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Stevenage
BOROUGH COUNCIL

AUDIT COMMITTEE

Date: Tuesday, 12 June 2018
Time: 6.00pm,
Location: Shimkent Room - Daneshill House, Danestrete
Contact: Guy Moody 01438 242203
committees@stevenage.gov.uk

Members: Councillors: M McKay (Chair), H Burrell, L Chester, D Cullen,
                             J Gardner, G Lawrence, J Lloyd and G Snell

Independent Member: Vacancy

AGENDA

PART 1

1.   APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

2.   APPOINTMENT OF VICE-CHAIR

To appoint a Vice-Chair of the Audit Committee for the Municipal Year 2018/19.

3.   TERMS OF REFERENCE

To note the Terms of Reference of the Audit Committee following approval at the
Annual Council meeting on 23 May 2018.

Pages 3 – 4

4.   MINUTES OF PREVIOUS MEETING

To approve as a correct record the minutes of the meeting held on 26 March 2018

Pages 5 – 12

5.   ANNUAL GOVERNANCE STATEMENT 2017/18

To advise on the content of the Council's Annual Governance Statement for
2017/18 following the review of the effectiveness of the Council's system of
internal control and governance arrangements.

Pages 13 – 60

6.   **STEVENAGE BOROUGH COUNCIL 2017/18 ANTI-FRAUD REPORT**

To note the work of the Council and the Shared Anti-Fraud Service in delivering the Anti-Fraud Action Plan 2017/18.

Pages 61 – 86

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

To note the report for the period to 25 May 2018.

Pages 87 – 114

8.   **STEVENAGE BOROUGH COUNCIL 2017/18 ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT**

To note the Annual Assurance Statement and Internal Audit Annual Report.

Pages 115 – 140

9.   **URGENT PART 1 BUSINESS**

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

10.   **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.

11.   **STRATEGIC RISK REGISTER**

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

12.   **URGENT PART II BUSINESS**

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

Agenda Published 4 June 2018

AUDIT COMMITTEE

1. Membership – 8 (+ 1 Co-opted Independent non-elected member) to include -
- Chair - A Member who is neither a Member of the Executive nor who serves as a Scrutiny Member
- 1 Member of the Executive only

2. Quorum - 3

3. Terms of Reference

3.1 To advise or comment as appropriate on –

a) Internal Audit matters, including:-
- The Annual Internal Audit Plan
- The adequacy of management responses to Internal Audit reports and recommendations
- The Audit Partnership Manager's Annual Report and Opinion
- To consider summaries of specific internal audit reports, as requested

b) External Audit matters, including-
- External Auditors plans for auditing and inspecting the authority
- The Annual Audit & Inspection Letter from the External Auditor
- The report to those charged with governance
- Proposals from the National Audit Office over the appointment of the External Auditor
- The scope & depth of External Audit work

c) Arrangements made for the co-operation between Internal Audit, external audit and other bodies.

d) Anti Fraud & Corruption issues including the Council's policies on Anti-Fraud and Corruption, "whistle-blowing".

e) The Council's Annual Governance Statement.

f)   The Council's Constitution in respect of Contract Standing Orders, Financial Regulations.

g) The Council's Risk Management arrangements.

h) The Council's arrangements for delivering value for money.

i) The Statement of Accounts and related Capital Determinations.

j) The Council's Treasury Management Strategy.

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STEVENAGE BOROUGH COUNCIL

**AUDIT COMMITTEE
MINUTES**

Date: Monday, 26 March 2018
Time: 6.00pm
Place: Shimkent Room - Daneshill House, Danestrete

Present: Councillors: Maureen McKay (Chair), John Gardner (Vice-Chair), Howard Burrell, Laurie Chester, David Cullen, Graham Snell and Brian Mitchell

Start / End Time: Start Time: 6.00pm
                         End Time: 7.35pm

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

Apologies for absence were received from Councillors R Broom and G Lawrence.

There were no declarations of interest received from Members.

2   **MINUTES OF THE LAST MEETING OF 5 FEBRUARY 2018**

The minutes of the last meeting of the Committee, held on 5 February 2018, were approved as a correct record and signed by the Chair.

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

The Committee considered a report, which provided information on:

- Progress on the Council's Anti-Fraud Plan for 2017/2018

- A proposed Stevenage Borough Council Anti-Fraud Plan for 2018/2019

- Transparency Code Data

Members were referred to the Local Government Association's "A Councillor's Workbook on Bribery and Fraud Prevention", which was deemed a very helpful and worthwhile document.

Specific reference was made to the Council's standing as a founding member of the Hertfordshire Shared Anti-fraud Service (SAFS) and how SAFS worked across the whole Council dealing with all aspects of fraud from deterrence and prevention to investigation and prosecution.

The report laid out the Council's position in relation to its Anti-Fraud and Corruption Strategy and included advice to Members, senior officers and staff about how to deal with identified fraud. It also referred to the Council's Anti-Fraud Action Plan for 2017/2018, which covered all areas recommended by CIPFA to ensure that the

Council acknowledged the risk of fraud, its responsibility to combat these risks and took appropriate action to prevent, deter and pursue fraud. It was noted that, in the first three quarters of the current financial year, 184 cases of alleged fraud were reported to SAFS for investigation, including allegations of fraud affecting areas such as council tax liability, housing applications, blue badge use, housing benefit and business rates.

Officers responded to Members' questions in relation to:

- The level of recoverable losses claimable by the Council

- The recovery of properties

- The number of cases where action had been taken

- Letting Agents and the letting of Council properties

It was noted that a full report would be submitted to the next meeting of the Committee.

It was **RESOLVED**:

1. That the progress made by the Council and the SAFS in delivering the Anti-Fraud Action Plan 2017/2018, be noted; and

2. The proposed Anti-Fraud Plan 2018/2019, be approved.

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

The Committee considered the Anti-Fraud Plan 2018/2019, which supported the Council's current Anti-Fraud and Corruption Policy by ensuring that the Council, working in partnership with the Hertfordshire SAFS, had in place effective resources and controls to prevent and deter fraud as well as investigate those matters that did arise.

The Plan included objectives and key performance indicators that supported the Council's strategy and met the best practice guidance and directives from Central Government Departments such as the DCLG and other bodies, including the National Audit Office and CIPFA.

It was reported that the SAFS Board had fixed the annual fee for district councils and that the fee for Stevenage Borough Council for 2018/2019 would remain at £100,000 plus VAT.

It was reported that there would be a review of the data hub by March 2019 and that Auditors were talking to the Cabinet Office to see whether a Herts-shared hub could be created.

In response to a Member's question with regard to Key Performance Indicator 1 and whether full training had been undertaken, it was noted that details of all such training would be included in a future report to the Committee.

It was **RESOLVED** that the progress made in respect of the proposed Anti-Fraud Action Plan for 2018/2019, be noted.

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

The Council's Assistant Director of Corporate Services and Transformation (RP) introduced the report, which advised Members of the activity completed during 2017/2018 to strengthen governance arrangements and the enhancement activity identified for delivery in 2018/2019 as a result of the Council's self-assessment of current corporate governance arrangements against the principles of good governance, as set out in the CIPFA and SOLACE Framework, "Delivering Good Governance in Local Government (2016)."

He said that, each year, self-assessment of the Council's current corporate governance arrangements was carried out. He made reference to the CIPFA and SOLACE seven core principles of good governance listed in the report, which the Council was assessed against.

Some of the key considerations arising from the self-assessment were the progress and status surrounding the Council's Property Investment Strategy, Asset Management Strategy, implementation of the Technology Shared Service Plan and GDPR and the readiness of the Council.

It was **RESOLVED** that:

1.   Progress on significant governance enhancement activity during 2017/18, as summarised in Paragraph 3.6 to the report, and highlighted in Appendix A (Appendix A also outlined governance enhancement activity pertaining to best practice), be noted; and

2.   The significant governance actions identified for 2018/19 that would facilitate the Council's continued compliance with the requirements of the CIPFA and 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 to the report, be noted.

6   **2018/19 INTERNAL AUDIT PLAN REPORT**

The Committee considered a report, which provided Members with the proposed Stevenage Borough Council 2018/2019 Internal Audit Plan.

It was reported that there had been extensive discussions amongst the Council's

Internal Auditors and its Assistant Directors and that the outcomes from these were detailed in the report.

It was reported that:

1. The SIAS Board had 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 2018/2019 Audit Plan; and

2. The performance indicators, listed in Section 3 to the report, remained unchanged.

It was **RESOLVED** that the 2018/2019 Internal Audit Plan Report, be approved.

7   **SHARED INTERNAL AUDIT SERVICE PROGRESS REPORT**

The Committee considered a report, which provided Members with:

a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2017/2018 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; and

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

It was reported that seven reports were expected to be completed that week, which would equate to 94.2% output, which was just below the target set. Also, it was noted that this would mean that 33 out of 35 projects would have been completed, which equated to "excellent."

It was **RESOLVED** that the Internal Audit Progress Report for the period 9 March 2018, be noted.

8   **URGENT PART 1 BUSINESS**

In accordance with Rule 37(a), the Chair had agreed that the following matters be deemed urgent and considered at the meeting:

a)   Audit Planning Report – Year Ended 31 March 2018

b)   External Audit Update Report – March 2018

c)   Local Government Audit Committee Briefing

It was noted that the External Audit Plan report should have been included within the original agenda despatched for the meeting but, given that notice and receipt of the report (and the other two listed above) by Constitutional Services was after the date of despatch of the original agenda, the Chair was contacted to seek her approval to consider the matters at this meeting..

Accordingly, the Chair agreed that the following matters be 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 would be significantly late and beyond when the Council had to issue draft 17-18 accounts for audit.

a)   Audit Planning Report – Year Ended 31 March 2018

Neil Harris, the Council's External Auditor (Ernst and Young LLP) (EY), introduced the report, which set out how EY intended to carry out its responsibilities as the Council's Auditor and to provide the Committee with a basis to review EY's 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. The attached Plan set out to ensure that EY's audit was aligned with the Committee's service expectations and summarised EY's initial assessment of the key risks driving the development of an effective audit for the Council, and outlined EY's planned audit strategy in response to those risks.

Mr Harris addressed a number of specific areas, including:

- "Management override" – susceptibility where managers had to make

estimations

- Capitalisation of revenue spend

- Inherent risks e.g. actuaries

- Pension liabilities – any assumptions made in accounts

- Changes in Audit Strategy this year – increase in commercialisation activity in the Council

Mr Harris responded to Members' questions in relation to:

- The accuracy of the statement under "details" in relation to achievement of savings needed over the medium-term, as detailed at Page 6 to the report;

- "Performance materiality" – an important issue for Members to be aware of

- Earlier deadline for production of financial statements

- Better ways of holding each other to account

- Publication of Annual Audit Letter in September 2018 – was this correct?

- Total fees listed on Page 30 (£55,841) – was this correct?

- Reference to Rochford District Council (should have referenced Stevenage Borough Council)

- Commercialisation – was this an increasing area?

b) External Audit Update Report – March 2018

With reference to Minute No.4 to the minutes of the Audit Committee held on 5 February 2018, Mr Harris introduced the report, which summarised the work EY had undertaken to date and their plans for the remainder of the 2017/18 year. The purpose of the report was to provide the Committee with an overview of the stage EY had reached in its 2017/18 audit and ensure that EY's audit was aligned with the Committee's service expectations.

Mr Harris said that the report set out where EY was with the accounts and value for money and that there were no significant concerns. It was noted that value for money considerations would be fluid as information was awaited on the Council's SG1 redevelopment proposals.

c) Local Government Audit Committee Briefing

The Committee considered the briefing, which covered issues that may have an impact on the Council, the local government sector and the audits that EY undertook. It was noted that the briefings brought together not only technical issues relevant to the local government sector but wider matters of potential interest to the Council.

It was **RESOLVED** that all of the above reports, be noted.

9   **EXCLUSION OF PUBLIC AND PRESS**

It was **RESOLVED:**

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 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 SI 2006 No. 88.

2.   That having considered the reasons for the following items being in Part II it be determined that 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**

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 5 February 2018 be noted.

Members recalled that an update should have been provided at this meeting in relation to the Technology Shared Service Improvement Plan and that given this was a work in progress, should have been reflected in the minutes of the meeting of 5 February 2018.

11   **STRATEGIC RISK REGISTER**

It was **RESOLVED** that the Strategic Risk Register for Stevenage Borough Council, be noted.

CHAIR

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SteVenage
BOROUGH COUNCIL

Meeting:	**Audit Committee**	**Agenda Item:**	

Portfolio Area: All

Date: 12 June 2018

Annual Governance Statement 2017/18

Author – Elaine Wright, ext 2192

Contributors – All Assistant Directors, Clare Davies, Paul Tyler, Suzanne Brightwell, Chris Wood (Shared Internal Audit Service)

Lead Officer – Clare Fletcher, ext 2933

Contact Officer – Elaine Wright, ext 2192

1.   PURPOSE

1.1.   To advise Members of the Audit Committee on the content of the Council's Annual Governance Statement for 2017/18, following the review of the effectiveness of the Council's system of internal control and governance arrangements.

2.   RECOMMENDATIONS

2.1.   That Members of the Audit Committee recommend the Council's 2017/18 Annual Governance Statement, attached as Appendix One, for approval by the Statement of Accounts Committee.

3.   BACKGROUND

3.1.   Legislative Background

3.1.1.   Regulation 6 of the 2015 Accounts and Audit (England) regulations requires that:

- The Council shall be responsible for ensuring that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.

- The Council shall conduct a review at least once in a year of the effectiveness of its system of internal control.

- The findings of the review of the system of internal control to be considered by a committee of the relevant body, or by members of the body, meeting as a whole.

- Following the review, the body or committee must approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control.

3.1.2. The Department for Communities and Local Government clarified that the Annual Governance Statement is assigned 'proper practice' status in August 2006 and therefore has statutory backing.

3.1.3. The 2015 Accounts and Audit (England) Regulations reinforce this with a clear reference to the preparation of an Annual Governance Statement in accordance with proper practices (Regulation 6(4b)). The Annual Governance Statement 2017/18 is attached as Appendix One.

3.1.4. The Accounts and Audit Regulations 2015 apply to arrangements for the review of financial control and publication of the Annual Governance Statement. These Regulations require publication of the Draft Statement of Accounts by 31 May and approved Statement of Accounts by 31 July. The Statement of Accounts should be accompanied by the Annual Governance Statement. The Annual Governance Statement at Appendix One will be published on the Council's website to accompany the Statement of Accounts to comply with this legislation.

3.2.   <u>Local Code of Corporate Governance</u>

3.2.1. In April 2016, CIPFA/SOLACE published a reviewed publication of 'Delivering Good Governance in Local Government: Framework and Guidance' that reflects the International Framework: 'Good Governance in the Public Sector' developed by CIPFA/IFAC and published July 2014. The purpose of the Framework is to support each local authority in developing and shaping an informed approach to governance, aimed at achieving the highest standards of governance in a measured and proportionate way.

3.2.2. The 2016 CIPFA/SOLACE Framework identifies seven core principles:

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

3.2.3. The Framework requires each local authority to prepare a Local Code of Corporate Governance which sets out a commitment to corporate governance and outlines the unique local governance arrangements in place to reflect the outcomes and behaviours associated with each of the core principles outlined in paragraph 3.2.2.

3.2.4. The Council's Local Code of Corporate Governance was reported to this Committee (15 June 2017) with fundamental review due June 2020.

3.2.5. Within Stevenage Borough Council, Corporate Governance operates to:

- Establish and monitor the Council's vision and objectives

- Facilitate policy and decision making

- Ensure compliance with policies, procedures, laws and regulations

- Ensure the economic, efficient use of resources and secure continuous improvements

- Support delivery of high quality services and effective performance management

- Identify and manage the Council's risks.

3.3. Local Framework – Reviewing the effectiveness of local governance arrangements

3.3.1. The CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government Framework' (2016) also requires each local authority to adopt a local framework that sets out the process used to develop and maintain their own governance arrangements and fulfil their responsibility for proper conduct of public business.

3.3.2. The local framework outlining the current process to compile the Annual Governance Statement including the proactive review of governance arrangements in-year is attached as Appendix Two.

3.3.3. The Assistant Director Finance and Estates has continued to keep the corporate governance arrangements under review throughout the year to ensure that they are fit for purpose and provide value for money for the Council in the context of the challenges faced from the on-going funding reductions.

3.3.4. The local framework facilitates a review of the effectiveness of the governance arrangements set out in the Local Code of Corporate Governance having consideration for the outcomes and behaviours associated with each of the core principles (outlined in paragraph 3.2.2). The effectiveness of governance arrangements is considered on an annual basis with proactive assessment in-year (as outlined in paragraphs 3.4.1 to 3.4.5).

3.3.5.　The local framework (outlined in Appendix Two) identifies the process to be followed to enable the authority to review governance arrangements and identify areas of governance to be strengthened. This process, summarised below, has been applied for 2017/18:

- Develop and maintain an up to date local code of governance, including arrangements for ensuring its ongoing application and effectiveness

- Review existing governance arrangements against the CIPFA/SOLACE Framework.

- Consider the extent to which the Council complies with the principles, behaviours and actions that demonstrate good governance as set out in the CIPFA/SOLACE model.

- Identify systems, processes and documentation that provide evidence of compliance.

- Identify the individuals and Committees responsible for monitoring and reviewing the systems, processes and documentation identified.

- Identify the issues that have not been addressed adequately in the Council and consider how they should be addressed.

- Identify the individuals who would be responsible for undertaking the actions required and plan accordingly.

- Prepare a governance statement on an annual basis, to include how the effectiveness of governance arrangements have been monitored in the year and on any planned changes in the coming period.

3.4.　Review of local governance arrangements

3.4.1.　At a corporate level, assurance of compliance with the CIPFA/Solace Framework 2016, 'Delivering Good Governance in Local Government' requires a review of the effectiveness of governance arrangements in place (Local Code) having consideration for the behaviours and outcomes outlined in the CIPFA/SOLACE Framework 2016 to demonstrate good governance.

3.4.2.　During 2017/18 Corporate Governance Group met quarterly to proactively consider the Council's status of corporate governance with a focus on one or more of the CIPFA/SOLACE seven principles at each meeting. This activity informed the annual assessment regarding the extent to which the arrangements set out in the Council's Local Code continue to be robust and as a result how the Council complies with the principles and requirements of good governance set out in the CIPFA/SOLACE model. A summary of key enhancements delivered in 2017/18, and future enhancement activity was reported to this Committee on 26 March 2018.

3.4.3.　The corporate control environment is evidenced by a number of policies and plans, which are referred to as 'The Corporate Backbone' of the Council. The Corporate Backbone is attached as Appendix Three.

3.4.4.   Corporate Governance Group is chaired by the Assistant Director Finance and Estates with responsibility delegated by the Chief Executive. Corporate Risk Group and Corporate Governance Group are closely aligned in order to capture information links between risks and governance arrangements.

3.4.5.   At business unit level, assurance of compliance with the principles of good governance requires all Assistant Directors to complete, certify and return a Service Assurance Statement each year. The Service Assurance Statement is designed to provide assurance that the control environment operated effectively during 2017/18 in respect of the business units for which they have responsibility. Appendix Four sets out:

- A summary of the progress made against any actions that were identified in 2016/17 statements for delivery in 2017/18.

- A summary of actions identified for delivery in 2018/19.

3.4.6.   As a result of the assessment of governance arrangements and procedures outlined in paragraphs 3.4.1 to 3.4.5 actions were identified to improve the high quality of governance arrangements already in place for the Council. Any actions deemed significant are included in the Action Plan in the Annual Governance Statement attached as Appendix One (pages 21/22 of the Statement)

3.4.7.   Actions are deemed 'significant' if recommended for reflection in the Annual Governance Statement by the Shared Internal Audit Service or if considered important in 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 associated delivery of priority outcomes should be addressed.

3.4.8.   Areas identified for enhancement are:

- Development of a new Housing Asset Management Strategy to set the framework for maintaining the Council's housing stock effectively

- Enhancement of the General Fund Asset Management Strategy by incorporating the Council's cooperative principles to ensure that the Council's fundamental principle of working with the community to manage the Council's assets is reflected.

- Ongoing completion and embedding of the Repairs and Voids improvement plan.

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

- Deliver a wide range of IT enhancements through the implementation of the Technology Shared Service Improvement Plan 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.

- To further enhance health and safety arrangements, an initial action plan has been produced for completion by June 2018. Ongoing activity may be identified as a result of Assistant Director and internal/external peer reviews to be addressed in an appropriate timeframe.

3.4.9. The Shared Internal Audit Service (SIAS) has assigned

- 'Substantial' assurance for financial systems for 2017/18: Whilst there is largely a sound system of control; there are some minor weaknesses, which may put a limited number of the system objectives at risk

- 'Moderate' Assurance for non-financial systems for 2017/18: Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.

The approved audit plan for 2017/18 included a range of non-financial audits that focused on complex services and areas in transition and this has had an impact on the assurance levels provided. Actions to enhance governance for the areas highlighted by SIAS have been identified and prioritised.

3.4.10. Areas for enhancement (set out in paragraph 3.48) reflect activity currently identified in response to audit findings recommended for reflection in the Annual Governance Statement. As outlined in paragraphs 3.4.1 to 3.4.5 pro-active reviews of governance arrangements are carried out to identify any future activity.

3.4.11. Corporate Governance Group monitor the delivery of actions to strengthen governance identified both at a corporate and business unit level.

3.4.12. The signatories to the Annual Governance Statement (The Leader of the Council and the Chief Executive) must be satisfied that the document is supported by reliable evidence, and the procedures outlined in paragraphs 3.4.1 to 3.4.5 are in place to demonstrate this.

4.   REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1.   The Annual Governance Statement must be considered by the Audit Committee as outlined in paragraph 3.1.1 before accompanying the Statement of Accounts.

4.2.   The proposed Annual Governance Statement for 2017/18 is attached as Appendix One. The Statement is intended to provide public assurance that the Council has sound governance arrangements, including a sound system of internal control, designed to help manage and control business risk. The document is an important public expression of the arrangements the Council applies to achieve good business practice, high standards of conduct and sound governance.

4.3.   Arrangements for governance were reviewed across the organisation:

- At a corporate level as outlined in paragraphs 3.4.1 to 3.4.4

- At a service level as outlined in paragraph 3.4.5.

4.4.   The proposed Annual Governance Statement has been reviewed by senior management to ensure it accurately reflects the corporate governance environment at the Council, and has been reviewed by the Shared Internal Audit Service.

4.5.   The proposed Annual Governance Statement at Appendix One identifies any significant actions identified to improve the high quality of governance arrangements in place across the Council, as set out in paragraph 3.4.8 and Appendix One (pages 21/22)

5. IMPLICATIONS

5.1.   Financial Implications

5.1.1. Robust scrutiny of the Council's Annual Governance Statement and Framework applied in line with best practice will further strengthen the Council's sound base of strong financial management and assist in reducing risk.

5.2.   Legal Implications

5.2.1. It is a requirement of the Accounts and Audit (England) Regulations 2015 that the council publish an Annual Governance Statement.

5.3.   Risk Implications

5.3.1. A strong internal control environment contributes to the overall effective management of the Council and will minimise the risks of the Council failing to achieve its ambitions and priorities, and service improvements.

5.3.2. Without robust governance arrangements, there are potential service continuity and reputation risk implications.

5.4.   Equalities and Diversity Implications

5.4.1. Officers responsible for the delivery of any improvement actions identified will also be responsible for completion of any relevant Equality Impact Assessments.

5.5.   Other Corporate Implications

5.5.1. All aspects of the work of the Council are affected by its corporate governance arrangements, as well as the Council's partners in service 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.

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 – Corporate Governance Arrangements: 26 March 2018.

