If you have concerns that they are not then you need to raise that through the appropriate channels eg with the head of fraud, head of internal audit or through the chair of the audit committee.

Role of audit committees in anti-fraud and corruption activity

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. If you sit on an audit committee you may wish to read more on the role of audit committees in relation to fraud prevention.

Useful links
If you sit on an audit committee the following publication is recommended.

CIPFA audit committees: Practical guidance for local authorities and police www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-2013-edition-book

In relation to anti-fraud and corruption activities the audit committee will receive regular reports from officers and auditors on the following:

- fraud cases that have occurred within the authority and financial losses

- whistleblowing

- current and emerging fraud risks and how they are being managed

- KPIs relating to fraud prevention and detection performance

- sanctions (including prosecutions and disciplinaries) and recovery actions

- benchmarking data

- resources spent on these activities within the authority.

Activity
Find and obtain the latest fraud update provided to your audit committee and consider the following?

1. Is the reported fraud in line with what you would have expected for your council?

2. Are there any areas where you would have expected fraud that have not been reported on? If so why do you think that might be?

3. In your view is the reporting adequate? If not why not?

4. Has whistleblowing been reported on? Do you have a clear understanding of the whistleblowing arrangements in your authority? If you are unclear you should obtain a copy of your council's policy.

What good looks like – the Fighting Fraud and Corruption Locally Strategy

Turning strategy into action

The themes – Six Cs

Councils should consider their performance against each of the six themes that emerged from the research conducted.

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.

In addition to the above, the CIPFA code of practice on managing the risk of fraud (see section 4) is there to support organisations putting in place counter fraud arrangements for the first time but will also be of benefit to those seeking to assess whether existing arrangements are adequate. Councillors may wish to ascertain whether the arrangements in their own council compare favourably with the recommended best practice approach.

Useful links
Managing the risk of fraud and corruption

www.cipfa.org/policy-and-guidance/
publications/c/code-of-practice-on-
managing-the-risk-of-fraud-and-corruption-
guidance-notes-hard-copy

In addition to the Code of Practice the Fighting Fraud and Corruption section of the CIPFA website provides a range of free resources to support councils in their fight against fraud, such as leaflets and posters and a good practice bank: www.cipfa.org/services/counter-fraud-centre/ fighting-fraud-and-corruption-locally

Section 6 What you have learned and further reading

Now you have completed this workbook you have a good understanding of the fraud risks that affect councils and some of the methods that are used by authorities to prevent and detect fraud. You should now understand the scale of the problem and the impact that fraud can have on council finances. If you completed some of the activities, you will also have found out more about the arrangements that are in place in your own authority and assessed whether you think they are adequate.

If you completed sections 5 and 6 you will now hopefully feel better equipped to support your authority in the fight against fraud and also be clear on what assurances you should be receiving as committee members.

If you would like to explore this subject further there are a range of materials available for free to read on the CIPFA website: www.cipfa.org/services/counter-fraud-centre

Other websites that you may find interesting and useful:

www.actionfraud.police.uk – a really useful site where fraud can be reported and also information on fraud scams found.

www.met.police.uk/docs/little_book_scam.pdf – an excellent and really useful publication to help individuals from being scammed; helpful to keep in GP's surgeries.

www.cityoflondon.police.uk/advice-and-support/fraud-and-economic-crime/Pages/default.aspx – the City of London Police Economic Crime Directorate is recognised as the national policing lead for fraud and is dedicated to preventing and investigating fraud at all levels.

Suggested answers for page 14 activity

1. Make a detailed note of everything the resident can tell you about the situation, names, addresses, etc. Take the contact details for the resident and pass everything to the fraud manager (if you have one) or the head of audit if not.

2. You should escalate your question to the appropriate corporate director, noting your concerns with regards to the current risk levels.

3. You should notify the councils monitoring officer

4. You should agree a project plan with the fraud manager or head of audit, with yourself as a figure head or spokesperson. You may wish to include a publicity campaign including posters and leaflets. If so, talk to your council's communications team. As a councillor, you will be in a good position to conduct radio and TV interviews, newspaper quotes and articles. You may wish to concentrate on a particular area of fraud that is particularly prevalent in your area.

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SteVenage
BOROUGH COUNCIL

		Agenda Item:
Meeting:	**Audit Committee**	
Portfolio Area:	All Portfolio Areas	
Date:	**26 March 2018**	

Corporate Governance Arrangements

Author:	Suzanne Brightwell Ext: 2966
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1. PURPOSE

1.1. To advise Members of the Audit Committee of:

- The activity completed during 2017/18 to strengthen governance arrangements.

- The enhancement activity identified for delivery in 2018/19 as a result of the Council's self-assessment of current corporate governance arrangements against the principles of good governance set out in the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government (2016)'.

2. RECOMMENDATIONS

2.1. That Members of Audit Committee note:

- Progress on significant governance enhancement activity during 2017/18 as summarised in paragraph 3.6 and highlighted in Appendix A to this report. Appendix A also outlines governance enhancement activity (pertaining to best practice).

- The significant governance actions identified for 2018/19 that will facilitate the Council's continued compliance with the requirements of the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government (2016)' as set out in paragraph 3.7, summarised in Appendix B and outlined together with governance enhancement activity (pertaining to best practice) in Appendix C.

3. BACKGROUND

3.1. Corporate governance is both the policies and procedures in place and the values and behaviours that are needed to help ensure the Council runs effectively and can be held to account for its actions.

3.2. Legislation and 'Proper Practice'

3.2.1. The self-assessment of the Council's corporate governance arrangements against the CIPFA/SOLACE Framework principles forms part of the

assurance process for the production of the Council's Annual Governance Statement to meet Regulation 6 of the 2015 Accounts and Audit (England) Regulations.

3.2.2. The CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom in 2016/17 notes, '*The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework (2016) would fulfil the statutory requirements across the United Kingdom for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts. In England the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be "prepared in accordance with proper practices in relation to accounts". Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016) and this section of the Code.'*

3.3   Local Governance Framework (assessment activity)

3.3.1 The Audit Committee approved a local framework encompassing the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government' on 16 January 2008. In April 2016, CIPFA/SOLACE revised this Framework to reflect the CIPFA/IFAC International Framework, 'Good Governance in the Public Sector which was published in August 2014.

The 2016 CIPFA/SOLACE 'Delivering Good Governance' Framework focuses on seven core principles of good governance and recommends the actions an authority needs to follow to:

- Set out its commitment to the principles of good governance

- Determine its own governance structure, or local code, underpinned by these principles

- Ensure that it operates effectively in practice (through the review of arrangements).

3.3.2. The Framework defines the principles that should underpin the governance of each local government organisation and outlines the requirement for authorities to test their governance structures and partnerships against the principles contained in the Framework by:

- Developing and maintaining an up to date local code of governance, including arrangements for ensuring ongoing effectiveness

- Reviewing existing governance arrangements, and

- Reporting publicly on compliance with the local code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year, identifying planned changes.

3.3.3. The CIPFA/SOLACE seven core principles of good governance are:

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

B: Ensuring openness and comprehensive stakeholder engagement

(Principles A and B are considered fundamental and applicable through principles C to G)

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

D: Determining the interventions necessary to optimise the achievement of 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.

3.3.4 For each core principle, the CIPFA/SOLACE Framework outlines a set of sub-principles and a set of behaviours and actions that demonstrate good governance in practice.

3.4   Local Code of Governance

3.4.1 The term 'Local Code' essentially refers to the governance structure in place. To achieve good governance, a local authority should be able to demonstrate that its governance structures comply with those outlined in the 'Delivering Good Governance' Framework. The CIPFA/SOLACE Framework states that the authority should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles identified in the Framework.

3.4.2 The council's Local Code that summarises the system by which the Council directs and controls its functions and relates to the local community was revised to enhance the assessment process and approved by Audit Committee in June 2017. The revised Code:

- Better reflects the revised principles in the 'Delivering Good Governance' Framework (2016)

- Provides enhanced detail in relation to the current governance assurance policies, processes, culture and values in place at the Council to facilitate the delivery of outcomes.

3.5   Review of Corporate Governance Arrangements 2017/18

3.5.1 The primary focus of the 2017/18 review of existing corporate governance arrangements at the Council has been on compliance with the core and sub-

principles that form the 'Delivering Good Governance' Framework to inform any governance enhancement activity and updates to the Local Code.

3.5.2 To ensure a proactive approach to this review, Corporate Governance Group meets quarterly to consider the effectiveness of the Council's governance arrangements against the set of behaviours and actions that form the principles of the 'Delivering Good Governance in Local Government' Framework. Each of the seven principles is reviewed by the Corporate Governance Group throughout the year with a review of the arrangements to deliver against the Framework carried out annually.

3.5.3 The enhancement activity identified as a result of these reviews is summarised in the appendices to this report. Appendix B provides an indication of the (significant) actions currently identified for inclusion in the Annual Governance Statement (that will be reported to this Committee in June 2018). Additional (significant) activity may be identified as a result of the ongoing review of governance arrangements.

3.5.4 Enhancement activity is deemed significant if recommended for reflection in the Annual Governance Statement by the Shared Internal Audit Service following reviews of control arrangements to meet the Audit Plan, or if identified as key to the management of 'very high/high level' strategic risks. By adopting this approach, any concerns over key controls that have a material effect on corporate governance arrangements and the delivery of outcomes should be addressed.

3.6   Summary of Significant Governance Enhancements 2017/18

3.6.1 A summary of significant governance enhancement activity (to facilitate delivery of agreed outcomes) carried out in 2017/18 is summarised below and is also outlined in Appendix A. Activity (pertaining to best practice) is also provided in Appendix A to provide a complete picture of the level of governance enhancement activity that has been pursued and delivered.

2017/18 AGS Action 1: Further commercial options to be pursued whilst meeting the regeneration and economic aims for Stevenage (by January 2018): Council **(May 2017)** approved the allocation of £15M towards a Commercial Property Investment Strategy to enable economic growth in Stevenage with an added benefit of generating long term rental income streams to support the delivery of the Future Town, Future Council (FTFC) programme and council services. This initiative supports the 'Financial Security' priority and our ambitions for Stevenage. A property has been purchased with other sites being actively sought. In addition, to raise officer awareness of the council's financial security programme and its commercialism agenda, a financial newsletter was produced and events have taken place to encourage staff engagement in relation to identification of further commercial options. **(Completed February 2018)**

- **2017/18 AGS Action 2: Property Investment Strategy and Asset Management Strategy (by December 2017)**: Council approved a Property and Investment Strategy **(May 2017)** to enable investment in commercial property that will contribute to long-term income streams to support delivery of the FTFC programme and council services.

The draft General Fund Asset Management Strategy was considered by Executive on 14 February 2018. Officers and Members will now enhance the strategy with the incorporation of the Council's Co-operative principles to ensure that the Council's fundamental principle of working with the community to manage the Council's assets is reflected. (**Paragraph 3.7 refers to 2018/19 activity)**

- **2017/18 AGS Action 3: Repairs and Voids Improvement Programme (by March 2018)**: The Repairs and Voids improvement programme approved by Executive (January 2016) has been implemented. The revised processes are now being reviewed to inform further improvement for implementation and embedding throughout 2018 to ensure that the new business unit management team have complete and informed ownership and accountability for enhanced service delivery. The review and embedding of enhanced service delivery has been reflected in activity outlined for 2018/19 **(Improvement Programme implemented March 2018). (Paragraph 3.7 refers to 2018/19 follow-on activity).**

- **2017/18 AGS Action 4: Business Unit reviews to increase corporate capacity (by March 2018):** The approval and principles to support implementation of the restructure of services through Future Council – Business reviews was approved by Executive in November 2017. The model is focused upon delivering the right services, to the right standards, at the right time for the town's residents and businesses, using the most cost/resource effective delivery models. Business reviews will continue with phased implementation through 2018/19. **(Paragraph 3.7 refers to 2018/19 activity).**

- **2017/18 AGS Action 5a: Data Protection and Cyber Security training (by December 2017):** A new corporate e-learning package was launched in December 2017 that will help to develop staff knowledge and capability. Data Protection, General Data Protection Regulation (GDPR) and Cyber Security e-learning modules have been developed for use on the e-learning platform. The Data Protection and GDPR modules are now live and the Cyber Security module is expected to be available by the end of March 2018. **(Completion expected March 2018)**

- **2017/18 AGS Action 5b: Cyber Security Action Plan (by March 2018):** Cyber Security initiatives are an integral part of the Technology Shared Service Improvement Plan which now supersedes the Cyber Security Action Plan. The new plan sets out improvements to ensure that services are delivered to meet customer needs and are fit for purpose. Initial improvement activity is now being provided with further enhancements identified to ensure the Council continues to provide a secure and high performing IT environment. This ongoing enhancement activity is reflected for delivery in 2018/19. **(Paragraph 3.7 refers to 2018/19 activity).**

- **2017/18 AGS Action 5c: Data Protection Guidance (by July 2017):** The Council's Data Protection Policy and document retention guidance have been reviewed and updated to enhance information management arrangements. **(Completed November 2017).**

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- **2017/18 AGS Action 6a: Increase data centre capacity (by June 2017)**: To increase capacity across the council's two data centres and enhance ICT resilience that will enable the Council to continue to provide a secure and high performing IT environment, additional server hardware has been installed and is now operational. (**Completed June 2017).**

- **2017/18 AGS Action 6b: Increase resilience of the council's IT and telephone arrangements (by September 2017):** Business continuity activity to increase the resilience of the council's IT and telephony arrangements now forms part of the new Technology Shared Service Improvement Plan and is scheduled for completion by September 2018 **(Paragraph 3.7 refers to 2018/19 activity).**

- **2017/18 AGS Action 7: Corporate Information Group to be established (by September 2017):** An action plan to enhance information management arrangements across the council is being implemented. In addition an Information Officer has been appointed, Information Asset Owners assigned and a Corporate Information Governance Group has been established to embed best practice records management across the council and ensure that customer data is appropriately managed. **(Completed September 2017)**.

3.7 Summary of Planned Governance Enhancements 2018/19

3.7.1 Significant Governance enhancement activity identified for 2018/19 is summarised in Appendix B. A brief outline of the proposed significant governance enhancement actions is also provided below:

- Develop a new Housing Asset Management Strategy and Action Plan to set the framework for maintaining the Council's housing stock effectively over the next five years and support delivery of the Future Town Future Council Programme.

- Following consideration of the draft General Fund Asset Management Strategy at Executive on 14 February 2018, Officers and Members will now enhance the strategy with the incorporation of the Council's Co-operative principles to ensure that the Council's fundamental principle of working with the community to manage the Council's assets is reflected.

- Implement and embed improved Repairs and Voids service delivery models to ensure that the new business unit management team have complete and informed ownership and accountability for enhanced service delivery that meets customer needs.

- Continue to implement the restructure of services through Future Council – Business reviews to improve corporate capacity and deliver sustainable services that better meet the needs of customers.

- Continue to implement the Technology Shared Service Improvement Plan to deliver a wide range of IT enhancements, including enhancements to cyber security and increased resilience of the council's IT and telephone systems to ensure the Council continues to provide a secure and high performing IT environment.

- Embed information management arrangements across the council to ensure that best practice records management across the council continues to be applied and customer data is appropriately managed.

3.7.2 Further detail relating to this significant governance enhancement activity is outlined in Appendix C. In addition, a wider programme of governance enhancement is pursued by the Council (pertaining to best practice), and is also summarised in Appendix C.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1. The self-assessment of the Council's corporate governance arrangements against the 'Delivering Good Governance in Local Government' Framework principles forms part of the assurance process for the production of the Council's Annual Governance Statement to meet Regulation 6 of the 2015 Accounts and Audit (England) Regulations.

4.2. A Local Code of Governance sets out how the Council ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.

4.3. Corporate Governance Group meets quarterly to proactively consider the effectiveness of governance arrangements in place against the CIPFA/SOLACE 'Delivering Good Governance in Local Government' Framework and each of the seven principles is considered during the year.

4.4. In addition to proactive in-year consideration of arrangements, an annual review was completed in January 2018. A summary of identified governance enhancements for 2018/19, to include both scheduled (pertaining to best practice) and significant (governance controls identified to facilitate delivery of agreed outcomes that are sustainable) is identified in Appendix B and in more detail in Appendix C.

5. IMPLICATIONS

5.1. Financial Implications

There are no direct financial implications as a result of the recommendations in this report

5.2. Legal Implications

It is a requirement for the Council to publish an Annual Governance Statement to be published alongside its Statement of Accounts. The Annual Governance Statement is due to be reported to Audit Committee in June 2018 supported by information relating to service based governance assurance.

