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AUDIT COMMITTEE

Date: Tuesday, 19 March 2019

Time: 6.00pm

Location: Shimkent Room - Shimkent Room - Daneshill House, Danestrete

Contact: Ian Gourlay (01438) 242703

committees@stevenage.gov.uk

Members: Councillors: M McKay (Chair), J Gardner (Vice-Chair), H Burrell,
L Chester, D Cullen, G Lawrence, J Lloyd and G Snell.
Independent Member: Mr G Gibbs

AGENDA

PART 1

1. APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

2. MINUTES - 4 FEBRUARY 2019

To approve as a correct record the minutes of the Audit Committee meeting held on 4 February 2019.

Page Nos. 3 – 8

3. SHARED ANTI-FRAUD SERVICE - ANTI-FRAUD PLAN 2019/20

To consider the proposed Shared Anti-Fraud Service (SAFS) Anti-Fraud Plan for 2019/20.

Page Nos. 9 – 50

4. CORPORATE GOVERNANCE ARRANGEMENTS

To consider an annual review of the Council's Corporate Governance Arrangements.

Page Nos. 51 – 62

5. SHARED INTERNAL AUDIT SERVICES - PROGRESS REPORT 2018/19

To consider the Shared Internal Audit Service (SIAS) progress report 2018/19.

Page Nos. 63 – 78

6. SHARED INTERNAL AUDIT SERVICE - INTERNAL AUDIT PLAN 2019/20

To consider the Shared Internal Audit Service (SIAS) Internal Audit Plan for 2019/20.

Page Nos. 79 – 106

7. URGENT PART 1 BUSINESS

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

8. 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 paragraphs 1 – 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.

9. STRATEGIC RISK REGISTER

To note the latest Strategic Risk Register for Stevenage Borough Council, and to note developments on risk management issues.
Page Nos. 107 - 134

10. URGENT PART II BUSINESS

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

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Monday, 4 February 2019

Time: 6.00pm

Place: Shimkent Room, Daneshill House, Danestrete

Present: Councillors: Maureen McKay (Chair), John Gardner (Vice-Chair), Laurie Chester, David Cullen, Graham Lawrence and John Lloyd.
Geoffrey Gibbs (Independent Member)

Also Present: Neil Harris (Ernst & Young)
Simon Martin (Shared Internal Audit Services)

Start / End Start Time: 6.00pm
Time: End Time: 7.33pm

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

An apology for absence was received from Councillor G Snell.

There were no declarations of interest.

2 **MINUTES - 20 NOVEMBER 2018**

It was **RESOLVED** that the Minutes of the Audit Committee meeting held on 20 November 2018 be approved as a correct record and signed by the Chair.

In relation to the Ernst & Young toolkit for assessing the effectiveness of Audit Committees, the Independent Member advised that he felt that a discussion on this matter with the Chair and officers would be best held outside of the formal meeting.

In respect of the shareholder review of the effectiveness of the Joint CCTV Partnership/company, the Assistant Director (Finance & Estates) confirmed that options going forward would be considered by the next Joint CCTV Partnership meeting in early April 2019.

3 **CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2017/18**

Neil Harris, Ernst and Young, presented the Certification of Claims and Annual Returns Report 2017/18 which summarised the results of the work on the Council's 2017/18 claims.

The main considerations for the Committee related to the Housing Benefits Subsidy Claim and the fees for certification.

The Committee was advised that the subsidy claim had been reduced by £99, and that the value of the claim presented for certification was £32,072,189. Subject to agreement by Public Sector Audit Appointments Ltd, Ernst & Young's fees for the certification work would be £16,145.

It was **RESOLVED** that the Certification of Claims and Returns Annual Report 2017/18 be noted.

4 **LOCAL GOVERNMENT AUDIT BRIEFING**

The Committee received the Quarter 3 Local Government Audit Committee Briefing from the Council's external auditors, Ernst and Young.

The Briefing Paper outlined Government and economic news; accounting, auditing and governance updates; regulation news; and highlights of Ernst & Young's Transparency Report 2018.

In response to a Member's question, the Committee was advised that there was no financial penalty for late filing of the Statement of Accounts, but that it was more a reputational issue for Local Authorities and external auditors.

It was **RESOLVED** that the Local Government Briefing Paper for Quarter 3 prepared by Ernst and Young be noted.

5 **DRAFT AUDIT PLANNING REPORT 2018/19**

The Committee considered the draft Audit Planning Report 2018/19 prepared by Ernst and Young.

The Committee noted the risks and areas of focus to be covered by the audit, which included the risk of management override; capitalisation of revenue expenditure; property, plant and equipment valuations; pension valuation and disclosures; new accounting standards; Group accounts assessment; Housing Revenue Account (HRA) depreciation. Value for money conclusions would be prepared for the significant risks of the Future Town, Future Council decision making processes and the financial resilience of the Medium Term Financial Strategy.

The Committee was informed that planning materiality had been set at £2.2Million, which represented 2% of the prior year's gross expenditure on provision of services. Performance materiality had been set at £1.6Million and all uncorrected misstatements relating to primary statements greater than £108,000 would be reported.

It was noted that Ernst & Young's planned audit fee for 2018/19 was £49,283, with an estimated fee of £7,600 for work in connection with the certification of Housing Benefit.

The Assistant Director (Finance & Estates) undertook to report back to the Committee at some time in the future in respect of Group Accounts Assessments, with particular reference to Marshgate Ltd.

In response to a Member's question, the Committee was informed that the 2% (£2.2Million) planning materiality percentage was comparable with percentages for most other local authorities.

It was **RESOLVED** that the draft Annual Planning Report 2018/19 prepared by Ernst and Young be noted.

6 **ANNUAL TREASURY MANAGEMENT STRATEGY INCLUDING PRUDENTIAL CODE INDICATORS 2019/20**

The Assistant Director (Finance and Estates) presented a report which would be recommended to Council at its meeting on 27 February 2019 seeking approval of the Treasury Management Strategy 2019/20 including its Annual Investment Strategy and the prudential indicators.

The Assistant Director (Finance and Estates) tabled a replacement Page 98 of the agenda, which included figures for the General Fund borrowing requirements for the Queensway Regeneration project.

The Assistant Director (Finance and Estates) advised that the proposed 2019/20 Treasury Management Strategy and Prudential Codes incorporated the revisions to the CIPFA Prudential and Treasury Management Codes, which came into force on 1 April 2018.

The Committee noted that, for the 2018/19 financial year to 31 December 2018, returns on investment had averaged 0.82%, and a total of £421,000 interest had been earned. The use of planned resources over the coming years would mean that the Council's cash for investment was projected to reduce from £59.6Million at 31 March 2019 to £30.3Million by 31 March 2023.

The Assistant Director (Finance and Estates) explained that it was recommended that the operational borrowing limit be increased to reflect the uncertainty regarding the release of Growth Deal 3 monies and the finance arrangements for the mixed use Queensway redevelopment project.

It was noted that investment services would be provided to Queensway Properties LLP.

It was **RESOLVED**:

1. That the Treasury Management Strategy 2019/20 be recommended to the Executive and Council for approval.
2. That the draft prudential indicators for 2019/20 be approved.
3. That the minimum revenue provision policy be approved.
4. That it be noted that no changes are being proposed to treasury limits contained within the Council's treasury management policies.

5. That the investment services provided to Queensway Properties LLP (see Paragraph 4.12.3 of the report) be noted.

7 **SHARED INTERNAL AUDIT SERVICES (SIAS) - PROGRESS REPORT 2018/19**

The Committee received the Shared Internal Audit Service (SIAS) 2018/19 progress report for the period to 18 January 2019.

The SIAS Client Manager updated the Committee by advising that 76% of audit days had been delivered. Since the last meeting, 9 audits had been completed with good assurance levels; 1 with a limited assurance level; and 1 with a satisfactory assurance level.

The SIAS Client Manager referred to the High priority audit recommendations in respect of the CCTV Partnership and Cyber Security. The report contained target dates for the various recommendations to be implemented.

In reply to a question, the SIAS Client Manager undertook to report back to the Committee following completion of the Hertfordshire Home Improvement Agency audit.

In response to a Member drawing attention to the Cyber Security High Priority Audit Recommendations, the Assistant Director (Corporate Services & Transformation) advised that it was intended to produce a costed ICT Investment Plan in the coming months. He agreed to submit a report on this matter to a future meeting of the Committee.

It was **RESOLVED**:

1. That the Internal Audit Progress report be noted.
2. That the status of Critical and High Priority Recommendations be noted.

8 **URGENT PART 1 BUSINESS**

Performance & Improvement Manager

The Chair advised that Elaine Wright (Performance & Improvement Manager) was shortly to leave the Council's service. Over the years, Elaine had assisted the Committee in its work on the Corporate Risk Register and Annual Governance Statement, and would be sorely missed. The Chair asked the Assistant Director (Corporate Services & Transformation) to pass on the Committee's thanks to Elaine, and to wish her well for the future.

9 **EXCLUSION OF PUBLIC AND PRESS**

It was **RESOLVED** that:

1. Under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as described in paragraphs 1-7 of Part 1 of Schedule 12A of the Act as amended by Local Government (Access to information) (Variation) Order 2006.
2. Members considered the reasons for the following reports being in Part II and determined that the exemption from disclosure of the information contained therein outweighed the public interest in disclosure.

10 **PART II MINUTES - AUDIT COMMITTEE - 20 NOVEMBER 2018**

It was **RESOLVED** that that the Part II Minutes of the meeting of the Audit Committee held on 20 November 2018 be approved as a correct record and signed by the Chair.

11 **URGENT PART II BUSINESS**

None.

CHAIR

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Stevenage Borough Council Anti-Fraud Plan 2019/2020

Recommendation

Members are recommended to:

1. Review and approve the SAFS/SBC Anti-Fraud Plan 2019/2020.
2. Read and review the LGA Councillors Workbook on Fraud and Bribery Prevention 2017

Contents

- 1 Introduction and Background**
 - 1.1 Purpose
 - 1.2 Background

- 2 Plans & Reports 2018/19 & 2019/2020**
 - 2.1 Anti-Fraud and Corruption Strategy
 - 2.2 Reporting in 2018/2019 Anti-Fraud Action Plan
 - 2.4 Proposed 2019/2020 Anti-Fraud Plan
 - 2.6 Transparency Code Data 2018/2019

Appendix.

- A. LGA Councillors Workbook- Fraud and Bribery Prevention
- B. SBC Anti-Fraud Action Plan 2019/2020

1 Introduction and Background

Purpose of Report

1.1 To provide Members with information on:

- Progress on the SAFS/SBC Anti-Fraud Action Plan for 2018/2019
- The SAFS/SBC Anti-Fraud Plan 2019/2020
- Transparency Code Data

Background

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

These reports include:

- *Fighting Fraud and Corruption Locally 2016–2019 Strategy* produced by CIPFA in March 2016 and supported by CLG. The new strategy estimates annual fraud losses in local government at around £2.1bn (this report is based on 2013 data).
 - *UK Annual Fraud Indicator 2017* published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian which estimates the risk of fraud losses for local government in excess of £8bn per annum.
 - The CIPFA *Fraud and Corruption Tracker 2018* indicates that identified fraud had increased since 2016 but that the capacity within the sectors counter fraud capacity had reduced, and would continue to do so, placing local government at even greater risk of fraud.
- 1.3 The Cabinet Office, Ministry for Housing Communities and Local Government (MHCLG), National Audit Office (NAO), and the Chartered Institute for Public Finance and Accountancy (CIPFA) have issued guidance, advice, and best practice directives to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for Councils to be vigilant in recognising their fraud risks and to invest resources in counter fraud activities that deliver savings.

- 1.4 Stevenage Borough Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). This Committee has previously received detailed reports about the creation of SAFS and how this service works closely with the Shared Internal Audit Service (SIAS). SAFS works across the whole Council dealing with many aspects of fraud from deterrence & prevention to investigation & prosecution.
- 1.5 It is essential that to support this work the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, and plans to deal with the investigation and prosecution of fraud.
- 1.6 In 2017 the Local Government Association published its *Councillors Workbook on Bribery and Fraud Prevention*. A copy of the Workbook can be found at **Appendix A** and Members are invited to read and review this document.

2. Plans and Reports 2019/2020

Anti-Fraud and Corruption Strategy

- 2.1 The Council has in place an Anti-Fraud and Corruption Strategy. This document lays out the Council's position and includes advice to Members, senior officers, and staff about how to deal with identified fraud and corruption.

Anti-Fraud Action Plan 2018/2019

- 2.2 The Council's Anti-Fraud Action Plan for 2018/2019, approved by Members in March 2018, covered all areas recommended by CIPFA to ensure that the Council acknowledges the risk of fraud, its responsibility to combat these risks, and takes appropriate action to prevent/deter/pursue fraud.
- 2.3 Progress with delivery of this plan was provided to Members in November 2018 and a final 2018/19 Annual Report will be provided to this Committee in early summer of 2019.