- Stevenage Borough Council – Local Code of Corporate Governance

- External Auditor – Annual Audit and Inspection Letter

7.   APPENDICES

- Appendix One – Annual Governance Statement 2017/18

- Appendix Two – Annual Governance Statement: Framework for compiling the AGS

- Appendix Three – Corporate Backbone

- Appendix Four – Overview of Service Based Governance Review 2017/18.

Annual Governance Statement 2017/18
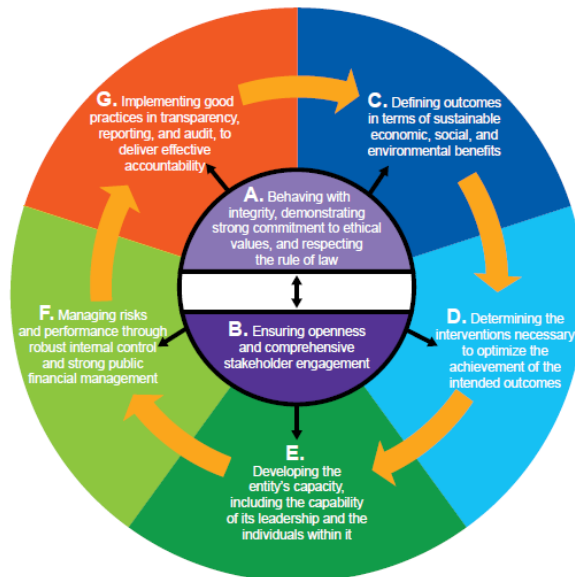
What is Corporate Governance?

Figure 1: International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) '**Achieving the Intended Outcomes While Acting in the Public Interest at all Times' – The International Framework**

Corporate governance is both the policies and procedures in place and the values and behaviours that are needed to help ensure the organisation runs effectively, can be held to account for its actions and delivers the best possible outcomes for the community with the resources available. Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times

The CIPFA/SOLACE *Delivering Good Governance in Local Government Framework* sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in developing and shaping an informed approach to governance, aimed at achieving the highest standards of governance in a measured and proportionate way. The Framework is designed to assist authorities with the review of the unique local governance arrangements in place with the overall aim to ensure that:

- Resources are directed in accordance with agreed policy and according to priorities.
- There is sound and inclusive decision making.
- There is clear accountability for the use of these resources to achieve desired outcomes for service users and communities.

Stevenage Borough Council has adopted a Local Code of Corporate Governance that sets out a commitment to corporate governance and summarises the governance arrangements in place to enable the council to monitor the achievement of its strategic objectives, to consider whether those objectives have enhanced delivery of appropriate cost effective services and outlines the activities through which it accounts to and engages with its communities. The Local Code reflects the core and sub-principles outlined in the 2016 CIPFA/SOLACE* Framework, 'Delivering Good Governance in Local Government'

(* CIPFA – Chartered Institute of Public Finance and Accountancy, SOLACE – Society of Local Authority Chief Executives and Senior Managers, IFAC – International Federation of Accountants)

The Council's responsibility in relation to Corporate Governance

Identifying Local Governance Arrangements

Stevenage Borough Council is responsible for ensuring that its business is conducted in accordance with the law and to proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Stevenage Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

The council's Local Code of Corporate Governance was revised and approved by Audit Committee in June 2017. The revised Local 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.

A copy of the code can be obtained from the Council Offices.

This Statement explains how the council has continued to comply with the Local Code summarises the review of effectiveness and identifies areas of governance to be strengthened.

The Statement also meets the statutory requirements in section 6 of the 2015 Accounts and Audit (England) Regulations, which requires all relevant bodies to prepare an Annual Governance Statement.

How do we know our arrangements are working?

The Governance Framework – How the Council monitors arrangements in place

The local Governance Framework outlines the process the council applies to review corporate governance arrangements. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they materialise, and to manage them efficiently, effectively and economically.

Stevenage Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of local governance arrangements including the system of internal control.

Governance monitoring and assurance arrangements

The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by external auditors and other review agencies and inspectorates.

To monitor and maintain the effectiveness of the Council's governance arrangements and drive continuous improvement:

- A Corporate Governance Group meet four times a year to consider the assurance framework from the perspective of the seven core principles of corporate governance in the CIPFA/SOLACE Framework (2016) - The seven core principles are set out in the diagram on page 1 and page 7.

- In addition to this proactive in-year review, Corporate Governance Group carries out an annual review of compliance with the behaviours that make up the seven core principles of corporate governance in the CIPFA/SOLACE Framework and submit a summary of the assessment to the Audit Committee. (Considered at Audit Committee March 2018).

- At business unit level, assurance of compliance with the principles of good governance requires all Assistant Directors to complete, certify and return a Service Assurance Statement each year.

- Corporate Governance Group also consider whether any recommendations as a result of external or internal audit activity (and other review agencies and inspectorates), and the Head of Assurance Annual Report require inclusion in the Statement.

All of these mechanisms of review contribute to overall assurance for the 2017/18 Annual Governance Statement. A summary of the types of assurance required, sources of assurance, assurance received and planned enhancement actions is represented on page 4 against the relevant principles. More detail is provided throughout the Annual Governance Statement.

The preparation and publication of the Annual Governance Statement in accordance with the requirements set out in the 'Delivering Good Governance in Local Governance' Framework (2016) fulfils the statutory requirement for the annual review of the effectiveness of systems of internal control meeting the requirement for 'preparation in accordance with proper practice'.

The Governance Framework summarised in this Statement has been in place at the council for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

Assurance Required upon:
- Democratic decision making process and accountability
- Contribution to delivery of community strategy
- Delivery of Corporate Plan priorities
- Priority based budgeting and integrated financial planning framework
- Corporate performance monitoring arrangements
- Economic, effective and efficient delivery of services
- Management of risk
- Roles, responsibilities and standards of conduct and behaviour of Members and officers
- Stakeholder engagement
- Effectiveness of internal controls to ensure compliance with laws & regulations, internal policies and procedures

Sources of Assurance:
Collectively referred to as the Council's Corporate backbone, key sources of assurance include:
- The Constitution (which includes the Code of Conduct for Members, an Employee Code of Conduct, protocol on Member/officer relations, financial regulations, budget and policy framework, contract standing orders)
- Members' register of Interests
- Corporate Plan
- Risk Management Policy and Risk Management Guide
- Performance Management Framework
- Anti-fraud and Whistle Blowing Policy
- Corporate Procurement Strategy
- Business Continuity Policy and Plans

Assurances Received:
- Corporate Governance Group review of CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) Principles (report to Audit Committee 26 March 2018)
- Management Assurance Statements on service governance
- Scrutiny Reviews
- Head of Assurance Annual Assurance
- Internal and External Audit Reports

Opportunities to Enhance Governance

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

No Significant Governance enhancements required

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

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

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

To enhance health and safety arrangements, an initial action plan has been produced for completion by June 2018. Ongoing activity may be identified as a result of Assistant Director and internal/external peer reviews to be addressed in an appropriate timeframe.

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

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
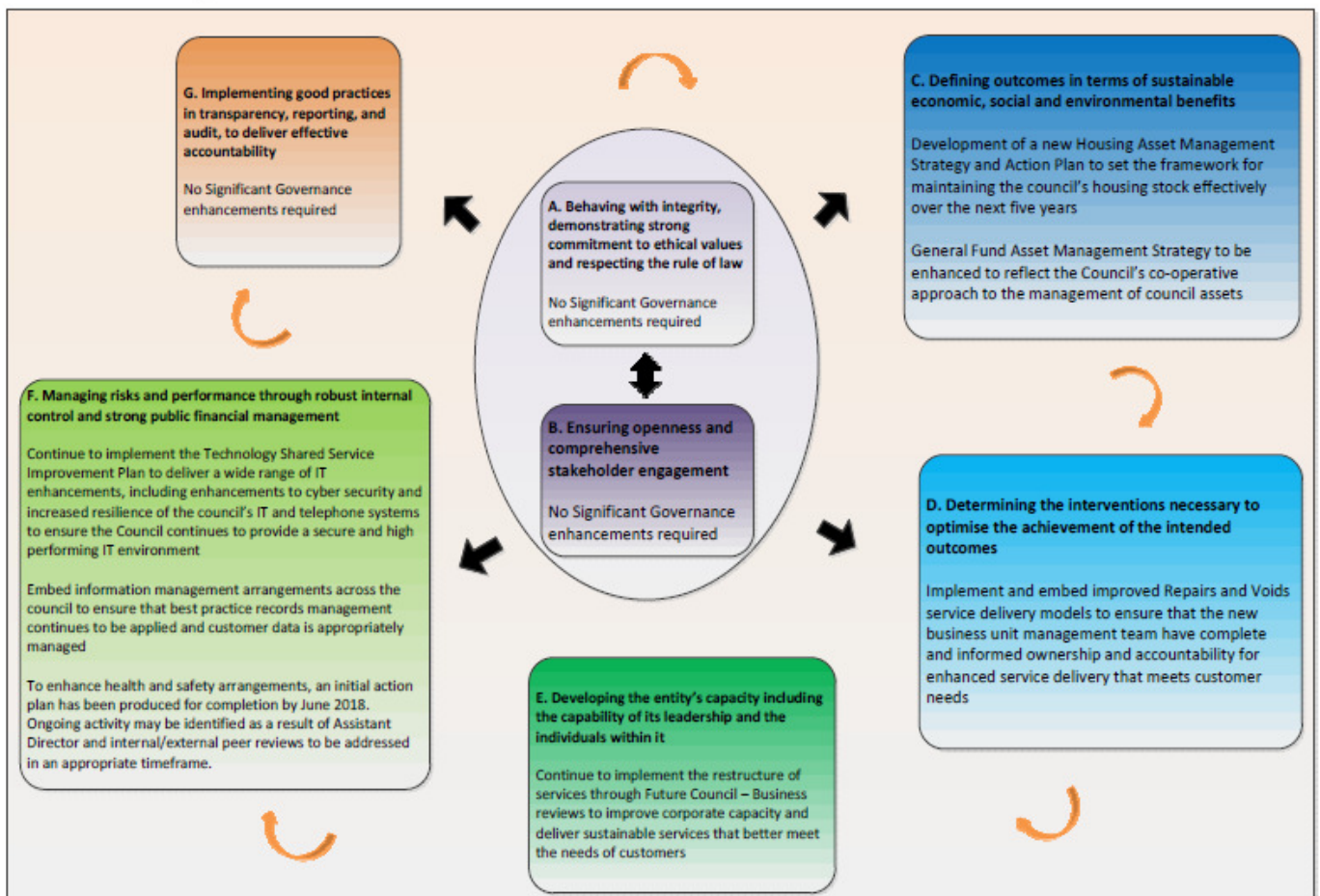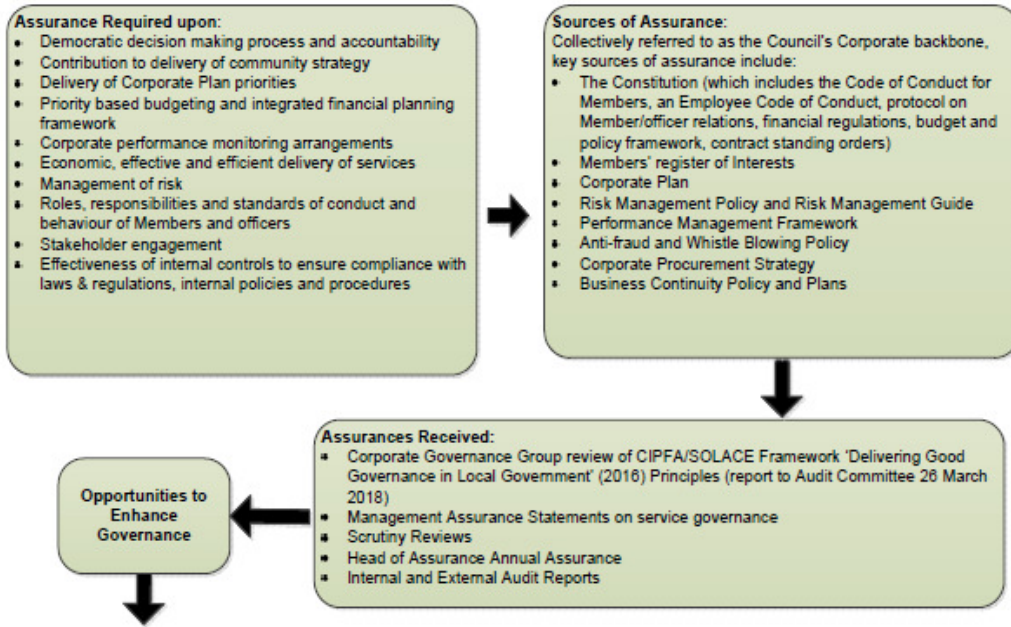
Figure 2: Overview of sources of assurance to inform review of effectiveness and identification of governance enhancements for 2018/19

The Action Plan, Pages 21 and 22 provides more detail on the governance enhancements identified.

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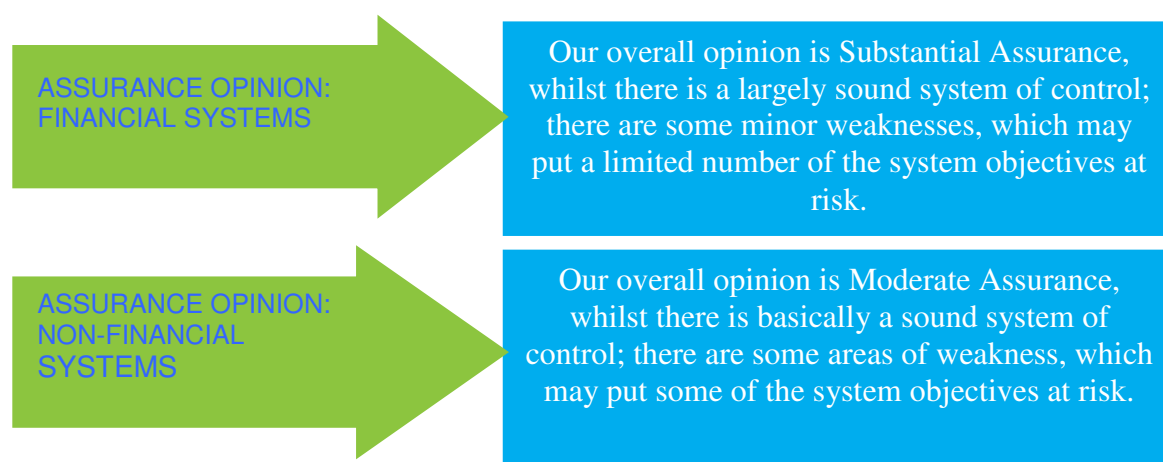
Assurance: Internal Audit Arrangements

Annual Audit Coverage

Delivery of the Council's Internal Audit provision was transferred to the Shared Internal Audit Service (SIAS) hosted by Hertfordshire County Council from 1 July 2011. Annual audit coverage is determined through a risk assessment, which is influenced by external regulatory requirements and the strategic and operational risks of the council. By reviewing the Council's systems of internal control, risk management and governance in accordance with an approved Audit Plan, Internal Audit contribute to the council's corporate governance framework.

SIAS operates to defined professional standards, i.e. the Public Sector Internal Audit Standards (PSIAS) and the Head of Assurance reports to the Council's Assistant Director (Finance & Estates) (Section 151 Officer) providing updates on internal audit progress and issues at regular liaison meetings. The Head of Assurance provides an independent opinion on the adequacy and effectiveness of the system of internal control. Since 2006/07 this report has been submitted on an annual basis to the Audit Committee. The main responsibility of SIAS is to provide assurance and advice on the internal control systems of the council to both Management and Members. Internal Audit reviews and appraises the adequacy, reliability and effectiveness of internal control within systems and recommends improvement where necessary. It also supports management in developing systems by providing advice on matters pertaining to risk and control.

2017/18 Audit Report

The Head of Assurance's Annual Internal Audit Report and Assurance Statement was reviewed by SLT and is being reported to the Audit Committee in June 2018. From the internal audit work undertaken in 2017/18, the Shared Internal Audit Service (SIAS) can provide the following assurance on the adequacy and effectiveness of the council's control environment, broken down between financial and non-financial systems as follows:

ASSURANCE OPINION: FINANCIAL SYSTEMS	Our overall opinion is Substantial Assurance, whilst there is a largely sound system of control; there are some minor weaknesses, which may put a limited number of the system objectives at risk.
ASSURANCE OPINION: NON-FINANCIAL SYSTEMS	Our overall opinion is Moderate Assurance, whilst there is basically a sound system of control; there are some areas of weakness, which may put some of the system objectives at risk.

Note: Further information relating to the above audit opinion is provided on Page 18.

Review of Effectiveness of Systems of Internal Audit

The Accounts and Audit Regulations 2015 came into force from 1 April 2015; Paragraph 5 (1) states, "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

As part of demonstrating the efficiency and effectiveness of the internal audit activity and identifying opportunities for improvement, the Head of Assurance must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. This includes an annual internal or self-assessment undertaken by the Head of Assurance against the

Public Sector Internal Audit Standards (PSIAS) for Internal Audit in Local Government in the UK. The self-assessment concluded that the system of Internal Audit employed at Stevenage Borough Council is effective. In addition, PSIAS require that an external assessment or peer review is undertaken at least once every five years. An independent Peer Review was undertaken in 2015/16, which concluded that SIAS 'generally conforms' to the PSIAS, including the Definition of Internal Auditing, the Code of Ethics and Standards. 'Generally conforms' is the highest opinion within the scale of three ratings, and the peer review identified areas of good practice and high standards.

The annual performance indicators for SIAS are set by the SIAS Board which is comprised of the Section 151 Officers from the client authorities within the partnership. The table below sets out SIAS' performance against the performance indicator relating to planned days delivery since the service was introduced.

Area of Activity	Target	14/15	15/16	16/17	17/18
Planned Days percentage of actual billable days against planned chargeable days completed	**95%**	97%	95%	99%	95%

The assurance arrangements conformed with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010), as demonstrated through the assessment in the SIAS Annual Assurance Statement and Internal Audit Annual Report being reported to Audit Committee on 12 June 2018.

The CIPFA/SOLACE Core Principles of Governance

The council achieves good standards of governance by applying the CIPFA/SOLACE Principles of Governance set out in the 'Delivering Good Governance in Local Government' Framework (2016) represented in the International Framework (Figure 1):

Figure 3: International Framework: Good Governance in the Public
Sector (CIPFA/IFAC 2014)
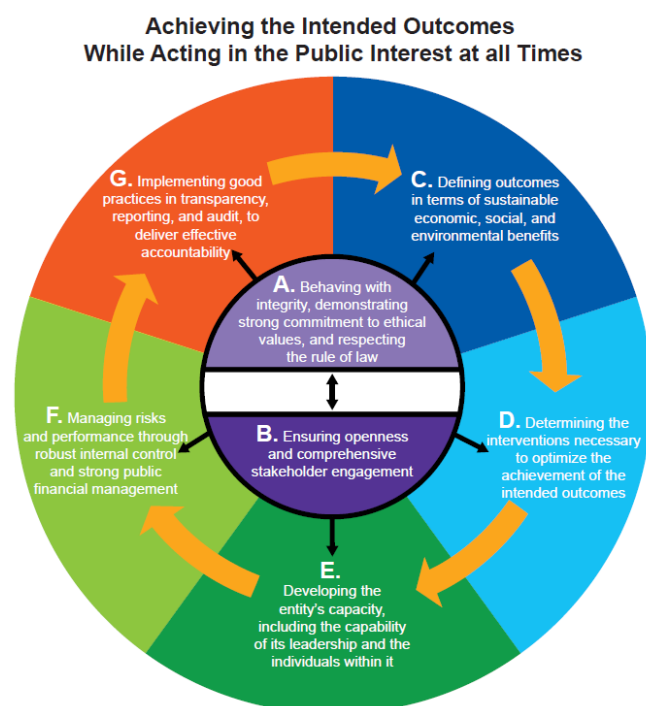
The diagram at figure 3 illustrates how the various principles for good governance in the public sector relate to each other. To achieve good governance the Council should achieve their intended outcomes while acting in the public interest at all times.

As overarching requirements for acting in the public interest, principles A and B apply across all other principles (C – G)

A summary of the review of effectiveness of local arrangements in place for 2017/18 against each of the principles is set out on the following pages identifying opportunities for governance enhancements. Arrangements are monitored throughout the year as set out on page 3. Key enhancements to arrangements delivered throughout 2017/18 are indicated in the Corporate Calendar with specific reference to progress against the delivery of actions identified in the 2016/17 Annual Governance Statement.

Principle A: Behaving with Integrity and respecting the rule of law

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law is acknowledged as key to the delivery of good governance and underpins the delivery of council priorities and services for the community.

Summary of 2017/18 Review of Effectiveness
The Council's Local Code of Corporate Governance identifies the Nolan Principles (Standards in Public Life) as underpinning all local government activity.

The standards of conduct and personal behaviour expected of Members and Officers, its partners and the community are defined and communicated through Codes of Conduct and Protocols and the Council's Constitution. Arrangements are in place to ensure that Members and Officers are aware of their responsibilities under these codes and protocols. The council's website outlines the arrangements for making a complaint that a member of the authority has failed to comply with the Authority's Code of Conduct and sets out how the authority will deal with allegations of a failure to comply with the authority's Code of Conduct. Complaints about Members and allegations that a Member has breached the Code of Conduct would be dealt with by the Standards Committee and

the Borough Solicitor (Monitoring Officer) under the Localism Act 2011. In addition, the Council has appointed an Independent Person, to consult on alleged breaches to the Member Code of Conduct. The Council's Constitution sets out the employment procedures for the Head of the Paid Service, Strategic and Assistant Directors, Monitoring Officer and Chief Finance Officer.

The council has a Standards Committee to promote and maintain high standards of conduct by Members of the council and deal with any allegations that a member is in breach of the council's Code of Conduct and to consider changes to the Code as required.

The council's six organisational Values are underpinned by a behaviour framework for staff. The values are intended to influence the ways in which elected members and officers think and behave in responding to future challenges.

The Values are embedded into Member and Officer Induction, the Modern Member Programme, and management development programmes. A set of desired behaviours associated with each of the Values has been developed and form part of the council's appraisal process for officers.

The council also has a Whistle-blowing Policy which is based on the Public Interest Disclosure Act 1998 and an Anti-Fraud and Corruption Policy. The council's website and intranet have options for the public and staff to report suspected fraud that link to the Shared Anti-Fraud Service webpage.

The council did not carry out any investigations using covert surveillance under RIPA during 2017/18.

2017/18 Enhancement Activity:
- A revised Local Code of Corporate Governance to better 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 RIPA Authorising Officers
- The council's Whistle-Blowing Policy has been reviewed and updated to reflect safeguarding changes and the Freedom to Speak Up report.

Arrangements reflect those summarised in the council's Local Code of Corporate Governance - No significant opportunities to enhance governance have been identified.

Principle B: Engaging with Local People and other Stakeholders

Principle B: Ensuring openness and comprehensive stakeholder engagement is considered essential in meeting the council's corporate ambitions and framework of values and regarded as key to effective service delivery. Communication supports the decision-making process and helps to improve service quality and foster good relationships between staff, Members and stakeholders.

Summary of 2017/18 Review of Effectiveness
The council's Corporate Communications Strategy, Let's Talk, sets out how the council will establish and maintain clear and relevant two-way channels of communication to:
- Ensure the council communicates its aims and achievements to all stakeholders
- Create an informed and recognisable profile for Stevenage Borough Council and a positive image of the town as a whole.