5.3. Risk Implications

Risk management supports robust corporate governance arrangements by identifying potential risks associated with the achievement of corporate priorities and statutory requirements. In addition, weaknesses in corporate governance

arrangements can heighten reputational risks for the Council. Governance arrangements need to be sound and seen to be sound.

5.4. Other Corporate Implications

Corporate governance affects all aspects of the work of the Council, as well as partners of the Council contributing to outcome delivery, and other agencies with which the Council shares information. External bodies, in particular, need to have confidence in the way the Council operates and this can be achieved by demonstrating robust governance arrangements that are fully embedded and a commitment to ensuring effectiveness.

6. BACKGROUND DOCUMENTS

- CIPFA/SOLACE 'Delivering Good Governance in Local Government' 2016 Framework and Guidance

- CIPFA/IFAC International Framework: 'Good Governance in the Public Sector', published August 2014

- Audit Committee Report: Local Code of Corporate Governance (15 June 2017)

7. APPENDICES

- Appendix A: Outline of Governance Enhancement Activity carried out in 2017/18 (significant and pertaining to best practice)

- Appendix B: Summary of Proposed Significant Actions for Inclusion in Annual Governance Statement

- Appendix C: Outline of Planned Governance Enhancement Activity 2018/19 (significant and pertaining to best practice)

Outline of Governance Enhancement Activity carried out in 2017/18

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

Governance for this principle is currently considered robust. The following scheduled governance activity pertaining to best practice has been delivered:

- A revised Local Code of Corporate Governance to reflect the principles of good governance included in the 'Delivering Good Governance in Local Government Framework: 2016 was approved by Audit Committee
- Regulation of Investigatory Power Act (RIPA) training was undertaken by the council's Authorising Officers (CE and Strategic Directors)
- The council's Whistle-Blowing Policy has been reviewed and updated to reflect safeguarding changes and the Freedom to Speak Up report.

Principle B: Ensuring openness and comprehensive stakeholder engagement

Governance for this principle is currently considered robust. The following scheduled governance activity pertaining to best practice has been delivered:

- The Annual Report and Performance Review highlighting our achievements over the past year and plans for the next twelve months was approved by Executive and published on the Council's website.
- A LGA Communications Peer Review was carried out. This review has informed a new Communications Action Plan to enhance strategic communications
- The Co-operative and Neighbourhood Management programme was launched at Stevenage Day, giving the local community an opportunity to hear about the programme.
- The 'Our Neighbourhood' webpage was developed that enables residents to find out what is happening in their local area
- Residents were given an opportunity to provide feedback on housing services through the Big Knock and wider council services through a town-wide survey
- The shared Legal Service went live and the Lead Lawyer for the shared Legal Service was appointed as Monitoring Officer and Borough Solicitor
- A Social Media Policy was published to enhance the use of social media as part of a wider communications mix and reduce security risks.

Principle C: Defining outcomes in terms of sustainable economic and environmental benefits

Progress of significant governance actions (AGS) (governance controls identified to facilitate delivery of agreed outcomes that are sustainable):

- **2017/18 AGS Action 1: Further commercial options to be pursued whilst meeting the regeneration and economic aims for Stevenage (by January 2018):** Council **(May 2017)** approved the allocation of £15M towards a Commercial Property Investment Strategy to enable economic growth in Stevenage with an added benefit of generating long term rental income streams to support the delivery of the Future Town, Future Council (FTFC) programme and council services. This initiative supports the 'Financial Security' priority and our ambitions for Stevenage. A property has been purchased with other sites being actively sought. In addition, to raise officer awareness of the council's financial security programme and its commercialism agenda, a financial newsletter was produced and events have taken place to encourage staff engagement in relation to identification of further commercial options.

- **2017/18 AGS Action 2: Property Investment Strategy and Asset Management Strategy (by December 2017):** Council approved a Property and Investment Strategy **(May 2017)** to enable investment in commercial property that will contribute to long-term income streams to support delivery of the FTFC programme and council services. The draft General Fund Asset Management Strategy was considered by Executive on 14 February 2018. Officers and Members will now enhance the strategy with the incorporation of the Council's Co-operative principles to ensure that the Council's fundamental principle of working with the community to manage the Council's assets is reflected. (Appendices B and C reflect 2018/19 activity)

The following scheduled governance activity pertaining to best practice has been delivered:

- A new Equality and Diversity Policy, "Encouraging an Equal and Diverse town and Workforce to 2021" was published.
- Comprehensive Equality and Diversity training was delivered to all staff at Cavendish Road

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Progress of significant governance actions (AGS) (governance controls identified to facilitate delivery of agreed outcomes that are sustainable):

- **2017/18 AGS Action 3: Repairs and Voids Improvement Programme (by March 2018):** The Repairs and Voids improvement programme approved by Executive (January 2016) has been implemented. The revised processes are now being reviewed to inform further improvement for implementation and embedding throughout 2018 to ensure that the new business unit management team have complete and informed ownership and accountability for enhanced service delivery. The review and embedding of enhanced service delivery has been reflected in activity outlined for 2018/19 (Improvement Programme **implemented March 2018**. (Appendices B and C reflect 2018/19 activity)

The following scheduled governance activity pertaining to best practice has been delivered:

- A review of the FTFC Programme was carried out to ensure governance arrangements remain effective as programmes move from planning to delivery.
- SLT received procurement and contract management training. Introduction to Procurement and Managing the Tender Process training was delivered to officers as required.
- The Council's Strategic Leadership Team now has access to a new performance and governance system (InPhase). This system provides access to data and information that form strategic insight and is providing a clearer picture of performance, risk and governance.

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

Progress of significant governance actions (AGS) (governance controls identified to facilitate delivery of agreed outcomes that are sustainable):

- **2017/18 AGS Action 4: Business Unit reviews to increase corporate capacity (by March 2018):** The approval and principles to support implementation of the restructure of services through Future Council – Business reviews was approved by Executive in November 2017. The model is focused upon delivering the right services, to the right standards, at the right time for the town's residents and businesses, using the most cost/resource effective delivery models. Business reviews will continue with phased implementation through 2018/19. (Appendices B and C reflect 2018/19 activity)

The following scheduled governance activity pertaining to best practice was delivered:

- Members received training on reviewing the 'big three' financial reports (Budget, MTFS and Statement of Accounts) and the Chair and Vice Chair of Audit Committee attended a training session facilitated by external auditors Ernst and Young
- The programme of training for Members (Modern Members Programme) was relaunched.
- Assistant Directors were appointed to all Business Units
- A new Human Resources Management system to support workforce planning, training, development and the implementation of the council's new competency framework went live
- A bite-size manager training programme was launched to develop management capability through shared knowledge and good practice
- A new approach to Senior Leadership Team induction was introduced to build strong bonds within the leadership team.
- A new staff Performance and Improvement Policy and Manager Toolkit was developed, along with a review of associated policies (Absence Management, Dignity at Work, Disciplinary, Grievance and Appeals policies) to encourage all employees to personally deliver the highest standards of service possible and for managers to proactively address performance issues.
- A review of the Performance and Development Appraisal process is now complete resulting in high level strategic proposals being agreed with the aim of a new corporate appraisal process being available for 2019/20
- The initial suite of e-learning modules to provide training and development matching individual and organisational requirements was made available to council staff

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

Progress of significant governance actions (AGS) (governance controls identified to facilitate delivery of agreed outcomes that are sustainable):

- **2017/18 AGS Action 5a: Data Protection and Cyber Security training (by December 2017):** A new corporate e-learning package was launched in December that will help to develop staff knowledge and capability. Data Protection, General Data Protection Regulation (GDPR) and Cyber Security e-learning modules have been developed for use on the e-learning platform. The Data Protection and GDPR modules are now live and the Cyber Security module will be available by the end of March 2018. **(Expected to be complete by March 2018)**

- **2017/18 AGS Action 5b: Cyber Security Action Plan (by March 2018):** Cyber Security initiatives are an integral part of the Technology Shared Service Improvement Plan which now supersedes the Cyber Security Action Plan. The new plan sets out improvements to ensure that services are delivered to meet customer needs and are fit for purpose. Initial improvement activity is now being provided with further enhancements identified to ensure the Council continues to provide a secure and high performing IT environment. This ongoing enhancement activity is reflected for delivery in 2018/19. (Appendices B and C reflect 2018/19 activity)

- **2017/18 AGS Action 5c: Data Protection Guidance (by July 2017):** The Council's Data Protection Policy and document retention guidance have been reviewed and updated to enhance information management arrangements (**completed November 2017)**.

- **2017/18 AGS Action 6a: Increase data centre capacity (by June 2017)**: To increase capacity across the council's two data centres and enhance ICT resilience that will enable the Council to continue to provide a secure and high performing IT environment, additional server hardware has been installed and is now operational (**completed June 2017).**

- **2017/18 AGS Action 6b: Increase resilience of the council's IT and telephone arrangements (by September 2017):** Business continuity activity to increase the resilience of the council's IT and telephony arrangements now forms part of the new Technology Shared Service Improvement plan and is scheduled for completion by September 2018. (Appendices B and C reflect 2018/19 activity).

- **2017/18 AGS Action 7: Corporate Information Group to be established (by September 2017):** An action plan to enhance information management arrangements across the council is being implemented. In addition an Information Officer has been appointed, Information Asset Owners assigned and a Corporate Information Governance Group has been established to embed best practice records management across the council and ensure that customer data is appropriately managed **(completed September 2017)**.

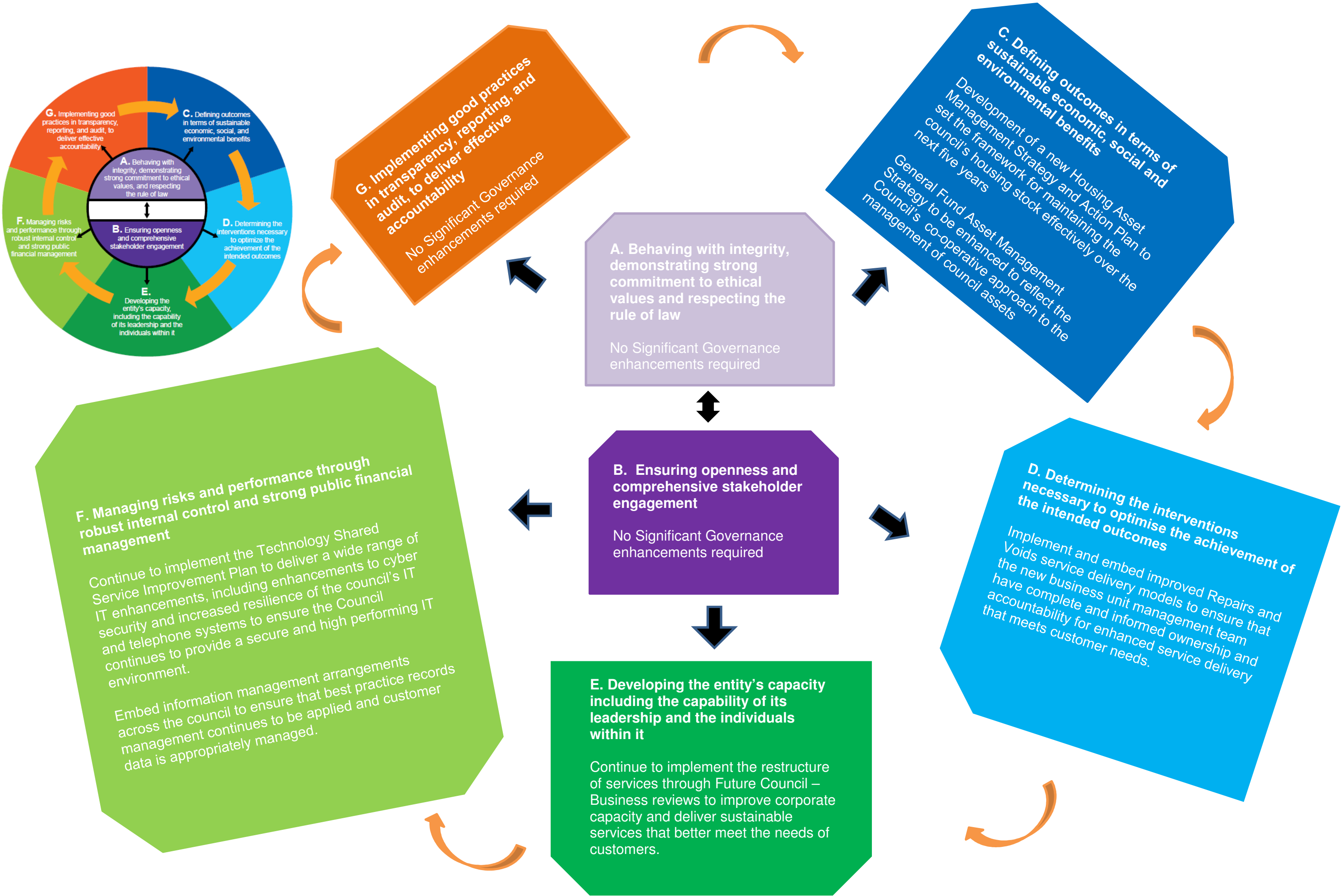**The following scheduled governance activity pertaining to best practice has also been delivered:**

- SAFS has launched a county-wide framework to enhance processes to identify Council Tax Fraud.
- The Council's business continuity arrangements have been reviewed to reflect the Senior Management Review.

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

Governance for this principle is currently considered robust. The following scheduled governance activity pertaining to best practice has been delivered:

- SIAS was restructured to provide a more responsive service in light of changing customer demand and implemented a new system for time-recording to ensure that performance issues are highlighted and addressed at the earliest opportunity
- Ernst and Young were appointed as the Council's external auditors for a five year period from 2018/19

Summary of Proposed Significant Actions for Inclusion in Annual Governance Statement

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

No Significant Governance enhancements required

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

Development of a new Housing Asset Management Strategy and Action Plan to set the framework for maintaining the council's housing stock effectively over the next five years

General Fund Asset Management Strategy to be enhanced to reflect the Council's co-operative approach to the management of council assets

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

No Significant Governance enhancements required

B. Ensuring openness and comprehensive stakeholder engagement

No Significant Governance enhancements required

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

Implement and embed improved Repairs and Voids service delivery models to ensure that the new business unit management team have complete and informed ownership and accountability for enhanced service delivery that meets customer needs.

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

Continue to implement the Technology Shared Service Improvement Plan to deliver a wide range of IT enhancements, including enhancements to cyber security and increased resilience of the council's IT and telephone systems to ensure the Council continues to provide a secure and high performing IT environment.

Embed information management arrangements across the council to ensure that best practice records management continues to be applied and customer data is appropriately managed.

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

Continue to implement the restructure of services through Future Council – Business reviews to improve corporate capacity and deliver sustainable services that better meet the needs of customers.

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Outline of Planned Governance Enhancement Activity to take place in 2018/19

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

Governance for this principle is currently considered robust and no further activity pertaining to best practice is scheduled at this stage.

Principle B: Ensuring openness and comprehensive stakeholder engagement

Governance for this principle is currently considered robust, however the following scheduled governance activity pertaining to best practice has been identified:

- To ensure the continuing effectiveness of the council's consultation and engagement arrangements, the council wide 'Consultation and Engagement Strategy' and council tenant and leaseholder related 'Resident Involvement Strategy' are being reviewed and merged.
- To enhance communication arrangements and implement recommendations made by the LGA during the recent Strategic Communications Peer Review, a new Communications and Marketing Plan has been developed for implementation in 2018/19.
- To ensure staff are optimally engaged and motivated in delivering the council's priorities, a staff survey will be carried out to gauge levels of staff satisfaction/engagement and their perception of organisation performance and delivery.
- An appraisal of further shared service options will be carried out that will allow for resources to be used more efficiently and outcomes achieved more effectively.

Principle C: Defining outcomes in terms of sustainable economic and environmental benefits

Significant Governance activity (governance controls identified to facilitate delivery of agreed outcomes that are sustainable)

- **Housing Asset Management Strategy:** A new Housing Asset Management Strategy and Action Plan to be developed to set the framework for maintaining the Council's housing stock effectively over the next five years and support delivery of the Future Town Future Council Programme.
- **General Fund Asset Management Strategy:** The draft General Fund Asset Management Strategy was considered by Executive on 14 February 2018. Officers and Members will now enhance the strategy with the incorporation of the Council's Co-operative principles to ensure that the Council's fundamental principle of working with the community to manage the Council's assets is reflected.

