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AGENDA

Committee:	AUDIT
Date and Time:	Thursday 25th July 2019 at 7.p.m <u>(NB Time)</u>
Venue:	Committee Room 1
Membership:	Councillors Cole (Chairman), Blackwell, May, Sharp and Mrs Thornton Substitutes: Councillors Acott, Mumford, Skipp and Thomas
Officers attending:	Craig Watts, Head of Housing and Communities Andrew Barnes, Head of Internal Audit Ian Stapleton, Financial Services Manager Ben Brook, Strategy Policy and Performance Manager Mike Dineen, Senior Manager, Counter Fraud & Investigation Directorate
Also attending	Debbie Hanson, Associate Partner, EY Dean Bardick, Senior Manager, EY
Enquiries:	Ann Horgan, Ext. 2413

PART I **(Business to be taken in public)**

- 1. Apologies**
- 2. Members' Interests**
- 3. Minutes**
A copy of the Minutes of the meeting held on 28 March 2019 is attached.
- 4. Internal Audit Quarterly Performance Report 2018/19:**
Report of the Head of Internal Audit is attached.
- 5. Head of Internal Audit Annual Report 2018/19:**
Report of the Head of Internal Audit is attached.

6. **Counter Fraud & Investigation Annual Report 2018/19:**
Report of the Senior Manager, Counter Fraud Investigation Directorate is attached.
7. **EY Audit Results Report for the year ended 31 March 2019:**
Report of the External Auditor is attached.
8. **Annual Report on the Treasury Management Service and Actual Prudential Indicators 2018/19**
Report of the Financial Services Manager is attached.
9. **Annual Governance Statement 2018/19:**
Report of the Head of Housing and Communities is attached.
10. **Counter Fraud Plan & Strategy 2019/20:**
Report of the Senior Manager, Counter Fraud Investigation Directorate is attached.

Current Information Items (standing item) – circulated separately to the Committee.

CIPFA Better Governance Forum:

- Audit Committee Update, Helping Audit Committees to be Effective, Issue 28:
The Audit Committee Role in Supporting Counter Fraud and Anti-corruption

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AUDIT COMMITTEE

28TH MARCH 2019

PRESENT: Councillors Cole (Chairman), Blackwell, May and Skipp (substitute for Councillor Riley)

Councillor Acott also attended.

Head of Housing and Communities, Craig Watts, Head of Internal Audit, Andrew Barnes, Financial Services Manager, Ian Stapleton, Audit Manager, Eddie Mosouro Revenues and Benefits Transformation Manager, Michael Dineen and Dean Bardick Senior Manager (EY) were also present.

Apologies for absence were received from Councillors Riley and Hart

26. MEMBERS' INTERESTS

There were none.

27. MINUTES

The Minutes of the meeting held on 10th January 2018 were taken as read and signed as a correct record.

28. COUNTER FRAUD AND INVESTIGATION DIRECTORATE: QUARTERLY PERFORMANCE REPORT

This item was brought forward for consideration.

Michael Dineen presented the progress made by the Counter Fraud and Investigation Directorate (CFID) in delivering the Counter Fraud Strategy and work programme for 2018/19.

Appendix A to the report outlined the progress which had been in delivering the agreed proactive counter – fraud work plan for the year. Members were pleased to note the continuing benefit of this proactive work noting the value of the work currently under investigation amounted to £421,800.

Resolved – That the performance of the Counter Fraud & Investigation Directorate to date is noted.

29. EY GRANT CLAIMS AND RETURNS CERTIFICATION REPORT FOR THE YEAR ENDED 31 MARCH 2018

The External Auditor's Grants Claim and Certification Report for the year ended 31 March 2018 was presented to the Audit Committee.

The Committee noted that the External Auditors had issued a qualification letter.

The auditors' certification work had required some amendments to a relatively small number of calculations by the Council and these had resulted in only a small effect on the grant due.

The report set out the issues identified during the audit process, the Committee noted that actions were being taken to address software issues regarding Civica.

Resolved – That the Grant Claim and Return Certification Report for the year ended 31 March 2018 is noted.

30. EY AUDIT PLANNING REPORT YEAR ENDED 31 MARCH 2019

The External Auditor's Audit Planning Report for the year ended 31 March 2019 was presented to the Audit Committee.

Members considered and discussed the planning report and an explanation was given in response to questions regarding the inclusion of void turnover.

Resolved – That EY's Audit Planning Report for the year ended 31 March 2019 is noted.

31. QUARTERLY MONITORING REPORT OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS

The Head of Housing and Communities presented a report to the Committee on the findings from the quarterly monitoring of the Council's governance arrangements.

Members discussed and commented on various aspects of the report relating to measures to assist budgetary control specifically whether extra resource could be identified to assist social housing opportunities. Members took the opportunity to acknowledge and thank officers for their work in delivering council services.

Resolved - That the Committee notes the assurance provided by the report with regard to the operation of the Council's governance framework.

32. CORPORATE RISK REGISTER UPDATE REPORT

The Committee was presented with a report on the Corporate Risk Register.