The Council wants to hear views about Council services. The Council regularly provides local residents, partners and other interested parties with opportunities to influence the planning, prioritisation and monitoring of services. A variety of methods are used to engage the local community, such as: surveys and questionnaires, community roadshows, focus groups and stakeholder conferences. During 2017/18 the Council has carried out a range of consultation activities to inform its priorities and budget-setting, such as:

- Residents Survey sent to 5000 households throughout the town asking residents to share their views on the town and council services
- Consultation events were held in the town centre and surveys shared with customers to inform the themes for the new Community Safety Strategy.
- Tenant and Leaseholder Satisfaction survey to measure customer perception of their home and the housing services they receive.
- Town centre shopper survey to inform town centre improvement

The council has a system for recording customer feedback which enables learning from feedback and complaints to facilitate effective monitoring of information provided by customers to review future service delivery.

The council has established a number of shared service arrangements to provide efficient and effective shared service provision and governance arrangements facilitate effective stakeholder engagement to deliver agreed outcomes. To facilitate the council's drive for continuous improvement, a Partner of Choice Programme has been established with an ambition to have stronger partnerships with key agencies to better deliver our strategic priorities. To achieve this, the programme will aim to strengthen partnership working skills in the Council and to map services that can be shared with other agencies, and measure the Council's reputation with partners.

2017/18 Enhancement Activity:
- A LGA Communications Peer Review was carried out and has informed a new Communications and Marketing 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 to enable residents to find out what is happening in their local area.
- A shared Legal Service went live in July 2017.
- A Social Media Policy was published to enhance the use of social media as part of a wider communications mix.

Arrangements reflect those summarised in the council's Local Code of Corporate Governance - No significant opportunities to enhance governance have been identified.

Principle C: Defining Outcomes - The Council's Vision and Priorities

Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits. The focus of the council's governance arrangements is to deliver the best possible outcomes for the community and the council's vision for the town. It is essential that the Council seeks customer feedback and works with partners, to pool resources and skills

Summary of 2017/18 Review of Effectiveness

The Council's vision:
Stevenage: a prosperous town with vibrant communities and improved life chances

Working in partnership
SoStevenage, the local partnership is made up of a wide range of public, private, voluntary and community organisations that have come together to work towards shared goals for Stevenage. SoStevenage is responsible for producing a community strategy and making sure that it is carried out.
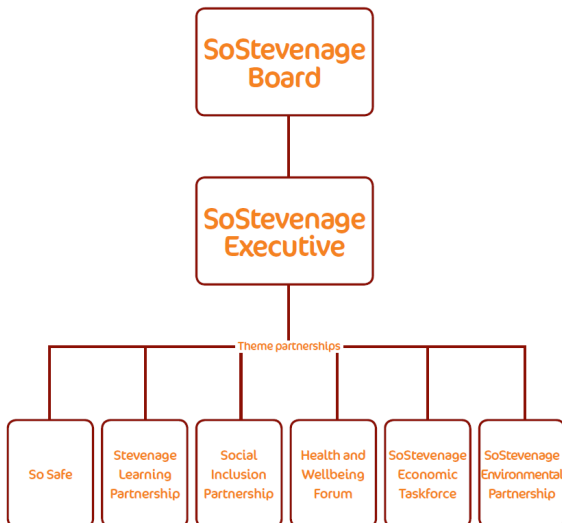
The Community Strategy is the main strategic plan for the partnership. It outlines the partnership's vision and how the partnership will work together to improve Stevenage and contribute to the development of the town.

SoStevenage has adopted five co-operative principles:
- The Partnership as a strong community leader
- Working together with the community and other agencies to provide services based on needs
- Communities empowered to design and deliver services and play a role in their local community
- A clear understanding between the partnership and our communities – this is what we do, this is what we will help you to do
- Joined-up and accessible services that offer value for money and focus on the customer

Future Town, Future Council
The Future Town, Future Council (FTFC) programme consists of nine key programmes that aim to deliver improved outcomes and real change for Stevenage residents.

The Future Town Future Council programme will also serve to enhance future governance arrangements, particularly through the four programmes that deliver the changes required to ensure the Council is well placed to meet the service demands of the future:

- Financial Security
- Performing at our Peak
- Employer of Choice
- Partner of Choice.

The focus and scopes of programmes is monitored to ensure that the FTFC Programme continues to deliver the Council's priorities. The FTFC programme continues to perform well and is currently on track against delivery of the agreed outcomes.

Future town future council
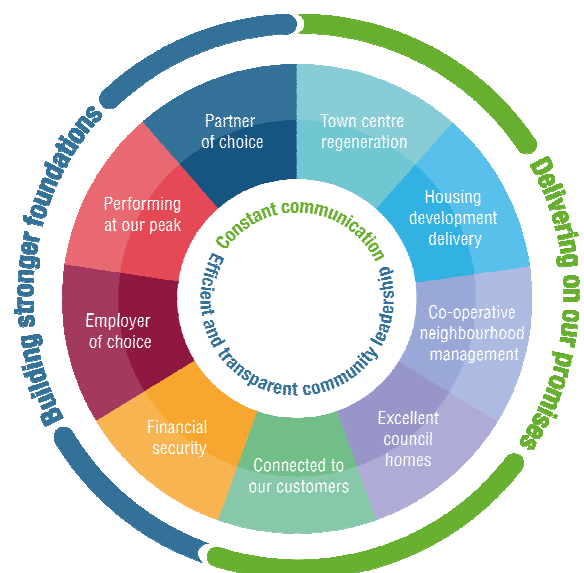
The Co-operative Corporate Plan FTFC reflects the ambitions and projects and articulates to the public the council's key priorities and objectives that support the achievement of the FTFC programme over the next few years.

Every year we consider progress against our priorities as part of our annual plans and this informs important decisions about where to spend the budget. The Annual Report summarises our achievements over the past year and outlines what we plan to do in the next twelve months and is published on the council's website.

The Housing Revenue Account (HRA) Business Plan is the council's strategic plan for managing and maintaining its housing stock. It sets out the council's short-to-medium term plans and priorities for its housing management services and provides a long term (30 year) perspective on stock investment and financial planning.

The council is currently preparing a new local plan for the future of the town. This plan will guide development within the town until 2031. The Local Plan sets out how Stevenage will develop in the future: both regeneration and growth.

2017/18 Enhancement Activity
- The FTFC Programme was reviewed during the first half of 2017/18 to ensure governance arrangements remained effective as programmes moved from planning to delivery.
- A new Equality and Diversity Policy "Encouraging an Equal and Diverse Town and Workforce to 2021" was published and comprehensive Equality and Diversity training was delivered to all staff at Cavendish Road.

To enhance arrangements summarised in the council's Local Code of Corporate Governance (published June 2017):
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. (Action 1, Page 21)

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. (Action 2, Page 22)

Ongoing monitoring is planned in mitigation of risks relating to the delivery of agreed outcomes:
The 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.

Principle D: Determining Interventions

Principle D: Determining the interventions necessary to optimise the achievement of outcomes requires robust monitoring and decision-making mechanisms to ensure that actions identified are sustainable within available resources.

Summary of 2017/18 Review of Effectiveness

Financial Governance Arrangements:
The Financial Security programme continues to enhance the financial resilience of the council by ensuring resources are used effectively and efficiently and through the development of commercial and entrepreneurial skills and services.

The Medium Term Financial Strategy is under ongoing review to ensure a clear financial situation can be demonstrated. The Officer's Asset and Capital Group ensures effective arrangements are in place for the design and delivery of capital projects. Financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015)

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the separation of duties, management supervision, appropriate staffing structure including appropriately skilled, trained or qualified staff, and a system of delegation and accountability.

The council's framework of internal financial control is supported by Financial Regulations and Contract Standing Orders. The regulations provide the framework for managing the council's financial affairs. They set out the procedures that the council has adopted for financial planning, budgeting, risk management, auditing, treasury management and procurement of goods and services.

The developer to undertake the first phase of the council's ambitious programme of town centre regeneration has now been appointed with construction expected to start next year. The scheme, which celebrates the heritage of the New Town while bringing it into the 21st Century, includes new shops, homes, and a bespoke central venue for a library, exhibition space, health services and council offices. It will also create a new linear park and food and drink space with bars and restaurants in the heart of the town for people to enjoy.

Monitoring performance:
The performance and quality of each FTFC programme is monitored through a monthly Programme Board. The corporate programme is monitored through assessment of progress against target for a set of corporate performance measures aligned to service priorities.

As part of the Performing at our Peak programme, a new performance management framework was introduced to monitor performance measure results associated with the Future Town, Future Council Programme together with measures to monitor the delivery of effective services (The Corporate programme).
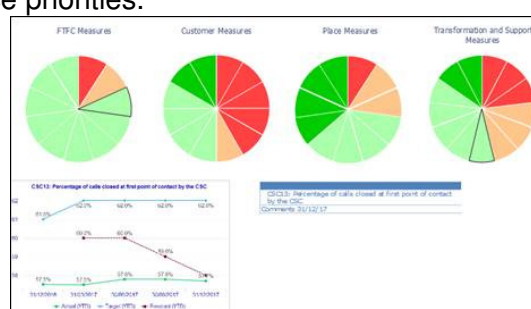
The status of performance for both the FTFC programme and the corporate programme with proposed improvement plans, where necessary, are discussed by senior management prior to Executive on a quarterly basis. In addition the Executive receive separate monthly updates on the council's financial position and quarterly overview reports.

12

The Council has a Data Quality Policy which outlines the council's commitment to ensuring data quality and arrangements are in place to monitor and enhance the quality of performance data.

2017/18 Enhancement Activity
- A new performance and governance system (InPhase) has been introduced to monitor performance and risk and is providing improved insight into corporate priority delivery. The new system is providing a range of corporate performance monitoring relating to service delivery, finances, staff, and customers, alongside consideration of the risks associated with the delivery of objectives in order to provide strategic insight and facilitate prompt implementation of any necessary improvement plans
- A review of the FTFC Programme was carried out to ensure governance arrangements remain effective as programmes move from planning to delivery.
- The Senior Leadership Team received procurement and contract management training and Introduction to Procurement and Managing the Tender Process training was delivered to officers as required.

> **To enhance arrangements summarised in the council's Local Code of Corporate Governance (published June 2017):**
> 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. (Action 3, Page 22)

> **Ongoing monitoring is planned in mitigation of risks relating to the delivery of agreed outcomes:**
>
> 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.
>
> The Council is continuing to assess the potential impact of Welfare Reform on the community and Council 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.

Principle E: Leadership Capacity and Capability

Principle E: Developing the organisation's capacity, including the capability of its leadership and the individuals within it. The appropriate structures and leadership, as well as people with the right skills and values, enable the Council to operate efficiently and effectively and achieve the best possible outcomes for the community.

### Summary of 2017/18 Review of Effectiveness
The Council's Political Management Structure: The Political Management Structure diagram (following page) summarises the Council's political structure for 2017/18.

All Councillors meet together as the Council. Meetings are generally open to the public and feature a main topical debate item. The Council has an approved Constitution which details how the Council operates, how decisions are made, including delegation of decisions and the procedures that are to be followed to ensure that these are efficient, transparent and accountable to local people. The Monitoring Officer ensures that the Constitution remains fit for purpose, that legal requirements are met and that the public interest is paramount in all decision making.

An Audit Committee was first established in May 2006 and its duties include advising and commenting on Internal and External Audit matters, as set out in the Constitution. It has been constituted in line with best practice recommendations from CIPFA guidance.

The Council has structured its processes and procedures for the Executive and Scrutiny Committees plus other Committees such as the regulatory ones, to minimise the risk of it acting in contravention of its own policies and external laws and regulations. The Council also appoints officers, qualified to undertake statutory responsibilities, such as:

- Chief Financial Officer (Assistant Director Finance and Estates) as contained within Section 114 of the Local Government Finance Act 1988.
- Monitoring Officer to meet Section 5 of the Local Government and Housing Act 1989.
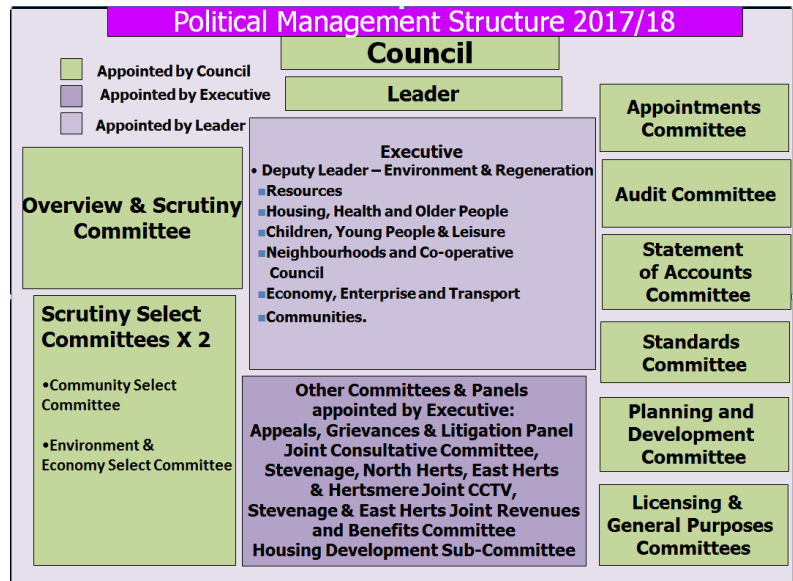
2017/18 Enhancement Activity

- Members received training on reviewing the 'big three' reports (Budget, MTFS and Statement of Accounts)
- 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.

The Council's Officer Structure: The Council aims to create a flexible, collaborative, creative and modern workforce to ensure the council can deliver the priorities set out in the FTFC programme and give residents the standard of services they expect.

The senior management team has been structured to drive the development of a more sustainable, customer orientated and commercial operating model. 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. The senior management review resulted in the reorganisation of Business Units across three key delivery themes, Customer, Place and Transformation and Support.

The Council's Employer of Choice programme aims to transform the way the Council works, ensuring that staff have the skills, abilities and experience to deliver excellence

2017/18 Enhancement Activity:
- 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
- Development opportunities were offered through the District Council's Network Staff Development programme and Local Authority Challenge East
- 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
- An initial suite of e-learning modules to provide training and development matching individual and organisational requirements was made available to council staff.

To enhance arrangements summarised in the council's Local Code of Corporate Governance (published June 2017):
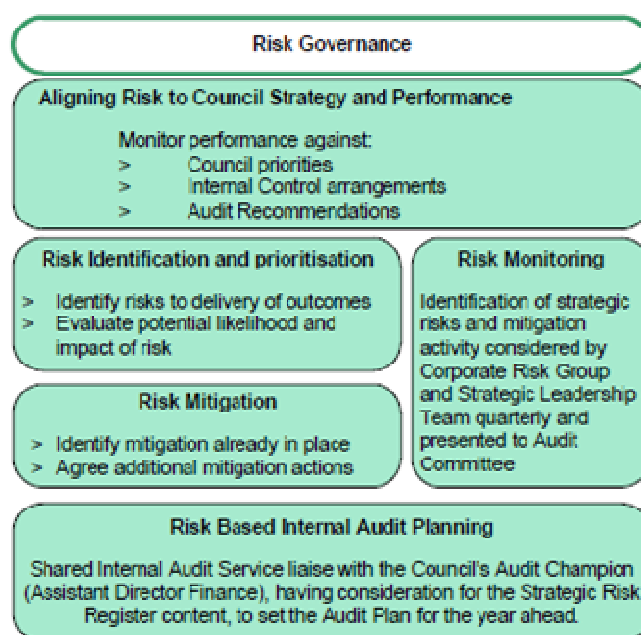
Continue to implement the restructure of services through Future Council – Business Reviews to improve corporate capacity and deliver sustainable services that better meet the needs of customers (Action 4, Page 22).

Principle F: Managing Risks – The Council's Risk Governance Arrangements

Principle F: Managing risks and performance through robust internal control and strong public financial management. Risk management together with a strong system of financial management are integral parts of a performance management system and are crucial to the achievement of outcomes.

Summary of 2017/18 Review of Effectiveness
The council consider and counter risk across a broad range of areas. The council has an approved Risk Management Policy and a Risk Management Guide is available to all employees. Strategic risks are linked to the council's priorities and the Strategic Risk Register is reviewed and monitored on a quarterly basis. Operational risks are also developed and monitored. A Corporate Risk Management Group with

Risk Governance

Aligning Risk to Council Strategy and Performance

Monitor performance against:
> Council priorities
> Internal Control arrangements
> Audit Recommendations

Risk Identification and prioritisation
> Identify risks to delivery of outcomes
> Evaluate potential likelihood and impact of risk

Risk Monitoring
Identification of strategic risks and mitigation activity considered by Corporate Risk Group and Strategic Leadership Team quarterly and presented to Audit Committee

Risk Mitigation
> Identify mitigation already in place
> Agree additional mitigation actions

Risk Based Internal Audit Planning
Shared Internal Audit Service liaise with the Council's Audit Champion (Assistant Director Finance), having consideration for the Strategic Risk Register content, to set the Audit Plan for the year ahead.

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representation from each directorate meets quarterly to oversee and review the process and development of the council's approach to risk.

To support service delivery improvements, the Council welcomes constructive challenge as a result of scrutiny from internal/external audit activity, the work programme of Overview and Scrutiny Committee and other external review agencies and inspectorates.

The Shared Anti-Fraud Service Anti-Fraud Action Plan 2018/19 will ensure compliance with the best practice issued by central government, National Audit Office and CIPFA. The Anti-fraud and Corruption Policy is available on the council's website and a Whistle-blowing Policy is available to all staff. Data Protection and Information Security responsibilities for staff, and processes for the management of both electronic and manual records are available to staff.

Corporate Governance of ICT is summarised in the following diagram setting out a robust framework to manage resilience and risk.
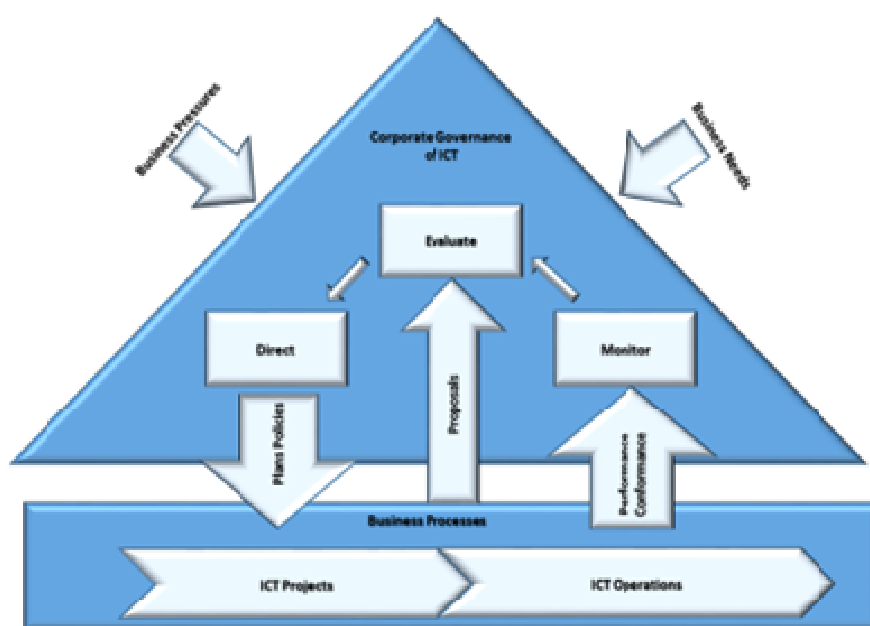
Stevenage is committed to embracing new digital opportunities to better meet the needs of residents, achieve savings and transform services. A secure, resilient, effective and forward looking Technology Service is critical in delivering these aims.

The Technology Service is in place to support the council in delivering key services to residents and customers, to enable service transformation and make the most of new digital opportunities. To support the council in delivering their corporate goals a new Technology Shared Service Improvement Plan was agreed at Executive in November 2017.

Four external reviews were carried out during 2017 to support identification of risks and weaknesses to ensure we have the right foundation to support our corporate FTFC priorities. The reviews incorporate a focus on the additional steps we can take to prepare for the challenges of the ever changing technological environment, the growing threat of cyber-attack, as well as address risks in relation to disaster recovery. These four external reviews were:

- SOCITM review,
- SOCITM Security Assessment
- SIAS Disaster Recovery Audit
- Public Sector Network Assessment (and associated independent health check)

The New Technology Shared Service Improvement Plan will ensure the council has a robust foundation to enable delivery of its 'Connected to our Customers' programme, including a first rate website and online offer which is mobile enabled, and a wider set of improvements to the functions that customers should expect from a modern Council; from easy payment to balance enquiries to complaint resolution.

To enhance council-wide arrangements for the assessment and monitoring of health and safety a Health and Safety Management Framework was put in place.

Assistant Directors have ensured that health and safety responsibilities at each level of management within their business units are clear. An ongoing schedule of review by Assistant Directors and internal/external peers will provide assurance that key health and safety risks are being suitably controlled while identifying areas where improvements can be made and including these into the ongoing action plan.

Senior management representation on the Corporate Health and Safety Group will ensure the group is providing senior management with the assurances that are required.

An initial action plan to further enhance arrangements has been produced for completion by June 2018. Ongoing activity may be identified as a result of AD and peer reviews to be addressed in an appropriate timeframe.

To enhance arrangements summarised in the council's Local Code of Corporate Governance (published June 2017):

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. (Action 5, Page 22).

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. (Action 6, Page 22).

To further enhance health and safety arrangements, an initial action plan has been produced for completion by June 2018. Ongoing activity may be identified as a result of Assistant Director and internal/external peer reviews to be addressed in an appropriate timeframe. (Action 7, Page 22).

2017/18 Enhancement Activity:
- 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: Delivering Effective Accountability

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability will ensure that the Council provides information regarding the completion of actions in a timely and understandable way.

Summary of 2017/18 Review of Effectiveness
Reporting on performance, value for money, the stewardship of resources and the assessment of robust corporate governance arrangements are provided throughout the year through:

- Quarterly financial monitoring reports to Executive
- Quarterly FTFC and corporate performance status reports to Executive
- Annual publication of Statement of Accounts

- Publication of the Annual Governance Statement
- the council's Annual Report

The council complies with requirements outlined in the Local Government Transparency Code 2015. Compliance is monitored throughout the year by Corporate Governance Group.

New laws regarding data protection (EU General Data Protection Regulation (GDPR)) which became effective on 25 May 2018 have been considered during 2017/18. The primary objectives of the GDPR are to give citizens and residents back control of their personal data and to simplify the regulatory environment. An action plan to enhance information management arrangements across the council is being implemented, an Information Officer has been appointed, Information Asset Owners have been 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.

The Council's internal audit provision is delivered by the Shared Internal Audit Service hosted by Hertfordshire County Council. A summary of 2017/18 arrangements is set out on page 4 of this Statement outlining assurance for both financial and non-financial systems.

For 2017/18 the Shared Internal Audit Service assigned 'substantial' assurance for financial systems and 'moderate' assurance to non-financial systems. The approved audit plan for 2017/18 included a range of non-financial audits that focused on complex services and areas in transition and this has had an impact on the assurance levels provided. Actions to enhance governance for the areas highlighted have been identified and prioritised.

Arrangements reflect those summarised in the council's Local Code of Corporate Governance – No significant opportunities to enhance governance have been identified. Action 6 identified as a result of the assessment of Principle F: Managing Risks is, however, applicable to the ongoing delivery of EU General Data Protection Regulation (GDPR).

Corporate Governance Calendar 2017/18

The following corporate governance calendar summarises activity and enhancements delivered throughout the year to ensure compliance with the corporate governance arrangements outlined in the council's Local Code and outlines progress made against the improvement actions identified in the 2016/17 Annual Governance Statement.