Anti-Fraud Plan 2019/2020

- 2.4 The plan for 2019/2020 follows a similar format to that used in previous years taking into account changes in guidance from CIPFA and/or changes in fraud risks for the Council. See **Appendix B** for a copy of the plan.
- 2.5 Adherence to the proposed plan for 2019/2020 will ensure compliance with the Council's own Strategy, and the best practice guidance issued by the MHCLG, NAO, LGA, and CIPFA.

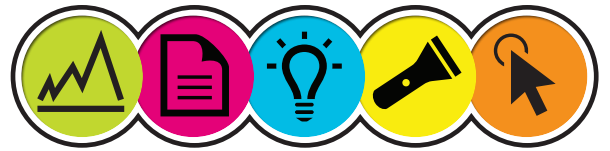
Transparency Code Data 2018/2019

- 2.6 SAFS will also provide data to meet the requirements of Transparency Code for publication by the Council in May 2019 on counter fraud activity at the Council during 2018/2019.

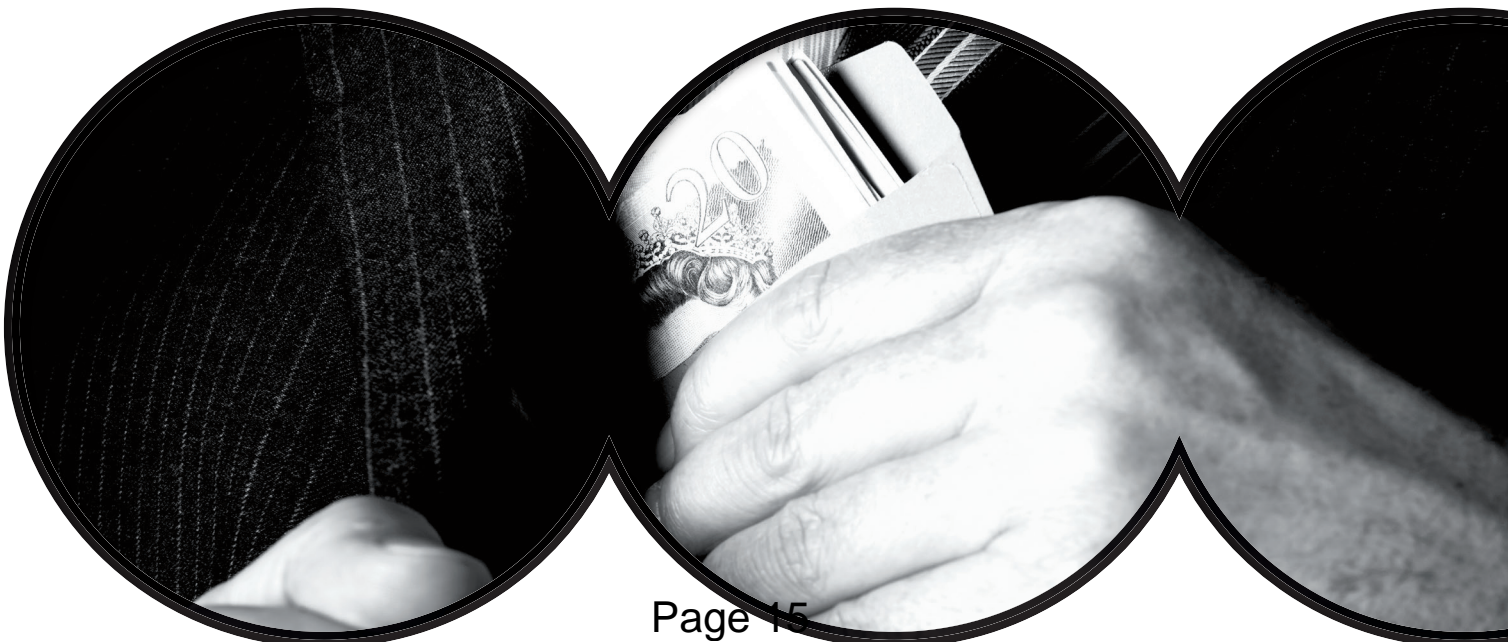
Appendices

- A.** LGA Councillors Workbook.
- B.** SAFS/SBC Anti-Fraud Plan 2019/2020

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A councillor's workbook on bribery and fraud prevention



Contents

Foreword	3
Bribery and fraud prevention	4
Section 1 Fraud from a local authority perspective	5
Section 2 Council and councillor responsibilities in relation to fraud prevention and detection	9
Section 3 The fraud response	12
Section 4 Fraud risk management	19
Section 5 Assurance that fraud arrangements are effective	22
Section 6 What you have learned and further reading	26

Foreword

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

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

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

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

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



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



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



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



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



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

Bribery and fraud prevention

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

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

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

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

Section 1 Fraud from a local authority perspective

The scale of fraud

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

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

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



Useful links

The full CFaCT report for the UK can be found here:

www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker

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

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

The Fighting Fraud and Corruption Locally strategy and companion documents can be found at:

www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally

The impact of fraud

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

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

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

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

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

What is fraud?

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

‘Managing the business risk of fraud’

published by the Institute of Internal Auditors, et al

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

Fraud Act 2006

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

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



Challenges

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

Answers:

S2. Fraud by false representation

S3. Fraud by failing to disclose information

S4. Fraud by abuse of position

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

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

- corruption
- bribery
- theft
- money laundering.

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

- **Corruption:** The misuse of a person's position to commit offences, which can include theft, extortion and a number of other crimes, including the soliciting of bribes. The defining characteristic of corruption is that it involves collusion between two or more individuals and is often associated with those holding public office.
- **Bribery:** The offering, giving, receiving, or soliciting of any item of value, or an advantage to another person, to induce that person to improperly perform a relevant function or activity, or to reward them for improper performance.
- **Theft:** Dishonestly appropriating property belonging to another with the intention of permanently depriving that person of it.
- **Money laundering:** The process by which criminals attempt to disguise the original ownership and control of the proceeds of criminal activity by making such proceeds appear to have derived from a legitimate source.



Useful links

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

Areas of fraud risk for councils

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

1. **Council tax fraud**
Fraud can occur when an individual intentionally gives incorrect or misleading information in order to pay less or no council tax. Examples include someone stating that they live alone when another adult also lives there or someone claiming to be a student when they aren't.
2. **Social housing/tenancy fraud**
The unlawful misuse of social housing. This can be broken down into two main areas; social housing fraud and Right to Buy fraud. The former includes offences such as unlawful subletting, false applications, non-residency and unauthorised tenancy succession and the latter includes fraudulent applications under the right to buy/acquire schemes.
3. **Procurement fraud**
This occurs in connection within the local authority supply chain. It can happen at any point throughout the procurement cycle but is particularly prevalent in the contract letting phase. It can also include tendering issues, split contracts and double invoicing.
4. **Adult social care and direct payments**
Includes overstatement of needs through false declarations, multiple claims across authorities, collusion with care agencies and posthumous continuation of claims.

Other high risk fraud areas for councils

Housing benefit fraud

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

Business rates (NNDR) fraud

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

Blue Badge misuse

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

Recruitment fraud

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

Insurance fraud

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

Grant fraud

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

Cyber fraud

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

Pension fraud

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

No recourse to public funds

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



Case study Dudley Metropolitan Borough Council's Code of Practice

Dudley Metropolitan Borough Council has codes of conduct for employees and councillors which set out the high standards expected of them. These are also intended to relay certain messages to all suppliers as there is a growing expectation that all service providers in local government should adhere to the same principles of being open and transparent when dealing with colleagues, residents and partners.

In developing its 'Suppliers' Code of Practice' Dudley aimed to reinforce good working practices and to stamp out fraud, bribery, corruption and unacceptable business practices.

Staff who buy in goods and services on behalf of the authority and all suppliers are required to work to the guidelines in this code of practice.

All active suppliers have received an email announcing the launch of the code and shown where the code is available on the council's website. The code includes useful contacts if people want to report problems to the council and reinforces the availability of a fraud hotline operated by Audit Services.

Audit Services also intends to approach key suppliers to obtain feedback and ask for written assurance that they comply with the code.

Dudley's leaflet 'Beating fraud is everyone's business', which sets out guidelines for employees, managers and councillors, is available on the CIPFA website.

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

Reproduced from Fighting Fraud and Corruption Locally 2016-19

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

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

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

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



Useful links

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

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

The seven principles of public life

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

1. Selflessness

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

2. Integrity

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

3. Objectivity

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

4. Accountability

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

5. Openness

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

6. Honesty

Holders of public office should be truthful.

7. Leadership

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

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

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

1. reporting suspicious activity in your locality to your audit or fraud team eg subletting or council tax evasion
2. scrutinising risk registers and challenging if the fraud risks appear to not be well managed
3. oversight and scrutiny of budgets, especially in high risk areas
4. ensuring you declare any interests if you sit on committees such as planning
5. monitoring performance of your audit or fraud team with regard to detection and prevention of fraud
6. supporting the principles of good governance, and supporting an anti-fraud culture across the council, including whistleblowing
7. supporting the publicising of successful prosecutions by your council to act as a deterrent and perhaps providing quotes to the press if appropriate.

Something to think about...

'Most public officials have probably never been offered a bribe and would feel pretty confident that they could spot the offer. If they don't necessarily think of themselves as totally incorruptible, they often think they can avoid getting entangled in situations where their conduct may be called into question. However, thinking you don't need help or guidance in knowing what is legal or illegal, or even what is right or wrong, in every circumstance is a risk – a risk that could and should be avoided by getting the most of what help and guidance is available.'

Prof Alan Doig

Visiting Professor, Newcastle Business School,
Northumbria University

Section 3 The fraud response

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

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



Activity

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

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

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

Acknowledge	Prevent and Detect	Pursue
Acknowledging and understanding fraud risks	Preventing and detecting more fraud	Being stronger in punishing fraud/ recovering losses
↓	↓	↓
<ul style="list-style-type: none"> Assessing and understanding fraud risks Committing support and resource to tackling fraud Maintaining a robust anti-fraud response 	<ul style="list-style-type: none"> Making better use of information and technology Enhancing fraud controls and processes Developing a more effective anti-fraud culture 	<ul style="list-style-type: none"> Prioritising fraud recovery and the use of civil sanctions Developing capability and capacity to punish fraudsters Collaborating with law enforcement

Fighting Fraud and Corruption Locally 2016-19

Acknowledge

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

As a starting point a council should:

- make a proper and thorough assessment of its fraud and corruption risks that are specifically considered as part of the overall risk management process
- develop and implement an action plan in place to deal with the identified risks
- report regularly to its senior board eg audit committee, and its members

Prevent and detect

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

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

Effective prevention should include:

- A robust programme of anti-fraud and corruption awareness training for councillors, senior managers and all staff.
- Standards of conduct and policies, that are well communicated, including:
 - officer and councillor codes of conduct
 - risk management policy
 - financial regulations and procurement policy
 - anti-fraud, corruption, money laundering and bribery policies
 - whistleblowing policy
 - register of interests
 - gifts and hospitality policy.

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

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

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

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

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

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

Pursue

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

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

Investigative approaches

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

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



Case study Recovery of fraud losses

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

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

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

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

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

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

Source: Audit Commission (2014)



Activity

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

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

Proactive investigations

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

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

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

National Fraud Initiative (NFI)

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

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

Reactive investigations

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

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



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

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

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

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

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

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

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

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

The challenges faced by councils in dealing with fraud and corruption

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

Public sector budget reductions

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

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

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

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



Case study
Example of joint working

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

How innovative has your council been?

Is there scope for more?

Maintaining an anti-fraud culture

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



Activity

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

1. Set the tone at the top

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

Score: 1...2...3...4...5

2. Know and prioritise your fraud risks

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

3. Scan the horizon

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

4. Build fraud awareness

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

5. Ensure policies and procedures are in order

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

6. Create a dedicated anti-fraud team

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

7. Take action

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

8. Measure success

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

9. Publicise your success

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

10. Never take your eye off the ball

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

Total Score: Do you think this is good enough?

Abiding by the rules

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

For example:

Regulation of Investigatory Powers Act (RIPA) 2000

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

Requesting information

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

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

More sophisticated frauds

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

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

Publicising success

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

Section 4 Fraud risk management

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

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

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

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

The CIPFA code of practice on the management of fraud risk sets out the expected standard for public bodies in the management of fraud risk.