The Corporate Risk Register had recently been reviewed by the Financial Services Manager in consultation with Heads of Service and other key officers as part of the six monthly review cycle. The updated register has been agreed by Executive Management Team (EMT) and was included as an Appendix to the report. The Committee's attention was drawn to the risks relating to failure to progress the Local Plan and the risk identified where it was not possible to fully implement the requirements of the General Data Protection Act Regulations(GDPR).

33. INTERNAL AUDIT SERVICE, QUARTERLY PERFORMANCE REPORT

The Head of Internal Audit presented to the Committee a report on progress made in delivering the Internal Audit Strategy for 2018/19.

Appendix A to the report set out the current status of audit work planned for the year as at 8th March 2019. No changes had been made since the Plan was last reported to the Audit Committee in January 2019.

Appendix B summarised the results of the audit work completed this year. No minimal assurance opinions had been issued to date

Appendix C set out details of Stakeholder Surveys and Compliance with Professional Standards.

Resolved – That the progress made in delivering the 2018/19 Internal Audit Strategy is noted.

34. INTERNAL AUDIT CHARTER, STRATEGY AND AUDIT PLAN FOR 2019/20

The Head of Internal Audit presented to the Committee the Internal Audit Charter with the supporting Strategy and Audit Plan for 2019/20.

The Internal Audit Charter was attached at Appendix A and the supporting Strategy at Appendix B. The Strategy included a number of sub-appendices which presented the Internal Audit Plan for 2019/20; audits planned linked to corporate risks and a How We will work with You Statement.

A few very minor amendments had been made to the Charter and Strategy this year which were highlighted in the report. These were cosmetic and made no change the manner in which the audit service was provided and delivered under the Collaborative Working Agreement.

Members were reminded that the Audit Plan would be further reviewed in the late summer to assess whether there were any changes to the risk profile and, therefore, the work planned for later in the year. As is usual practice, any proposed future amendments to the Audit Plan would be reported to the Audit Committee for approval.

Resolved – That the Charter, Strategy and Audit Plan for 2019/20 are approved.

35. AUDIT COMMITTEE WORK PROGRAMME FOR 2019/20:

The Head of Internal Audit presented an outline work programme 2019/20 to the Audit Committee for consideration.

Appendix A set out the work programme for the year. In principle, the approach adopted to producing the work programme is that annual plans and policy refresh type reports would be the focus for the March meeting. Annual governance reports as well as those relating to the Statement of Accounts would go to the July meeting. The September meeting would monitor progress in

Audit Committee – 28th March 2019

delivering in year work and the January meeting would consider progress made on delivering annual governance type action plans as well as the Treasury Management Strategy and Grant Claims report.

Resolved – to approve the outline work programme for 2019/20.

Chairman

AUDIT COMMITTEE

25th July 2019

Subject: Internal Audit Service, Quarterly Performance Report

1. Purpose of Report

To update the Audit Committee on progress made in delivering the Internal Audit Strategy for 2018/19.

2. Internal Audit Plan Status

Appendix A sets out the current status of the audit work planned for the year as at 10 July. This also highlights where audits contained in the original plan considered by the Audit Committee in March 2018 have changed.

No changes have been made to the Audit Plan since it was last reported to the Audit Committee in March 2019.

3. Audit Opinions and Themes

Appendix B summarises the results of the audit work completed this year. No minimal assurance opinions have been issued to date.

4. Performance Targets

As at 15 July 2019:

for the period 1 January 2019 – 31 March 2019 the team had 8 days of sickness absence which equates to 1.13 days per FTE

- since then the team has had 4 days of sickness absence since 1 April 2019 which equates to 0.72 days per FTE
- in terms of the 26 jobs in the 2018/19 plan:
 - 25 audit reports have been finalised and issued;
 - 1 audit report has been issued and is being reviewed by the Council;
 - 0 audits are in progress, as all audit work has been completed.

One stakeholder survey covering one person has been carried out this quarter, with a 100% response rate. The results from these are summarised in **Appendix C**. The results show that this person was fully satisfied by the approach of the audit, the conclusions drawn and the reporting of those results.

5. Resourcing

The refreshed Collaborative Working Agreement for Internal Audit sets out that all the posts for the combined team will be part of Southend-on-Sea Borough Council's establishment. This approach has been taken as it is felt that it will:

- increase the chance of filling the remaining vacancies
- create a more cohesive team.

Therefore, the combined structure consists of:

- two Audit Managers (one post vacant- recruitment being worked on)
- two Senior Auditors (one post vacant – recently appointed to)
- four Auditors (three posts vacant – one post recently appointed to)
- cash (in the form of vacant posts) to buy in specialist and other services on behalf of both sites.

Since the last report to Audit Committee in March 2019 recruitment to two of the vacant posts has been successfully undertaken. That leaves the combined team with four vacancies. The salaries of the vacant posts are currently being used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.

The expected requirements of the internal audit service into the future are evolving and this has been assessed to determine the most appropriate team model utilising the resources available. This will then be implemented resulting in an appropriate mix of experienced staff, trainees who will be put through a relevant training programme and externally sourced skills. This will enable the team to deliver the internal audit service required by the organisations that it serves.