Corporate Governance Calendar 2017/18

Apr 2017

- A new Human Resources Management system went live to support workforce planning, training, development and the implementation of the council's new competency framework
- SAFS began working with DWP to investigate fraud affecting national benefits linked to local benefits
- Equality and Diversity training package was delivered to all staff at Cavendish Road

May 2017

- Annual Council agree the political management structure of the Council
- FTFC Programme reviewed to ensure governance arrangements remain effective

To meet a 2017/18 AGS Action Council 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 FTFC programme and council services

Aug 2017

- Council's Constitution updated
- Shared Legal Service with HCC went live
- SIAS restructured to provide a more responsible service in light of changing customer demand
- Ernst and Young appointed as the Council's external auditors for a five year period

Sep 2017

- Annual report on the activity of the Shared Internal Audit Service for 2016/17 reported to Audit Cttee
- Annual report on the activity of the Shared Anti-Fraud Service for 2016/17 reported to Audit Cttee
- 2016/17 Statement of Accounts and external audit report are reported to Audit Committee
- Statement of Accounts training provided for Audit Committee
- Executive approves both the General Fund and HRA MTFS 2017/18-2021/2022

To meet a 2017/18 AGS Action, a Corporate Information Group was established, and an Information Officer appointed to establish best practice records management across the council

Dec 2017

- A new corporate e-learning package was launched that will help to develop staff knowledge and capability
- New Social Media Policy published

Jan 2018

- RIPA refresher training for Authorising Officers was carried out
- Review of Appraisal process completed
- Council approve the Housing Revenue Account Final Budget Proposals, Rent Setting, and Draft Council Tax Support Scheme 2018/19
- Overview and Scrutiny Committee consider 2018/19 Draft Capital Forward Plan, Five Year Capital Strategy Update and 2018/19 Council Tax Setting and General Funding Budget prior to submission to Executive and Council
- Review of Principles against the CIPFA/SOLACE Framework agreed by Corporate Governance Group

Jun 2017

- Audit Committee recommended the 2016/17 AGS to Statement of Accounts Committee
- Head of Assurance confirms to Audit Committee the 'fitness for purpose' of internal audit to carry out the work that informs the assurance opinion for 2017/18 and of 'Substantial Assurance' opinion for the council's financial and non-financial systems for 2017/18.
- Executive appoints the council's Executive bodies for 2017/18
- Revised Local Code of Corporate Governance approved by Audit Committee

To meet a 2017/18 AGS Action, additional hardware was installed to enhance IT resilience

Jul 2017

- Annual Scrutiny Report submitted to Council
- Annual Report and Performance Review approved by Executive
- Pay Policy Statement approved by Council
- Corporate Governance Group carried out a proactive review of Principles A and B of the CIPFA/SOLACE Framework

To meet a 2017/18 AGS Action, Executive approved the procurement process for sub-contract supply chain for Repairs and Voids service

Oct 2017

- Modern Member Programme Relaunched
- Council approves the Annual Treasury Management Review of 2016/17 including prudential code
- Corporate Governance Group carried out a proactive review of Principles C and D of the CIPFA/SOLACE Framework
- New Equality and Diversity Policy 'Encouraging an Equal and Diverse Town and Workforce to 2021' was published

Nov 2017

- External Auditors advise Audit Committee in their Annual Audit Letter 2016/17 that the council's financial statements give a true and fair view of the financial position of the Council at 31 March 2017 and of its expenditure and income for the year then ended
- A new staff Performance and Improvement Policy and Manager Toolkit was developed
- LGA Communications Peer Review carried out

To meet 2017/18 AGS Actions, the Data Protection Policy and document retention guidance was reviewed and updated. A Technology Shared Service Improvement Plan was agreed by Executive which sets out improvement to ensure services are delivered to meet customer needs and are fit for purpose

Feb 2018

- Developer appointed for regeneration
- Council approves the 2018/19 Council Tax, General Fund and Capital budgets
- Whistle Blowing Policy reviewed and updated
- Data Protection and GDPR e-learning modules went live

Mar 2018

- Audit Committee note the self-assessment of compliance against the CIPFA/SOLACE Framework'
- Internal Audit of Corporate Risk Management arrangements achieved Full Assurance for areas assessed

Planned Improvement Activity for 2018/19:

Significant internal control and governance issues identified as part of the 2017/18 review of the Governance Statement are summarised on page 4, identified in the relevant section throughout this Statement and set out in the following Action Plan.

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 associated delivery of priority outcomes should be addressed.

There are currently a few high level strategic risks where related mitigation activity is identified throughout this document as recently introduced or ongoing governance arrangements, such as:

- 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.

- 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.

Action Ref	Action	Responsible Officer	Target Date
1	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	AD Housing Management and Investment	September 2018

Action Ref	Action	Responsible Officer	Target Date
2	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.	AD Finance and Estates	September 2018
3	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.	AD Stevenage Direct Services	March 2019
4	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.	All ADs	March 2019
5	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.	AD Corp Services and Transformation	**Phase One** Sept 2018 **Phase Two** Jan 2019 **Phase Three** From Jan 2019 onwards
6	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.	AD Corp Projects, Customer Services & Technology	September 2018
7	To further enhance health and safety arrangements, an initial action plan has been produced for completion by June 2018. Ongoing activity may be identified as a result of Assistant Director and internal/external peer reviews and to be addressed in an appropriate timeframe.	Richard Protheroe AD Corp Services and Transformation	June 2018 for initial action plan

Approval of Statement:
Approval of Statement by Chief Executive and Leader of the Council

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Strategic Leadership Team, relevant officers and the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Areas to enhance the governance framework already addressed are summarised in the Corporate Calendar set out on pages 19/20. Areas to be addressed and ensure continuous improvement are set out in the table above on pages 21/22.

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

Signed …………………………………
Date …………………………………….
Cllr Sharon Taylor
Leader of Stevenage Borough Council

Signed …………………………………
Date …………………………………..
Scott Crudgington
Chief Executive of Stevenage Borough Council

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Annual Governance Statement (AGS):
Framework for compiling the AGS: Setting out the process

The Council is required to prepare an Annual Governance Statement (AGS) and to present it alongside the Statement of Accounts. The AGS is a public assurance that the Council has a sound system of internal control, and robust corporate governance arrangements, designed to help manage and control its risks. It is an important public expression of what the Council has done to put in place good business practice, high standards of conduct and sound governance.

CIPFA/SOLACE guidance suggests that the process for compiling the AGS should be clearly set out and provided as part of supporting evidence.

The document below sets out the approach Stevenage Borough Council takes in compiling its Annual Governance Statement. The development of the AGS culminates from a continuous review process designed to enable the authority to review and improve its governance arrangements.

The framework includes timescales for compiling the evidence and writing the statement and sets out who will provide evidence.

This document is intended for use by:
  a) Officers charged with the responsibility of gathering evidence and coordinating the Council's approach to compiling the Governance Statement
  b) Members and managers who need to be aware of the Council's approach to compiling the Annual Governance Statement.

This is designed to be a working document, through which areas for improvement and further development of the process will be identified.

Statutory Framework

Revising and consolidating previous legislation, the 2015 Accounts and Audit (England) Regulations came into force on 1 April 2015 and require the Council to prepare an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control, to accompany the Statement of Accounts.

In 2006, CIPFA/SOLACE produced a publication called, Delivering Good Governance in Local Government: Framework and Guidance. In April 2016, CIPFA/SOLACE published a reviewed Framework and Guidance that reflects the International Framework: Good Governance in the Public Sector developed by CIPFA/IFAC published July 2014.

1

Local Code of Governance

The term 'Local Code' essentially refers to the governance structure in place at the council. 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.

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 (for fundamental review June 2020). 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.

The Department for Communities and Local Government clarified that the Annual Governance Statement was assigned 'proper practice' status in August 2006 and therefore has statutory backing.

The Annual Governance Statement Process

It is important that the Annual Governance Statement results from an ongoing process to contribute towards the embedding of good governance across the Council, and not just an end of year activity.

In order to proactively review governance in-year, Corporate Governance Group (CGG) meets a minimum of four times a year to oversee key elements of assurance for each of the Seven Principles of good governance. A core group of officers attends each meeting. Other corporate groups' terms of reference include the responsibility to escalate any issues to CGG which may impact on any area of the organisation's governance. From April 2013, Corporate Risk Group and Corporate Governance Group were more closely aligned (forming Part A and Part B of Corporate Risk and Governance Group) in order to enhance the links between risks and governance arrangements.

The approach to monitoring corporate governance promotes continuous review and update of information and regular monitoring of action plans.
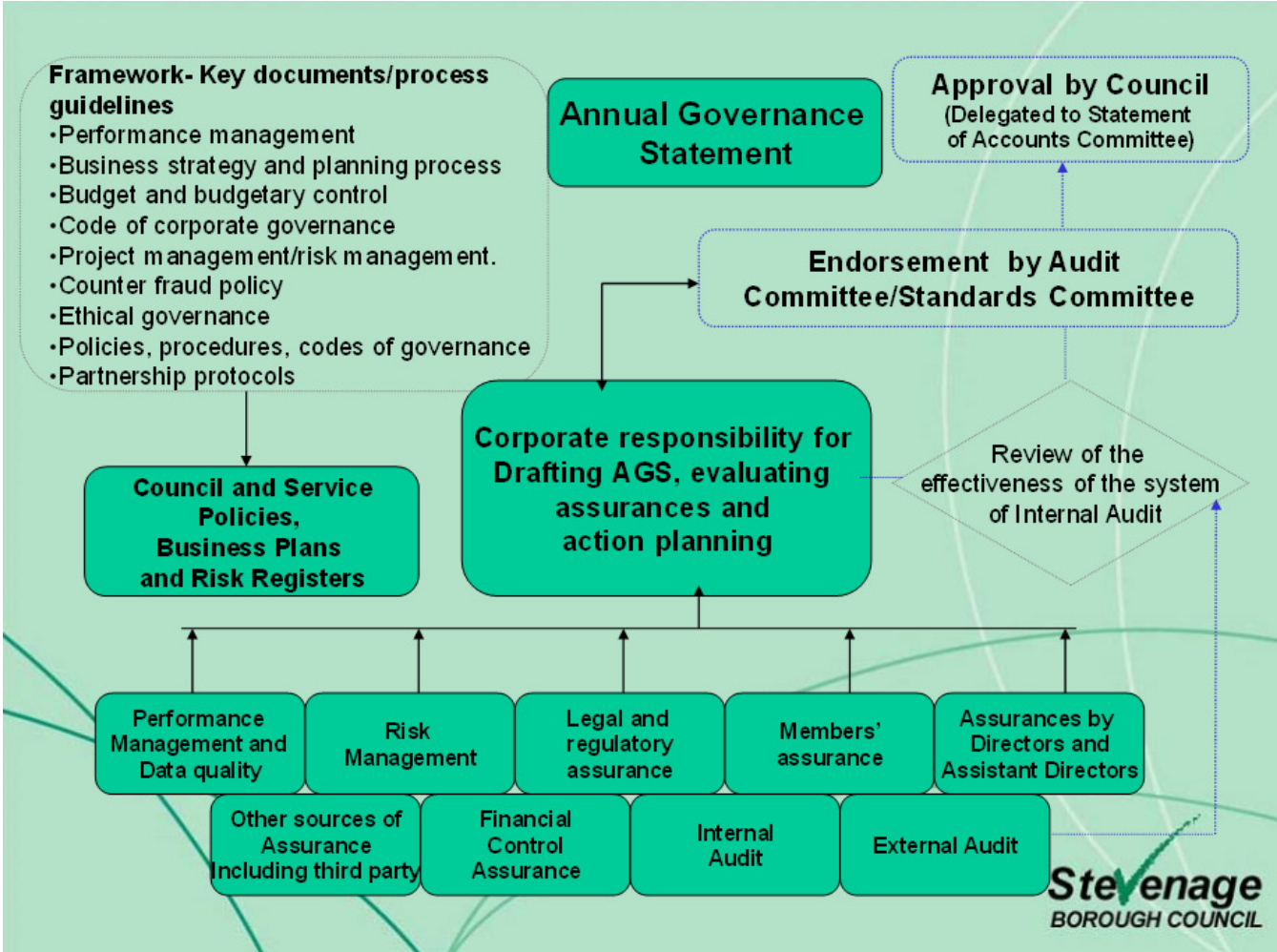
2

The AGS is compiled following a review of the effectiveness of systems of internal control. The review involves the Senior Leadership Team as well as specific responsibilities for Internal Audit and the Corporate Governance Group, as shown in the table below.

The AGS will be considered at the Audit Committee on 12 June 2018. The Leader of the Council and the Chief Executive will sign the statement, prior to publication along with the Statement of Accounts.
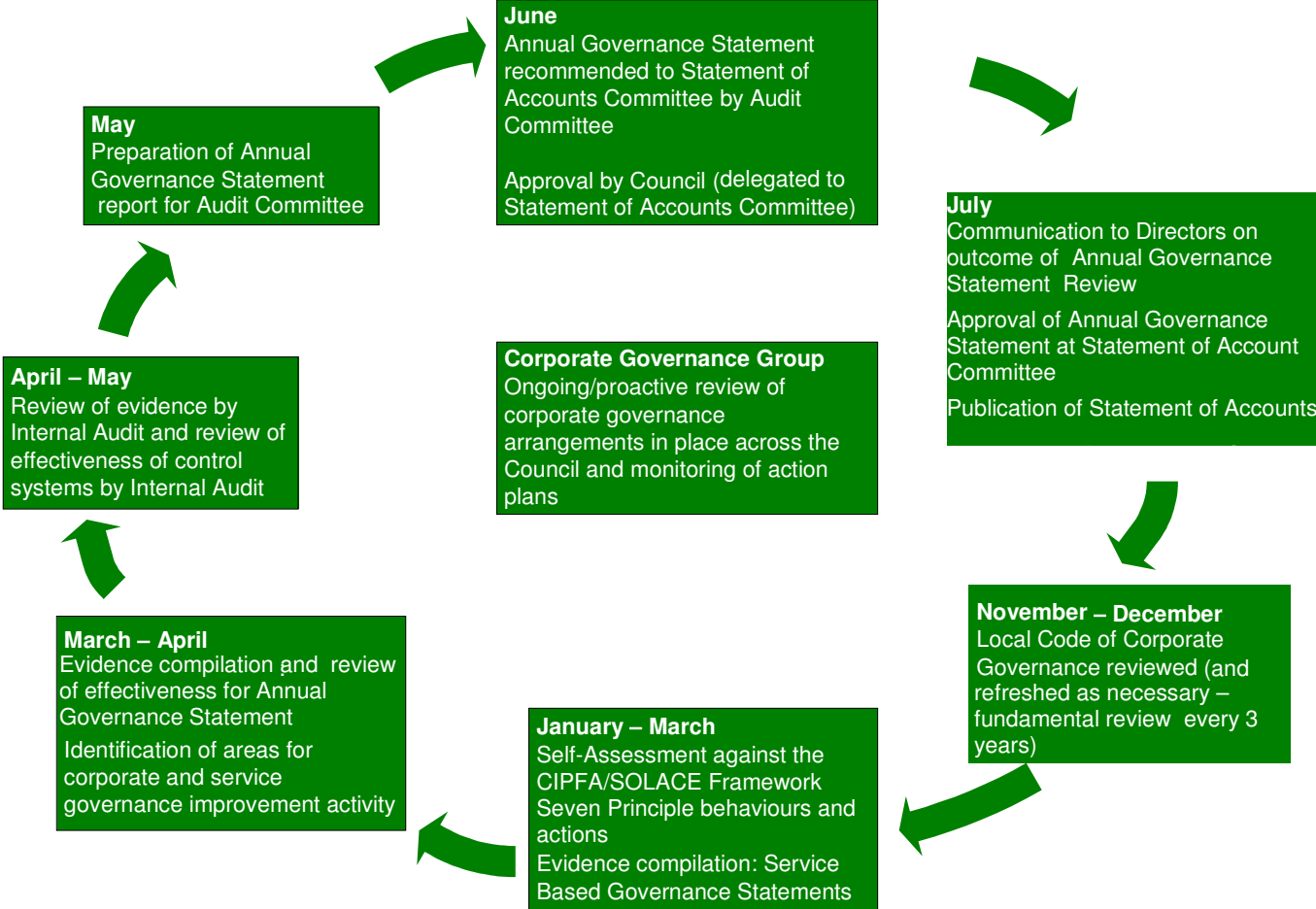
Roles and Responsibilities

Group of Individuals	Role & Responsibilities
Leader of the Council and Chief Executive	• Sign off the Annual Governance Statement to accompany the Statement of Accounts
Council (Delegated to Statement of Accounts Committee)	• Approval of Annual Governance Statement alongside the Statement of Accounts following recommendation from Audit Committee
Audit Committee	• Ensure the authority's Annual Governance Statement properly reflects the risk environment and identifies any actions needed for improvement • Consider the effectiveness of the authority's overall governance and control environment, risk management and anti-fraud and corruption arrangements • Seek assurance that action has been taken on risk related issues identified by Internal and External Audit and other inspections
Elected Members (individually or collectively)	• Approving and adopting relevant Codes and registering interest
Corporate Governance Group Core membership (for 2017/18): • Assistant Director Finance and Estates (S151 Officer) • Monitoring Officer (Head of Shared Legal Service) • AD Corporate Services and Transformation • Human Resources and Organisational Development	• Ongoing/proactive review of corporate governance arrangements in place across the Council • Moderation of Service Based Governance Statements and ongoing support to Assistant Directors in identification of appropriate actions • Action planning in response to the review of the Council's governance arrangements

3

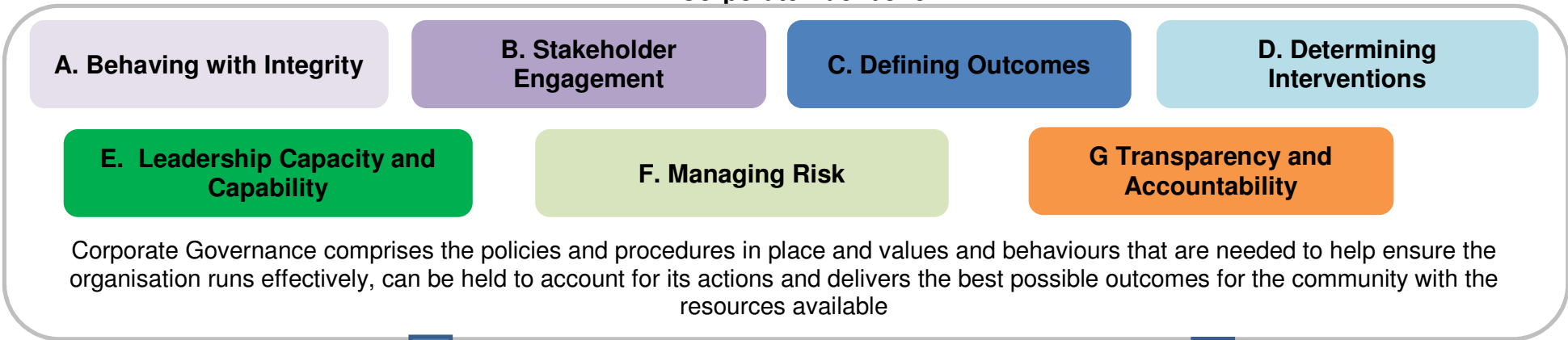| Group of Individuals	Role & Responsibilities
Management representative • Information Officer • AD Corporate Projects, Customer Services and Technology • AD Housing and Investment • Corporate Performance and Improvement Manager • Representative from the Shared Internal Audit Service	• Compilation of evidence to support the Annual Governance Statement, including monitoring completion of identified actions • Compilation of Annual Governance Statement and supporting documentation
Monitoring Officer	• Contribution to Annual Governance Statement by providing assurance that the Council as a whole is responding adequately to legislation and legislative change
Section 151 Officer	• Contribution to Annual Governance Statement by providing assurance that the Council as a whole has effective controls in place to manage its finances efficiently and effectively
Assistant Directors	• Annual assurance on the effectiveness of controls in place and governance arrangements (including response to legislative change, risk management and performance management) through Service Assurance Statements • Maintain awareness of and promote service governance arrangements • Identify areas of service control weakness and action plan in response to this
Corporate Performance and Improvement Team	• Provide assurance on the Council's risk management processes and procedures
Internal Audit (Shared Internal Audit Service)	• Provide independent review of corporate governance arrangements and compliance with arrangements in place • Assist in identifying areas for improvement and action planning
Corporate Groups	• Escalate any significant governance issues to Corporate Governance Group
All Employees	• Maintain awareness and contribute to the control process where appropriate

4

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Timeline for the compilation of the Annual Governance Statement and monitoring of governance arrangements

June
Annual Governance Statement recommended to Statement of Accounts Committee by Audit Committee

Approval by Council (delegated to Statement of Accounts Committee)

May
Preparation of Annual Governance Statement report for Audit Committee

July
Communication to Directors on outcome of Annual Governance Statement Review

Approval of Annual Governance Statement at Statement of Account Committee

Publication of Statement of Accounts

April – May
Review of evidence by Internal Audit and review of effectiveness of control systems by Internal Audit

Corporate Governance Group
Ongoing/proactive review of corporate governance arrangements in place across the Council and monitoring of action plans

November – December
Local Code of Corporate Governance reviewed (and refreshed as necessary – fundamental review every 3 years)

March – April
Evidence compilation and review of effectiveness for Annual Governance Statement

Identification of areas for corporate and service governance improvement activity

January – March
Self-Assessment against the CIPFA/SOLACE Framework Seven Principle behaviours and actions
Evidence compilation: Service Based Governance Statements

The process and timescales for compiling the Annual Governance Statement are part of the ongoing review and improvement of the Council's governance arrangements and not an isolated year end activity

6

Corporate Backbone

A. Behaving with Integrity

B. Stakeholder Engagement

C. Defining Outcomes

D. Determining Interventions

E. Leadership Capacity and Capability

F. Managing Risk

G Transparency and Accountability

Corporate Governance comprises the policies and procedures in place and values and behaviours that are needed to help ensure the organisation runs effectively, can be held to account for its actions and delivers the best possible outcomes for the community with the resources available

Key Documents

Constitution
Member and Officer Codes of Conduct
Member/Officer Protocols
Register of Pecuniary Interests
Members Allowances Scheme
Financial Regulations
Contract Standing Orders
Medium Term Financial Strategy
Capital Strategy
Corporate Procurement Strategy
Statement of Accounts
FTFC Corporate Plan
Annual Report
Community Strategy
Communications Strategy
Equality and Diversity Policy
Performance Framework
Risk Management Policy &Guide
Audit Plan
Annual Audit Letter
Local Plan

HRA Business Plan
Housing Energy & Sustainability Strategy
Garages Estate Business Plan
People Strategy
Workforce Plans
Competency Framework
Disciplinary Policy
Recruitment Policy
Appraisal Policy
Corporate Health and Safety Framework
Health and Safety Policies
Data Protection Policy
Freedom of Information Policy
Information Security Policy
Whistle Blowing Policy
Anti-Fraud & Corruption Policy
Complaints Policy & Procedures
Business Continuity Plans
Social Media Policy

Contributory Processes/Regulatory Monitoring

Annual Governance Statement
Audit and Standards Committee
Overview &Scrutiny Arrangements
Head of Paid Service
Independent Officer
Section 151 Officer
Monitoring Officer
Financial Reporting
Modern Member Programme
Corporate Risk Group
Corporate Governance Group
Series of Governance & Compliance Groups
Housing Management Board
Council's Values and Behaviours
Health & Safety Processes
Intranet and Council's Website
Publication Scheme
Freedom of Information Procedures
Council Tax Leaflet/Information
Customer Feedback process
Equality Impact Assessments
Officers Capital Group

Leaders Financial Security Group
Staff Satisfaction Surveys
Member and Staff Induction
Consultation and Engagement Processes
External Audit
Shared Internal Audit Service
Shared Anti-Fraud Service
Shared Services Agreements
Strategic Partnership Agreements
Job Descriptions & Job Evaluation process
Schedule of Council meetings
Overview &Scrutiny
Contract Management training
Learning & Development Programme
Leadership Forum
CE Roadshows
Key Financial Indicators
Data Transparency Webpage

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Overview of Service Assurance Statements 2017/18

Background

All Assistant Directors were asked to complete the annual review and update of their Service Assurance Statements for 2017/18. This process involves the following elements:

- Review of the operation of the Council's system of internal control within their service area
- Assurance that the control environment operated effectively during 2017/18 in respect of the service areas for which they have responsibility
- Review of actions taken during the year to address any weaknesses and identification of any further areas for improvement in 2018/19.