In addition, ongoing monitoring is planned in mitigation of risks relating to the delivery of agreed outcomes that are sustainable:

- The Housing Revenue Account (HRA) Business Plan, (agreed by Executive November 2016) is under ongoing review to ensure a balanced HRA financial plan for the next 30 years, and to ensure there are sufficient HRA funds to fund the council's Housebuilding and Acquisitions Programme. In light of a £27M deficit in the Business Plan's capital programme in future years, a package of financial security savings were considered by Members (Executive November 2017) with a further update provided to Special Council (January 2018). Future Council Business Unit Reviews will refocus on delivering Financial Security savings through improved processes and targeted commercialisation.

- The Medium Term Financial Strategy and Capital Programme are under ongoing review to ensure finances remain robust in the long term and ensure the council can deliver the ambitions set out in the Future Town Future Council Programme; deliver a once in a generation investment in the town, through town centre regeneration, housing development and investment in neighbourhoods and become financially self-sufficient.

- New Local Plan: Active engagement is currently being carried out with the Ministry of Housing, Communities and Local Government and the Chief Planner - Briefing papers have been prepared and are with the Secretary of State for decision. Partnership support is being managed along with contingency planning for all scenarios.

Scheduled Governance enhancement activity (pertaining to best practice):

- A new Customer Focus Strategy is to be developed focused on enhancing customer satisfaction for residents interacting with key services

- A new website is to be developed to provide a portal for new customer online services.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Significant Governance activity (governance controls identified to facilitate delivery of agreed outcomes that are sustainable)

- **Repairs and Voids Improvement Programme:** Implement and embed improved Repairs and Voids service delivery models to ensure that the new business unit management team have complete and informed ownership and accountability for enhanced service delivery that meets customer needs.

In addition, ongoing monitoring is planned in mitigation of risks relating to the delivery of agreed outcomes that are sustainable:

- Risks associated with the impact of Welfare Reform on the community and Council have been identified. The Council is continuing to assess potential impacts through business insight. The current advised 'go live' date for roll out of the remainder of claimants for Universal Credit for Stevenage is now October 2018.

Scheduled Governance enhancement activity (pertaining to best practice):

- A new Corporate Procurement Strategy to be approved and published and implementation of a new Contract Management Module to enhance procurement arrangements

- The design and delivery of a new Digital Transformation Programme to deliver transformative digital projects and support modernisation and improvements to the Council's customer services offer, customer insight and cross organisational customer focus.

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

Significant Governance activity (governance controls identified to facilitate delivery of agreed outcomes that are sustainable):

- **Corporate Capacity:** Continue to implement the restructure of services through Future Council – Business reviews to improve corporate capacity and deliver sustainable services that better meet the needs of customers.

Scheduled Governance enhancement activity (pertaining to best practice):

- Research and engagement has been carried out for a new corporate appraisal scheme resulting in high level strategic proposals being agreed with the aim of a new corporate appraisal process being available for 2019/20.

- The continued implementation and embedding of a suite of e-learning modules to provide training and development which matches individual and organisational requirements

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

Significant Governance activity (governance controls identified to facilitate delivery of agreed outcomes that are sustainable):

- **Technology Shared Service Improvement Plan:** Continue to implement the Technology Shared Service Improvement Plan to deliver a wide range of IT enhancements, including enhancements to cyber security and increased resilience of the council's IT and telephone systems to ensure the Council continues to provide a secure and high performing IT environment.

- **Information Management**: Embed information management arrangements across the council to ensure that best practice records management across the council continues to be applied and customer data is appropriately managed.

Scheduled Governance enhancement activity (pertaining to best practice)

- The approval and publication of a revised Anti-Money Laundering policy to enhance counter fraud and anti-corruption arrangements.

- An e-learning risk identification/management training offer to be developed

- Business Unit business continuity plans to be reviewed to reflect changes as a result of the Future Council - Business Reviews and a business continuity desk top exercise to be developed and used by business units to validate their business continuity arrangements.

- IT procurement procedures to be reviewed to enhance the alignment of IT applications with service priorities to better support the delivery of council ambitions.

- Implement management and operational action to deliver effective financial management of the commercial property portfolio to meet the Council's Financial Security priority.

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

Governance for this principle is currently considered robust and no further activity pertaining to best practice is scheduled at this stage.

Stevenage Borough Council
Audit Committee

2018/19 Internal Audit Plan Report

26 March 2018

Recommendation

Members are recommended to approve the
proposed Stevenage Borough Council Internal Audit
Plan for 2018/19

Contents

Appendices

1. Introduction and Background

<u>Purpose of Report</u>

1.1   To provide Members with the proposed Stevenage Borough Council 2018/19 Internal Audit Plan.

<u>Background</u>

1.2   The Stevenage Borough Council Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Internal Audit annual report.

1.3   The Shared Internal Audit Service (SIAS) Audit Charter which was presented to the June 2017 meeting of this Committee shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. An updated version of the SIAS Audit Charter will be brought to the first meeting of Audit Committee in the 2018/19 Civic year.

1.4   The PSIAS require that the audit plan must incorporate or be linked to a strategic or high-level statement which:

- Outlines how the service will be developed in accordance with the internal audit charter
- Details how the internal audit plan will be delivered
- Evidences how the service links to organisational objectives and priorities

1.5   Section 2 of this report details how the SIAS complies with this requirement.

2. Audit Planning Process

<u>Planning Principles</u>

2.1   SIAS audit planning is underpinned by the following principles:

a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.

b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the council's control arrangements.

c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk;

d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, including recognition that in a resource constrained environment, all needs cannot be met.

e) Identification of responsibilities where services are delivered in partnership.

f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge;

g) Capacity to deliver key commitments including work undertaken on behalf of External Audit, governance work and counter fraud activity;

h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

Approach to Planning

2.2 In order to comply with the requirements of the PSIAS, SIAS has continued with a methodology for all SIAS partners which contains the following elements:

Local and National Horizon Scanning

SIAS reviews, on an ongoing basis:
- key committee reports at each client and identifies emerging risks and issues;
- the professional and national press for risks and issues emerging at national level

Consideration of risk management arrangements

SIAS assesses the risk maturity of the council and based on this assessment, determines the extent to which information contained within the council's risk register informs the identification of potential audit areas.

Confirmation of the council's objectives and priorities

SIAS confirms the current objectives and priorities of the Council. This information is used to confirm that identified auditable areas will provide

assurance on areas directly linked to the achievement of the council's objectives and priorities.

2.3   The approach to audit planning for 2018/19 has been characterised by:

a) Detailed discussions with senior managers and other key officers within the council to confirm auditable areas and elicit high level detail of the scope of audits.   This process incorporates the following four steps to assist in the later prioritisation of projects:

Risk Assessment
Managers and SIAS agree the level of risk associated with an identified auditable area.

Other sources of Assurance
Managers are asked whether assurance in the auditable area is obtained from other assurance providers e.g. External Audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated.

Significance
Managers assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

Timings
Managers identify when an audit should be undertaken to add most value.

b) Proposed plans are based on the information obtained from the planning meetings. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.

c) The proposed 2018/19 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted;

d) Proposed draft plans are presented to Senior Leadership Team for discussion and agreement;

e) The plan is shared with the External Auditor.

This approach ensures that our work gives assurance on what is important and those areas of highest risk and thus assists the Council in achieving its objectives

The Planning Context

2.4   The context within which local authorities and housing associations provide their services remains challenging:

- Austere public finances are likely to continue into the next decade, meaning that previous expenditure levels are not sustainable and public leaders expect serious financial difficulty ahead;

- Demand continues to rise, driven by complex needs, an ageing population and higher service expectations from citizens;

- Technology ranging from use of mobile devices and applications to predictive analytics is now key to service delivery and offers opportunities along with significant risks;

- Major, national programmes in areas like welfare and business rate reform, and structural changes mean the environment remains relatively unstable;

2.5   The resultant efficiency and transformation programmes that councils are in the process of implementing and developing are profoundly altering each organisation's nature.   Such developments are accompanied by potentially significant governance, risk management and internal control change.

2.6   The challenge of giving value in this context, means that Internal Audit needs to:

- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives;

- Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective;

- Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as 'control risk self assessments' or 'continuous assurance' where appropriate;

- Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

Internal Audit Plan 2018/19

2.7   The draft 2018/19 audit plan is included at Appendix A and contains a high level proposed outline scope for each audit. Appendix B details the agreed start months.

2.8   The SIAS Board approved a 10% reduction in audit plan days across all partner plans at its December 2017 meeting. For Stevenage, this amounted to a reduction of 40 days from a total of 390 to 350 days in

the 2018/19 Audit Plan. The bulk of this (25 days) was taken from key financial systems audits, and the remainder distributed across the Plan. The table below shows the estimated allocation of the total annual number of purchased audit days for the year:

Purchased Audit Days	2018/19	%
Key Financial Systems	75	21
Operational audits	122	35
Procurement / Contracts / Project Management	24	7
IT Audits	30	9
Risk & Governance	10	3
Counter Fraud	0	0
Shared Learning / Joint Reviews	6	2
Ad-Hoc Advice	5	1
To Be Allocated	0	0
Follow Ups	10	3
Strategic Support*	43	12
Contingency	5	1
2017/18 Projects Requiring Completion	20	6
Total allocated days	**350**	**100**

* This covers supporting the Audit Committee, monitoring, client liaison and planning for 2019/20.

2.9   Members will note the inclusion of a provision for the completion of projects that relate to 2017/18. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible, especially given the high dependence on client officers during a period where there are competing draws on their time e.g. year end closure procedures.

2.10   The nature of assurance work is such that enough activity must have been completed in the financial year, for the Head of Assurance to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

3. Performance Management

<u>Update Reporting</u>

3.1 The work of Internal Audit is required to be reported to a Member Body so that Stevenage Borough Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2018/19 and any proposed changes will be reported to this Committee four times in the 2018/19 civic year.

3.2 The implementation of agreed audit recommendations will be reported to Audit Committee as part of the update reporting process.

<u>Performance Indicators</u>

3.3 Annual performance indicators were approved at the SIAS Board in September 2011 and are reviewed annually. Details of the targets set for 2018/19 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target
1. **Planned Days** percentage of actual billable days against planned chargeable days completed.	95%
2. **Planned Projects** percentage of actual completed projects to draft report stage against planned completed projects. Note: to be based on the judgement of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the audit plan.	95%
3. **Client Satisfaction** percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%
4. **Number of High Priority Audit Recommendations agreed**	95%

5. External Auditor Satisfaction	Annual Audit Letter formally records that the External Auditors are able to rely upon the range and quality of SIAS' work.
Annual Plan	Presented to the March meeting of each Audit Committee. Or if there is no March meeting then presented to the first meeting of the new financial year.
Head of Assurance's Annual Report	Presented to the first meeting of each Audit Committee in the new financial year.

Stevenage Borough Council 2018/19 Draft Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
KEY FINANCIAL SYSTEMS Key financial systems are of critical importance to sound financial management and financial reporting. As such, the external auditor needs to be satisfied that these systems are soundly controlled and can be relied upon to avoid errors that would result in a material misstatement in the organisation's accounts. Management also needs to be assured that the key financial systems are soundly controlled in order to meet objectives and thereby contribute appropriately to wider organisational objectives. In agreement with the Assistant Director (Finance and Estates) (S151 Officer), we have amended the internal audit strategy for key financial systems. We will be conducting full audits of all key financial systems on a three-year cyclical basis, with a reduced depth of coverage in the intervening two years of the cycle. Factors determining both which audits will be subject to greater depth of coverage and individual assurance areas to be included within the scope of each audit will take account of the following: a) Any major changes to systems, e.g. a new IT system or system upgrade, b) Any major changes to key staff, c) Any significant change to the number or complexity of transactions being processed by that system, d) Any regulatory changes impacting on the system, e) History of issues / weaknesses identified by audit (internal or external), and f) Assurance required to inform the Annual Governance Statement.	
Main Accounting System (General Ledger)	Main Accounting will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Access controls for the general ledger and associated modules, b) Setting up, deletion and monitoring of general ledger accounts in line with an established delegation of authority,	6

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	c) Processing of journals and virements, ensuring that only authorised transactions with appropriate justification documented can be entered, d) Reconciliation of financial and non-financial systems where significant income is received, and e) Regular review and clearance of suspense accounts.	
Debtors	SIAS will be conducting a full assurance audit on the Debtors system to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Policies and procedures, b) Customer account creation and amendment, c) Raising of debtor accounts, d) Credit notes and refunds, e) Accounting for income received, f) Write offs, and g) Debtors control account reconciliations.	10
Creditors	SIAS will be conducting a full assurance audit on the Creditors system to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Policies and procedures, b) Raising of supplier accounts, c) Ordering of goods, works and services, d) Receipt of goods, works and services, e) Payment of suppliers' invoices, f) Credit notes and refunds, and	12

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	g) Creditors control account reconciliations.	
Treasury Management	Treasury Management will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Treasury Management Practices, Policies and Procedures, b) Reporting Arrangements, c) Service Continuity and Training, d) Cash Flow Management, e) Counter-Party Risk, f) Transactions, g) On-line Banking and Investments, h) Capital and Interest Payments, i) Reconciliations, j) Performance Monitoring, and k) External Service Providers	6
Payroll	SIAS will be conducting a full assurance audit on the Payroll system to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Systems Access, b) Policies and Procedures, c) Service Continuity, d) Statutory and Super-Annuation Parameters, e) Starters and Leavers, f) Contract Variations,	12

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	g) Additional Payments, Overtime and Expenses (coverage dependent on scope of operational audits below), h) Pay Run, i) PAYE Real Time Information, j) Recovery of Overpayments, and k) Payroll Records (Data Protection / Security).	
Council Tax	Council Tax will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Policies, Procedures and Legislation, b) Amendment to Council Tax records, c) Discounts and Exemptions, e.g. Single Person Discount d) In-year Billing, e) Collection and Refunds, f) Recovery, Enforcement and Write Offs, g) Reconciliation between Council Tax system and General Ledger, h) Performance monitoring and Performance, and i) System access	6
Business Rates (NDR)	Business Rates will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Policies, procedures and regulatory compliance, b) Reconciliation between NDR system and Valuation lists, c) Multiplier setting, d) Voids and reliefs,	6

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	e) In-year Billing, f) Collection and refunds, g) Recovery, enforcement and write offs, h) Reconciliation between NDR system and general ledger, i) Performance monitoring and management, and j) System access.	
Housing Benefits	Housing Benefits will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Policies, procedures and set-up of standing data, b) Assessments and backdating, c) Payments, d) Recovery of Overpayments**, e) Reconciliations, f) Performance Monitoring, and g) Security of Data. ** - This has been identified as a key area of coverage for 2018/19 and will form the predominant part of the audit work.	6
Cash and Banking	Cash and Banking will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Security of cash and cheques received into departments and through the kiosk, b) Processing of cash and cheque payments, c) Collection and banking of kiosk income, and d) Bank Reconciliations.	5

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Housing Rents	Housing Rents will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Procedures and processes of all stages of rent setting, rent collection and arrears management, b) Annual rent setting, input into the Housing Management System and communication with tenants, c) Tenancy status, collection of rent, including refunds, and reconciliation to the general ledger account, and d) Management of rent arrears, action taken, including write offs (current and former tenants) and evictions e) Housing rents suspense account f) Rent refunds	6
OPERATIONAL AUDITS		
Data Quality	Public services need reliable, accurate and timely information with which to manage services, inform users and account for performance. Much time and money is spent on the activities and systems involved in collecting and analysing the data which underlies performance information, yet we have identified a lack of confidence in some of this data at our partners and our audit work has identified some instances of inaccuracy or a high degree of manual intervention required to report data. As increasing reliance is placed on this information in performance management and assessment regimes, the need for reliable data has become more critical.	15