6. Corporate Implications

Financial Implications

The Audit Plan will be delivered within the approved budget.

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

Legal Implications

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

Human Resources and Equality Implications

Human Resources

People issues that are relevant to an audit within the Audit Plan will be considered as part of the review.

Regular updates will be provided to the Audit Committee on how the service is being resourced (as required by the Standards).

Equality Implications

The relevance of equality and diversity will be considered during the initial planning stage of each audit before the Terms of Reference are agreed.

IT and Asset Management Implications

People or asset management issues that are relevant to an audit will be considered as part of the review.

7. Links to Council's Priorities, Objectives and Targets

Audit work contributes to the delivery of all of the Council's Priorities, Objectives and Targets.

8. Timescale for Implementation

The Audit Plan relates to the 2018/19 financial year.

This is a key piece of evidence available to the Audit Committee when reviewing the Annual Governance Statement, which is also presented to the July Audit Committee.

9. Risk Factors

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact on the Council's ability to deliver its Corporate Aims, Targets and Objectives. A key mitigating factor is the work of the Good Governance Group (the Group). Assurance provided by this Group is summarised in the Quarterly Monitoring Report of the Council's Governance Arrangements.

The main risks the team continues to manage are the:

- loss of in-house staff and the ability of the service to replace this resource in a timely manner, or at all
- lack of management capacity to support and process work in a timely manner and provide strategic leadership to the team
- possibility that external suppliers won't deliver contracted out work within the required deadlines to the expected quality standards
- need to maintain relationships with clients / partners while the service is being rebuilt.

Recommendation

The Audit Committee notes the progress made in delivering the 2018/19 Internal Audit Strategy.

Background Papers

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

Appendices

Appendix A	Internal Audit Plan 2018/19 as at 15 July
Appendix B1	Audit Opinion and Summaries: Satisfactory
Appendix B2	Audit Opinion and Summaries: Audits Revisited
Appendix C	Stakeholder Surveys, Compliance with Professional Standards

Report Author: Andrew Barnes, Head of Internal Audit

Internal Audit Plan 2018/19

Dept	Service Activity	Fraud risk	Status as at 15 July 2019
Managing the Business			
All Aims			
Res	Emergency Planning To assess the robustness of the Council's preparedness to respond to a civil emergency under the Civil Contingencies Act 2004.	No	Report issued in January 2019.
SD, MO	Information Governance, General Data Protection Regulation (GDPR) To assess whether the Council is suitably compliant with the requirements of GDPR.	No	Report issued in February 2019.
Res	IT Strategy To assess whether the IT Strategy supports the development, maintenance and enhancement of IT systems, to enable the achievement of wider business objectives.	No	Report issued in February 2019.
Res	Engagement and management of casual and agency staff To assess whether the Council has a mechanism in place for managing their staff establishment within the levels of resource and financial budgets in two areas, the leisure and refuse & recycling services.	No	Report issued in July 2019.

Internal Audit Plan 2018/19

Dept	Service Activity	Fraud risk	Status as at 15 July 2019
Managing Service Delivery Risks			
Aim: Public Health and Wellbeing			
H&C	Homelessness To assess whether the Council has a clear strategy and appropriate arrangements in place for dealing with homelessness, in line with the Homelessness Reduction Act 2017.	Yes	Report issued in May 2019.
Aim: Environment			
<i>Implementing Action Plans*</i>			
H&C	Environmental Health: Noise & Nuisance and Rubbish & Accumulations	Yes	Report issued in June 2019.
Aim: Transforming Our Community			
H&C	HRA New Property Build Projects To assess whether appropriate business case, procurement and contract management arrangements are in place to select and deliver new Council housing properties.	Yes	Phase 1 report issued in February 2019. Phase 2 report issued in June 2019.
<i>Implementing Action Plans*</i>			
H&C	Right to Buy	Yes	Reported in July 2019.

*** Implementing Action Plans** - To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.

Internal Audit Plan 2018/19

Dept	Service Activity	Fraud risk	Status as at 15 July 2019
Aim: Efficient and Effective Customer Focused Services			
H&C	Housing Property Management and Maintenance To be determined with the business, as the review of the SLA progresses.	Yes	Reported in March 2019.
H&C	Licensing To assess whether licence applications are effectively and promptly processed and all due income is received.	Yes	Draft report being reviewed by Council.
<i>Implementing Action Plans*</i>			
Res	Cyber Security Governance	Yes	Report issued in January 2019.
H&C	Health and Safety of Housing Stock	No	Report issued in August 2018.
H&C	Housing Allocations	Yes	Report issued in July 2019.
Res	Income Collection	Yes	Report issued in September 2018.
Key Financial Systems			
All Aims			
Key financial systems 2017/18 To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.			
All	Business Rates	Yes	Report issued in February 2019.
All	Council Tax	Yes	Report issued in February 2019.
All	Housing Benefit	Yes	Report issued in March 2019.
All	Housing Rents	Yes	Report issued in July 2019.
All	Treasury Management	Yes	Report issued in February 2019.