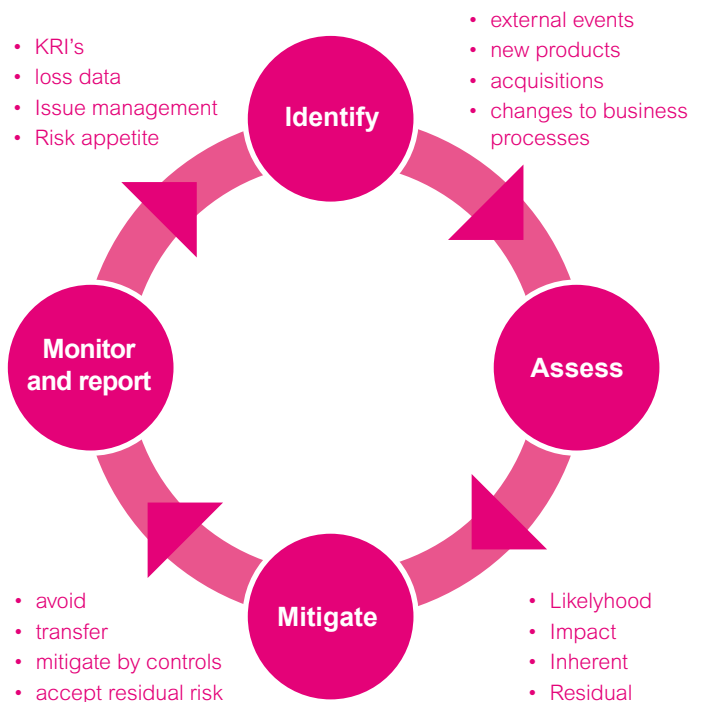
Implementing an effective fraud risk management framework, such as the CIPFA code of practice, will enable authorities to employ controls that help to prevent fraud from occurring in the first place, identify and detect fraud as soon as it occurs and enable a practical and efficient response to those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



Hints and tips Code of practice principles

Leaders of public services organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management. The five key principles of the code are to:

- acknowledge the responsibility of the governing body for countering fraud and corruption
- identify the fraud and corruption risks
- develop an appropriate counter fraud and corruption strategy
- provide resources to implement the strategy
- take action in response to fraud and corruption.



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

Councillors

- ✓ Have and maintain an understanding of fraud risks
- ✓ Understand the key principles of risk management
- ✓ Consider fraud risk in relation to the decision making process

Directors

- ✓ Support the council's fraud risk management strategy
- ✓ Set the appropriate tone with regards to the council's anti-fraud and corruption approach
- ✓ Ensure that there is a coordinated and consistent approach to the identification and management of fraud risk

Senior managers/service heads

- Ensure that fraud risks are appropriately managed and implement effective review and monitoring arrangements
- Manage risk in their service areas in accordance with the fraud risk management strategy

Internal audit/corporate fraud team

- ✓ Consider the council's fraud risk assessment when developing the annual audit plan
- ✓ Audit the internal fraud control processes across the authority
- ✓ Coordinate and/or conduct fraud and corruption investigations
- ✓ Assess the effectiveness of fraud prevention and detection processes
- ✓ Provide assurance to councillors and senior management of the effectiveness of fraud risk management and controls

All staff

- ✓ Have a basic understanding of fraud risks and be aware of indicators
- ✓ Manage fraud risk in the course of their daily duties
- ✓ Read, understand and have access to fraud related policies and procedures
- ✓ Contribute towards the development of fraud control processes
- ✓ Report suspicions of fraud and corruption
- ✓ Cooperate with investigations

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

Fraud risk assessment

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

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

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

- How could a fraudster exploit weaknesses in the current system controls?
- How might those controls be over-ridden or by-passed?
- How could the fraudster conceal their activities?

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

- **Identification of the fraud risk**

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

- **Assess the likelihood and impact of the fraud risk**

This assessment is based on historical information, and discussions/interviews with heads of services and other relevant staff.

- **Develop a response to those that present the highest risk**

Decide how best to respond to the fraud risks.

Section 5 Assurance that fraud arrangements are effective

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

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



Assurance is:

'Data or information provided to management/boards/committees to give comfort that risks are being properly managed and controls are adequate and working effectively'

Institute of Internal Auditors

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

What is internal control?

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

- Expenses claims must be authorised by management before payment. This process of checking the claim for accuracy prevents fraud or error and so controls the risk of overpayment.
- The housing department carry out regular tenancy audits of their properties. This process of checking acts a deterrent to subletting and a detection if it does happen and so controls the risk of subletting.

- The health and safety team carry out regular inspections of public buildings. These inspections highlight any existing problems for repair or any potential problems for signposting. In this way, the risk of slips, trips and other accidents are controlled.

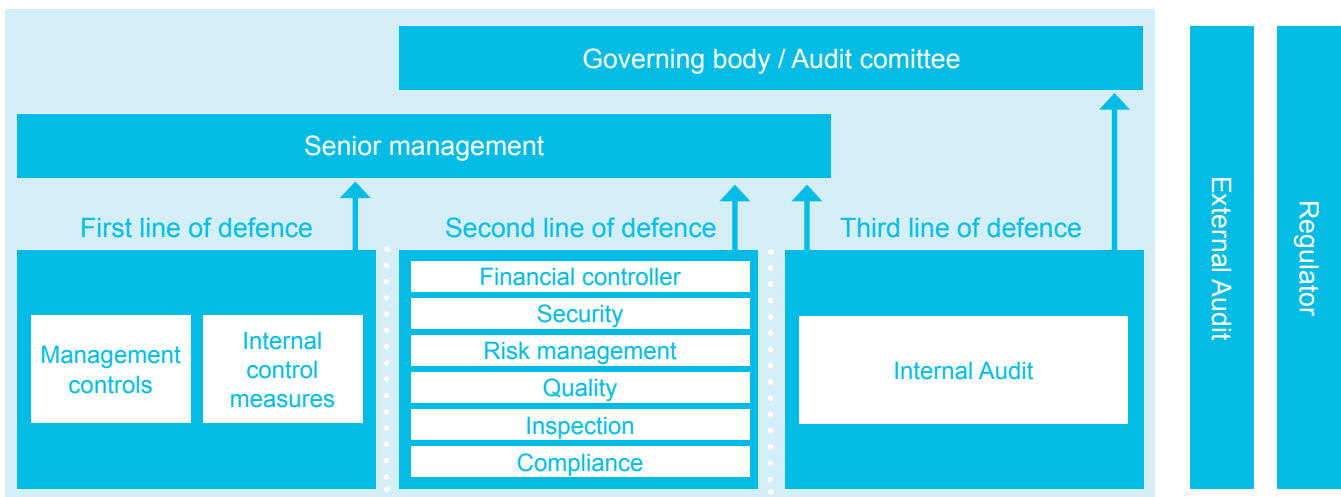
Councils must have a means of obtaining independent assurance that the system of internal control is adequate and working effectively. In local authorities there is usually an audit committee (sometimes called audit and risk committee) to carry out this role.

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

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

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

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



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

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

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

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

Role of audit committees in anti-fraud and corruption activity

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



Useful links

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

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

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

- fraud cases that have occurred within the authority and financial losses
- whistleblowing
- current and emerging fraud risks and how they are being managed
- KPIs relating to fraud prevention and detection performance
- sanctions (including prosecutions and disciplinaries) and recovery actions
- benchmarking data
- resources spent on these activities within the authority.



Activity

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

1. Is the reported fraud in line with what you would have expected for your council?
2. Are there any areas where you would have expected fraud that have not been reported on? If so why do you think that might be?
3. In your view is the reporting adequate? If not why not?
4. Has whistleblowing been reported on? Do you have a clear understanding of the whistleblowing arrangements in your authority? If you are unclear you should obtain a copy of your council's policy.

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



Turning strategy into action

The themes – Six Cs

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

Culture – creating a culture in which beating fraud and corruption is part of daily business.

Capability – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks.

Capacity – deploying the right level of resources to deal with the level of fraud risk.

Competence – having the right skills and standards.

Communication – raising awareness, deterring fraudsters, sharing information, celebrating successes.

Collaboration – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

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



Useful links

Managing the risk of fraud and corruption

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

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

Section 6 What you have learned and further reading

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

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

If you would like to explore this subject further there are a range of materials available for free to read on the CIPFA website:

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

Other websites that you may find interesting and useful:

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

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

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

Suggested answers for page 14 activity

1. Make a detailed note of everything the resident can tell you about the situation, names, addresses, etc. Take the contact details for the resident and pass everything to the fraud manager (if you have one) or the head of audit if not.
2. You should escalate your question to the appropriate corporate director, noting your concerns with regards to the current risk levels.
3. You should notify the councils monitoring officer
4. You should agree a project plan with the fraud manager or head of audit, with yourself as a figure head or spokesperson. You may wish to include a publicity campaign including posters and leaflets. If so, talk to your council's communications team. As a councillor, you will be in a good position to conduct radio and TV interviews, newspaper quotes and articles. You may wish to concentrate on a particular area of fraud that is particularly prevalent in your area.



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**Stevenage Borough Council
Anti-Fraud Plan 2019/2020**

in partnership with

The Shared Anti-Fraud Service



Contents

	Page No.
Introduction	2.
The National Context	3.
SAFS Resources for 2019/2020	4.
SAFS Standards of Service	5.
Stevenage Borough Council Anti-Fraud Action Plan 2019/2020	6.
SAFS KPIs for 2019/2020	7.

Introduction

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

The Policy states that the Council;

- **is opposed to fraud and corruption,**
- **recognises the need for staff and Members to support the policy,**
- **expects Members and staff to adhere to the highest standards of honesty and integrity,**
- **that Members and staff will act in accordance with legal requirements and Council procedures,**
- **that individuals and organisations that deal with the Council to meet the same standards.**

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

National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government is large, but difficult to quantify with precision. Since 2013 a number of reports have been published by various organisations including CIPFA, NAO and MHCLG stating that the threat of fraud against local government is both real, causes substantial loss and that fraud should be prevented where possible and pursued where it occurs.

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

The five key principles of the code are to:

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

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

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

- Culture - creating a culture in which beating fraud and corruption is part of daily business,
- Capability - ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks,
- Capacity - deploying the right level of resources to deal with the level of fraud risk,
- Competence - having the right skills and standards,
- Communication - raising awareness, deterring fraudsters, sharing information, celebrating successes
- Collaboration - working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information

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

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

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

What is clear is that every pound lost to fraud from the public purse is a pound lost from essential front line services. The Councils Anti-Fraud Plan 2019/2020 is based on the principles of 'Acknowledge/ Prevent/ Pursue' and the 6 C's to ensure the Council is adequately protected from fraud risk and where fraud does occur there are plans to manage, mitigate, recover any losses.

SAFS Resources 2019/2020

Anti-Fraud Arrangements

Stevenage Borough Council is a founding Partner in the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the anti-fraud arrangements for the Council since April 2015.

SAFS is a Partnership where each organisation pays an annual fee for Hertfordshire County Council to provide a contracted service across the whole Partnership. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every Partner has one seat on the Board. For Stevenage Borough Council the Assistant Director- Finance & Estates is the Board representative.

Although SAFS provides much of the Councils proactive, reactive and operational counter fraud work Council officers are responsible for ensuring the policies, procedures, training and appropriate resources are in place to protect the Council from fraud, corruption and bribery.

Budget

In September 2018 the SAFS Board accepted a report from the SAFS Manager to increase the fees for all Partners. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years. There has been no previous increase in fees since 2015.

The Board agreed that the annual fee for all Partners would increase by 2% per annum to 2022 to be reviewed further at that time and that fees for Stevenage Borough Council will increase from £100,000 + VAT (2018/19) to £102,000 + VAT (2019/20).

Staffing

The full complement of SAFS in 2019/20 will be 17.6 FTE's; 1 Manager, 2 Assistant Managers, 10 Investigators, 3 Intelligence Officers. The Team is also supported by 1 FTE Data-Analyst and .6 FTE Accredited Financial Investigator both posts funded from SAFS Budgets.

Stevenage Borough Council will have access to 1 FTE Investigator, access to intelligence functions of the service, all data-matching services being offered through the SAFS Data-Hub and Herts *FraudHub* hosted by the Cabinet Officer and can call on SAFS management for liaison & management meetings and three Audit Committees reports per annum. SAFS also have access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties.

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

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

SAFS - Standards of Service.

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

1. Access to a managed fraud hotline and webpage for public reporting.
2. Process and document for SAFS Partner staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Prevention.
4. Assistance in the design/review of Council policies, processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates which can be adopted by the Council.
6. SAFS will provide a proactive data-matching solution (NFI- Herts *FraudHub*) to assist in the early identification of fraud and fraud prevention
 - The FraudHub will be funded by the Council
 - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
 - Data will be collected and loaded in a secure manner.
 - SAFS will design and maintain a data-sharing protocol for all SAFS Partners to review and agree annually. The protocol will clearly outline security provisions and include a Privacy Impact Assessment.
 - SAFS will work with nominated officers in the Council to access data-sets to load into the data-warehouse and determine the frequency of these.
 - SAFS will work with Council officers to determine the most appropriate data-matching for each of them and the frequency of such data-matching.
7. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
8. All SAFS investigations will comply with legislation including DPA, GDPR, PACE, CPIA, HRA, RIPA* and all relevant policies of the Council.
9. Reactive fraud investigations.
 - All reported fraud will be actioned by SAFS within 5 days, on average.
 - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response within 2 working days of receipt
 - All cases reported to SAFS will be reviewed within 5 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation or referral to 3rd parties including police, DWP, Action Fraud.
 - The Council will be informed of all reported fraud affecting its services.
 - SAFS will allocate an officer to each cases selected investigation.
 - SAFS officers will liaise with nominated officers at the Council to access data/systems/office 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 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.
11. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.
12. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
13. SAFS will provide reports through the SAFS Board and to the Council's Audit Committee as agreed in the SAFS Partnership Contract.