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	Our coverage will include the following: a) Management arrangements - a review to determine whether proper corporate management arrangements for data quality are in place, and whether these are being applied in practice. This will include a review of performance management through InPhase. b) Completeness check - a review of the arithmetic completeness and acceptability of data supporting performance indicators selected for testing, and c) Data quality spot checks - in-depth review of a sample of performance indicators to determine whether arrangements to secure data quality are delivering accurate, timely and accessible information.	
GDPR - Post Implementation Review	As of May 25 2018, the General Data Protection Regulations (the GDPR) will replace the Data Protection Act 1998 as the regulation governing the protection of data in the UK. As a data controller, the Council has an obligation to comply with this new regulation and a programme of work is underway to implement the necessary governance framework. The transition from operating under the Data Protection Act 1998 (DPA) to the GDPR increases the risk of significant financial and reputational damage should the security of the Council's information be found to have been breached. In May 2017, the ICO published guidance on implementing the GDPR titled: Preparing for the General Data Protection Regulations – 12 Steps to Take Now, which set out the actions that organisations should be taking to prepare for the GDPR. We used this guidance as the framework of our review completed in February 2018 and to identify the actions that the Council is required to take between now and May 2018. This audit is designed primarily to provide assurance that the Council is compliant with the GDPR post May 2018, secondly to identify any gaps or actions still to be taken, and lastly to look back at the project and review successes and lessons learned.	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Land Charges	The Infrastructure Act 2015 authorised the transfer of local land charges registers and services from local authorities to be held and provided centrally at Land Registry. Councils play a key role in the collation and supply of data affecting their local areas which is essential in order to keep the new central digitised register updated. Secondary legislation laid out in the Local Land Charges Rules 2017 regulate how originating authorities (including local authorities) supply data to the Land Registry for inclusion in the new digitised central local land charges register. When the transfer of data from an individual local authority to HM Land Registry is completed, customers and users will be able to search and receive near-instant digital results via the Land Registry website or business channels, the portal and Business Gateway. Local authorities will still be required to apply, vary and cancel charges in the new register. They will also need to provide source documents on request and respond to additional enquiries from customers following HM Land Registry's issue of a search result. HM Land Registry has issued Pre-Migration Guidance to local authorities to complete a number of tasks to ensure the data in their local land charges (LLC) register is ready for digitisation and an efficient transfer with minimal referrals and queries. This document describes the tasks and the ideal position of a local authority's data before the transfer starts. Our work is designed to review the Council's progress and response to the changes in the provision of local land charge searches, including the secure migration of data to the Land Registry.	7
Emergency	The Civil Contingencies Act 2004 (CCA 2004) establishes a coherent framework for	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Planning	emergency planning and response, civil protection and community resilience ranging from local to national level. Part 1 of the CCA 2004 places a legal obligation upon emergency services and local authorities (defined as "Category 1 responders" in the CCA2004) to: a) Assess the risk of, plan and exercise for emergencies, b) Undertake business continuity management, c) Assume responsibility for warning and informing the public in relation to emergencies, d) Provide business continuity advice to local businesses, e) Co-operate and share information between themselves, as well as non-emergen services that may have a role in emergencies (defined as "Category 2 responders" in t CCA 2004). The CCA 2004 ensures that the organisations best placed to manage emergency response and recovery, are at the heart of civil protection. It achieves this by: a) Ensuring a clear set of roles and responsibilities for emergency response and recovery which encourages and enhances cross organisational working and communication, b) Establishing a set structure and uniformity for local emergency response and recovery activities, placing an importance on appropriate business resilience activities, and c) Establishing an agreed platform for critically assessing the effectiveness of emergency planning at a local level, with a clear focus on review and updating of plans and procedures (including training and awareness). The Council works closely with other agencies involved in emergency planning issues as part of Hertfordshire Resilience, which is the Local Resilience Forum for Hertfordshire. Hertfordshire Resilience includes representatives from the 'blue light' emergency services, as well as local authorities, the National Health Service, government agencies voluntary organisations and transport and utility companies. The Council buys into the	

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Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	traded service provided by Hertfordshire County Council District Emergency Planning Team and benefits from a dedicated HCC emergency planning officer who works in partnership with the borough to enhance the authority's emergency preparedness. The principal concern of local authorities in an emergency is to provide support for the people in their area. The Council as a local authority has particular responsibilities in emergencies in relation to the safety of structures; emergency shelter and re-housing and environmental health issues. In providing assurance on the Council's emergency preparedness, we will not only review compliance with the requirements of the CCA2004 as described in the lists above, but also look at: a) Records and documents maintained for an actual incident, or Council response, in terms of the Emergency Plan, b) Managing spontaneous volunteers and accounting for donations, and c) Memorandum of Understanding relating to mutual aid from other local authorities.	
Street Cleansing Programme	The Council's street cleansing programme provides a frequent cleansing of streets, gullies, car parks, public conveniences and other public areas to remove litter, build-up of leaves or any other conditions which could pose a risk to public health and safety. The Council does the following: • Continuously litter-picks town centres • Sweeps roads once every ten weeks • Removes accumulations of rubbish from public land • Empties litter and dog bins at least once every two weeks	15

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	• Assists with locally organised clean-ups. Business unit reviews are currently being undertaken and independent consultants procured to provide specific specialist advice on matters such as resource modelling and deployment. Internal Audit has been asked to provide assurance on governance, risk management, process and project / improvement plan implementation.	
CCTV	Hertfordshire CCTV Partnership Ltd is a partnership between Stevenage Borough Council, East Herts District Council, Hertsmere Borough Council and North Herts District Council. Their aim is to reduce the fear of crime across the principal public, residential, retail, business and schools within the partnership. The partnership currently covers a large area in public space CCTV in 15 towns across Hertfordshire and Bedfordshire. It also covers a large number of schools and private premises via their extensive ADPRO network. The proposed audit will look at the governance and financial management of Hertfordshire CCTV Partnership Ltd, including its management and board structures, partnership / shareholder agreements, monitoring of performance and delivery against objectives, staffing and funding arrangements (profitability, loading of costs, recharges). A specific scope will be agreed at the commencement of the audit.	10
Development Management	This audit will look to cover the following aspects of the development management process: a) Planning Cycle - The four stages of the planning application cycle namely application, validation, consultation, and decision to ensure applications are dealt with promptly	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	and in line with statutory and local requirements. Testing will also cover the pre-planning application process. b) Fees and income - Application fees are charged in accordance with statutory scales and pre-application fees are as approved. Fees are banked promptly. c) Documentation and systems – Adequate information and documentation is maintained to support planning decisions. d) PS1 and PS2 Statutory Returns - Completion of the PS1 and PS2 statutory returns containing information relating to the Council's planning activities, including completion against set timescales and controls over the accuracy of data submitted. This will only be included in this audit, where not picked up by the data quality audit above.	
Homelessness Reduction Act	The Homelessness Reduction Act 2017 comes into force from April 2018, with £61million of government funding behind the Act. Councils will use the funding to pay for the series of new responsibilities they must meet under the Act. The Act places a legal duty on councils to give people meaningful support to try to resolve their homelessness, as well as introducing measures to prevent people becoming homeless in the first place. Some of the key changes relate to definitions of the threat of homelessness, the duty to provide advisory services, the duty to assess every eligible applicant's case and agree a plan, duties in cases of threatened homelessness, initial duty owed to all eligible persons who are homeless, duties to the intentionally homeless, ending duty – final accommodation offer, ending duty – deliberate and unreasonable refusal to co-operate and referral to another authority. The Council faces the challenge of delivering its homelessness duties and responsibilities	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	in a different way. This audit will look at the Council's response in terms of its planned changes and any peer review outcomes, and provide assurance that the service is meeting new statutory requirements.	
Debt Recovery	This audit will look to cover some of the following aspects of the sundry debt recovery process: a) Adherence to the Council's debt management procedures and departments' own procedures (where applicable). b) Receipt of regular and suitable 'aged debt reports' or other debtor information by managers and the effective review of this information resulting in timely and appropriate action. c) Information sharing and coordination of action between departments, and the Finance and Legal sections, ensures that debt recovery is as efficient and effective as reasonably possible. d) Services are withheld wherever possible until full payment has been received (and/or any other reasonable measures are taken to avoid debts arising). e) Debtors were charged the correct amount for the service/'product' provided. f) Review of methods to improve income collection (e.g. use of direct debit, payment in advance, etc.), as well as drawing on good practice or examples of restructured debt recovery at other Hertfordshire authorities.	12
Anti-Social Behaviour	The government defines anti-social behaviour as: "behaviour which causes or is likely to cause harassment, alarm or distress to one or more persons not of the same household (Section 1 of the Crime and Disorder Act 1998)". This applies to people living or working in the local area, including people who own or rent their homes. The intention of the audit is to focus on anti-social behaviour case management,	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	particularly an evaluation of the efficiency and effectiveness of the current arrangements and systems. We will look to cover policies, procedures and guidance in place, consistent and timely progression of anti-social behaviour case referrals, use of intelligence, recording of actions and outcomes, case management software, spreadsheets, hard copy files or databases in place, data security, effectiveness of cross departmental and partnership working, enforcement action, escalation arrangements, monitoring and performance management.	
Herts Home Improvement Agency	To provide assurance that a robust internal control framework is in place to support the delivery of activities and outcomes of the Home Improvement Agency. Audit day contributions from all SIAS partners who are in the partnership have been sought.	2
DFG Capital Grant Certification	To provide Head of Internal Audit sign-off on the annual Disabled Facilities Capital Grant return, due at the end of September each year.	1
Digital – Connected to our Customers	With the increasing role technology plays in the lives of our customers and the ways in which the Council conducts its business in the broadest sense, there are an increasing number of proposed or actual digital channels and touchpoints through which our customers interact and transact with us. Councils across the country are beginning to share, collaborate and work together in digital partnership, using technology to deliver high quality services that save money. This includes sharing best practice and skills, developing common digital service patterns and looking at ways Councils can share technology to deliver services. It is proposed that this audit will be mainly outward looking and have a strong consultancy element, covering what other Councils are doing, where they are working together and what they find most useful. There will also be an inward focus on the Council's current	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	and proposed digital offering, how it is being promoted, and what the level of take up (effectiveness) is.	
PROCUREMENT, CONTRACT MANAGEMENT AND PROJECT MANAGEMENT		
Refurbishment Contract	The Major Refurbishment Contract (otherwise known as the "Flat Block" contract) is one of the key deliverables highlighted within the HRA Business Plan, with approval given to commence the procurement for two contractors by the Executive in December 2016. Approval to award the contract took place at Executive on 23 January 2018. Our audit work is intended to support the mobilisation and transition phase of the contract and will encompass two separate visits to provide assurance at different intervals.	12
Housing Development Schemes	The purpose of the Housing Development Programme is new build delivery, planned re-provision of sheltered housing schemes, develop new Council housing quickly, provide new rental income to help sustain the HRA and replace properties lost through Right to Buy and raise the quality of housing that is available. Considerable financial commitments are proposed for the Housing Development Programme and it has been deemed prudent to seek assurance around the largest of the current development schemes. A full audit of a sample of schemes is proposed in 2018/19, including areas such as compensation payments to tenants, buying out private leaseholders, OJEU compliant procurement, project management, moving vulnerable people, confidentiality agreements, risk of unfair payments, risks around use of compulsory purchase orders (or not) to acquire leaseholds and contract payments.	12

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
SHARED LEARNING		
Joint Reviews	The SIAS Board traditionally agree a topic (or topics) for consideration as joint reviews across the SIAS partners in-year. These have yet to be determined for 2018/19. Where no topic is specified, the audit days will be returned to contingency for use on emerging audits / risks, applied to other audits in the plan or used on audits in the reserve list.	2
Shared Learning	Shared Learning Newsletters and Summary Themed Reports – 2 days Audit Committee and Joint Review Workshops – 2 days	4
COUNTER FRAUD		
N/A	No internal audit work in this area proposed in 2018/19. The Shared Anti-Fraud Service provides pro-active and reactive counter fraud services.	0
RISK MANAGEMENT AND GOVERNANCE		
Risk Management	The audit will involve a high level review of strategic and operational risk management arrangements, and whether risk management has been embedded in operational decision-making and activity. Any emerging issues will be considered as part of the audit	5

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	planning process. This audit traditionally informs the Annual Governance Statement.	
Corporate Governance	This audit traditionally informs the Annual Governance Statement and has covered a wide variety of topics across our partners. These have included: a) Members and officers serving on Outside Bodies, b) Local Government Transparency Code, c) Culture, Ethics and Standards, d) Council Strategies, Policies and Procedures, e) Governance structures - Effective Council, committee and reporting structure, terms of reference for each committee and group, work plans for Cabinet / committees, minuting and action tracking, Members and senior staff possessing the appropriate mix of skills and receive any required training and development and delegating decision-making and transactional authority, and f) Delegation of authority.	5
AD HOC ADVICE		
Ad Hoc Advice	This planned time has been allocated to provide for ad hoc advice to management on matters, issues or queries relating to risk, control, governance and anti-fraud. Ad hoc advice is relevant to activities that typically take less than one day to complete, e.g. advice on new policies or strategies.	5
IT AUDITS (shared with East Herts Council)		

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Cyber Security (TSS Improvement Plan - Security)	A number of Councils are specifying annual cyber security audits in response to ongoing cyber security threats and vulnerabilities. This Council is no different in that a Cyber Security Audit was conducted as part of the 2017/18 Audit Plan. The UK is one of the world's leading digital nations. Much of our prosperity now depends on our ability to secure our technology, data and networks from the many threats we face. Yet cyber-attacks are growing more frequent, sophisticated and damaging when they succeed. The Government's National Cyber Security Strategy 2016-2021 was released in November 2016, and it is proposed that the renewed focus on cyber security provided by the Strategy should form the basis for a further audit at the Council, with the scope to be determined at the point of delivery. Security is one of the key themes for improvement within the Technology Shared Service Improvement Plan and an audit of the key areas of focus and outcomes is proposed.	6
Incident Management - Major Incident Review / IT Disaster Recovery Follow-up (TSS Improvement Plan - Resilience)	A follow-up or re-audit of IT Disaster Recovery (Post Incident) is proposed, following the issue of the final internal audit report in January 2018. The original audit report raised four high priority recommendations and provided overall limited assurance. Resilience is one of the key themes for improvement within the Technology Shared Service Improvement Plan and an audit of the key areas of focus and outcomes is proposed.	6
Mobile Device Management and BYOD	Mobile device management (MDM) is the administrative area dealing with deploying, securing, monitoring, integrating and managing mobile devices, such as smartphones, tablets and laptops, in the workplace. It has also been defined to be a type of security software used by an IT department to monitor, manage and secure employees' mobile	6

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	devices that are deployed across multiple mobile service providers and across multiple mobile operating systems being used in the organisation. In the consumerisation of IT, BYOD, or bring your own device, is a phrase that has become widely adopted to refer to employees who bring their own computing devices – such as smartphones, laptops and tablets – to the workplace for use and connectivity on the secure corporate network. Today, employees expect to use personal smartphones and mobile devices at work (and for work), making BYOD security a concern for IT teams. This audit will seek to provide coverage of risk mitigation measures and security policy that clearly outlines the company's position, security requirements and governance policy to help IT better manage these devices and ensure network security is not compromised. Specifically, our objectives are: a) **Governance** – Whether the Council has appropriate arrangements in place governing the use of mobile devices and BYOD. This will include: i. There is a defined standard governing the use of mobile devices and BYOD for the Councils' business ii. There are defined policies and procedures in place relating to the secure use of mobile devices and BYOD iii. There are effective arrangements in place to recover lost or stolen devices iv. The arrangements in place are reviewed on a routine basis. b) **Mobile Device Security** – Whether there are procedures in place to secure the mobile devices that are used by the Council to access information and services. This will include: i. There is a standard in place for securing mobile devices ii. That security controls have been deployed on mobile devices and are managed effectively	

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	iii. There are procedures in place for securing the Councils' information on a mobile device if it is lost or stolen. c) **Bring Your Own Device Security** – Whether members of staff are able to use their own devices in a manner that is secure and consistent with the Councils' policies. This will include: i. There are controls in place to prevent unauthorised devices connecting to the Councils' IT network ii. Security controls are deployed on devices that are connecting to and accessing the Councils' IT network iii. The devices that are connected to the IT network are reviewed on a routine basis. Our work is designed to provide an assessment of the information security and cyber-crime prevention arrangements but cannot provide absolute assurance that the Councils would withstand an attack on its systems.	
TSS Improvement Plan Governance (including scope of adoption of ITIL as part of operational framework)	The Technology Shared Service Improvement Plan was developed to improve the service across four broad themes: resilience, security, best practice service management and developing forward strategy. The Improvement Plan is separated into distinct phases to ensure that the service has a reliable, robust and secure platform to enable later changes and improvements for customers as part of the 'Connected to our Customers' and 'Digital East Herts' programmes. This audit is designed to examine the governance around the Improvement Plan, including ownership, strategic direction, alignment to corporate priorities, monitoring delivery, risk management, staffing, investment, exception reporting and regular progress review and update. ITIL, formally an acronym for Information Technology Infrastructure Library, is a	12