Internal Audit Plan 2018/19

Dept	Service Activity	Fraud risk	Status as at 15 July 2019
Key financial systems 2016/17 To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.			
All	General Ledger	Yes	Report issued in August 2018.
All	Income, Receipting and Banking	Yes	Report issued in September 2018.
All	Accounts Payable	Yes	Report issued in August 2018.
All	Accounts Receivable	Yes	Report issued in September 2018.
All	Payroll	Yes	Report issued in August 2018.
Grant Claims			
Env	Disabled Facilities Capital Grant Determination To confirm the monies have been spent in accordance with the terms of the grant.	Yes	Completion of 2017/18 grant certification audit work, undertaken in 2018/19 completed August 2018.
SD, Mo	Interreg Go Trade Grant To confirm the monies have been spent in accordance with the terms of the grant.	Yes	First sign-off for 2018/19 completed September 2018. Second sign-off completed March 2019.
Advice and Support Work			
	None		
Managing Delivery of the Audit Plan			
	Audit Planning and Resourcing		
	Managing Audit Plan Delivery		
	Reporting to Executive Management Team and Audit Committee		

Internal Audit Plan 2018/19

Audit Activities	Resource allocation
Managing the Business	15%
Managing Service Delivery Risks	54%
Key Financial Systems	8%
Grant Claims	5%
Advice and Support	0%
Managing Delivery of the Audit Plan	18%
Total	100%
Total Council Audit Plan Days	264

The days required to revisit and retest action plans from previous reports are included under each heading.

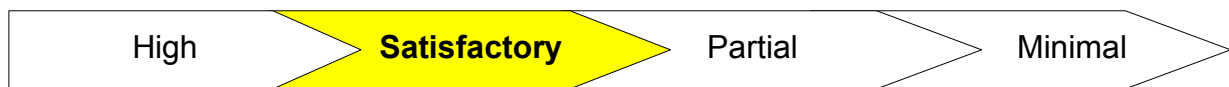
Analysis Over Departments		
Env	Environmental	4%
H&C	Housing	41%
Res	Resources	23%
SD, MO	Strategic Director, Monitoring Officer	11%
All	Cross cutting	10%
All	Managing Delivery of the Audit Plan	11%
	Total	100%

Risk Watch List	
Env	Income Generation from Waste Collection Services
H&C	Safeguarding
H&C	Strategic Housing Strategy
H&C	Working with Partners, Strategic Partnership Framework
Res	Business Continuity
Res	Replacement of the Telephony Systems
Res	The Paddocks Project
SD, MO	Building Control
SD, MO	Development Control Support Team, Effectiveness Review and Revisited
SD, MO	Leases and Licenses Revisited
All	Ethical Governance
All	Health and Safety

These are other potential audits that may be considered for inclusion in the Audit Plan during the year should resources permit.

Appendix B1: Audit Opinion and Summaries

Assurance



Homelessness 18-103 (May 2019)

Objective

To assess whether Castle Point Borough Council (the Council) has a system of controls in place to effectively mitigate risks in respect of its Homelessness function and specifically comply with the Homelessness Reduction Act 2017 (HRA2017).

Summary

There is evidence that arrangements are in place to help ensure that the Council exercises its duties in line with the Homelessness Reduction Act 2017 (HRA2017).

A Homelessness and Rough Sleeping Strategy has been drafted and contains details of the population and geography of the district along with historical information about homelessness. The Strategy makes clear reference to the relevant new HRA2017 legislation and documents the Council's responsibilities in line with this legislation.

The Council also has links with partner organisations such as Peabody (housing association), the Police Force and the Probation Service in order to help identify any potentially homeless individuals. Information on the homelessness services available from the Council is available via the website. Alternatively, individuals may seek advice and support physically at the Council building or via the First Contact Team.

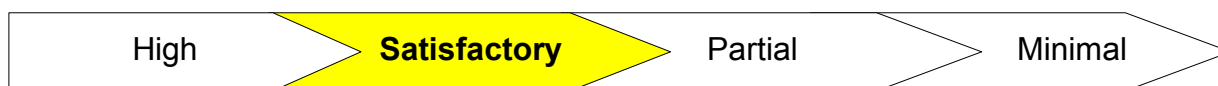
Supporting evidence to verify eligibility for homelessness support is retained on the Abritas system, attached to the relevant case. This applies to all homelessness cases, regardless of outcome (i.e. Under Prevention, Prevented, Under Relief, Relief Duty, or Main Duty). Once applicants have been verified as eligible and threatened with homelessness, a Personal Housing Plan is developed and agreed with the applicant. This is then stored and monitored by the Case Officer through the Abritas system, to clarify whether actions have been implemented / progressed as intended.