**Data Protection Act , General Data Protection Regulation, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act, Investigatory Powers Act.*

SBC / SAFS Action Plan 2019/2020

CIPFA Principles	Goals & 6Cs	Activities	Responsible Officer		
ACKNOWLEDGE	Fraud is acknowledged as a Risk for the Council CULTURE	The Council has in place Anti-Fraud and Corruption Strategy & Fraud Response Plan Inclusion of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement. Review the Councils Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime Policies Audit Committee and Senior Managers ensure compliance with CIPFA best practice in the Councils counter fraud arrangements The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.	s.151 / Monitoring Officer Monitoring Officer s.151 Officer Monitoring Officer		
	The Council has a robust communication policy demonstrating its commitment to prevent fraud COMMUNICATION	The Councils Communication Team will publicise prosecutions, anti-fraud campaigns and provide internal communications to staff on fraud awareness Access to SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members. The Council and SAFS will provide fraud awareness or specific anti-fraud training across all Council services and review the E-Learning Training for staff SAFS will provide fraud alerts to appropriate officers/staff/services from Action Fraud/ NAFN/ Police .	Head of Communications SAFS Mgr SAFS Mgr & Head of HR SAFS Mgr		
	Co-ordination of effort, sharing of best practice, data, fraud alerts and new threats. COLLABORATION	Implement the contract for Stevenage Borough Council to join the Herts <i>FraudHub</i> in 2019. Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA Deliver the NFI 2018/19 Exercise Work with DWP to deliver CTRS/HB joint working 2018/19 roll-out Work with other organisations, including private sector, to improve access to data	SAFS Manager/ Monitoring Officer Monitoring Officer SAFS Mgr SAFS Mgr/Shared R&B Manager SAFS Mgr		
		Have the highest levels of professional standards COMPETENCE	All SAFS staff will be fully trained and accredited All investigations will comply with relevant legislation and Council policies SAFS will work with the LGA and Cabinet Office to support the roll out of a Counter-Fraud Profession SAFS will work with all relevant Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA	SAFS Mgr SAFS Mgr SAFS Mgr SAFS Mgr	
			Ensuring the Counter-Fraud Measures are appropriate to the range of fraud risk. CAPABILITY	SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council SAFS will record and report on all fraud referred, investigated and identified SAFS will review fraud trends and new threats and report on these to Council officers The Shared Legal Service and Housing, HR and Debt Recovery Teams will seek to 'prosecute' offenders, apply sanctions, recover social homes and recover financial losses	SAFS Mgr/ S.151 Officer SAFS Mgr SAFS Mgr Monitoring Officer
				Develop the right level of resources to deal with the level of fraud risk CAPACITY	The Council will review its ROI from SAFS Membership SAFS will assist the Council in providing its Transparency Code (Fraud) Data annually Reports for Audit Committee on all Counter Fraud activity SAFS will work with bodies including MHCLG/LGA/CIPFA/FFLB to develop anti-fraud strategies at a national level that support fraud prevention in local government

*s.151 Officer is Assistant Director- Finance & Estates
 Monitoring Officer is Service Director- Head of Shared Legal Service*

**SAFS
KPIs 2019/2020**

KPI	Measure	Target 2019/2020	Target 2018/2019	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	New Target	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. 1 FTE on call at Stevenage Borough Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit Committee. C. SAFS Attendance at Corporate Governance Groups.	A. 1 FTE B. 2 Report C. New	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases 2 Days. B. All other cases 5 Days on Average. C. Provide compliance for 'Joint Working' with DWP/FES	New Target	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN B. Membership of CIPFA Counter Fraud Centre C. Access to NAFN for relevant Council Staff D. 5 Fraud training events for staff/Members in year. E. Support for in-house TF Investigation Staff.	New Target	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. & Success rates for cases investigated.	A. 100 - Fraud referrals from all sources to SAFS B. 60% of cases investigated and closed in year proved. C. 12 Social homes secured from sub-letting or other unlawful tenancy breaches. D. 100% Review of RTB Application.	A. 100 Refs B. 60% C. 12 D. New	This target will measure the effectiveness of the service in promoting the reporting of fraud by staff and public, & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Implement the Herts FraudHub for SBC. B. Complete NFI 2018/2019 Reports.	New Target	Build a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.

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Meeting: **Audit Committee**

Portfolio Area: All Portfolio Areas

Date: **19 March 2019**

CORPORATE GOVERNANCE ARRANGEMENTS

Author: Suzanne Brightwell Ext: 2966
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1. PURPOSE

1.1. To advise Members of the Audit Committee of:

- Activity carried out in 2018/19 to strengthen the Council's corporate governance arrangements.
- Corporate governance enhancement activity identified for delivery in 2019/20, which will be reflected in the Council's 2018/19 Annual Governance Statement.

2. RECOMMENDATIONS

2.1. That Members of Audit Committee note:

- Progress on significant corporate governance enhancement activity during 2018/19.
- Corporate governance enhancement activity identified for 2019/20, for inclusion in the Council's 2018/19 Annual Governance Statement.

3. BACKGROUND

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

3.2. Local Governance Framework

3.2.1. In January 2008, Audit Committee approved a local framework encompassing the CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'. In April 2016, CIPFA/SOLACE revised this Framework to reflect the CIPFA/IFAC International Framework, 'Good Governance in the Public Sector'.

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

- Set out its commitment to the principles of good governance
- Determine its own governance structure, or Local Code of Governance.
- Ensure that it operates effectively in practice through the review of arrangements.

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

- Developing and maintaining an up to date Local Code of Governance, including arrangements for ensuring ongoing effectiveness
- Reviewing existing governance arrangements, and
- Reporting publicly on compliance with the Local Code of Governance on an annual basis setting out how they have monitored the effectiveness of their governance arrangements in the year and identify any enhancement required.

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

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

B: Ensuring openness and comprehensive stakeholder engagement

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

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

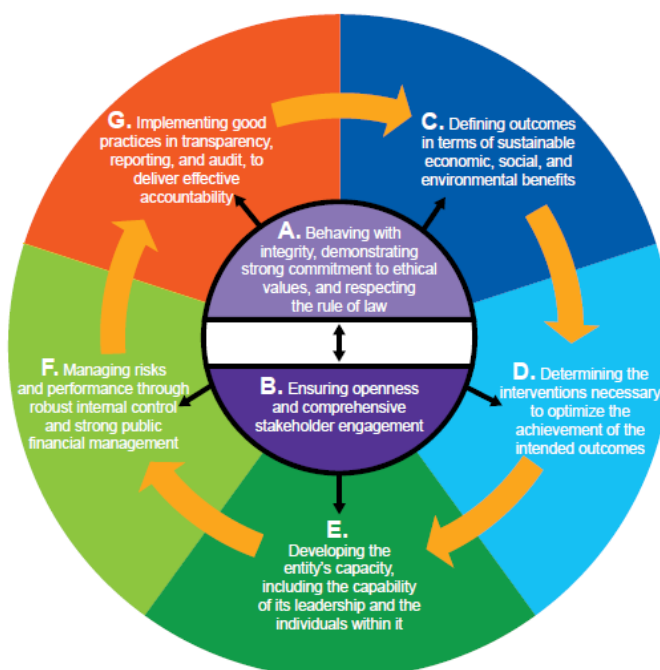
D: Determining the interventions necessary to optimise the achievement of intended outcomes

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

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

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

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



3.2.4 For each of the above core principles, the Framework outlines a set of sub-principles and a set of behaviours and actions that demonstrate good governance in practice.

3.3 Local Code of Governance

3.3.1 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 Framework states that the authority should develop and maintain a Local Code of Governance which reflects the principles identified in the Framework.

3.3.2 The Council's current Local Code of Governance, revised to enhance the assessment process was last approved by Audit Committee in June 2017.

3.4 Legislation and Proper Practice

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

3.5 Review of Corporate Governance Arrangements

- 3.5.1** The primary focus of the Council's review of governance arrangements is focused on compliance with the core and sub-principles that form the 'Delivering Good Governance' Framework.
- 3.5.2** To ensure a proactive approach to this review, Corporate Governance Group meets quarterly to regularly consider the effectiveness of the Council's governance arrangements against the Framework. Each of the seven principles (outlined previously in Paragraph 3.2.3) is reviewed by Corporate Governance throughout the year.
- 3.5.3** Significant enhancement activity identified as a result of these reviews is reflected below in Paragraphs 3.6 and 3.7 and also in the appendices to this report. To provide Members with a complete picture of governance enhancement carried out in 2018/19 and scheduled for 2019/20, enhancement activity pertaining to best practice has also been reflected in the Appendices.
- 3.5.4** Enhancement activity is deemed significant if recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service following their review of control arrangements to meet the Audit Plan, or if identified as key to the management of 'very high/high level' strategic risks. By adopting this approach, any concerns over key controls that have a material effect on corporate governance arrangements and the delivery of outcomes should be addressed.

3.6 Significant Governance Enhancement Activity in 2018/19

- 3.6.1** Progress in relation to significant governance enhancement activity included in the 2017/18 Annual Governance Statement and carried out in 2018/19 is summarised below:

AGS Action 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: A new five year Housing Asset Management strategy (2019-2024), with an action plan for implementation of the strategy over the next five years has been developed and is being considered at the March Executive meeting.

AGS Action 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: Executive approved the adoption of a General Fund Asset Management Strategy and a rolling five year Action Plan which will act as a monitor to report progress and achievement.

AGS Action 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: New delivery and case management arrangements for the Repairs and Voids service have been implemented ensuring ownership and accountability for delivery from the point of receipt through to closure. These new arrangements have had a positive impact on service performance.

AGS Action 4: 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: Recruitment is underway for a number of key posts across the Council that will enhance capacity and key skills. The Fourth Tier Management reviews are nearing completion.

AGS Action 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: Significant improvement activity has taken place to ensure the Council's IT and telephone systems continue to provide a secure and high performing IT environment. A new generator has been installed to improve power resilience at the Daneshill House Data Centre. Migration of the Council's telephone system is complete for East Herts and work has commenced on the Stevenage Borough Council migration with work expected to be complete early in 2019/20. A series of IT infrastructure enhancements have also been implemented to provide a more reliable and secure service that supports delivery of more digital solutions for customers and staff. The Shared IT Service is working with Microsoft to develop a programme of activity to further enhance IT infrastructure and resilience. A draft ICT strategy and road map is being developed which will further inform 2019/20 enhancement activity.

AGS Action 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: Substantial progress has been made to ensure the Council is General Data Protection Regulation (GDPR) compliant and to make sure staff are aware of their responsibilities with regards to the management of customer data. Training to help service teams understand the importance of good customer information handling has included: mandatory GDPR e-learning; bespoke training delivered to field-based operatives at Cavendish Depot and lunchtime learning sessions for other staff. Data Protection policies and guidance have also been updated. Enhancement activity has been reflected in a follow-up SIAS audit report on GDPR Preparedness which provided 'Good' level of assurance.

AGS Action 7: To further enhance health and safety arrangements, an initial action plan has been produced. Ongoing activity may be identified as a result of Assistant Director and internal/external peer reviews and to be addressed in an appropriate timeframe: To ensure and

maintain corporate wide oversight and clarity on health and safety compliance and performance across the Council, a new corporate health and safety governance structure has been put in place that provides assurance to senior management that health and safety assessments and activity across the Council are being effectively managed.

- 3.6.2** In addition, a wider programme of governance enhancement pertaining to best practice in 2018/19 was delivered and is reflected in Appendix A, together with the significant activity as outlined above.

3.7 Significant Governance Enhancement activity planned in 2019/20

- 3.7.1** Significant governance enhancement activity to be reflected in the 2018/19 Annual Governance Statement for delivery in 2019/20 is summarised below:

AGS Action 1: Implementation of the first phase of the Action Plan to deliver the five year Housing Asset Management Strategy (2019-2024) to ensure the Council delivers maximum value from its assets whilst providing quality homes for its tenants. Activity identified in 2019/20 includes establishing a programme of stock condition surveys, review of mobile working arrangements, Asset Management Database audit, enhance general fund property data reporting, carry out a refresh of Asset Review data, carry out an options appraisal of the Council's high rise flat blocks and Pinewoods Sheltered Housing scheme, fire safety enhancement activity; analysis of repairs trends and costs; review of the Aids and Adaptations Policy; review of ability and financial viability to take on subcontracted works in-house; review procedures for measuring efficiency savings and review of Empty Homes systems, procedures and policies,

AGS Action 2: Implementation of actions identified for 2019/20 to implement the five year General Fund Asset Management Strategy: A review of the Council's commercial portfolio and locality reviews to be carried out. This will then be followed by implementation of action identified by these reviews

AGS Action 3: Continue to implement and embed the restructure of services through Future Council – Business reviews to improve corporate capacity and deliver sustainable services that better meet customer needs: Implementation of new structures and appointment to posts.