For 2017/18, Service Assurance Statements have been more closely aligned to the council's approved local framework which encompasses the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'. This has resulted in some new areas of focus and a change in the categorisation of actions which are now better aligned to the CIPFA/SOLACE seven core principles of good governance.

Summary of progress against actions for delivery in 2017/18

A total of 34 actions to enhance service governance arrangements were identified by Assistant Directors/Strategic Director for delivery in 2017/18.

A number of actions identified for delivery in 2017/18 reflected enhancement activity as a result of the Senior Management Review and Future Council Business Unit Reviews

Action identified for 2017/18	Progress	Service Area
Strategic direction and statutory obligations		
Action carried over from 2016/17: Implement changes in Housing working practices to reflect the legal requirements of the Housing and Planning Act e.g. sale of high value voids, fixed term tenancies etc.	Confirmation has been received that legal requirements in respect of High Value Voids will not be implemented in 2018/19. However no guidance has been received regarding the other legal requirements of the Housing and Planning Act	Housing and Investment
Learning and Development programme for Stevenage Direct Services to be reviewed and strengthened. Internal review of Waste and Fleet Management service to be carried out.	Action carried over to 2018/19 and forms part of the SDS Future Council Business Review. First Phase of the Business Review presented to SLT on 17 April 2018.	Stevenage Direct Services Stevenage Direct Services
Production and implementation of 2017/18 Priority Plan for Stevenage Direct Services		
Review of internal communication systems for Stevenage Direct Services to enhance communication arrangements	Complete. The Environmental Services Change and Action Team have reviewed staff communications and a number of enhancements have been implemented, e.g. monthly newsletter, monthly one to ones and team meetings.	Stevenage Direct Services
Waste and Recycling Scrutiny review to be carried out	This will now be incorporated into the Overview and Scrutiny presentation on the SDS Future Council Business Review	Stevenage Direct Services

1

Action identified for 2017/18	Progress	Service Area
Review of statutory duties in the Repairs and Voids service to enhance: • communication of legislative changes; • response to customer feedback; • accessibility to Health and Safety policies; • sub-contractor health and safety arrangements; • programming and delivery of projects Enhancements to ensure staff in the Repairs and Voids service can deliver the service's business vision and values: • Carry out job evaluation for senior level roles to recruit the correct calibre of staff • Continue negotiations with the Unions and implement revised trade skill levels and roles	The first phase of the Repairs and Voids improvement programme 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 AGS activity outlined for 2018/19.	Stevenage Direct Services
Service Plan for the Regeneration service to be created to link resources to projects	The Regeneration service Future Council Business Review identified additional staffing resources are required. New staff to be appointed by July 2018.	Regeneration
Resources required to fulfil the Regeneration Programme over 2017/18 to 2020 to be assessed		
Customer Focus Team to provide Customer Feedback training to the Estates Team	Complete. Customer Feedback training provided by the Customer Focus Team.	Finance and Estates
Carry out a review of Financial Regulations to reflect changes required due to Senior Management Review	Action scheduled for 2018/19	Finance and Estates
Current Business Unit Service Plan (Corporate Services and Transformation) to be reviewed and enhanced in light of the recent Senior Management Review	Complete. New Business Plan in place that sets out five year vision and plan for the Corporate Services and Transformation Business Unit	Corporate Services and Transformation
Consideration to be given to creating new Support Service Satisfaction questionnaires for services within Corporate Services and Transformation business unit to inform ongoing improvement	Managers within Corporate Services and Transformation business unit have been asked to consider appropriate metrics to monitor service delivery during 2018/19.	Corporate Services and Transformation
IT Service Plan to be created in 2017/18 for incorporation into Business Unit Service Plan.	Complete. The Shared Service Technology Improvement Plan (agreed by Executive November 2017) is now being implemented. This Improvement Plan is agreed as a live IT service plan which will lead to new strategy development and strategy delivery review	Corporate Projects, Customer Services and Technology

2

Action identified for 2017/18	Progress	Service Area
Evolution and development of Service Catalogue to assist Self Service provision to enhance service delivery	Service Catalogue review is included in the Technology Shared Service Improvement Plan. Staff training on ITIL (Information Technology Infrastructure Library) was carried out and a SIAS audit in 2018/19 will help to prioritise an ITIL delivery programme for the service which is to be rolled out from September 2018.	Corporate Projects, Customer Services and Technology
Following review of current arrangements, re-implement the Service Desk IT system		
IT Customer Satisfaction Survey to be reviewed in light of changes to the satisfaction survey collection arrangements	A review of IT Customer Satisfaction will now form part of the Service Governance improvements identified in the Technology Shared Service Improvement Plan.	Corporate Projects, Customer Services and Technology
Implement recommendations resulting from the SOCITM review of the ICT Shared Service to strengthen ICT arrangements	The implementation of recommendations from the SOCITM review is now included in the Technology Shared Service Improvement Plan	Corporate Projects, Customer Services and Technology
Produce and publish Corporate Document Retention Guidelines for staff to enhance information management protocols	Complete. Corporate Document Retention Guidelines have been reviewed and updated	Corporate Projects, Customer Services and Technology
Implement new procedures, as required, to ensure compliance with the new General Data Protection Regulation which becomes effective from May 2018.	An action plan to enhance information management arrangements across the council is being implemented. 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. Action to embed these arrangements is included as an AGS action for 2018/19.	Corporate Projects, Customer Services and Technology
As part of the housing transformation programme, organisational development learning and support to promote customer focus service delivery to be implemented	Complete. Development, learning and support has been carried out and this will be ongoing to maintain customer focused service delivery	Housing and Investment
Transactional analysis to be carried out to determine resources required to deliver Housing transformation programme and priority areas	This action is complete.	Housing and Investment
Following an independent review of the Council's Housing Stock in relation to compliance (mechanical and electrical), a five year action plan has been established. The Plan requires initial progress in 2017/18.	In progress. Delivery of the action plan is underway in line with the five year plan. Various procurement activities are underway along with preparation of the compliance programmes ahead of the delivery phase. The recruitment of a Compliance Manager post will allow additional resources to be allocated to delivering the action plan.	Housing and Investment

3

Action identified for 2017/18	Progress	Service Area
Recruit to new Compliance Manager post in light of new compliance activities arising from transfer of services as part of the Senior Management Review	The Compliance Manager post has been advertised twice unsuccessfully. The current job description and the potential to provide a market supplement to be reviewed to attract suitable candidates for this post. In the meantime, agency cover will be provided to manage compliance activity.	Housing and Investment
Carry out a review of job descriptions for roles affected by the change in service provision as a result of Senior Management Review and the housing transformation programme.	Complete. Job descriptions have been reviewed and new posts appointed.	Housing and Investment
Staff Performance and Conduct		
Carry out a review of Waste and Recycling Health and Safety procedures to enhance current arrangements	In progress. A Health and Safety Specialist is currently undertaking a review of health and safety throughout SDS operations. The review is expected to be complete by end of June 2018.	Stevenage Direct Services
Implementation of HR&OD Action Plan to strengthen the skills and capabilities of staff to ensure delivery of the council's FTFC objectives	Complete. Action Plan is in place and progress is being monitored quarterly.	Corporate Services and Transformation
Performance framework		
Expand business unit performance monitoring and management to inform Corporate Services and Transformation Business Unit improvement	Complete. AD Strategic/ Operational Dashboard in place via InPhase. Identification of new performance measures to be introduced in 2018/19 and 2019/20 are captured within the CS&T Business Unit Plan.	Corporate Services and Transformation
Consolidated set of performance measures to be agreed through IT Shared Services Partnership Board	The partnership agreement is currently under review. The review will result in some new service level agreements.	Corporate Projects, Customer Services and Technology
A review of Street Cleansing performance data collection and performance reporting to be carried out	In progress. An independent external review of Street Scene and Grounds Maintenance is currently being carried out to inform the Future Council Business Unit Review. This review will also inform the development of new performance measures for this area.	Stevenage Direct Services
Enhance Stevenage Direct Service's Operational Risk Registers to reflect strategic and longer term risks	Complete. Operational Risk Registers have been reviewed.	Stevenage Direct Services
A Risk Register for the FTFC Regeneration Programme is in place. In addition an Operational Risk Register to be created for the Regeneration service to highlight business unit risks	Complete. Risks are outlined in the Regeneration Project Risk Register	Regeneration

4

Action identified for 2017/18	Progress	Service Area
Partnerships		
Review governance arrangements for the new Legal Shared Service when the new service has been established	The Shared Internal Audit Service is currently considering arrangements in place for the Shared Legal Service. Resulting recommendations will be considered and actioned as appropriate.	Shared Legal Service
Membership of IT Partnership Board to be reviewed and aligned to the new council management arrangements and structure	The membership of IT Partnership Board will be further considered once Business Unit Reviews have progressed.	Corporate Projects, Customer Services and Technology

Actions for completion in 2018/19

A total of 43 actions to enhance service governance arrangements were identified by Assistant Directors for delivery in 2018/19.

A number of new actions identified for delivery in 2018/19 reflect enhancement activity identified through Future Council Business Reviews.

Action identified for 2018/19	Service Area
Principle A – Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	
Action carried over from 2017/18: Implement changes in Housing working practices to reflect the legal requirements of the Housing and Planning Act, e.g. sale of high value voids, fixed term vacancies, etc.	Housing and Investment
The results of the 'Big Knock' housing survey carried out in November 2017 identified an action to enhance communication with residents regarding Housing Investment activity	Housing and Investment
Improvements in business intelligence to identify service weaknesses and enhance service delivery to form part of the SDS Future Council Business Review	Stevenage Direct Services
Newly appointed Waste Operations Manager to carry out a review of contract management arrangements within the Stevenage Direct Services	Stevenage Direct Services
Procurement process within Stevenage Direct Services to be enhanced to secure contracts for subcontracted work	Stevenage Direct Services
Activity to further embed expected behaviours in Stevenage Direct Services to be carried out in 2018/19	Stevenage Direct Services
SDS Business Review to include enhancement of arrangements for communicating with Stevenage Direct Services staff	Stevenage Direct Services
SDS Business Review to review optimisation of waste collection and a review of Street Cleansing	Stevenage Direct Services

5

Action identified for 2018/19	Service Area
Carry out a review of Financial Regulations and Contract Standing Orders to reflect organisational changes	Finance and Estates
Principle B – Ensuring openness and comprehensive stakeholder engagement	
Phase One of the Housing All Under One Roof Programme to review and enhance computer generated documentation aimed at residents	Housing and Investment
SDS Future Council Business Review to include enhancement of customer insight, customer interaction and competing customer demands	Stevenage Direct Services
Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits	
SDS Business Review to ensure service provision is sustainable within the resources available and that best value is achieved	Stevenage Direct Services
The Waste and Recycling Scrutiny Review (scheduled for 2017/18) will now be incorporated into the Overview and Security presentation on the SDS Future Council Business Review	Stevenage Direct Services
Service standards and a customer charter are to be developed for SDS with an annual service plan directing the efforts of all service areas.	Stevenage Direct Services
A review of SDS policies to ensure services operate to approved standards, e.g. Missed Bins Policy	Stevenage Direct Services
Inclusive Play Policy to be developed to enhance access to services	Communities and Neighbourhoods
Communities and Neighbourhoods Business Review to consider more sustainable funding options to introduce more permanent and sustainable workforce arrangements and enhance long term service planning	Communities and Neighbourhoods
Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes	
Business Review to inform service planning within the Communities and Neighbourhoods Service	Communities and Neighbourhoods
Implement the ITIL delivery programme for the Technology Shared Service	Corporate Projects, Customer Services and Technology
Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it	
Training identified by the Housing and Investment Service training needs analysis carried out in 2017/18 to be implemented in 2018/19	Housing and Investment
Job descriptions for staff in Housing and Investment to be reviewed and updated to reflect changes identified during the Housing and Investment Business Review	Housing and Investment
Ongoing implementation of HR&OD Action Plan to strengthen the skills and capabilities of staff to ensure delivery of the council's FTFC objectives.	Corporate Services and Transformation

Action identified for 2018/19	Service Area
SDS Business Review to ensure regular review of activities, outputs and outcomes takes place to inform future service delivery	Stevenage Direct Services
Benchmarking and collaborative working to be used more extensively to inform SDS service improvements and achieve added value.	Stevenage Direct Services
SDS Business Review to enhance workforce planning	Stevenage Direct Services
Learning and Development programme for SDS to be reviewed and strengthened and forms part of the SDS Business Review	Stevenage Direct Services
Job descriptions for staff in SDS to be reviewed and updated to reflect changes identified during the SDS Future Council Business Review.	Stevenage Direct Services
A Health and Safety Specialist Company are currently undertaking a review of health and safety throughout the Business Unit. The review is expected to be completed by end of June 2018.	Stevenage Direct Services
The review of Street Cleaning performance data collection and performance reporting is carried over from 2017/18. This action now forms part of an independent review of Street Scene and Ground Maintenance which is currently being carried out to inform the Business Review.	Stevenage Direct Services
Job descriptions for Finance and Estates staff to be reviewed and updated to reflect changes identified during the Finance and Estates Business Review	Finance and Estates
Restructure of Finance service to build capacity into the Finance section.	Finance and Estates
Job descriptions for staff in Communities and Neighbourhoods Service to be reviewed and updated to reflect changes identified during the Communities and Neighbourhoods Business Review	Communities and Neighbourhoods
Consultants to be appointed to provide Project Management training to staff in Regeneration	Regeneration
The Regeneration Future Council Business Review has identified additional staffing resources are required to provide sustainable service provision. Anticipated additional staff will be appointed by July 2018.	Regeneration
Principle F – Managing risks and performance through robust internal control and strong public financial management	
Action carried over from 2017/18: Following an independent compliance review of the Council's Housing Stock (mechanical and electrical), delivery of a five year action plan is underway. Various procurement activities are in progress, along with preparation of compliance programmes ahead of the delivery phase.	Housing and Investment
Action carried over from 2017/18: A new post of Compliance Manager is required to carry out compliance activity arising from the transfer of services as part of the recent Senior Management Review and to manage delivery of the five year compliance action plan. Recruitment to this post is outstanding due to difficulties to recruit. A review of this role is required to attract suitable candidates.	Housing and Investment
Communities and Neighbourhoods Operational Risk Registers to be updated to reflect Business Review service restructure	Communities and Neighbourhoods

Action identified for 2018/19	Service Area
Membership of IT Partnership Board to be reviewed and aligned to the new council management arrangements and structure	Corporate Projects, Customer Services and Technology
Partnership Risk Register to be produced for the Shared Legal Service Partnership	Shared Legal Service
Shared Legal Service Partnership Agreement to be updated to reflect GDPR requirements	Shared Legal Service
An archivist to be appointed to review documentation dating back to before the transfer to the new shared legal service (i.e. pre August 2017)	Shared Legal Service
Principle G – Implementing good practice in transparency	
CCTV Partnership Governance Review to be carried out and reported to June Joint CCTV Executive meeting. Completion date for governance review expected October 2018	Communities and Neighbourhoods
Monitoring of the new Building Control Shared Service arrangements throughout 2018/19 to check the effectiveness and governance of the new arrangements	Planning and Regulatory Services

Stevenage Borough Council 2017/2018 Anti-Fraud Report

June 2018

Recommendation

Members are recommended to:
Note the work of the Council and the Shared Anti-Fraud Service in delivering the *Anti-Fraud Action Plan 2017/18*.

Contents

Introduction

This report provides details of the work undertaken to protect the Council against the threat of fraud and the Council's Anti-Fraud Action plan for 2017/2018. The Committee are asked to note this work.

Recent reports have been provided to Council officers and are being used by SAFS to ensure that the Council is aware of its own fraud risks and finding 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 counter fraud capacity within councils had reduced, and would continue to do so, placing local government at even greater risk of fraud.

- The Central 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. Background

1.2 According to reports from CIPFA, National Audit Office (NAO), Cabinet Office, and the Private Sector; fraud risk across local government in England exceeds £2.billion each year with some more recent reports indicating levels considerably above this.

1.3 The Cabinet Office, Ministry for Housing Communities and Local Government, National Audit Office, and CIPFA have also issued advice, and best practice guidance 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 sufficient resources in counter fraud activities that deliver savings.

1.4 It is essential that to support this service the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.

1.5 The Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). Members have received detailed reports about the creation of SAFS and its progress and how this 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

2. SAFS Activity 2017/2018- *Delivery of the 2017/18 Anti-Fraud Plan*

Staffing

2.1 In March 2017 this Committee approved the 2017/2018 Anti-Fraud Action Plan for the Council and KPIs for SAFS to achieve in respect of delivery of the plan. See Appendix B for details of the 2017/2018 Plan.

2.2 For 2017/2018 the SAFS Team was composed of fourteen accredited and trained counter fraud staff based at Hertfordshire County Council's offices in Stevenage. Each SAFS Partner receives dedicated support and response from this team. SAFS allocate officers to work in each Partner. These officers act as the first point of contact for that Partner's services, and will assist in developing relationships at a service level, delivering training, and working on local pilot projects.

2.3 In 2017/18 SAFS deployed one Counter Fraud Officer to work at Stevenage Borough Council. This officer was supported by SAFS Management and its Intelligence Team based at Stevenage. The Council also has its own in-house Tenancy Fraud Investigator and this officer is also supported by SAFS but line managed through the Council.

SAFS KPI for 2017/18 & Performance

KPI	Measure	2017/2018 Target	Achieved in Year
1	Provide an Investigation Service	1 FTE on call (supported by SAFS Intelligence/ Management). Support SBC Housing Investigator Membership of NAFN Membership of CIPFA Counter Fraud Centre Local Data Access Fraud training events for staff	1.5 FTE on site. Support for SBC Officer to achieve local targets. **Membership of** • CIPFA *Counter Fraud Centre*, • National Anti-Fraud Network • Data-Access agreement in place • Police National Legislation Database
2	Identified Value of Fraud prevented/detected	£400,000	• £418,000 Fraud losses • £105,000 of fraud savings identified. • £21,000 HB Subsidy • £1,000 in fines
3	Allegations of fraud Received from all sources	100	189 Allegations from all sources
4	Success rates for cases investigated. This will ensure that quality investigations are undertaken.	50%	46% (27 Cases proved from 59 investigated)
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.	• SAFS Data Sharing Agreement reviewed 2018. • SAFS undertook NFI 2016/17 process for the Council. • SAFS funded the procurement of software to assist in detecting tenancy fraud (I-Latch and Housing Partners).

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

Fraud Awareness and Reported Fraud

2.4   One of the key aims for the Council is to create an 'Anti-Fraud' culture, that will deter fraud; encourage senior managers and Members to consider the risk of fraud when developing policies or processes to prevent fraud occurring; encourage staff and the public at large to understand the impact of fraud on the Council and to report fraud where it is identified.

2.5   The SAFS webpage – www.hertfordshire.gov.uk/reportfraud includes an online reporting tool. A confidential fraud hotline (0300 123 4033) and a secure email account are also available for reporting fraud – fraud.team@hertscc.gcsx.gov.uk . These contact details have been added the Councils own website. None of these functions replace the Council's own in-house Whistleblowing reporting procedures. Council staff can use the same methods to report fraud or can contact the SAFS officers working at Stevenage.

Counter Fraud Activity

2.6   During 2017/18 SAFS received 189 allegations of fraud affecting Council services.

Table 1. Types of fraud being reported- (189 Referrals)
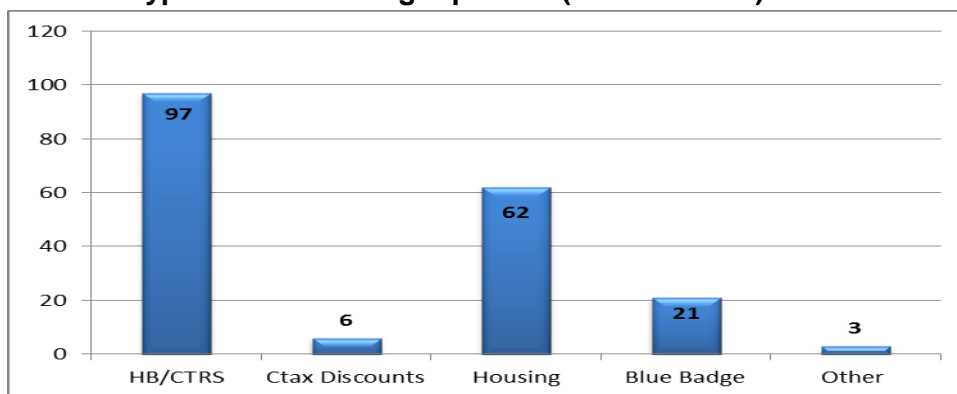
Table 2. Who is reporting Fraud- (189 Referrals)
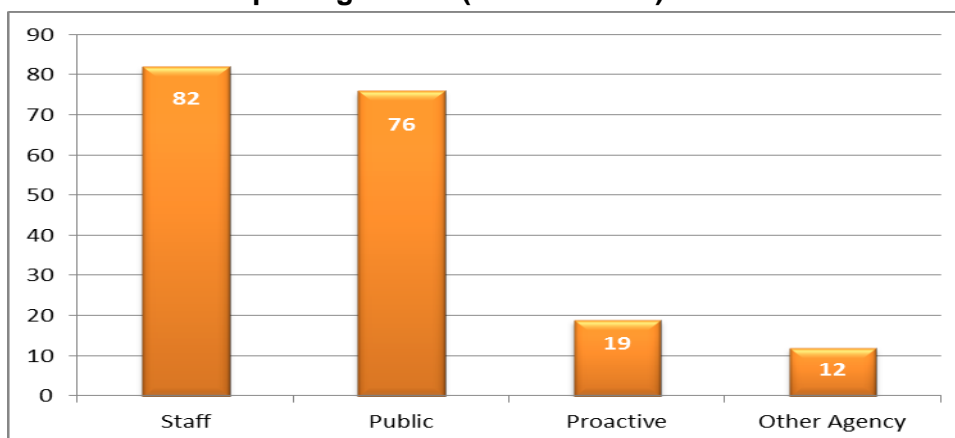
2.7   At the time of this report many cases raised for investigation are still in the early stages. However, of 59 cases investigated and closed in the year fraud losses of £418,000 and fraud savings of £105,000 were identified. This is the estimated value of losses and these monies, where applicable, will then have to be recovered where it relates to housing benefit overpayments, or council tax liabilities.

'**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.

See **Appendix B** for a breakdown by service area where fraud has been identified.

See **Appendix C** for a report, to SAFS Board in June 2017, on how financial values are captured to assess fraud loss and savings.

2.8 As well as the financial values identified SAFS has assisted the Council's Tenancy Fraud Investigator in the recovery of 10 Council properties that were subject to tenancy fraud, and prevented two fraudulent 'Right to Buy' applications.

Case 1: In 2017 two residents from the Old Town were found guilty of fraud at Stevenage Magistrate's Court for trying to fraudulently succeed to their late mother's Council tenancy.
The case was investigated following an allegation and revealed that the residents had lied on their succession application and they hadn't been resident for a number of years at the late mothers address. During an interview they denied the offence but later pleaded guilty. The three bedroom property was returned to SBC, the subjects were excluded from the housing register, fined and ordered to pay the Councils court costs

Case 2: Following an application for the right to buy their Social housing home from a tenant in the Chells area, numerous visits were carried out unannounced and announced but the subject was never seen.
An investigation included details utility bills and it was found the tenant had not had any usage during the previous 3 year period. Other enquiries suggested the tenant lived elsewhere.
The subject was interviewed at the council offices and later withdrew his Right to Buy application and handed his keys in along with a termination notice.