The strengthening arrangements identified below will help to ensure that the Council can continue its positive work demonstrated to manage and relieve homelessness within the Borough:

- Finalising and formally approving the Homelessness and Sleeping Rough Strategy will help to ensure that staff act consistently and in accordance with management expectations and the Homelessness Reduction Act 2017.
- Developing documented procedural guidance, to include step-by-step processes for dealing with homelessness cases from start to finish, will help to improve the quality and consistency of services delivered to those individuals applying for a homelessness relief.
- Introducing a monthly independent check of homelessness cases across the possible outcomes will provide greater assurance over the complete and correct treatment of homelessness cases being processed and allow for learning from cases to shape future actions.

Appendix B1: Audit Opinion and Summaries

Assurance



- Developing a more structured training programme (through use of a training needs analysis) will help ensure that all staff receive a consistent and appropriate level of training relevant for their roles.
- Fully updating and completing the staff training log which is currently under development will allow management to monitor what training has already been undertaken by staff and better monitor the consistency of training delivered to team members.
- Developing a suite of Key Performance Indicators (KPIs), regularly reporting these through to senior management and seeking to benchmark these figures across the Essex Homelessness Officers Group will help improve the effectiveness of management decision making so that the Council can best meet its objectives linked to the relief of homelessness.

Number of actions agreed: 7

Housing Revenue Account (HRA) New Property Build – Audit Phase 2

Audit Committee Summary

The procurement process followed for the letting of this contract demonstrated fairness and transparency.

This was particularly aided by the procurement being undertaken through the Delta E sourcing portal used by the Essex Procurement Hub, managed by Braintree District Council. This represents best practice.

Work is planned to improve clarity of expectations in Contract Procedure Rules in the following areas :

- Using Construction prequalification questionnaires' for all construction related procurement
- Maintaining the integrity of spreadsheets used in the evaluation stage through, for example, locking down the formulae within cells
- Setting out good practice for the evaluation of bids by scoring the quality submission 'blind' from the financial submission.

In the meantime pending the update of the procurement rules, officers have quickly acted on feedback and introduced the actions contained within recommendations 2 and 3 above for a subsequent major procurement, to improve the ongoing integrity of the procurement process.

Number of actions agreed: 3

Appendix B2: Assurance and Summaries

Audits Revisited

Purpose of these audits

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

Housing Benefit Revisited (Mar 2019)

Opinion: Satisfactory assurance

Out of six recommendations made in the 2017-18 Housing Benefit report, four of them have been fully implemented, one substantially implemented and one not implemented. There is a need to ensure that there is consistency in selecting the claims for secondary checking and for the Financial Services Unit (FSU) to carry out independent checks on the housing benefit and overpayment monthly reconciliations which are carried out by the Revenues Team.

Objective

To assess whether the key controls in the Housing Benefit system effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing Castle Point Borough Council (the Council)'s Statement of Accounts.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented
4	1	0	0

Summary

Since the Housing Benefit 2017-18 report was issued in May 2018, a monthly sample check of all changes has been introduced which is checked by the Housing Benefits manager and the results are documented. However, Internal Audit noted that there was inconsistency on the volume of changes selected for testing each month as it ranged between 2% and 10% compared to the 10% checking level that was agreed and documented in the procedure notes.

In addition to this, the Claims Pre-Assessment management check has been reinstated which allows the system to generate a sample to be tested. The sample selected is checked and documented by the Benefits Manager. Written procedures have been developed and introduced for officers to follow in assessing claims and making amendments and these also include the checks that need to be carried out by Benefits Manager.

There is also a need for the FSU to carry out an independent check on the Housing Benefit and overpayment reconciliations between eFIN and CIVICA.

Appendix B2: Assurance and Summaries

Audits Revisited

Right to Buy (July 2019)

Only two of the actions outstanding from the previous follow up undertaken in September 2017 was reviewed, as the other items have now been superseded.

The two items reviewed in respect of the Council:

- working more proactively with the Counter Fraud and Investigation Directorate (CFID) when processing applications. There were only five Right to Buy sales during 2018/19. It was confirmed that each case had been referred onto the CFID accompanied by the application form, allowing the CFID to undertake the necessary checks prior to the sale progressing.
- confirming that the correct charge has been placed on the property with the Land Registry. The RTB checklist has been updated and also acts as a procedure note as it has more detail on it than a normal checklist. However this has not been completed consistently and land registry details haven't been received for all the properties sold as a result. Management recognise this has not been working as intended and are going to remind staff of its importance.

Environmental Health: Noise & Nuisance and Rubbish & Accumulations (June 2019)

Opinion: High assurance

There was effective management as well as timely delivery of agreed actions, with evidence they were embedded into working practices.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Closed
16	2	1	0	0

Summary

The team service plan has been updated with performance figures and agreed by the Head of Environment.

Procedures notes have been written and provide guidance to staff on the working practices of the service, reflecting Regulatory Information and Management Systems (RIAMS) guidance where appropriate. They are available on the shared drive and include information on:

- guidance for Officers on creating action plans and their responsibility for monitoring their progress
- linking further complaints relating to a single premises with the same issue to the original case officer to enable a consistent approach to the handling of cases
- passing complaints to other services in a timely manner of issues that may impact on, or require them to take action.

