

Public Document Pack



AUDIT COMMITTEE

Date: Tuesday, 9 June 2020

Time: 6.00pm

Location: Virtual (via Zoom)

Contact: Ian Gourlay (01438) 242703
committees@stevenage.gov.uk

Members: Councillors: T Callaghan (Chair), J Gardner (Vice-Chair), S Barr, S Booth, L Chester, D Cullen, L Kelly and G Lawrence.
Independent Member: Mr G Gibbs

AGENDA

PART 1

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

2. **MINUTES - 3 FEBRUARY 2020**

To approve as a correct record the Minutes of the meeting of the Audit Committee held on 3 February 2020.

Page 3 – 6

3. **TERMS OF REFERENCE**

To note the Terms of Reference for the Committee, as agreed by the Annual Council meeting on 20 May 2020.

Pages 7 – 8

4. **PUBLIC SECTOR AUDIT APPOINTMENTS (PSAA) ANNUAL AUDIT FEE LETTER**

To consider the Public Sector Audit Appointments Ltd Annual Audit Fee Letter.

Pages 9 – 12

5. **EXTERNAL AUDIT PLANNING REPORT 2019/20**

To consider Ernst & Young's External Audit Planning report for 2019/20.

Page 13 – 66

6. **PROPOSED SHARED ANTI-FRAUD SERVICE (SAFS) ANTI-FRAUD PLAN 2020/21**

To consider the proposed Shared Anti-Fraud Service (SAFS) Anti-Fraud Plan 2020/21.

Page 67 – 106

7. SIAS INTERNAL AUDIT PLAN 2020/21

To consider the SIAS Internal Audit Plan 2020/21.
Pages 107 – 132

8. ANNUAL ASSURANCE STATEMENT AND ANNUAL REPORT 2019/20

To consider the Annual Assurance Statement and Internal Audit Annual Report 2019/20 prepared by SIAS.
Pages 133 – 158

9. ANNUAL GOVERNANCE STATEMENT 2019/20 AND LOCAL CODE OF CORPORATE GOVERNANCE

To consider the Annual Governance Statement 2019/20 and Local Code of Corporate Governance.
Pages 159 – 234

10. URGENT PART 1 BUSINESS

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

11. 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.

12. STRATEGIC RISK REGISTER

To note the latest Strategic Risk Register for Stevenage Borough Council and developments on risk management issues.
Pages 235 - 266

13. URGENT PART II BUSINESS

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

STEVENAGE BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

Date: Monday, 3 February 2020

Time: 6.00pm

Place: Shimkent Room, Daneshill House, Danestrete

Present: Councillors: Maureen McKay (Chair), John Gardner (Vice-Chair), Sandra Barr, Stephen Booth, Laurie Chester, Lizzy Kelly and Graham Lawrence.
Geoff Gibbs (Independent Co-opted Member).

Start / End Time: Start Time: 6.00pm
End Time: 6.39pm

1 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillor Dave Cullen.

There were no declarations of interest.

2 MINUTES - 12 NOVEMBER 2019 AND 27 NOVEMBER 2019

It was **RESOLVED** that the Minutes of the meetings of the Audit Committee held on 12 November 2019 and 27 November 2019 be approved as correct records and signed by the Chair.

The Chair announced that a presentation on the progress of the Council's ICT Strategy would be submitted to the next meeting of the Committee to be held on 17 March 2020.

In respect of Minute 3 of the meeting of the Committee held on 27 November 2019, it was noted that an appropriate senior officer in the Regeneration Team would be invited to a future meeting in the summer of 2020 to provide an update on the financial risks associated with the Queensway LLP.

In terms of the 2018/19 external audit, the Assistant Director (Finance & Estates) advised that Ernst & Young had 5 outstanding queries. Due to priority work on the Council's budget for 2020/21, she had been unable to respond to these queries, but would do so during February 2020, thereby enabling the Statement of Accounts to be signed off.

The Assistant Director (Finance & Estates) commented that Hertfordshire CFO's would be collectively writing to the Public Sector Audit Appointments (PSAA) regarding clarification about EY's move to for a 30 September deadline for 2019/20 audit of accounts from the 31 July for audit sign off of the accounts. It was the CFO's preference that if the Finance Team were required to publish their unaudited

accounts by the end of May each year, it would be backward step to wait until the end of September for the accounts to signed off.

3 ANNUAL TREASURY MANAGEMENT STRATEGY INCLUDING PRUDENTIAL CODE INDICATORS 2020/21

The Assistant Director (Finance and Estates) presented a report which would be recommended to Council at its meeting on 26 February 2020 seeking approval of the Treasury Management Strategy 2020/21 including its Annual Investment Strategy and the prudential indicators.

The Assistant Director (Finance & Estates) advised that, as at 31 December 2019, cash balances were £63.03Million, and were forecast to be £50.70Million as at 31 March 2020. She referred to the Projected Investment Balances chart set out in Paragraph 4.3.3 of the report, and the chart in Paragraph 4.3.6, which showed the allocation of forecast reserves as at 31 March 2020. She reported that there had been no breaches of treasury counter party limits during 2019/20.

The Assistant Director (Finance & Estates) stated that it was proposed to increase the maximum level of long term (invested for longer than 12 months) investments from £10Million to £20Million when cash balances were higher than £30Million. This was to enable greater flexibility to use opportunities to invest longer term when forecast balances are expected to be higher due to the timing of expenditure.

The Assistant Director (Finance & Estates) explained that the Operational boundary was the limit beyond which external debt was not normally expected to exceed and in most cases would be similar to the Council's Capital Financing Requirement (CFR). It was recommended that the operational borrowing limit was increased to:

- accommodate continued uncertainty regarding the release of GD3 LEP monies and the cost of relocating the Bus Station, an essential requirement to progress the SG1 regeneration phase of the town centre;
- accommodate uncertainty regarding the timing of significant land sales;
- reflect the identified borrowing requirement in the capital strategy;
- reflect the capital programme financing requirement including capital receipts and the uncertainty of when these receipts may materialise; and
- reflect the valuation of the finance lease of Queensway properties in the town centre.

The Assistant Director (Finance & Estates) commented that the Authorised limit for external debt had in turn been increased and was a control on the maximum level of borrowing. This represented the legal limit to which the Council's external debt cannot exceed. The revised Authorised limit was set out in the table at Paragraph 4.5.5 of the report.

The Assistant Director (Finance & Estates) drew attention to Paragraph 4.8.4 of the report, where the Council's treasury advisors had forecasted the Bank of England

base rate to increase to 1.0% in March 2021. However, the Bank of England had subsequently agreed to the base rate increasing by 0.75% in March 2021, with a projected further 0.25% increase in June 2021. She added that the Housing Revenue Account Business Plan's existing loans had an average interest rate of 3.38%, based on £202.674Million of borrowing.

The Assistant Director (Finance & Estates) concluded by referring to the UK Sovereign rating and investment criteria. If there was a negative reaction to Brexit, then it was possible that credit rating agencies could downgrade the sovereign rating for the UK from the current level of AA (or equivalent). The Council's investment criteria only used countries with a rating of AA- or above. As at 23 January 2020, the UK current Sovereign rating was AA. The UK rating would be exempt from the sovereign rating investment criteria, and so in the event that the UK was downgraded below AA-, it would not impact on the Council's ability to invest with UK institutions. Other investment criteria would be considered in this event to ensure security of funds for the Council.

In response to Members' questions, the Assistant Director (Finance & Estates) replied:

- The Treasury Management Strategy contained sufficient flexibility to allow borrowing to fund the Bus Station Re-location project should Growth Deal 3 funds be not forthcoming, however this would have a financial impact to be addressed elsewhere;
- It was anticipated that the second phase of the Queensway scheme would commence in Spring 2021; and
- There was an update on cash balances held and although projected £50.7Million at year end, the Assistant Director (Finance and Estates) pointed Members to the Final Capital Strategy report which showed in a chart that higher balances were required to be held now for the Housing Revenue Account (HRA) as HRA balances reduce close to minimum balances in the middle of the HRA Business Plan. In addition a proportion of the balances relate to provisions and third party balances.

The Assistant Director (Finance & Estates) acknowledged Members' requests for additional general audit training and a further session on treasury management. She commented that she intended to arrange an All Member training session on Financial Risks in late March/early April 2020, to ensure that Members were fully aware of the challenging General Fund position going forward, which the Committee welcomed.

At a Member's request, the Assistant Director undertook to consider the inclusion of trends in risk management in the year end Risk Management report.

The Chair asked for an item to be included on the Committee's Work Plan for 2020/21 in respect of the allocation of Section 106 monies.

It was **RESOLVED**:

1. That the Treasury Management Strategy 2020/21 be recommended to the Executive and Council for approval.
2. That the draft prudential indicators for 2020/21 be approved.
3. That the minimum revenue provision policy be approved.
4. That an increase to the maximum level of long term (invested for longer than 12 months) investments from £10Million to £20Million when cash balances are higher than £30Million be approved.

4 URGENT PART 1 BUSINESS

None.

5 EXCLUSION OF PUBLIC AND PRESS

It was **RESOLVED**:

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

6 PART II MINUTES - AUDIT COMMITTEE - 12 NOVEMBER 2019

It was **RESOLVED** that the Part II Minutes of the meeting of the Audit Committee held on 12 November 2019 be approved as a correct record and signed by the Chair.

In the previous Committee Minutes there was reference to a CIPFA report on the assessment of models for the Council to provide a Corporate Landlord function. The Assistant Director (Finance & Estates) advised that she would be preparing a briefing note for Members on this matter.

7 URGENT PART II BUSINESS

None.

CHAIR

AUDIT COMMITTEE – TERMS OF REFERENCE

1. Membership – 8 (+ 1 Co-opted Independent non-elected member) to include -

- Chair - A Member who is neither a Member of the Executive nor who serves as a Scrutiny Member
- 1 Member of the Executive only

2. Quorum - 3

3. Terms of Reference

3.1 To advise or comment as appropriate on –

a) Internal Audit matters, including:-

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

b) External Audit matters, including-

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

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

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

e) The Council's Annual Governance Statement.

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

g) The Council's Risk Management arrangements.

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

i) The Statement of Accounts and related Capital Determinations.

j) The Council's Treasury Management Strategy.

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30 April 2020

By email

Email generalenquiries@psaa.co.uk

Dear Section 151 Officer and Audit Committee Chair

Fee Scale for the Audit 2020/21 and update on 2019/20

I am writing to notify you of your 2020/21 audit scale fee. In previous years your auditor has been required to write to you to do this. However, going forward, we have agreed with the audit firms that it is more efficient for PSAA to write out to all bodies directly.

PSAA commissions auditors to provide audits that are compliant with the National Audit Office's Code of Audit Practice ('the Code'). PSAA is required by s16 of the Local Audit (Appointing Person) Regulations 2015 (the Regulations) to set the scale fees by the start of the financial year, and we published the 2020/21 scale fees on our website on 31 March 2020. In addition to notifying you directly of your scale fee, this letter provides you with key updates and information on audit matters in these difficult times.

We wrote to all S151 officers on 12 December 2019 describing that local audit and audit more widely is subject to a great deal of turbulence with significant pressures on fees. These pressures still apply and the key aspects are summarised below;

- It is apparent that the well publicised challenges facing the auditing profession following a number of significant financial failures in the private sector have played a part. As you know, these high profile events have led the Government to commission three separate reviews - Sir John Kingman has reviewed audit regulation, the Competition and Markets Authority has reviewed the audit market, and Sir Donald Brydon has reviewed the audit product.

- It is not yet clear what the long term implications of these reviews will be. However, the immediate impact is clear - significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations.

How we set your scale fee

We consulted on the 2020/21 Scale of Fees in early 2020 and received a total of 54 responses. We published the final document on our website ([Scale fee document](#)). In it we explained that although we have set the scale audit fee at the same level as for 2019/20, we do not expect the final audit fee to remain at that level for most if not all bodies because of a variety of change factors, the impact of which cannot be accurately or reliably estimated at this stage.

The impact of these changes is likely to vary between bodies depending on local circumstances, and information to determine that impact with any certainty is not yet available. Our view is that it would also be inappropriate to apply a standard increase to all authorities given the differing impact of these changes between bodies. As the impact of these changes is understood, fee variations will need to be identified and agreed reflecting the impact on each audit

	Scale fee for the audit 2020/21	Scale fee for the audit 2019/20
Stevenage Borough Council	£49,283	£49,283

As well as the Scale of Fees document, we have also produced a [Q&A](#) which provides detailed responses to the questions raised as part of the consultation. We will update the Q&As periodically to take account of ongoing developments affecting scale fees.

The fee for the audit is based on certain assumptions and expectations which are set out in the [Statement of Responsibilities](#). This statement serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and of the audited body begin and end, and what is to be expected of both in certain areas.

The final fee for the audit will reflect the risk-based approach to audit planning as set out in the Code. Under the Code, auditors tailor their work to reflect local circumstances and their assessment of audit risk. This is achieved by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting audit responsibilities or financial reporting standards.

Fee Variations

As noted above, we recognise that with so much turbulence and change in the local audit environment, additional fee variations are likely to arise for most if not all bodies.

The amount of work required on arrangements to secure VFM is a matter of auditor judgement and is based on the requirements set out in the new Code and supporting guidance which will be published later in 2020. Once the Auditor Guidance Notes have been published we will be able to consider the impact of the new requirements in more depth, and may be able to provide indicative ranges in relation to the likely fee implications for different types and classes of body.

Given that local circumstances at each audited body are key to determining the assessment of risk and the audit work required, we would encourage early dialogue with your auditor to determine any related implications for fees. The process for agreeing fee variations begins with local communication, and ideally agreement. We have produced a fee variation process note which is available on our website ([Fee variations process](#)). Please note that all fee variations are required to be approved by PSAA before they can be invoiced.

Quality of Audit Services

We are committed to do all we can to ensure good quality audits and a high-quality service for the bodies that have opted into our arrangements. The service that you can expect to receive from your auditors is set out in their Method Statement, which is available from your auditors.

Whilst professional regulation and contractual compliance are important components of the arrangements for a quality audit service, so too is the aspect of relationship management. We recently commissioned a survey via the LGA Research team to obtain audited bodies' views of the audit service provided to them. The themes and improvement areas from the survey will be discussed with firm contact partners for development at a local level. The results from our 2018/19 survey of all opted-in bodies will be available on our website in May and we will notify all S151 officers and Audit Committee Chairs.

Impact of COVID-19 on current 2019/20 audits

The global COVID-19 pandemic has created further turbulence impacting on all aspects of the economy including the public sector. There are potentially significant repercussions for the delivery of audits, audit-related issues and delays to signing audit opinions for 2019/20. MHCLG has acted to ease these pressures by providing more flexibility in the 2019/20 accounts preparation and auditing timetable by temporarily revising the Accounts and Audit Regulations. This has extended the period which an authority has to publish its draft financial statements until 31 August, and importantly there is much greater flexibility for the public inspection period as it is now required to start on or before the first working day of September 2020. The revised date for publishing audited accounts (if available) is 30 November 2020.

We recommend that you discuss with your auditors the use that can be made of this flexibility in meeting mutual governance and assurance responsibilities, noting that in a letter to all local authority Chief Executives on 22 April, MHCLG encouraged approval of pre-audit accounts earlier than 31 August if possible.

We have referred to the importance of audit quality in this letter, and just as important is the quality of the pre-audit financial statements and the working papers that are prepared by bodies. The disruption caused by COVID-19 will impact on areas of judgement and creates uncertainty in preparation of the financial statements, and it is key that bodies ensure there is sufficient focus upon financial reporting and related processes and controls, and that the planned timetable allows for sufficient internal quality assurance and review of financial reporting issues taking into account the wider impact of the pandemic on the officers' time.

Local Audit Quality Forum

Our Local Audit Quality Forum focuses on providing information to support audit committees (or equivalent) in delivering their remit effectively. We are disappointed that we are not able to host our planned event this summer due to the COVID-19 pandemic. However, we plan to host our next event towards the end of the year. It will provide an opportunity to discuss a range of relevant topics and themes. If there are any particular areas you would like to see included on a future agenda, or if you wish to raise any other issues with PSAA, please feel free to contact us at generalenquiries@psaa.co.uk

Your auditor will, of course, be best placed to answer any questions you may have with regard to your audit.

Yours sincerely,

Tony Crawley

Chief Executive

Stevenage Borough Council

Initial Audit Planning Report
Year ended 31 March 2020

June 2020



Private and Confidential
Stevenage Borough Council
Daneshill House
Danestrete
Stevenage,
SG1 1HN

28 May 2020

Dear Audit Committee Members

Audit Planning Report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. Our planned audit strategy and risk assessment was substantially completed prior to the unprecedented events with the COVID-19 outbreak and social distancing measures introduced in the United Kingdom from the end of March 2020. We have adapted our audit approach and working practices to take account of the implications and risks from COVID-19 as we see them for the preparers of financial statements and auditors for Local Government bodies. We have had initial discussions with the Council's finance team on their response and ongoing strategic, operational and financial risk assessment. We will continue to keep this area under review during the course of our audit and update our audit risk assessment and approach as appropriate. At this stage, we expect to be undertaking additional audit procedures on the valuation of the Council's assets, recognition of grant income and our assessment of management's assertions and disclosures associated with preparing the accounts as a going concern in accordance with the Financial Reporting Council's Statement of Recommended Practice Note 10 for audit of public sector bodies in the United Kingdom.

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Audit Committee

Stevenage Borough Council

28 May 2020

We have updated our audit risk assessment to respond to the heightened risks and public profile associated with the Council's increasingly fragile financial position as a result of the impact of COVID-19. This includes a reduction to our audit performance materiality compared to the prior year as well as increased audit risks and testing associated with accounting judgements that could be used to provide a short to medium term revenue and general fund benefit to the Council. In addition, we expect to perform detailed audit procedures as part of our work on going concern assessing the robustness of management's documented consideration of the Council's viability and cashflow position looking twelve months from the date the accounts are authorised for issue. We will need to determine the implications for our audit reporting and responsibilities in the event the Council and/or ourselves were to identify a material uncertainty and if during the course of our audit there becomes a higher likelihood that the CFO would exercise statutory reporting responsibilities under s114 of the Local Government Finance Act 1988 in warning that expenditure is likely to exceed incoming resources (e.g. not being able to deliver a balanced budget).

These additional audit risks and procedures will increase the scope of our work and lead to additional audit fees. We have set out our provisional estimate of the implications for the scope of our work and audit fee throughout this report.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 9 June 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Neil Harris, Associate Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Stevenage Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Stevenage Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Stevenage Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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Overview of our 2019/20 audit strategy



Overview of our 2019/20 audit strategy

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

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error (Risk of management override)	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. In addition to our overall response, we consider where these risks may manifest themselves and identify separate fraud risks as necessary below.
Page 18 Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	As noted above we have considered the main areas where management may have the incentive and opportunity to do override controls. We have identified the inappropriate capitalisation of revenue expenditure on property, plant and equipment as an area of risk, given the extent of the Authority's capital programme and regeneration schemes.
Misclassification of capital receipts as revenue	Fraud Risk	New risk	The adjustments between accounting basis and funding basis under regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning the application of capital receipts. For the 2019/20 financial year capital receipts for the Council are expected to be material.

Overview of our 2019/20 audit strategy

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Valuation of market based property assets (including Property, plant and equipment, Council Dwellings and Investment Properties)	Significant Risk	Increase in risk for 2019/20	<p>The council has highly material market based property assets (including Property, plant and equipment, Council Dwellings and Investment Properties). The valuation of such assets is a significant accounting estimate that, in the context of an uncertain economic environment as a result of COVID-19, has a material impact on the financial statements. Therefore, as a result of COVID-19 this risk has increased from an inherent risk to a significant risk.</p> <p>The Council engages property valuation specialists to determine asset valuations. Small changes in assumptions when valuing these assets can have a material impact on the financial statements. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.</p>
Group Financial Statements: Valuation of Queensway Asset	Significant Risk	No change in risk or focus	<p>The valuation of the Queensway asset is material to the Council's group financial statements. This asset is a regeneration asset with commercial activities in Stevenage town centre that was undergoing regeneration as of 31 March 2020. The valuation of this asset is based on future expected cash flows that Queensway LLP will receive from its tenants. As the asset is undergoing regeneration, and the uncertain economic environment as a result of the COVID-19 pandemic, there are an increased number of assumptions and estimates that underpin the valuation of this asset. As such the valuation of this asset in particular is susceptible to material misstatement.</p>
Valuation of property, plant and equipment assets under depreciated replacement cost model	Inherent risk	No change in risk or focus	<p>Property, plant and equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet. For assets valued using depreciated replacement cost (DRC) this risk is heightened due to the specialised nature of the assets and insufficient availability of market-based evidence to assist the valuation.</p> <p>As the Council's DRC asset base is significant, and the outputs from the valuer are subject to estimation, there is an inherent risk that PPE may be under/overstated or the associated accounting entries incorrectly posted.</p>

Overview of our 2019/20 audit strategy

Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Preparation of Group Accounts	Inherent risk	Decrease in risk for 2019/20	<p>Queensway LLP was formed by Stevenage Borough Council in November 2018 as an entity to facilitate the regeneration of the Queensway asset that is an integral part of the Council's town centre regeneration strategy.</p> <p>During the 2018/19 audit we considered the preparation of group accounts as a significant risk for the audit as it was the first time that Queensway LLP was consolidated into the group financial statements. There were no significant issues arising from the Council's group accounts consolidation, however as 2019/20 is the first full financial year for Queensway LLP we still consider the risk relating to the preparation of group accounts and our group audit procedures to be an inherent risk.</p>
Queensway Lease Accounting Treatment	Inherent risk	Decrease in risk for 2019/20	<p>In preparing Queensway LLP financial statements significant judgements are taken in relation to the lease accounting treatment. We reviewed these judgements during the 2018/19 audit and a number of amendments as a result of the audit were made to the group financial statements. As 2019/20 is the first full financial year for Queensway LLP we need to consider whether these judgements remain appropriate.</p> <p>We will engage EY Accounting Advisory Service specialists to obtain assurance over the accounting treatment for the lease arrangement for the 2019/20 audit.</p>
Pension liability valuation	Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions, in the current uncertain economic environment, we consider this to be a higher inherent risk. In addition, every three years, a formal valuation of the whole fund is carried out in accordance with the LGPS Regulations 2013 to assess and examine the ongoing financial position of the fund. The IAS19 report for 2019/20 will reflect the updated membership numbers provided for this triennial valuation. We will therefore need to seek additional assurances from the Pension Fund auditor over this data.</p>

Overview of our 2019/20 audit strategy

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Recognition of grant income associated with Covid-19	Inherent risk	New risk for 2019/20	The Council has received additional funding in the form of grants as a result of the Covid-19. There is the potential for the recognition and treatment of these grants (including business rate related grants) to be manipulated to improve the reported position. We will consider the elements of grant income, their susceptibility to manipulation and the appropriate audit response.
Page 21 Going Concern Disclosures	Inherent risk	New risk for 2019/20	<p>This Going Concern auditing standard (ISA 570) has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. The revised standard extends requirements to report to regulators where we have concerns about going concern.</p> <p>In particular for the 2019/20 audit we will undertake sufficient and appropriate audit procedures to review the adequacy of management's disclosures, assumptions and stress testing on their assessment of going concern in response to Covid-19.</p> <p>For Stevenage Borough Council the risk of material uncertainties in relation to going concern has increased due to the increased financial pressures that the Council is facing as a result of the Covid-19 pandemic.</p>

Overview of our 2019/20 audit strategy

Materiality

Planning
materiality

£1.11m

Materiality for the Council's financial statements has been set at £1.11 million, which represents 1.0% of the prior years gross expenditure of the Council. In the prior year we applied a threshold of 2% of gross expenditure. We have judged it appropriate to adopt a lower level of materiality based on the changes to the risk profile that we have identified for the Council and its business. In addition, this lower level of materiality is deemed appropriate due to the challenging financial position that the Council faces as a result of Covid-19 and the Council higher public interest and profile associated with this.

The impact of setting planning materiality at 1% of gross expenditure, compared to 2% in the prior year, will directly impact the extent of audit procedures and audit sampling conducted throughout the audit.

Performance
materiality

£833k

Performance materiality represents 75% of planning materiality, consistent year on year. We will revisit the appropriateness of this level when we receive the draft financial statements. This will take account of our assessment of the control environment for the preparation of the accounts and supporting working papers as a result of social distancing measures introduced and those which remain in force during the course of the audit in response to Covid-19.

Audit
differences

£55.5k

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account, and collection fund) greater than £55,500. We will communicate other misstatements identified to the extent that they merit the attention of the Audit Committee. This level is driven by our calculation of planning materiality and will change if this is revised during the course of the audit.

Overview of our 2019/20 audit strategy

Audit scope

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

- Our audit opinion on whether the Stevenage Borough Council and Group financial statements give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- Our conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

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

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

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

- Page 23
- Strategic, operational and financial risks relevant to the financial statements;
 - Developments in financial reporting and auditing standards;
 - The quality of systems and processes;
 - Changes in the business and regulatory environment; and,
 - Management's views on all of the above.

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

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Stevenage Borough Council audit, we will discuss these with management as to the impact on the scale fee.



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02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p>Management override Misstatements due to fraud or error (Fraud Risk)</p>	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> • Identify fraud risks during the planning stages. • Inquire of management about risks of fraud and the controls put in place to address those risks. • Understand the oversight given by those charged with governance of management's processes over fraud. • Consider the effectiveness of management's controls designed to address the risk of fraud. • Determine an appropriate strategy to address those identified risks of fraud. • Perform mandatory procedures regardless of specifically identified fraud risks, including: <ul style="list-style-type: none"> • testing of journal entries and other adjustments in the preparation of the financial statements. • assessing accounting estimates for evidence of management bias; and • evaluating the business rationale for significant and unusual transactions.

Our response to significant risks

Incorrect capitalisation of revenue expenditure
(Fraud Risk)

What is the risk?

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.

In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term projected financial position.

A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Council has a significant fixed asset base and a material capital programme and therefore has the potential to materially impact the revenue position through inappropriate capitalisation

What will we do?

We will take a substantive approach to respond to the specific risk, undertaking the following procedures related to the incorrect capitalisation of revenue expenditure:

- Test a sample of capital expenditure at a lower testing threshold to verify that revenue costs have not been inappropriately capitalised;
- Our testing will examine invoices, capital expenditure authorisations, leases and other data that support capital additions. We will review the sample selected against the definition of capital expenditure in IAS16.
- As part of our journal testing strategy, we will review unusual journal pairings related to capital expenditure posted around the year-end i.e. where the debit is to capital expenditure and the credit to income and expenditure.

Financial statement impact

Misstatements that occur in relation to capitalisation of revenue expenditure could affect the comprehensive income and expenditure account and the balance sheet by decreasing revenue expenditure and increasing capital expenditure.

Amounts reported in the 2018/19 financial statements were:

Capital additions (reported in Note 13)
£40.8 million

Our response to significant risks (continued)

Misclassification of capital receipts as revenue (Fraud Risk)

Financial statement impact

We have identified a specific risk of misstatements due to fraud or error that could affect the income and expenditure accounts and the balance sheet.

We consider the risk applies to the application of capital receipts in the comprehensive income and expenditure statement (CIES) and balance sheet (via the capital financing requirement).

In 2018/19 the Council applied £9.5 million of capital receipts funding in the Capital Financing Requirement note of the accounts.

What is the risk?

The Council is under significant financial pressure to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets.

We consider the risk applies to the application and use of capital receipts in the financial statements.

The adjustments between accounting basis and funding basis under regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be higher for adjustments concerning the application of useable capital receipts and deferred capital receipts.

What will we do?

Our approach will focus on:

- Sample testing the application of capital receipts in the capital financing requirement to ensure they meet the definition of sources of funding;
- Sample testing deferred capital receipts to ensure any conditions have been correctly applied; and
- Using our data analytics tool to identify and test journal entries adjustments that impact capital receipts.

Our response to significant risks (continued)

Valuation of market based property assets

(Significant Risk)

Financial statement impact

Misstatements that occur in relation to the valuation of market based property assets could affect the balance sheet by materially misstating the valuation of these assets; and the income and expenditure account via the impact on depreciation charges.

Amounts reported in the 2018/19 financial statements were:

Land and buildings (per Note 13): £94 million; Council Dwellings £619 million. Investment Properties (as per Note 14) £ 25 million.

What is the risk?

The council has highly material market based property assets (including Property, plant and equipment, Council Dwellings and Investment Properties). The valuation of such assets is a significant accounting estimate that, in the context of an uncertain economic environment as a result of COVID-19, has a material impact on the financial statements.

The Council engages property valuation specialists to determine asset valuations and small changes in assumptions when valuing these assets can have a material impact on the financial statements.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What will we do?

We will take a substantive approach to respond to the specific risk, undertaking the following procedures related to the valuation of property:

- Testing that assets have been classified and valued on an appropriate basis.
- Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample testing and challenging the key asset information and assumptions used by the valuers in performing their valuation; for example floor plans based on price per square metre.
- Considering the annual cycle of valuations to ensure that assets have been valued within an appropriate timescale.
- Considering any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewing assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;
- Considering changes to useful economic lives as a result of the most recent valuation; and
- Testing accounting entries have been correctly processed in the financial statements.

We will be engaging EY valuation specialists to assist the audit team on a sample of assets, based on our assessment of the asset valuations subject to a higher degree of risk for their valuations as at 31 March 2020.

We will also consider how the Council's valuer has addressed the impact of Covid-19 in the year-end valuation of assets and assessment of impairments.

Our response to significant risks (continued)

Group Financial Statements:
Valuation of Queensway Asset
(Significant Risk)

What is the risk?

The valuation of the Queensway asset is material to the Council's group financial statements. This asset is a regeneration asset with commercial activities in Stevenage town centre that was undergoing regeneration as of 31 March 2020. The valuation of this asset is based on future expected cash flows that Queensway LLP will receive from its tenants. As the asset is undergoing regeneration, and the uncertain economic environment as a result of the COVID-19 pandemic, there are an increased number of assumptions and estimates that underpin the valuation of this asset. As such the valuation of this asset in particular is susceptible to material misstatement.

The Council engages property valuation specialists to determine asset valuations and small changes in assumptions when valuing these assets can have a material impact on the financial statements.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What will we do?

We will take a substantive approach to respond to the specific risk, undertaking the following procedures related to the valuation of property:

- Testing that assets have been classified and valued on an appropriate basis.
- Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Testing and challenging the key asset information and assumptions used by the valuers in performing their valuation; for example referencing tenancy schedules back to tenancy agreements;
- Considering any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Testing accounting entries have been correctly processed in the financial statements.

Similar to the approach adopted in the prior year audit, we will again be engaging EY valuation specialists to assist the audit team to review the valuation of this asset.

We will also consider how the Council's valuer has addressed the impact of Covid-19 in the year-end valuation of assets and assessment of impairments.

Financial statement impact

The Queensway asset is recognised on the balance sheet of the Council's group financial statements. Any misstatements that occur in relation to the valuation this asset could affect the balance sheet by materially misstating the valuation of this asset; and the income and expenditure account via the impact on depreciation charges. There is no impact of general fund balances.

The valuation of this asset reported in the 2018/19 group financial statements was £11.875 million.

Inherent Risks and Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?

Valuation of property, plant and equipment assets under depreciated replacement cost model

Property, plant and equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet. For assets valued using depreciated replacement cost (DRC) this risk is heightened due to the specialised nature of the assets and insufficient availability of market-based evidence to assist the valuation.