2.9 SAFS completed the delivery of a framework contract for all councils in Hertfordshire to use of to conduct bulk reviews of council tax discounts and exemptions to improve review collection and prevent fraud. These services are provided with a split in costs between Hertfordshire County Council, the Police and Crime Commissioner and Hertfordshire's District and Borough councils (matching council tax precepts).

2.10 Parking Enforcement Officers, employed as part of the shared arrangement with Welwyn and East Herts Councils, continue to work closely with SAFS to bring prosecutions for persistent abuse of Blue Badges in the Council's car parks. This relationship is further enhanced by the Councils Legal Service being shared with the County Council. This partnership approach resulted in two prosecutions for Blue Badges abuse. In both cases guilty pleas were entered and the Council was awarded more than £1,400 in court costs in addition to fines handed out to the offenders.

Case 3: 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 Officer.
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. Further enquiries, which included speaking to the ladies grandmother, revealed that misuse of the Blue Badge had been going on for some time without the holder's knowledge or permission.
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 has worked with the Council's Revenue Service to identify potential fraud around discounts and exemptions. The Council is now able to level civil and financial penalties for false claims for discounts and exemptions where appropriate following a review of its Fraud Prosecution and Sanctions Policy. Three such sanctions were applied in 2017/18 and one case referred for prosecution, six further cases were pending prosecution at the end of March 2018

> *Case 4: 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 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.*

2.12   In addition to 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. This additional subsidy will be in the region of £21k (40% of the £54k loss) for 2017/2018.

2.13   SAFS continues to work in partnership with the DWP 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.

2.14   SAFS have arranged specialist free training events for staff, covering areas including ID fraud and application fraud. SAFS are working with HR on delivery of an e-training package for staff and Members which will be linked to the Councils policies and fraud reporting tools to raise awareness of fraud as a risk.

> *Case 5: In the late summer of 2017 the Council was the victim of a scam involving the fraudulent use of stolen credit cards details to pre-pay for business rates and then claiming a refund on the payments made. The matter was reported to SAFS and a report sent to Action Fraud. An alert was issued to all staff about this type of fraud and additional training and support provided by SAFS at the time.*
> *Unfortunately this type of fraud is prevalent and staff must remain vigilant at all time to this before payment or refunds are made. SAFS regularly issue newsletters and updates as new threats arise to raise staff awareness.*

2.15   SAFS ensured the Council's compliance with the requirements of the National Fraud Initiative (NFI) for the matches received in February 2017. The NFI is a national anti-fraud data sharing exercise conducted by the Cabinet office every two years across local and central government.

3.   Transparency Code- Fraud Data

3.1   The Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015, which specifies what open data local authorities must publish.

3.2   The Code also recommends that local authorities follow guidance provided in the following reports/documents:

CIPFA: *Fighting Fraud Locally Strategy* (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/118508/strategy-document.pdf).
The National Fraud Strategy: *Fighting Fraud Together* (https://www.gov.uk/government/publications/nfa-fighting-fraud-together)
CIPFA Red Book 2 – *Managing the Risk of Fraud – Actions to Counter Fraud and Corruption* (http://www.cipfa.org/-/media/files/topics/fraud/cipfa_corporate_antifraud_briefing.pdf)

3.3   The Code requires that Local Authorities publish the following data in relation to Fraud. The response for Stevenage Borough Council for 2017/18 is in **Bold**:

3   Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.

Nil*. (The Council is a Partner to the Hertfordshire Shared Anti-Fraud Service and use the National Anti-Fraud Network (NAFN) to conduct such enquiries on their behalf.*

4   Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.

2.5 FTE

5   Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.

2 .5 FTE

6   Total amount spent by the authority on the investigation and prosecution of fraud.

£140,000

7   Total number of fraud cases investigated.

59 Cases investigated and closed in year

3.4 In addition, the Code recommends that local authorities publish the following (*for Stevenage Borough Council Fraud/Irregularity are recorded together and not separated*):

- Total number of cases of irregularity investigated-

  See 7 above

- Total number of occasions on which a) fraud and b) irregularity was identified**.**

  27 (87 cases remain under investigation)

- Total monetary value of a) the fraud and b) the irregularity that was detected.

  £105,000 of fraud losses & £418,000 of fraud savings/prevention identified in year.

- Total monetary value of a) the fraud and b) the irregularity that was recovered.

  Not recorded.

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Appendices

A.   SAFS/SBC Fraud Plan 2017/18.

B.   SAFS/SBC Fraud Stats 2017/18.

C.   Briefing Paper to SAFS Board on financial values.

Stevenage Broxbourne Council
Anti-Fraud Plan
in partnership with the
Hertfordshire Shared Anti-Fraud Service
2017/2018

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Introduction

This plan supports the Councils Anti-Fraud and Corruption Policy by ensuring that the Council, working in partnership with the Hertfordshire Shared Anti-Fraud Service, has in place affective 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 to measure the Councils effectiveness against its Policy 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.

The Chartered Institute for Public Finance and Accountancy (CIPFA) *Local Government Counter Fraud and Corruption Strategy (2016-2019)* included a summary of fraud losses across councils in England.

- Actual fraud losses reported by local government in 2013 totalled £207m (this excludes housing benefit)

- Hidden fraud loss for local government was estimated at £1.9bn.

- As admitted previously by the National Fraud Authority in 2013 the scale of fraud against local government is large, but difficult to quantify with precision.

- The strategic response to fraud threats contains three main principles 'Acknowledge/ Prevent/ Pursue'.

In its 2015 publication *'Code of practice on managing the risk of fraud and corruption'* CIPFA highlights five principles outlining public bodies 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.

SAFS/ SBC Team Business Plan 2017 2018

Mission	Objectives	Goals	Strategies	Measures/Success Criteria	Responsibility
ACKNOWLEDGE	**ACKNOWLDGEMENT** The risk of fraud the the Councils responsibility to prevent and investigate fraud	Show the Councills Willingnss to Combat Fraud	Anti- Fraud Strategy	Have in place an Anti-Fraud and Corruption Strategy	Head of Legal
			Membership of SAFS	Retaining Board Membrship of SAFS	S.151 Officer
			Internal Audit	Have in place an effective IA Plan and Audit Committee	S.151 Officer
			Member Support	Policies to deal with Money Laundering/ Bribery/ Whistleblowing/ Sanctions	Head of Legal
PREVENT	**FRAUD AWARENESS** Promote an effective anti fraud culture within the Council	Enhance the level of fraud awareness internally and externally	Local News Media	Issue a press release for every successful prosecution in 2017/2018	SAFS/Comms
			Promote Fraud Team	Promotion of internet fraud pages (SAFS) and local media exposure	SAFS/Comms
			Fraud Awareness Training	Deliver five fraud awareness/ training sessions to Council staff, or tailored training as requested by services	SAFS
			Internal Awareness	Conduct an E-Survey of fraud awareness across officers	SAFS
	CUSTOMER SERVICE Service performance is managed to the highest standards so that agreed level's of service are met	Ensure customers and staff are informed about counter fraud work	Customer Service	Provide customers with information /posters about fraud costs and impact on services	SAFS
			Housing Fraud	Monthly meetings with SBC Housing	SAFS/Hsing Mgt
			Meeting SAFS Champion	Quarterly meetings with SBC SAFS Board Rep	SAFS/S.151
			Reports to Audit Comms	2 Reports to SBC Audit Committee	SAFS
PURSUE	**PERFORMANCE** Maximize performance through robust risk assessment and quality investigation work.	Be recognized as a high performing and successful fraud team.	Quality Fraud Referrals	100% risk assessment on all fraud referrals received	SAFS
			Individual Targets	SAFS CFO- Set PMDS Targets to match SBC KPIs	SAFS
			Data Matching	NFI Data Matches 2017 to be reviewed in year	Audit Manager
			Fraud Referrals	Monitor source of fraud referrals each quarter	SAFS
			Performance Report	Issue a performance report in Summer 2018	SAFS
	QUALITY INVESTIGATIONS Undertake high quality investigations maximizing all investigative resources and achieving value for money	Ensure that investigations comply with the law and are beyond reproach	Interview Under Caution	SAFS management checks on all sanctions issued	SAFS
			Sanction Files	File management checks on live caseload	SAFS
			Witness Statements	100% check on witness statements used in prosecution cases	SAFS
			Legal Services	promote case conferences between Solicitors & Investigatorsin the Shared Legal Service with HCC	SAFS/ Head of Legal
	SANCTIONS/PROSECUTIONS Instigate legal sanctions to counter criminal behaviour	Ensure the prosecution of fraud and dishonesty in appropriate cases	Prosecutions	Ensure all cases suitable for sanction are reviewed in line with Policy	SAFS
			Formal Cautions	Ensure that the Councils makes use of civil penalties where appropriate	SAFS/S.151
			Admin Penalty	Ensure that the use of Administrative Penalties is maximised	SAFS/S.151
			Legal Service Liaison	Continue to work with Shared Legal Service and maximise recovery of costs	SAFS/ Head of Legal

SAFS Resources 2017/2018

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 an increase in fees for all Partners. The Board agreed that the annual fee for District Councils, who held housing stock, would be fixed to £100,000 +VAT. The Board also received assurance from financial modelling that the service would be sustainable, in its current form for 5 years with an increase in fees each year at 1% from 2019 onwards.

It has been agreed that the service would be allowed to build up a small operating reserve but should this be exhausted all Partners agree to meet any shortfall in Budgets equally.

Staffing

The full complement of SAFS now stands at 14.5 FTE's; 1 Manager, 2 Assistant Managers, 8 Investigators and 2 Intelligence Officers. The Team is also supported by 1 FTE Data-Analyst and 0.5 FTE Business Support who are funded from SAFS Budgets.

For staffing – Stevenage Borough Council will have exclusive access to 1 FTE Investigator, access to intelligence functions of the service, all data-matching services being offered through the local data-warehouse and call on one of the Assistant Managers for quarterly liaison meetings, management meetings and two Audit Committees reports per annum. SAFS will continue to support the work of the SBC Housing Fraud Officer. SAFS have access to an Accredited Financial Investigator (AFI) and criminal litigation services.

SAFS

KPIs for Stevenage Borough Council

2017/2018

KPI	Measure	2017/2018 Target	Quarterly Target	SAFS Project Aims
1	Provide an Investigation Service	1 FTE on call (supported by SAFS Intelligence/ Management). Membership of NAFN Membership of CIPFA Counter Fraud Centre Access to Case Management System (CMS) Local Data Hub Fraud training events for staff*	100% of all	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	£400k From fraud identified and savings/prevention	£100k	Deliver financial benefits in terms of cost savings or increased revenue.
3	Allegations of fraud Received. From all sources.	100 Fraud referrals from all sources to SAFS	25	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%	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.	100%	Create a data hub for Hertfordshire.

Costs will include salary and direct on-costs for CFO (1 FTE), ACFM (1/3 FTE), Intel Officer (1/3 FTE) = £62k. Costs for NAFN/CIPFA/CMS/ Data Hub = £10k. Costs for 5 training events = £2.5k.

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 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 identify fraud and prevent fraud occurring.
   - The data-warehouse will be funded by SAFS and located in accordance with Data Protection Act requirements.
   - The data-warehouse will be secure and accessible only by named 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 to as they choose. 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 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, fully trained and/or accredited to undertake their duties lawfully, or be working towards such qualifications.
8. All SAFS investigations will comply with legislation including DPA, PACE, CPIA, HRA, RIPA* and all relevant policies of the Council.
9. Reactive fraud investigations.
   - All reported fraud will be actioned by SAFS within 10 days.
   - The Council will be informed of all reported fraud and how SAFS are going to deal with this.
   - 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. Decisions on imposition of any sanction will lay with the Council but the issue of any penalty will be resolved locally on a case by case basis.
11. SAFS will provide reports through the SAFS Board on progress and to the Council's Audit Committee.
12. 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, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act.

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Stevenage Borough Council 2017/18

REFERRAL SOURCES

TOTAL	Partner	Public	Proactive	Other Agency
189	82	76	19	12

REFERRAL TYPES

TOTAL	CTRS	Discounts	Housing	Blue Badge	NNDR	Staff/Payroll	Other
189	97	6	62	21	0	2	1

ALL CASES CLOSED

TOTAL	Positive	Rejected	Intervened	Not Proved
195	27	88	48	32

POSITIVE CASES CLOSED

Investigated	% Positive	Sanctioned	Prosecuted	Property recovered	Blue Badge Cancelled	Application withdrawn	Employee Disciplined	Proved No Sanction
57	47%	5	4	10	0	3	0	5

FRAUD LOSS

TOTAL	CTAX	Blue Badge	Housing	RTB	Staff/Payroll	NNDR	Insurance	HB	Other
£105,797	£9,354	£0	£42,000	£0	£0	£0	£0	£54,443	£0

FUTURE SAVINGS

TOTAL	CTAX	Blue Badge	Housing	RTB	Staff/Payroll	NNDR	Insurance	HB	Other
£418,625	£5,293	£3,550	£216,000	£155,900	£0	£0	£0	£28,011	£9,870

FINANCIAL BREAKDOWN

	Loss Recoverable	Loss Non Recoverable	Revenue	Savings	
Housing Benefit	£ 54,443		£ 21,777		Rev for HB is from DWP Subsidy
Council Tax	£ 9,354		£ 5,293		Rebill value for Ctax
Housing Tenancy		£ 42,000		£ 216,000	Based on cost of temp accomodation
Right to Buy				£ 155,900	Based on RTB Discounts
Blue Badge			£ 3,550		Based on additonal parkng revenue
Other				£ 9,870	Savings through prevention
Total	£ 63,797	£ 42,000	£ 30,620	£ 381,770	

SANCTIONS APPLIED

TOTAL	Ad-pen	Caution	Civil penalty
3	1	0	2

VALUE OF SANCTIONS APPLIED

TOTAL	Ad-pen	Civil penalty
£990.00	£570.00	£420.00

PROSECUTIONS

	Closed	Referred
Total	3	6

PROPERTIES RECOVERED

	Recovered
Total	10

EMPLOYEE CASES

	DISCIPLINED	DISMISSED
Total	0	0

Briefing Paper for SAFS Board (9) June 2017

Title: Financial Values from SAFS Activity

Author: Nick Jennings (SAFS- Counter Fraud Manager)

Date: 25.5.2017

Purpose of Briefing: For the Board to agree a financial reporting protocol for SAFS work

It is essential for the SAFS Partnership and its component Authorities to know how much 'fraud' is identified, deterred or prevented and how this figure is made up, whether as actual loss, future savings or new revenue.

The second long-term objective for SAFS is:

   2.   Deliver financial benefits in terms of cost savings or increased revenue

It is important that whatever protocol, or process, is used it reflects what other organisations quantify as fraud, and the measurement of it, so that SAFS Partners can benchmark their own and SAFS activity/success within their peer groups. This will be critical when responding to surveys such as CIPFAs Counter Fraud Annual Tracker or producing data as part of the Transparency Code that SAFS Partners are neither seen as soft on fraud nor fraud hotspots but that information is reliable, accurate and transparent.

At present there is no agreed standard to record the value of fraud other than the Cabinet Offices process for NFI which itself relies on data provided by individual bodies using their own calculations but there are some standard values for misuse of Blue Badges or Tenancy Fraud (see appendix A)

SAFS Management are currently working with LGA/CIFPA to produce a document and process for Counter Fraud Standards across local government and with The Eastern Fraud Hub (County Council anti-fraud teams) to design a common approach to the value of fraud but this may be some years off.

This will provide an update on the Financial Values agreed by the Board in December 2015 (Appendix B) and currently in use with the Service and ask for the Boards agreement to amend/update/retain these and then promote this protocol for adoption by other Authorities/CIPFA.

The terminology used in this paper to define fraud is that of the former Audit Commission:

The intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation (misuse) of assets or otherwise for gain

This does not require that there is a criminal/civil/discipline outcome, or that any admissions be made by subjects of investigations, merely that the investigation/activity undertaken has identified and act which could/did result in a financial gain to the subject or (more importantly) a loss to the Authority.

The value of the 'fraud' assigned to any case can vary and may well include the following:

1. An Actual **Loss**- in this type of case the Authority could recover/invoice/recharge or otherwise seek redress from the subject, whether it chooses to do so or not. This could in cases of HB fraud or false claims for subsistence/mileage/hours by staff.
2. A Saving (**Real**)- where an ongoing payment/discount/award/grant is stopped as a result of activity delivering a real future saving. Removal of Council Tax Discounts creating a saving to the CTRS fund.
3. A Saving (**non-cash**)- Where activity has prevented a service/payment, which hadn't been put into place, occurring. This is particularly relevant for housing fraud or pre-contract cases.
4. A Future **Revenue**- Where activity has created a new source of income/revenue to the authority. This may occur in NNDR cases where new RV is identified.

It is also possible that some investigations could lead to multiple financial outcomes where a loss is identified (which may be recovered) as well as a future savings as a result of the prevention of the ongoing loss.

Below is a schedule of the areas of fraud where financial values can be recorded and how each will be recorded for Partners.

Business Area	Value Recorded	Notes on recording	Type
Procurement Pre-contract	Value of contract/tender in full.	This will be assessed case by case	Saving (non-cash)
Procurement Post-Contract	Actual value of loss/saving	This would normally be a specific failure on contract delivery or contract management	Loss and/or Saving (Real)
Local Council Tax Reduction Scheme	Value of loss (re-bill) & value of future revenue (£ x 52wks)	Future value is based on how long this type lasts so may vary and needs to be reviewed annually.	Loss/Revenue
Single Person/Student Discount	Value of loss (re-bill) & value of future revenue (£ x 52wks)	Future value is based on how long this type lasts so will vary and need to be reviewed each year	Loss/ Revenue
Housing Fraud Sub-Let	£??k Local value of T/A cost – HB contribution per	Published value of average costs of TF Nationally	Saving (could be loss as well)

	annum		
Tenancy Fraud Right to Buy	Value of discount saved/recovered	Case by case valuation	Saving/ Loss to be recovered.
Housing Fraud Succession	£??k Local value of T/A cost – HB contribution per annum	Published value of average costs of TF Nationally	Saving
Housing Fraud Application for Housing/Homelessnes s	£??k Local value of T/A cost – HB contribution per annum per application rejected. Costs of TA paid for and any HB claim paid whilst in TA- If paid	Published value of average costs of TF Nationally	Saving/ Loss to be recovered.
Staff Fraud	Value of fraud/theft. Or value saved by avoidance of Partner being fined as an employer. (saving) Or Value of total payment where employee provided false ref/evidence to obtain work with SAFS client (Loss) Or £5k (Eq of 2 months salary) where employee dismissed following Discipline Hearing for dishonesty.(saving)	This type of financial may relate to those cases where an employee has caused a loss through theft/fraud or mis-rep. It may relate to false applications where no right to reside or where a false reo resulted in a person being employed who otherwise would not have been. The £5k saving relates to two months average salary that would be saved if an employee is dismissed without notice following a SAFS led disciplinary	Loss (saving if ID/right to work fraud). Non-cashable saving for dismissals from date of dismissal.
Freedom / Discretionary Travel Passes	Value of individual passes as an annual cost	Individual record for each	Saving
Public Health	Value of service loss	Not yet known how this will be valued/assessed	Loss/Saving
Grants	Value of grant lost/saved	This could relate to partial or full savings and will be recorded case by case	Loss/Saving
Social Care / Direct Payments	Value of payment lost as a total (new debt) and the future saving due to	This could relate to partial or full savings and will be recorded case by case. Future value is based on	Loss/ Saving

	prevention.	how long this type lasts so will vary and need to be reviewed each year	
NNDR	Value of loss (re-bill) & value of future revenue (£x 52wks)	Individual record for each rebill with new revenue and future revenue based on length of potential average fraud	Loss/ Revenue
Insurance Claims	Value of loss if paid or saving if prevented.	Individual record for each.	Loss/Saving
Blue Badge	One off saving of BB recovered. Or for false application.	Value estimated by CO/NFI at £550 for each case. To be reviewed annually.	Saving only.
Blue Badge- parking Fines	Value of Fine issued for misuse of BB as result of SAFS action with CEO.		Loss only
Schools (Application)	Value of loss?	Individual record for each- will be hard to assess as no cost as such.	Loss/Saving
Taxi/ Other District Licensing	Value of fraud. Loss and any financial savings from prevention.	Individual record for each but essentially cost of license fee?	Loss/Saving

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Appendix.

A

Adobe Acrobat
Document

B. Financial value/recording 2015

Stevenage Borough Council
Audit Committee

12 June 2018

Shared Internal Audit Service –
Progress Report

Recommendation

Members are recommended to note the
Internal Audit Progress Report for the period to
25 May 2018

Contents

1   Introduction and Background

2   Audit Plan Update

Appendices:

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 2018/19 Internal Audit Plan as at 25 May 2018.
b) The findings for the period 1 April 2018 to 25 May 2018.
c) The proposed amendments required to the approved Annual Internal Audit Plan.
d) The implementation status of previously agreed Audit Recommendations.
e) An update on performance management information as at 25 May 2018.
f) Details of revised assurance definitions/priority levels.

<u>Background</u>

1.2   Internal Audit's Annual Plan for 2018/19 was approved by the Audit Committee at its meeting on 26 March 2018. 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 25 May 2018, 15% of the 2018/19 Audit Plan days had been delivered (calculation excludes contingency days that have not yet been allocated).

2.2   No final reports have been issued for audits from the 2018/19 Audit Plan. The following 2017/18 final reports and assignments have been issued or completed in the period since the last Audit Committee:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Housing Allocations Follow-up	March 2018	NA	NA
Housing Rents	March 2018	Substantial	Three Merits Attention

Cash and Banking	April 2018	Substantial	None
Payroll Self-Service	April 2018	Full	None
GDPR Preparedness	April 2018	Moderate	One High Two Medium One Merits Attention
Cemetery Fuel Follow-up	April 2018	NA	NA
Contract Management	April 2018	Substantial	One Merits Attention
Main Accounting System	May 2018	Substantial	One Medium Two Merits Attention
Debtors	May 2018	Substantial	One Medium Five Merits Attention
Repairs & Voids Callout and Standby Payments	May 2018	Substantial	Three Merits Attention
Corporate Governance	May 2018	Substantial	One Medium Two Merits Attention
Managing Use of Council Vehicles	May 2018	Moderate	Four Medium
Fire Safety	May 2018	Moderate	Seven Medium Three Merits Attention
IT Shared Service Agreement	May 2018	NA	Two Medium One Merits Attention

The following 2017/18 draft reports have also been issued and await a management response:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Shared Legal Service	March 2018	Moderate	Three Medium One Merits Attention

Cyber Security	March 2018	Limited	Three High Two Medium Three Merits Attention

Proposed Audit Plan Amendments

2.3   There has been no change to the Audit Plan since it was approved on 26 March 2018.

Reporting of 2018/19 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 2.9 (below).

2.5   To help the Committee in assessing the current situation in terms of progress against the 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.