Appendix B2: Assurance and Summaries

Audits Revisited

Copies of all staff qualifications are stored in their HR files and job profiles are saved on the shared drive which helps to ensure staff roles and responsibilities are clear.

The performance of staff is actively managed and one-to-one meetings take place bi-monthly. As part of these the Environmental Health Team Leader (EHTL):

- reviews a sample of staff action plans to confirm that appropriate action is being taken to deal with referrals in line with the procedures
- discusses open and inactive cases with staff to agree further actions to be taken
- reviews training and continual professional development (CPD) undertaken (the Chartered Institute of Environmental Health requires members to undertake 20 hours of CPD each year).

Completing a learning and development proposal will allow management to map current skills and knowledge, and identify team training needs against the service's delivery objectives. A learning and development log has been established to record training undertaken by staff and extending this to include any further gaps in knowledge will enable staff to capture this in their feedback and further support to be provided as necessary.

Access permissions to the Uniform system have been reviewed and restricted so statutory actions can only be undertaken by Managers e.g. issuing of Enforcement Notices. Uniform permissions have also been restricted to ensure referrals are input independently of the team as all cases are initially referred to the EHTL who then allocates the case to an appropriate officer.

There are two Uniform system administrators in the team which gives them full access to the system. This is monitored by the Environmental Health Operational Manager (EHOM) to get an oversight of the role to ensure it is being used appropriately. Access permissions to the uniform system are reviewed annually to ensure permissions remain correct and appropriate to staff roles.

Monitoring of unallocated cases is done primarily via the service request page on Uniform which highlights the number of unallocated cases to all staff. This is working effectively as very few cases exceed the five-day deadline. A Uniform report has also been developed but it has not been necessary to run this regularly.

Procedure notes now make clear the requirement for a detailed breakdown of costs to be provided for cases where enforcement action is being taken. It would be beneficial to extend the guidance to include how the breakdown of these costs is generated on Uniform. Either the EHTL or EHOM must sign costs off to ensure they are accurate and complete, although this is not happening consistently.

Appendix B2: Assurance and Summaries

Audits Revisited

Housing Allocations (July 2019)

Opinion: Partial assurance

There was proactive management as well as timely delivery of some actions, with evidence they were embedded into working practices. However, there remain a number of recommendations that have not been implemented, or only partially implemented.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Closed
7	2	3	2	2

Summary

The Allocations Policy (the policy) has been reviewed and updated to ensure it is in line with statutory guidance. The hardcopy and online application forms have also been updated and align to the policy.

To ensure applications are assessed accurately in compliance with the policy:

- some procedure notes are in place but developing further notes in a consistent format will support staff with all aspects of the allocations process
- a second check of applications is being introduced which will give independent oversight that the right judgement has been made by the first officer when assessing applications
- the introduction of a spot check will help ensure sufficient and valid evidence is provided to support the assessment made of housing need and priority status
- a follow up process has been established to ensure all supporting documentation for applications has been provided in a suitable timeframe.

Unsuccessful attempts to contact successful applicants are clearly recorded. This ensures viewings, offers and allocations are fair and prompt.

To ensure all properties are appropriately allocated, there is a need to introduce a reconciliation of all newly allocated properties against an advert or authorisation of a direct let / mutual exchange to support their allocation.

The Accompanied Viewing Checklist has been updated to include a list of suitable ID documents, which must be completed at the time of viewing and these must be the same as produced on the application. However, it is not being used consistently so it is not clear whether ID was checked. There is a need to capture whether the Potentially Violent Persons (PVP) Register has been checked prior to arranging property viewings with prospective tenants. This would ensure any additional precautions that are needed to protect staff during the property viewing can be identified. It would be beneficial for staff to note that this has been done on the checklist to confirm they have checked the OHMS system for warning flags prior to arranging the viewing.

Appendix B2: Assurance and Summaries

Audits Revisited

Introducing a spot check will confirm whether all necessary tasks outlined above have been completed with regards to the property viewing.

Sky Guard devices must be activated when staff are on lone visits and this is monitored monthly to confirm they are being used. All staff require access to a device to ensure viewings are safe.

The safe code for void keys is updated quarterly to ensure that keys to vacant properties are held securely and a voids key book records keys in and out. Introducing a spot check of this book will ensure the keys position has been maintained accurately during the year.

Housing Rent (June 2019)

Opinion: Satisfactory assurance

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Closed
3		1	2	

Summary

Of the six recommendations made in the Internal Audit Report in May 2018, three of them have been implemented, one partially implemented and two are outstanding. The main focus of the housing rents section since they took over the responsibility in April 2018 of managing housing rents has been on reduction of the outstanding debt.

The annual changes to the housing rents is now fully evidenced and checks are documented and retained on the shared drive. Independent checks have been introduced since April which are carried out by the Housing Team leader on the input onto the Open Housing Management System (OHMS). System access to the OHMS has now been restricted to only allow three members who have the full administrative rights.

These additional checks have improved the controls on OHMS and on the rental reviews. As such the audit assurance that we will be issuing on this report is a “satisfactory” audit opinion.