As the Council's DRC asset base is significant, and the outputs from the valuer are subject to estimation, there is a significant risk PPE may be under/overstated or the associated accounting entries incorrectly posted.

What will we do?

We will:

- Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support gross internal areas);
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- Test accounting entries have been correctly processed in the financial statements.

It is likely that we will be engaging EY Valuation specialists to review a sample of DRC asset valuations.

Inherent Risks and Other areas of audit focus (cont.)

What is the risk/area of focus?

Preparation of Group Accounts

Queensway LLP was formed by Stevenage Borough Council in November 2018 as an entity to facilitate the regeneration of the Queensway asset that is an integral part of the Council's town centre regeneration strategy.

During the 2018/19 audit we considered the preparation of group accounts as a significant risk for the audit as it was the first time that Queensway LLP was consolidated into the group financial statements. There were no significant issues arising from the Council's group accounts consolidation, however as 2019/20 is the first full financial year for Queensway LLP we still consider the risk relating to the preparation of group accounts and our group audit procedures to be an inherent risk.

Queensway Lease Accounting Treatment

When preparing Queensway LLP financial statements significant judgements are taken in relation to the lease accounting treatment. We reviewed these judgements during the 2018/19 audit and a number of amendments as a result of the audit were made to the group financial statements. As 2019/20 is the first full financial year for Queensway LLP we need to consider whether these judgements remain appropriate.

We will engage EY financial reporting specialists to obtain assurance over the accounting treatment for the lease arrangement for the 2019/20 audit.

What will we do?

We will:

- Enquire with management to understand the processes and controls in place for how intra-group transactions and balances are identified.
- Substantively test the group consolidation schedule to review whether the adjustments made are consistent with our knowledge gained throughout the audit of the Stevenage Borough Council and of Queensway LLP.
- Review the group financial statements and consolidation schedule to consider whether the adjustments made are compliant with the applicable accounting standards, including IFRS 10 Consolidated Financial Statements and the CIPFA Code of Practice.

We will:

- Review the lease accounting treatment adopted during 2019/20; including follow up on points identified during the 2018/19 review of the lease accounting treatment. In particular the interest rates applied to the leasing and borrowing elements of the lease agreement.
- Consider whether the appropriate accounting journal entries are consistent with the prevailing accounting standard IAS 17 Leases.
- Review the relevant lease disclosures in the Council's financial statements.

We will engage EY financial reporting specialists to assist the audit team in reviewing the accounting treatment adopted.

Inherent Risks and Other areas of audit focus (cont.)

What is the risk/area of focus?

Pension liability valuation and disclosures

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31st March 2019 this totalled £59 million.

The information disclosed is based on the IAS 19 report issued to the Council by the Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions, in the current uncertain economic environment, we consider this to be a higher inherent risk. In addition, every three years, a formal valuation of the whole fund is carried out in accordance with the LGPS Regulations 2013 to assess and examine the ongoing financial position of the fund. The IAS19 report for 2019/20 will reflect the updated membership numbers provided for this triennial valuation. We will therefore need to seek additional assurances from the Pension Fund auditor over this data.

An additional consideration in 2019/20 will be the impact of Covid-19 on the valuation of complex (Level 3) investments held by Hertfordshire Pension Fund, for example private equity investments where valuations as at 31 March 2020 will have to be estimated. This is likely to impact on the IAS19 reports provided by the actuary and the assurances over asset values that are provided by the pension fund auditor, and consequently the assurance we are able to obtain over the net pension liability in the Council's accounts.

What will we do?

We will:

- Liaise with the auditors of Hertfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Stevenage Borough Council;
- Assess the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- Assess the results of the triennial valuations, including the assumptions used and the impact on the Council's pension liability.
- Engage early with the Council, and their actuary, to understand any ongoing impact of the McCloud judgement and GMP rulings on the IAS19 liability.
- Consider the nature and value of level 3 investments held by Hertfordshire Pension Fund and the proportion of the overall Fund relating to Stevenage Borough Council in order to identify any additional procedures required to support the estimates of the valuation of these assets as at 31 March 2020.



Inherent Risks and Other areas of audit focus (cont.)

What is the risk/area of focus?

Recognition of grant income associated with Covid-19

The Council has received additional funding in the form of grants as a result of the Covid-19. There is the potential for the recognition and treatment of these grants (including business rate related grants) to be manipulated to improve the reported position.

What will we do?

We will:

- Consider the revenue and capital grants received by the Council;
- Assess the potential for manipulation of individual grant streams (including those related to business rates); and
- Responsive to the risk, carry out testing to ensure the accounting treatment and recognition applied to grant income is appropriate.

Inherent Risks and Other areas of audit focus (cont.)

What is the risk/area of focus?

Going concern disclosures

Covid-19 has created a number of financial pressures throughout Local Government. For Stevenage Borough Council the estimated financial pressure for the Council over an initial 6 month period is estimated to be £6.1 million. This includes significant reductions in income for the Council from car parks, business rate gains and other income; as well as additional cost pressures to accommodate the homeless. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.

There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.

What will we do?

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we will be seeking a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure.

We will review your updated going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. We expect you to disclose any material uncertainties that do exist.

These disclosures should also include the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19).

Our audit procedures to review these will include consideration of:

- Current and developing environment;
- Liquidity (operational and funding);
- Mitigating factors;
- Management information and forecasting; and
- Sensitivities and stress testing.

We will also consider the implications of any material uncertainties and/or heightened risks of the CFO exercising s114 powers for our audit reporting and any exercise of our statutory audit powers throughout the course of the audit.

Other areas of audit focus

Impact of Covid-19

The ongoing disruption to daily life and the economy as a result of the Covid-19 virus will have a pervasive impact upon the financial statements. Understandably, the priority for the Council to date has been to ensure the safety of staff and the delivery of business critical activities. However, the financial statements will need to reflect the impact of Covid-19 on the Council's financial position and performance. Due to the significant uncertainty about the duration and extent of disruption, at this stage we have not identified specific risks related to Covid-19, but wish to highlight the wide range of ways in which it could impact the financial statements. In addition to our comments on going concern at page 22, these may also include, but not be limited to:

- Revenue recognition – there may be an impact on income collection (council tax and business rates) if businesses and residents are unable to work and earn income due to the lockdown and restriction of movement due to COVID-19.
- Tangible assets – there may be impairment of tangible assets if future service potential is reduced by the economic impact of the virus. The Council may also have already incurred capital costs on projects where the economic case has fundamentally changed.
- Pensions – volatility in the financial markets is likely to have a significant impact on pension assets, and therefore net liabilities.
- Receivables – there may be an increase in amounts written off as irrecoverable and impairment of year-end balances due to the increased number of businesses and residents unable to meet their financial obligations.
- Holiday and sickness pay – the change in working patterns may result in year-end staff pay accruals which are noticeably different to prior years.
- Government support – any Covid-19 specific government support is likely to be a new transaction stream and may require development of new accounting policies and treatments.
- Annual Governance Statement – the widespread use of home working is likely to change the way internal controls operate. The Annual Governance Statement will need to capture how the control environment has changed during the period up to the date of approval of the accounts and what steps were taken to maintain a robust control environment during the disruption. This will also need to be considered in the context of internal audit's ability to issue their Head of Internal Audit opinion for the year, depending on the ability to complete the remainder of the internal audit programme where this is not yet complete.

We will provide an update on the impact of Covid-19 on the Council's financial statements, and how we have responded to the additional risks of misstatement, later in our audit.

In addition to the impact on the financial statements themselves, the disruption caused by Covid-19 may impact on management's ability to produce the financial statements and our ability to complete the audit to the planned timetable. For example, it may be more difficult than usual to access the supporting documentation necessary to support our audit procedures. There will be additional audit procedures we have to perform to respond to the additional risks caused by the factors noted above.



03

Value for Money Risks





Background

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

For 2019/20 this is based on the overall evaluation criterion:

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

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

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

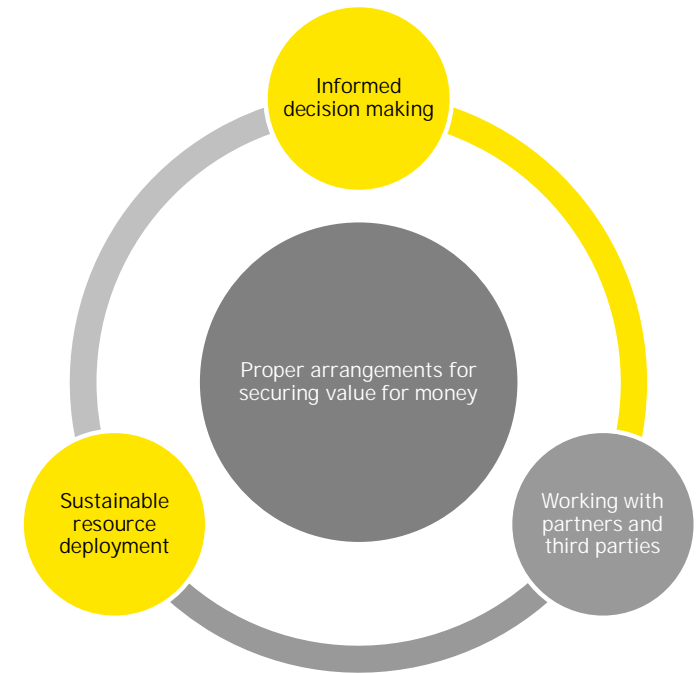
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

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

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

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2019/20, this has included consideration of the steps taken by the Council to consider the impact of Brexit and Covid-19 on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Councils will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

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





Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p>Financial resilience</p> <p>The Council is operating in a challenging financial environment with reduced income and increased costs pressures as a result of Covid-19. The Council has estimated this increased financial pressure to be £6.1 million for the initial 6 month period; however given the unprecedented circumstances there is significant uncertainty surrounding the type and duration of social distancing measures that will be in place as a result of Covid-19, and the resulting financial impact this has on the Council.</p> <p>The September 2019 Medium Term Financial Strategy (MTFS) identified £1.9 million of Financial Security targets to be achieved by 2022/23; as well as an additional increase of the saving targets of £135,000 which is yet to be identified (effectively a budget gap). Delivery of the Financial Security Targets is critical for the Council to sustainably deploy its resources in the medium term. This represents a significant risk to the Council's overall financial resilience.</p> <p>Stevenage Borough Council has a lower level of reserves available to it compared to other local authorities in Hertfordshire. This is due to the Council's planned use of resources over the medium term as set out in their MTFS. The Council risk assesses its required minimum level of reserves for both the general fund and the housing revenue account.</p> <p>The Council will be revisiting its budget and MTFS assumptions in light of Covid-19. The Council's revised MTFS will be presented at the June 2020 Executive meeting.</p>	<p>Deploy resources in a sustainable manner</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> • Identify the key assumptions contained in the medium-term financial plan and the reasonableness of the basis of these; • Review the Council's stress testing of these assumptions; sensitivity analysis and mitigating actions. • Developing an understanding of how the Council identifies its budget gaps and risk mitigations; • Assess the Council's track record on delivering savings and the robustness of its future savings plans. • Review the process by which the Council risk assesses its minimum required level of reserves. • Stress test the Council's financial resilience and adequacy of available reserves and balances before and in light of Covid-19. This will also link to the work we need to do on going concern set out on page 22 and whether this indicates any underlying concerns with the Council's arrangements to secure its financial resilience in the 2019/20 financial year.



04

Audit materiality



Materiality

Materiality

Materiality for the Council's financial statements has been set at £1.11 million, which represents 1.0% of the prior years gross expenditure of the Council. In the prior year we applied a threshold of 2% of gross expenditure. We have judged it appropriate to adopt a lower level of materiality based on the changes to the risk profile that we have identified for the Council and its business. In addition, this lower level of materiality is deemed appropriate due to the challenging financial position that the Council faces as a result of Covid-19 and the Council higher public interest and profile associated with this.

We have provided additional information about audit materiality in Appendix C.

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

Key definitions

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

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £833k which represents 75% of planning materiality. We have considered a number of factors such as the number of errors in the prior year and any significant changes when determining the percentage of performance materiality. We have used the higher end of the range.

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

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

Specific materiality – We have set a lower materiality for Senior Officer's Remuneration, Members' Allowances and Exit Packages disclosures which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.

Group materiality – We will update the Committee at the next available opportunity about the materiality level we have used in the audit of the group accounts. Given the size of Queensway LLP this is unlikely to be significantly different from the values presented here.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

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

We issue an audit report that covers:

1. Financial statement audit

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

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

Procedures required by standards

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

Procedures required by the Code

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

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

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

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2019/20 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

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

Internal audit:

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

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as either:

1. Significant components: A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. Not significant components: The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

Stevenage Borough Council has control of Queensway LLP through a partnership with Marshgate Ltd (a subsidiary holding company that the Council owns). Marshgate Ltd is not consolidated into the Council's group financial statements on the grounds of materiality. Queensway LLP is consolidated into the Council's group financial statements. For the purpose of the group audit we have consider Queensway LLP to be a significant component and have designated it a 'specific' scope. This is approach is consistent with that adopted in the prior year.

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Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Details of specified and other procedures

- Based on a review of Queensway LLP's prior period financial data at the planning stage of the audit we consider the following areas to for this component to be included within the specific scope of the group audit:
 - Property - Land & Buildings
 - Cash
 - Finance Lease Liability
 - Long Term Borrowing
- As 2019/20 will be the first full year that Queensway LLP accounts will be consolidated into the Council's group financial statements, the scope of the Queensway LLP component may change based on its outturn and draft accounts for the year end 31 March 2020. If we identify any changes in scope of the group audit we will communicate these at the next Audit Committee.

Scoping the group audit (continued)

Group audit team involvement in component audits

Queensway LLP is yet to appoint its own external auditors. If external auditors for Queensway LLP are appointed, and Queensway LLP's audit is completed in an agreeable timeframe, then we may place some reliance on the audit procedures performed by Queensway LLP's auditors (component auditors) to support our group financial statements opinion for the year end 31 March 2020. Auditing standards require us to be involved in the work of component auditor teams. We envisage this will take the form of issuing group audit instructions and other communications and meetings with the component audit team throughout the audit.

However, if we are not able to place reliance on assurance provided by a component audit team then we would be required to conduct the audit procedures ourselves to gain assurance over the transactions and balances that are consolidated into the Council's group financial statements.

Other planned group audit procedures to be performed by the primary audit team (EY) include:

- Analytical review of actual performance compared to budget, prior year and KPIs by location.
- Review of group wide entity level controls over these components, including the level of CEO, CFO and other group management oversight.
- Test consolidation journals, intercompany eliminations and foreign currency translation recalculations.
- Enquiry of management about unusual transactions in these components.
- Review of management's reconciliation of local statutory accounts to prior year group reporting packages.



06 Audit team



Audit team

Audit team structure:

Neil Harris
Associate Partner

Robert Garnett
Manager

Clement Odeh
Senior

Specialists

EY Financial
Accounting Advisory
Service

EY Valuations
team

EY actuaries

Use of specialists

- Our approach to the involvement of specialists, and the use of their work.

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

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team
Lease accounting treatment	EY Financial Accounting Advisory Service
Pensions disclosure	EY Actuaries

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

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

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20.

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

The disruption caused by Covid-19 may impact on management's ability to produce the financial statements and our ability to complete the audit to the planned timetable. For example, it may be more difficult than usual to access the supporting documentation necessary to support our audit procedures. There will be additional audit procedures we have to perform to respond to the additional risks caused by the factors noted above. The timetable below is therefore provisional and will need to be revisited throughout the period. We will discuss any potential delays to the timetable with officers and the Audit Committee Chair. In recognition of this, MHCLG have provided flexibility to Local Government bodies on the timetable for the preparation of draft accounts (by the end of August 2020), the public inspection period (by September 2020) and the target date for publication of audited financial statements (by end of November 2020).

At the moment, the Council are working towards preparing draft accounts and supporting working papers for the audit to commence from the beginning of August 2020. We currently anticipate concluding the audit in September 2020, and thereafter reporting the results of the audit to this Audit Committee. However, this timetable is subject to change pending on the progress of the audit.

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Audit phase	Timetable	Audit Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	March		
Walkthrough of key systems and processes	March/April	June 2020	Audit Planning Report
Year end audit	August/September		
Audit Completion procedures	September	September/October 2020	Audit Results Report Audit opinions and completion certificates
Conclusion of reporting	September /October 2020	September/October 2020	Annual Audit Letter



08

Independence



Introduction

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

Required communications

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

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

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is 32%. The non-audit fees for Stevenage Borough Council are solely due to Housing Benefit certification procedures that the Council engages EY to perform. Given the nature of the certification procedures and that the fee is agreed upfront, we consider that no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements

An absolute prohibition on contingent fees.

Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.

Permitted services required by law or regulation will not be subject to the 70% fee cap.

Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.

- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the Audit Committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply until 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2019:

https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2019/ey-uk-2019-transparency-report.pdf



09

Appendices



Appendix A

Fees

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

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£
Total Fee - Code work	TBC***	49,283	76,283*
Other non-audit services not covered above (Housing Benefits)	TBC	TBC	24,400**
Total fees	£	£	£100,683

All fees exclude VAT

*The scale fee for 2018/19 was £49,283. The fee shown above includes the additional procedures required to respond to the identified additional risks that were not included within the base scale fee. These include:

- Increase in scope of audit as group financial statements were prepared (on going for 19/20)
- Risk related to preparation of group financial statements (on going for 19/20)
- Risk related to significant judgements for Queensway LLP (on going for 19/20)
- Risks related to value for money conclusion.
- Additional time taken to review corrections made to the Property, Plant and Equipment disclosure note.

We estimate our additional fee to be £27,000. We have yet to agree the proposed additional fee with officers and is subject to PSAA approval.

** The 2018/19 base fee was £7,600, the incremental fee relates to the 7 sets of extended testing carried out in response to a number of identified errors.

*** For 2019/20 we do not believe the existing scale fees provide a clear link between a public sector organisation's risk and complexity and the increased regulatory requirements to deliver an ISA compliant audit. Further background and context of the audit fee for 2019/20 is set out on the next two pages.

We have discussed this context and the fee implications for 2019/20 as we see them with the Strategic Director (CFO). Based on the risk profile for Stevenage Borough Council, as outlined in the Audit Risk section of this report, we have estimated the indicative fee for the 2019/20 to be between £120,000 and £150,000. In light of the changes to the risk profile of the Council and the implications on our audit procedures, we will update the CFO on the final proposed fee we will be submitting to PSAA to determine. We will update the Audit Committee on this level ahead of our audit results reporting later this year.

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

Any agreed fee is presented based on the following assumptions:

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

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

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

Fees

We do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity. For an organisation such as the Council the extent of audit procedures now required mean it will take 1400-1500 hours to complete a quality audit.

Summary of key factors

1. Status of sector. Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.
 - To address this risk our procedures now entail higher samples sizes of transactions, the need to increase our use of analytics data to test more transactions at a greater level of depth. This requires a continual investment in our data analytics tools and audit technology to enhance audit quality. This also has an impact on local government with the need to also keep pace with technological advancement in data management and processing for audit.
- Audit of estimates. There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.
 - To address these findings, our required procedures now entail higher samples sizes, increased requirements for corroborative evidence to support the assumptions and use of our internal specialists.
3. Regulatory environment. Other pressures come from the changing regulatory landscape and audit market dynamics:
 - Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.
 - This means continual investment in our audit quality infrastructure in response to these regulatory reviews, the increasing fines for not meeting the requirements plus changes in auditing and accounting standards. As a firm our compliance costs have now doubled as a proportion of revenue in the last five years. The regulatory lens on Local Audit specifically, is greater. We are three times more likely to be reviewed by a quality regulator than other audits, again increasing our compliance costs of being within this market.

Fees

Summary of key factors (cont'd)

4. As a result Public sector auditing has become less attractive as a profession, especially due to the compressed timetable, regulatory pressure and greater compliance requirements. This has contributed to higher attrition rates in our profession over the past year and the shortage of specialist public sector audit staff and multidisciplinary teams (for example valuation, pensions, tax and accounting) during the compressed timetables.
- We need to invest over a five to ten-year cycle to recruit, train and develop a sustainable specialist team of public sector audit staff. We and other firms in the sector face intense competition for the best people, with appropriate public sector skills, as a result of a shrinking resource pool. We need to remunerate our people appropriately to maintain the attractiveness of the profession, provide the highest performing audit teams and protect audit quality.
 - We acknowledge that local authorities are also facing challenges to recruit and retain staff with the necessary financial reporting skills and capabilities. This though also exacerbates the challenge for external audits, as where there are shortages it impacts on the ability to deliver on a timely basis.

Next steps




- In light of recent communication from PSAA, we will need to quantify the impact of the above to be able to accurately re-assess what the baseline fee is for the Council should be in the current environment. Once this is done we will be able to discuss at a more detailed level with you.

Appendix B

Required communications with the Audit Committee




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

Our Reporting to you





Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report – June 2020
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process 	Audit results report – Upon completion of the audit

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Required communications with the Audit Committee (continued)

			 Our Reporting to you	
Required communications	 What is reported?	 When and where		
Page 62	Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Audit results report – Upon completion of the audit	
	Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Audit results report – Upon completion of the audit	
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud 	Audit results report – Upon completion of the audit		
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity 	Audit results report – Upon completion of the audit		

Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit planning report – June 2020</p> <p>Audit results report – Upon completion of the audit</p>	
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures 	<p>Audit results report – Upon completion of the audit</p>	
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Scrutiny Committee may be aware of 	<p>Audit results report – Upon completion of the audit</p>	
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	<p>Audit results report – Upon completion of the audit</p>	

Required communications with the Audit Committee (continued)

			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report – Upon completion of the audit	
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – Upon completion of the audit	
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor’s report 	Audit results report – Upon completion of the audit	
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report – June 2020 Audit results report – Upon completion of the audit	
Group audits	<ul style="list-style-type: none"> An overview of the type of work to be performed on the financial information of the components An overview of the nature of the group audit team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components Instances where the group audit team’s evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work Any limitations on the group audit, for example, where the group engagement team’s access to information may have been restricted Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit planning report – June 2020 Audit results report – Upon completion of the audit	

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 1, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

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

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements. We will update the Audit Committee prior to our audit of the 2019/20 financial statements on our planned level of audit materiality. For the Authority, we typically base our audit materiality on gross assets as opposed to service expenditure as we believe the Authority's stewardship of its assets influence the economic decisions of the users of the financial statements. We do set specific and lower testing thresholds to inform the level of work we perform on revenue transactions.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

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



Stevenage Borough Council

Anti-Fraud Plan 2020/2021

Recommendation

Members are recommended to:

1. Review and approve the SAFS/SBC Anti-Fraud Plan 2020/2021.

Contents

- 1 Purpose
- 2 Background
- 3 Plans & Reports 2019/2020 & 2020/21

Appendix

- A. LGA Councillors Workbook- Fraud and Bribery Prevention
- B. SBC Anti-Fraud Action Plan 2020/21

1 PURPOSE

- 1.1 This report provides details of the Council's anti-fraud and corruption arrangements for 2020/21. The Anti-Fraud Plan ensures that the Council considers and acknowledges the risk of fraud, has in place appropriate policies and processes to deter/prevent/investigate fraud, and that senior officers understand their role in protecting the Council against fraud.

2 BACKGROUND

- 2.1 Reports published by Government and private/public sector organisations highlight fraud as a significant risk for local government. Reviewing the findings from these reports has assisted in the design of the Council's anti-fraud arrangements and ensures that the Council is aware of its 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 the Chartered Institute of Public Finance and Accountancy (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 2018* 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.
 - CIPFA's *Fraud and Corruption Tracker 2019* indicates that identified fraud had increased since 2016 but that the capacity within the sectors counter fraud response had reduced, and would continue to do so, potentially placing local government at even greater risk of fraud.
- 2.2 The Cabinet Office, Ministry for Housing Communities and Local Government (MHCLG), National Audit Office (NAO), and CIPFA have all issued guidance, advice, and best practice to support local councils in the fight to reduce fraud and prevent loss to the public purse. This advice includes the need for Councils to be vigilant in recognising their fraud risks and investing appropriate resources in counter fraud activities to prevent/reduce losses.
- 2.3 It is essential to support this work that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, and plans to deal with the investigation and prosecution of fraud.

- 2.4 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.

3. Plans and Reports 2019/2020

Anti-Fraud and Corruption Strategy

- 3.1 The Council has in place an Anti-Fraud and Corruption Strategy. This document lays out the Council's position and is currently under review to ensure that it complies with the latest practice guidance from CIPFA including areas such as money laundering, bribery and tax evasion.

Anti-Fraud Action Plan 2019/20

- 3.2 The Council's Anti-Fraud Action Plan for 2019/20, approved by Members in March 2019, 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.
- 3.3 Progress with delivery of this plan was provided to Members in November 2019 and a final report will be provided to this Committee in early summer of 2020.

Anti-Fraud Plan 2020/21

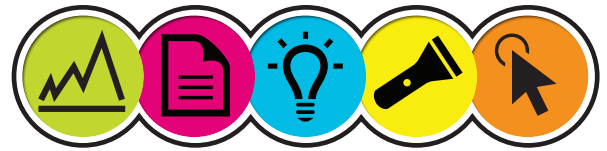
- 3.4 The plan for the next financial year follows a similar format to that used in previous years taking into account changes in guidance from CIPFA and/or changes in fraud risks for the Council. See **Appendix B** for a copy of the plan.
- 3.5 Adherence to the proposed plan for will ensure compliance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

Transparency Code Data 2019/20

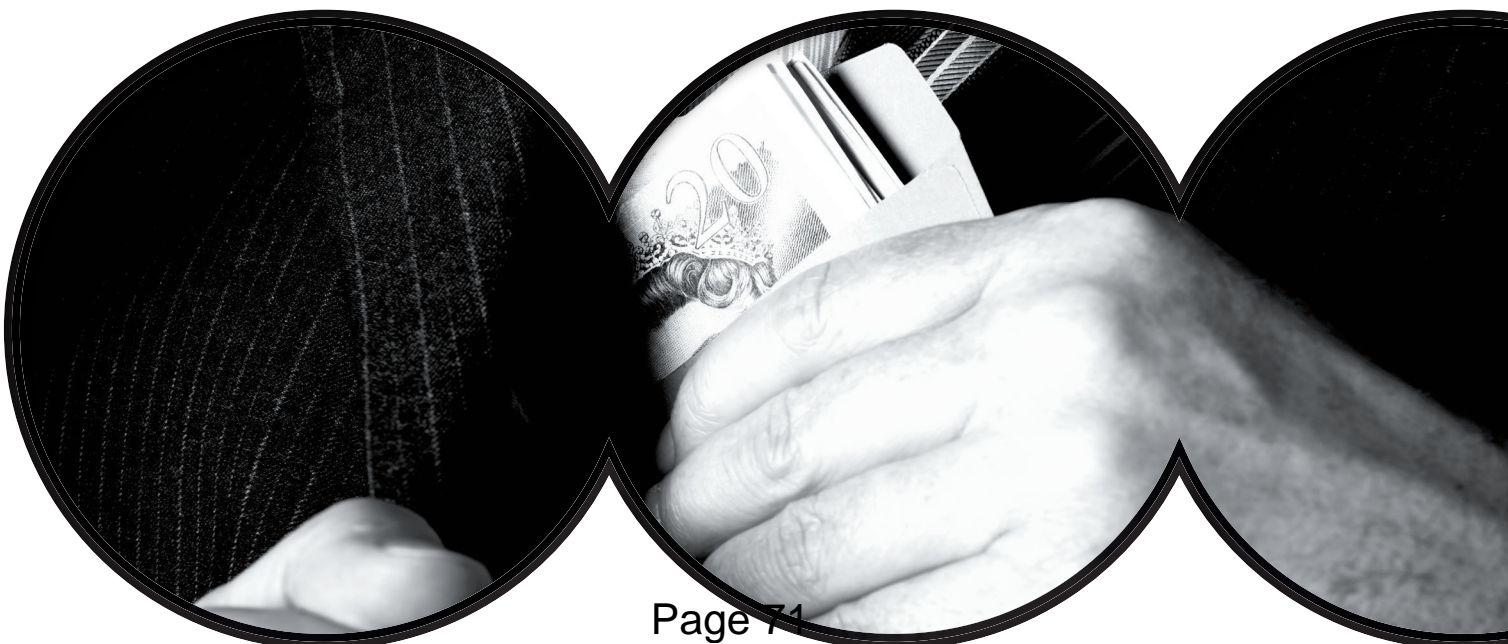
- 3.6 SAFS will also provide data to meet the requirements of Transparency Code for publication by the Council in May 2020 on all counter fraud activity at the Council during 2019/20.

Appendices

- A.** LGA Councillors Workbook.
- B.** SAFS/SBC Anti-Fraud Plan 2020/21



A councillor's workbook on bribery and fraud prevention



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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, it is clear 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 quantify, 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 cases studies to be found there. They make interesting reading. You may very well find one from your council there. Take a look.

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

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

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

The challenges faced by councils in dealing with fraud and corruption

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

Public sector budget reductions

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

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

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

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



Case study
Example of joint working

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

How innovative has your council been?

Is there scope for more?

Maintaining an anti-fraud culture

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



Activity

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

1. Set the tone at the top

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

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

2. Know and prioritise your fraud risks

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

3. Scan the horizon

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

4. Build fraud awareness

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

5. Ensure policies and procedures are in order

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

6. Create a dedicated anti-fraud team

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

7. Take action

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

8. Measure success

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

9. Publicise your success

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

10. Never take your eye off the ball

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

Total Score: Do you think this is good enough?

Abiding by the rules

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

For example:

Regulation of Investigatory Powers Act (RIPA) 2000

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

Requesting information

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

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

More sophisticated frauds

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

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

Publicising success

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

Section 4 Fraud risk management

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

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

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

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

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

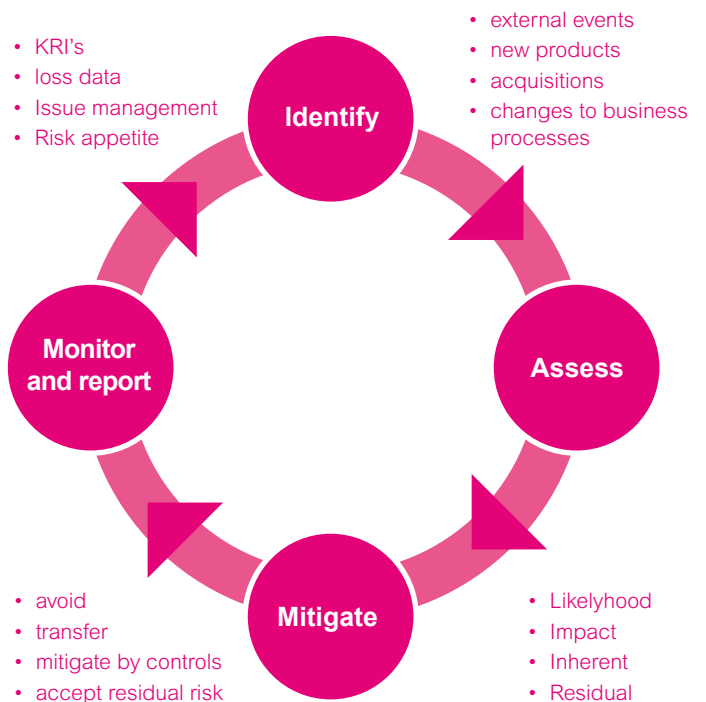
Implementing an effective fraud risk management framework, such as the CIPFA code of practice, will enable authorities to employ controls that help to prevent fraud from occurring in the first place, identify and detect fraud as soon as it occurs and enable a practical and efficient response to those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



Hints and tips Code of practice principles

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

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



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 processes of checking the claim for accuracy prevents fraud or error and so controls the risk of overpayment.
- The housing department carry out regular tenancy audits of their properties. This process of checking acts a deterrent to subletting and a detection if it does happen and so controls the risk of subletting.