Draft Report Issued (1)	
Confidence level in completion of this work – **Full**	
Mobile Device Management and Bring Your Own Device	

In Quality Review (2)	
Confidence level in completion of this work – **Full**	
Empty Properties / Voids (2017/18 project)	CCTV

In Fieldwork / Drafting Report (2)	
Confidence level in completion of this work – **Full**	
Complaints Handling (2017/18 project)	TSS Improvement Plan – Governance

Terms of Reference Issued / In Planning - Scope and Start date agreed with Management - preliminary work has begun (3)	
Confidence level in completion of this work – **Full** – resources have been allocated to these activities by SIAS and management has agreed the way forward; dates are planned in diaries	
Land Charges	Data Quality
Emergency Planning	

Allocated / No work commenced (26)	
Confidence level in completion of this work – **Substantial** – resources have been allocated to these activities by SIAS and management has agreed the way forward; dates are planned in diaries	
Main Accounting System	Debtors
Creditors	Treasury Management

Payroll	Council Tax
NDR	Housing Benefits
Cash and Banking	Housing Rents
GDPR – Post Implementation Review	Development Management
Street Cleansing	Debt Recovery
Homelessness Reduction Act	Herts Home Improvement Agency
DFG Capital Grant Certification	Housing Development – Kenilworth Scheme
Refurbishment Contract	Corporate Governance
Risk Management	Incident Management / Major Incident Review Follow-up (TSS Improvement Plan – Resilience)
Cyber Security (TSS Improvement Plan – Security)	Joint Reviews - tbd
Repairs and Voids Service Follow-up	Digital – Connected to our Customers

Deferred (1)	
Anti-Social Behaviour	

Summary – 25 May 2018		
Status	No of Audits at this Stage	% of Total Audits (35)
Draft / Final Report	1	3%
Quality Review	2	6%
In Fieldwork / Drafting Report	2	6%
In Planning / ToR Issued	3	9%
Allocated – Yet to start	26	73%
Deferred	1	3%

High Priority Recommendations

2.6   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.

2.7   The schedule attached at Appendix B details any outstanding high priority audit recommendations.

Performance Management

2.8   The 2018/19 annual performance indicators were approved at the SIAS Board meeting in March 2018. Targets were also agreed by the SIAS Board for the majority of the performance indicators.

2.9   The actual performance for Stevenage Borough Council against the targets that can be monitored in year is set out in the table below.

Performance Indicator	Annual Target	Profiled Target	Actual to 25 May 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	13% (45 / 345 days)	15% (51 / 345 days)

2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	3% (1 / 35 projects)	3% (1 / 35 projects)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	N/A (none received for 2018/19)
4. Number of High Priority Audit Recommendations agreed	95%	N/A	N/A (none for 2018/19)

Revised Assurance Definitions / Priority Levels

2.10   The existing assurance definitions have been replaced with four new assurance levels and definitions to accompany them (see Appendix D). With respect to the finding priority levels, we have added an additional priority level (Critical) to reflect findings that have an impact at a corporate or strategic level, rather than just at a service or directorate level. These changes will be reflected in all 2018/19 audits, although all 2017/18 carry forward work completed to draft / final report by 31 May 2018 will carry the old assurance levels and definitions.

2.11   The changes have been made following extensive research of other public and private sector assurance definitions / finding priorities and general internal audit good practice. It was also a response to client feedback.

2018/19 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 – 75 days								
Main Accounting System (General Ledger)					6	Yes	0	Allocated
Debtors					10	Yes	0	Allocated
Creditors					12	Yes	0	Allocated
Treasury Management					6	Yes	0	Allocated
Payroll					12	Yes	0	Allocated
Council Tax					6	Yes	0	Allocated
NDR					6	Yes	0	Allocated
Housing Benefits					6	Yes	0	Allocated
Cash and Banking					5	Yes	0	Allocated
Housing Rents					6	Yes	0	Allocated
Operational Audits – 122 days								
Data Quality					15	Yes	1	In Planning
GDPR – Post Implementation Review					10	Yes	0	Allocated
Land Charges					7	Yes	1	In Planning
Emergency Planning					10	Yes	0.5	In Planning
Street Cleansing					15	Yes	0	Allocated
CCTV					10	Yes	9	In Quality Review
Development Management					10	Yes	0	Allocated
Homelessness Reduction Act					10	Yes	0	Allocated
Debt Recovery					12	Yes	0	Allocated
Anti-Social Behaviour					10	Yes	1.5	Deferred
Herts Home Improvement Agency					2	Yes	0	Allocated
DFG Capital Grant Certification					1	Yes	0	Allocated

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Digital – Connected to our Customers					10	Yes	0	Allocated
Procurement, Contract Management and Project Management – 24 days								
Refurbishment Contract					12	Yes	0	Allocated
Housing Development – Kenilworth Scheme					12	Yes	0	Allocated
Risk Management and Governance – 10 days								
Risk Management					5	Yes	0	Allocated
Corporate Governance					5	Yes	0	Allocated
IT Audits – 30 days								
Cyber Security – (TSS Improvement Plan – Security)					6	Yes	0	Allocated
Incident Management / Major Incident Review Follow-up (TSS Improvement Plan – Resilience)					6	Yes	0	Allocated
Mobile Device Management and BYOD					6	Yes	4.5	Draft Report Issued
TSS Improvement Plan - Governance					12	Yes	3	In Fieldwork
Shared Learning and Joint Reviews – 6 days								
Shared Learning					2	No	1	Allocated
Joint Reviews - tbd					4	No	0	Not yet allocated
Ad Hoc Advice – 5 days								
Ad Hoc Advice					5	No	0.5	Through Year
Follow-up Audits – 10 days								
Repairs and Voids Service					10	Yes	0	Allocated
Completion of 17/18 Projects – 20 days								
Complaints Handling					10	Yes	6.5	Drafting Report
Other					10	Yes	8	Final Reports Issued

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Contingency – 5 days								
Contingency					5	No	0	Not yet allocated
Strategic Support – 43 days								
Annual Report and Head of Internal Audit Opinion 2017/18					3		3	Complete
Audit Committee					10		2.5	Through Year
Client Liaison					8		2	Through Year
Liaison with External Audit					2		0.5	Through Year
Monitoring					10		1.5	Through Year
SIAS Development					5		5	Through Year
2019/20 Audit Planning					5		0	Through Year
SBC TOTAL					**350**		**51**	

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment as at 25 May 2018
1.	GDPR Preparedness	**Shared Services** Working with East Herts Council, the Council should define the responsibilities of both parties as both Data Controllers and Data Processors with regards to the shared services that exist. The Council's data protection procedures should be updated so that: The subject access procedure includes the actions to be taken when the request involves personal identifiable information owned by East Herts Council The data breach procedures include the actions for informing officers at East Herts Council. The responsibilities of the Council's Data Protection Officer should be defined in accordance with the agreements between the two Councils.	The Council acknowledges the findings and recommendations with regards to the Council's shared services with East Herts. As part of the Council's existing review of its shared services with other partner Councils under its existing GDPR compliance action plan, it will ensure relevant action is taken defining the responsibilities of both parties, and the required processes regarding responding to data subject requests and data breach procedures.	Information Officer	30 April 2018	This is a new addition. In respect of data protection responsibilities for both parties as Data Controllers and Processors, proposed plans have been discussed for respective parties' data protection obligations to be defined in an Appendix to the current Partnership Agreements in place between the two Councils.	Partially implemented.

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment as at 25 May 2018
2.	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 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	Agreed. The appropriate forum will be agreed with the Strategic Director and Deputy Chief Executive. Agreed. 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	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. 23/05/2018 - A new permanent management structure has been implemented within the Repairs & Voids Function. The Repairs & Voids Manager (reporting to the Service Delivery manager) commenced employment in May 2018. A Commercial/Contract Manager commenced employment in April 2018 and a Business Intelligence Analyst in December 2018. An update will be provided by representatives of Repairs and Voids service at the Audit Committee meeting.	Partially implemented.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment as at 25 May 2018
		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.

Examination of relevant risk registers and InPhase indicates that the risk around the vacant posts has been added as a corporate risk. | 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 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 | | | | |

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment as at 25 May 2018
			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 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				

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment as at 25 May 2018
			Manager and will be responsible for driving the necessary actions forward.				
3.	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 then be reviewed and signed off by the Service Delivery Manager.	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 Committee meeting. 23/05/18 – This work has been commenced and a phase two action plan has been developed and is monitored by the Service Delivery Manager with monthly reports provided to the Assistant Director, Strategic Director and Portfolio Holder. Performance generally is monitored on a weekly basis and cross service voids meetings are held to ensure timely	Implemented.
		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.	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	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	SIAS Comment as at 25 May 2018
		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 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	the attached Post Programme Actions spreadsheet.			turnaround or property repairs and works. An update will be provided by representatives of Repairs and Voids service at the Audit Committee meeting.	

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No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment as at 25 May 2018
		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.					
4.	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.	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,	Assistant Director (Corporate Projects, ICT and Customer Services) (Stevenage Borough Council) / Borough Solicitor	31 July 2017	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.	Partially implemented.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment as at 25 May 2018
		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.	• 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 Policy Officer leading on GDPR compliance and staff training.		31 May 2018 30 September 2017 31 May 2018	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 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. 23/05/2018 - SBC has recruited a new Information and Records Governance Manager (and registered DPO with the ICO) whose priority initially is overseeing and	

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment as at 25 May 2018
						driving the delivery of a cross council action plan to comply with GDPR. This post reports to the AD of Corporate Projects, Customer Services and Technology. Key outputs currently include - Drive and deliver the GDPR Compliance Action plan programme – including mandatory training for all Council staff on GDPR. - Deliver SBC's core database - Records of Processing Activities (ROPA) - Establish of a Corporate Information Governance Group – CIGG. GDPR is setting the pace for improvements at this time – later this year we will be moving to a wider information and records governance agenda – looking at document and record management strategies, etc.	
5.	Digital Information Management	**Security Standards for IT Systems** Management should establish a standard for	ICT Policy Frameworks to be strengthened – deliver actions within the Improvement	Assistant Director (Corporate Projects, ICT and Customer	30 September 2017	25/08/2017 - This is a new addition and the management response opposite is the latest comment.	Partially implemented.

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment as at 25 May 2018
		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 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.	Plan from the ICT Review (already procurement of a policy framework is being investigated) Cybersecurity Action Plan in place and being delivered.	Services) (Stevenage Borough Council)		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 – 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. 23/05/18 - The Council, with its Shared Technology Services partner East Herts approved an ICT	

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment as at 25 May 2018
						Improvement Plan in November / December 2017 (replacing the Cybersecurity Plan) , which prioritised the strengthening of IT system security across the Shared Service – in revenue terms £250k ADDITIONAL investment agreed for delivery: - New policy suite in delivery - Dual factor authentication planned - ITIL training and service management framework under review – applications register etc. - Strategic Leadership receive update reports on security status –and Improvement Plan progress monitored at Strategic Director level - last SLT report 22/5/2018.	
6.	IT Disaster Recovery (Post-Incident)	**Network resilience** 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	Agreed. A technical procedure for establishing all IT services at a single data centre has been	Interim Senior IT Manager	Complete	23/01/2018 - No new management updates as report issued in January 2018.	Implemented.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment as at 25 May 2018
		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.	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.		31 August 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. 25/05/2018 – An appraisal of options to improve the resilience of out IT Services is underway with support from SOCITM. The recommendations are due to come forward in June 2018 and will include a timeline for implementation.	Not yet implemented.
7.	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	Agreed. Increased power resilience will be implemented with larger capacity UPS	Interim Senior IT Manager	31 May 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	SIAS Comment as at 25 May 2018
		include: • Appropriate UPS deployed at both data centres • Appropriate power 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.	deployed at both data centres, plus a generator will be installed to support the continued operation of the 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	14/03/2018 - The first meeting with the supplier is due to take place in early March and installation is expected by 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. 25/05/2018 – Works to implement the additional power resilience at Daneshill House are scheduled to take place	Not yet implemented. Not yet implemented.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment as at 25 May 2018
						in June 2018. Capacity requirements are being defined as part of the options appraisal exercise mentioned above. Once requirements are clearly defined, thresholds will be set and an escalation protocol agreed.	
8.	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 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'	Agreed. A review of IT Disaster Recovery arrangements will be undertaken, which will re-establish the councils' business requirements and identify the technical solutions needed.	Interim Senior IT Manager	31 March 2018	23/01/2018 - No new management updates as report issued in January 2018. 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	Not yet implemented.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment as at 25 May 2018
		continuity planning.				experts from outside of the organisations. 25/03/2018 – Recommendations from the BDO review are being addressed through the options appraisal mentioned above. It has been agreed that BDO will also review the outcome of the options appraisal to provide additional assurance that the issues identified through this audit have been addressed.	
9.	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 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.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment as at 25 May 2018
		appropriate actions are taken by the Service.				25/05/2018 – see item above relating to appraisal of options.	

APPENDIX C – AUDIT PLAN ITEMS (APRIL 2018 TO MARCH 2019) – START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept
Complaints Handling (2017/18 audit) **(In Fieldwork/Drafting Report)**	Mobile Device Management and BYOD **(Draft Report Issued)**	Land Charges **(In Planning)**	GDPR – Post Implementation Review	Debt Recovery	DFG Capital Grant Certification
2017/18 Audit – Other **(Draft Reports Issued)**	Data Quality **(In Planning)**	Emergency Planning **(In Planning)**	Street Cleansing	Housing Development Schemes	Development Management
CCTV **(In Quality Review)**	Anti-Social Behaviour **(Deferred to September)**	Digital Connected to our Customers **(Allocated)**	Repairs and Voids Service (Follow up)		
			Refurbishment Contract (1)		

Oct	Nov	Dec	Jan	Feb	Mar
Main Accounting System (General Ledger)	Cash and Banking	Housing Rents	Debtors	Corporate Governance	Risk Management
Council Tax	NDR	Payroll	Creditors	Cyber Security	
Housing Benefits	Treasury Management		TSS Improvement Plan Governance **(b/f to May) (In Fieldwork)**	Homelessness Reduction Act	
Refurbishment Contract (2)			Incident Management – Major Incident Review / IT Disaster Recovery Follow-up	Herts Home Improvement Agency	

This is an indicative spread of audit start dates that may change as the financial year progresses.
All key financial systems audits have been brought forward to accommodate early closure and external audit requirements.

Assurance Level	Definition
Good	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
Satisfactory	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
Limited	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
No	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

Priority Level			Definition
Corporate	Critical		Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High		Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium		Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low / Advisory		Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

Stevenage Borough Council

2017/18 Annual Assurance Statement and

Internal Audit Annual Report

12 June 2018

Recommendations

Members are recommended to:

Note the Annual Assurance Statement and Internal Audit Annual Report

Note the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP)

Accept the SIAS Audit Charter

Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2017/18

Contents

1. Purpose and Background

<u>Purpose of Report</u>

1.1 This report:

   a) Details the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of Stevenage Borough Council's (the Council) control environment. Reference is made to significant matters and key themes.
   b) Shows the outcomes of the self-assessment against the Public Sector Internal Audit Standards (PSIAS) incorporating the requirements of the Quality Assurance and Improvement Programme (QAIP).
   c) Summarises the audit work that informs this opinion.
   d) Shows SIAS's performance in respect of delivering the Council's audit plan.
   e) Presents the 2018/19 Audit Charter.

<u>Background</u>

1.2 A key duty of the Head of Assurance is to provide an annual opinion on the Council's internal control environment. This opinion informs the conclusions of the Council's Annual Governance Statement.

1.3 The assurance opinion in this report is based on internal audit work undertaken during 2017/18 which was planned and amended to give sufficient assurance on the Council's management of its key risks. Also considered is any relevant work undertaken in 2018/19 before the audit committee report deadline.

1.4 SIAS is grateful for the co-operation and support it has received from client officers during 2017/18.

2. Annual Assurance Statement 2017/18

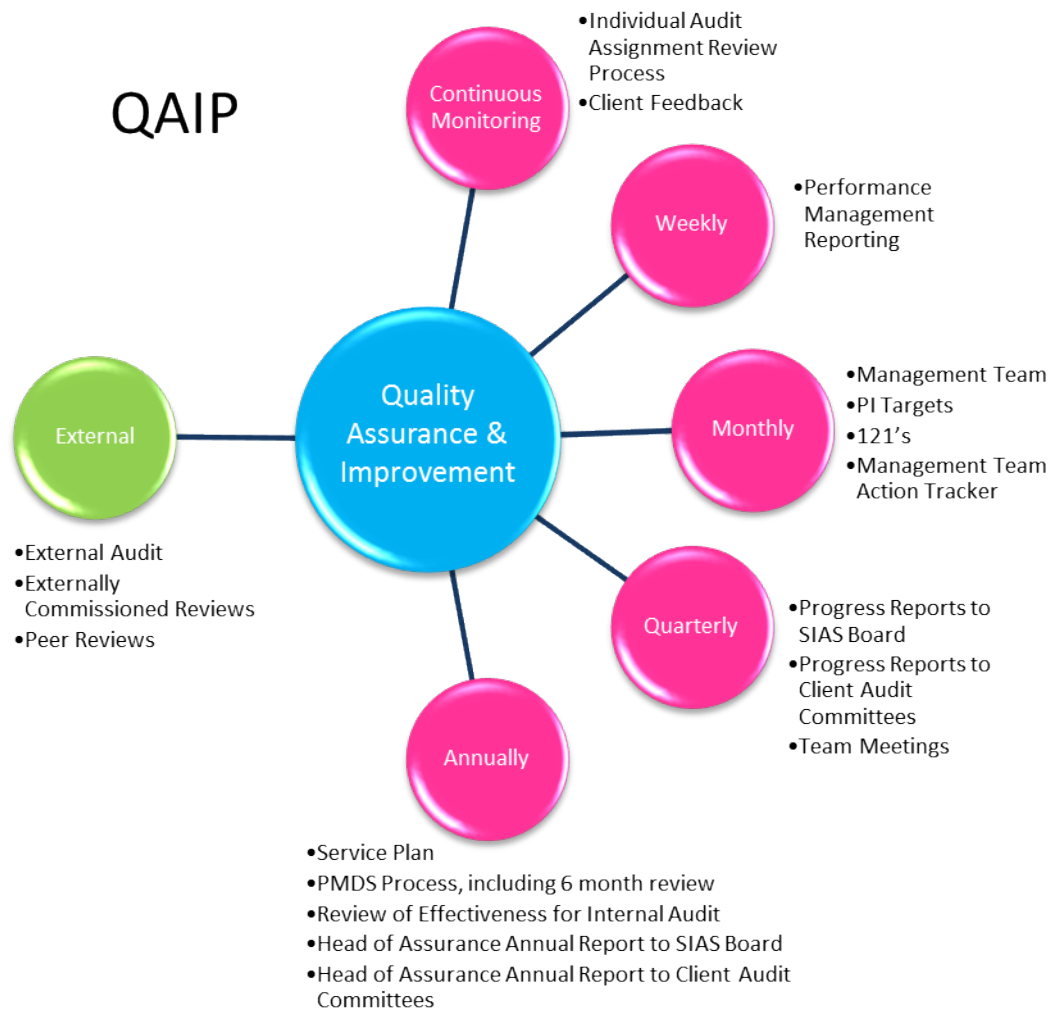<u>Context</u>

Scope of responsibility

2.1 Council managers are responsible for ensuring Council business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. They are also responsible for ensuring internal controls are robust and risk management arrangements are appropriate.

Control environment

2.2   The control environment comprises three key areas: governance; risk management; and internal control. Together these aim to manage risk to an acceptable level but it is accepted that it is not possible to completely eliminate it.

2.3   A robust control environment helps ensure that the Council's policies, priorities and objectives are achieved.

Review of effectiveness

2.4   The Head of Assurance must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion.

2.5   As part of a QAIP, a self-assessment was conducted against the Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF). They promote professionalism, quality, consistency and effectiveness of internal audit across the public sector. They highlight the importance of robust, independent and objective internal audit arrangements to provide senior management with the key assurances needed to support them in both managing the organisation and producing the Annual Governance Statement.

2.6   The 2017/18 self-assessment identified 2 areas of agreed non-conformance. These are detailed in Appendix C. There are no significant deviations from Standards which warrant inclusion in the Council's Annual Governance Statement

2.7   The Head of Assurance has concluded, therefore, that SIAS 'generally conforms' to the PSIAS, including the Definitions of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. 'Generally conforms' is the highest rating and means that SIAS has a charter, policies and processes assessed as conformant to the Standards and is consequently effective.

2.8   The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The diagram below details the methods used to monitor and report on these. Detailed information outlining activity in each area is contained in the SIAS Audit Manual.

2.9   The Head of Assurance confirms that during 2017/18 SIAS operated according to its QAIP with evidence available within the service to support the achievement of each QAIP element.

QAIP

- **Continuous Monitoring**
  - Individual Audit Assignment Review Process
  - Client Feedback
- **Weekly**
  - Performance Management Reporting
- **Monthly**
  - Management Team
  - PI Targets
  - 121's
  - Management Team Action Tracker
- **Quarterly**
  - Progress Reports to SIAS Board
  - Progress Reports to Client Audit Committees
  - Team Meetings
- **Annually**
  - Service Plan
  - PMDS Process, including 6 month review
  - Review of Effectiveness for Internal Audit
  - Head of Assurance Annual Report to SIAS Board
  - Head of Assurance Annual Report to Client Audit Committees
- **External**
  - External Audit
  - Externally Commissioned Reviews
  - Peer Reviews

Central: **Quality Assurance & Improvement**

Confirmation of independence of internal audit and assurance on limitations

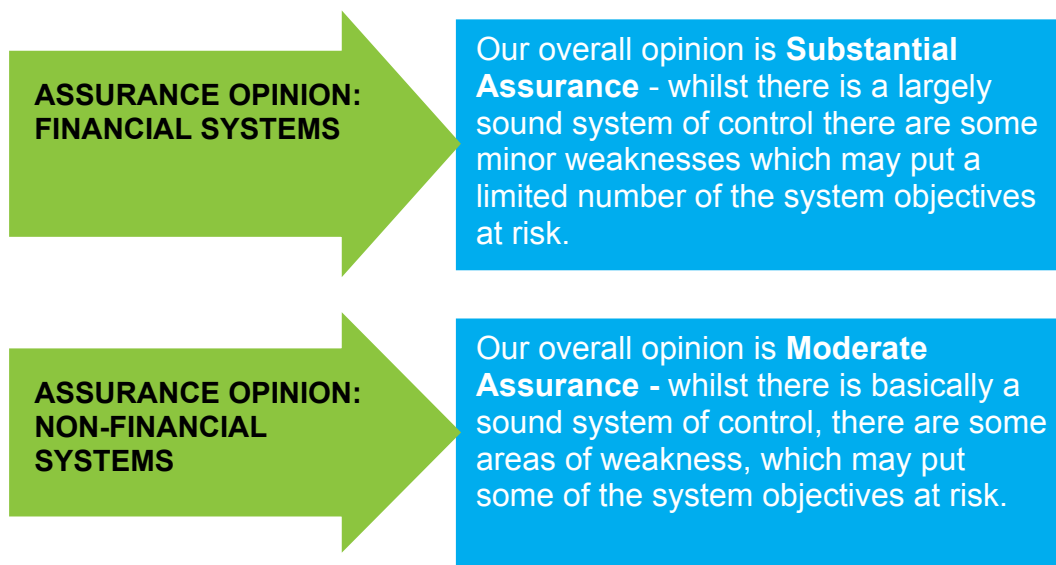2.10   The Head of Assurance confirms that during the year:

a) No matters threatened SIAS's independence; and
b) SIAS was not subject to any inappropriate scope or resource limitations.

Annual Assurance Statement for 2017/18

Assurance opinion on internal control

2.11 Based on the internal audit work undertaken at the Council in 2017/18, SIAS can provide the following unqualified opinion on the adequacy and effectiveness of the Council's control environment, broken down between financial and non-financial systems.

ASSURANCE OPINION: FINANCIAL SYSTEMS

Our overall opinion is **Substantial Assurance** - whilst there is a largely sound system of control there are some minor weaknesses which may put a limited number of the system objectives at risk.

ASSURANCE OPINION: NON-FINANCIAL SYSTEMS

Our overall opinion is **Moderate Assurance -** whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.

Assurance opinion on Corporate Governance and Risk Management

2.12 SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2017/18 and the specific reviews of Risk Management and Corporate Governance carried out by SIAS during the year.