The outstanding recommendations are in respect of the review of credit balances to identify and re-pay clients that are entitled to refunds, and the updating of procedure notes.

Appendix C: Stakeholder Surveys, Compliance with Professional Standards

Setting up and planning the audit (PSIAS 1200 / 2200)		
1	Did we show a good level of knowledge and understanding of your service when discussing the potential scope and objective to be covered by the audit before fieldwork took place?	100%
Performing the audit (PSIAS 2300)		
2	Did we work effectively with you when doing the audit to minimise the impact on your service?	100%
3	Were we able to talk knowledgeably with you about information provided to us and queries we had during the audit?	100%
Communicating results (PSIAS 2400) and Improving governance, risk management and control processes (PSIAS 2100)		
4	Did we keep you informed of the progress of the audit and issues arising from the work in timely manner?	100%
5	Did we effectively explain to you where we felt action was required to improve your arrangements and why?	100%
6	Was the report fair and reflective of the work done by audit and the issues found as discussed with you?	100%
Independence and Objectivity (PSIAS 1100)		
7	Did we provide relevant evidence to back up our findings if required?	N/A
8	At the end of the audit, did you understand the rationale for the overall opinion given?	100%
Managing the Internal Audit Activity (PSIAS 2000)		
9	Do you think internal audit adds value to the Council?	100%

AUDIT COMMITTEE

25th July 2019

Subject: Head of Internal Audit Annual Report 2018/19

1. Purpose of Report

1.1 To provide for the 2018/19 financial year:

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

2. Background

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

2.2 The opinion is predominantly based upon the audit work performed during the year as set out in the risk based Audit Plan discussed with the Executive Management Team and approved by the Audit Committee.

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

- using a combination of Internal Audit and management risk assessments (including those set out in risk registers)
- in consultation with some service managers, Heads of Service and the Strategic Director, Resources to ensure the work is focused on key risks.

2.4 Periodic discussions are then held with the Strategic Director, Resources and the Head of Housing and Communities to:

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

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

2.6 All individual audit reports are discussed with the relevant Service Managers and Heads of Service or Strategic Directors before being finalised.

2.7 The opinion and summary findings from audit reviews are reported to the Executive Management Team and the Audit Committee throughout the year.

3 Head of Internal Audit Opinion for the year ended 31 March 2019

- 3.1 The Council continues to maintain satisfactory and effective risk management, control and governance arrangements, despite the continuing financial pressure that it is dealing with. During 2018/19 an external provider has undertaken a high level assessment of the Council's risk management arrangements which concluded that risk management is happening as expected across the Council, however there is further work to be done to fully embed this to drive value from the process and help inform decision making at all levels of the Council. As a result reliance continues to be placed on the Council's risk management arrangements, but steps will be taken to enhance arrangements.
- 3.2 The work of the Good Governance Group and results of the audits completed continue to confirm that:
- corporate business management processes remain generally well designed and in some areas, work is underway to update or strengthen them further
 - there is inconsistency in terms of application, across some services which still need to be addressed.
- 3.3 Internal Audit is subject to a formal, independent review of its compliance with professional standards every five years. External audit relies on the work internal audit complete on financial systems where it is relevant to its audit of the Council's financial statements.

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

- the design and operation of the underpinning governance and assurance framework
 - the range of individual opinions arising from risk based and other audit assignments that have been reported during the year taking into account the relative significance of these areas
 - whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales
 - any other assurance available from independent sources.
- 3.3 The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to his opinion.

4. Supporting Commentary

- 4.1 **Appendix A** summarises the audit opinions issued this year.
- 4.2 The following paragraphs then:
- summarise findings from all the work completed this year
 - highlight the key areas requiring improvement
 - summarise how other independent assurance has been used to support the opinion.
- 4.3 Where necessary, actions have been agreed with services to improve the arrangements where the more serious control issues were identified during the audits.

Managing the Business

- 4.4 The **Good Governance Group** continued to operate efficiently and effectively, in that it had:
- a Terms of Reference agreed by the Executive Management Team that required it to ensure:
 - the Council maintains arrangements that are fit for purpose and comply with good practice requirements
 - that sufficient assurance is available throughout the year to support the production of the Annual Governance Statement.
 - it has an appropriate membership of senior officers responsible for maintaining the main corporate business management processes that are then applied at service level.
- 4.5 It continued to deliver its work programme during the year which ensured key tasks were completed, and involved:
- robustly challenging Corporate Assurance Statements for 2018/19 before signing off the assessments and the action required to improve these business management arrangements
 - critically evaluating a summary of service assessments of these arrangements, as contained in the Manager Assurance Statements.
- 4.6 Therefore it is possible to place reliance on the conclusions drawn from this work, which are summarised in the audit opinion above.
- 4.7 The Head of Housing Communities continued to produce quarterly reports on the operation of the Council's **key business management arrangements**. These were presented to and challenged by the Executive Management Team and the Audit Committee. No significant concerns were reported. Opportunities to strengthen or develop arrangements were highlighted in year as they arose.
- 4.8 The processes outlined above remain key elements of the Council's assurance framework, and continued to provide evidence of the effective design and operation of its business management arrangements.
- 4.9 In 2018/19, an external provider has undertaken a high level assessment of the Council's risk management arrangements which concluded that risk management is happening as expected across the Council, however there is further work to be done to fully embed this to drive value from the process and help inform decision making at all levels of the Council. As a result reliance continues to be placed on the Council's risk management arrangements, but steps will be taken to enhance arrangements. The understanding of risk was assessed as sound at both corporate and service levels. The governance of the organisation ensured that risk management was operating in a way that met its needs.
- 4.10 The Council continued to maintain a Corporate Risk Register that was reported to the Executive Management Team each quarter and the Audit Committee twice a year. Heads of Service were required to identify key risks in their service plans, which were reviewed by the Head of Housing Communities.
- 4.11 Therefore, reliance continued to be place on the Council's risk management framework throughout the year.