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

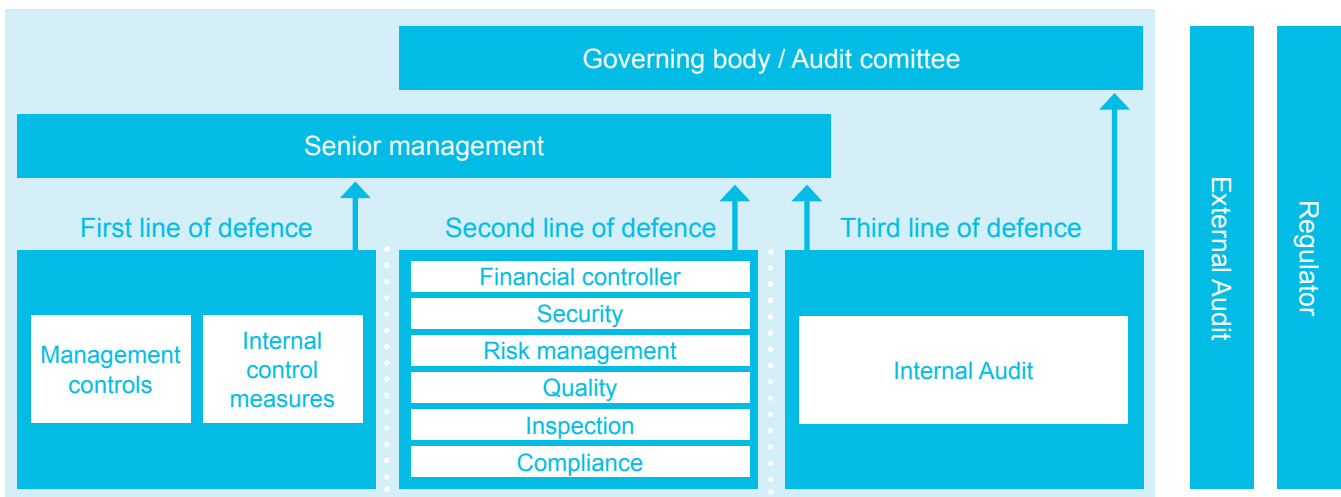
Councils must have a means of obtaining independent assurance that the system of internal control is adequate and working effectively. In local authorities there is usually an audit committee (sometimes called audit and risk committee) to carry out this role.

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

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

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

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



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.



Local Government Association

Local Government House
Smith Square
London SW1P 3HZ

Telephone 020 7664 3000
Fax 020 7664 3030
Email info@local.gov.uk
www.local.gov.uk

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please contact us on 020 7664 3000.
We consider requests on an individual basis.

**Stevenage Borough Council
Anti-Fraud Plan 2020/2021**

in partnership with

The Shared Anti-Fraud Service



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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.

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 exceeded £7bn in 2016/2017 excluding housing benefit fraud & council tax fraud.

In 2019 the National Crime Agency’s *Public Private Threat Update- (Economic Crime)* for 2018 identified that reported nationally fraud loss had increased by 38% on the previous year and incidents of fraud crime had increased by 9%. The report highlights insider fraud, cyber enabled fraud and identity fraud as key areas of risk.

In CIPFA’s *Counter Fraud and Corruption Tracker 2019 – Summary Report* reported fraud in local government had a downward trend in 2018/19 compared to previous years, in particular in relation to tenancy and social housing fraud. The report mentions that this trend may be indicative of action taken by local government to prevent this type of fraud. But that report goes on to suggest that the three biggest areas of fraud risk for local government remain procurement, council tax and adult care services.

The Council has always accepted and acknowledged that it is at risk of significant fraud and it is clear that the increasing upward trend of reported fraud nationally requires the Council to ensure that it has in place robust processes and strategies to reduce the opportunity for fraudsters to attack the Councils finances.

The CIPFA ***Local Government Counter Fraud and Corruption Strategy (2016-2019)*** provides a strategic response for local government to deal with the threat of fraud and 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. A new strategy will be announced in March 2020 and this expected to follow the same six themes or 6C’s:

- 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

What is clear is that every pound lost from the public purse, due to fraud, is a pound lost from front line services. The Councils Anti-Fraud Plan 2020/2021 is based on the principles of ‘Acknowledge/ Prevent/ Pursue’ and the 6 C’s to ensure the Council is adequately protected against the risk of fraud and that, where fraud does occur, there are plans to manage, mitigate and recover losses.

SAFS Resources 2020/2021

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. In 2019 the SAFS Partnership won awards for 'Significant Contribution' at the Fighting Fraud and Corruption Locally Awards and the 'Outstanding Partnership' award at the Tackling Economic Crime Awards.

SAFS is a Partnership with each organisation paying 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 a seat on that Board. For Stevenage Borough Council the Interim Head of Strategic Finance and Property 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 January 2020 the SAFS Board accepted a report from the Head of SAFS to increase the fees for all Partners in line with a cost of living increase to meet increased staff costs. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years.

The Board agreed that the annual fee for all Partners would increase by 2% per annum to 2021 and would be reviewed further at that time.

Fees for Stevenage Borough Council will increase from £102,000+ VAT (2019/20) to £104,000+ VAT (2020/21).

Staffing

The full complement of SAFS in 2020/2021 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 0.6 FTE Accredited Financial Investigator, both posts are funded from SAFS Budgets.

Stevenage Borough Council will have exclusive access to 1 FTE Investigator and the Tenancy Fraud Officer employed by the Council in 2016 will be seconded to the SAFS Team from April 2020 rather than, as in previous years, being managed as an employee of the Council.

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 meetings, management meetings and three Audit Committees reports per annum. The Accredited Financial Investigator is also available to assist in money laundering or proceeds of crime investigations.

SAFS also has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services to support the in-house legal team.

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

1. Access to a managed fraud hotline and webpage for public reporting.
2. Process and document for SAFS Partner staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Prevention.
4. Assistance in the design/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 2020/2021

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. New policies are under review and will be in place by the summer of 2020 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 & specific anti-fraud training across all Council services and review the E-Learning training available for staff SAFS will provide fraud alerts to appropriate officers/staff/services from Action Fraud/ NAFN/ Police .	Senior Communications Officer SAFS Manager / Senior Communications Officer SAFS Manager & Head of Human Resources SAFS Manager
	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 2020. SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNL, CIPFA, CIFAS, SAS and Hooyu Deliver the NF1 2020/2021 Exercise Continue to work with DWP to deliver CTRS/HB joint working Work with other organisations, including private sector, to improve access to data	SAFS Manager/ Monitoring Officer Monitoring Officer / SAFS Manager 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 Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA	SAFS Mgr SAFS Mgr SAFS Mgr Monitoring Officer / SAFS Manager
	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 for 2019/2020 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 SAFS Mgr SAFS Mgr/ S.151 Officer SAFS Mgr

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

**SAFS
KPIs 2020/2021**

KPI	Measure	Target 2020/21	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.	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 the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit Committee. C. SAFS Attendance at Mgt Meetings/ R&B Liaison Meetings.	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.	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre C. NAFN Access/Training for relevant Council Staff D. 5 Fraud training events for staff/Members in year.	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. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. 60% of cases investigated and closed in year with a positive outcome. C. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported. D. Recover between 6 and 12 council properties where tenancy breaches for POSHFA, Housing Act, Fraud Act offences are suspected	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Develop the Hertfordshire FraudHub for the Council. B. Support the NFI 2020/21 data upload for the Council. C. Consider other areas where the better use of data will benefit the Council financially.	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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Stevenage Borough Council
Audit Committee

2020/21 Internal Audit Plan Report

17 March 2020

Recommendation

Members are recommended to approve the proposed Stevenage Borough Council Internal Audit Plan for 2020/21

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A Proposed Stevenage Borough Council
Internal Audit Plan 2020/21

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1. Introduction and Background

Purpose of Report

- 1.1 To provide Members with the proposed Stevenage Borough Council 2020/21 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's annual report.
- 1.3 The Shared Internal Audit Service (SIAS) Audit Charter which was presented to the June 2019 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 2020/21 civic year.
- 1.4 The PSIAS require that the audit plan must incorporate or be linked to a strategic or high-level statement which:
 - a) Outlines how the service will be developed in accordance with the internal audit charter.
 - b) Details how the internal audit plan will be delivered.
 - c) 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 whistle blowing 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:

- a) Key committee reports at each client and identifies emerging risks and issues.
- b) The professional and national press, as well as thought leadership 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 2020/21 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 2020/21 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. Many services continue to manage increasing demand and constrained finances.
- 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:
- a) 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.
 - b) 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.
 - c) Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as use of technology to achieve 'whole population testing' and new insights over sampling or 'continuous assurance' where appropriate.
 - d) Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

Internal Audit Plan 2020/21

- 2.7 The draft 2020/21 internal 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 2020/21. The table below shows the allocation of these audit days:

Purchased Audit Days	2020/21	%
Key Financial Systems	74	20
Operational Audits	149	41
Procurement / Contracts / Project Management	33	9
IT Audits	12	4
Risk & Governance	12	4

Counter Fraud	0	0
Shared Learning / Joint Reviews	5	2
Ad-Hoc Advice	2	1
Follow Ups	5	2
Strategic Support*	47	13
Contingency	6	2
2019/20 Projects Requiring Completion	5	2
Total allocated days	350	100

* This includes supporting the Audit Committee, monitoring, client liaison and planning for 2021/22.

- 2.9 Members will note the inclusion of a provision for the completion of projects that relate to 2019/20. 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 2020/21 and any proposed changes will be reported to this Committee four times in the 2020/21 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 2020/21 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. 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.
6. Head of Assurance's Annual Report	Presented to the first meeting of each Audit Committee in the new financial year.

Stevenage Borough Council 2020/21 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. 	8

Audit	Proposed Outline Scope	Proposed Days
Creditors	<p>Creditors 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) 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. 	8
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

Audit	Proposed Outline Scope	Proposed Days
Payroll	<p>SIAS will be conducting a full assurance audit on the Payroll 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) 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). 	10
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

Audit	Proposed Outline Scope	Proposed Days
Cash and Banking	<p>Cash and Banking will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</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. 	8
Housing Rents	<p>Housing Rents will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:</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. 	8

Audit	Proposed Outline Scope	Proposed Days
OPERATIONAL AUDITS		
Housing Allocations	The audit will provide assurance on the procedures for allocating housing stock to those in housing need. Areas of coverage may include: a) Applications to the housing register and prioritisation, b) Allocation policy/procedures, including shortlisting and offer, c) Mutual exchanges.	10
Homelessness & Housing Advice	The audit will provide assurance on compliance with policy for those presenting themselves to the Council as homeless. This may include: a) Homeless strategy and rough sleeper policy, b) Presentations and demand management.	10
Leasehold Properties	The audit will provide assurance on the management of leasehold properties subject to repair and refurbishment, including the major refurbishment contract. This may include: a) Advising leaseholders about repairs and refurbishment, b) Scheduling and carrying out works, c) Collection of leaseholder liability through payment or a charge on property.	10
Compliant Homes	The audit will provide assurance on the Council’s landlord responsibilities relating to safety and compliance. This may include: a) Certification and keeping gas appliances safe, b) Asbestos identification and removal, c) Legionella management.	10

Audit	Proposed Outline Scope	Proposed Days
Statutory Compliance – General Fund Property	The audit will provide assurance on the Council’s responsibilities relating to safety and compliance. This may include: <ul style="list-style-type: none"> a) Gas safety and electrical testing, b) Fire risk and safety, c) Building security and access control, d) Hard services e.g. lift maintenance and air circulation. 	10
Void Management	The audit will provide assurance on the management of void housing stock and arrangements for relet. This may include: <ul style="list-style-type: none"> a) Policies and procedures for managing void properties, b) Inspections, security and repair, c) Long term voids and reporting accuracy. 	10
Digitalisation Programme	The audit will provide assurance on the delivery of the Council’s digitalisation programme. This may include: <ul style="list-style-type: none"> a) Programme governance, b) Benefit realisation and return on investment, c) Customer Interfacing with front and back office systems. 	10
Garage Lettings	The audit will provide assurance on the process and governance relating to letting Council garages. This may include: <ul style="list-style-type: none"> a) Void management and letting policy, b) Tenancy agreement, c) Collection of fees and charges, d) Enforcement and recovery. 	10

Audit	Proposed Outline Scope	Proposed Days
Community Safety	<p>The audit will provide assurance on the Stevenage Against Domestic Abuse initiative and associated commissioning arrangements. This may include:</p> <ul style="list-style-type: none"> a) Compliance with policies and procedures, b) Handling referrals from across North Herts, c) Operational risk management arrangements. 	10
Community Development	<p>The audit will provide assurance on the Borough’s Youth Council. This may include:</p> <ul style="list-style-type: none"> a) Compliance with procedures and protocols relating to the duty of care arising from young people being involved with the Youth Council, b) Receipt of external funding and support e.g. HCC. 	6
Play Service	<p>The audit will provide confirmation on the application of policies and procedures. This may include:</p> <ul style="list-style-type: none"> a) Safeguarding arrangements, b) Operational risk management. 	6
Housing Repairs	<p>The audit will provide assurance on the system for providing responsive repairs to the Council’s housing stock. This may include:</p> <ul style="list-style-type: none"> a) Ordering, coding and scheduling works, including the use of sub-contractors, b) Clearing orders and work completion, c) Performance management and oversight. 	10

Audit	Proposed Outline Scope	Proposed Days
Tree Management	<p>The audit will provide assurance on managing the trees for which the Council has responsibility. This may include:</p> <ul style="list-style-type: none"> a) Programming inspections and remedial works, b) Fulfilling statutory duties and comparison with best practice by other councils. 	10
On-Street Car Parking	<p>The audit will provide assurance on the system for regulating on street car parking within the Borough. This may include:</p> <ul style="list-style-type: none"> a) Collection and banking of cash income b) Payments made via electronic devices c) Season tickets 	10
Climate Change and Sustainability (including joint audit)	<p>The audit will provide assurance on the Council’s climate change credentials. This may include:</p> <ul style="list-style-type: none"> a) Compliance with climate change strategy and policy, b) The accuracy of reporting data against targets, stated aims and objectives, c) Energy management. <p>An audit will also be carried out at other SIAS partners. The number of proposed days includes provision for consolidating the audit reports, thereby providing a wider level of assurance and sharing any learning across Hertfordshire.</p>	7

Audit	Proposed Outline Scope	Proposed Days
Licensing	The audit will provide assurance on licensing requirements relating to environmental health. This may include: <ul style="list-style-type: none"> a) Compliance with policy and procedures relating to animal control, b) Food safety certificates. 	10
PROCUREMENT, CONTRACT MANAGEMENT AND PROJECT MANAGEMENT		
Stevenage Bus Interchange	The audit will provide assurance on the contract for works being carried out in relation to the new bus interchange. This may include: <ul style="list-style-type: none"> a) Procurement and contractual arrangements, b) Stage payments, including additions and subtractions from the agreed specification, c) Oversight of work in progress and signing off key milestones. 	8
Regeneration – SG1	A review of progress against key milestones, reporting arrangements and oversight by those charged with governance.	10
Procurement Activity	A compliance review to confirm that local suppliers are invited to quote for the provision of works, goods and services.	5

Audit	Proposed Outline Scope	Proposed Days
Partnerships/Shared Services	This audit will provide assurance on the governance arrangements for partnerships and shared services that the Council has entered into. This may include: <ul style="list-style-type: none"> a) Business case, including risk management, b) Contracts and Agreements, c) Performance management and monitoring, d) Cost apportionment and payments. 	10
SHARED LEARNING		
Joint Reviews	The SIAS Board traditionally agree a topic (or topics) for consideration as joint reviews across the SIAS partners in-year. Where no topic is specified, the audit days will be returned to contingency for use on emerging audits / risks, applied to other audits in the plan or used on audits in the reserve list.	2
Shared Learning	Shared Learning Newsletters and Summary Themed Reports. Audit Committee and Joint Review Workshops.	3
COUNTER FRAUD		
N/A	No internal audit work in this area is proposed in 2020/21. The Shared Anti-Fraud Service provides pro-active and reactive counter fraud services.	0

Audit	Proposed Outline Scope	Proposed Days
RISK MANAGEMENT AND GOVERNANCE		
Risk Management	The audit will involve a high-level review of strategic and operational risk management arrangements, and whether risk management has been embedded in operational decision-making and activity. Any emerging issues will be considered as part of the audit planning process. This audit traditionally informs the Annual Governance Statement.	6
Corporate Governance	This audit traditionally informs the Annual Governance Statement and has covered a wide variety of topics across our partners. These have included: a) Members and officers serving on Outside Bodies, b) Local Government Transparency Code, c) Culture, Ethics and Standards, d) Council Strategies, Policies and Procedures, e) Governance structures - Effective Council, committee and reporting structure, terms of reference for each committee and group, work plans for Cabinet / committees, minuting and action tracking, Members and senior staff possessing the appropriate mix of skills and receive any required training and development and delegating decision-making and transactional authority, and f) Delegation of authority.	6

Audit	Proposed Outline Scope	Proposed Days
AD HOC ADVICE		
Ad hoc Advice	This planned time has been allocated to provide for ad hoc advice to management on matters, issues or queries relating to risk, control, governance and anti-fraud. Ad hoc advice is relevant to activities that typically take less than one day to complete, e.g. advice on new policies or strategies.	2
IT AUDITS (shared with East Herts Council)		
Payment Card Industry Compliance	The audit will provide assurance on the Council's understanding and implementation of standards for security policies, technologies and ongoing processes that protect its payment systems from breaches and theft of cardholder data.	6
Hardware Acquisition, Movement and Disposal	The audit will provide assurance on hardware inventory arrangements. Areas of coverage will include the procedures for: a) Receiving and storing new hardware, b) Issuing hardware to new and existing users, c) Redeployment of hardware across the Council's estate, d) Decommissioning and safely disposing of redundant or surplus hardware.	6

Audit	Proposed Outline Scope	Proposed Days
FOLLOW UP AUDITS		
Follow up	A follow up review of any Limited Assurance audits from 2019/20.	5
CONTINGENCY		
Contingency	To provide for adequate response to risks emerging during the financial year.	6
STRATEGIC SUPPORT		
Head of Internal Audit Opinion 2019/20	To prepare and agree the Head of Internal Audit Opinion and Annual Report for 2019/20.	3
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 CGG & RMG	This involves meetings and updates with the Council’s Audit Champion and other key officers. Attendance at the Corporate Governance Group (CGG) and Risk Management Group (RMG) is also included.	8

Audit	Proposed Outline Scope	Proposed Days
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.	12
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
2021/22 Audit Planning	To provide services in relation to preparation and agreement of the 2021/22 Audit Plan.	6
2019/20 projects requiring completion	Additional time, if required, for the completion of 2019/20 audit work carried forward into the 2020/21 year. Any unused days will be returned to contingency for use on emerging risks and audits or allocated to audits in the reserve list.	5
TOTAL		350

Audit	Proposed Outline Scope	Proposed Days
RESERVE LIST (not in order)		
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.	To be agreed with management when an audit on the reserve list is brought forward.
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.	

Appendix B – Stevenage Borough Council 2020/21 Proposed Audit Plan - Audit Start Dates

Apr	May	Jun	July	Aug	Sept
2019/20 Projects Requiring Completion	Payment Card Industry Compliance	Statutory Compliance – General Fund Property	Leasehold Properties	Climate Change & Sustainability	Stevenage Bus Interchange
Housing Repairs	Community Safety	Void Management	Homelessness & Housing Advice	Community Development	Compliant Homes
Tree Management	On-Street Car Parking	Play Service	Procurement Activity	Licensing	
Garage Letting					

Oct	Nov	Dec	Jan	Feb	Mar
Cash & Banking	Council Tax	Creditors	Main Accounting	Regeneration – SG1	Digitalisation Programme
Partnerships/Shared Services	Business Rates	Debtors	Payroll	Risk Management	
	Housing Benefits	Treasury Management	Hardware Acquisition, Movement & Disposal	Housing Allocations	
		Housing Rents	Corporate Governance		

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



Stevenage Borough Council
2019/20 Annual Assurance Statement and
Internal Audit Annual Report

9 June 2020

Recommendations

Members are recommended to:

Note the Annual Assurance Statement and Internal Audit Annual Report

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

Accept the SIAS Audit Charter

Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2019/20

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1. Purpose and Background

Purpose of Report

- 1.1 This report:
- a) Details the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of Stevenage Borough Council's (the Council) control environment. Reference is made to any significant matters and key themes.
 - b) Shows the outcomes of the self-assessment against the Public Sector Internal Audit Standards (PSIAS) incorporating the requirements of the Quality Assurance and Improvement Programme (QAIP).
 - c) Summarises the audit work that informs this opinion.
 - d) Shows SIAS's performance in respect of delivering the Council's audit plan.
 - e) Presents the 2020/21 Audit Charter.

Background

- 1.2 A key duty of the Head of Assurance is to provide an annual opinion on the Council's internal control environment. This opinion informs the conclusions of the Council's Annual Governance Statement.
- 1.3 The assurance opinion in this report is based on internal audit work undertaken during 2019/20 which was planned and amended to give sufficient assurance on the Council's management of its key risks. Also considered is any relevant work undertaken in 2020/21 before the audit committee report deadline.
- 1.4 SIAS is grateful for the co-operation and support it has received from client officers during 2019/20.

2. Annual Assurance Statement 2019/20

Context

Scope of responsibility

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

Control environment

- 2.2 The control environment comprises three key areas: governance; risk management; and internal control. Together these aim to manage risk to an acceptable level, but it is accepted that it is not possible to completely eliminate it.
- 2.3 A robust control environment helps ensure that the Council's policies, priorities and objectives are achieved.

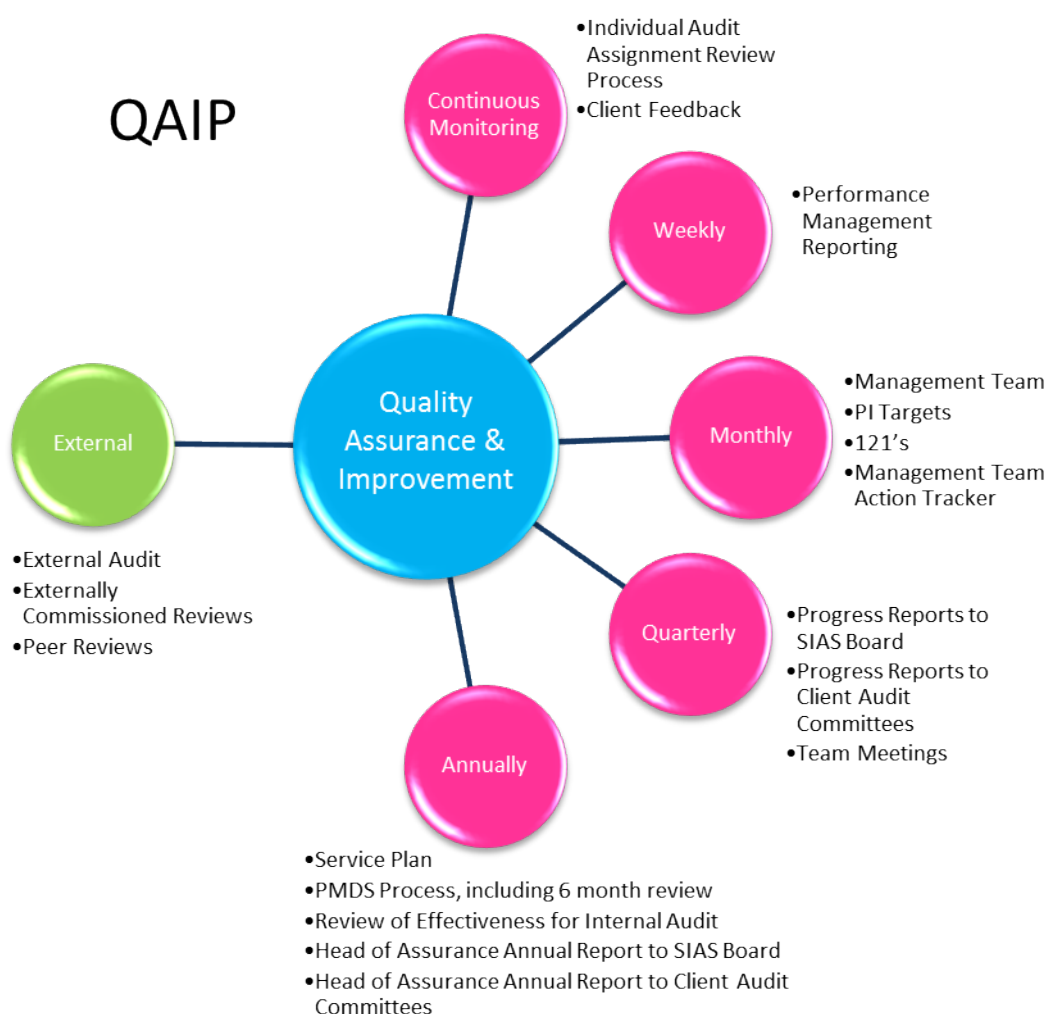
Review of effectiveness

- 2.4 The Head of Assurance must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion.
- 2.5 As part of a QAIP, a self-assessment was conducted against the Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF). They promote professionalism, quality, consistency and effectiveness of internal audit across the public sector. They highlight the importance of robust, independent and objective internal audit arrangements to provide senior management with the key assurances needed to support them in both managing the organisation and producing the Annual Governance Statement.
- 2.6 The 2019/20 self-assessment identified 2 areas of agreed non-conformance. These are detailed in Appendix C. There are no significant deviations from Standards which warrant inclusion in the Council's Annual Governance Statement.
- 2.7 The PSIAS also requires that the SIAS be subject to an external quality assessment at least once every five years. This should be conducted by a qualified, independent assessor or assessment team from outside the organisation. The next external assessment is due in November 2020. However, it should be noted that the SIAS Board will be asked during June 2020 to defer the five-yearly external assessment from November 2020 to May 2021 at the latest. This is as a result of the impact of COVID-19. This approach helps ensure that the revised position is agreed by the SIAS Board, it is communicated to Audit Committees at the earliest reporting opportunity and it sets a new timeline for undertaking the review and/or determining when it will next take place.
- 2.8 The Head of Assurance has concluded, therefore, that SIAS 'generally conforms' to the PSIAS, including the Definitions of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. 'Generally conforms' is the highest rating and means that SIAS has a charter, policies and processes assessed as conformant to the Standards and is consequently effective.

Annual Assurance Statement and Internal Audit Annual Report - Stevenage Borough Council

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

2.10 The Head of Assurance confirms that during 2019/20 SIAS operated according to its QAIP with evidence available within the service to support the achievement of each QAIP element.



Confirmation of independence of internal audit and assurance on limitations

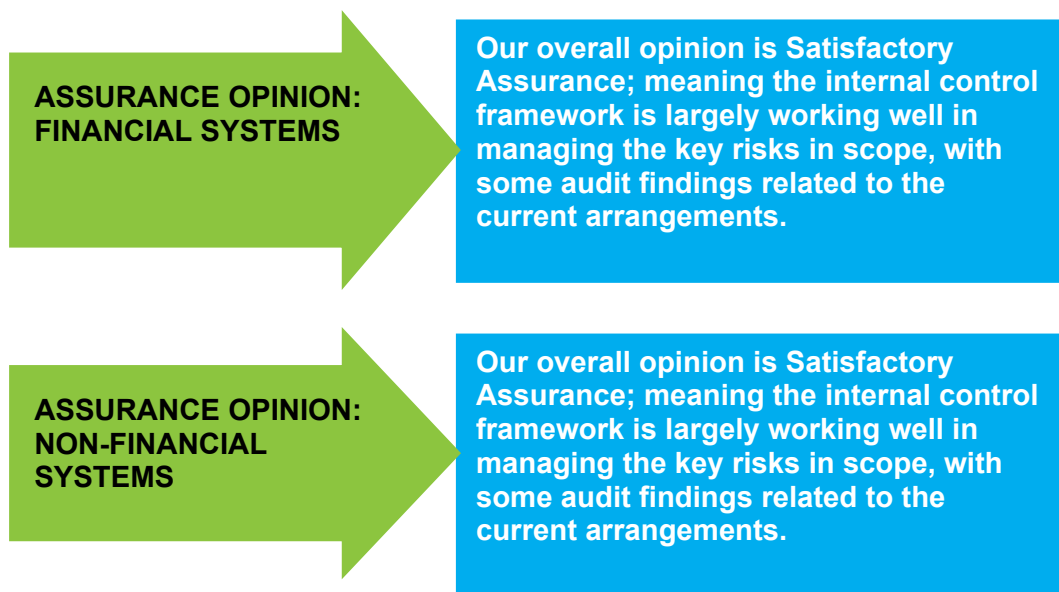
2.11 The Head of Assurance confirms that during the year:

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

Annual Assurance Statement for 2019/20

Assurance opinion on internal control

- 2.12 Based on the internal audit work undertaken at the Council in 2019/20, SIAS can provide the following opinion on the adequacy and effectiveness of the Council's control environment, broken down between financial and non-financial systems.



Assurance opinion on Corporate Governance and Risk Management

- 2.13 SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2019/20 and the specific reviews of Risk Management and Corporate Governance carried out by SIAS during the year.

**Head of Assurance for the Shared Internal Audit Service
May 2020**

3. Overview of Internal Audit Activity at the Council in 2019/20

- 3.1 This section summarises work undertaken at the Council by SIAS in 2019/20. It highlights any significant internal control matters and opportunities for improvement.
- 3.2 Appendix A shows the final position against the agreed revised audit plan, assurance levels and the number of recommendations made. A summary of assurance levels and recommendation priorities is shown in the tables below (2018/19 data in brackets).

Assurance Level	Number of reports 2019/20 (2018/19 data in brackets)	Percentage of reports 2019/20 (2018/19 data in brackets)
Good	14 (15)	41% (48%)
Satisfactory	13 (8)	38% (26%)
Limited	1 (3)	3% (10%)
No	0 (0)	0% (0%)
Not Assessed	4 (3)	12% (10%)
Not Complete	2 (2)	6% (6%)
Total	34 (31)	100% (100%)

Recommendation Priority Level	Number of recommendations 2019/20 (2018/19 data in brackets)	Percentage of recommendations made 2019/20 (2018/19 data in brackets)
Critical	0 (0)	0% (0%)
High	5 (17)	7% (29%)
Medium	38 (19)	51% (32%)
Low	31 (23)	42% (39%)
Total	74 (59)	100% (100%)

- 3.3 **The Satisfactory assurance opinion overall on financial systems** (Good in 2018/19) has been concluded from ten financial systems audits. Five received Good assurance and five received Satisfactory assurance. No Critical or High priority recommendations were made across these audits. However, the number of Medium priority recommendations increased to twelve (zero in 2018/19).
- 3.4 **The Satisfactory assurance opinion overall on non-financial systems** (Satisfactory in 2018/19) has been concluded from eighteen audits. Nine audits received Good assurance, eight received Satisfactory assurance and one received Limited assurance. Five High priority recommendations were made across these audits. In addition, four audits were classified as

“Not Assessed” i.e. no audit assurance opinion was given. These were the follow up audits of CCTV, Street Cleansing, Cyber Security and an audit of the IT Shared Service Agreement. These four projects have however contributed to the overall assurance opinion on non-financial systems as they were important pieces of advisory work carried out during the year.