AGS Action 4: Shared IT Service to continue to develop and implement a strategy and programme of activity to enhance IT infrastructure, cyber security, governance arrangements, policy framework and resilience: This enhancement encompasses a broad area of complex activity covered by programmes of work with significant resource requirements over the next twelve months and beyond. This includes restructure of the IT security team to enable enhanced IT security activity; an infrastructure review and refresh; completion of the telephone project, IT policy framework refresh and review and implementation of enhanced governance arrangements.

AGS Action 5: Continue to enhance and embed information management arrangements across the Council to ensure that best practice records management continues to be applied and customer data is appropriately managed: IT Systems and solutions to be investigated to ensure that data remains secure. A programme of work is currently being developed for resource approval to take forward this work.

AGS Action 6: Embed the new Health and Safety Framework to ensure health and safety compliance and performance across the Council. Training and awareness activity to continue to embed the new Health and Safety Framework throughout all Council operations.

AGS Action 7: The governance framework and business plan for the CCTV Partnership to be reviewed by the CCTV Joint Executive and Company Board of Directors: This enhancement activity includes a complete review of the partnership and governance arrangements between all CCTV Partner authorities, including a complete review of the partnership agreement, terms of reference and reporting arrangements, creation of a five year Business Plan and implementation of the new governance arrangements.

3.7.2 In addition, a wider programme of governance enhancement, pertaining to best practice in 2019/20 is reflected in Appendix B, together with the significant activity as outlined above.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

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

5. IMPLICATIONS

5.1. Financial Implications

There are no direct financial implications arising from this report.

5.2. Legal Implications

The governance enhancements identified in this report inform the Annual Governance Statement which will be reported to Audit Committee in June. It is a requirement for the Council to publish an Annual Governance Statement alongside its Statement of Accounts.

5.3. Risk Implications

Risk management supports robust corporate governance arrangements by identifying potential risks associated with the achievement of corporate priorities and statutory requirements. Weakness in corporate governance arrangements can

increase risk for the Council. Governance arrangements need to be sound and seen to be sound to mitigate risk.

5.4. Other Corporate Implications

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

6. BACKGROUND DOCUMENTS

- CIPFA/SOLACE 'Delivering Good Governance in Local Government' 2016 Framework and Guidance
- CIPFA/IFAC International Framework: 'Good Governance in the Public Sector', published August 2014
- Audit Committee Report: Local Code of Corporate Governance (15 June 2017)

7. APPENDICES

- Appendix A: Governance Enhancement Activity carried out in 2018/19
- Appendix B: Governance Enhancement Activity planned for 2019/20.

Governance Enhancement Activity carried out in 2018/19

Corporate governance activity included in the peach text boxes below are deemed significant. Activity is deemed significant if recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service following their review of control arrangements to meet the Audit Plan or identified as key to the management of 'very high/high' level strategic risks.

To provide a complete picture of governance enhancement carried out in 2018/19, activity pertaining to best practice has also been reflected below.

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

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

- Regulation of Investigatory Power Act (RIPA) training was undertaken by the Council's Authorising Officers (CE and Strategic Directors)
- An Independent Person for the Audit Committee was appointed
- Revised arrangements for decision making (the Council's Scheme of Delegation) were approved by Council which better reflect the senior officer structure and will improve the speed, clarity and transparency of decision making.
- The Council's Contract Standing Orders and Constitution were reviewed

Principle B: Ensuring openness and comprehensive stakeholder engagement

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

- The Annual Report and Performance Review highlighting the Council's achievements over the past year and plans for the next twelve months was approved by Executive and published on the Council's website.
- To ensure staff are optimally engaged and motivated in delivering the Council's priorities, a staff survey was carried out to gauge levels of staff satisfaction/engagement and perception of organisation performance and delivery.
- Two Neighbourhood Action Groups have been established to bring together a range of public sector services, voluntary organisations and local residents to develop neighbourhood plans outlining community priorities and associated neighbourhood enhancement projects.
- A new Statement of Community Involvement was approved, setting out the Council's vision and strategy for effective community engagement through all stages of the planning process
- Consultation on the review of community centres to develop a more sustainable model of operation for the future was implemented. The consultation explored options relating to community association participation and structure under a new Cooperative Compact together with wider community consultation and focus groups on the future model for the delivery of community building services.
- The Community Select Committee has carried out review of resident involvement to enhance consultation and engagement arrangements to inform the development of a wider Community Engagement Framework and toolkit for the Council.
- Following consultation with children and young people, improvements to play areas in Longmeadow and Bedwell were delivered.

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

Progress of significant governance actions to facilitate compliance with the CIPFA/SOLACE Governance Framework:

Housing Asset Management Strategy: A new five year Housing Asset Management strategy (2019-2024), with an action plan for implementation of the strategy over the next five years has been developed for consideration at the March Executive meeting

General Fund Asset Management Strategy: Executive approved the adoption of the General Fund Asset Management Strategy and a rolling five year Action Plan which will act as a monitor to report progress and achievement.

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

Progress of significant governance actions to facilitate compliance with the CIPFA/SOLACE Governance Framework:

Repairs and Voids Improvement Programme: New delivery and case management arrangements have been implemented ensuring ownership and accountability for delivery from the point of receipt through to closure. These arrangements for the Repairs and Voids service have had a positive impact on service performance.

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

- Approval and publication of a new Corporate Procurement Strategy.
- The Performing at Our Peak Programme has delivered a performance and governance system which provides the Senior Leadership Team access to data and information that form strategic insight and is providing a clearer picture of performance, risk and governance.
- Enhancement of Housing IT systems to support customers to self-serve in the future, enabling customers to take responsibility for their Personal Housing Plans, enable better casework monitoring and improved customer communication, capture customer information in one place and enable officers to make more informed decisions and provide a more effective response to customer enquiries.
- The corporate performance guide has been reviewed to incorporate changes to reflect the monitoring and management of business insight through the new corporate insight system.

- A new approach to the identification and implementation of local improvement priorities is now being taken, informed by learning attained as a result of the partnership with two universities and the Department for Digital, Culture, Media and Sport.
- The Shared IT Partnership governance arrangements continue to be enhanced. The Shared Services Partnership Board is overseeing the development and implementation of a single IT strategy that will deliver the Council's digital transformation ambitions and ensure that services are delivered that meet customer needs and are fit for the future.

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

Progress of significant governance actions to facilitate compliance with the CIPFA/SOLACE Governance Framework:

Corporate Capacity: Recruitment is underway for a number of key posts across the Council that will enhance capacity and key skills. The Fourth Tier Management reviews are now nearing completion.

The following governance activity pertaining to best practice was delivered:

- A new corporate staff appraisal process (REAL Conversation) was implemented. REAL Conversation is a rolling appraisal process with regular meeting arrangements providing a framework for achieving the best performance on a day to day basis.
- A new intranet went live providing staff with the vital information and tools to help them in their role.
- Working collaboratively with the Council's recognised Trade Unions, staff have been offered the opportunity to develop their literacy, maths and computing skills and attain formal qualifications.
- A training programme for all housing advice staff was implemented.
- Training on the Homelessness Reduction Act which came into force 3 April 2018 was provided for Housing teams and services.
- The Competency Framework for officers below Level 10 is in development. This will sit alongside the competency framework for grades 10 and above which was implemented in 2017.
- A Fourth Tier Leadership Network has been established with its inaugural meeting held in December 2018.

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

Progress of significant governance actions to facilitate compliance with the CIPFA/SOLACE Governance Framework:

- **Cyber Security and IT Resilience:** Improvement activity has taken place to ensure the Council's IT and telephone systems continue to provide a secure and high performing IT environment. A new generator has been installed to improve power resilience at the Daneshill House Data Centre. Migration of the Council's telephone system is complete for East Herts and work has commenced on Stevenage Borough Council's migration with work expected to be complete early in 2019/20. A series of IT infrastructure enhancements have also been implemented to provide a more reliable and secure service that supports delivery of more digital solutions for customers and staff. The Shared IT Service is working with Microsoft to develop a programme of activity to further enhance IT infrastructure and resilience. A draft strategy and road map is being developed which will further inform 2019/20 activity.
- **Information Management:** Substantial progress has been made to ensure the Council is General Data Protection Regulation (GDPR) compliant and to make sure staff are aware of their responsibilities with regards to the management of customer data. Training to help service teams understand the importance of good customer information handling has included: mandatory GDPR e-learning; bespoke training delivered to field-based operatives at Cavendish Depot and bitesize lunchtime learning sessions for other Council staff. Data Protection policies and guidance have also been updated. Enhancement activity has been reflected in a follow-up SIAS audit report on GDPR Preparedness which provided a 'Good' level of assurance.
- **Corporate Health and Safety:** To ensure and maintain corporate wide oversight and clarity on health and safety compliance and performance across the Council, a new corporate health and safety governance structure has been put in place that provides assurance to senior management that health and safety assessments and activity across the Council are being effectively managed. The Council has a complete database of health and safety risk assessments for all services. Health and safety training arrangements are under review. Arrangements for the monitoring and follow-up of key risk action plans to be embedded throughout the Council.

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

- The Shared Anti-Fraud Service (SAFS) have delivered a number of training sessions for staff and a plan has been developed to deliver additional sessions to front line customer service staff to assist in the identification and reporting of false documents
- Working with HR Teams across the County, SAFS have developed and published an e-learning package for staff and Members linked to the Council's policies and fraud reporting processes.
- SAFS have worked closely with senior officers to ensure that the Council is able to comply with the statutory National Fraud Initiative (NFI).
- GDPR compliance has been enhanced with the implementation of an electronic document management system which allows the Housing and Investment service to process and store fewer documents..
- A new Compliance Manager has been appointed to monitor the health and safety of Council buildings
- Enhanced IT Shared Service Partnership arrangements have been implemented and are now embedded.
- A BREXIT impact assessment to assess operational risks and mitigation actions to ensure vital services continue to work effectively in the event of a no deal EU withdrawal was considered by Executive in January 2019.
- SIAS provided 'Good' assurance for the Council's Corporate Governance and Risk Management arrangements for 2018/19.

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

Governance for this principle is currently considered robust.

Governance Enhancement Activity to take place in 2019/20

Corporate governance activity included in the peach text boxes are deemed significant. Activity is deemed significant if recommended for inclusion in the Annual Governance Statement by the Shared Internal Audit Service following their review of control arrangements to meet the Audit Plan or identified as key to the management of 'very high/high' level strategic risks.

To provide a complete picture of governance enhancement planned for 2019/20 activity pertaining to best practice is also reflected.

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

Governance for this principle is currently considered robust. To enhance governance further the following activity pertaining to best practice has been identified:

- Officer Code of Conduct to be updated to reflect new working practices, in particular incorporation of social media protocols
- Production of Whistle Blowing Policy
- Review of the Council's Anti-Fraud and Corruption Strategy
- Review the arrangements in place for decision making (Scheme of Delegation) for Executive functions.

Principle B: Ensuring openness and comprehensive stakeholder engagement

Governance for this principle is currently considered robust. To enhance governance further the following activity pertaining to best practice has been identified:

- Implement and embed the council's new Community Engagement Framework to enhance the council's consultation and engagement arrangements
- To enhance communication arrangements and implement recommendations made by the LGA during the Strategic Communications Peer Review, a new Communications and Marketing Plan has been developed for implementation in 2019/20.
- Launch of a new Stevenage Borough Council website to provide a portal for new customer online services.
- A new customer contact model to be produced to ensure alignment of customer service, IT, Digital Strategy and Future Council Business Unit Reviews

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

Significant Governance activity to facilitate compliance with the CIPFA/SOLACE Governance Framework

- **Housing Asset Management Strategy:** Implementation of the first phase of the Action Plan to deliver the five year Housing Asset Management Strategy (2019-2024) to ensure the Council delivers maximum value from its assets whilst providing quality homes for its tenants.
- **General Fund Asset Management Strategy:** Implementation of actions identified for 2019/20 to implement the five year General Fund Asset Management Strategy. Activity includes review of the council's commercial portfolio and implementation of locality reviews.

In addition, ongoing monitoring is planned in mitigation of the following on-going risks:

- 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 support the council's Housebuilding and Acquisitions Programme.
- 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. There remains significant pressure identified in the General Fund report to the Executive (January 2019) which will mean that the Financial Security targets will need to be revised to meet a contribution to balances in 2022/23.

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

Ongoing monitoring is planned in mitigation of the following on-going risks:

- 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.

Governance for this principle is currently considered robust. To enhance governance further the following activity pertaining to best practice has been identified:

- Implementation of a new Contract Management Module to enhance procurement arrangements

- The Shared IT Partnership governance arrangements will continue to be enhanced. The Shared Services Partnership Board is overseeing the development and implementation of a single IT strategy that will deliver the Council's digital transformation ambitions and ensure that services are delivered that meet customer needs and are fit for the future.
- A Wholly Owned Company to be established to complement the council's existing and future property development activity. Governance arrangements for the new company will need to be identified, implemented and monitored.
- Protocols and governance arrangements to be developed and approved in preparation for transition of services to a new public sector hub.