T.V.Barrett

Head of Assurance for the Shared Internal Audit Service
May 2018

3. Overview of Internal Audit Activity at the Council in 2017/18

3.1 This section summarises work undertaken at the Council by SIAS in 2017/18. It highlights any significant internal control matters and opportunities for improvement.

3.2 Appendix A shows the final position against the agreed revised audit plan, assurance levels and the number of recommendations made. A summary of assurance levels and recommendation priorities is shown in the tables below and compared to 2016/17.

Assurance Level	Number of reports 2017/18 (2016/17 data in brackets)	Percentage of reports 2017/18 (2016/17 data in brackets)
Full	6 (8)	15% (22%)
Substantial	15 (17)	37% (47%)
Moderate	7 (2)	17% (6%)
Limited	2 (1)	5% (3%)
No	0 (0)	0% (0%)
Not Assessed	6 (4)	15% (11%)
Not Complete	4 (4)	11% (11%)
Total	40 (36)	100% (100%)

Recommendation Priority Level	Number of recommendations 2017/18 (2016/17 data in brackets)	Percentage of recommendations made 2017/18 (2016/17 data in brackets)
High	12 (0)	13% (0%)
Medium	37 (34)	41% (52%)
Merits Attention	41 (31)	46% (48%)
Total	90 (65)	100% (100%)

3.3 **The substantial assurance opinion overall on financial systems** (same as 2016/17) has been concluded from ten financial systems audits, where an opinion has been given. Two received full assurance and eight received substantial assurance. No high priority recommendations were made in these audits.

3.4 **The moderate assurance opinion overall on non-financial systems** (substantial in 2016/17) has been concluded from thirty audits, where an opinion has been given. Four received full assurance, seven received substantial assurance, eight received moderate assurance and three received limited assurance. Further details on the audits where moderate

or limited assurance opinions were provided are given in paragraph 3.7 and 3.8 of this report. Twelve high priority recommendations were made across these audits.

3.5   Six audit projects were classified as "Not Assessed", i.e. no audit opinion was given. These were the IT Shared Service Agreement, DFG Capital Grant Certification, Museum Lease Payments, Housing Allocations Follow up, Cemetery Fuel Follow up and Local Authority Serious and Organised Crime Checklist. These projects have not directly contributed to the assurance opinion on non-financial systems, although they were nonetheless important pieces of consultancy and advice work carried out during the course of the year.

3.6   Four audits were not at final report stage at the time of writing this Annual Report. Shared Legal Service and Cyber Security were at draft report stage and detailed management responses for the recommendations proposed are awaited. These drafts reports have not been challenged and did therefore influence the assurance opinion. Empty Properties/Voids was at Quality Review stage and Complaints Handling was at Fieldwork/Drafting stage. These two audits will form part of the overall assurance opinion for 2018/19.

3.7   Details of the moderate assurance audits issued during 2017/18 are as follows:

a) Repairs and Voids Service
b) Commercial Properties
c) Shared Legal Service (at draft report)
d) GDPR Preparedness
e) Managing Use of Council Vehicles
f) Overtime
g) Fire Safety
h) IT Procurement

Management action plans have been prepared to address the matters arising in the above audits.

3.8   Details of the limited assurance audits issued during 2017/18 are as follows:

a) Incident Management
b) Cyber Security (at draft report)
c) Digital Information Management

Management action plans have been prepared to address the matters arising in the above audits.

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High Priority Recommendations

3.8   Members will be aware that a final audit report is issued when it has been agreed by management; this includes an agreement to implement the recommendations made. It is Internal Audit's responsibility to advise Members of progress on implementation of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.

3.9   Twelve high priority recommendations were made within audits carried out during 2017/18, across five different audits. In respect of these recommendations, the agreed management actions were not yet all due for completion.

3.10   Members will continue to receive updates on the implementation progress of high priority recommendations through the SIAS quarterly progress reports to the Audit Committee.

4.   Performance of the Internal Audit Service in 2017/18

Performance indicators

4.1   The table below compares SIAS's performance at the Council against the 2017/18 targets set by the SIAS Board.

Indicator	Target 2017/18	Actual to 31 March 2018
1 SIAS Planned Days – percentage of actual billable days delivered against planned billable days	**95%**	**95%** **(370.5 / 390)**
2 SIAS Planned Projects – actual completed projects to draft report stage against planned completed projects	**95%**	**94.3%** **(33 / 35)**
3 External Auditors' Satisfaction – the Annual Audit Letter formally records that the External Auditors are able to rely upon the range and quality of SIAS' work	**Formal Reliance**	**Yes**
4 SIAS Annual Plan – presented to the March Audit Committee or the first	**Deadline met**	**Met -** 2017/18 Audit Plan presented to the March 2017 Audit Committee

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meeting of the financial year should a March committee not meet.		
5 Client Satisfaction - client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	**100%**	**100%** (Eleven received).
6 Head of Assurance's Annual Report – presented at the first Audit Committee meeting of the financial year.	**Deadline met**	**Met -** 2016/17 Annual Report Presented to the July 2017 Audit Committee
7 Number of High Priority Audit Recommendations agreed	**95%**	**100%** (Nine agreed)

Service Developments

4.2 During 2017/18 the development activities for SIAS included:

- Implementing the SIAS restructure in order to streamline the delivery of the Audit Service and meet future client needs.

- Implementing a new time recording and audit plan management database, allowing the service to make cost savings and improve the ability to streamline business processes in the future.

- Continued review of key business processes, including work allocation, to reduce administrative overheads and improve efficiency in delivering the audit plan.

5. Audit Charter 2018/19

5.1 The PSIAS require a local authority to formally adopt an Audit Charter which covers the authority and responsibility for an internal audit function.

5.2 The SIAS Audit Charter sets out the framework within which it discharges its internal audit responsibilities to those charged with governance in the partner councils. It details the permanent arrangements for internal audit and key governance roles and responsibilities to ensure the effectiveness of internal audit provision.

5.3 The Audit Charter is reviewed annually. The review in April 2018 did not result in any fundamental changes although a number of minor amendments were made. The 2018/19 Charter is attached at Appendix D.

2017/18 Stevenage Borough Council Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Key Financial Systems						
Main Accounting System	Substantial	0	1	2	8	Final Report Issued *
Debtors	Substantial	0	1	5	10	Final Report Issued *
Creditors	Substantial	0	2	1	12	Final Report Issued
Treasury Management	Full	0	0	0	8	Final Report Issued
Payroll	Substantial	0	0	2	12	Final Report Issued
Council Tax	Full	0	0	0	10	Final Report Issued
NDR	Substantial	0	0	1	10	Final Report Issued
Housing Benefits	Substantial	0	0	1	12	Final Report Issued
Cash and Banking	Substantial	0	0	0	8	Final Report Issued *
Housing Rents	Substantial	0	0	3	10	Final Report Issued

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL'S 2017/18 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Operational Audits						
Mutual Exchanges	Substantial	0	0	0	10	Final Report Issued
Empty Properties/Voids					10	In Quality Review ***
Off-street Parking	Substantial	0	1	3	10	Final Report Issued
Repairs and Voids Service	Moderate	2	1	1	18	Final Report Issued
Health and Safety Compliance	Substantial	0	0	1	10	Final Report Issued
Commercial Properties	Moderate	0	1	1	10	Final Report Issued
Payroll Self-Service	Full	0	0	0	10	Final Report Issued *
Integra Upgrade	Substantial	0	1	2	10	Final Report Issued
Complaints Handling					10	Drafting Report ****
Standby and Callout Payments	Substantial	0	0	3	7	Final Report Issued *
Shared Legal Service	Moderate	0	3	1	10	At draft **
DFG Capital Grant Certification	NA	0	0	0	2	Complete

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AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
Fire Safety	Moderate	0	7	3	10	Final Report Issued **
Contract Management	Substantial	0	0	1	11	Final Report Issued *
Museum Lease Payments	NA	0	0	1	2.5	Final Report Issued
Risk Management	Full	0	0	0	6	Final Report Issued
Corporate Governance	Substantial	0	1	2	6	Final Report Issued *
Housing Allocations Follow up	NA	0	0	0	5	Final Report Issued
Cemetery Fuel Follow up	NA	0	0	0	3	Final Report Issued *
Local Authority Serious and Organised Crime Checklist	NA	0	0	0	12	Complete
IT Audits						
IT Procurement	Moderate	0	2	1	6	Final Report Issued
IT Shared Service Agreement	NA	0	2	1	6	Final Report Issued **
Incident Management	Limited	4	1	0	6	Final Report Issued
Cyber Security	Limited	3	2	3	6	At draft **

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
GDPR Preparedness	Moderate	1	2	1	6	Final Report Issued *
Other Chargeable						
2018/19 Audit Planning	NA	0	0	0	5	Complete
Plan Delivery Monitoring	NA	0	0	0	12	Complete
Head of Internal Audit Opinion 2016/17	NA	0	0	0	5	Complete
Client Liaison	NA	0	0	0	8	Complete
External Audit Liaison	NA	0	0	0	2	Complete
Adhoc Advice	NA	0	0	0	5	Complete
Audit Committee	NA	0	0	0	10	Complete
Shared Learning	NA	0	0	0	7	Complete
SIAS Development	NA	0	0	0	5	Complete
Other					2.5	Complete

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	STATUS/COMMENT
		H	M	MA		
16/17 Projects Requiring Completion						
Managing Use of Council Vehicles	Moderate	0	4	0	5	Final Report Issued
Refugee Resettlement Programme	Full	0	0	0	5	Final Report Issued
Overtime	Moderate	0	4	0	9	Final Report Issued
Agency Staffing	Full	0	0	0	4	Final Report Issued
Digital Information Management	Limited	2	1	1	3	Final Report Issued
Total		**12**	**37**	**41**	**390**	

* At Draft Report stage at 31 March 2018, Final Report issued after year end

** At Draft Report stage at 31 March 2018

*** Draft Report issued after 31 March 2018

**** Deferred to 2018/19

Key to Assurance Level and Recommendation Priority Levels: NA = Not Applicable; H = High priority recommendations; M = Medium priority recommendations; MA = Merits Attention priority recommendations

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Levels of assurance	
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
Substantial Assurance	Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key control areas, which put the system objectives at risk.
No Assurance	Control is weak, leaving the system open to material error or abuse.

Priority of recommendations	
High	There is a fundamental weakness, which presents material risk to the objectives and requires urgent attention by management.
Medium	There is a significant weakness, whose impact or frequency presents a risk which needs to be addressed by management.
Merits Attention	There is no significant weakness, but the finding merits attention by management.

Section A: Conformance - During 2017/18 all areas apart from those identified in Section B below were conforming.

Section B: Intentional Non-Conformance

Ref	Area of Non-Conformance with the Standard	Commentary	
3.1a	**Purpose, Authority and Responsibility** Does the board (defined as the Audit Committee) approve decisions relating to the appointment and removal of the Chief Audit Executive (CAE) (Head of Assurance)?	The Director of Resources, Hertfordshire County Council (HCC), in consultation with the Board of the Shared Internal Audit Services approves decisions relating to the appointment and removal of the CAE. This is as provided for in the governance of the Shared Internal Audit Service.	**Non-conformance** No further action proposed. The current arrangements are considered effective given the shared nature of SIAS.
3.1c	**Purpose, Authority and Responsibility** Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?	The performance appraisal is carried out by the Director of Resources (HCC).	**Non-conformance** No further action proposed. The appraisal process was carried out by the Director of Resources (HCC) with input from all partner chief finance officers. The current arrangements are considered effective given the shared nature of SIAS.

Audit Charter 2018/2019

1. Introduction and Purpose

1.1. Internal auditing is an independent and objective assurance and consulting activity. It is guided by a philosophy of adding value to the operations of an organisation. It assists a council in achieving its objectives and ultimately provides assurance to the public by systematically evaluating and improving the effectiveness and efficiency of risk management, control and governance processes.

2. Scope

2.1. This Charter applies to all clients of the Shared Internal Audit Service (SIAS).

3. Statutory Basis of Internal Audit

3.1. Local government is statutorily required to have an internal audit function. The Accounts and Audit Regulations 2015 require that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

3.2. In addition, a council's Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To fulfil this requirement, the S151 officer relies, amongst other sources, upon the work of internal audit.

4. Role

4.1. SIAS internal audit activity is overseen by each client council's committee charged with fulfilling audit committee responsibilities herewith referred to as the Audit Committee. As part of its oversight role, the Audit Committee is responsible for defining the responsibilities of SIAS via this Charter.

4.2. SIAS may undertake additional consultancy activity requested by management. The Head of Assurance will determine such activity on a case by case basis

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assessing the skills and resources available. Significant additional consultancy activity not already included in the Internal Audit Plan will only be accepted and carried out following consultation with the SIAS Board.

5.   Professionalism

5.1.   SIAS governs itself by adherence to the Public Sector Internal Audit Standards (PSIAS). These standards include the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (IPPF). They set out the fundamental requirements for the professional practice of internal auditing and the evaluation of the effectiveness of an internal audit function's performance.

5.2.   SIAS also recognise the Mission of Internal Audit as identified within the IPPF, 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight' and the Core Principles for the Professional Practice of Internal Auditing, which demonstrate an effective internal audit function, achieving internal audit's mission.

5.3.   SIAS's operations are guided by its operating procedures manual as well as applicable, Chartered Institute of Internal Auditors (CIIA) Position Papers, Practice Advisories and Guides, and relevant council policies and procedures, including compliance with the Bribery Act 2010.

5.4.   Should non-conformance with the PSIAS be identified, the Head of Assurance will investigate and disclose, in advance if possible, the exact nature of the non-conformance, the reasons for it and, if applicable, its impact on a specific engagement or engagement outcome.

6.   Authority and Confidentiality

6.1.   Internal auditors are authorised full, free, and unrestricted access to any and all of a client's records, physical properties, and personnel as required to carry out an engagement. All client employees are requested to assist SIAS in fulfilling its roles and responsibilities. Information obtained during the course of an engagement is safeguarded and confidentiality respected.

6.2.   Internal auditors will only use information obtained to complete an engagement. It will not be used in a manner that would be contrary to the law, for personal gain, or detrimental to the legitimate and ethical objectives of the client organisation(s). Internal auditors will disclose all material facts known which if not disclosed, could distort a report or conceal unlawful practice.

7.   Organisation

7.1.   The Head of Assurance and their representatives, have free and unrestricted direct access to Senior Management, the Audit Committee, the Chief Executive,

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the Chair of the Audit Committee and the External Auditor. The Head of Assurance will communicate with any and all of the above parties at both committee meetings and between meetings as appropriate.

7.2.   The Head of Assurance is line managed by the Director of Resources at Hertfordshire County Council (HCC), who approves all decisions regarding the performance evaluation, appointment, or removal of the Head of Assurance, in consultation with the SIAS Board. Each partner's Section 151 Officer is asked to contribute to the annual appraisal of the Head of Assurance.

8.   Stakeholders

The following groups are defined as stakeholders of SIAS:

8.1.   The Head of Assurance and the SIAS Audit Manager, both suitably experienced and qualified (CCAB and / or CMIIA), are responsible for:
- hiring, appraising and developing SIAS staff in accordance with the host authority's HR guidance
- maintaining up-to-date job descriptions which reflect the roles, responsibilities, skills, qualifications, and attributes required of SIAS staff
- ensuring that together, SIAS staff possess or obtain the skills, knowledge and competencies (including ethical practice) needed to effectively perform SIAS engagements

8.2.   The Audit Committee is responsible for overseeing the effectiveness of SIAS and holding the Head of Assurance to account for delivery. This is achieved through the approval of performance targets set by the SIAS Board and receipt of regular reports. The Audit Committee is also responsible for the effectiveness of the governance, risk and control environment within the Council, holding managers to account for delivery. The Audit Committee, as set out in its formal Terms of Reference, also ensures that there is appropriate communication of, and involvement in, internal audit matters as required from the wider publicly elected Member body.

8.3.   Senior Management, defined as the Head of Paid Service, Chief Officers and their direct reports, are responsible for helping shape the programme of assurance work. This is achieved through analysis and review of key risks to achieving the Council's objectives and priorities.

8.4.   The SIAS Board is the governance group charged with monitoring and reviewing the overall operation of SIAS including:
- resourcing and financial performance
- operational effectiveness through the monitoring performance indicators
- the overall strategic direction of the shared service

9. Independence and Objectivity

9.1   No element in the organisation should interfere with audit selection, scope, procedures, frequency, timing, or report content. This is necessary to ensure that internal audit maintains the necessary level of independence and objectivity.

9.2   As well as being impartial and unbiased, internal auditors will have no direct operational responsibility or authority over any activity audited. They will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that might impair their judgment.

9.3   When asked to undertake any additional roles/responsibilities outside internal auditing, the Head of Assurance will highlight to the Audit Committee any potential or perceived impairment to independence and objectivity having regard to the principles contained within the PSIAS Code of Ethics as well as any relevant requirements set out in other professional bodies to which the CAE may belong. The Audit Committee will approve and periodically review any safeguards put in place to limit any impairments to independence and objectivity.

9.4   The Head of Assurance will confirm to the Audit Committee, at least annually, the organisational independence of SIAS.

10. Conflicts of Interest

10.1.   Internal auditors will exhibit clear professional objectivity when gathering, evaluating, and communicating engagement information. When forming judgments, they will make a balanced assessment of all relevant circumstances and not be influenced by their own interests or the views and interests of others.

10.2.   Each auditor will comply with the ethical requirements of his/her professional body and proactively declare any potential conflict of interest, whether actual or apparent, prior to the start of an engagement.

10.3.   All auditors sign an annual declaration of interest to ensure that the allocation of work avoids conflict of interest. Auditors who undertake consultancy work or are new to the team will be prohibited from auditing in those areas where they have worked in the past year. Audits are rotated within the team to avoid over-familiarity and complacency.

10.4.   SIAS procures an arrangement with an external partner to provide additional internal audit days on request. The external partner will be used to deliver engagements as directed by the Head of Assurance in particular providing advice and assistance where SIAS staff lack the required skills or knowledge.

10.5. In the event of a real or apparent impairment of independence or objectivity, (acceptance of gifts, hospitality, inducements or other benefits) the Head of Assurance will investigate and report on the matter to appropriate parties.

11. Responsibility and Scope

11.1. The scope of SIAS encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes (as they relate to the organisation's priorities and objectives) and the promotion of appropriate ethics and values.

11.2. Internal control and risk management objectives considered by internal audit extend to the organisation's entire control and risk management environment and include:
- consistency of operations or programs with established objectives and goals, and effective performance
- effectiveness and efficiency of governance, operations and employment of resources
- compliance with significant policies, plans, procedures, laws, and regulations
- design, reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information
- safeguarding of assets

11.3. SIAS is well placed to provide advice and support on emerging risks and controls and will, if requested, deliver consulting and advisory services or evaluate specific operations.

11.4. SIAS is responsible for reporting to the Audit Committee and senior management, significant risk exposures (including those to fraud addressed in conjunction with the Shared Anti-Fraud Service), control and governance issues and other matters that emerge from an engagement.

11.5. Engagements are allocated to (an) internal auditor(s) with the appropriate skills, experience and competence. The auditor is then responsible for carrying out the work in accordance with the SIAS Operating Procedures Manual, and must consider the relevant elements of internal control, the needs and expectations of clients, the extent of work required to meet the engagement's objectives, its cost effectiveness, and the probability of significant error or non-compliance.

12.   Role in Anti-Fraud

12.1.   The SIAS work programme, designed in consultation with Senior Management, the Audit Committee and, where applicable, the Shared Anti-Fraud Service, seeks to help deter fraud and corruption.

12.2.   In conjunction with the Shared Anti-Fraud Service SIAS shares information with relevant partners to increase the likelihood of detecting fraudulent activity and reducing the risk of fraud to all.

12.3.   The Head of Assurance should be notified of all suspected or detected fraud, corruption or impropriety so that the impact upon control arrangements can be evaluated.

13.   Internal Audit Plan

13.1.   Following discussion with appropriate senior management, the Head of Assurance will submit a risk based plan to the Audit Committee for review and approval. This will occur at least annually. The plan sets out the engagements agreed and demonstrates the priorities of both SIAS (the need to produce an annual internal audit opinion) and those of the organisation. Also included will be any relevant declarations of interest.

13.2.   The plan will be accompanied by details of the risk assessment approach used and will take into account the organisation's assurance framework. Also shown will be the timing of an engagement, its budget in days, details of any contingency for new or changed risks, time for planning and reporting and a contribution to the development of SIAS.

13.3.   The plan will be subject to regular review in year, and may be modified in response to changes in the organisation's business, risks, operations, programmes, systems and controls. All significant changes to the approved internal audit plan will be communicated in the quarterly update reports.

14.   Reporting and Monitoring

14.1.   A draft written Terms of Reference will be prepared and issued to appropriate personnel at the start of an engagement. It will cover the intended objectives, scope and reporting mechanism and will be agreed with the client. Changes to the terms of reference during the course of the engagement may occur and will be agreed following consultation with the client.

14.2.   A report will be issued on completion of an engagement. It will include a reasoned opinion, details of the time period and scope within which it was prepared, management's responses to specific risk prioritised findings and recommendations made and a timescale within which corrective action will be /

has been taken. If recommended action is not to be taken, an explanation for this will also be included.

14.3. SIAS will follow-up the implementation of agreed recommendations in line with the protocol at each client. As appropriate, the outcomes of this work will be reported to the audit committee and may be used to inform the risk-based planning of future audit work. Should follow-up activity identify any significant error or omission, this will be communicated by the Head of Assurance to all relevant parties. A revised internal audit opinion may be issued on the basis of follow-up activity.

14.4. In consultation with senior management, the Head of Assurance will consider, on a risk-basis, any request made by external stakeholders for sight of an internal audit report.

14.5. Quarterly update reports to the Audit Committee will detail the results of each engagement, including significant risk exposures and control issues. In addition, an annual report will be produced giving an opinion on the overall control, governance, and risk management environment (and any other issues judged relevant to the preparation of the Annual Governance Statement), with a summary of the work that supports the opinion. The Head of Assurance will also make a statement of conformance with PSIAS, and detail the nature and reasons for any impairments, qualifications or restrictions in scope for which the Committee should seek reassurances from management.

15.   Periodic Assessment

15.1. PSIAS require the Head of Assurance and the SIAS Board to make arrangements for an independent review of the effectiveness of internal audit undertaken by a suitably knowledgeable, qualified and competent individual or organisation. This should occur at least every five years.

15.2. The Head of Assurance will ensure that continuous efforts are made to improve the efficiency, effectiveness, and quality of SIAS. These will include the Quality Assurance and Improvement Programme, client feedback, appraisals and shared learning with the external audit partner as well as coaching, supervision, and documented review.

15.3. A single review will be carried out to provide assurance to all SIAS partners with the outcomes included in the partner's Annual Report.

16.   Review of the Audit Charter

16.1. The Head of Assurance will review this charter annually and will present, to the first audit committee meeting of each financial year, any changes for approval.

16.2. The Head of Assurance reviewed this Audit Charter in April 2018. It will next be reviewed in April 2019.

Glossary of Terms

Audit Committee	The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.
Management	Operational officers of the Council responsible for creating corporate policy and organising, planning, controlling, and directing resources in order to achieve the objectives of that policy. Senior management is defined as the Head of Paid Service, Chief Officers and their direct reports.
The SIAS Board	The Board that comprises officer representatives from the client authorities and that is responsible for the governance of the SIAS partnership
The Audit Plan	The programme of risk based work carried out by the Shared Internal Audit Service on behalf of its clients
The Public Sector Internal Audit Standards	These standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide stakeholders with the key assurances they need to support them both in managing and overseeing the organisation and in producing the annual governance statement.

Note:

For readability, the term 'internal audit activity' as used in the PSIAS guidance has been replaced with 'SIAS' in this Charter.

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of the Local Government Act 1972.

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