For the follow up audits of Street Cleansing and Cyber Security, we identified that some recommendations to address previously reported control weaknesses had not been fully implemented. Revised management responses have been received to address the outstanding recommendations made in these follow up audits.

- 3.5 In arriving at our Satisfactory assurance opinion for non-financial systems, we highlight that 94% of opinions issued for individual audits during the year were assessed as Good or Satisfactory assurance. This generally indicates the Council has satisfactory or good systems of internal control for a wide range of areas. However, it should be noted that there were some risks and impacts associated with control weaknesses in the Facilities Management audit, which received a Limited assurance opinion.
- 3.6 Five audits were at draft report stage at the time of writing this Annual Report, with management responses awaited. These have contributed to the assurance opinion on financial and non-financial systems for 2019/20. These audits are:
- a) Creditors.
 - b) Debtors.
 - c) Main Accounting.
 - d) Risk Management.
 - e) Corporate Governance.

In addition to the above, the Herts Home Improvement Agency Follow Up audit and the Queensway & Marshgate Redevelopment audit were not complete at the time of writing this report. These audits were paused as a result of the COVID-19 outbreak and they will recommence as soon as possible.

Critical and High Priority Recommendations

- 3.7 Members will be aware that a final audit report is issued when it has been agreed by management; this includes an agreement to implement the recommendations made. It is Internal Audit’s responsibility to advise Members of progress on the implementation of critical and high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date. Five High priority recommendations were made within audits carried out during 2019/20. Members will continue to receive updates on the implementation progress of critical and high priority recommendations through the SIAS quarterly progress reports to the Audit Committee.

4. Performance of the Internal Audit Service in 2019/20

Performance indicators

4.1 The table below compares SIAS's performance at the Council against the 2019/20 targets set by the SIAS Board.

Indicator	Target 2019/20	Actual to 31 March 2020
1 SIAS Planned Days – percentage of actual billable days delivered against planned billable days	95%	98% (323 / 329)
2 SIAS Planned Projects – actual completed projects to draft report stage against planned completed projects	95%	94% (32 / 34)
3 SIAS Annual Plan – presented to the March Audit Committee or the first meeting of the financial year should a March committee not meet.	Deadline met	Yes
4 Client Satisfaction - client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	100%	100% (15 received).
5 Head of Assurance's Annual Report – presented at the first Audit Committee meeting of the financial year	Deadline met	Yes
6 Number of High Priority Audit Recommendations agreed	95%	100% (5 agreed)

Service Developments

- 4.2 During 2019/20 the development activities for SIAS included:
- a) Staffing - the delivery of core learning and coaching for all members of staff. This included external training on the principles of risk and internal control, and the practical application of data analytics within audit testing strategies. This will need to become embedded professional practice in 2020/21 in order to add further value to internal audit work. A Team Charter has also been developed to set expectations for core values and behaviours amongst staff and to create a link to the IPPF and the PSIAS.
 - b) Practice - the template used for setting out the terms of reference for each audit assignment was revised and subsequently piloted at two SIAS partners. This received positive feedback from recipients and will now need to be rolled out during 2020/21. The revised template provides a means to explicitly link internal audit work to risks which prevent service objectives being met and to highlight alternative sources of assurance so that any audit duplication/overlap can be avoided where possible.
 - c) Technology – replacement computer hardware and software has been rolled out to all staff. This has facilitated more effective remote working, for example by using video conferencing and other communication tools. An automated Performance Dashboard has also been produced as a means of monitoring individual staff performance against targets. This tool has helped to inform one to one discussions and annual appraisals. A review of the SIAS web offering has also commenced.

5. Audit Charter 2020/21

- 5.1 The PSIAS require a local authority to formally adopt an Audit Charter which covers the authority and responsibility for an internal audit function.
- 5.2 The SIAS Audit Charter sets out the framework within which it discharges its internal audit responsibilities to those charged with governance in the partner councils. It details the permanent arrangements for internal audit and key governance roles and responsibilities to ensure the effectiveness of internal audit provision.
- 5.3 The Audit Charter is reviewed annually. The review in April 2020 did not result in any fundamental changes and the 2020/21 Charter is attached at Appendix D.

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2019/20 AUDIT PLAN

Stevenage Borough Council Audit Plan – 2019/20

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Key Financial Systems							
Creditors	Satisfactory	0	0	1	3	9.5	Draft Report Issued
Treasury Management	Good	0	0	0	1	6	Final Report Issued
Payroll	Satisfactory	0	0	2	0	10	Final Report Issued *
Council Tax	Good	0	0	0	3	6	Final Report Issued
NDR	Good	0	0	0	0	6	Final Report Issued
Housing Benefits	Good	0	0	1	1	6	Final Report Issued
Cash and Banking	Good	0	0	0	0	6	Final Report Issued
Housing Rents	Satisfactory	0	0	4	2	10	Final Report Issued
Main Accounting System	Satisfactory	0	0	4	0	7.5	Draft Report Issued
Debtors	Satisfactory	0	0	0	3	5.5	Draft Report Issued

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2019/20 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Operational Audits							
Insurance	Good	0	0	1	1	6	Final Report Issued
Cemeteries	Satisfactory	0	0	4	0	6	Final Report Issued
Stevenage Museum	Satisfactory	0	2	1	5	7	Final Report Issued
Facilities Management	Limited	0	3	0	0	6	Final Report Issued
Rechargeable Works	Good	0	0	1	0	10	Final Report Issued
Safeguarding	Good	0	0	0	3	10	Final Report Issued
Recycling	Satisfactory	0	0	1	5	10	Final Report Issued
Homelessness Reduction Act	Good	0	0	0	0	10	Final Report Issued
Health and Safety	Good	0	0	1	0	10	Final Report Issued
Sickness Absence Management	-	-	-	-	-	5.5	Cancelled
Land Charges	-	-	-	-	-	1.5	Cancelled
CCTV – Follow Up (joint audit with partners)	Not Assessed	-	-	-	-	5	Final Report Issued

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2019/20 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Street Cleansing – Follow Up	Not Assessed	-	-	-	-	5	Final Report Issued
Garage Investment Programme	Good	0	0	0	0	10	Final Report Issued
Herts Home Improvement Agency – Follow Up (joint audit with partners)						1.5	In Fieldwork
Town Centre Regeneration – SG1	Satisfactory	0	0	6	0	12	Final Report Issued
Queensway & Marshgate Redevelopment						10.5	In Fieldwork
Procurement	Satisfactory	0	0	1	1	10	Final Report Issued
Refurbishment Contract	Good	0	0	0	0	10	Final Report Issued
Housing Development Schemes	Good	0	0	0	0	10	Final Report Issued
Risk Management	Satisfactory	0	0	2	1	5.5	Draft Report Issued
Corporate Governance	Satisfactory	0	0	3	1	5.5	Draft Report Issued
IT Audits							
Cyber Security – Follow Up	Not Assessed	-	-	-	-	6	Final Report Issued

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2019/20 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
IT Project Management	Satisfactory	0	0	2	0	6	Final Report Issued *
IT Shared Service Agreement	Not Assessed	0	0	2	1	6	Final Report Issued
Information Management	Good	0	0	1	0	6	Final Report Issued *
Other Chargeable							
2020/21 Audit Planning	-	-	-	-	-	5	Complete
Plan Delivery Monitoring	-	-	-	-	-	10	Complete
Head of Internal Audit Opinion 2018/19	-	-	-	-	-	3	Complete
Client Liaison (incl CGG)	-	-	-	-	-	10	Complete
External Audit Liaison	-	-	-	-	-	1	Complete
Adhoc Advice	-	-	-	-	-	3	Complete
Audit Committee	-	-	-	-	-	12	Complete
Shared Learning and Joint Reviews	-	-	-	-	-	8	Complete

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2019/20 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
SIAS Development	-	-	-	-	-	5	Complete
2018/19 Projects Requiring Completion	-	-	-	-	-	4	Complete
Contingency	-	-	-	-	-	21	N/A
Total		0	5	38	31	345.5	

* At Draft Report stage at 31 March 2020, Final Report issued after year end.

Key to Assurance Level and Recommendation Priority Levels: C = Critical priority recommendations; H = High priority recommendations; M = Medium priority recommendations; LA = Low/Advisory priority recommendations.

APPENDIX B – DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITY LEVELS

2019/20 Definitions of Assurance and Recommendation 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 Page 18 8110106	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.
	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.

APPENDIX C – POSITION AGAINST PUBLIC SECTOR INTERNAL AUDIT STANDARDS AT MAY 2020 – ACTION PLAN

Section A: Conformance - During 2019/20 all areas apart from those identified in Section B below were conforming.

Section B: Intentional Non-Conformance

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



Audit Charter 2020/2021

1. Introduction and Purpose

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

2. Scope

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

3. Statutory Basis of Internal Audit

- 3.1. Local government is statutorily required to have an internal audit function. The Accounts and Audit Regulations 2015 require that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 3.2. In addition, a council's Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To fulfil this requirement, the S151 officer relies, amongst other sources, upon the work of internal audit.

4. Role

- 4.1. SIAS internal audit activity is overseen by each client council's committee charged with fulfilling audit committee responsibilities herewith referred to as the Audit Committee. As part of its oversight role, the Audit Committee is responsible for defining the responsibilities of SIAS via this Charter.
- 4.2. SIAS may undertake additional consultancy activity requested by management. The Head of Assurance will determine such activity on a case by case basis

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

5. Professionalism

- 5.1. SIAS governs itself by adherence to the Public Sector Internal Audit Standards (PSIAS). These standards include the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (IPPF). They set out the fundamental requirements for the professional practice of internal auditing and the evaluation of the effectiveness of an internal audit function's performance.
- 5.2. SIAS also recognises the Mission of Internal Audit as identified within the IPPF, 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight' and the Core Principles for the Professional Practice of Internal Auditing, which demonstrate an effective internal audit function, achieving internal audit's mission.
- 5.3. SIAS's operations are guided by its operating procedures manual as well as applicable, Chartered Institute of Internal Auditors (CIIA) Position Papers, Practice Advisories and Guides, and relevant council policies and procedures, including compliance with the Bribery Act 2010.
- 5.4. Should non-conformance with the PSIAS be identified, the Head of Assurance will investigate and disclose, in advance if possible, the exact nature of the non-conformance, the reasons for it and, if applicable, its impact on a specific engagement or engagement outcome.

6. Authority and Confidentiality

- 6.1. Internal auditors are authorised full, free, and unrestricted access to any and all of a client's records, physical properties, and personnel as required to carry out an engagement. All client employees are requested to assist SIAS in fulfilling its roles and responsibilities. Information obtained during the course of an engagement is safeguarded and confidentiality respected.
- 6.2. Internal auditors will only use information obtained to complete an engagement. It will not be used in a manner that would be contrary to the law, for personal gain, or detrimental to the legitimate and ethical objectives of the client organisation(s). Internal auditors will disclose all material facts known which if not disclosed, could distort a report or conceal unlawful practice.

7. Organisation

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

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

- 7.2. The Chairman of the Audit Committee has free and unrestricted direct access to both the Head of Internal Audit, and the Council's External Auditor.
- 7.3. The Head of Assurance is line managed by the Director of Resources at Hertfordshire County Council (HCC), who approves all decisions regarding the performance evaluation, appointment, or removal of the Head of Assurance, in consultation with the SIAS Board. Each partner's Section 151 Officer is asked to contribute to the annual appraisal of the Head of Assurance.

8. Stakeholders

The following groups are defined as stakeholders of SIAS:

- 8.1. The Head of Assurance and the Head of The Shared Internal Audit Service, both suitably experienced and qualified (CCAB and / or CMIIA), are responsible for:
 - hiring, appraising and developing SIAS staff in accordance with the host authority's HR guidance.
 - maintaining up-to-date job descriptions which reflect the roles, responsibilities, skills, qualifications, and attributes required of SIAS staff.
 - ensuring that together, SIAS staff possess or obtain the skills, knowledge and competencies (including ethical practice) needed to effectively perform SIAS engagements.
- 8.2. The Audit Committee is responsible for overseeing the effectiveness of SIAS and holding the Head of Assurance to account for delivery. This is achieved through the approval of performance targets set by the SIAS Board and receipt of regular reports.
- 8.3. The Audit Committee is also responsible for the effectiveness of the governance, risk and control environment within the Council, holding managers to account for delivery.
- 8.4. The Audit Committee, as set out in its formal Terms of Reference, also ensures that there is appropriate communication of, and involvement in, internal audit matters as required from the wider publicly elected Member body.
- 8.5. Senior Management, defined as the Head of Paid Service, Chief Officers and their direct reports, are responsible for helping shape the programme of assurance work. This is achieved through analysis and review of key risks to achieving the Council's objectives and priorities.

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

9. Independence and Objectivity

- 9.1 No element in the organisation should interfere with audit selection, scope, procedures, frequency, timing, or report content. This is necessary to ensure that internal audit maintains the necessary level of independence and objectivity.
- 9.2 As well as being impartial and unbiased, internal auditors will have no direct operational responsibility or authority over any activity audited. They will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that might impair their judgment.
- 9.3 When asked to undertake any additional roles/responsibilities outside internal auditing, the Head of Assurance will highlight to the Audit Committee any potential or perceived impairment to independence and objectivity having regard to the principles contained within the PSIAS Code of Ethics as well as any relevant requirements set out in other professional bodies to which the CAE may belong. The Audit Committee will approve and periodically review any safeguards put in place to limit any impairments to independence and objectivity.
- 9.4 The Head of Assurance will confirm to the Audit Committee, at least annually, the organisational independence of SIAS.

10. Conflicts of Interest

- 10.1. Internal auditors will exhibit clear professional objectivity when gathering, evaluating, and communicating engagement information. When forming judgments, they will make a balanced assessment of all relevant circumstances and not be influenced by their own interests or the views and interests of others.
- 10.2. Each auditor will comply with the ethical requirements of his/her professional body and proactively declare any potential conflict of interest, whether actual or apparent, prior to the start of an engagement.
- 10.3. All auditors sign an annual declaration of interest to ensure that the allocation of work avoids conflict of interest. Auditors who undertake consultancy work or are new to the team will be prohibited from auditing in those areas where they have worked in the past year. Audits are rotated within the team to avoid over-familiarity and complacency.

- 10.4. SIAS procures an arrangement with an external partner to provide additional internal audit days on request. The external partner will be used to deliver engagements as directed by the Head of Assurance in particular providing advice and assistance where SIAS staff lack the required skills or knowledge.
- 10.5. In the event of a real or apparent impairment of independence or objectivity, (acceptance of gifts, hospitality, inducements or other benefits) the Head of Assurance will investigate and report on the matter to appropriate parties.

11. Responsibility and Scope

- 11.1. The scope of SIAS encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes (as they relate to the organisation's priorities and objectives) and the promotion of appropriate ethics and values.
- 11.2. Internal control and risk management objectives considered by internal audit extend to the organisation's entire control and risk management environment and include:
- consistency of operations or programs with established objectives and goals, and effective performance
 - effectiveness and efficiency of governance, operations and employment of resources
 - compliance with significant policies, plans, procedures, laws, and regulations
 - design, reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information
 - safeguarding of assets
- 11.3. SIAS is well placed to provide advice and support on emerging risks and controls and will, if requested, deliver consulting and advisory services or evaluate specific operations.
- 11.4. SIAS is responsible for reporting to the Audit Committee and senior management, significant risk exposures (including those to fraud addressed in conjunction with the Shared Anti-Fraud Service), control and governance issues and other matters that emerge from an engagement.
- 11.5. Engagements are allocated to (an) internal auditor(s) with the appropriate skills, experience and competence. The auditor is then responsible for carrying out the work in accordance with the SIAS Operating Procedures Manual, and must consider the relevant elements of internal control, the needs and expectations of clients, the extent of work required to meet the engagement's objectives, its cost effectiveness, and the probability of significant error or non-compliance.

12. Role in Anti-Fraud

- 12.1. The SIAS work programme, designed in consultation with Senior Management, the Audit Committee and, where applicable, the Shared Anti-Fraud Service, seeks to help deter fraud and corruption.
- 12.2. In conjunction with the Shared Anti-Fraud Service SIAS shares information with relevant partners to increase the likelihood of detecting fraudulent activity and reducing the risk of fraud to all.
- 12.3. The Head of Assurance should be notified of all suspected or detected fraud, corruption or impropriety so that the impact upon control arrangements can be evaluated.

13. Internal Audit Plan

- 13.1. Following discussion with appropriate senior management, the Head of Assurance will submit a risk-based plan to the Audit Committee for review and approval. This will occur at least annually. The plan sets out the engagements agreed and demonstrates the priorities of both SIAS (the need to produce an annual internal audit opinion) and those of the organisation. Also included will be any relevant declarations of interest.
- 13.2. The plan will be accompanied by details of the risk assessment approach used and will take into account the organisation's assurance framework. Also shown will be the timing of an engagement, its budget in days, details of any contingency for new or changed risks, time for planning and reporting and a contribution to the development of SIAS.
- 13.3. The plan will be subject to regular review in year and may be modified in response to changes in the organisation's business, risks, operations, programmes, systems and controls. All significant changes to the approved internal audit plan will be communicated in the quarterly update reports.

14. Reporting and Monitoring

- 14.1. A draft written Terms of Reference will be prepared and issued to appropriate personnel at the start of an engagement. It will cover the intended objectives, scope and reporting mechanism and will be agreed with the client. Changes to the terms of reference during the course of the engagement may occur and will be agreed following consultation with the client.
- 14.2. A report will be issued on completion of an engagement. It will include a reasoned opinion, details of the time period and scope within which it was prepared, management's responses to specific risk prioritised findings and recommendations made and a timescale within which corrective action will be /

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

- 14.3. SIAS will follow-up the implementation of agreed recommendations in line with the protocol at each client. As appropriate, the outcomes of this work will be reported to the audit committee and may be used to inform the risk-based planning of future audit work. Should follow-up activity identify any significant error or omission, this will be communicated by the Head of Assurance to all relevant parties. A revised internal audit opinion may be issued on the basis of follow-up activity.
- 14.4. In consultation with senior management, the Head of Assurance will consider, on a risk-basis, any request made by external stakeholders for sight of an internal audit report.
- 14.5. Quarterly update reports to the Audit Committee will detail the results of each engagement, including significant risk exposures and control issues. In addition, an annual report will be produced giving an opinion on the overall control, governance, and risk management environment (and any other issues judged relevant to the preparation of the Annual Governance Statement), with a summary of the work that supports the opinion. The Head of Assurance will also make a statement of conformance with PSIAS, and detail the nature and reasons for any impairments, qualifications or restrictions in scope for which the Committee should seek reassurances from management.

15. Periodic Assessment

- 15.1. PSIAS require the Head of Assurance and the SIAS Board to make arrangements for an independent review of the effectiveness of internal audit undertaken by a suitably knowledgeable, qualified and competent individual or organisation. This should occur at least every five years.
- 15.2. The Head of Assurance will ensure that continuous efforts are made to improve the efficiency, effectiveness, and quality of SIAS. These will include the Quality Assurance and Improvement Programme, client feedback, appraisals and shared learning with the external audit partner as well as coaching, supervision, and documented review.
- 15.3. A single review will be carried out to provide assurance to all SIAS partners with the outcomes included in the partner's Annual Report.

16. Review of the Audit Charter

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

APPENDIX D – AUDIT CHARTER 2020/2021

16.2. The Head of Assurance reviewed this Audit Charter in April 2020. It will next be reviewed in April 2021.

Glossary of Terms

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

Note:

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

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Meeting: Audit Committee

Portfolio Area: All

Date: 9 June 2020

Annual Governance Statement 2019/20 and Local Code of Corporate Governance

Author – Suzanne Brightwell, ext 2966

Contributors – All Assistant Directors, Simon Martin (Shared Internal Audit Service)

Lead Officer – Clare Fletcher, ext 2933

Contact Officer – Suzanne Brightwell, ext 2966

1. PURPOSE

- 1.1. To advise Members of the Audit Committee on the content of the Council's Annual Governance Statement for 2019/20, following the review of the effectiveness of the Council's system of internal control and governance arrangements.

2. RECOMMENDATIONS

- 2.1. That Members of the Audit Committee recommend the Council's 2019/20 Annual Governance Statement, attached as Appendix One, for approval by the Statement of Accounts Committee.
- 2.2. That Members of the Audit Committee approve the changes to the Council's Local Code of Corporate Governance, attached at Appendix Two.

3. BACKGROUND

3.1. Legislative Background

- 3.1.1. Regulation 6 of the 2015 Accounts and Audit (England) regulations requires that:
 - The Council shall be responsible for ensuring that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.

- The Council shall conduct a review at least once a year of the effectiveness of its system of internal control.
 - The findings of the review of the system of internal control to be considered by a committee of the relevant body, or by members of the body, meeting as a whole.
 - Following the review, the body or committee must approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control.
- 3.1.2. The Department for Communities and Local Government clarified that the Annual Governance Statement is assigned 'proper practice' status in August 2006 and therefore has statutory backing.
- 3.1.3. The 2015 Accounts and Audit (England) Regulations reinforce this with a clear reference to the preparation of an Annual Governance Statement in accordance with proper practices (Regulation 6 (4b)).
- 3.1.4. The Accounts and Audit Regulations 2015 apply to arrangements for the review of financial control and publication of the Annual Governance Statement. These Regulations usually require publication on the Council's website of the Draft Statement of Accounts by 31 May and approved Statement of Accounts by 31 July. The draft and approved Statement of Accounts should be accompanied by the Annual Governance Statement. The Annual Governance Statement at Appendix One will therefore be published on the Council's website to accompany the Statement of Accounts to comply with this legislation.
- 3.1.5. In response to the COVID-19 crisis, the publication date for the 2019/20 draft Statement of Accounts has moved from 31 May to 31 July 2020 and the publication of the final, audited accounts has been moved from 31 July to 30 November 2020. The Annual Governance Statement therefore needs to be published on the Council's website in draft by 31 July 2020 and in its final version by 30 November 2020 with the approved Statement of Accounts.
- 3.1.6. Due to this extended timeline, the impact of COVID-19 on the Council's governance arrangements for the months of April and May 2020 have been included in the attached AGS. There may need to be further updates the AGS, to reflect any further significant governance updates between now and the date of approval of the Statement of Accounts (scheduled for November 2020) and these changes will be reported to the Audit Committee which will meet prior to the Statement of Accounts Committee in November.
- 3.2. Local Code of Corporate Governance
- 3.2.1. In 2006, CIPFA/SOLACE produced a publication called Delivering Good Governance in Local Government: Framework and Guidance. In April 2016, CIPFA/SOLACE published a reviewed Framework and Guidance that reflects the International Framework: 'Good Governance in the Public Sector' developed by

CIPFA/IFAC, published July 2014. The purpose of the Framework is to support each local authority in developing and shaping an informed approach to governance, aimed at achieving the highest standards of governance in a measured and proportionate way.

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

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

B: Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

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

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

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

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

- Establish and monitor the Council's vision and objectives
- Facilitate policy and decision making
- Ensure compliance with policies, procedures, laws and regulations
- Ensure the economic, efficient use of resources and secure continuous improvement
- Support delivery of high quality services and effective performance management
- Identify and manage the Council's risks.

3.2.5. The Council's Local Code of Corporate Governance was reported to this Committee (15 June 2017) with a full review due every three years with the next full review due June 2020.

3.2.6. The Local Code of Corporate Governance has therefore been reviewed this year and the changes made are summarised in the table below. The revised Local Code is attached at Appendix Two.

Principle	Change
Principle A	Reference to RIPA 2000 legislation added.
Principle B	Reference to the new Community Engagement Framework added.
Principle B	Reference to the Council's intranet which provides staff with updates, news, blogs and information
Principle B	The new Hertfordshire Home Improvement Agency has been added to the list of Shared Services
Principle C	Reference to the updated Local Development Scheme which was agreed by Executive in April 2019, which sets out milestones for the examination of the Local Plan and its adoption, has been added
Principle C	Reference to the FTFC Programme Board added
Principle D	Reference to the Council's five year Capital Strategy added.
Principle D	Reference to the five year Housing Asset Management Strategy and action plan, which was approved by Executive in March 2019, added.
Principle D	Reference to the General Fund Asset Management Strategy and rolling five year action plan added.
Principle D	Reference to the Housing Development and Regeneration Executive Committee added
Principle E	Reference to REAL Conversations added.
Principle E	Reference to the Competency Framework for all staff added
Principle E	Reference to new induction training arrangements via e-learning and targeted induction training added
Principle E	Reference to new e-learning for all staff added
Principle F	Reference to InPhase, the Council's performance and governance system added
Principle F	Reference to Corporate Governance Group added
Principle F	Reference to new General Data Protection Regulations and the Council's revised arrangements to meet the requirements of these Regulations added.

Principle G	Reference to the arrangements for responding to Freedom of Information requests has been added.
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3.2.7. It is being recommended that in future the Council's Local Code of Corporate Governance is reviewed each year and reported as an Appendix to the Annual Governance Statement to Audit Committee. This will ensure that the Local Code of Corporate Governance is kept up to date and aligns with the Annual Governance Statement.

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

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

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

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

3.3.4. The Local Framework facilitates a review of the effectiveness of the governance arrangements set out in the Local Code of Corporate Governance having consideration for the outcomes and behaviours associated with each of the core principles. The effectiveness of governance arrangements is considered on an annual basis with proactive assessment in-year.

3.3.5. The Local Framework (outlined in Appendix Three) identifies the process to be followed to enable the authority to review governance arrangements and identify areas of governance to be strengthened. This process, summarised below, has been applied for 2019/20:

- Develop and maintain an up to date Local Code of Governance, including arrangements for ensuring its ongoing application and effectiveness
- Review existing governance arrangements against the CIPFA/SOLACE Framework.
- Consider the extent to which the Council complies with the principles, behaviours and actions that demonstrate good governance as set out in the CIPFA/SOLACE model.
- Identify systems, processes and documentation that provide evidence of compliance.

- Identify the individuals and Committees responsible for monitoring and reviewing the systems, processes and documentation identified.
- Identify the issues that have not been addressed adequately in the Council and consider how they should be addressed.
- Identify the individuals who would be responsible for undertaking the actions required and plan accordingly.
- Prepare an Annual Governance Statement, to include how the effectiveness of governance arrangements have been monitored in the year and on any planned changes in the coming period.

3.4. Review of local governance arrangements

- 3.4.1. At a corporate level, assurance of compliance with the CIPFA/SOLACE Framework 2016, 'Delivering Good Governance in Local Government' requires a review of the effectiveness of governance arrangements in place (Local Code) having consideration for the behaviours and outcomes outlined in the CIPFA/SOLACE Framework 2016 to demonstrate good governance.
- 3.4.2. During 2019/20 Corporate Governance Group met quarterly to proactively consider the Council's status of corporate governance with a focus on one or more of the CIPFA/SOLACE seven principles at each meeting. This activity informed the annual assessment regarding the extent to which the arrangements set out in the Council's Local Code continue to be robust and as a result how the Council complies with the principles and requirements of good governance set out in the CIPFA/SOLACE model.
- 3.4.3. The corporate control environment is evidenced by a number of policies and plans, which are referred to as 'The Corporate Backbone' of the Council. The Corporate Backbone is attached as Appendix Four.
- 3.4.4. Corporate Governance Group is chaired by the Strategic Director (Chief Finance Officer), with responsibility delegated by the Chief Executive. Corporate Risk Group and Corporate Governance Group are closely aligned in order to capture information links between risk and governance arrangements.
- 3.4.5. At business unit level, assurance of compliance with the principles of good governance requires all Assistant Directors to complete, certify and return a Service Assurance Statement each year. The Service Assurance Statement is designed to provide assurance that the control environment operated effectively during 2019/20 in respect of the business units for which they have responsibility. Appendix Five sets out:
- A summary of the progress made against any actions that were identified in 2018/19 statements for delivery in 2019/20.
 - A summary of actions identified for delivery in 2020/21.
- 3.4.6 As a result of the assessment of governance arrangements and procedures outlined in paragraphs 3.4.1 to 3.4.5, actions were identified to improve the high quality of governance arrangements already in place for the Council. Any actions

deemed significant are included in the Action Plan in the Annual Governance Statement attached as Appendix One (pages 31-34 of the AGS).

3.4.7 Actions are deemed 'significant' if recommended for reflection in the Annual Governance Statement by the Shared Internal Audit Service or if considered important in the management of 'very high/high level' strategic risks. By adopting this approach, any concerns over key controls that have a material effect on corporate governance arrangements and associated delivery of priority outcomes should be addressed.

3.4.8 Actions identified for 2020/21 are:

- Implementation of the key action identified in the General Fund Asset Management Strategy Action Plan to undertake Local Asset reviews of the Council's current land and buildings.
- Continue to ensure good governance of the key regeneration projects including the Queensway and SG1 Schemes.
- Ensure the Shared Hertfordshire Home Improvement Agency, operated by Hertfordshire County Council, can deliver its financial targets in the medium term, as well as ensure that minimum key standards are being met, enhance its governance structure and ensure the service is offering value for money.
- Ensure there is a clear governance structure through a corporate landlord function and ensure compliance of the Council's non-housing property by carrying out a review of the current arrangements and responsibilities for maintaining these properties.
- A programme of work to be carried out to ensure that the Council's ambitious commercial agenda can be achieved. This will include increased commercial capacity and information as well as enhancing the financial and legal skills of those involved in complex investment or commercial decision making.
- A programme of work in response to the COVID-19 pandemic, to ensure the Council can reinstate and continue to deliver services, continue to meet its FTFC ambitions and enable recovery from the effects of the virus in the town.
- Continue to implement the restructure of services through Future Council Business Reviews to improve corporate capacity and deliver sustainable services that meet the needs of customers. In addition, further activity to enhance capacity is reflected in the Employer of Choice programme with a focus for 2020/21 on undertaking a skills/capacity gap analysis, introducing tools and techniques to manage change, development of communication/engagement strategies that will enable staff to have a clear understanding of organisational direction and recruitment to a number of key posts across the Council.
- The Shared IT service to implement a programme of activity to further enhance IT infrastructure, cyber security, governance arrangements, policy framework and resilience.

- Continue to enhance and embed information management arrangements to ensure that best practice records management across the Council continues to be applied and customer data is stored securely and appropriately managed.
- Continue to further enhance Health and Safety arrangements to ensure health and safety compliance and performance across the Council.

3.4.9 The Shared Internal Audit Service (SIAS) has assigned Satisfactory' assurance for both financial systems and non-financial systems for 2019/20: meaning the internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.

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

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

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

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

4.2. The proposed Annual Governance Statement for 2019/20 is attached as Appendix One. The Statement is intended to provide public assurance that the Council has sound governance arrangements, including a sound system of internal control, designed to help manage and control business risk. The document is an important public expression of the arrangements the Council applies to achieve good business practice, high standards of conduct and sound governance.

4.3. Arrangements for governance were reviewed across the organisation:

- At a corporate level as outlined in paragraphs 3.4.1 to 3.4.5
- At a service level as outlined in paragraph 3.4.5.