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

Significant Governance activity to facilitate compliance with the CIPFA/SOLACE Governance Framework:

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

In addition, to enhance governance further the following activity pertaining to best practice has been identified:

- A new Learning and Development Plan to be produced which will be aligned to meet workforce and succession planning needs.
- The results of the Staff Survey carried out in 2018/19 to be used to inform a new Corporate Workforce Plan

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

Significant governance activity to facilitate compliance with the CIPFA/SOLACE Governance Framework

- **IT Resilience, Governance, Policy Framework and Cyber Security:** The Shared IT Service to continue to develop and implement a strategy and programme of activity to enhance IT infrastructure, cyber security, governance, Policy Framework and IT resilience.
- **Information Management:** Continue to enhance and embed information management arrangements across the Council to ensure that best practice records management continues to be applied and customer data is appropriately managed.
- **Health and Safety:** Embed the new Health and Safety Framework to ensure health and safety compliance and performance across the Council.
- **CCTV Partnership:** The governance framework and business plan for the CCTV Partnership to be reviewed by the CCTV Joint Executive and Company Board of Directors

In addition, to enhance governance further the following activity pertaining to best practice has been identified:

- Approval and publication of a revised Anti-Money Laundering policy to enhance counter fraud and anti-corruption arrangements
- An e-learning risk identification/management training offer to be developed
- A business continuity desk top exercise has been developed to be used by business units to test and validate their business continuity arrangements.
- Implement management and operational action to deliver effective financial management of the commercial property portfolio to meet the Council's Financial Security priority.
- Shared Anti-Fraud Service to work with Human Resources on the delivery of an e-learning package for staff and Members which will be linked to the Council's policies and fraud reporting tools to raise awareness of fraud as a risk

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

Governance for this principle is currently considered robust and no further governance activity is scheduled at this stage.



Stevenage Borough Council Audit Committee

19 March 2019

Shared Internal Audit Service – Progress Report

Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Approve Amendments to the Audit Plan as at 1 March 2019
- c) Note the Status of Critical and High Priority Recommendations

Contents

1 Introduction and Background

- 1.1 Purpose
- 1.2 Background

2 Audit Plan Update

- 2.1 Delivery of Audit Plan and Key Findings
- 2.4 Proposed Audit Plan Amendments
- 2.5 Critical and High Priority Recommendations
- 2.7 Performance Management

Appendices:

- A Progress against the 2018/19 Audit Plan
- B Implementation Status of Critical and High Priority Recommendations
- C Audit Plan Items (April 2018 to March 2019) - Indicative start dates agreed with management
- D Assurance Definitions / Priority Levels

1 Introduction and Background

Purpose of Report

- 1.1 To provide Members with:
- The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2018/19 Internal Audit Plan as at 1 March 2019.
 - The findings for the period 1 April 2018 to 1 March 2019.
 - The proposed amendments required to the approved Internal Audit Plan.
 - The implementation status of previously agreed audit recommendations.
 - An update on performance management information as at 1 March 2019.

Background

- 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

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 1 March 2019, 95% of the 2018/19 Audit Plan days have been delivered (calculation excludes contingency days that have not yet been allocated).
- 2.2 Final reports for the following audits and projects have been issued or completed since the last Audit Committee:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Risk Management	February 2019	Good	None
Corporate Governance	February 2019	Good	None
Creditors	March 2019	Good	Two Low/Advisory
Development Management	March 2019	Good	One Low/Advisory
Housing Development	March 2019	Good	None

- 2.3 The table below also summarises the position with regard to 2018/19 projects as at 1 March 2019. Appendix A provides a status update on each individual project within the 2018/19 Internal Audit Plan. Details of start dates for the individual projects are also shown in Appendix C.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	19	58%
Draft Report Issued	7	21%
In Fieldwork/Quality Review	5	15%
In Planning/Terms of Reference Issued	0	0%
Allocated	0	0%
Deferred/Cancelled	2	6%
Total	33	100%

Proposed Audit Plan Amendments

- 2.4 The audit of Land Charges, due to be undertaken during March 2019, has been deferred until July 2019 and the audit days returned to contingency. This is due to staff having insufficient availability in the period leading up to the local elections in May. In addition the audit of Homelessness Reduction Act, due to be undertaken in March 2019, has been deferred until June 2019 and the audit days returned to contingency. Provision for both audits has been made in the Proposed Audit Plan for 2019/20.

Critical and High Priority Recommendations

- 2.5 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.
- 2.6 The schedule attached at Appendix B details any outstanding Critical and High priority audit recommendations.

Performance Management

- 2.7 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.

- 2.8 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 1 March 2019
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	90% (310/335 days)	95% (317.5/335 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	84% (26/31 projects)	84% (26/31 projects)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (11 received) Note (1)
4. Number of Critical and High Priority Audit Recommendations agreed	95%	95%	100% (9 High agreed)

Note (1) - 3 of those received in 2018/19 relate to 2017/18 projects.

APPENDIX A - PROGRESS AGAINST THE 2018/19 AUDIT PLAN

2018/19 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Key Financial Systems – 75 days									
Main Accounting System (General Ledger)						6	Yes	6	Draft Report Issued
Debtors						10	Yes	4.5	In Fieldwork
Creditors	Good	0	0	0	2	12	Yes	12	Final Report Issued
Treasury Management	Good	0	0	0	0	6	Yes	6	Final Report Issued
Payroll						12	Yes	12	Draft Report Issued
Council Tax	Good	0	0	0	1	6	Yes	6	Final Report Issued
NDR	Good	0	0	0	0	6	Yes	6	Final Report Issued
Housing Benefits	Good	0	0	0	0	6	Yes	6	Final Report Issued
Cash and Banking	Good	0	0	0	0	5	Yes	5	Final Report Issued
Housing Rents						6	Yes	6	Draft Report Issued
Operational Audits – 111 days									
Data Quality	Satisfactory	0	0	1	2	15	Yes	15	Final Report Issued
GDPR – Post Implementation Review	Good	0	0	1	0	10	Yes	10	Final Report Issued
Land Charges	N/A					2	Yes	2	Deferred
Emergency Planning	Good	0	0	0	0	10	Yes	10	Final Report Issued
Street Cleansing	Limited	0	0	6	0	15	Yes	15	Final Report Issued
CCTV – joint review	Limited	0	9	0	0	12	Yes	12	Final Report Issued
Development Management	Good	0	0	0	1	10	Yes	10	Final Report Issued
Homelessness Reduction Act	N/A					2	Yes	2	Deferred
Debt Recovery						12	Yes	10	In Quality Review
Anti-Social Behaviour						10	Yes	10	Draft Report Issued
Herts Home Improvement Agency						2	Yes	2	Draft Report Issued
DFG Capital Grant Certification	N/A	0	0	0	0	1	Yes	1	Final Report Issued

APPENDIX A - PROGRESS AGAINST THE 2018/19 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Digital – Connected to our Customers						10	Yes	10	Draft Report Issued
Procurement, Contract Management and Project Management – 24 days									
Refurbishment Contract	Good	0	0	0	0	12	Yes	12	Final Report Issued
Housing Development Schemes	Good	0	0	0	0	12	Yes	12	Final Report Issued
Risk Management and Governance – 10 days									
Risk Management	Good	0	0	0	0	5	Yes	5	Final Report Issued
Corporate Governance	Good	0	0	0	0	5	Yes	5	Final Report Issued
IT Audits – 30 days									
Cyber Security Follow-up – (TSS Improvement Plan – Security)						6	Yes	5	In Quality Review
Incident Management / Major Incident Review Follow-up (TSS Improvement Plan – Resilience)						6	Yes	5	In Quality Review
Mobile Device Management and BYOD	Satisfactory	0	0	2	1	6	Yes	6	Final Report Issued
TSS Improvement Plan – Governance						12	Yes	12	Draft Report Issued
Shared Learning and Joint Reviews – 6 days									
Shared Learning						2	Yes	2	Through Year
Joint Reviews – tbd						4	No	2	Through Year
Ad Hoc Advice – 5 days									
Ad Hoc Advice						5	No	4	Through Year
Follow-up Audits – 10 days									
Repairs and Voids Service						10	Yes	9	In Quality Review
Completion of 17/18 Projects – 20 days									
CSC Complaints Handling	Substantial	0	0	1	1	10	Yes	10	Final Report Issued
Other						10	Yes	10	Final Reports Issued
Contingency – 15 days									

APPENDIX A - PROGRESS AGAINST THE 2018/19 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Contingency						15	No	0	Not yet allocated
Strategic Support – 44 days									
Annual Report and Head of Internal Audit Opinion 2017/18						3		3	Complete
Audit Committee						11		10	Through Year
Client Liaison						8		7.5	Through Year
Liaison with External Audit						2		1	Through Year
Monitoring						10		8.5	Through Year
SIAS Development						5		5	Through Year
2019/20 Audit Planning						5		5	Complete
SBC TOTAL		0	9	11	8	350		317.5	

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (1 March 2019)
1.	CCTV (joint review) 2018/19.	We recommend that the governance framework for the overall CCTV Partnership is reviewed and confirmed as being fit for purpose, or changed as necessary, and is clearly understood by all parties, including the respective roles and responsibilities of the relevant Members and Officers.	We will draft a governance framework for the overall CCTV arrangements to include: - Governance for Hertfordshire CCTV Partnership - Governance for Hertfordshire CCTV Partnership Ltd. - Governance lines between the Partnership and the Company - Member roles and responsibilities - Officer roles and responsibilities These will be consulted on and agreed by the CCTV Joint Executive and the Company Board of Directors.	CCTV Joint Executive and Company Board of Directors.	1 December 2018. Revised to 31 May 2019.	<u>January 2019.</u> Recommended to the CCTV Joint Executive on 22 January 2019 that a detailed options paper will be put the CCTV Executive Group at its meeting on 10 April 2019. <u>March 2019.</u> On track.	Not yet implemented – continue to monitor.
2.	CCTV (joint review) 2018/19.	We recommend that an appropriate new Partnership Agreement between the current four CCTV Partner Authorities is drawn up and executed. It should clearly include the	We will prepare an updated CCTV Partnership Agreement drafted through the CCTV Officer Management Board to be signed by all four Partner Authorities.	CCTV Officer Management Board.	31 March 2019.	<u>January 2019.</u> On track. <u>March 2019.</u> On track.	Not yet implemented – continue to monitor.

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (1 March 2019)
		specific roles and responsibilities of the Partner Authorities. It should also clearly state the relationship the Partner Authorities have with Hertfordshire CCTV Partnership Ltd. and the function of that company in respect of the overall CCTV Partnership.					
3.	CCTV (joint review) 2018/19.	We recommend that the current Shareholders' Agreement for the Company is reviewed to ascertain if it remains fit for purpose and, if so, that the terms are fully complied with.	The Company Directors' will consider this recommendation through their Shareholder Representatives in light of future considerations relating to the future of Hertfordshire CCTV Partnership Ltd.	Company Board of Directors.	31 March 2019.	<u>January 2019.</u> On track. <u>March 2019.</u> On track.	Not yet implemented – continue to monitor.
4.	CCTV (joint review) 2018/19.	We recommend that appropriate revised / new Terms of Reference for the CCTV Joint Executive and the CCTV Officer Management Board are drawn up and formally agreed.	Terms of Reference will be updated for the CCTV Joint Executive and a Terms of Reference will be created for the CCTV Officer Management Board.	CCTV Joint Executive and CCTV Officer Management Board.	31 March 2019.	<u>January 2019.</u> On track. <u>March 2019.</u> On track.	Not yet implemented – continue to monitor.
5.	CCTV (joint review) 2018/19.	We recommend that, once agreed, the	New Terms of Reference will be	Each of the four Partner	31 July 2019.	<u>January 2019.</u> On track.	Not yet implemented – continue to monitor.

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (1 March 2019)
		revised/new Terms of Reference for the CCTV Joint Executive and the CCTV Officer Management Board are revised / added in the Constitutions for each of the four Partner Authorities, together with the updated Member/Officer representation for both groups.	submitted for formal incorporation into constitutional arrangements for the four Partner Authorities.	Authorities.		<u>March 2019.</u> On track.	
6.	CCTV (joint review) 2018/19.	We recommend that a new five-year Business Plan for the overall CCTV Partnership is drawn up and agreed. As a minimum, the plan should be monitored on a monthly basis in terms of achievements against projections and it should be the subject of a full review and refresh annually to cover the next five years ahead on a rolling basis. Besides financial projections, it should include non-financial aims and targets that should be monitored, reviewed and refreshed on the same basis.	We will develop a new five-year rolling Business Plan (with monthly monitoring and full annual reviews) for the overall Hertfordshire CCTV Partnership based on decisions about the future direction of Hertfordshire CCTV Partnership Ltd.	CCTV Joint Executive and Company Board of Directors.	31 July 2019.	<u>January 2019.</u> On track. <u>March 2019.</u> On track.	Not yet implemented – continue to monitor.