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	framework or set of detailed practices for IT service management (ITSM) that focuses on aligning IT services with the needs of business. It is based around a five-phase service lifecycle: service strategy, service design, service transition, service operation and continual service improvement. ITIL is the most widely accepted approach to IT service management. It helps individuals and organisations use IT to realise business change, transformation and growth. The ultimate goal of ITIL is to improve how IT delivers and supports business services. ITIL is not just technology management or process management. It also focuses on improving the capabilities of people, processes, and technology. Adoption of the ITIL framework can be the foundation for success of other initiatives such as DevOps, cybersecurity, cyber-resilience, Internet of Things (IoT), and other emerging trends and technologies. The IT Improvement Plan has an objective to consolidate and embed the ITIL framework in the way the Technology Service works. The audit time on this area has been set aside to provide consultancy and support in this regard.	
FOLLOW UP AUDITS		
Repairs and Voids Service	A follow-up or re-audit of the Repairs and Voids Service is proposed, following the issue of the final internal audit report in January 2018. The original report contained two high priority recommendations relating to: a) Recruitment issues - there are several roles within the Repairs and Voids Service which are currently not filled with substantive staff, meaning that there is not a strong management structure to take forward and embed the programme, and b) Post project closure reports and follow up actions - including a lack of monitoring and ownership of post project actions.	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	There was also a limited assurance area within the audit report centred on actual embedding of the project deliverables as part of business as usual activity once projects have been closed, and adequately resourcing and monitoring these to ensure sustainability and benefits of the work undertaken in the long term. The Council's Improvement Plan incorporated 25 different projects which were managed using the Council's project management framework. At the time of our original audit work, 18 projects had been completed, three were on hold, one had been delayed to March 2018 and three were at completion at the time of audit with closure reports being prepared. Projects were broken down into groups to include those on Business Vision, Service and Individual Development, Operational Delivery, Financial Efficiency and Business Performance. Our work is intended to focus on the implementation of the high priority recommendations, especially the achievement of post project actions and maximising the operational benefits of the projects within business as usual activity.	
CONTINGENCY		
Contingency	To provide for adequate response to risks emerging during the course of the financial year.	5
STRATEGIC SUPPORT		
Head of Internal	To prepare and agree the Head of Internal Audit Opinion and Annual Report for 2017/18.	3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Audit Opinion 2017/18		
Audit Committee	To provide services linked to the preparation and agreement of Audit Committee reports, meeting with the Audit Committee Chair prior to each Audit Committee (as required) and presentation of reports / participation at Audit Committee.	10
Client Liaison	This involves meetings and updates with the Council's Audit Champion and other key officers.	8
Liaison with External Audit	To meet the external auditors and providing information as they require.	2
Monitoring	To produce and monitor performance and billing information, work allocation and scheduling.	10
SIAS Development	Included to reflect the Council's contribution to developing and maintain the shared service / partnership through its service plans and corporate activities.	5
2019/20 Audit Planning	To provide services in relation to preparation and agreement of the 2019/20 Audit Plan.	5
2017/18 projects requiring	Additional time, if required, for the completion of 2017/18 audit work carried forward into the 2018/19 year. Any unused days will be returned to contingency for use on emerging	20

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
completion	risks and audits, or allocated to audits in the reserve list. For the reasons disclosed at Audit Committee in February 2018, the following audits with estimated days required to completion in brackets have been carried forward into 2018/19: Not yet known - estimated number of days provided. Likely to be: Customer Service Centre - Complaints Handling (10) Other (10)	
RESERVE LIST AND FUTURE AUDITS		
IR35	IR35 is tax legislation that is designed to combat tax avoidance by workers supplying their services to clients via an intermediary, such as a limited company, but who would be an employee if the intermediary was not used. Such workers are called 'disguised employees' by Her Majesty's Revenue and Customs (HMRC). Our previous audit in 2016/17 focused on preparation for IR35 changes, however this audit would look at the application of the IR35 rules. This is the primary audit in the reserve list earmarked for inclusion if required for substitution of another audit project.	8
FOI and Data Transparency	Compliance with legislation / regulation, but also effectiveness of process and application of the right to say no if costs are prohibitive.	8

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Stevenage Haven	Stevenage Haven exists to provide shelter and support for single people experiencing homelessness in Stevenage and North Herts. The Council provided a funding pot to enable people to get a deposit in the private rented sector. The Council is seeking assurance around the effective use of the funding.	5
Stevenage Skip Hire	Review of process and procedure, as well as costs, profitability and income generation.	10
Third Party Relationships – governance arrangements	Review of effectiveness of third party relationships, including partnerships, shared services and contractors.	10
Houses in Multiple Occupation (2019/20)	Review in light of changes to legislation.	10
Overtime and Holiday Pay (2019/20)	As a result of a recent ruling by the Employment Appeal Tribunal (EAT) that regular voluntary overtime must be included in the first four week's holiday pay (Dudley Metropolitan Borough Council v Willetts and others), employers now need to apply the ruling to their workforces if they wish to avoid possibly costly tribunal claims. Internal Audit will provide assurance on the application of the new rules.	8

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Environmental Enforcement (2019/20)	Review of effectiveness of the Council's duties and responsibilities.	10
IT (2019/20)	Audits linked to the TSS Improvement Plan as in 2018/19.	Up to 30 in total
Various Environmental Services audits – Street Scene / Waste and Recycling / Grounds Maintenance (2019/20)	Business unit reviews currently being undertaken and independent consultants procured to provide specific specialist advice on matters such as resource modelling and deployment. Proposal for Internal Audit to provide assurance on governance, risk management, process and project implementation.	10 days each
Garage Improvement Programme (2019/20)	Garages are an important asset for income generation, and a review of the Council's programme delivery, service provision and financial management is deemed appropriate.	10

Apr	May	June	July	Aug	Sept
2017/18 Audit - Customer Service Centre - Complaints Handling	Mobile Device Management and BYOD	Land Charges	GDPR - Post Implementation Review	Debt Recovery	DFG Capital Grant Certification
2017/18 Audit – Other	Data Quality	Emergency Planning	Street Cleansing	Housing Development Schemes	Development Management
CCTV	Anti-Social Behaviour	Digital – Connected to our Customers	Repairs and Voids Service (Follow up)		
			Refurbishment Contract (1)		

Oct	Nov	Dec	Jan	Feb	Mar
Main Accounting	Cash and Banking	Housing Rents	Debtors	Corporate Governance	Risk Management

System (General Ledger)					
Council Tax	NDR	Payroll	Creditors	Cyber Security	
Housing Benefits	Treasury Management		TSS Improvement Plan Governance (including scope of adoption of ITIL)	Homelessness Reduction Act	
Refurbishment Contract (2)			Incident Management - Major Incident Review / IT Disaster Recovery Follow-up	Herts Home Improvement Agency	

At this stage, this is an indicative spread of audits, as not all services have specified a preferred start date.

The audit plan is dynamic and responsive, and some agility and flexibility in start dates is inevitable to accommodate internal audit and service needs.

All key financial systems audits have been brought forward to accommodate early closure and external audit requirements.

Stevenage Borough Council
Audit Committee

26 March 2018

Shared Internal Audit Service –
Progress Report

Recommendation

Members are recommended to note the Internal Audit Progress Report for the period to 9 March 2018

Contents

1 Introduction and Background

<u>Purpose of Report</u>

1.1   To provide Members with:

a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2017/18 Internal Audit Plan as at 9 March 2018.
b) The findings for the period 21 January to 9 March 2018.
c) The proposed amendments required to the approved Annual Internal Audit Plan.
d) The implementation status of previously agreed high priority audit recommendations.
e) An update on performance management information as at 9 March 2018.

<u>Background</u>

1.2   Internal Audit's Annual Plan for 2017/18 was approved by the Audit Committee at its meeting on 28 March 2017. The Audit Committee receive periodic updates against the Annual Internal Audit Plan.

1.3   The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit function is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

<u>Delivery of Audit Plan and Key Audit Findings</u>

2.1   As at 9 March 2018, 86% of the 2017/18 Audit Plan days had been delivered (calculation excludes contingency days that have not been allocated).

2.2   Final reports for the following audits and projects from the 2017/18 Audit Plan have been issued or completed since the last Audit Committee papers were issued:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Payroll	Jan '18	Substantial	Two merits attention
Housing Benefits	Feb '18	Substantial	One merits attention
Creditors	Feb '18	Substantial	Two medium One merits attention

Risk Management	Mar '18	Full	None
Treasury Management	Mar '18	Full	None

Proposed Audit Plan Amendments

2.3   There has been one change to the audit plan since the last audit committee on 5 February 2018 involving the cancellation of the Housing Development – Kenilworth Scheme review. From discussion with officers, this review is not required at this time and has been deferred to the 2018/19 audit plan. The one day released has been added to the Contract Management audit to cover the extended / amended scope.

Reporting of Audit Plan Delivery Progress

2.4   At the meeting of this Committee on 18 November 2013, it was agreed that the method for reporting on audit plan delivery progress be based on the judgement of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the audit plan. This approach is reflected in the figures at 2.12 (below).

2.5   To help the Committee in assessing the current situation in terms of progress against the 2017/18 projects in the Audit Plan we have continued to provide an overall progress update in the table below. In addition, we have agreed formal audit start dates with management and have allocated resources accordingly; details can be found in Appendix C. This is designed to help facilitate a smoother level of audit plan delivery through the year.

Final / Draft Report Issued (26)	
Confidence level in completion of this work – **Full**	
Repairs and Voids Service (final)	Incident Management (IT Disaster Recovery – Post Incident (final)
NDR (final)	Off-street Parking (final)
Local Authority Serious and Organised Crime Checklist (draft)	Health and Safety (final)
Integra Upgrade (final)	DFG Capital Grant Certification (complete)
IT Procurement (final)	Mutual Exchanges (final)
Council Tax (final)	Commercial Properties (final)
Museum Lease Payments (final)	Creditors (final)
Payroll (final)	Housing Benefits (final)
Main Accounting System (General Ledger) (draft)	Treasury Management (final)
Housing Rents (draft)	Cyber Security (draft)
GDPR Preparedness (draft)	Housing Allocations Follow-up (draft)
Debtors (draft)	Risk Management (final)
Cemetery Fuel Follow-up (draft)	Repairs and Voids Service - Standby and Callout Payments (draft)

In Fieldwork / Quality Review (7)	
Confidence level in completion of this work – **Strong to Full**	
Payroll Self-Service	Contract Management
Empty Properties / Voids	Shared Legal Services
Fire Safety	Corporate Governance
IT Shared Service Agreement	

Terms of Reference Issued / In Planning - Scope and Start date agreed with Management - preliminary work has begun (1)	
Confidence level in completion of this work – **Strong** – resources have been allocated to these activities by SIAS and management has agreed the way forward; dates are planned in diaries	
Cash and Banking (ToR)	

Allocated / No work commenced (1)	
Confidence level in completion of this work – **Low** – resources have been allocated to these activities by SIAS and management has agreed the way forward; dates are planned in diaries	
Customer Service Centre - Complaints Handling	

Cancelled / Deferred (1)	
Housing Development Schemes	

Summary – 9 March 2018		
Status	**No of Audits at this Stage**	**% of Total Audits (36)**
Draft / Final Report	26	72%
Quality Review	0	0%
In Fieldwork	7	19%
ToR Issued	1	3%
In Planning	0	0%
Allocated – Yet to start	1	3%

Cancelled / Deferred	1	3%

2.6   We have also included some similar tables to summarise the position with regard to 2016/17 audits brought forward into the 2017/18 Audit Plan. These projects will be included in our 2017/18 Head of Assurance Opinion and Internal Audit Annual Report, where they constitute assurance pieces.

Draft / Final Report Issued (5)	
Confidence level in completion of this work – **Full**	
Agency Staff (final)	Overtime (final)
Joint Review – Prevent (final)	Refugee Resettlement (final)
Joint Review – Local Authority Trading (workshop held on 16 March 2018)(complete)	

In Quality Review (0)	
Confidence level in completion of this work – **Full**	
N/A	

In Fieldwork (2)
Confidence level in completion of this work – **Strong to Full**
Managing Use of Council Vehicles (deferred to Q3 2017/18)	

Cancelled / Deferred (2)	
Concessions	Medium Term Financial Strategy

2.7   Since the February 2018 Audit Committee, further progress has been made in delivery of our two principal key performance indicators (billable days and audits to draft report stage). Of particular note, is the additional nine draft reports issued since the previous Audit Committee.

High Priority Recommendations

2.8   Members will be aware that a Final Audit Report is issued when it has been agreed ("signed off") by management; this includes an agreement to implement the recommendations that have been made.

2.9   The schedule attached at Appendix B provides a history of management comments and updates for any outstanding high priority audit recommendations.

2.10   No new high priority audit recommendations have been added since the previous Audit Committee.

Performance Management

2.11   The 2017/18 annual performance indicators were approved at the SIAS Board meeting in March 2017. Targets were also agreed by the SIAS Board for the majority of the performance indicators.

2.12   The actual performance for Stevenage Borough Council's 2017/18 Audit Plan against the targets that can be monitored in year is set out in the table below.

Performance Indicator	Annual Target	Profiled Target	Actual to 9 March 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	88% (345 / 390 days)	86% (334 / 390 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	80% (28 / 35 projects)	74% (26 / 35 projects)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at	100%	100%	100% (8 received for 2017/18 out of 16 issued)

'satisfactory' level			
4. Number of High Priority Audit Recommendations agreed	95%	N/A	100% 8 (2 from 2016/17 audit issued in June 2017 and 6 from 2017/18 work)

2017/18 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Key Financial Systems – 100 days								
Main Accounting System (General Ledger)					8	Yes	7.5	Draft Report Issued
Debtors					10	Yes	9.5	Draft Report Issued
Creditors	Substantial	0	2	1	12	Yes	12	Final Report Issued
Treasury Management	Full	0	0	0	8	Yes	8	Final Report Issued
Payroll	Substantial	0	0	2	12	Yes	12	Final Report Issued
Council Tax	Full	0	0	0	10	Yes	10	Final Report Issued
NDR	Substantial	0	0	1	10	Yes	10	Final Report Issued
Housing Benefits	Substantial	0	0	1	12	Yes	12	Final Report Issued
Cash and Banking					8	Yes	1.0	ToR Issued
Housing Rents					10	Yes	9.5	Draft Report Issued
Operational Audits – 127 days								
Mutual Exchanges	Substantial	0	0	0	10	Yes	10	Final Report Issued
Empty Properties / Voids					10	Yes	6	In Fieldwork
Off-street Parking	Substantial	0	1	3	10	Yes	10	Final Report Issued
Repairs and Voids Service	Moderate	2	1	1	18	Yes	18	Final Report Issued
Health and Safety	Substantial	0	0	1	10	Yes	10	Final Report Issued
Commercial Properties	Moderate	0	1	1	10	Yes	10	Final Report Issued
Payroll Self-Service					10	Yes	5	In Fieldwork
Integra Upgrade	Substantial	0	1	2	10	Yes	10	Final Report Issued
Customer Service Centre - Complaints Handling					10	Yes	0.5	In Planning
Repairs and Voids Service - Standby and Callout Payments					7	Yes	6.5	Draft Report Issued
Shared Legal Services					10	Yes	4	In Fieldwork

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Fire Safety					10	Yes	4	In Fieldwork
DFG Capital Grant Certification	N/A	0	0	0	2	Yes	2	Complete
Procurement, Contract Management and Project Management – 13.5 days								
Contract Management					11	Yes	8.5	In Fieldwork
Housing Development - Kenilworth Scheme					0	Yes	0	Cancelled
Museum Lease Payments	N/A	0	0	0	2.5	Yes	2.5	Final Report Issued
Risk Management and Governance – 12 days								
Risk Management	Full	0	0	0	6	Yes	6	Final Report Issued
Corporate Governance					6	Yes	2	In Fieldwork
IT Audits – 30.5 days								
IT Procurement	Moderate	0	2	1	6	Yes	6	Final Report Issued
Mobile Device Management and BYOD					0.5	Yes	0.5	Cancelled – deferred to 18/19
IT Shared Service Agreement					6	Yes	2.5	In Fieldwork
Incident Management	Limited	4	1	0	6	Yes	6	Final Report Issued
Cyber Security					6	Yes	5.5	Draft Report Issued
GDPR Preparedness					6	Yes	5.5	Draft Report Issued
Shared Learning and Joint Reviews – 7 days								
Shared Learning					5	Yes	4.5	Through Year
Joint Reviews					2	Yes	0.5	In Progress
Counter Fraud – 12 days								
Local Authority Serious and Organised Crime Checklist					12	Yes	11.5	Draft Report Issued
Ad Hoc Advice – 5 days								
Ad Hoc Advice					5	Yes	4.5	Through Year
Follow-up Audits – 8 days								