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

4.5. The proposed Annual Governance Statement at Appendix One identifies any significant actions identified to improve the high quality of governance arrangements in place across the Council, as set out in paragraph 3.4.8 and Appendix One (pages 31-34 of the AGS).

4.6 The Council's Local Code of Corporate Governance has been updated to reflect changes in the Council's governance arrangements since its last review in June 2017 and the changes are reflected in this report in paragraph 3.2.6. The revised Local Code is attached at Appendix Two.

- 4.7 To ensure that the Code is kept up to date and aligns with the Annual Governance Statement, it is being recommended that the Local Code is reviewed and updated each year to reflect governance changes in year and reported as an Appendix to the Annual Governance Statement to Audit Committee.

5. IMPLICATIONS

5.1. Financial Implications

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

5.2. Legal Implications

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

5.3. Risk Implications

- 5.3.1. A strong internal control environment contributes to the overall effective management of the Council and will minimise the risks of the Council failing to achieve its ambitions and priorities, and service improvements.
- 5.3.2. Without robust governance arrangements, there are potential service continuity and reputation risk implications.

5.4. Equalities and Diversity Implications

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

5.5. Other Corporate Implications

- 5.5.1. All aspects of the work of the Council are affected by its corporate governance arrangements, as well as the Council's partners in service delivery and other agencies with which the Council shares information. External bodies in particular, need to have confidence in the way the Council operates and this can be achieved by demonstrating robust governance arrangements that are fully embedded.

6. BACKGROUND DOCUMENTS

- CIPFA/SOLACE, 'Delivering Good Governance in Local Government (2016 Framework and Guidance)
- CIPFA/IFAC International Framework 'Good Governance in the Public Sector (published August 2014)
- External Auditor – Annual Audit and Inspection Letter

7. APPENDICES

- Appendix One – Annual Governance Statement 2019/20
- Appendix Two – Local Code of Corporate Governance (June 2020)
- Appendix Three – Annual Governance Statement: Framework for compiling the Annual Governance Statement
- Appendix Four – Corporate Backbone
- Appendix Five – Overview of Service Based Governance Review 2019/20.

Stevenage Borough Council's Annual Governance Statement 2019/20

What is Corporate Governance?

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

Achieving the intended outcomes whilst acting in the public interest



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

The CIPFA/SOLACE* *Delivering Good Governance in Local Government Framework* sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in developing and shaping an informed approach to governance, aimed at achieving the highest standards of governance in a measured and proportionate way.

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

The Framework is designed to assist authorities with the review of the unique local governance arrangements in place with the overall aim to ensure that:

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

The Council's responsibility in relation to Corporate Governance

Identifying Local Governance Arrangements

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

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

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

The Council's Local Code of Corporate Governance was revised and approved by Audit Committee in June 2017. The Code has recently been reviewed and Audit Committee will be considering the revised Code at its meeting on 9 June 2020. A copy of the code can be obtained from the Council Offices.

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

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

How do we know our arrangements are working?

The Governance Framework – How the Council monitors arrangements in place

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

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

Governance monitoring and assurance arrangements

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

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

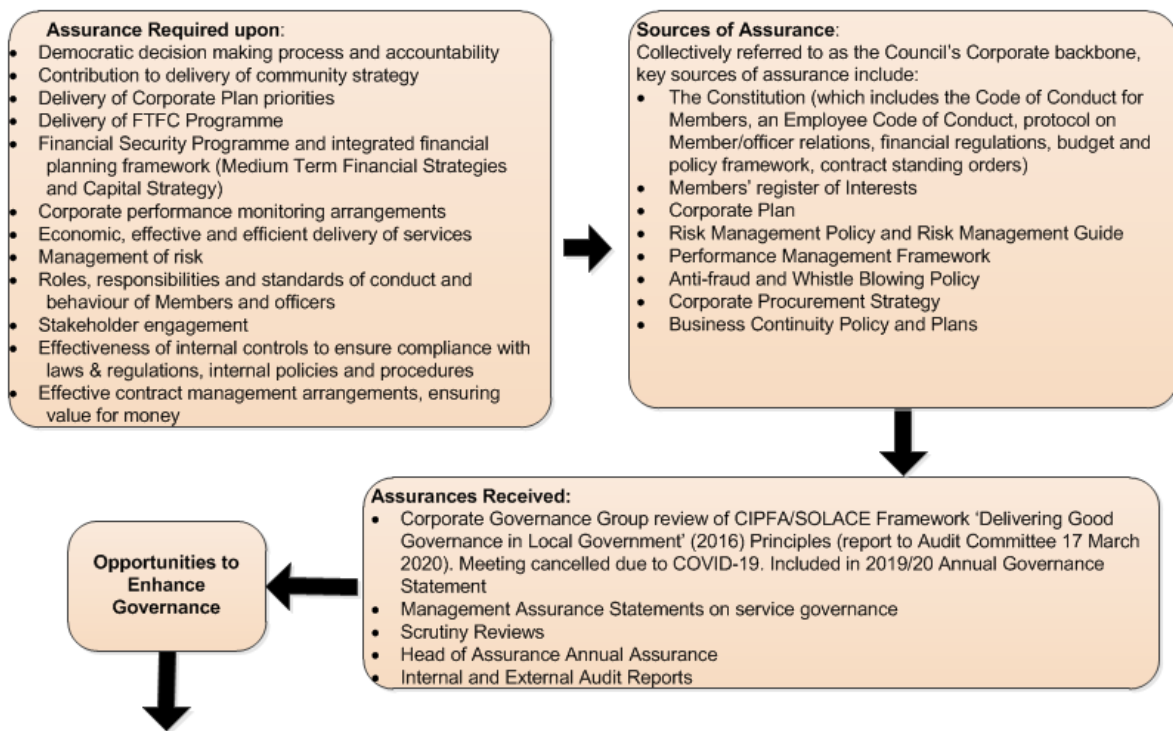
- A Corporate Governance Group meet four times a year to consider the assurance framework from the perspective of the seven core principles of corporate governance in the CIPFA/SOLACE Framework - the seven core principles are set out in the diagram on pages one and seven.
- In addition to this proactive in-year review, Corporate Governance Group carries out an annual review of compliance with the behaviours that make up the seven core principles of corporate governance in the CIPFA/SOLACE Framework.
- At business unit level, assurance of compliance with the principles of good governance requires all Assistant Directors to complete, certify and return a Service Assurance Statement each year.
- Corporate Governance Group also consider whether any recommendations as a result of external or internal audit activity (and other review agencies and inspectorates), and the Head of Assurance Annual Report, require inclusion in the Statement.

All of these mechanisms of review contribute to overall assurance for the 2019/20 Annual Governance Statement. A summary of the types of assurance required, sources of assurance, assurance received and planned enhancement actions is represented on the next page (page 4) against the relevant principles. More detail is provided throughout the Annual Governance Statement.

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

The Governance Framework summarised in this Statement has been in place at the Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts. The date for approval of the 2019/20 Statement of Accounts has been extended to November 2020 to allow extra time due to COVID-19.

Figure 2: Overview of sources of assurance to inform review of effectiveness and identification of governance enhancements for 2019/20



The Action Plan outlined on pages 31 to 34 of this document provides more detail in relation to the action required and timescales to deliver the above enhancement activity

Assurance: Internal Audit Arrangements

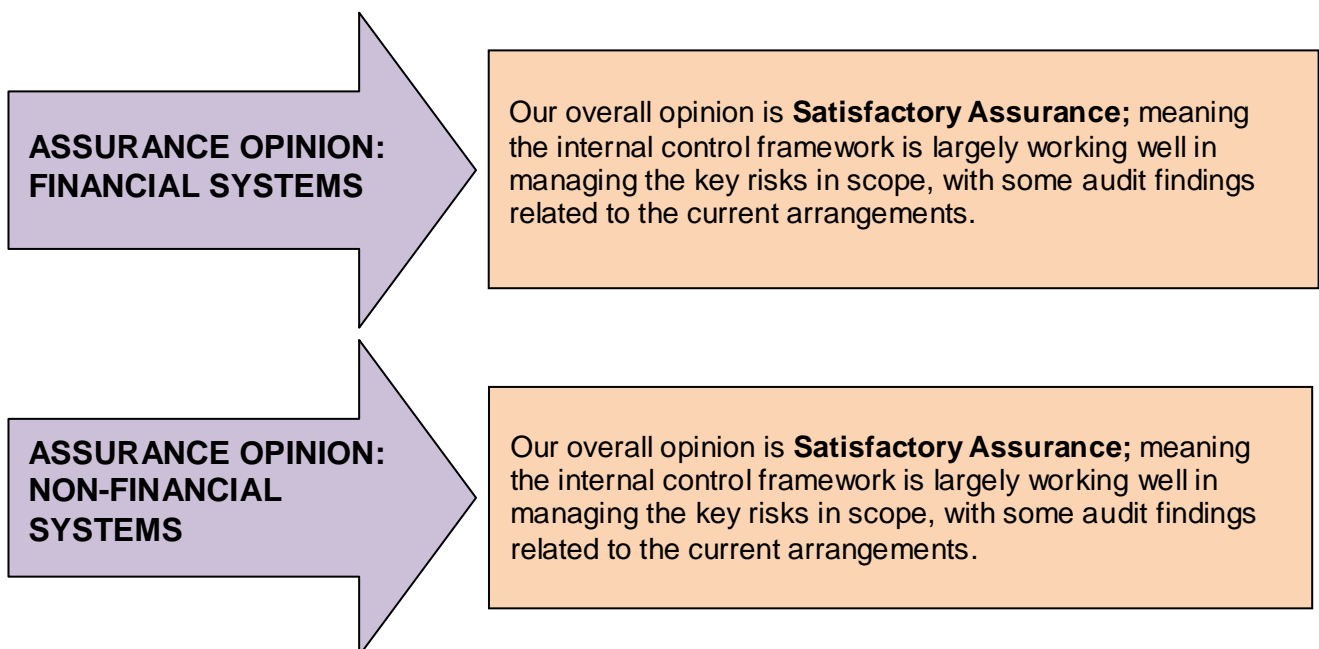
Annual Audit Coverage

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

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

2019/20 Audit Report

The Head of Assurance's Annual Internal Audit Report and Assurance Statement is being reported to the Audit Committee in June 2020. From the internal audit work undertaken in 2019/20, the SIAS can provide the following assurance on the adequacy and effectiveness of the Council's control environment, broken down between financial and non-financial systems as follows:



The Satisfactory assurance opinion overall on financial systems has been concluded from ten financial systems audits. Seven received Good assurance and three received Satisfactory assurance. No Critical or High priority recommendations were made in these audits.

The Satisfactory assurance opinion on non-financial systems has been concluded from 18 audits. Nine audits received Good assurance, eight received Satisfactory assurance and one received Limited assurance. Only five high priority recommendations were made across these audits.

A summary of the High Priority Audit Recommendations made by the SIAS from the twenty-eight audits carried out during 2019/20 is shown below:

High Priority Audit Recommendation	Governance Enhancements
<p>Facilities Management: Three recommendations to strengthen the control environment in relation to written procedures and contracts as well as annually renewing contracts to ensure best value</p>	<p>All three recommendations are complete. A full suite of procedural documents have now been produced and are available in a Facilities Management Procedure Manual. In relation to the management of contracts, the compliance function will be evolving with the implementation of the Corporate Landlord model. Contract arrangements have been reviewed, and as and when new contracts are procured, the Facilities Management Team will ensure the required forms are completed and stored within the central procurement register.</p>
<p>Stevenage Museum: Two recommendations to further strengthen the control environment and relate to addressing outstanding actions in the Museum Operational Management Risk Reduction Plan and restrict access to the safe and petty cash</p>	<p>Both recommendations have been implemented. All actions in the Museum Operational Management Risk Reduction Plan are now complete and new petty cash arrangements are now in place.</p>

Review of Effectiveness of Systems of Internal Audit

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

As part of demonstrating the efficiency and effectiveness of the internal audit activity and identifying opportunities for improvement, the Head of Assurance must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. This includes an annual self-assessment undertaken by the Head of Assurance against the Public Sector Internal Audit Standards (PSIAS) for Internal Audit in Local Government in the UK. The self-assessment concluded that the system of Internal Audit employed at Stevenage Borough Council is effective.

In addition, PSIAS require that an external assessment or peer review is undertaken at least once every five years. An independent Peer Review was undertaken in 2015/16, which concluded that SIAS ‘generally conforms’ to the PSIAS, including the Definition of Internal Auditing, the Code of Ethics and Standards. ‘Generally conforms’ is the highest opinion within the scale of three ratings, and the peer review identified areas of good practice and high standards.

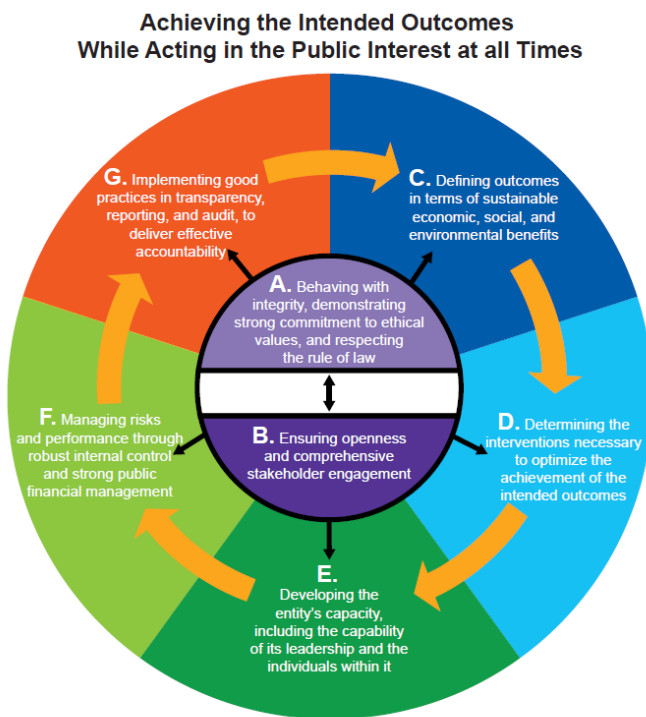
The annual performance indicators for SIAS are set by the SIAS Board which is comprised of the Section 151 Officers from the client authorities within the partnership. The table below sets out SIAS performance against the performance indicator relating to planned days delivery.

Area of Activity	Target	2016/17	2017/18	2018/19	2019/20
Planned Days percentage of actual billable days against planned chargeable days completed	95%	99%	95%	99%	98%

The assurance arrangements conformed with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010), as demonstrated through the assessment in the SIAS Annual Assurance Statement and Internal Audit Annual Report being reported to Audit Committee on 9 June 2020.

The CIPFA/SOLACE Core Principles of Governance

Figure 3: International Framework: Good Governance in the Public Sector (CIPFA/IFAC 2014)



The Council achieves good standards of governance by applying the CIPFA/SOLACE Principles of Governance set out in the ‘Delivering Good Governance in Local Government’ Framework (2016) represented in the International Framework.

The diagram at figure 3 illustrates how the various principles for good governance in the public sector relate to each other. To achieve good governance the Council should achieve their intended outcomes while acting in the public interest at all times.

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

A summary of the review of effectiveness of local arrangements in

place for 2019/20 against each of the principles is set out on the following pages identifying opportunities for governance enhancements.

Arrangements are monitored throughout the year as set out on page 3. Progress against the delivery of actions identified in the 2018/19 Annual Governance Statement is reflected in the green boxes throughout this Annual Governance Statement.

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

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

Summary of 2019/20 Review of Effectiveness:

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

The standards of conduct and personal behaviour expected of Members and Officers, its partners and the community are defined and communicated through Codes of Conduct and Protocols and the Council's Constitution. Arrangements are in place to ensure that Members and Officers are aware of their responsibilities under these codes and protocols.

The Council's website outlines the arrangements for making a complaint that a member of the authority has failed to comply with the Authority's Code of Conduct and sets out how the authority will deal with such allegations. Complaints about Members and allegations that a Member has breached the Code of Conduct would be dealt with by the Standards Committee and the Borough Solicitor (Monitoring Officer) under the Localism Act 2011. The Council has appointed an Independent Person, to consult on alleged breaches to the Member Code of Conduct.

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

The Council's Constitution sets out the employment procedures for the Head of the Paid Service, Strategic and Assistant Directors, Monitoring Officer and Chief Finance Officer.

Figure 4: Organisational Values

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



The Values are embedded into Member and Officer Induction, regular officer meetings with their managers (REAL conversations), the Modern Member training Programme, and management development programmes. A set of desired behaviours associated with each of the Values has been developed and form part of the Council's appraisal process for officers.

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

During 2019/20, the Council carried out one instance of directed covert surveillance in accordance with the Regulation of Investigatory Powers Act 2000.

The following governance activity pertaining to best practice has been delivered in 2019/20:

- The Council's Financial Regulations have been reviewed. Approval by Council of the revised Regulations has however been delayed due to COVID-19.
- New Anti-Money Laundering and Anti-Bribery Policies have been produced and will be publicised to staff by September 2020.
- Fraud information for staff is now available on the Council's intranet
- Fraud e-learning is now available to staff

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

Principle B: Engaging with local people and other stakeholders

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

Summary of 2019/20 Review of Effectiveness:

The Council wants to hear views about Council services. The Council regularly provides local residents, partners and other interested parties with opportunities to influence the planning, prioritisation and monitoring of services. A variety of methods are used to engage the local community, such as: surveys and questionnaires, community roadshows, focus and action groups and stakeholder conferences.

A new Community Engagement Framework has been prepared and agreed. A customer friendly version of the Framework is being produced which will be available on the Council's website. Toolkit development will be ongoing as resources are created for Council teams moving forward.

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

Figure 5: Residents' Newsletter



The Council uses a variety of media to communicate with its residents, businesses and customers, for example Stevenage Chronicle which is the Council's quarterly magazine for residents which provides the latest information about Council initiatives and services, community news and events, the Council's website, press releases and social media.

In November 2017 a LGA Peer Review of the Council's communications arrangements was carried out. The review has informed a restructure of the Communications Team and how the Council communicates with its stakeholders.

In response to the COVID-19 public health emergency, the Council has played an active role in promoting and signposting residents and businesses to the Government's package of guidance and support measures. The Council's website has lots of information and links and these have also been publicised on social media.

The Council has also engaged with businesses and voluntary sector organisations in relation to a potential no-deal Brexit, promoting and signposting them to government information and guidance.

A dedicated Coronavirus section has also been set up on the Council's website which includes Frequently Asked Questions, Government advice, and information about changes the Council has made to its services. A special Coronavirus edition of Chronicle was distributed to all households in Stevenage as well as being available online.

As part of its response to COVID-19, the Council has worked closely and collaboratively with its partners to respond to the crisis. The Council has been working in partnership with the Hertfordshire

LEP, Chamber of Commerce, Wenta and the Hertfordshire Growth Board to ensure that businesses in the town are supported and informed.

The Council has also been working with the voluntary sector, Police, Citizens Advice Stevenage, British Red Cross, Foodbanks and other voluntary services in Stevenage as well as a range of local charities to provide help and advice to those who are particularly vulnerable and are facing hardship during the COVID-19 crisis.

The Council has over the past few years established a number of shared service arrangements to provide efficient and effective shared service provision and governance arrangements facilitate effective stakeholder engagement to deliver agreed outcomes.

To facilitate the Council's drive for continuous improvement, a Partner of Choice Programme was established to achieve stronger partnerships with key agencies to better deliver the Council's strategic priorities. In March 2018 it was apparent that working in partnership is now embedded in the culture of the Council and there is a strong framework for future collaboration with other public sector bodies. This led to the Partner of Choice programme being considered complete. Development of partnerships continues as part of day-to-day business and any new shared service proposals will be considered and implemented within the Financial Security Programme.

The following governance activity pertaining to best practice has been delivered in 2019/20:

- 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.
- New Customer Feedback Policy approved and published.
- New Freedom of Information e-learning launched.
- Mace held a public consultation to get feedback on the latest proposals for the regeneration of SG1. The event was well attended with over 500 people engaging in the process.
- People in the town were asked for their views about the plans to relocate and improve the bus interchange to improve transport and connectivity links in the town.
- Consultation was carried out to seek residents' views about the Council's proposals to improve the Old Town and Roebuck Play Areas.
- Consultations regarding current and future community centre use and facilities took place with over 340 responses recorded and 42 focus group consultations. Executive approved a set of recommendations as part of the Community Centre Review in December 2019.
- Consultation was carried out to inform the creation of both the new Housing Older People Strategy and the Homeless Strategy. There has also been consultation to inform the development of the Climate Change Strategy, including piloting a new engagement tool via social media.
- The Major Refurbishment Contract has promoted social value by utilising local employment, with over 40% of materials and subcontract labour being supplied by local supply chain partners.
- Proposals on a Community Wealth Building approach were agreed by Council.
- Approval was given by Executive to the establishment of six Co-operative Neighbourhood areas. The six teams will form the basis of the Council's strategic approach to delivering localised, responsive, coordinated and collaborative services; working with partners, and engaging with the different communities of Stevenage.
- A series of ward walkabouts with elected members and relevant officers took place. This has informed future projects and celebrated recent successes.

- The procurement process for an integrated digital solution provider was concluded and the supplier has commenced work on the replacement of the existing Customer Relationship Management system. The new software will enable integration between systems, to join up Council service delivery and provide better customer facing online service channels.
- A Customer Charter developed in conjunction with the Stevenage Direct Services Change and Action Team was agreed and adopted. Built on the Council's values, the charter sets out how the service will conduct its operations and business and details what customers can expect. The charter also explains how customers can help to deliver effective services.
- The Community Select Committee's review of resident involvement is now complete with clear actions defined in the development of a wider Community Engagement Framework and toolkit for the Council. This will also help to inform the development of existing resident involvement groups linked to Housing and Investment.

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

Principle C: Defining outcomes – the Council's vision and priorities

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

Summary of 2019/20 Review of Effectiveness:

The Council's vision:

Stevenage: a prosperous town with vibrant communities and improved life chances

Working in partnership

Stevenage Together, Stevenage's local strategic partnership includes a range of diverse partner agencies. Its ethos is to foster innovative ways of working together, to improve the lives of people who live, work and visit Stevenage.

Stevenage Together is responsible for producing a Community Strategy and making sure that it is carried out. The Community Strategy (Stevenage 2021: Our Town, Our Future) is the main strategic plan for the partnership. It outlines the partnership's vision and how the partnership will work together to improve Stevenage and contribute to the development of the town.

Stevenage Together oversees three themed groups: Social Inclusion Partnership (SIP), Community Safety Partnership (SoSafe), Health and Wellbeing Partnership.

The aims of the partnership are to generate pride in the borough, develop communities, help people feel safe and improve residents' health

Stevenage Together has adopted five co-operative principles:

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

Figure 7: Future Town Future Council

Future Town, Future Council

The Future Town, Future Council (FTFC) programme consists of nine key programmes that aim to deliver improved outcomes and real change for Stevenage residents. The Future Town Future Council programme serves to enhance governance arrangements, particularly through the three programmes that deliver the changes required to ensure the Council is well placed to meet the service demands of the future:

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

The focus and scopes of programmes is monitored to ensure that the FTFC Programme continues to deliver the Council's priorities.

Work is progressing on scoping a new FTFC programme called 'Place of Choice'. It has been agreed that this will incorporate the activities associated with a number of existing and emerging strategies that focus on improving the quality of life of residents and visitors. This programme is intended to provide overarching governance, to ensure that these strategies are well aligned, and that the FTFC Board are tracking key deliverables and priorities for each year. The following existing and emerging strategies/plans are included in the scope of the programme:

- Stevenage Reimagined
- Healthy Stevenage
- Community Safety
- Community Wealth Building
- Climate Change
- Future Town Future Transport
- Biodiversity Action Plan

Where it has been possible and in line with the government's restrictions, key FTFC delivery programmes have continued during the COVID-19 crisis. The regeneration schemes at Queensway and Town Square continue to be progressed, with contractors working in accordance with government guidance. The Housing Development programme continues on existing sites. A number of critical ICT projects are also continuing to progress as planned.

There will however be an impact on the FTFC programme as a result of COVID-19 and Officers have therefore conducted a review of the FTFC programme for 2020/21 to help identify which planned projects can be delivered or where necessary adapted, noting the FTFC programme will be a key element of the Council's COVID-19 recovery programme. Officers have engaged with Executive Members and the Opposition Group Leaders to help shape the direction of this programme for 2020/21, to identify priorities and test the progress and deliverability of key projects.

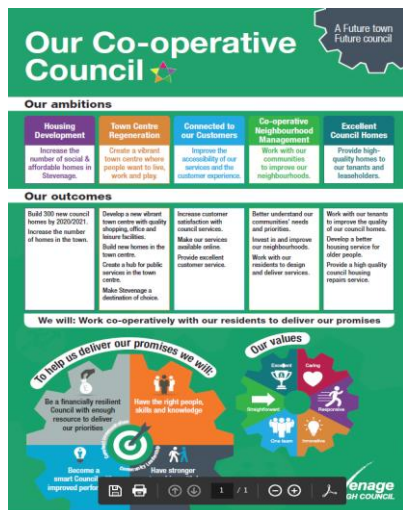
This process has set out a range of programmes that the Council will continue to prioritise during the crisis and in the recovery phase, including the continuation of Town Centre Regeneration projects and the SG1 scheme and the Stevenage Development Board which is working up the bid for the Towns Fund and unallocated Growth Deal monies, the delivery of high quality affordable housing projects, the work underway to create a new and effective online customer service offer to adapt to the current environment, investment to enhance the current housing stock and improve the offer to

Future town future council



residents and tenants, and the continued delivery of Cooperative Neighbourhood Management arrangements. Officers will also continue to prepare strategies and action plans for key objectives such as Community Wealth Building, Climate Change and the next phase of the Future Town Future Transport programme. These projects and strategies will be brought together as part of the emerging COVID-19 recovery plan for Stevenage.

Figure 8: Corporate Plan



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

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

The Medium Term Financial Strategy (MTFS) is the Council's key General Fund financial planning document and sets out the Council's strategic approach to the management of the General Fund including Council tax levels, capital funding and treasury management. This strategy underpins the Council's key priorities for Stevenage as set

out in the FTFC agenda and other strategic documents of the Council. The key aim of the Strategy is to facilitate the Council in achieving the outcomes set out in those documents, by setting out MTFS principles, which generates the need for Financial Security targets, identifies financial pressures and any additional resources for priorities to ensure the Council has a financially sustainable plan.

The Council's Medium Term Financial Strategy (MTFS) was reported to Executive in September 2019, updated in the November 2019 Executive Financial Security report and as part of the General Fund budget report to the January 2020 Executive.

The Officer's Assets and Capital Group ensures effective arrangements are in place for the design and delivery of capital projects and resources.

The Housing Revenue Account (HRA) Business Plan is the Council's 30 year strategic plan for managing and maintaining its housing stock. It sets out the Council's short-to-medium term plans and priorities for its housing management services and provides a long term perspective on stock investment and financial plan. The HRA Business Plan has recently been reviewed to reflect legislative changes which have impacted on HRA finances. The revisions were agreed at Executive in December 2019 and ensure there are sufficient HRA funds to support the Council's Housebuilding and Acquisitions Programme and Housing Asset Management programme. The Council's HRA Medium Term Financial Strategy looks at these plans over a five year horizon in greater detail setting out the principles which generates the need for Financial Security targets.

The HRA Medium Term Financial Strategy underpins the Council's key housing priorities for Stevenage as set out in the FTFC agenda 'Excellent Council Homes' and 'Housing Development' and in the Housing Asset Management Strategy. The Council continues to work co-operatively with housing customers to help shape these priorities and associated programmes.

The Council also has a five year Capital Strategy. The purpose of the Capital Strategy is to show how the Council determines its priorities for capital investment, how much it can afford to borrow and sets out any associated risks. As a result of changes to the Prudential Code, this Strategy now shows how capital financing and treasury management activity contribute to the provision of services and implications for future financial sustainability. All capital schemes are regularly reviewed and prioritised to determine whether they should be included in the Capital Strategy. The

Officers' Capital Group ensures that effective arrangements are in place for the design and delivery of capital projects.

Revision to the 2019/20 General Fund and Housing Revenue Account Capital Programme and approval of the draft Capital Programme for 2020/21 was considered by Executive and then by Overview and Scrutiny Committee in January 2020 and the final Capital Programme was approved by Council in February 2020

After over a decade in the making and over a year being held by the Secretary of State, in May 2019 the Council proudly adopted its new Local Plan for Stevenage. The Plan sets the planning policies up until 2031 for 7600 new homes and space for over 2000 new jobs; a revitalised town centre, 3 new sustainable neighbourhoods with the protection of our green infrastructure.

An updated Local Development Scheme was agreed by Executive in April 2019. The Scheme sets out milestones for the examination of the Local Plan and its adoption. It also sets out timeframes for the adoption of the Community Infrastructure Levy and a new Area Action Plan relating to the Railway Station area.

A five year Housing Asset Management Strategy and action plan for implementation of the strategy over the next five years was approved in March 2019. The Strategy sets out the underlying principles which sit behind excellent asset management and the key strategic projects and programmes to ensure the Council derives maximum value for its assets whilst providing high quality homes for its tenants. The Strategy will allow the Council to meet its strategic goals of having fit for purpose, safe, well maintained and well-presented housing stock, with a view to optimising housing development opportunities where appropriate.

The General Fund Asset Management Strategy and rolling five year action plan will guide the Council's future strategic property decisions to make sure the estate is managed sustainably and efficiently so it can adapt and remain fit for the future, and help the Council meet its FTFC aims. The new Strategy sets out clear financial targets to achieve during the next five years to meet the Council's financial challenges. To help reach these financial targets, the Strategy recommends seven clear areas for change, including undertaking local asset reviews to identify new opportunities to release surplus land and buildings for sale and opportunities to generate new sustained revenue income as well as improving efficiency and utilisation of assets with partners. The Strategy will remain in place until 2023 and the Action Plan is the key change document and main focus, to be updated annually. A Local Asset Review Board has been established and an approach to the review has been agreed by the Board. A new post funded from the business rates pool is now in place and will support the community engagement associated with this work.

As a result of COVID-19 and the government restrictions there has been significant impact on the Council's income, expenditure and cash flow. There has been a loss of income from parking fees, use of leisure facilities, Council Tax as well as other sources of income. The Council has incurred additional expenditure in relation to its response to the crisis and there has been an impact on the Council's cashflow.

A return was submitted to the MHCLG on 15 May 2020 which estimates potential losses for the Council of £5.4 Million for the General Fund and up to £2 Million for the HRA in 2020/21. The Government allocated an additional £1.6B in March and a further £1.6B in April to support local government finances. Stevenage Borough Council's share of this allocation has been £917K. The Council has been engaging with MHCLG to highlight the significant financial implications of COVID-19 on the Council's finances. The information submitted to MHCLG on 15 April estimated that the adverse impact on the Council's finances just for March and April 2020 was £1M, more than the grant received.

There will be an update on the MTFS to the June Executive; setting out plans to ensure the General Fund balances are resilient enough should no further government be forthcoming.

The Council has also submitted information regarding the impact of COVID-19 on the capital programme and to ask for a number of initiatives such as retaining right to buy pooling receipts longer and lower borrowing rates via PWLB.