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (1 March 2019)
7.	CCTV (joint review) 2018/19.	We recommend that all reporting arrangements for the Partner Authorities are formally reassessed, agreed and documented to ensure there is complete clarity and transparency of expectations and understanding across all interested parties regarding the need, responsibility, frequency, timing, content, format and distribution of each report required.	Authority reporting arrangements to be included as part of a revised Partnership Agreement, Shareholder Agreement and Terms of Reference as necessary.	CCTV Joint Executive, CCTV Officer Management Board and Company Board of Directors as appropriate.	31 July 2019.	<p><u>January 2019.</u> On track.</p> <p><u>March 2019.</u> On track.</p>	Not yet implemented – continue to monitor.
8.	Cyber Security 2017/18	<p>The Council must define its position regarding its ability to identify and manage devices that are connecting to its IT network.</p> <p>A solution must be able to manage devices that have physically connected to the Councils' IT networks.</p> <p>Devices that have connected to the network should be reviewed and, where they are found to have</p>	This will be resolved with the correct solution not only for devices but also for ports on all devices that need to be restricted.	Strategic ICT Partnership Manager.	31 March 2019.	<p><u>January 2019.</u> This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>March 2019.</u> On track.</p>	Not yet implemented – continue to monitor.

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (1 March 2019)
		<p>not been authorised, they should be removed. The solution should include the use of personal devices to connect to the IT network.</p> <p>Furthermore, management should put arrangements in place to monitor network access on a regular basis.</p>					
9.	Cyber Security 2017/18	<p>Management should perform a full review of the Councils' perimeter firewall rules and, where necessary, remove inactive or unnecessary rules unless explicitly required. The 'Any' rules should be replaced with port object groups that contain an explicit set of ports as required for the rule.</p> <p>Management should also ensure that all users that have access and can make changes to any of the Councils' external firewall rules have individual accounts and should put arrangements in place</p>	<p>The majority of the council's firewalls need replacing and part of that work will require the correct configuration and management. ICT Partnership Manager has been tasked to restructure the ICT department and as part of that to have dedicated security and network staff to resolve and maintain control of these areas.</p>	Strategic ICT Partnership Manager.	31 March 2019.	<p><u>January 2019.</u> This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>March 2019.</u> On track.</p>	Not yet implemented – continue to monitor.

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (1 March 2019)
		for monitoring all configuration changes. Furthermore, management should establish a record of how all firewalls, both internal and external, have been configured and should review the rules for appropriateness on a routine basis.					

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

Apr	May	Jun	July	Aug	Sept
2017/18 Audit – Other (Final/Draft Reports Issued)	Mobile Device Management and BYOD (Final Issued)	Emergency Planning (Final Report Issued)	Repairs and Voids Service (Follow up) (In QR)	Debt Recovery (In QR)	DFG Capital Grant Certification (Final Report Issued)
CSC Complaints Handling (Final Report Issued)	Data Quality (Final Report Issued)		Street Cleansing (Final Report Issued)	GDPR – Post Implementation Review (Final Report Issued)	Herts Home Improvement Agency (b/f from Feb) (Draft Report Issued)
CCTV – joint internal audit (Final Report Issued)					
Oct	Nov	Dec	Jan	Feb	Mar
Cash and Banking (b/f from Nov) (Final Report Issued)	NDR (Final Report Issued)	Housing Rents (Draft Report Issued)	Debtors (In Fieldwork)	Corporate Governance (Final Report Issued)	Risk Management (Final Report Issued)
Council Tax (Final Report Issued)	Treasury Management (Final Report Issued)	Payroll (Draft Report Issued)	Creditors (Final Report Issued)	Cyber Security Follow-up (In QR)	Development Mgmt. (Deferred from Sept) (Final Report Issued)
Housing Benefits (Final Report Issued)	Main Accounting System (Deferred from October) (Draft Report Issued)	Digital - Connected to our Customers (Deferred from June) (Draft Report Issued)	Incident Management Follow-up (In QR)	Homelessness Reduction Act (Deferred to June)	
Housing Development Schemes (Final Report Issued)	TSS Improvement Plan Governance (b/f from Jan) (Draft Report Issued)	Refurbishment Contract (Final Report Issued)	Anti-Social Behaviour (Deferred from May) (Draft Report Issued)	Land Charges (Deferred from August) (Deferred to July)	

APPENDIX D – ASSURANCE / PRIORITY LEVELS

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
Audit Committee

2019/20 Internal Audit Plan Report

19 March 2019

Recommendation

Members are recommended to approve the proposed Stevenage Borough Council Internal Audit Plan for 2019/20

Contents

1. Introduction and Background

- 1.1 Purpose
- 1.2 Background

2. Audit Planning Process

- 2.1 Planning Principles
- 2.2 Approach to Planning
- 2.4 Planning Context
- 2.7 Internal Audit Plan 2019/20

3. Performance Management

- 3.1 Update Reporting
- 3.3 Performance Indicators

Appendices

A Proposed Stevenage Borough Council
Audit Plan 2019/20

B Audit Start Dates Agreed with
Management

1. Introduction and Background

Purpose of Report

- 1.1 To provide Members with the proposed Stevenage Borough Council 2019/20 Internal Audit Plan.

Background

- 1.2 The Stevenage Borough Council Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Internal Audit annual report.
- 1.3 The Shared Internal Audit Service (SIAS) Audit Charter which was presented to the June 2018 meeting of this Committee shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and revised on 1 April 2017. An updated version of the SIAS Audit Charter will be brought to the first meeting of Audit Committee in the 2019/20 civic year.
- 1.4 The PSIAS require that the audit plan must incorporate or be linked to a strategic or high-level statement which:
 - Outlines how the service will be developed in accordance with the internal audit charter
 - Details how the internal audit plan will be delivered
 - Evidences how the service links to organisational objectives and priorities
- 1.5 Section 2 of this report details how the SIAS complies with this requirement.

2. Audit Planning Process

Planning Principles

- 2.1 SIAS audit planning is underpinned by the following principles:
 - a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.

- b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.
- c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk;
- d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, including recognition that in a resource constrained environment, all needs cannot be met.
- e) Identification of responsibilities where services are delivered in partnership.
- f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge;
- g) Capacity to deliver key commitments including work undertaken on behalf of External Audit, governance work and counter fraud activity;
- h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

Approach to Planning

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

Local and National Horizon Scanning

SIAS reviews, on an ongoing basis:

- key committee reports at each client and identifies emerging risks and issues;
- the professional and national press for risks and issues emerging at national level.

Consideration of risk management arrangements

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

Confirmation of the Council's objectives and priorities

SIAS confirms the current objectives and priorities of the Council. This information is used to confirm that identified auditable areas will provide assurance on areas directly linked to the achievement of the Council's objectives and priorities.

2.3 The approach to audit planning for 2019/20 has been characterised by:

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

Risk Assessment

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

Other Sources of Assurance

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

Significance

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

Timings

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

- b) Proposed plans are based on the information obtained from the planning meetings. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee;
- c) The proposed 2019/20 plans for all SIAS partner Councils are then scrutinised and cross-partner audits highlighted;
- d) Proposed draft plans are presented to Senior Leadership Team for discussion and agreement;
- e) The plan is shared with the External Auditor.

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

The Planning Context

- 2.4 The context within which local authorities provide their services remains challenging:
- Latest forecasts show a cloudy outlook for the UK economy, reflecting increasing national and international uncertainties. Local authorities will need to be attuned to the impact on their local economies and any direct investments of their own.
 - Demand continues to rise, driven by complex needs, an ageing population and challenges in the healthcare system. With reduced financial support local authorities will therefore have to continue to become more innovative and commercial.
 - Digital transformation continues to offer opportunities along with significant risks. The innovative use of technology is helping to reduce costs, as well as be more efficient and transparent. However, factors such as security, privacy, ethical and regulatory compliance are a recognised concern.
 - Major, national programmes in areas like business rates, public health and housing mean the overall financial environment remains relatively unstable.
- 2.5 The resultant efficiency and transformation programmes that Councils are in the process of implementing and developing continue to profoundly alter each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.
- 2.6 The challenge of giving value in this context, means that Internal Audit needs to:
- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives;
 - Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective;
 - Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as 'control risk self assessments' or 'continuous assurance' where appropriate;
 - Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

Internal Audit Plan 2019/20

- 2.7 The draft 2019/20 audit plan is included at Appendix A and contains a high-level proposed outline scope for each audit. Appendix B details the planned start months.
- 2.8 Stevenage Borough Council has purchased 350 audit days for 2019/20. The table below shows the estimated allocation of these audit days:

Purchased Audit Days	2019/20	%
Key Financial Systems	74	21
Operational Audits	128	36
Procurement / Contracts / Project Management	30	9
IT Audits	24	7
Risk & Governance	12	4
Counter Fraud	0	0
Shared Learning / Joint Reviews	8	2
Ad-Hoc Advice	3	1
Follow Ups	10	3
Strategic Support*	46	13
Contingency	5	1
2018/19 Projects Requiring Completion	10	3
Total allocated days	350	100

* This includes supporting the Audit Committee, monitoring, client liaison and planning for 2020/21.

- 2.9 Members will note the inclusion of a provision for the completion of projects that relate to 2018/19. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible, especially given the high dependence on client officers during a period where there are competing draws on their time e.g. year end closure procedures.
- 2.10 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Head of Assurance to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

3. Performance Management

Update Reporting

- 3.1 The work of Internal Audit is required to be reported to a Member Body so that Stevenage Borough Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2019/20 and any proposed changes will be reported to this Committee five times in the 2019/20 civic year.
- 3.2 The implementation of agreed audit recommendations will be reported to Audit Committee as part of the update reporting process.

Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board in September 2011 and are reviewed annually. Details of the targets set for 2019/20 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

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

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

Stevenage Borough Council 2019/20 Proposed Internal Audit Plan

Audit	Proposed Outline Scope	Proposed Days
KEY FINANCIAL SYSTEMS		
Main Accounting System (General Ledger)	<p>SIAS will be conducting a full assurance audit on the Main Accounting system to confirm implementation of previous audit recommendations and that controls are well designed and operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> a) Access controls for the general ledger and associated modules, b) Setting up, deletion and monitoring of general ledger accounts in line with an established delegation of authority, c) Processing of journals and virements, ensuring that only authorised transactions with appropriate justification can be entered, d) Reconciliation of financial and non-financial systems where significant income is received, and e) Regular review and clearance of suspense accounts. 	8
Debtors	<p>Debtors will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> a) Policies and procedures, b) Customer account creation and amendment, c) Raising of debtor accounts, d) Credit notes and refunds, e) Accounting for income received, f) Write offs, and g) Debtors control account reconciliations. 	6

Audit	Proposed Outline Scope	Proposed Days
Creditors	<p>SIAS will be conducting a full assurance audit on the Creditors system to confirm implementation of previous audit recommendations and that controls are well designed and operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> a) Policies and procedures, b) Raising of supplier accounts, c) Ordering of goods, works and services, d) Receipt of goods, works and services, e) Payment of suppliers' invoices, f) Credit notes and refunds, and g) Creditors control account reconciliations. 	10
Treasury Management	<p>Treasury Management will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> a) Treasury Management Practices, Policies and Procedures, b) Reporting Arrangements, c) Cash Flow Management, d) Counter-Party Risk, e) Transactions, f) On-line Banking and Investments, g) Capital and Interest Payments, h) Reconciliations, i) Performance Monitoring, and j) External Service Providers. 	6
Payroll	SIAS will be conducting a full assurance audit on the Payroll system to confirm	10

Audit	Proposed Outline Scope	Proposed Days
	<p>implementation of previous audit recommendations and that controls are well designed and operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> a) Systems Access, b) Policies and Procedures, c) Service Continuity, d) Statutory and Superannuation Parameters, e) Starters and Leavers, f) Contract Variations, g) Additional Payments, Overtime and Expenses, h) Pay Run, i) PAYE Real Time Information, j) Recovery of Overpayments, and k) Payroll Records (Data Protection / Security). 	
Council Tax	<p>Council Tax will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> a) Policies, Procedures and Legislation, b) Amendment to Council Tax records, c) Discounts and Exemptions, e.g. Single Person Discount d) In-year Billing, e) Collection and Refunds, f) Recovery, Enforcement and Write Offs, g) Reconciliation between Council Tax system and General Ledger, h) Performance monitoring and Performance, and i) System access. 	6

Audit	Proposed Outline Scope	Proposed Days
Business Rates (NDR)	<p>Business Rates will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> a) Policies, procedures and regulatory compliance, b) Reconciliation between NDR system and Valuation lists, c) Multiplier setting, d) Voids and reliefs, e) In-year Billing, f) Collection and refunds, g) Recovery, enforcement and write offs, h) Reconciliation between NDR system and general ledger, i) Performance monitoring and management, and j) System access. 	6
Housing Benefits	<p>Housing Benefits will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> a) Policies, procedures and set-up of standing data, b) Assessments and backdating, c) Payments, d) Recovery of Overpayments, e) Reconciliations, f) Performance Monitoring, and g) Security of Data. 	6
Cash and Banking	Cash and Banking will have reduced coverage this year to confirm implementation of	6