APPENDIX A - PROGRESS AGAINST THE 2017/18 AUDIT PLAN AT 9 MARCH 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Housing Allocations					5	Yes	4.5	Draft Report Issued
Cemetery Fuel					3	Yes	2.5	Draft Report Issued
Completion of 16/17 Projects – 28 days								
Other					3		3	Complete
Refugee Resettlement Programme	Full	0	0	0	5	Yes	5	Final Report Issued
Concessions					0	Yes	0	Cancelled
Medium Term Financial Strategy Benchmarking					1	Yes	1	Cancelled
Overtime	Moderate	0	4	0	9	Yes	9	Final Report Issued
Managing Use of Council Vehicles					5	Yes	4	In Fieldwork (deferred to Q3)
Agency Staff	Full	0	0	0	4	Yes	4	Final Report Issued
Joint Review - Local Authority Trading					0.5	Yes	0.5	In Fieldwork
Joint Review - Prevent					0.5	Yes	0.5	Final Report Issued
Contingency – 0 days								
Contingency								
Strategic Support – 47 days								
Annual Report and Head of Internal Audit Opinion 2016/17					5		5	Complete
Audit Committee					10		10	Through Year
Client Liaison					8		8	Complete
Liaison with External Audit					2		2	Complete
Monitoring					12		11.5	Through Year
SIAS Development					5		5	Complete
2018/19 Audit Planning					5		5	Q3/Q4
SBC TOTAL					**390**		**334**	

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 14 March 2018
1.	Digital Information Management	**Digital Record Retention** Senior Management should, in conjunction with the IT Service, identify an appropriate file management system(s) through which the Councils' record retention schedules can be enforced. The digital records, which include those that are stored within IT systems, should be reviewed on a routine basis and where there is not a demonstrable need for their retention they should be disposed of. The IT Service should maintain a record of the IT systems that do not conform to the Councils' requirements for digital record retention and appropriate compensating controls should be deployed.	SBC has recruited a new Information Officer who is delivering an action plan for the Council to comply with GDPR including focus on personal data. This post currently reports to the Head of Legal Services but will transfer to AD of Corporate Projects, Customer Services and Technology in July 2017. • Action plan delivery, • GDPR Compliance at SBC, • Proposing formation of a sub group of the Corporate Governance Group to be created to focus on good information governance for SBC, • EH have a new	Assistant Director (Corporate Projects, ICT and Customer Services) (Stevenage Borough Council) / Borough Solicitor	31 July 2017 31 May 2018 30 September 2017 31 May 2018	25/08/2017 - This is a new addition and the management response opposite is the latest comment. The AD Corporate Projects, ICT and Customer Services and Senior IT Manager will be in attendance at the Audit Committee to take any questions. 30/10/2017 – An update will be provided by representatives of IT Services at the Audit Committee meeting. 23/01/2018 - An update will be provided by representatives of IT Services at the Audit Committee meeting. 14/03/2018 - Action plan in place and being delivered / under review to achieve GDPR compliance at SBC – regular updates to SLT • Corporate Information	Partly implemented.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 14 March 2018
			Policy Officer leading on GDPR compliance and staff training.			Governance Group (CIGG) in place and meeting and IAO's identified and active • An Information and Records Governance Manager role has now been recruited / and will be confirmed • SIAS Audit – GDPR preparedness completed and draft report issued – moderate assurance.	
2.	Digital Information Management	**Security Standards for IT Systems** Management should establish a standard for securing the IT systems that are used to collect, process and store digital records. This should include, but not be limited to: - Password standards, which should be aligned to or exceed the requirement for active directory accounts. - All users should be uniquely identified and	ICT Policy Frameworks to be strengthened – deliver actions within the Improvement Plan from the ICT Review (already procurement of a policy framework is being investigated) Cybersecurity Action Plan in place and being delivered.	Assistant Director (Corporate Projects, ICT and Customer Services) (Stevenage Borough Council)	30 September 2017 Ongoing	25/08/2017 - This is a new addition and the management response opposite is the latest comment. The AD Corporate Projects, ICT and Customer Services and Senior IT Manager will be in attendance at the Audit Committee to take any questions. 30/10/2017 – An update will be provided by representatives of IT Services at the Audit Committee meeting. 23/01/2018 - An update	Partly implemented.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 14 March 2018
		generic accounts should be locked unless there is a business requirement for their use - A full audit trail should be enabled to trace user activity. Management should maintain a record of the IT systems that do not comply with the standard and take appropriate action to mitigate the risk of a security breach.				will be provided by representatives of IT Services at the Audit Committee meeting. 14/03/2018 – New Access Control guidelines for IT Systems have been adopted and the shared IT Service are working with key stakeholders to implement these guidelines for all IT systems used by both Councils.	
3.	Repairs and Voids Service	**Recruitment issues** a) While the recruitment process continues for these key roles, the progress of these actions should be reported to a relevant forum such as SLT. b) Once recruited, the established KPIs for each role should be monitored through the new performance appraisal process. For context – Finding included as background	Agreed. The appropriate forum will be agreed with the Strategic Director and Deputy Chief Executive. Agreed.	Strategic Director and Deputy Chief Executive	30 September 2017	23/01/2018 - No new management updates as report issued in January 2018. 07/03/2018 - An update will be provided by representatives of Repairs and Voids service at the Audit Committee meeting.	Not yet implemented.

APPENDIX B - IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 14 March 2018
		There are several roles within the Repairs and Voids Service which are currently not filled with substantive staff: a) Service Manager (filled by Interim Service Manager) b) Repairs Manager c) Contract/Supplier Manager d) Information Manager These roles are currently filled via a mix of agency staff and existing substantive employees taking on additional roles until successful candidates are recruited. There have been a number of unsuccessful recruitment cycles for each role. We noted that KPIs which reflect the objectives of the Service as outlined in the Improvement Plan have been established for each role to ensure that the progress made by implementation of each project is embedded once these posts have been filled.	Please also see below details. Following a comprehensive recruitment process we have appointed a permanent Repairs and Voids Service Manager who will join the Council on October 30th 2017. Regrettably the person who was offered the 2nd position - Repairs and Voids Manager position withdrew so we are going back out to advert for this post. We are also out to advert to recruit the permanent Information Analyst. We have been unsuccessful to date in recruiting the permanent Contract/Supplier Manager but are back out to advert Recruitment issues further link into operational roles - the requirement for NVQ				

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 14 March 2018
		Examination of relevant risk registers and InPhase indicates that the risk around the vacant posts has been added as a corporate risk.	2/3 has affected the service's ability to fill roles quickly. With this recognised we have adopted a skills test for agency workers which have resulted in recruitment of time served operatives with a high skill level. While the approach gets the right people in it does not create a succession plan as the requirement of NVQ 2/3 negates the ability to apply for a full time role - agency costs are circa 15% higher than full times roles. Furthermore any operative recruited on an NVQ 2 has to commit to obtaining a NVQ 3 (within work time) within a period of a year - bearing in mind the current course last 2 years. Releasing a volume				

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 14 March 2018
			of operatives on day release impacts on service delivery and increases the need for sub-contract support. It should also be noted that SBC has appointed the Assistant Director for Stevenage Direct Services who took the post up in early November 2017. The AD will line manage the R&V Service Manager and will be responsible for driving the necessary actions forward.				
4.	Repairs and Voids Service	**Post Project Closure Reports and Follow Up Actions** a) Management of the implementation of these actions should be included in the job objectives for the incoming Information Manager.	Agreed. Project Leads and the Information Analyst are to meet with all relevant parties on a monthly basis to review the actions and collate all relevant information and reports. This will	Service Delivery Manager	On appointment	23/01/2018 - No new management updates as report issued in January 2018. 07/03/2018 - An update will be provided by representatives of Repairs and Voids service at the Audit	Not yet implemented.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 14 March 2018
			then be reviewed and signed off by the Service Delivery Manager.			Committee meeting.	
		b) Implementation of post project actions should be monitored by the ECHFL Board. For context – Finding included as background From the five projects selected, a post project closure report has been completed for four of these. The remaining one is due for completion following the final staff away day, September 2017. Whilst these projects are reported as completed, the closing reports for each project identify future actions and post project actions. The project team leaders are mostly in charge of the future actions. Some of the actions such as those for the Repairs Diagnosis project have been ongoing since July 2016. During the course of the	Agreed. Monthly reviews of this document will take place with the Service Delivery Manager and all updates will be logged and monitored. This can then be reviewed by ECHFL. Please also refer to the attached Post Programme Actions spreadsheet.	Service Delivery Manager and ECHFL Board	To be commenced October 2017		

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 14 March 2018
		audit, a consolidated post project action tracker was being developed to allow the orderly demobilisation of the programme management team. There was no central monitoring of actions prior to the implementation of this tracker. It is essential that the incoming management team continue to monitor and implement these actions. The consolidated tracker has been developed to ensure that as the programme closes down and permanent managers recruited the actions are available. Prior to this, individual project managers tracked the progress of post project actions. Several actions on the post programme tracker have been assigned to the 'Information Manager' post which has not yet been filled.					
5.	IT Disaster Recovery	**Network resilience**					

APPENDIX B - IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 14 March 2018
	(Post-Incident)	Management should put in place a defined procedure for establishing a single data centre in the event of a loss of synchronisation between the two data centres. These procedures should be incorporated within the IT disaster recovery planning (see Finding 2). Furthermore, additional connectivity should be added to the IT network so that the single point of failure for Stevenage Borough Council is addressed.	Agreed. A technical procedure for establishing all IT services at a single data centre has been drafted. This will be further refined following testing and use. Additional connectivity options are being considered and will be implemented as part of the outcomes from the IT Disaster Recovery review in January 2018.	Interim Senior IT Manager	Complete 31 August 2018	23/01/2018 - No new management updates as report issued in January 2018. 14/03/2018 - The technical procedure is in place and we continue to work towards establishing a single data centre and this is part of the Disaster Recovery Planning currently being undertaken. This will be developed following the establishment of the Disaster Recovery Plan.	Implemented Not yet implemented.
5.	IT Disaster Recovery (Post-Incident)	**Environmental controls** Appropriate environmental controls should be installed at both data centres so that they can continue to operate in the event of a disaster. This should include: • Appropriate UPS deployed at both data centres • Appropriate power	Agreed. Increased power resilience will be implemented with larger capacity UPS deployed at both data centres, plus a generator will be installed to support the continued operation of the	Interim Senior IT Manager	31 May 2018	23/01/2018 - No new management updates as report issued in January 2018. 14/03/2018 - The first meeting with the supplier is due to take place in early March and installation is expected by	Not yet implemented.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 14 March 2018
		sources to support the continued operation of air conditioning at the Daneshill site. Management should define the processing capacity threshold at which it is no longer possible for a data centre to operate as the single data centre. This should be monitored and, where exceeded, appropriate action should be taken.	Daneshill data centre in the event of power disruption. Capacity requirements will be considered as part of identifying the technical solution within the planned review of IT Disaster Recovery Plans. More formal improved capacity management processes will be introduced as part of the IT Service's adoption of ITIL.		31 March 2018 31 December 2018	the original target date. This will increase our ability to operate Business As Usual and enable more effective Disaster Recovery. Additional hardware is being purchased to enable greater capacity. This initial mitigation will be in place by April 2018. This will enable the re-provisioning of a greater number of remote desktops across both councils should a data centre be lost. IT staff have undergone initial ITIL training and the learning has started to be transferred to the workplace. Further training will continue on an on-going basis.	Not yet implemented. Not yet implemented.
7.	IT Disaster Recovery (Post-Incident)	**Disaster recovery planning** Working with stakeholders from both Councils, Senior Management must define the recovery time and point objectives for critical IT systems and determine the order by which they should	Agreed. A review of IT Disaster Recovery arrangements will be undertaken, which will re-establish the	Interim Senior IT Manager	31 March 2018	23/01/2018 - No new management updates as report issued in January 2018.	Not yet implemented.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 14 March 2018
		be recovered by the Service. Where the Service is unable to achieve these objectives, the relevant IT system owner must identify alternative recovery solutions. The Service should put in place a defined IT disaster recovery plan, which is aligned to the Councils' continuity planning.	councils' business requirements and identify the technical solutions needed.			14/03/2018 - BDO have been commissioned to provide expertise and support to the review of Disaster Recovery Planning. This will be further supported by the expected team restructure once the new lead post has been recruited to. In the meantime, the IT team continue to progress this work, supported by experts from outside of the organisations.	
8.	IT Disaster Recovery (Post-Incident)	**Risk assessment and tolerance** Management should assess the risk of the data centres becoming unavailable and, where necessary, revise the risk treatment plans. Senior management at both Councils, supported by the Service, should perform a business impact assessment with regards to the loss of IT and define their respective risk appetites so that	Agreed. The risk appetites of the councils will be considered and addressed as part of the planned review of IT Disaster Recovery Plans.	Interim Senior IT Manager	31 March 2018	23/01/2018 - No new management updates as report issued in January 2018. 14/03/2018 - See item 7 above. This will be considered as part of the first phase of the review of Disaster Recovery Planning being supported by BDO.	Not yet implemented.

APPENDIX B - IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	Auditor Comment as at 14 March 2018
		appropriate actions are taken by the Service.					

APPENDIX C - AUDIT PLAN ITEMS (APRIL 2017 TO MARCH 2018) - START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept
16/17 Audit - Overtime **(Final Report Issued)**	Follow-up – Cemetery Fuel **(Draft Report Issued)**	Local Authority Serious and Organised Crime Checklist **(Draft Report Issued)**	IT Procurement **(Final Report Issued)**	IT Disaster Recovery / Incident Management **(Final Report Issued)**	DFG Capital Grant Certification **(Complete)**
16/17 Audit – Managing Use of Council Vehicles **(In Fieldwork - Deferred to Q3 (October))**	Integra Upgrade **(Final Report Issued)**	Health and Safety Compliance **(Final Report Issued)**	Commercial Properties **(Final Report Issued)**	Mobile Device Management and BYOD **(Deferred to 18/19 – replaced by GDPR Preparedness)**	IT Shared Service Agreement **(In Fieldwork – moved to Q4)**
16/17 Audit – Refugee Resettlement Programme **(Final Report Issued)**	Payroll Self-Service **(In Fieldwork – deferred to commencement of Payroll audit)**	Cyber Security **(Draft Report Issued)**	Repairs and Voids Service **(Final Report Issued)**	Off-Street Parking **(Final Report Issued)**	Mutual Exchanges **(Final Report Issued)**
16/17 Audit – Concessions **(Cancelled)**	Repairs and Voids Service - Standby and Callout Payments **(Draft Report Issued)**		Contract Management **(In Fieldwork)**		Fire Safety **(In Fieldwork – moved to Q4)**
16/17 Audit – MTFS Benchmarking **(Cancelled)**					
16/17 Audit – Joint Reviews (Prevent and Local Authority Trading) **(Final Report Issued / Workshop)**					
16/17 Audit – Agency Staff **(Final Report Issued)**					

APPENDIX C - AUDIT PLAN ITEMS (APRIL 2017 TO MARCH 2018) - START DATES AGREED WITH MANAGEMENT

Oct	Nov	Dec	Jan	Feb	Mar
Main Accounting System (General Ledger) **(Draft Report Issued)**	Cash and Banking **(ToR Issued)**	Treasury Management **(Final Report Issued)**	Follow-up – Housing Allocations **(Draft Report Issued)**	Risk Management **(Final Report Issued)**	Housing Development - Kenilworth Scheme **(Cancelled – deferred to 2018/19)**
Debtors **(Draft Report Issued)**	NDR **(Final Report Issued)**	Payroll **(Final Report Issued)**	Empty Homes / Voids **(In Fieldwork)**	Corporate Governance **(In Fieldwork – moved to March)**	
Creditors **(Final Report Issued)**	Housing Benefits **(Final Report Issued)**	Housing Rents **(Draft Report Issued)**	Customer Service Centre – Complaints Handling **(In Planning)**	Shared Legal Service **(In Fieldwork)**	
Council Tax **(Final Report Issued)**		Museum Lease Payments **(Final Report Issued)**		GDPR Preparedness **(Draft Report Issued)**	

This is an indicative spread of audit start dates agreed prior to the start of the financial year as part of the annual planning process. It is accepted that this that may change as the financial year progresses, as the Audit Plan is intended to be dynamic and flexible. Revised start months agreed with management have been annotated on the calendar above.

All key financial systems audits have been brought forward to accommodate early closure and external audit requirements.

Stevenage
BOROUGH COUNCIL

AUDIT COMMITTEE

Monday 26 March 2018

SUPPLEMENTARY AGENDA

<u>PART I</u>

8.   URGENT PART 1 BUSINESS

In accordance with Rule 37(a), the Chair has agreed that the following matters are deemed urgent and will be considered at the above meeting.

 a) Audit Planning Report – Year Ended 31 March 2018
 b) External Audit Update Report – March 2018
 c) Local Government Audit Committee Briefing

<u>Reason for Urgency</u>

These matters are deemed as urgent as to not present the External Audit 17-18 plan and progress report to this meeting, would result in its consideration being delayed until June 2018, at which point this will be significantly late and beyond when the Council has to issue draft 17-18 accounts for audit.