Progress of significant governance (2018/19 AGS) action 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 was approved by Executive in March 2019. The Strategy sets out the underlying principles which sit behind excellent asset management for the Council and the key strategic projects and programme to ensure the council derives maximum value from its assets whilst providing high quality homes for its tenants.

Progress against the five year action plan during 2019/20 is as follows:

- A stock condition survey of the Council's housing stock, including tower blocks, is underway and will help inform the HRA Business Plan.
- The Major Refurbishment Contract is underway for flat blocks and is now entering into Phase 3, along with a number of other significant programmes such as communal heating refurbishment; sprinkler retrofitting and reviewing the compliance contract and lift replacement/refurbishment.
- A new contractor is being procured to deliver the Decent Homes Standard
- Development of effective programmes to deliver the objectives of the Housing Asset Management Strategy and wider Council strategies is complete.
- The Council has agreed to review its acceptable SAP rating in response to the climate change emergency and to understand the associated cost.
- The Aids and Adaptations Policy has been reviewed and was approved by Executive in March 2020.
- The Repairs and Voids service and the Lettings Team are working closely to carry out a review and implement recommendations to provide quality homes and sustainable tenancies whilst limiting the time properties are void.

Delivery of the Housing Asset Management Strategy is now ongoing and has not been included as an AGS action for 2020/21.

General Fund Asset Management Strategy: The General Fund Asset Management Strategy had a key action for the Council to undertake Local Asset reviews of its current land and buildings.

Progress against this key action during 2019/20 is as follows:

- Local Asset reviews for three wards have now taken place
- A Local Asset Review Board which includes officers from different business units and is currently sponsored by AD (Finance and Estates) has been established and now meets monthly.
- Planning colleagues have been consulted to determine viable asset management options and the Local Asset Review Board have recommended options which merit further work.
- New property data management software has been installed.
- Local Asset Review work will continue during 2020/21. The outcome should be a list of high level opportunities to be consulted on and a site disposal list

Information regarding continued enhancement activity proposed for 2020/21 and timeline for delivery is reflected on page 31).

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

The Housing Revenue Account Business Plan is under ongoing review to ensure a balanced HRA financial plan for the next 30 years. In December 2019 Executive approved revisions to the Business Plan to ensure there are sufficient HRA funds to support the Council's Housebuilding and Acquisitions Programme and Housing Asset Management Programme. The HRA Business Plan will need to be reviewed as a result of the review of the HRA Medium Term Financial Strategy to assess the impact of the COVID-19 crisis on the strategy.

In addition, the following governance activity pertaining to best practice has been delivered in 2019/20:

Hertfordshire Growth Board commissioned a development programme to help consider the implications of growth in Hertfordshire. This six month supported programme explored how issues relating to housing, infrastructure and funding can be jointly addressed in future and a forward work programme and memorandum of understanding for this has been approved.

Principle D: Determining Intervention

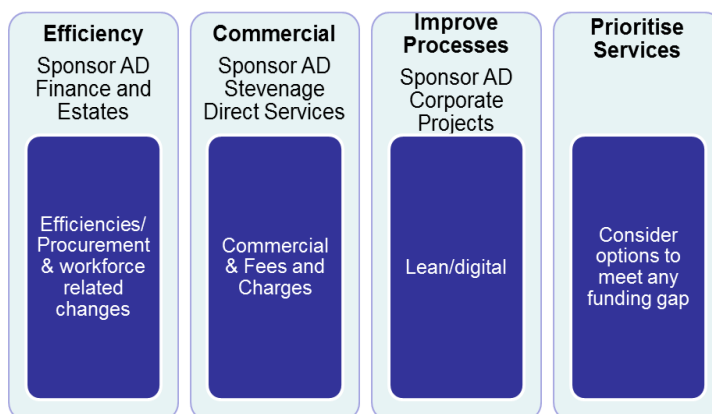
Principle D: Determining the interventions necessary to optimise the achievement of outcomes requires robust monitoring and decision-making mechanisms to ensure that actions identified are sustainable within available resources.

Summary of 2019/19 Review of Effectiveness:

Financial Governance Arrangements:

The Financial Security Programme has been redesigned with new workstreams, with Assistant Directors taking key leads in relation to Efficiency, Commercial, and Improving Processes. There is a further workstream to prioritise services to meet a funding gap should the need arise. The Financial Security programme continued to enhance the financial resilience of the Council by ensuring resources are being used effectively and efficiently and through the development of commercial and entrepreneurial skills and services.

Figure 9: Financial Security Work Streams



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

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

Monitoring performance:

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

As part of the Performing at our Peak programme, a new performance management framework was introduced to monitor performance measure results associated with the FTFC Programme together with measures to monitor the delivery of effective services (the corporate programme).

A performance and governance system (InPhase) has been introduced to monitor performance and risk and is providing improved insight into corporate priority delivery. The new system is providing a range of corporate performance monitoring relating to service delivery, finances, staff, and customers, alongside consideration of the risks associated with the delivery of objectives in order to provide strategic insight and facilitate prompt implementation of any necessary improvement plans.

The status of performance for both the FTFC programme and the corporate programme with proposed improvement plans, where necessary, are discussed by senior management prior to Executive on a quarterly basis. In addition the Executive receive separate regular updates on the Council's financial position and quarterly overview reports.

A Performance Guide is available to staff on the Council's intranet. The guide sets out the Council's approach to:

- Identifying appropriate performance measures aligned to corporate and services priorities and resource
- Monitoring and reviewing performance measure results to help identify activity to improve outcomes for the community
- Identifying and celebrating business achievements
- Identifying and managing risk
- Ensuring that the overall governance of the organisation is robust.

All of this information provides business insight that helps to drive improvement and deliver outcomes that benefit the community.

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

Housing Development Programme

The Housing development programme aims to increase the affordable and social housing provision in the town (both within the town centre and the suburbs).

The Housing Development and Regeneration Executive Committee receives updates on the Housing Development Programme. During 2019/20 reports have been considered by the Executive as required. Progress of the programme and against key milestones is reported each month to the FTFC programme board. Budgets are also monitored by the Assets and Capital Board which meets bi-monthly to ensure spend is in line with predictions. New build schemes within the HRA form part of the HRA Business Plan, and the General Fund schemes are reported to Executive as part of the Capital Strategy updates.

On 19 July 2019, the Executive approved the procurement approach for the Kenilworth Housing Development Scheme. An internal audit of the procurement process was carried out in March 2020 and advised they were satisfied the decision to appoint the developer was made in line with internal procurement rules, there is good evidence to demonstrate the rationale for the procurement approach and SIAS were able to confirm that elected members were consulted and kept informed as the process evolved. SIAS advised that the procurement process had been subject to and passed several stages of extensive internal scrutiny from elected members

The various contracts for the building works commissioned by the Housing Development team are monitored through monthly site meetings attended by an officer representative as well as the contractor and an independent Employers Agent whose role is to administrate the effective running of the contract.

Regeneration

The Council, along with its development partners will be delivering a major, twenty year, £1bn regeneration programme designed to transform Stevenage. Stevenage First, the partnership formed of Stevenage Borough Council, Local Enterprise Partnership, Hertfordshire County Council and the Chamber of Commerce are leading this regeneration work.

As part of the regeneration programme, the Council has partnered with Mace to deliver a £350m scheme called SG1. SG1 is a 14.5 acre site including a minimum of 1700 new homes, 60,000sq feet of ground floor retail and restaurant space, new public spaces and a public services hub, combining

community assets such as health services, library, voluntary sector, café and Council offices. Following a competitive tender process, the Council selected Mace as its development partner to deliver SG1. The governance arrangements for this scheme include fortnightly Project Team meetings and monthly Steering Group meetings between Stevenage Borough Council and Mace with issues resolved through the business plan.

The Council has also signed a £50m development deal with Reef Estates to redevelop Queensway North. Development of the Queensway North area will form a significant early and important part of Stevenage's regeneration programme. Queensway North is a mixed-use redevelopment scheme transforming an existing town centre site into retail and leisure units, office space, and delivering 110 residential units. This will completely reposition a partly empty asset which included the vacant Marks and Spencer site, derelict for a number of years, and will act as a major regeneration catalyst.

On 1st November 2019, the government issued the Town Fund prospectus inviting 100 towns to develop proposals to benefit from up to £25M funding. The objective of the fund is to drive the economic regeneration of towns to deliver long term economic and productivity growth through: regeneration, planning and land use; skills and enterprise infrastructure and connectivity. In December, Executive agreed the approach and governance arrangements to enable the Council to make a Town Fund bid. A Stevenage Development Board has been set up which meets monthly and its terms of reference have been agreed.

Progress of significant governance (2018/19 AGS) action to facilitate compliance with the CIPFA/SOLACE Governance Framework:

Governance of Key Regeneration Projects: The Housing Development and Regeneration Executive Committee receives updates on both the Housing Development Programme and an overview of the Regeneration Programme. Integrating regeneration into this existing meeting to become a joint meeting has been very positive and enabled Councillors to have sight of emerging opportunities. During 2019/20 regular reports have been considered by the Executive as required. Progress of the programme and against key milestones is reported each month to the FTFC programme board. Monthly and quarterly reporting with Hertfordshire LEP takes place, together with Stevenage Borough Council financial reported to track LEP related expenditure.

Board-level meetings are held with two of our key partners, Mace and Reef, on a monthly and quarterly basis respectively. This is supported by regular operational meetings. The strength of these partnerships has been vital in preparing COVID-19 mitigation measures in March 2020.

Good progress has been made towards implementing the recommendations of a recent internal audit. Key actions completed to date include the streamlining of governance functions to ensure a single highlight report is used to update multiple meetings, and a shift in emphasis towards empowering project managers and project sponsors to operate more autonomously within established criteria.

The Council also opened the Stevenage Regeneration Visitor Centre where visitors can learn more about the town's regeneration plans in an informative and interactive exhibition and a specialist officer is on site to answer questions. Thousands of residents have visited the centre and the feedback has been overwhelmingly positive, both towards the proposals and the way in which we are engaging in a transparent and co-operative way

The Council launched Stevenage Even Better. Stevenage Even Better is the result of work from a number of organisations, including Stevenage Borough Council, Hertfordshire Local Enterprise Partnership, Hertfordshire County Council and Hertfordshire Chamber of Commerce. Stevenage Even Better launched its own interactive website this year and has received positive engagement with residents through social media.

The terms of reference for the new Stevenage Development Board which is working up the bid for the Towns Fund and unallocated Growth Deal monies, have been agreed and monthly meetings are now being held of the Board to progress the Town Investment Plan. Information about the Board will soon be added to the Stevenage Even Better website.

Information regarding continued enhancement activity proposed for 2020/21 and timeline for delivery is reflected on page 32).

Progress of significant governance (2018/19 AGS) action to facilitate compliance with the CIPFA/SOLACE Governance Framework:

Community Safety: Changes to procedures to enhance document retention arrangements in relation to the enforcement of anti-social behaviour action have been implemented. This action is therefore now complete and will not be carried over to 2020/21.

Progress of significant governance (2018/19 AGS) action to facilitate compliance with the CIPFA/SOLACE Governance Framework and SBC Local Code of Governance:

Shared Hertfordshire Home Improvement Agency (HHIA) service: In 2017, Hertfordshire County Council created the HHIA as a specific model for collaborative working between the upper and lower tiers of local government in Hertfordshire, with the aim of providing a centralised service to assist residents to improve or adapt their home for continued independent and safe living. Stevenage Borough Council joined this centralised service in April 2018. In response to an internal audit of the new shared service, the following action has been taken to ensure that the Service can deliver its financial targets in the medium term, as well as ensure that minimum key standards are being met, enhance its governance structure and ensure the HHIA Board is offering value for money the following activity is planned by Hertfordshire County Council:

- A new senior management team is now in place and a new Business Analyst has been appointed to provide strategic and operational statistics alongside case monitoring.
- A new Case Worker and Technical Officer have also been appointed.
- Standard Operating Procedures have been produced and a review of the service's team structure is taking place.
- The Customer Management System has been reviewed and process mapping is complete. A report is to be submitted to the HHIA Board regarding potential options which could include replacing the CMS system when the current contract ends in September 2020.
- All HHIA staff have undertaken training to ensure all staff are 'up skilled'.

Information regarding continued enhancement activity proposed for 2020/21 and timeline for delivery is reflected on page 32).

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

The Council continues to assess the potential impact of Welfare Reform changes on the community. In October 2018, Universal Credit Live was rolled out in Stevenage. The Council is continuing to identify and work with tenants affected by the reduction in the benefit cap, and under occupancy charges, together with migration to Universal Credit and more recently to support mixed age couples where the youngest partner is below pension credit age. The council are continuing to support tenants on legacy benefits and council tax support

In addition, the following governance activity pertaining to best practice has also been delivered:

- A new ICT Programme Management Office has been established and is implementing procedures to ensure that ICT projects are delivered to a consistent standard with appropriate governance arrangements.
- A new Data Analyst is working with performance measure owners to review the potential to extract performance data automatically from systems and to input it directly into the Council's performance management system.

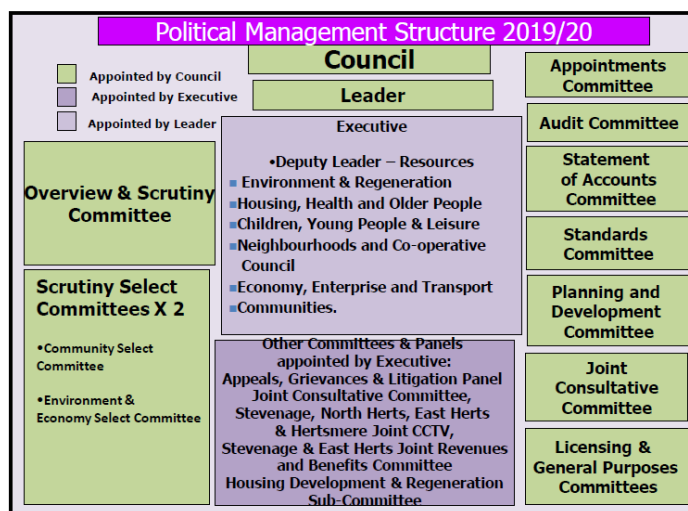
Principle E: Leadership capacity and capability

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

Summary of 2019/20 Review of Effectiveness:

The Council's Political Management Structure:

Figure 10: Political Management Structure 2019/20



The Political Management Structure diagram summarises the Council's political structure.

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

In response to the COVID-19 crisis, the government has recently brought in new arrangements for meetings to be held remotely. The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 ('the Regulations') came into force on 4 April 2020 and apply to local authority and police and crime panel meetings that are required to be held, or held before 7 May 2021. The Council has therefore put in place arrangements for meetings to be held remotely in line with these new regulations. A protocol has been written for the management and conduct for remote meetings. Meetings can be viewed by the public via YouTube.

Audit Committee meets quarterly and its duties include advising and commenting on internal and external audit matters, anti-fraud and corruption issues, risk management and governance, the Council's Constitution in respect of Contract Standing Orders and Financial Regulations and the Statement of Accounts and related Capital determinations. The Audit Committee has been constituted in line with best practice recommendations from CIPFA guidance.

The Council has structured its processes and procedures for the Executive and Scrutiny

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

- Chief Financial Officer (Strategic Director (Chief Finance Officer)) as contained within Section 114 of the Local Government Finance Act 1988.
- Monitoring Officer (Borough Solicitor) to meet Section 5 of the Local Government and Housing Act 1989.

There is a Modern Members Programme which provides Members with a programme of training to ensure they have the skills and knowledge to ensure effective and informed decision making. This training programme covers essential skills such as understanding budgets as well as topical items and briefing on new legislation. The Modern Members Programme is arranged for all elected members, based on their feedback and requests. There is also a programme of induction training and meetings with key officers for newly elected Members.

The Council's Officer Structure:

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

The senior leadership team has been structured to drive the development of a sustainable, customer orientated and commercial operating model. The model is focused upon delivering the right services to the right standards, at the right time for the town's residents and businesses, using the most cost/resource effective delivery models.

A number of key appointments to strategic posts have taken place this year. The Council appointed its new Chief Executive in July 2019. This led to the appointment to the roles of Deputy Chief Executive and Strategic Director.

An additional Strategic Director (Chief Finance Officer) role was created to ensure the Council can meet future financial challenges and opportunities and this role has recently been appointed to. This has led to the post of Assistant Director (Finance and Estates) becoming vacant and an appointment to this post has been made.

The roles of Assistant Director Digital and Transformation and Assistant Director Stevenage Direct Services have both now been appointed and they will both be taking up their new roles in May 2020.

The Council's Employer of Choice programme is transforming the way the Council works, ensuring staff have the skills, abilities and experience to deliver excellence.

The Council uses a Human Resources Management system to support workforce planning, training, development and the implementation of the Council's new competency framework structure. The Council's Competency Framework provides a map of the behaviours, as well as the skills, that are valued and recognised by the Council.

The Council has a staff Performance and Improvement Policy and Manager Toolkit, as well as associated policies (Absence Management, Dignity at Work, Disciplinary, Grievance and Appeals policies, Organisational Change Policy, Sickness Absence Policy) to encourage all employees to personally deliver the highest standards of service possible and for managers to proactively address performance issues. The Council has a rolling appraisal process called REAL Conversations with regular meeting arrangements providing a framework for achieving the best performance on a day to day basis. These conversations typically include objectives, development, engagement and wellbeing, but they are also tailored to individuals.

Progress of significant governance actions (2018/19 AGS) to facilitate compliance with the CIPFA/SOLACE Governance Framework:

Corporate Capacity: Activity to ensure the Council has corporate capacity to deliver its FTFC aims as well as deliver sustainable services that meet the needs of customers the following activity has taken place:

- There has been a significant amount of work on Future Council Business Unit Reviews. The Fourth Tier (roles reporting to Assistant Directors) review is now almost complete across the whole Council.
- Work has commenced to establish a Manager's Leadership forum and work is underway to develop a leadership vision and an aligned development programme to support and empower manager's to deliver that vision. Wider business unit skill gaps will be assessed once business unit reviews are complete and staff have been recruited for the posts.
- The Council introduced a new Managing Organisational Change policy which is more holistic and considers how to manage change and the impact on our people. Managers also received training on this at the time of launching the new policy.
- A Manager and Senior Leadership Team Development Programme was agreed and is now in place.
- The Leadership Competency Framework was developed and implemented during 2016 to signal to the organisation the expected behaviours and skills that would be valued. The Competency Framework has now been extended for all staff. A communications plan to publicise the Competency Framework to staff has been developed and agreed and will link to the Council's employer brand.
- As part of the Council's response to COVID-19 we have prioritised key roles for recruitment and these processes are continuing remotely with interviews taking place through video conferencing.

Information regarding continued enhancement activity proposed for 2020/21 and timeline for delivery is reflected on page 33).

In addition, the following governance activity pertaining to best practice has also been delivered:

- The Council adopted the charity Mind's Wellbeing Action Plan which helps individuals manage their mental health
- The Council's approach to sickness management was enhanced with the launch of First Care. This nurse led service provides advice and guidance on health concerns and informs managers of any sickness absence
- Council staff attended fraud awareness training in areas such as procurement and contract fraud, housing/tenancy fraud and identity fraud.
- An e-learning package for staff and Members to raise awareness of fraud as a risk is now available
- Stevenage Anti-Fraud Service Managers now form part of the Council's Corporate Governance Group and also sit on the Joint Action Group, which is a partnership of police and the Council, set up to tackle various low level but prolific or persistent offending
- A newly developed Learning and Development Module for staff is now available on the MyView system.
- A new Learning and Development Policy has been produced and a map of Learning and Development is currently being developed. Work is currently underway on a new Learning and Development Strategy.

Principle F: Managing Risks – The Council’s risk governance arrangements

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

Summary of 2019/20 Review of Effectiveness:

Risk Management

The Council consider and counter risk across a broad range of areas. The Council has an approved Risk Management Policy and a Risk Management Guide is available to all employees. Strategic risks are linked to the Council’s priorities and the Strategic Risk Register is reviewed and monitored on a quarterly basis. Operational risks are also developed and monitored.

Figure 13: Risk Management Arrangements



A Corporate Risk Management Group meets quarterly to oversee and review the process and development of the Council’s approach to risk.

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

The Shared Anti-Fraud Service’s annual Action Plan ensures compliance with the best practice issued by central government, National Audit Office and CIPFA. The Council has an Anti-fraud and Corruption Policy as well as a Whistle-blowing Policy. Data Protection and Information Security responsibilities for staff, and processes for the management of both electronic and manual records are also available.

Information Technology

The ability to identify and assimilate new technologies is an integral part of the Council’s aim to achieving its strategic objectives. The Council has a Shared IT service with East Herts which is responsible for developing the shared IT platform as well as delivering IT services. The shared service was established through a partnership agreement between the two Councils in 2013.

The Councils have established an Information Technology Steering Group (ITSG), which meets on a monthly basis and oversees the operation of the Shared IT Service. In addition, the Councils have established an ICT Partnership Board, which also meets on a monthly basis and is responsible for the strategic direction of the service. Both the ITSG and the ICT Partnership Board include senior members of staff from both Councils.

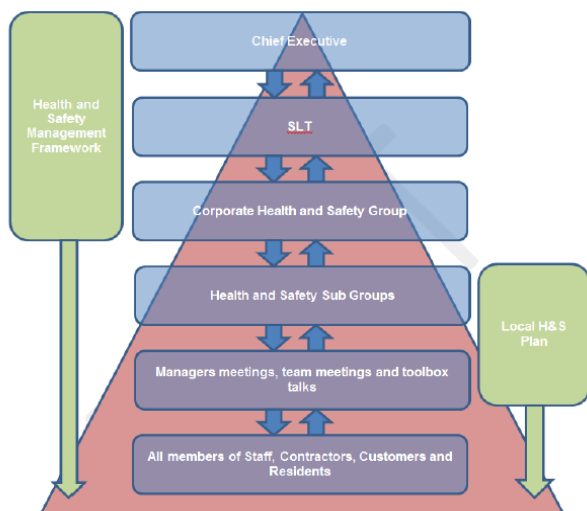
The IT Steering Group and the IT Programme Management Office function facilitates delivery of the projects that supports the Council’s Future Town, Future Council programme and the Council’s Business Unit reviews alongside the day to day IT service.

The IT service is committed to embracing new digital opportunities to better meet the needs of residents, achieve savings and transform services. A secure, resilient, effective and forward looking Technology Service is critical in delivering these aims.

A new ICT strategy and Road Map, approved in 2019/20 by both Council Stevenage Borough Council and East Herts District Council and provides a united vision for the ICT service over the next three years. The ICT Strategy articulates the ICT vision and objectives now and in the future. The Partnership vision is to create a modern, secure, resilient and transformational ICT service that drives and supports delivery of joined up services to customers through the effective use of technology.

Health and Safety

Figure 14: Council's Health and Safety Framework



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 is in place that provides assurance to senior management that health and safety assessments and activity across the Council are being effectively managed. Assistant Directors have ensured that health and safety responsibilities at each level of management within their business units are clear. An ongoing schedule of review by Assistant Directors and internal/external peers is providing assurance that key health and safety risks are being suitably controlled while identifying areas where improvements can be made and including these into the ongoing action plan. Senior management representation on the Corporate

Health and Safety Group ensures the group is providing senior management with the assurances that are required. The Council has a complete database of health and safety risk assessments for all services and all Assistant Directors have carried out self-audits of their services.

The COVID-19 emergency, the most serious public health crisis in the UK for over a Century, has and will continue to present a challenge for the Council to ensure the health and safety of its staff, Members and customers. Risk assessments and appropriate measures and changes to service delivery arrangements have been put in place to ensure that the government restrictions and guidelines are adhered to throughout the crisis. This has included closure of buildings, cessation/limiting of services, provision of PPE to appropriate frontline staff, as well as other measures. Further work will be required to ensure that future Government guidance is reflected in the Council's working arrangements as the national and local position changes.

Business Continuity

The Council has business continuity plans for all of its key services and a Corporate Business Continuity Plan is in place to manage the corporate response to an incident. In response to the COVID-19 outbreak and to ensure business continuity of its essential services, the Council instigated an Incident Management Team which is co-ordinating the local emergency response within Stevenage. This includes the establishment of eight response cells each led by an Assistant Director or senior Manager, which includes a Business Continuity Cell.

Information and Records Governance

New General Data Protection Regulations were approved by the EU Parliament on 14 April 2016 and were enforced on 25 May 2018. The primary objectives of the GDPR are to give citizens and residents back control of their personal data and to simplify the regulatory environment.

Overall responsibility for information management at the Council has been assigned to the Council's Information and Records Governance Manager, who is also the joint Data Protection Officer for both Stevenage and East Herts Councils since December 2019. The Council has a Corporate Information Governance Group in place, which oversees the Council's information governance arrangements.

The Council has identified and documented its information assets and data flows and developed an information asset register. The Council has an Information Management Policy and a Security Incident Management Policy which define the Council's procedures with regards to information governance and the management of data security incidents. Both of these policies are currently under review. Specific guidance on records management with defined responsibilities of information asset owners is also in development which will apply to all staff across the organisation. Document retention guidance has been produced and communicated to all members of staff, which includes a defined and enforced corporate records retention schedule in line with the requirement of the GDPR and good practice. There are also defined procedures in place for the disposal and destruction of information.

Progress of significant governance actions (2018/19 AGS) to facilitate compliance with the CIPFA/SOLACE Governance Framework:

Cyber Security and IT Resilience: Improvement activity has continued to ensure the Council's ICT and telephone systems continue to provide a secure and high performing ICT environment:

- A new ICT strategy and road map was approved by both Stevenage Borough Council and East Herts District Council.
- Migration of the Council's telephone system is now complete.
- A Security and Network Team has now been established.
- New email and website security software has been implemented to ensure outgoing emails are being encrypted.
- The shared service storage hardware has been replaced and 99% of the Council's systems and data are running on it. The remainder is scheduled to be transferred shortly.
- Work has commenced to upgrade from Windows 7 to Windows 10 on the latest version and VMware Horizon on new hardware. This will increase performance, in particular login times, and due to changes in the software structure will enable ICT to update systems with less impact on the entire Council.
- A project to install new network security and reporting tools has commenced.
- Microwave (resilient link) implementation is underway, which on completion will give a secondary link alongside a cable connection between both datacentres, meaning that if one of the connections is disrupted there will be no reduction in provision.
- Upgrading of Horizon VDI desktops has started and the project to install a microwave link between the data centres at Daneshill House and Cavendish Road is nearing completion.

Information regarding continued enhancement activity proposed for 2020/21 and timeline for delivery is reflected on page 33-34).

Progress of significant governance action (2018/19 AGS) to facilitate compliance with the CIPFA/SOLACE Governance Framework:

Information and Records Governance: Improvement activity has continued to enhance and embed information and records governance to ensure that best practice records management across the Council continues to be applied and customer data is stored securely and appropriately managed.

- Progress has been made with completion of third party information sharing agreements with over 80% of agreements completed.
- The GDPR team are continuing to work with SBC service teams and the Shared Legal Services in requiring lead partners to update relevant protocols and framework that involve the sharing of information to reflect GDPR requirements
- As part of the wider ICT Improvement Strategy, recent notable developments in GDPR related security have taken place regarding emails and internet security to protect Council data.
- Work has commenced to produce a suite of ICT Data Security Policies.
- The Council's Information Governance Manager is working in liaison with the HR team to review the next offering of mandatory e-learning GDPR training to ensure the content is relevant to Council services.
- GDPR tailored bitesize sessions were held for staff covering key topics affecting staff in their everyday working practices.

Information regarding continued enhancement activity proposed for 2020/21 and timeline for delivery is reflected on page 34).

Progress of significant governance action (2018/19 AGS) to facilitate compliance with the CIPFA/SOLACE Governance Framework:

Corporate Health and Safety: Health and safety arrangements have been enhanced by:

- Training requirements appropriate to role have been identified and training is being carried out as required.
- The Health and Safety Team have delivered the IOSH Managing Safety Course for Managers.
- Alongside e-learning health and safety packages there is now a range of tool box talks available, plus courses on Risk Assessment, Construction, Design and Management Regulations, Manual Handling, COSHH, Hand Arm Vibration, Legionella, Needle sticks, Sharps and Diseases, Hot Works and Noise.
- Embedding of the Health and Safety framework is being achieved by a process of internal and External audits, peer reviews, shadow health and safety inspections, risk assessment reviews, training to upskill managers, health and safety group meetings, hazard monitoring and action plans
- Twenty-one Health and Safety policies were updated during 2019/20.
- SIAS Health and Safety Audit achieved a Good assurance opinion. SIAS concluded that monitoring and recording compliance with health and safety policies is in place. In addition, this has created action plans for teams across the Council to complete. These action plans include controls put in place to mitigate risks identified through the Council's annual risk assessment process. The Health and Safety Team take on board any lessons learnt. Induction and training arrangements are provided to help ensure all processes run smoothly.
- Governance mechanisms, risk assessment and working practices have been reviewed at the Cavendish Road Depot. This work has been informed by independent external audits of the main work streams in the unit. Follow up external audits have confirmed the improvement made and compliance with assessment thresholds for all areas audited. Ongoing monitoring and action plans are now implemented to ensure this position is maintained.
- Work is underway to procure a new digital Health and Safety System.
- Health and safety goals and priorities were agreed with the Council's Senior Leadership Team

Information regarding continued enhancement activity proposed for 2020/21 and timeline for delivery is reflected on page 34).

Progress of significant governance actions (2018/19 AGS action) to facilitate compliance with the CIPFA/SOLACE Governance Framework:

CCTV Partnership: A thorough review of the governance framework of the CCTV Partnership was carried out and a new suite of governance arrangements, including refreshed company business plan were approved by the CCTV Joint Executive and Company Board of Directors. A follow-up SIAS audit signed all of these actions as complete in November 2019. This action is therefore not being carried over to 2020/21

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

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

Summary of 2019/20 Review of Effectiveness:

Reporting on performance, value for money, the stewardship of resources and the assessment of robust corporate governance arrangements are provided throughout the year through:

- Quarterly financial monitoring reports to Executive
- Quarterly FTFC and corporate performance status reports to Executive
- Annual publication of Statement of Accounts
- Publication of the Annual Governance Statement
- the Council's Annual Report

Compliance to provide information as outlined in the Local Government Transparency Code 2015 is monitored throughout the year by Corporate Governance Group.

The Council's internal audit provision is delivered by the Shared Internal Audit Service hosted by Hertfordshire County Council. A summary of 2019/20 arrangements is set out on pages 5 to 7 of this Statement outlining assurance for both financial and non-financial systems.

For 2019/20 the Shared Internal Audit Service assigned 'satisfactory' assurance for financial systems and 'satisfactory' assurance to non-financial systems. Actions to enhance governance for the areas highlighted have been identified and prioritised.

The Council's External Auditors, Ernst and Young, advised Audit Committee in March 2020 in their Annual Audit Letter for 2018/19 that the Council's financial statements give a true and fair view of the financial position of the Council at 31 March 2019 and its expenditure and income for the year then ended. The letter also advised that other information published with the financial statement was consistent with the Annual Accounts. The Auditors also concluded that the Council has put in place proper arrangements to secure value for money in our use of resources and that our Annual Governance Statement for 2018/19 was consistent with the Ernst and Young's understanding of the Council.





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

Corporate Governance Calendar 2019/20




The following corporate governance calendar on the next two pages summarises activity delivered throughout the year to ensure compliance with the corporate governance arrangements outlined in the Council's Local Code.