Audit	Proposed Outline Scope	Proposed Days
	<p>previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> a) Security of cash and cheques received into departments and through the kiosk, b) Processing of cash and cheque payments, c) Collection and banking of kiosk income, and d) Bank Reconciliations. 	
Housing Rents	<p>SIAS will be conducting a full assurance audit on the Housing Rents system to confirm implementation of previous audit recommendations and that controls are well designed and operating effectively. Areas of coverage may include:</p> <ul style="list-style-type: none"> a) Procedures and processes of all stages of rent setting, rent collection and arrears management, b) Annual rent setting, input into the Housing Management System and communication with tenants, c) Tenancy status, collection of rent, including refunds, and reconciliation to the general ledger account, and d) Management of rent arrears, action taken, including write offs (current and former tenants) and evictions, e) Housing rents suspense account, f) Rent refunds. 	10
OPERATIONAL AUDITS		
Health and Safety	<p>The audit will provide assurance that the Council has appropriate controls in place to help meet its statutory obligations under the Health and Safety at Work Act and associated legislation. It may also cover whether the Council has good health and</p>	10

Audit	Proposed Outline Scope	Proposed Days
	safety systems and practice. The audit will also follow up the review of operational health and safety arrangements at Cavendish Road Depot.	
Sickness Absence Management	The audit will provide assurance on the effectiveness of the sickness management absence system. This may include: a) Sickness policies and application by managers, b) Health Review and Occupational Health arrangements, c) Management information and monitoring of effectiveness.	10
Facilities Management	The audit will provide assurance on the management and maintenance of the Council's operational buildings. This may include: a) The control framework for the Council's post room service, b) Management of the cleaning contract, c) Surveying and delivery of planned and routine maintenance to Council buildings.	6
Rechargeable Works	The audit will provide assurance on the status of recharging in respect of housing repairs and maintenance, including voids. This may include: a) Associated policy and communication, b) The roles and responsibilities for pre-payments and raising recharges, c) Effectiveness of any debt collection, d) The financial processing of recharges.	10
Insurance	The audit will provide high level assurance on appropriate cover and limits, claims handling and premiums.	6

Audit	Proposed Outline Scope	Proposed Days
Garage Investment Programme	<p>A review of the programme to refurbish Council owned garage blocks across the town. The audit may include:</p> <ul style="list-style-type: none"> a) Arrangements for managing the Council’s contractors, b) Oversight of programme management and benefits realisation. 	10
Cemeteries	<p>The audit will provide assurance on the effectiveness of managing the council’s cemeteries. This may include:</p> <ul style="list-style-type: none"> a) Control of customer and client receipts. b) Arrangements for record keeping, c) Oversight of any memorials in cemeteries (so that they do not pose a risk to health and safety). 	6
Herts Home Improvement Agency	<p>To provide assurance that a robust internal control framework is in place to support the delivery of activities and outcomes of the Home Improvement Agency. Audit day contributions from all SIAS partners who are in the partnership have been sought.</p>	2
Town Centre Regeneration – SG1	<p>A governance review of the Council’s regeneration programme for Stevenage Town Centre. Coverage may include:</p> <ul style="list-style-type: none"> a) Appropriateness of governance framework in place, b) Effectiveness of programme and project management/oversight of milestones and benefits realisation. 	12
Queensway /	<p>A governance review of the Council’s redevelopment programme. This audit may</p>	12

Audit	Proposed Outline Scope	Proposed Days
Marshgate Redevelopment	include: a) Appropriateness of governance framework in place, b) Effectiveness of programme and project management/oversight of milestones and benefits realisation.	
Recycling	The audit will provide assurance over the receipt of grants and contributions, income from dry recyclables and from other associated income streams.	10
Stevenage Museum	An establishment audit to provide assurance over the control of income, expenditure, visitor/event management and displays/collections.	6
Homelessness Reduction Act	To provide assurance that the Council has adequately responded to the new Homelessness Reduction Act legislation and assess the impact the new legislation has on temporary accommodation demands and spending. In addition, this review will seek to provide assurance on the Council's approach to rough sleeping.	10
Land Charges	<p>The Infrastructure Act 2015 authorised the transfer of local land charges registers and services from local authorities to be held and provided centrally at Land Registry. Councils play a key role in the collation and supply of data affecting their local areas which is essential in order to keep the new central digitised register updated.</p> <p>Local authorities are still required to apply, vary and cancel charges in the new register. They will also need to provide source documents on request and respond to additional enquiries from customers following HM Land Registry's issue of a search</p>	8

Audit	Proposed Outline Scope	Proposed Days
	<p>result.</p> <p>Our work is designed to review the Council’s response to the changes in the provision of local land charge searches, including the secure transfer of data to the Land Registry.</p>	
Safeguarding	A review of the Council wide requirement to meet obligations relating to safeguarding children and adults from abuse and neglect.	10
PROCUREMENT, CONTRACT MANAGEMENT AND PROJECT MANAGEMENT		
Major Refurbishment Contract	<p>Audit coverage of the Major Refurbishment Contract (otherwise known as the “Flat Block” contract). This may include:</p> <ul style="list-style-type: none"> a) Programme and contract management, b) Governance arrangements, c) Benefits realisation. 	10
Procurement	The audit will provide assurance that the Council is complying with legislation; there is effective corporate policy, procurement guidance/procedures and appropriate training.	10
Housing Development Schemes	<p>Further audit coverage of the Kenilworth Scheme is proposed in 2019/20. This may include:</p> <ul style="list-style-type: none"> a) Compensation payments and buying out private leaseholders, b) OJEU compliant procurement, project management and payments, 	10

Audit	Proposed Outline Scope	Proposed Days
	c) Governance and oversight, including risk management.	
SHARED LEARNING		
Joint Reviews	The SIAS Board traditionally agree a topic (or topics) for consideration as joint reviews across the SIAS partners in-year. This is likely to include a review of the Shared Anti-Fraud Service. Any others have yet to be determined. Where no further topic is specified, the audit days will be returned to contingency for use on emerging audits / risks, applied to other audits in the plan or used on audits in the reserve list.	4
Shared Learning	Shared Learning Newsletters and Summary Themed Reports – 2 days Audit Committee and Joint Review Workshops – 2 days	4
COUNTER FRAUD		
N/A	No internal audit work in this area is proposed in 2019/20. The Shared Anti-Fraud Service provides pro-active and reactive counter fraud services.	0
RISK MANAGEMENT AND GOVERNANCE		
Risk Management	The audit will involve a high level review of strategic and operational risk management	6

Audit	Proposed Outline Scope	Proposed Days
	arrangements, and whether risk management has been embedded in operational decision-making and activity. Any emerging issues will be considered as part of the audit planning process. This audit traditionally informs the Annual Governance Statement.	
Corporate Governance	<p>This audit traditionally informs the Annual Governance Statement and has covered a wide variety of topics across our partners. These have included:</p> <ul style="list-style-type: none"> a) Members and officers serving on Outside Bodies, b) Local Government Transparency Code, c) Culture, Ethics and Standards, d) Council Strategies, Policies and Procedures, e) Governance structures - Effective Council, committee and reporting structure, terms of reference for each committee and group, work plans for Cabinet / committees, minuting and action tracking, Members and senior staff possessing the appropriate mix of skills and receive any required training and development and delegating decision-making and transactional authority, and f) Delegation of authority. 	6
AD HOC ADVICE		
Ad hoc Advice	This planned time has been allocated to provide for adhoc advice to management on matters, issues or queries relating to risk, control, governance and anti-fraud. Adhoc advice is relevant to activities that typically take less than one day to complete, e.g. advice on new policies or strategies.	3

Audit	Proposed Outline Scope	Proposed Days
IT AUDITS (shared with East Herts Council)		
IT Shared Service Agreement	The audit will involve a review of whether there are appropriate arrangements in place to manage and resolve any issues relating to the partnerships finances, governance and performance.	6
Cyber Security (follow up audit)	The follow up review will provide a status update on the recommendations made in the Cyber Security audit carried out in 2018/19. Any new or emerging risk will also be covered.	6
Information Management	The audit will provide assurance on whether systems used to create, process and store records are appropriately managed, data is appropriately retained, arrangements are in place for handling any security breaches, and whether any losses can be recovered.	6
Project Management	The audit will provide assurance on preparation and approval of business cases, prioritisation of projects, delivery methods and arrangements for post implementation review.	6
FOLLOW UP AUDITS		

Audit	Proposed Outline Scope	Proposed Days
CCTV – joint audit with partners	The CCTV audit carried out in 2018/19 focused on the governance arrangements relating to the CCTV partnership. A Limited assurance opinion was given, and a number of High priority recommendations were made. This follow up review will focus on the status of those recommendations to help ensure they have been implemented or are on track.	5
Street Cleansing	The audit carried out in 2018/19 gave a Limited assurance opinion and a number of recommendations were made. This follow up review will focus on the status of those recommendations to help ensure they have been implemented or are on track.	5
CONTINGENCY		
Contingency	To provide for adequate response to risks emerging during the course of the financial year.	5
STRATEGIC SUPPORT AND CONTINGENCY		
Head of Internal Audit Opinion 2018/19	To prepare and agree the Head of Internal Audit Opinion and Annual Report for 2018/19.	3

Audit	Proposed Outline Scope	Proposed Days
Audit Committee	To provide services linked to the preparation and agreement of Audit Committee reports, meeting with the Audit Committee Chair prior to each Audit Committee (as required) and presentation of reports / participation at Audit Committee. Follow up of Critical and High priority recommendations.	12
Client Liaison, including CCG	This involves meetings and updates with the Council’s Audit Champion and other key officers. Attendance at the Corporate Governance Group (CGG) is also included.	10
Liaison with External Audit	To meet the external auditors and providing information as they require.	1
Plan Monitoring	To produce and monitor performance and billing information, work allocation and scheduling.	10
SIAS Development	Included to reflect the Council's contribution to developing and maintain the shared service / partnership through its service plans and corporate activities.	5
2020/21 Audit Planning	To provide services in relation to preparation and agreement of the 2020/21 Audit Plan.	5

Audit	Proposed Outline Scope	Proposed Days
2018/19 projects requiring completion	Additional time, if required, for the completion of 2018/19 audit work carried forward into the 2019/20 year. Any unused days will be returned to contingency for use on emerging risks and audits or allocated to audits in the reserve list.	10
TOTAL		350
RESERVE LIST (not in order)		
Supported Housing and Flats	The audit will provide assurance on housing support to older people and people requiring support living in Council sheltered and flexi care housing schemes. The audit may include: a) Services to support tenants to live independently and for which a charge is levied, b) Communal costs subject to a separate service charge, such as cleaning.	To be agreed with management if and when an audit on the reserve list is brought forward.
Environmental Health	The audit will provide assurance on food safety and health & safety enforcement at businesses in Stevenage. The audit may include: a) The enforcement of food safety law, inspection and education arrangements, b) The enforcement of health and safety legislation for commercial premises. c)	
ICT Asset Management	The audit will provide assurance on the traceability of hardware across the Council's estate. Coverage may include: Receipt and secure storage of purchased hardware, Inventory and roll out arrangements, asset tagging,	

Audit	Proposed Outline Scope	Proposed Days
	Decommissioning and disposal procedures.	
Performance Management	An audit of the performance management framework. The audit may include: a) Measures of performance and target setting, b) Data quality management, c) Production of management information and reporting arrangements.	
Members Allowances & Expenses	Audit coverage of payments made by the Council in respect of its Members Allowances Scheme e.g. Basic and Special Responsibility. It will also cover claims for travel, subsistence and any other allowances that are permitted.	
Sports and Recreation	This audit covers expenditure relating to the management and operation of Council owned leisure facilities, specifically the contractual relationship the Council has with Stevenage Leisure Limited for the management of four sites. Realisation of financial target(s).	

Appendix B – Stevenage Borough Council 2019/20 Proposed Audit Plan - Audit Start Dates Agreed with Management

Apr	May	Jun	July	Aug	Sept
2018/19 Projects Requiring Completion	Safeguarding	Homelessness Reduction Act	Health and Safety	Street Cleaning (follow up)	Herts Home Improvement Agency
Insurance	Procurement	Recycling	Sickness Absence Management	CCTV (follow up)	IT Shared Service Agreement
Cemeteries	Facilities Management	IT Project Management	Land Charges		Town Centre Regeneration – SG1
Stevenage Museum	Rechargeable Works				Garage Investment Programme

Oct	Nov	Dec	Jan	Feb	Mar
Housing Development Schemes	Council Tax	Payroll	Risk Management	Corporate Governance	
Major Refurbishment Contract (flat blocks)	Business Rates	Debtors	Housing Rents	IT Cyber Security (follow up)	
Queensway/Marshgate Redevelopment	Housing Benefits	Creditors	Main Accounting		
Cash & Banking	IT Information Management	Treasury Management			

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

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