<u>Supplementary Agenda published 22 March 2018</u>

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Stevenage Borough Council
Audit planning report
Year ended 31 March 2018

23 February 2018

EY
Building a better
working world

Private and Confidential   23 February 2018

Stevenage Borough Council
Daneshill House
Danestrete
Stevenage, SG1 1HN

Dear Audit Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 5 February 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Neil Harris.
For and on behalf of Ernst & Young LLP
Enc

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01 Overview of our 2017/18 audit strategy

Overview of our 2017/18 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of Management Override	Significant Risk/Fraud	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Property, Plant and Equipment Valuations	Inherent Risk	Decrease in risk	Property, plant and equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk PPE may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates. Last year we had a significant risk due to the change in valuer and significant and material changes in asset valuations. We will assess whether a significant risk is triggered this year based on the response to our specialist's enquiries made of the Council's valuer and whether there have been changes to asset valuations that are outside of our expectations.
Pension Valuation and Disclosures	Inherent Risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.

Overview of our 2017/18 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Achievement of savings needed over the medium term	Significant Risk – Value for Money	No change in risk or focus	Over the next four years the Council needs to make savings of £2.5 million. This is a significant level. We need to assess the arrangements in place for the identification of savings required and their delivery.
Future Town Future Council - Town Centre Regeneration - SG1	Other Risk – Value for Money	Increase in focus	The Council has ambitious plans for the regeneration of the town centre. The first scheme being carried out as part of this (SG1) involves redevelopment focused on the Town Square and surrounding area including provision of a new civic hub. A competitive dialogue process has been followed in order to appoint a developer partner. Significant resources including senior officer time are invested in the project. We need to be assured that suitable arrangements have been put in place for the scheme.
Property Investment strategy	Other Risk – Value for Money	Increase in focus	The Council has approved a strategy for 2017/18 to 2019/20 which would see £15 million being invested in property being funded from prudential borrowing. The objective is to obtain income of £0.2 million a year to the general fund (£0.1 million in 2017/18) and a target rate of return of no less than 6%. The strategy is one of the ways in which the Council is aiming to reduce its budget gap and we will want to review the arrangements for the monitoring of the achievement of the strategy.

Materiality

Planning materiality

£2.1m

Materiality has been set at £2.1 million, which represents 2% of the prior years gross expenditure.

Performance materiality

£1.6m

Performance materiality has been set at £1.6 million which represents 75% of planning materiality.

Audit differences

£105k

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account, collection fund) greater than £105,200. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

Overview of our 2017/18 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Stevenage Borough Council give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and

- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

The scope of our work is different this year due to:

- The value for money risks relevant to the SG1 town centre regeneration scheme and the implementation of the new property investment strategy these are likely to require additional senior staff time and will result in additional fee.

02 Audit risks

Our response to significant risks continued

Risk of Management Override*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What will we do?

Our approach will focus on:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewing accounting estimates for evidence of management bias;
- Evaluating the business rationale for significant unusual transactions.
- Testing a sample of capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements for capitalisation.

We will keep our assessment of the work required to address the risk under review during the year.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
Property, Plant and Equipment Valuations Other Risk Property, plant and equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet. As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk PPE may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.	Our approach will focus on: ▪ Considering the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▪ Sample testing key asset information used by the valuers in performing their valuation (for example floor plans to support valuations based on price per square metres); ▪ Considering the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Properties. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ▪ Reviewing assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated; ▪ Considering changes to useful economic lives as a result of the most recent valuation; and ▪ Testing accounting entries have been correctly processed in the financial statements.
Pension Valuation and Disclosures Other Risk The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary. As with other councils, accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.	Our approach will focus on: ▪ Liaising with the auditors of the Hertfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Stevenage Borough Council; ▪ Assessing the conclusions drawn on the work of the actuary, Hymans Robertson, by the Consulting Actuary, PWC, who are commissioned by the National Audit Office, including the use of our own pensions specialists; and ▪ Reviewing and testing the accounting entries and disclosures made in relation to IAS19.

03 Value for Money Risks

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

"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"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

Take informed decisions;
Deploy resources in a sustainable manner; and
Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risks noted on the following page which we view as relevant to our value for money conclusion.

Informed decision making

Proper arrangements for securing value for money

Sustainable resource deployment

Working with partners and third parties
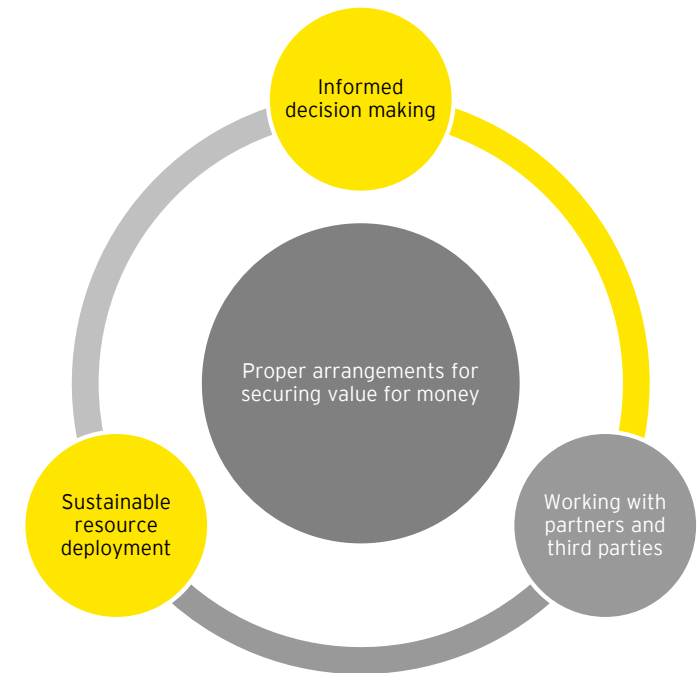
Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
Achievement of Savings Needed over the Medium Term The Council faces significant financial challenges over the next three to four years, with a forecast savings of £2.5 million required by 2021/22. In addition there are further savings required of approximately £0.2 million a year for the housing revenue account. Given the scale of the savings needed, there is a risk that savings plans to bridge this gap are not robust and/or achievable. This was identified as a significant risk at our 2016/17 audit.	Sustainable resource deployment	Our approach will continue to focus on: • The adequacy of the Council's budget setting process including the robustness of any assumptions used in medium term planning; • The effective use of scenario planning to assist the budget setting process; • The effectiveness of in year monitoring against the budget; • The Council's success in prioritising resources whilst maintaining services; and • The savings plans and concepts in place, and assessing the likelihood of whether these can provide the Council with the required savings/efficiencies over the medium term.

04 Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £2.1 million. This represents 2% of the Council's prior year gross expenditure. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix D.

Gross expenditure

£107.7m

Planning materiality

£2.1m

Performance materiality

£1.6m

Audit differences

£105.2k
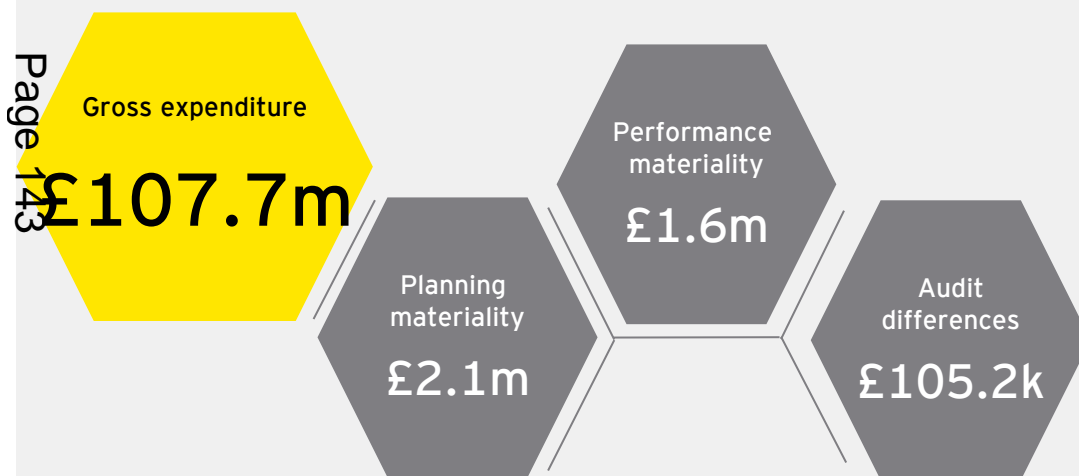
We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £2.1 million which represents 75% of planning materiality. This is in line with 2016/17.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

05 Scope of our audit
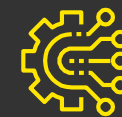
Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. **Financial statement audit**

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards
- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code
- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:
▸ Identifying and understanding the key processes and internal controls; and
▸ Substantive tests of detail of transactions and amounts.

Our intention is to carry out a fully substantive audit in 2017/18 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2017/18, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

Analytics:
We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:
▸ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
▸ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:
We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

06 Audit team

Audit team

Audit team structure:

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Neil Harris
Lead Audit Associate Partner

Kay Storey
Manager

Nadeeka Kodituwakku
Senior

👥 Audit team

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists may provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Real Estates Team
Pensions disclosure	EY Pensions Advisory Team

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

▸ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;

▸ Assess the reasonableness of the assumptions and methods used;

▸ Consider the appropriateness of the timing of when the specialist carried out the work; and

▸ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

07 Audit timeline

Audit timeline

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements:

▸ The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, and late working papers given that we are beginning our audit in early June.

▸ As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

good quality draft financial statements and supporting working papers by the agreed deadline;

appropriate Council staff to be available throughout the agreed audit period; and

complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Council we will:

▸ Work with the Council to engage early to facilitate early substantive testing where appropriate.

▸ Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.

▸ Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.

▸ Work with the Council to implement EY Client Portal, this will:

  ▸ Streamline our audit requests through a reduction of emails and improved means of communication;

  ▸ Provide on –demand visibility into the status of audit requests and the overall audit status;

  ▸ Reduce risk of duplicate requests; and

  ▸ Provide better security of sensitive data.

  ▸ Agree the supporting working papers that we require to complete our audit.

Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes. Walkthrough of key systems and processes	December/January	Audit Committee 5^h February	Audit Planning Report
Interim audit testing	February/March		
Year end audit	June		
Audit Completion procedures	July	Audit Committee July (Date not yet confirmed)	Audit Results Report Audit opinions and completion certificates
Conclusion of reporting	September	Audit Committee September (Date not yet confirmed)	Annual Audit Letter

08 Independence

Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence; ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.	▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements , the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Independence

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment
Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Neil Harris, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats
A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.   We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.   None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audit fees is not permitted to exceed 70%.   At the time of writing, the current ratio of non-audit fees to audit fees is 0%. No additional safeguards are required.   A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.   There are no self interest threats at the date of this report.

⬡ Independence

Other communications

EY Transparency Report 2017
Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.
Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:
http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017

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09 Appendices

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Audit – Code work	64,004*	64,004	TBC**
Certification of Claims and Returns	10,911	10,911	10,344***
Non-audit work	0	0	0
Total fees	55,841	55,841	TBC

All fees exclude VAT

*The planned fees for 2017/18 is likely to be affected by a scale fee variation for work required for the value for money conclusion reviewing the arrangements for the appointment of a developer partner for SG1 and the investment property strategy.

** The 2016/17 fee has not been finalised as we have issued a scale fee variation request which is still subject to agreement by the Council and then PSAA Limited. Details of the additional audit work we undertook in 16/17 are included in our Annual Audit Letter and Audit Results Report. The Council's Section 151 officer has asked questions and challenged the size of the additional audit fee and the extent of audit procedures that we have needed to undertake in those areas where the scope of our work changed. We have considered those questions and provided a response. This matter remains unresolved at the date of the Audit Committee papers. We are seeking to resolve this matter to the point of agreeing a fee variation with the Council. If that is not possible, we will invite PSAA Limited to arbitrate on this. In any event, the fee variation needs to be approved by PSAA Limited.

*** The 2016/17 certification fee includes a scale fee variation decrease of £2,513 which is still subject to agreement by PSAA Ltd.

The agreed fee presented is based on the following assumptions:

► Officers meeting the agreed timetable of deliverables;
► Our accounts opinion and value for money conclusion being unqualified;
► Appropriate quality of documentation is provided by the Council; and
► The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Regulatory update

In previous reports to the Audit Committee, we highlighted the issue of regulatory developments. The following table summarises progress on implementation:

Earlier deadline for production and audit of the financial statements from 2017/18	
Proposed effective date	Effective for annual periods beginning on or after 1 April 2017.
Details	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.
Impact on Rochford District Council	These changes provide challenges for both the preparers and the auditors of the financial statements.

We held a faster close workshop for clients on in November 2017 to facilitate early discussion and sharing of ideas and good practice.

We have also arranged for the Finance team to have access to our audit tool Canvas so that they can upload the working papers required for the various audit tasks and responses to audit queries/requests. This will enable the audit team and the Finance team to monitor outstanding/delayed information requests. |

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

Required communications	📓 What is reported?	📅📍 Our Reporting to you / When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit results report

Required communications with the Audit Committee (continued)

	📋 Our Reporting to you	
Required communications	📞 **What is reported?**	📅📍 **When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit results report
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Corrected misstatements that are significant ▸ Material misstatements corrected by management	Audit results report
Fraud	▸ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ A discussion of any other matters related to fraud	Audit results report
Related parties	▸ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Audit results report

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Required communications with the Audit Committee (continued)

Required communications	📱 What is reported?	📅📍 Our Reporting to you / When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence	Audit Planning Report and Audit Results Report
Internal confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report
Consideration of laws and regulations	▸ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▸ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of	Audit results report
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Management letter/audit results report
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report

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Required communications with the Audit Committee (continued)

		📋 Our Reporting to you
Required communications	📱 **What is reported?**	📅📍 **When and where**
Auditors report	▸ Key audit matters that we will include in our auditor's report ▸ Any circumstances identified that affect the form and content of our auditor's report	Audit results report
Fee Reporting	▸ Breakdown of fee information when the audit plan is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit planning report Audit results report
Certification work	Summary of certification work undertaken	Certification report

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Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards	▸ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
	▸ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
	▸ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
	▸ Concluding on the appropriateness of management's use of the going concern basis of accounting.
	▸ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
	▸ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial statements. Reading other information contained in the financial statements, considering whether the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
	▸ Maintaining auditor independence.

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Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

▸ The locations at which we conduct audit procedures to support the opinion given on the Entity's financial statements; and

▸ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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Stevenage Borough Council

External Audit Update Report

March 2018

Ernst & Young LLP

EY
Building a better
working world

Audit Committee
Stevenage Borough Council
Council Offices
Daneshill House
Danestrete
Stevenage
SG1 1HN

9 March 2018

Dear Members

External Audit Update

We are pleased to attach our Audit Update Report. This report summarises the work we have undertaken to date and our plans for the remainder of the 2017/18 year. The purpose of the report is to provide the Audit Committee with an overview of the stage we have reached in our 2017/18 audit and ensure our audit is aligned with the Committee's service expectations.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audits.

Yours faithfully

Neil Harris
Ernst & Young LLP
United Kingdom

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Contents

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1. Summary

1.1 Financial statements

We are required to give an audit opinion on whether the financial statements of Stevenage Borough Council give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended.

We adopt a risk based approach to the audit and, as part of our ongoing continuous planning, we review your published Council and committee minutes and papers along with the information we have on the wider local government environment. We met with the Council's Chief Financial Officer in January as part of our initial planning discussions and in order to develop our understanding of the challenges and risks you are facing to inform our work on your financial statements and value for money arrangements.

Our interim audit visit is now concluded. We have:

► Obtained data for the period to the end of December for both payroll and the general ledger to facilitate early transaction testing.

► Updated our understanding of the Council's material income and expenditure systems by walkthrough testing.

► Completed the programme of early testing discussed with the Council's Finance team in November 2017 as set out in the table below. We have made good progress against the programme and have set aside some time in April to complete the few remaining elements.

Early testing	EY Update
Income testing sales ledger and other income period 1-9	Interim work complete on sales ledger income. Our sample is with the Finance team for other general fund income
Income testing period 1-9 HRA charges for facilities	Interim work complete.
Expenditure P1-9	We have received back the supporting information for our sample.
Expenditure period 1-9 HRA supervision and management and repairs and maintenance	Interim work complete.
Payroll 1-9	Starters and leavers interim testing complete. Review of payroll postings using our general ledger tool to be completed in April.
Accounting policies	Interim work complete
PPE - Additions P 1-9	Interim work complete.
PPE- Disposals P1-10	Interim work complete.
Opening balances	Interim work complete
Related party transactions	Interim work complete.
Exit Packages 1-9	Interim work complete.
Grant income	Interim work complete.
Precepts	Interim work complete.