Corporate Governance Calendar April 2019 – September 2020





Apr 2019

-  Internal Audit of **Corporate Governance** arrangements achieves 'Good' assurance for areas assessed
-  Internal Audit of **Risk Management** arrangements achieves 'Good' assurance for areas assessed
-  **Corporate Governance Group** carried out a review of **Principle E** of the CIPFA/SOLACE Framework
-  New **Local Development Scheme** agreed by Executive

May 2019

-  **Annual Council** agree the political management structure of the Council
-  **New Members** attend induction programme
-  **Local Plan (2011-2031)** adopted on 22 May 2019

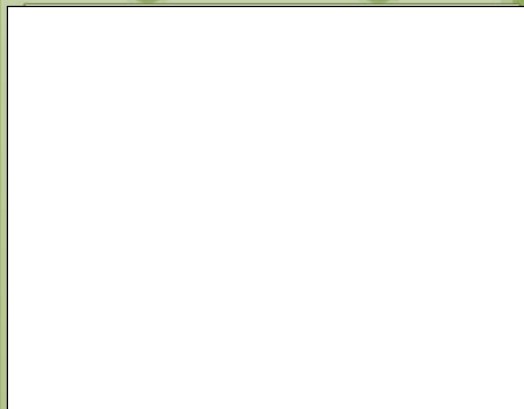
June 2019

-  **Audit Committee** recommended the 2018/19 AGS to **Statement of Accounts Committee**
-  **Head of Assurance** confirms to Audit Committee the 'fitness for purpose' of **internal audit** to carry out the work that informs the assurance opinion for 2019/20
-  **Twelve month review of shared Herts Home Improvement Agency** considered by Executive
-  Executive receives an update on the **Town Centre Regeneration Programme**






July 2019

-  **Annual Scrutiny Report** submitted to Council
-  **Council** appoints its new **Chief Executive**
-  **2018/19 Annual Report and Performance Review** approved by Executive
-  **Corporate Governance Group** carried out a review of **Principles C and G** of the CIPFA/SOLACE Framework
-  **Q4 Financial Monitoring reports** considered by Executive

Aug 2019






Sep 2019

-  Executive approves **General Fund and HRA MTFS 2019/20-2022/2023**
-  Annual report of Shared **Anti-Fraud Service** for 2018/19 to Audit Committee
-  Annual report of **Shared Internal Audit Service** for 2018/19 to Audit Committee
-  Audit Committee consider **HHIA Audit report**
-  Executive consider **Q1 Performance and Financial Monitoring reports**

Corporate Governance Calendar October 2019 - March 2020





Oct 2019

-  Council approves the **Annual Treasury Management Review of 2019/120 including prudential code**
-  **Corporate Governance Group** carried out a **review of Principles A and B** of the CIPFA/SOLACE Framework
-  **Executive** approves the **ICT Joint Strategy and Action Plan (2019/20 – 2021/22)**



Nov 2019

-  New **Strategic Director** appointed
-  **Audit Committee** considered the six month progress review of AGS and Service Governance actions
-  **Executive** considers **Q2 financial monitoring reports**





Dec 2019

-  **Executive** consider the **Q2 Corporate Performance** report
-  **Executive** approves the **Hertfordshire Growth Board's Memorandum of Understanding**
-  **Executive** receives a report in relation to the **Towns Fund**
-  **Executive** approves changes to the **HRA Business Plan**



Jan 2020

-  Council approve the **Housing Revenue Account Final Budget Proposals, Rent Setting and Draft Council Tax Support Scheme 2020/21**
-  Overview and Scrutiny Committee consider the **2020/21 Draft Capital Forward Plan, Five Year Capital Strategy Update and 2020/21 Council Tax setting and General Fund Budget** for submission to Executive and Council

Feb 2020

-  Council approves the **2020/21 Council Tax, General Fund and Capital budgets, and the Annual Treasury Management Strategy including Prudential Code Indicators 2020/21**
-  **Members' Allowances Scheme 2020-21** approved at Council
-  **Pay Policy Statement for 2020/21** approved by Council
-  Appointment Committee appoints new **Strategic Director (Chief Finance Officer)**

Mar 2020

-  **Quarter 3** Performance and Financial Monitoring reports considered by Executive
-  **External Auditors** advise **Audit Committee** that the council's **financial statements give a true and fair view** of the financial position of the Council at 31 March 2019 and of its expenditure and income for the year then ended

Planned Improvement Activity for 2020/21:

Significant internal control and governance issues identified as part of the 2019/20 review of the Governance Statement are summarised on page 4, identified in the relevant section throughout this Statement and set out in the following Action Plan.

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

There are currently a few high level strategic risks where related mitigation activity is identified throughout this document as ongoing governance monitoring rather than as enhancement activity, such as:

- The Housing Revenue Account (HRA) Business Plan, (agreed by Executive November 2018 and reviewed and updated in December 2019) 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 and the Housing Asset Management Strategy.

The HRA and General Fund Medium Term Financial Strategies 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 its 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. The General Fund and HRA Medium Term Financial Strategies and Capital Programme will need to be urgently reviewed to reflect the significant impact on the Council's financial situation as a result of the COVID-19 crisis.

- 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.

Action Ref	Action	Target Date
1	<p>To implement the General Fund Asset Management Strategy the following activity is planned</p> <ul style="list-style-type: none"> • Continue the review of the Council's commercial portfolio • Complete Local Asset reviews of the Council's current land and buildings to identify new opportunities for better use of existing buildings • Identify potential sites for release for sale and identify land for the Council's own house building programme 	<p>August 2020</p> <p>December 2020</p> <p>March 2021</p>

Action Ref	Action	Target Date
2	<p>To ensure good governance of the key regeneration projects including the Queensway and SG1 Schemes the following activity is planned:</p> <ul style="list-style-type: none"> • Continued progress reporting on key projects to Housing Development and Regeneration Executive Committee • Anticipating the implementation of new partnership governance for regeneration schemes, as part of agreed GD3 funding package and new opportunities indicated in Town Deal prospectus • Continuation of the partnership governance arrangements between SBC and Mace; and Queensway Limited Liability Partnership and Reef • Implementation of recommendations arising from the internal audit review of Regeneration Programme Management • Continued internal programme reporting via FTFC Programme Board • Continued monthly and quarterly reporting with Hertfordshire LEP, in addition to Stevenage Borough Council financial reporting to track LEP related expenditure 	<p>Ongoing to March 2021</p> <p>March 2021</p> <p>Ongoing to March 2021</p> <p>September 2020</p> <p>Ongoing to March 2021</p> <p>Ongoing to March 2021</p>
3	<p>To ensure that the Shared Hertfordshire Home Improvement Agency (HHIA) service, operated by Hertfordshire County Council, can deliver its financial targets in the medium term, as well as ensure that minimum key standards are being met, enhance its governance structure and ensure the HHIA Board is offering value for money, the following, the following activity is planned by Hertfordshire County Council:</p> <ul style="list-style-type: none"> • Review the current business continuity and succession planning arrangements to ensure the service can continue to function in the absence of key officers • Further training to be provided to HHIA staff to ensure the case management system is completed and updated and carry out regular data quality checks to obtain assurance that records are updated in an accurate and timely manner • Enhance financial monitoring and reporting • Enhance performance monitoring and reporting 	<p>March 2021</p> <p>March 2021</p> <p>March 2021</p> <p>March 2021</p>
4	<p>New for 2020/21: To ensure there is a clear governance structure through a corporate landlord function and ensure compliance of the Council's non-housing property, a review of the current arrangements and responsibilities for managing non-housing property is required. This will be achieved by:</p> <ul style="list-style-type: none"> • Implementation of the new action plan (informed by a recent CIPFA review) to implement a new Corporate Landlord function. • Produce a preferred model for provision of the compliance contract 	<p>December 2020</p> <p>September 2020</p>

Action Ref	Action	Target Date
5	<p>New for 2020/21: To ensure that the Council's ambitious commercial agenda can be achieved, a programme of work is required to enhance the capacity, information, financial and legal skills of those involved in complex investment or commercial decision making. This will be achieved by:</p> <ul style="list-style-type: none"> • Development and approval of a Commercial Strategy • Implement a programme of training 	<p>September 2020 November 2020</p>
6	<p>New for 2020/21: In response to the COVID-19 crisis and to ensure the Council can reinstate and continue to deliver services, continue to meet its FTFC ambitions and enable recovery from the effect of the virus in the town, the following action is planned:</p> <ul style="list-style-type: none"> • Carry out a review of the General Fund and HRA Medium Term Financial strategies in light of the financial pressures arising from the COVID-19 emergency • Carry out a review of the FTFC Programme to help identify which planned projects can be delivered in the year or where necessary adapted. • Produce and implement a town wide Recovery Plan • Produce and implement an internal Stevenage Borough Council Recovery Plan 	<p>June 2020 June 2020 Sept 2020 Aug 2020</p>
7	<p>To ensure there is corporate capacity to deliver sustainable services that meet the needs of customers, the following activity is planned:</p> <ul style="list-style-type: none"> • Through strategic workforce planning, undertake skills/capacity gap analysis and put in place targeted management and staff development activity in response. • Introduce tools and techniques to manage change effectively whilst maximising levels of staff engagement • Develop communication/engagement strategies that enable all staff to have a clear understanding of organisational direction and the desired culture, behaviours and ways of working • Continue to implement the restructure of services through Future Council Business Reviews • Recruit to a number of key posts across the Council to enhance capacity and key skill requirements 	<p>December 2020 September 2020 December 2020 December 2020 March 2021</p>
8	<p>To enhance IT infrastructure, cyber security, governance arrangements, policy framework and resilience the Shared IT service to continue to develop and implement a strategy and programme of activity as follows:</p> <ul style="list-style-type: none"> • Horizon VDI Upgrade to be carried out to improve resilience resulting in 100% of desktops being available at each data centre, allowing the ability to resolve issues without down time. • Update the ICT Disaster Recovery Plan to reflect new infrastructure 	<p>December 2020 December 2020</p>

Action Ref	Action	Target Date
	and arrangements <ul style="list-style-type: none"> • Install a secondary microwave link between the Council's two data centres to almost eliminate chances of link breakage and therefore ICT interruption. • Replacement of the Council's firewalls • Implementation of controls and management tools to monitor and control the ICT network • Replace Windows 2008 to Windows 2019 	December 2020 September 2020 September 2020 September 2020
9	<p>To continue to enhance and embed information and records governance to ensure that best practice records management across the Council continues to be applied and customer data is stored securely and appropriately managed the following activity is planned:</p> <ul style="list-style-type: none"> • Use of data discovery tool to identify all relevant personal data and allow decisions to be made regarding the processes and procedures for teams handling this data. • Continue the review of data sharing arrangements with local authority partners and public agencies to reflect GDPR requirements on information sharing obligations • Update supplier agreement which involve the processing of personal data in line with GDP requirement 	Currently on hold June 2020 June 2020
10	<p>To continue to ensure health and safety compliance and performance across the Council the following activity is planned:</p> <ul style="list-style-type: none"> • A monitor of all corporate high health and safety risks to be produced for review by the Strategic Health and Safety Group and monthly HR meetings • The Council's Senior Leadership Team to receive Institution of Occupational Safety and Health training • Implement revised health and safety arrangements in line with COVID-19 Government guidelines and restrictions for staff, Members and customers 	March 2021 November 2020 July 2020

Approval of Statement:

Approval of Statement by Chief Executive and Leader of the Council

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Strategic Leadership Team, relevant officers and the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Areas to enhance the governance framework already addressed are summarised in this Annual Governance Statement. Areas to be addressed and ensure continuous improvement are set out in the table above on pages 31-34.

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

Signed
Date
Cllr Sharon Taylor
Leader of Stevenage Borough Council

Signed
Date
Matthew Partridge
Chief Executive of Stevenage Borough Council

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**Stevenage Borough Council
Local Code of Corporate Governance**

Version:	2/June2020
Status:	Approved by Audit Committee June 2017
Last update to Guide	June 2020
Next review of Guide due:	June 2021

Stevenage Borough Council Local Code of Corporate Governance

This Local Code is underpinned by the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework: 2016* and summarises policies, procedures, behaviours and values by which the Council is controlled and governed.

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

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

Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times.

The CIPFA/SOLACE *Delivering Good Governance in Local Government Framework: 2016*, sets out seven core principles of governance as detailed in the diagram below. Stevenage Borough Council confirms its commitment through the adoption, monitoring and development of this Local Code of Corporate Governance.



This diagram illustrates how the various principles for good governance in the public sector relate to each other. Principles A and B permeate the implementation of Principles C to G

Local Code of Corporate Governance

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

Member and Officer Codes and Protocols

The standards of conduct and personal behaviour expected of Members and Officers of the Council, its partners and the community, are defined and communicated through codes of conduct and protocols, such as Member/Officer Protocols, Officers' Code of Conduct and Members' Code of Conduct.

There is an expectation that Members will have regard for the seven principles of public life (the Nolan Principles), as set out in Section 26 of the Localism Act 2011. The seven principles of public life are selflessness, integrity, objectivity, accountability, openness, honesty and leadership. These principles are readily accepted by the Council as underpinning all local government activity.

Organisational values and behaviours

The Council has adopted a set of organisational values and these are underpinned by a behaviour framework for staff. The values are included in all staff development programmes, in the Appraisal and Personal Development process and in all HR policies.

Complaints regarding Member Conduct

Complaints about Members and allegations that a Member has breached the Code of Conduct would be dealt with by the Standards Committee and the Borough Solicitor (Monitoring Officer) under the Localism Act 2011. In addition, the Council has appointed an Independent Person, to consult on alleged breaches to the Member Code of Conduct.

Complaints regarding Officer conduct

Allegations that an officer has breached the Employee Code of Conduct are dealt with by the officer's Line Manager in the first instance, and, if escalation is required, the Council's Disciplinary Policy and procedures would be instigated.

Constitution

The Council has an approved Constitution which details how the Council operates, how decisions are made, including delegation of decisions and the procedures that are to be followed to ensure that these are efficient, transparent, lawful and accountable to local people. Each of the Council's member committees have terms of reference and these are reviewed and updated to reflect any changes to legislative and regulatory requirements.

Standards Committee

The Council has a Standards Committee to ensure the promotion and maintenance of high standards of conduct by members and co-opted members of the Council. The terms of the reference for this committee are contained in the Council's Constitution.

Information needs of Members

Pre-committee briefings are held with Committee Chairs prior to committee meetings (as required). The Leader and Chief Executive have weekly one to one meetings. The Leaders of the two Opposition groups also have regular meetings with the Chief Executive. Strategic Directors and Assistant Directors meet with their relevant Portfolio Holders on a regular basis to brief them on all aspects within their remit.

Regulation Guidance

The Council has developed policies and procedures to ensure that its officers act in accordance with relevant legislation in the performance of its functions, e.g.

- Anti-fraud and Corruption Policy
- Register of Interests
- Register of Gifts and Hospitality
- Whistle-Blowing Policy
- Contract Standing Orders
- Financial Regulations
- Procurement Policy

Ethical compliance

The Council has a number of policies, plans and guidance agreed at Member level which includes ethical compliance and awareness, e.g. Corporate Procurement Policy, and Planning Policy.

Member and Officer Training

Member and Officer Induction and training ensures Members and Officers are aware of their legal and ethical responsibilities.

Chief Financial Officer

The role of the Chief Financial Officer conforms to that set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015).

Monitoring Officer

The role of the Council's Monitoring Officer (Borough Solicitor) conforms to Section 5(1) of the Local Government and Housing Act 1989.

Customer Feedback

A customer feedback system is in place to record feedback and complaints – learning from feedback & complaints facilitates effective monitoring of information provided by customers to review service quality. The Council has systems in place to identify customer satisfaction with Council services.

Regulation of Investigatory Powers Act 2000

The Council ensure the requirements of the above Act are followed for any direct covert surveillance which is carried out and any such activity is reported in the Annual Governance Statement as required. All RIPA authorising officers are trained in accordance with the Act.

Principle B: Ensuring openness and comprehensive stakeholder engagement

Community Strategy

The Community Strategy, which is available to the public on the Council's website, sets out the long-term vision of how we want Stevenage to be as well as the short term goals to achieve this. In producing the Strategy the Council has taken into account a range of views from a variety of stakeholders.

Partnership Arrangements

The Council has the following key Partnerships:

- Stevenage Together
- Stevenage Leisure Limited
- Stevenage First Partnership

The partnerships have been set up to improve the quality of life for all who live work and visit Stevenage.

Corporate Plan:

The Council's Corporate Plan: Future Town, Future Council (2016/17-2020/21), which is available to the public via the Council's website, sets out the Council's vision, outcomes and objectives the Council wants to achieve over the Plan's five year lifespan. The Plan is based on feedback from the last Residents' Survey, Tenants Survey and other engagement activity.

Annual Report

An Annual Report is published that sets out the Council's achievements against the outcomes and priorities in the Corporate Plan, reporting progress over the last year against planned objectives and setting out future plans.

Communication and Engagement

A new Community Engagement Framework was approved by Executive on 13th February 2019. A customer friendly version of the Framework is being produced which will be available on the Council's website. Toolkit development is will be ongoing as resources are created for Council teams moving forward.

The current Statement of Community Engagement was adopted in November 2018. It sets out how members of the public and other stakeholders will be involved in the planning process.

Stevenage Chronicle, which is the Council's quarterly magazine for residents, provides the latest information about Council initiatives and services, community news and events.

The Council uses a variety of response methods, including its website, social media and traditional methods such as surveys and focus groups to communicate with its residents and stakeholders.

A Residents Survey is carried out every three years inviting residents to share their views on the town and Council services. The results are used to inform future service priorities and resource allocation, including budget setting. Housing Tenant surveys are also carried out as required.

The Chief Executive has a programme of staff communications, which includes regular staff briefings to brief and involve staff in the decisions that affect the future direction of the Council.

The Council's intranet also provides staff with updates, news, blogs and information.

Stakeholder attendance at Council meetings

The press and public are admitted to all Council, Executive and Committee meetings, subject to the Access to Information Rules in Part 4 of the Council's Constitution.

Decision making practices

Reports are produced on a standard template to facilitate understanding and ensure they are supported by comprehensive assessment of the legal, financial, risk and other implications of any proposed recommendations. All reports with legal or financial implications are checked by the Borough Solicitor/Chief Financial Officer prior to consideration at committee. Other professional advice (where sought) is referred to in the report.

The Council complies with its responsibilities as set out in the Constitution in relation to notice of meetings, publication of agendas and reports and access to information reflect the Local Authorities (Executive Arrangements) (Meetings and Access Information) (England) Regulations 2012.

Publication Scheme

The Council aims to make as much information available on its website through its Publication Scheme. Exceptions to this are in relation to information that is subject to the exemptions set out in the Freedom of Information Act.

Shared Service arrangements

The Council has established shared service arrangements in order to provide service delivery benefits and added value, with other Hertfordshire local authorities as outlined below

- Internal Audit
- Housing Benefits and Local Taxation
- ICT
- Anti-Fraud.
- Building Control
- Legal
- Hertfordshire Home Improvement Agency

Shared service arrangements for all the above shared services involve both Member and senior management oversight from all participating partners.

Research and benchmarking

The Housing Service is a member of HouseMark which delivers a robust and sophisticated data analysis and benchmarking service.

A number of other services use research and benchmarking to inform service delivery.

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

Future Town, Future Council

The Future Town Future Council (FTFC) programme is guiding the Council in terms of its future strategic focus and resource allocation. The FTFC programme consists of nine key programmes that aim to deliver improved outcomes and real change for Stevenage residents.

Community Strategy

The Community Strategy (Stevenage 2021: Our Town, Our Future) is the main strategic plan for Stevenage Together. It outlines the partnership's vision and how the partnership will work together to improve Stevenage and contribute to the development of the town.

Corporate Plan:

The Council's Corporate Plan: Future Town, Future Council (2016/17-2020/21) sets out the Council's vision and the outcomes and objectives the Council wants to achieve over the Plan's five year lifespan. The Plan incorporates the Council's FTFC ambitions, projects and the change programme. It guides the strategic policy framework for the Council, ensuring that services consider the Council's key priorities in service planning and resource allocation. A summary action

plan has also been developed that communicates simply the key objectives to be achieved each year.

FTFC Programme Board

The FTFC Programme Board meets monthly and receives regular updates in relation to progress against the key objectives to be achieved for each of the nine FTFC programmes each year.

Equality Impact Assessments

Equality Impact Assessments are completed prior to the development and delivery of policy, strategy, projects and services or prior to making decisions that could impact on people.

Local Plan

The Local Plan sets out how Stevenage will develop in the future and guides development within the town until 2031. The Plan sets the planning policies up until 2031 for 7600 new homes and space for over 2000 new jobs; a revitalised town centre, 3 new sustainable neighbourhoods with the protection of our green infrastructure.

Local Development Scheme

An updated Local Development Scheme was agreed by Executive in April 2019. The Scheme sets out milestones for the examination of the Local Plan and its adoption. It also sets out timeframes for the adoption of the Community Infrastructure Levy and a new Area Action Plan relating to the Railway Station area.

HRA Business Plan

The Housing Revenue Account Business Plan, the strategic plan for managing and maintaining the Council's housing stock, sets out the Council's short-to-medium term plans and priorities for the housing management service and provides a 30 year perspective on stock investment and financial planning.

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

Medium Term Financial Strategy

The Medium Term Financial Strategy (MTFS) is the Council's key General Fund financial planning document and sets out the Council's strategic approach to the management of the General Fund including Council tax levels, capital funding and treasury management. This strategy underpins the Council's key priorities for Stevenage as set out in the FTFC agenda and other strategic documents of the Council. The key aim of the Strategy is to facilitate the Council in achieving the outcomes set out in those documents, by setting out MTFS principles, which generates the need for Financial Security targets, identifies financial pressures and any additional resources for priorities to ensure the Council has a financially sustainable plan.

Financial Management

The Officer's Assets and Capital Group ensures effective arrangements are in place for the design and delivery of capital projects and resources. Financial management arrangements conform to the governance requirements of the CIPFA Statement. The Council consults with local residents, partners and other stakeholders to seek their views on planning, prioritising and monitoring of services and the feedback has been used to inform budget setting and the Council's Medium Term Financial Strategy.

Housing Revenue Account Business Plan

The Housing Revenue Account (HRA) Business Plan is the Council's 30 year strategic plan for managing and maintaining its housing stock. It sets out the Council's short-to-medium term plans and priorities for its housing management services and provides a long term perspective on stock investment and financial plan. The Council's HRA Medium Term Financial Strategy looks at these plans over a five year horizon in greater detail setting out the principles which generates the need for Financial Security targets. Monthly meetings focus on the monitoring and delivery of the HRA Business Plan.

The HRA Medium Term Financial Strategy underpins the Council's key housing priorities for Stevenage as set out in the FTFC agenda 'Excellent Council Homes' and 'Housing Development' and in the Housing Asset Management Strategy. The Council continues to work co-operatively with housing customers to help shape these priorities and associated programmes.

Leaders Financial Security Group

The Leaders Financial Security Group reviews the MTFs, savings and growth options prior to approval by the Executive and Council.

Capital Strategy

The Council has a five year Capital Strategy. The purpose of the Capital Strategy is to show how the Council determines its priorities for capital investment, how much it can afford to borrow and sets out any associated risks. As a result of changes to the Prudential Code, this Strategy now shows how capital financing and treasury management activity contribute to the provision of services and implications for future financial sustainability. All capital schemes are regularly reviewed and prioritised to determine whether they should be included in the Capital Strategy. The Officers' Capital Group ensures that effective arrangements are in place for the design and delivery of capital projects.

Housing Asset Management Strategy

The five year Housing Asset Management Strategy and action plan for implementation of the strategy over the next five years was approved in March 2019. The Strategy sets out the underlying principles which sit behind excellent asset management and the key strategic projects and programmes to ensure the Council derives maximum value for its assets whilst providing high quality homes for its tenants. The Strategy will allow the Council to meet its strategic goals of having fit for purpose, safe, well maintained and well-presented housing stock, with a view to optimising housing development opportunities where appropriate.

General Fund Asset Management Strategy

The General Fund Asset Management Strategy and rolling five year action plan will guide the Council's future strategic property decisions to make sure the estate is managed sustainably and efficiently so it can adapt and remain fit for the future, and help the Council meet its FTFC aims. The Strategy sets out clear financial targets to achieve during the next five years to meet the Council's financial challenges. To help reach these financial targets, the Strategy recommends seven clear areas for change, including undertaking local asset reviews to identify new opportunities to release surplus land and buildings for sale and opportunities to generate new sustained revenue income as well as improving efficiency and utilisation of assets with partners. The Strategy will remain in place until 2023 and the Action Plan is the key change document and main focus, to be updated annually. A Local Asset Review Board has been established and an approach to the review has been agreed by the board.

Housing Development and Regeneration Executive Committee

This committee receives updates on both the Housing Development Programme and an overview of the Regeneration Programme.

Budget Monitoring

Key Financial Indicators are reported to senior management. The Council undertakes a complete review of all revenue and associated budgets on a quarterly basis and any budget changes are reported quarterly to Executive. Assistant Directors receive regular budget monitoring reports and meet regularly with their Finance Business Partners.

Financial Regulations and Contract Standing Orders

Financial Regulations and Contract Standing Orders are reviewed as required, with any proposed amendments put forward to Council for approval.

Member Financial Training

Statement of Accounts and Treasury Management training is carried out as required for Audit Committee and Statement of Accounts Committee members.

Housing Management Advisory Board

The Housing Management Advisory Board acts as an advisory body to the Executive for Council housing related matters, including participation in the HRA budget-setting process and the development of the HRA Business Plan.

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

Developing Member and Officer Capacity and Capability

The Council uses a Human Resources Management system to support workforce planning, training, development and the implementation of the Council's new competency framework structure. The Council's Competency Framework provides a map of behaviours, as well as the skills, that are valued and recognised by the Council.

The Council has a number of measures and work streams in place to ensure member and officer capacity and capability. These include:

- A workforce planning process
- A HR Business Partnering service which supports the development and implementation of workforce plans
- A member development programme and a member induction programme
- A Leadership Programme for senior management.
- A Middle Manager Leadership and Management Development programme.
- Corporate Learning and Development Programmes
- An Appraisal Policy and Procedure (Real Conversations)
- An Apprenticeship programme
- E-learning for new and existing staff
- Induction training via e-learning and targeted induction training

Job Descriptions

Job descriptions for senior management roles specify that they must support the Council's Executive in its strategic leadership role, providing clear, timely and effective advice and support as appropriate on strategic issues and initiatives.

Member/Officer Protocols

The Council has a 'Protocol for Relationships between Members and Officers' which has been approved by the Council's Standards Committee who monitor its operation.

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

Strategic Insight

A performance and governance system (InPhase) has been introduced to monitor performance and risk and is providing improved insight into corporate priority delivery. InPhase is providing a range of corporate performance monitoring relating to service delivery, finances, staff and customers, alongside consideration of the risks associated with the delivery of objectives in order to provide strategic insight and facilitate prompt implementation of any necessary improvement plans.

Risk Management Policy and Guide

The Council has an approved Risk Management Policy and Guide for officers and a 'pocket, Risk Management Guide.' Member and Officer risk training is provided as required.

Corporate Risk Group

A Risk Management Group meets quarterly to oversee and review the reporting process and the development of the Council's approach to risk. The Chair of Audit Committee and the Members' Risk Champion are members of this group.

Strategic Risk Management

Strategic risks are linked to the Council's ambitions and priorities. The Strategic Risk Register is monitored, on a quarterly basis, by senior management to ensure levels assigned and mitigation proposed is appropriate and being delivered, then considered at Audit Committee. The Resources Portfolio Holder is the Council nominated Member Risk Management Champion and assists with embedding risk management in the business of the Council.

Operational Risk Management

Operational risk registers are developed and monitored by the relevant Assistant Director. Action plans are developed to mitigate key risks and delivery monitored. In addition, a process of operational risk peer challenge helps to embed and enhance the quality of operational risk management. Any risks identified for escalation to strategic level are added to the quarterly review of the Strategic Risk Register.

Programme Risk Management

Programme risks are identified for programmes and capital schemes. Risks are added to the Strategic Risk Register where appropriate. Governance arrangements are in place to facilitate senior management overview of more detailed programme risks.

Corporate Governance Group

A Corporate Governance Group meets four times a year to consider the assurance framework from the perspective of the seven core principles of corporate governance. Corporate Governance Group carries out an annual review of compliance with the behaviours that make up the seven core principles of corporate governance.

Service Assurance

At business unit level, assurance of compliance with the principles of good governance requires all Assistant Directors to complete, certify and return a Service Assurance Statement each year. The result of this assessment is reported to Audit Committee as an appendix to the Annual Governance Statement. Progress against any service governance actions identified as a result of this review are monitored and reported back to Audit Committee twice a year.

Performance monitoring

Strategic insight data is captured through the monitoring of two programmes. The Future Town, Future Council programme provides an update on progress being made across nine FTFC programmes. The corporate programme includes key strategic measures that are monitored quarterly by the Executive and senior management. Improvement activity for the measures that are not achieving or forecast not to achieve target is discussed by senior management quarterly prior to Executive. In addition the Executive receive quarterly updates on the Council's financial position

Data Quality

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

Data processing protocols and agreement exist for Council services which are required to share data with other bodies.

Overview and Scrutiny

The Council has an Overview and Scrutiny Committee and two Select Committees. The terms of reference of the Scrutiny committees meets statutory regulations. All Executive decisions are subject to call-in by the Overview and Scrutiny Committee unless there is an overriding reason for urgency.

Audit Committee

Audit Committee, constituted in line with CIPFA best practice, comments on internal and external audit matters, as set out in the Council's Constitution. The Committee is supported by an independent representative. The Committee receives training on the Statement of Accounts and Treasury Management processes as required.

Anti-Fraud and Corruption

A Shared Anti-Fraud service provides robust and resilient fraud prevention, detection and investigation service in relation to non-benefit and corporate fraud. The service updates Audit Committee every quarter on the work it has carried out.

The Council's Anti-Fraud and Corruption and Whistle-Blowing Policies are both available on the Council's intranet.

General Data Protection Regulations

New General Data Protection Regulations were approved by the EU Parliament on 14 April 2016 and were enforced on 25 May 2018. The primary objectives of the GDPR are to give citizens and residents back control of their personal data and to simplify the regulatory environment.

Overall responsibility for information management at the Council has been assigned to the Council's Information and Records Governance Manager, who is also the joint Data Protection Officer for both Stevenage and East Herts Councils since November 2019. The Council has a Corporate Information Governance Group in place, which oversees the Council's information governance arrangements.

The Council has identified and documented its information assets and data flows and developed an information asset register. The Council has an Information Management Policy and a Security Incident Management Policy which define the Council's procedures with regards to information governance and the management of data security incidents. Specific guidance on records management with defined responsibilities of information asset owners is also in development which will apply to all staff across the organisation. Document retention guidance has been produced and communicated to all members of staff, which includes a defined and enforced corporate records

retention schedule in line with the requirement of the GDPR and good practice. There are also defined procedures in place for the disposal and destruction of information.

Procedures are in place for data protection breaches to be reported to Corporate Governance Group.

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

Annual Report

An Annual Report is published that sets out the Council's achievements against the outcomes and priorities in the Corporate Plan, reporting progress over the previous year against planned objectives and setting out future plans.

Annual Governance Statement

The Council produces an Annual Governance Statement, which is reported to Audit Committee and approved by the Statement of Accounts Committee. The Annual Governance Statement contains information regarding the effectiveness of the Council's governance, risk management arrangements and control provided by the internal auditor.

The Council monitors governance arrangements for shared services and this is reflected in the Annual Governance Statement.

Data Transparency Code

Information required for publication in Part 2 of the Code is published on the Council's website and updated in line with publication guidelines.

Publication Scheme

The Council aims to make as much information available on its website through its Publication Scheme as possible. Exceptions to this will be information that is subject to the exemptions set out in the Freedom of Information Act

Freedom of Information Requests

Requests for information under the Freedom of Information Act are to be made in writing and there are links on the Council's website for making an application. Where the request is for information that is subject to the Act, it is be dealt with accordingly, and a response is provided within 20 working days from receipt of the request. Requests for information not subject to the Act are handled in line with the Council's Customer Feedback arrangements.

Internal Audit

The Council's internal audit provision is delivered by the Shared Internal Audit Service (SIAS) hosted by Hertfordshire County Council. The service complies with CIPFA's Statement on the role of the Head of Internal Audit and operates to Public Sector Internal Audit Standards.

The Head of Assurance confirms to Audit Committee the 'Fitness for Purpose' of internal audit to carry out the work that informs the assurance opinion each year.

For each audit, SIAS issues a Final Audit Report and this is signed off by management together with an agreement to implement the recommendations that have been made. Progress regarding implementation of audit recommendations is monitored by the Corporate Performance and Improvement Manager and areas of concern are escalated to Corporate Governance Group.

SIAS reports to Audit Committee quarterly regarding progress against the Audit Plan and the implementation status of high priority recommendations.

Website

The Council's website follows common web standards and government guidelines to the World Wide Web Consortium Web Accessibility Initiative's 'Double A' standard.

Statement of Accounts

The Statement of Accounts, which are available to the public, contains the Council's final accounts for the year and gives financial information on all the services, including shared services, provided by the Council during the year, as well as the Council's financial position at the year end. The Statement of Accounts is reported to Members at the Statement of Accounts Committee meeting and published annually as per statutory deadlines/requirements.

Annual Audit Letter

Each year the Council's external auditors, in their Annual Audit, letter advise whether they consider the Council's financial statement gives a true and fair view of the financial position of its expenditure and income for the year.

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

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

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

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

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

This document is intended for use by:

- a) Officers charged with the responsibility of gathering evidence and coordinating the Council's approach to compiling the Governance Statement
- b) Members and managers who need to be aware of the Council's approach to compiling the Annual Governance Statement.

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

Statutory Framework

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

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

Local Code of Governance

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

The council's Local Code that summarises the system by which the Council directs and controls its functions and relates to the local community was revised to enhance the assessment process and approved by Audit Committee in June 2017 with full review due every three years, with the next full review in June 2020. It is being proposed to Audit Committee at its meeting on 9 June 2020, that the Local Code is reviewed alongside the Annual Governance Statement each year and recommended for approval by Audit Committee alongside the Annual Governance Statement.

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

The Annual Governance Statement Process

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

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

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

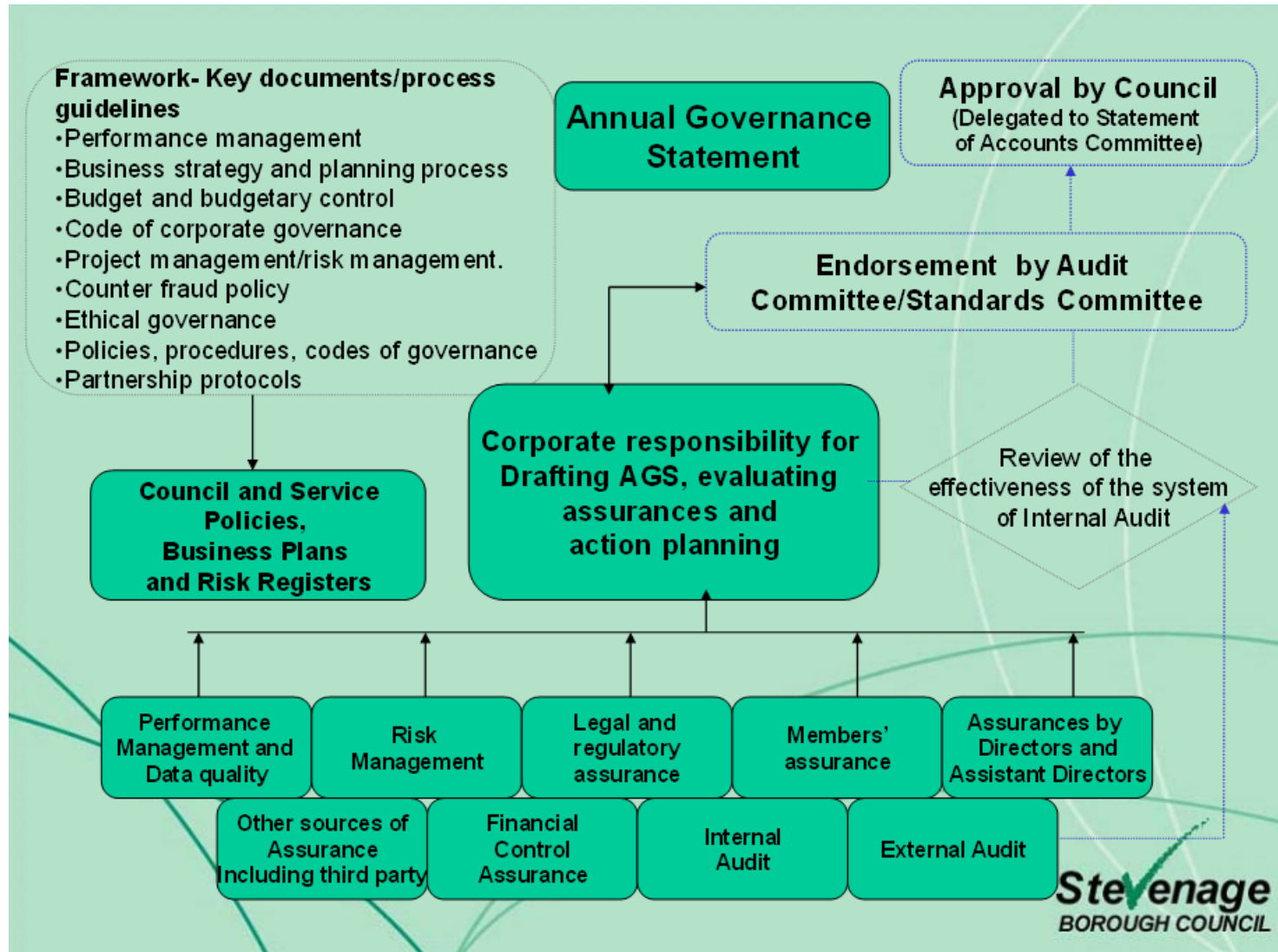
The AGS is compiled following a review of the effectiveness of systems of internal control. The review involves the Senior Leadership Team as well as specific responsibilities for Internal Audit and the Corporate Governance Group, as shown in the table below.

The AGS will be considered at the Audit Committee on 9 June 2020. The Leader of the Council and the Interim Chief Executive will sign the statement, prior to publication along with the Statement of Accounts.

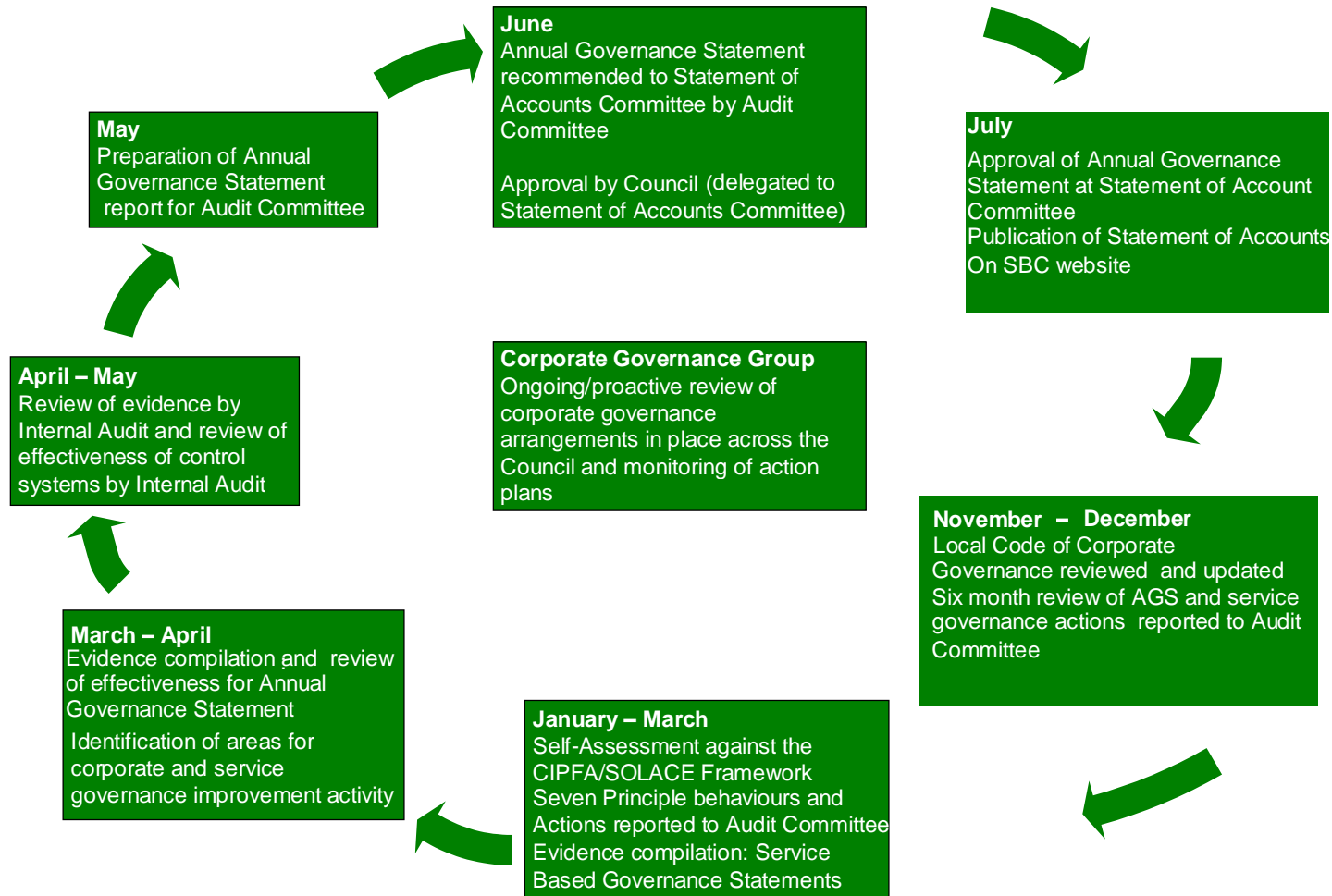
Roles and Responsibilities

Group of Individuals	Role & Responsibilities
Leader of the Council and Chief Executive	<ul style="list-style-type: none"> • Sign off the Annual Governance Statement to accompany the Statement of Accounts
Council (Delegated to Statement of Accounts Committee)	<ul style="list-style-type: none"> • Approval of Annual Governance Statement alongside the Statement of Accounts following recommendation from Audit Committee
Audit Committee	<ul style="list-style-type: none"> • Ensure the authority's Annual Governance Statement properly reflects the risk environment and identifies any actions needed for improvement • Consider the effectiveness of the authority's overall governance and control environment, risk management and anti-fraud and corruption arrangements • Seek assurance that action has been taken on risk related issues identified by Internal and External Audit and other inspections
Elected Members (individually or collectively)	<ul style="list-style-type: none"> • Approving and adopting relevant Codes and registering interest
Corporate Governance Group Core membership: <ul style="list-style-type: none"> • Chief Finance Officer (S151 Officer) • Monitoring Officer (Head of Shared Legal Service) • Strategic Director • Human Resources and Organisational Development Management representative • Information Governance Manager • Strategic ICT and Partnership Manager 	<ul style="list-style-type: none"> • Ongoing/proactive review of corporate governance arrangements in place across the Council • Moderation of Service Based Governance Statements and ongoing support to Assistant Directors in identification of appropriate actions • Action planning in response to the review of the Council's governance arrangements • Compilation of evidence to support the Annual Governance Statement, including monitoring completion of identified actions • Compilation of Annual Governance

Group of Individuals	Role & Responsibilities
<ul style="list-style-type: none"> • Corporate Policy and Business Support Manager • Corporate Performance and Improvement Officer • Representative from the Shared Internal Audit Service • Representative from the Shared Anti-Fraud Service 	Statement and supporting documentation
Monitoring Officer	<ul style="list-style-type: none"> • Contribution to Annual Governance Statement by providing assurance that the Council as a whole is responding adequately to legislation and legislative change
Section 151 Officer	<ul style="list-style-type: none"> • Contribution to Annual Governance Statement by providing assurance that the Council as a whole has effective controls in place to manage its finances efficiently and effectively
Assistant Directors	<ul style="list-style-type: none"> • Annual assurance on the effectiveness of controls in place and governance arrangements (including response to legislative change, risk management and performance management) through Service Assurance Statements • Maintain awareness of and promote service governance arrangements • Identify areas of service control weakness and action plan in response to this
Corporate Policy and Business Support Team	<ul style="list-style-type: none"> • Provide assurance on the Council's governance and risk management processes and procedures
Internal Audit (Shared Internal Audit Service) and Head of Shared Anti-Fraud Service	<ul style="list-style-type: none"> • Provide independent review of corporate governance arrangements and compliance with arrangements in place • Assist in identifying areas for improvement and action planning
Corporate Groups	<ul style="list-style-type: none"> • Escalate any significant governance issues to Corporate Governance Group
All Employees	<ul style="list-style-type: none"> • Maintain awareness and contribute to the control process where appropriate



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



Note: Due to COVID-19 the 2019/20 Statement of Accounts and Annual Governance Statement will be approved at the November 2020 Statement of Accounts Committee meeting.

Corporate Backbone

A. Behaving with Integrity

B. Stakeholder Engagement

C. Defining Outcomes

D. Determining Interventions

E. Leadership Capacity and Capability

F. Managing Risk

G. Transparency and Accountability

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



Key Documents

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

HRA Business Plan
 People Strategy
 Workforce Plans
 Disciplinary Policy
 Recruitment Policy
 R.E.A.L. Conversations Policy
 Job Evaluation Policy
 Organisational Change Policy
 Staff Performance Improvement Plan
 Corp Health and Safety Policies
 Data Protection Policy
 Freedom of Information Policy
 Information Security Policy
 Whistle Blowing Policy
 Anti-Fraud & Corruption Policy
 Complaints Policy & Procedures
 Business Continuity Plans
 Social Media Policy
 Local Plan
 Data Quality Policy
 Gifts and Hospitality Register
 Policy for Handling Personal Data
 Document Retention Guidance
 Community Engagement Framework

Contributory Processes/Regulatory Monitoring

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

Leaders Financial Security Group
 Staff Satisfaction Surveys
 Member and Staff Induction
 External Audit
 Shared Internal Audit Service
 Shared Anti-Fraud Service
 Shared Services Agreements
 Strategic Partnership Agreements
 Shared Service Partnership Boards
 Job Descriptions & Job Evaluation process
 Schedule of Council meetings
 Overview & Scrutiny
 Contract Management training
 Learning & Development Programme
 Leadership Forum
 CE staff briefings
 Key Financial Indicators
 Data Transparency Webpage
 RIPA arrangements
 Housing Development and Regeneration Executive Committee
 FTFC Programme Board
 Stevenage Development Board

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Overview of Service Assurance Statements 2019/20

Background

All Assistant Directors were asked to complete the annual review and update of their Service Assurance Statements for 2019/20. This process involves the following elements:

- Review of the operation of the Council's system of internal control within their service area
- Assurance that the control environment operated effectively during 2019/20 in respect of the service areas for which they have responsibility
- Review of actions taken during the year to address any weaknesses and identification of any further areas for improvement in 2020/21.

Progress Review of Service Governance Actions 2019/20

Action identified for 2019/20	Progress	Service Area
Principle A – Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law		
Dignity at Work Policy to be circulated to all staff in the Corporate Services Business Unit	Complete. The Policy has been circulated to all staff in the Corporate Services Business Unit	Corporate Services
Officers responsible for procurement in the Corporate Services Business Unit to attend Financial Regulations refresher training	Complete. Corporate Services staff responsible for procurement have attended Financial Regulations refresher training.	Corporate Services
Restructure and recruitment of permanent staff and graduate trainees in the Estates, Reconciliation and Paralegal service units to enhance capacity and workforce planning.	In progress. There are currently three posts which need to be filled. Shortlisting is currently being carried out for the Head of Estates, Commercial Asset Manager and Surveyor Posts. Interviews for vacant posts in the Reconciliation Team have been taking place during April/May 2020.	Finance and Estates
Improvements in business intelligence to identify service weaknesses and enhance service delivery to form part of the SDS Future Council Business Review (carried over from 2018/19)	In progress. Work has been undertaken to optimise resource deployment for Refuse and Recycling and Streets and Grounds Maintenance functions. A new management system has been implemented following the Business Unit Review of Operations and will provide real time business intelligence in respect of the Operations functions. The new management system went live with Refuse and Recycling in March 2020. Unfortunately the back office side has been hindered with the current measures introduced because of the COVID-19 outbreak. The links with the new CRM system are not live yet so the full functionality is not being realised.	Stevenage Direct Services

Principle B: Ensuring openness and comprehensive stakeholder engagement		
IT Shared Service Board Partnership Agreement to be reviewed and changes agreed by the ICT Shared Service Partnership Board	In progress. The IT Shared Service Board Partnership Agreement has been reviewed. Agreement by East Herts District Council of the new Agreement is currently awaited.	Digital and Transformation
New Communications and Marketing Action Plan to be implemented and embedded	Complete: Communications and Marketing campaign plans are now in place.	Communications
Review and enhance computer generated documentation aimed at residents (carried over from 2018/19)	Complete. As part of the Housing All Under One Roof transformation programme, all letters produced through Desk Top Integration have been reviewed	Housing and Investment
Carry out a review of Financial Regulations (carried over from 2018/19)	In progress. Financial Regulations have been reviewed and were due to be agreed at March 2020 Audit Committee. This Audit Committee was however cancelled due to COVID-19.	Finance and Estates
Phase Two of the Stevenage Direct Services Future Council Business Review to further enhance service delivery	In progress. The Operations function review has been agreed. Phase One includes the review of supervisory/management roles. This was expected to be complete and go live on 1 st May 2020. Due to the COVID-19 situation, a slight delay has occurred though it is still progressing. Expected to now go live on 1 st June 2020.	Stevenage Direct Services
Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits		
Service Plans to be produced for the Planning and Regulatory Services Business Unit	In progress. Service Plans for the Planning and Regulatory Services Business Unit are being updated.	Planning and Regulation
New performance framework to be put in place for ICT	Complete. New performance indicators are being captured as part of the ICT strategy. KPIs set as 99% uptime, 70% staff satisfaction from customer satisfaction surveys, PSN and Cyber essentials certification	Digital and Transformation
New performance measures to be introduced for the Communications service	Complete. Local performance measures are now in place for Communication campaigns to assess reach and impact	Digital and Transformation
Carry out a review of customer satisfaction monitoring for the ICT service	Complete. Customer Satisfaction Surveys are going out and stats are being collected.	Digital and Transformation
A review of SDS policies to ensure services operate to approved standards (carried over from 2018/19)	Complete. New health and safety governance and monitoring mechanisms have been implemented and shaped the development of the overarching	Stevenage Direct Services

	corporate governance framework. Each service has up to date risk assessments and action plans. Training and compliance reviews have been undertaken with appropriate training requirements highlighted and programmed into the Unit training matrix to ensure compliance with statutory requirements.	
Implementation of the recommendations from the Waste Scrutiny Review carried out in 2018/19	In progress. This has been delayed due to COVID-19 as this is embedded within the service review which has been delayed.	Stevenage Direct Services
Development and implementation of an Inclusive Play Policy to enhance access to Play services	Complete. The Play Review was completed in March 2020 with the new operating model in place, enabling a more inclusive and responsive play offer as part of co-operative neighbourhood arrangements.	Communities and Neighbourhoods
Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes		
Establish a FTFC Programme Office to monitor performance of the FTFC Programme	Complete. Programme Office now in place to monitor the FTFC programme.	Corporate Services
Development of an ICT investment programme	Complete. ICT strategy together with investment programme to fund the strategy approved by Executive on 9 th October 2019.	Digital and Transformation
Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it		
Job descriptions for posts in Planning and Regulation to be reviewed as part of the Future Council Business Review process	In progress. The majority of job descriptions for posts in Planning and Regulation have been reviewed as part of the Future Council Business Review. The outstanding two job descriptions will be updated soon.	Planning and Regulation
Recruitment to key vacant posts in Planning and Regulation	In progress. Key vacancies are currently being covered by temporary staff. Recruitment to these posts to commence soon.	Planning and Regulation
ICT officers' job descriptions to be reviewed to reflect new structure and practices	In progress. A number of key ICT posts have now been appointed. Three positions remain unfilled. One growth post is currently under review and should be completed in May. One post is being recruited to temporarily. Proposal is to fill the other post with a graduate trainee.	Digital and Transformation
Recruitment to key posts in the ICT Service Delivery Unit	In progress. See above.	Digital and Transformation
Recruitment to posts in the CSC to enhance capacity and performance	Complete. Recruitment to posts in the CSC to enhance capacity and performance is now complete.	Digital and Transformation

Appointment to interim posts in Human Resources to support Business Units to implement their Future Council Business Reviews	Complete. The HR restructure is complete and posts have been appointed	Human Resources and Organisational Development
Recruitment to new/vacant posts in the recently established Corporate Policy and Business Support unit	Complete. All posts have now been recruited.	Corporate Services
Implementation and embedding of the new SDS Workforce Plan	In progress. New workforce arrangements have been integrated into the service review proposals and are scheduled for implementation in 2020/21.	Stevenage Direct Services
SDS job descriptions for staff below Tier 4 to be reviewed during the second phase of the business reviews (carried over from 2018/19)	In progress. Service reviews for Housing Repairs & Maintenance and Environmental Performance & Development have commenced and initial proposals have been considered by the Senior Leadership Team. Work is being undertaken to finalise proposals and complete consultation documents and processes with a view to implementation in 2020/21.	Stevenage Direct Services
Lone working arrangements for Estates Officers when undertaking enforcement duties to be reviewed and new working practices to be implemented.	Complete. Health and Safety training has been completed by all Estates staff and practices have been enhanced. Use of enforcement officers and change to arrears process and letters has been implemented.	Finance and Estates
Continued implementation of training identified by the Training Needs Analysis to be implemented during 2019/20 (carried over from 2018/19)	Complete/Ongoing. Violence and Aggression training is being rolled out to all Housing and Investment staff through a programme. In addition to this a number of the team are undertaking professional qualifications as well as further Customer First training programme for new starters.	Housing and Investment
Job descriptions for posts in Housing and Investment to be reviewed and updated as required during the next phase of the Future Council Business Review (carried over from 2018/19)	In progress. All job descriptions have been reviewed and are up to date. The Business Unit Review concluded on 5 April and the new structure is in place with current job descriptions from 6 April 2020. There are a number of vacancies to be filled.	Housing and Investment
Principle F: Managing risks and performance through robust internal control and strong public financial management		
Enhance Corporate Services staff awareness of the Council's Anti-Fraud and Corruption Policy and arrangements	On hold. Anti-Fraud and Corruption Policy requires review prior to distribution to staff.	Corporate Services
Business case to be produced outlining how ongoing GDPR monitoring/ information governance is going to be resourced.	In progress. Business Case is complete. Currently with East Herts for consideration.	Corporate Services
Enhance Communities and Neighbourhoods staff awareness of the Council's Anti-Fraud and Corruption Policy and arrangements	On hold. Anti-Fraud and Corruption Policy requires review prior to distribution to staff.	Communities & Neighbourhoods

Complete the review of the Communities and Neighbourhood web pages to ensure that information is still valid and up to date for the launch of the Council's new website	In progress. Awaiting timetable for new website to allow refined and relevant pages for C& to be built	Communities and Neighbourhoods
Shared Legal Service Partnership Risk Register to be produced (carried over from 2018/19)	Not started. This was scheduled to be discussed at the Legal Partnership Board meeting in March which due to COVID-19 did not go ahead. To be considered at the June 2020 meeting.	Shared Legal Service
Shared Legal Service Partnership Agreement to be updated to reflect GDPR requirements (carried over from 2018/19)	Not started. This was scheduled to be discussed at the Legal Partnership Board meeting in March which due to COVID-19 did not go ahead. To be considered at the June 2020 meeting.	Shared Legal Service
An archivist to be appointed to review documentation dating back to before the transfer to the new Shared Legal Service (i.e. pre August 2017) (carried over from 2018/19).	In progress. Significant progress on this has been made with a substantial amount of material disposed of or archived. This work will resume when staff are able to return to the office.	Shared Legal Service
Appointment of a Compliance Manager to carry out compliance activity and to manage delivery of the five year compliance action plan (carried over from 2018/19)	In progress. The Compliance Manager post remains difficult to recruit. This post continues to be covered by an agency worker who has indicated that he wishes to leave. Having added market supplements to this role, a number of applications have been received and interviews are being arranged.	Housing and Investment
Delivery of the five year action plan incorporating actions identified following an independent compliance review of the Council's Housing Stock (mechanical and electrical) (carried over from 2018/19)	In progress. The five year compliance action plan for HRA properties is underway.	Housing and Investment
Principle G – Implementing good practice in transparency		
Continued monitoring of the new Shared Home Improvement Agency Function to ensure its effective implementation	In progress. A recent SIAS audit has identified a number of recommendations for improvement of the new shared service and action is being taken by Hertfordshire County Council who is responsible for the delivery of this shared service to implement these recommendations. Formal update to Executive in the Autumn.	Planning and Regulation
Recommendations from the peer review of Constitutional Services to be implemented as part of the Future Council Business review of this service	In progress. Draft report has been received. Consideration of the report has been delayed due to Covid-19.	Constitutional Services

Complete the review of CCTV governance arrangements and the establishment of a five year business plan (carried over from 2018/19).	Complete. The governance review was concluded on 25 September 2019 with all completed audit actions being signed off by the Joint Executive and SIAS.	Communities & Neighbourhoods
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Actions identified by Service Assurance review for completion in 2020/21

Action identified for 2020/21	Service Area
Principle A – Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	
Continue to implement the new management system for SDS Operations to provide real time business intelligence in respect of the Operations functions. Links with the new CRM system need to be made live so the full functionality can be realised.	Stevenage Direct Services
Induction process to be carried out for all staff in Housing and Investment when the Housing and Investment Business Unit Review is launched (postponed from the 6 April due to COVID-19 response). The induction process to include awareness of Employee Code of Conduct and Financial Regulations and Contract Standing Orders.	Housing and Investment
Review of Council's pay and reward arrangements to attract and retain staff and consider special arrangements to attract staff for hard to recruit posts.	Human Resources and Organisational Development
Data to be added to HouseMark to enhance data analysis, insight and business intelligence	Housing and Investment
Principle B: Ensuring openness and comprehensive stakeholder engagement	
The IT Shared Service Board Partnership Agreement to be reviewed and agreed by East Herts District Council	Digital and Transformation
Financial Regulations to be approved by Audit Committee and staff to be informed of changes	Finance and Estates
Complete the review of supervisory/management roles in Stevenage Direct Service Business Unit to further enhance service delivery. This was expected to go live on 1st May 2020 but due to COVID-19 has been delayed until June 2020.	Stevenage Direct Services
Produce and implement a Customer Strategy and Customer Service Model for the Customer Service Centre	Digital and Transformation
Update the Council's Communications Strategy, including a review of the Council's branding and corporate identity	Communications
Carry out a review of staff engagement	Human Resources

Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits	
Service Plans for the Planning and Regulatory Services Business Unit to be reviewed and updated	Planning and Regulation
Implementation of the recommendations from the Waste Scrutiny Review	Stevenage Direct Services
Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes	
An inclusive Economy Charter to be produced alongside an action plan to ensure the council drives social value through its activities and those of other partners working in Stevenage.	Communities and Neighbourhoods
Recommendations from the peer review of Constitutional Services to be implemented	Constitutional Services
Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it	
Recruit to the Head of Estates, Commercial Asset Manager and Surveyor posts in the Estates service to enhance capacity and implement the Corporate Landlord function	Finance and Estates
Recruit to the vacant roles in Reconciliation and the Paralegal Service as a result to the recent restructure of these services	Finance and Estates
Recruitment to a Graduate post in Accountancy and a Corporate Graduate post to be assigned to Estates to enhance succession, capacity and workforce planning. Recruitment to these posts is currently being delayed due to the COVID-19 response.	Finance and Estates
Corporate Governance Group to consider the implementation of induction training for Interim Staff	Finance and Estates
Update the final two job descriptions in the Planning and Regulatory Services unit	Planning and Regulation
Recruit to vacant ICT posts. Three positions remain unfilled. One growth post is currently under review and should be completed in May. One post is being recruited to temporarily. Proposal is to fill the other post with a graduate trainee.	Digital and Transformation
Implementation and embedding of the SDS Workforce Plan	Stevenage Direct Services
Finalise proposals, implement and embed the service reviews for Housing Repairs and Maintenance and Environmental Performance and Development	Stevenage Direct Services
Recruit to the vacant posts which have been created as a result of the Housing and Investment Future Council Business Review	Housing and Investment
Review of job descriptions for all posts within the scope of the second phase of the Stevenage Direct Services Business Unit review	Stevenage Direct Services

Principle F: Managing risks and performance through robust internal control and strong public financial management	
Business Case which outlines how ongoing GDPR monitoring/information governance is going to be resourced and proposals for a shared service with East Herts to be agreed and implemented.	Digital and Transformation
Complete the review of the Communities and Neighbourhood web pages to ensure that information is still valid and up to date for the launch of the Council's new website	Community and Neighbourhoods
Shared Legal Service Partnership Risk Register to be produced	Shared Legal Service
Shared Legal Service Partnership Agreement to be updated to reflect GDPR requirements	Shared Legal Service
Complete the review of documentation dating back to before the transfer to the new Shared Legal service under the advice of the Borough Solicitor and Lead Lawyer for the Shared Legal Service.	Shared Legal Service
Appointment of a Compliance Manager to carry out compliance activity as outlined in the five year Compliance Action Plan	Housing and Investment
Delivery of the five year Compliance Action Plan, incorporating actions identified following an independent compliance review of Housing Revenue Account properties	Housing and Investment
Stevenage Direct Service budgets to be reviewed as part of SDS Business Unit Review to ensure they support both long term and short term outcomes	Stevenage Direct Services
Anti-Money Laundering and Anti-Bribery Policies to be launched and staff made aware.	Finance and Estates
Financial Regulations and Contract Standing Orders to be agree by Council and published	Finance and Estates
Complete the actions identified by the recent SIAS follow-up audit of the Street Cleansing Service	Stevenage Direct Services
Review of Operational Risk Registers to reflect new corporate services structure and reporting arrangements	Various Services
Principle G – Implementing good practice in transparency	
Continued monitoring of the new Shared Home Improvement Agency Function to ensure its effective implementation and medium term financial viability.	Planning and Regulation

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of the Local Government Act 1972.

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