Early testing	EY Update
Significant contract review	Information requested and received on significant contract expenditure which we are in the process of reviewing.
Collection fund set up analytical review	Interim work complete.
Pension fund submission to actuary/confirmation of assumptions	We will seek to pick this up in April
Valuations	We have had sight of instructions but valuations not yet available.
Journals 1-9	Work to be completed in April.

There were no matters arising from this work to date that we need to bring to the attention of the Committee.

We are due to return to site in June to undertake our work on the audit of the draft statement of accounts.

1.2 Value for money conclusion

The overall criterion for 2017/18 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 sub criteria which underpin this, and which are considered in arriving at the overall conclusion are:

- Informed decision making

- Sustainable resource deployment

- Working with partners and other third parties.

We identified in our audit planning report that we identified a significant risk for our value for money conclusion given the level of savings (£2.5m) by 2021/22. We will be carrying out our detailed work on this in April. We will also be reviewing information from your Chief Financial Officer on the implementation of the Council's investment property strategy and SG1 development.

2. Timetable

2.1 Audit timeline

We set out below a timetable showing the key stages of the audit, and the deliverables we will provide to you.

We will provide formal reports to the Audit and Standards Committee throughout our audit process as outlined below.

Audit phase	Timetable	Deliverables
High level planning:	Already issued	► Audit Fee Letter
Risk assessment and setting of scope of audit	January/March 2018	► Audit Plan
Testing of routine processes and early substantive testing	February 2018	► Update report
Year-end audit	June 2018	► Report to those charged with governance ► Audit report on the financial statements and value for money conclusion ► Audit completion certificate
Reporting	July 2018	► Annual Audit Letter

In addition to the above formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Sector Briefings.

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Local Government Audit Committee Briefing

EY
Building a better working world

Contents at a glance

This sector briefing is one of the ways that we support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further, please contact your local audit team.

Government and economic news

Will the UK economy hold up as Brexit nears?

The latest forecast from the EY Item Club highlights that UK GDP growth in 2017 was 1.8%, which was better than expected. However, it does compare unfavourably with 2017 GDP growth of 2.5% for the Eurozone, 2.3% for the US and an estimated 3.0% globally.

The momentum from 2017, an improving outlook for consumer spending, and the increased likelihood of a near-term Brexit transition arrangements are expected to support UK growth this year. With this, we have nudged up our UK GDP forecast for 2018 to 1.7%, up from the 1.4% we predicted in our Autumn forecast in October last year.

However, further out, the UK's limited productivity performance and ongoing Brexit and political uncertainties will see the UK achieve only mid-range growth. With this, we have slightly reduced our GDP growth projections for 2019 to 1.7% (down from 1.8%), 1.9% for 2020 (down from 2.0%), and 2.0% for 2021 (down from 2.2%). Although we have modestly downgraded our expectation of the UK's productivity performance, it remains more optimistic than the Office for Budget Responsibility's latest forecast. Specifically, we forecast output per hour to rise 0.9% in 2018 and then 1.3% annually during 2019-2021.

Much depends on how the Brexit negotiations develop. The expectation is that the UK and EU will make sufficient progress to agree a transition arrangement lasting at least two years, from late March 2019. Since this will have to be ratified across the EU, agreement essentially needs to be reached by October 2018. Progress towards a transition deal in late 2018 should support business confidence and a gradual pick-up in investment, helping GDP growth accelerate.

Provisional 2018-19 Local Government Finance Settlement

On 19th December 2017 the Government set out the provisional funding plan for the 2018-19 financial year, which will be the third year of the four year multi-year settlement that was accepted by 97% of local authorities. The main themes of the provisional settlement were:

Council tax referendum principles – as a result of the financial settlement consultation process the government has decided to set the core referendum principle at 3% in 2018-19 and 2019-20, to match the higher than expected inflation. This change will give local authorities more flexibility in deciding how money will be raised to offset the increasing financial pressures and demand on services. Shire district councils will be allowed an increase of 3% or £5 whichever is higher.

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Continuation of the adult social care precept principle of a 2% increase, with the additional flexibility in 2018-19 to increase the precept by an additional 1%, from 2% to 3%, provided that the total increase across the three years 2017-18 to 2019-20 does not exceed 6%.

Analysis by the Local Government Association has estimated that the impact of increased flexibility in council tax precepts could be worth up to £540mn to local authorities by 2019-20. However local services are facing a total funding gap of £5.8bn in 2019-20. Therefore, the increased powers to raise council tax are not sufficient to meet the future funding gap.

Business rate retention – the Government's continued intention to reform local government financing in the future by allowing authorities to retain a greater percentage of business rates instead of receiving certain grants (including RSG, public health grant) direct from central government. By 2020-21 it is estimated that the business rate retention across the local government system would be 75%, compared to the current level of 50% retention. It was also announced that the 100% business rates retention pilot schemes were going to be expanded to include a further 10 local authorities.

New homes bonus – since inception the new home bonus has allocated £7bn to local authorities to encourage the building of over 1.2 million new homes. The Government has decided to continue to set the national baseline (below which no bonus will be paid) at 0.4% for 2018/19. The national baseline represents the annual growth of Band D properties within a local authority above which the new homes bonus will be awarded. Government retained the option to adjust the baseline in future years based on housing statistics as reported through council tax base figures. This stability will provide some security for district authorities who have based their growth strategy on the New Homes Bonus.

Carillion liquidation

Major public sector building and support services contractor Carillion plc went into compulsory liquidation on 15 January 2018. Carillion's sudden collapse is being felt across the country as a range of public services, from road building to school meals, have been unexpectedly terminated in a number of local authorities.

The full extent of the affected services is yet to be determined as local authorities discuss existing contracts with the Official Receiver. Local authorities are implementing contingency plans where possible, including either finding alternative contractors or taking services back in house. For example the response from Oxfordshire County Council in relation to the provision of school meals at 90 schools supplied by Carillion was to guarantee Carillion staff who worked in schools that the county council would ensure that they were paid.

Although the Government has pledged that public services 'will be protected' after Carillion's collapse, it is unclear how or when funding from central Government will be made available to the affected local authorities.

Public sector pay

Since 2013, the Government has implement a policy of a 1% annual pay increase cap for public sector workers; which was estimated to have saved approximately £5bn by 2019-20. In the Autumn Budget 2017 the Government confirmed the end of the 1% pay increase policy. Therefore from 2018-19, pay review bodies will be able award pay increases of greater than 1% as they determine to be appropriate. After the long freeze in real terms of public sector pay future increases above 1% have been welcomed; and it is thought that this has been needed to retain talent with in the public domain. However, this will be an additional cost pressure for local authorities that will require financing.

The national employers, who negotiate pay on behalf of 350 local authorities, suggested that most employees with salaries over £19,430 should receive a 2% increase for 2018-19 and a further 2% for 2019-20. Lower salaried workers will received higher increases based on hourly pay; from £7.78 to £9.00 in April 2019 and increase equivalent to 15.65%. National employers have said this would add another 5.6% to the national pay bill over the two years to 2020.

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Accounting, auditing and governance

IFRS 15 – revenue from contracts with customers

The new revenue standard, IFRS 15, creates a single source of revenue requirements for all entities in all industries and is a significant departure from legacy IFRS. The new standard applies to revenue from contracts with customers and replaces all of the legacy revenue standards and interpretations in IFRS, including IAS 11 Construction Contracts and IAS 18 Revenue.

IFRS 15 is principles-based but provides more application guidance and increased judgement. IFRS 15 also specifies the accounting treatment for certain items not typically thought of as revenue, such as certain costs associated with obtaining and fulfilling a contract and the sale of certain non-financial assets. The new standard will have little effect on some entities, but will require significant changes for others.

The standard describes the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services.

The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance

Entities will need to exercise judgement when considering the terms of the contract(s) and all of the facts and circumstances, including implied contract terms. Entities will also have to apply the requirements of the standard consistently to contracts with similar characteristics and in similar circumstances.

The 2018/19 Code of practice on Local Authority Accounting in the United Kingdom (the Code) will determine how IFRS 15 revenue from customers with contracts will be adopted by local government bodies. The 2018/19 Code will apply to accounting periods starting on or after 1 April 2018 but has not yet been published. The CIPFA/LASAAC Local Authority Accounting Code

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Board met on 6 June 2017 and discussed the implication of IFRS 15 on Local Government entities. The minutes of this meeting corroborate our view that for most entities income streams from contracts with customers are likely to be immaterial. The vast majority of income streams are taxation or grant based which do not fall within the scope of IFRS 15 as they are not contractually based revenue from customers.

However, this may not always be the case for some smaller English authorities or authorities where there is a high public interest in commercial activities. The following income streams are within the scope of IFRS 15 and will need special consideration if they are material to the users of the financial statements:

► Fees and charges for services under statutory requirements

► Sale of goods provided by the authority

► Charges for services provided by a local authority

EY – CIPFA Accounts Closedown Workshop 2017-18

EY and CIPFA Financial Advisory Network (FAN) are continuing to work in partnership to deliver a programme of accounts closedown workshops to support local government finance professionals across the country with separate events for police bodies and English, Welsh and Scottish local authorities. The workshop programme covers the key changes impacting on the production of the 2017/18 financial statements and the outcomes of the 'telling the story' changes to the Code of Practice on Local Authority Accounting in 2016/17. Looking forward there are significant changes to IFRS that will come through in the 2018/19 Code and later, so the workshops are also focused on the key risks in relation to the new Financial Instruments standard IFRS 9 and other future expected changes in the Code with potential to impact on the General Fund and the HRA. These workshops also aim to prepare local authority finance staff for a 'faster, smarter and more accurate' accounts closedown for 2017-18.

By the end of this May, your local authority will need to publish its unaudited statement of accounts and publish audited accounts by the end of July. These changes provide risks for both the preparers and the auditors of the financial statements. Local Authorities will now have less time to prepare the financial statements and supporting working papers. As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Failure to meet a deadline at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

► Good quality draft financial statements and supporting working papers by the agreed deadline

► Appropriate staff to be available throughout the agreed audit period

► Complete and prompt responses to audit questions

If your authority is unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Of the 150 authorities we audit, we currently consider that around a quarter have left themselves a significant amount of work to do to get there and are running a real risk of missing the deadline because they will not have quality draft accounts and supporting evidence ready for their auditors by the end of May.

In addition to our workshops with CIPFA, we have held events in each of our local offices and gathered insights from over 100 practitioners and their local audit teams on the importance of what finance teams and auditors each need to do, and collaboratively, to achieve a successful faster closure. We have put together a comprehensive list of actions to streamline processes, work more collaboratively with their auditors and draw on EY's analytics and innovative audit approach to achieve faster close. We include a summary below.

Summary of faster close activities

Finance teams are:

► Critically appraising the content of their accounts, removing unnecessary disclosures

► Closing the ledger earlier and encouraging greater discipline across the authority to comply with deadlines for accruals

► Preparing discrete sections of the accounts (e.g., narrative report and remuneration notes) and associated working papers earlier to facilitate early audit work

► Focusing on judgements and significant estimates earlier including engagement with auditors

► Reviewing the de-minimis level for accruals, including discussion with auditors

► Conducting a hard close for monthly reconciliations e.g., bank reconciliations, feeder systems, etc., with a zero-tolerance to reconciling items over a month old

► Undertaking weekly cut-off testing in April to ensure that the accounts are complete, retaining the evidence in case that item is selected for audit testing

Auditors are:

► Meeting regularly with finance staff, sharing details of the audit approach, agreeing a planned timetable of tasks, communicating changes and providing clarity on what is expected and when

► Bringing forward testing to reduce the amount needed to do in the summer. In particular, valuation of land and building and other high risk areas

► Increasing the use of analytics to interrogate ledger and payroll transaction data

► Using the online EY client portal to streamline communications with finance teams

► Attending workshops with finance teams on accounting issues and effective working papers

► Selecting items for sample testing earlier

Together finance teams and auditors are:

► Holding regular meetings throughout the year to share progress and discuss issues

► Planning respective activities to ensure sufficient capacity on both sides

► Revisiting audit issues from the prior year, agreeing how similar issues can be avoided

► Ensuring the client assistance schedule is appropriately tailored

We have produced a faster close briefing checklist that you can use to ensure that you are doing all you can, alongside working with us, to achieve the accelerated timetable. For more information please contact your local engagement lead.

Regulation news

EU General Data Protection Regulation: are you ready?

On 17 December 2015, after more than three years of negotiations and several draft versions of the General Data Protection Regulation (GDPR), an informal agreement was reached between the European Parliament and Council of the European Union. The GDPR is a significant change for organisations. It introduces more stringent and prescriptive data protection compliance challenges, backed by fines of up to 4% of global annual revenue. The regulation replaces Directive 95/46/EC, which has been the basis of European data protection law since it was introduced in 1995.

The Regulation has a significant impact on organisations in all sectors, bringing with it both positive and negative changes in terms of cost and effort.

Key changes proposed by the EU GDPR include:

▶ Regulators can impose fines of up to 4% of total annual worldwide turnover or €20,000,000

▶ Data Protection Officers (DPOs) – DPOs must be appointed if an organisation conducts large scale systematic monitoring or processes large amounts of sensitive personal data

▶ Accountability – organisations must prove they are accountable by establishing a culture of monitoring data processing procedures, minimising data retention and building safeguards, and documenting data processing procedures

▶ Organisations must undertake Privacy Impact Assessments when conducting risky or large scale processing of personal data

▶ Consent to process data must be freely given, explicit and individuals must be informed of their right to withdraw their consent

▶ Organisations must notify supervisory authorities of data breaches 'without undue delay' or within 72 hours, unless the breach is unlikely to be a risk to individuals

▶ Introduction of new rights – right to be forgotten, right to data portability and right to object to profiling

▶ Organisations should design data protection into the development of business processes and new systems and privacy setting should be set a high level by default

▶ Data processors become an officially regulated entity

Whilst organisations may welcome the harmonisation of laws across the 28 EU member states which will make the complex data protection landscape easier to navigate, the introductions of new rights for individuals are likely to increase the regulatory burden for organisations.

Organisations need to review their current data protection compliance programmes to determine next steps and decide on the level of investment they need to make before 2018 to address the changes.

Organisations need to act now to ensure that they are ready to comply with the new Regulation when it comes into force on 25 May 2018.

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Key questions for the Audit Committee

Has your local Authority considered the changes to council tax flexibilities into the 2018-19 budget And the impact of changes to business rate retention into your Medium Term Financial Strategy?

Has your local authority been affected by the collapse of Carillion plc? How have contingency plans been implemented to maintain public services? What (if any) is the local authority's financial exposure to this event?

Has your local authority included in its budget any likely increases of employee wages above 1%?

Has your Authority considered how IFRS 15 might impact your revenue streams?

How has the local authority prepared for the accelerated accounts closedown timetable for 2017-18?

Has the Authority considered the implications of the new GDPR, and is the Authority confident that it comply with its requirements when it comes into force?

Find out more

EY ITEM Club Forecast

http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections

2018-19 Local Government Finance Settlement

https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2018-to-2019

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/669538/LGFS_consultation_2018-19.pdf

https://www.local.gov.uk/parliament/briefings-and-responses/provisional-local-government-finance-settlement-201819-day

http://www.cipfa.org/about-cipfa/press-office/archived-press-releases/2017-press-releases/cipfa-responds-to-the-provisional-local-government-finance-settlement?crdm=0

Carillion collapse

http://www.publicfinance.co.uk/news/2018/01/public-sector-looks-ways-plug-gap-left-carillion

http://www.publicfinance.co.uk/news/2018/01/public-services-will-be-protected-after-carillion-collapse

Public sector pay

http://researchbriefings.files.parliament.uk/documents/CBP-8037/CBP-8037.pdf

http://www.publicfinance.co.uk/news/2017/12/local-employers-issue-2-pay-offer-each-next-two-years

IFRS 15 – revenue from contracts with customers

http://www.ey.com/Publication/vwLUAssets/ey-applying-revenue-october-2017/$FILE/ey-applying-revenue-october-2017.pdf

EY – CIPFA Accounts Closedown Workshop 2017-18

For Faster Close Activities Checklist: please contact your local engagement lead

For a full list of locations and dates available search for 'Accounts Closedown Workshop' at http://www.cipfa.org/training

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