- 4.12 A comprehensive programme of work was scoped in advance of **General Data Protection Regulations** (GDPR) coming into effect which was supported by a specialist third party review. The implementation was overseen by the Information Governance Sub-Group and the Operational Management Team.
- 4.13 However, a number of business management processes are not yet operating effectively, including that there is a gap in holding a central record of information due to completion of the registers being devolved to service areas.
- 4.14 Two main areas where current processing is likely to be non-compliant with GDPR are security with unencrypted personal information and retention of emails that are stored for a number of years.
- 4.15 A number of contracts where the council has identified they involve the processing of personal information have not yet had suitable variations applied to respond to GDPR.
- 4.16 There remain a number of staff who have not completed their mandatory GDPR training and there remains a lack of specific resource in place to support GDPR.
- 4.17 At the year end, the Council was working to address these issues and embed the arrangements that it has put in place to deliver the requirements of GDPR. It has taken a proactive, structured approach to this by:
- appointing appropriately experienced staff and having a dedicated work programme
 - working through the implementation plan which, once fully completed, will put the Council in a strong position for compliance with the GDPR legislation.
- 4.18 In respect of **emergency planning**, the Council has arrangements in place for responding to a civil emergency, which are in line with the requirements of the Civil Contingencies Act 2004 and key response plans are in place. The roles and responsibilities of those involved are clearly documented and wider stakeholders are effectively consulted and engaged.
- 4.19 Further work is required to continue to review and revise emergency planning documentation and develop a robust training programme. Management are aware of this and plans are already in place to increase the amount of dedicated emergency planning resource.
- 4.20 The current **IT Strategy** was approved in 2016 and is scheduled to be refreshed in 2019. During its lifetime it has been partially successful, with the 'technical' work streams, for example, adopting Microsoft 365, upgrading hardware and moving to Windows 10 at an advanced stage.
- 4.21 However the Strategy has been less successful with the 'softer', process change enabled by IT elements of the Strategy. While there have been successes, most evidently in Revenues/Benefits and First Contact, the Strategy has not achieved the organisation wide move to electronic processes envisaged by the Strategy.
- 4.22 The biggest gap through the majority of the current Strategy's lifetime has been the absence of a properly constituted IT Steering Group, although this has now been addressed, with a new IT Steering Group having its first meeting in August 2018.

- 4.23 Follow up of our previous work on **cyber security governance** demonstrated that good progress has been made in addressing the actions agreed in the original report. This process was proactively managed as well as delivered in a timely way, and there is evidence that the revised arrangements are embedded into current working practices.
- 4.24 As a result a comprehensive Cyber Security Strategy has been produced, informed by good practice and referencing key roles and responsibilities. This addresses the lack of formality and understood mechanisms identified, to support both prevention of Cyber Security incidents and a managed response, should they occur. Associated with this a specific cyber risk has been added to the strategic risk register, which will support ongoing, senior focus and review of arrangements.
- 4.25 Further work is required to ensure that staff stay up to date with and maintain their 'cyber' skills. Specifically, while cyber training is provided as part of induction, an ongoing programme of refresher training is required to further enhance arrangements, in line with good practice.

Service Delivery Risks

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

PUBLIC HEALTH AND WELLBEING

- 4.27 There is evidence that arrangements are in place to help ensure that the Council exercises its duties in line with the **Homelessness** Reduction Act 2017.
- 4.28 A Homelessness and Rough Sleeping Strategy has been drafted and contains details of the population and geography of the district along with historical information about homelessness. The Strategy makes clear reference to the relevant new HRA2017 legislation and documents the Council's responsibilities in line with this legislation. However further work is needed to formally approve the Council's Homelessness and Sleeping Rough Strategy and fully develop supporting local procedural guidance.
- 4.29 A monthly independent check of homelessness cases across the possible outcomes will provide greater assurance over the complete and correct treatment of homelessness cases, and developing a suite of Key Performance Indicators (KPIs) will assist the Council in being able to best meet its objectives linked to the relief of
- 4.30 The Council also has links with partner organisations such as Peabody (housing association), the Police Force and the Probation Service in order to help identify any potentially homeless individuals. Information on the homelessness services available from the Council is available via the website. Alternatively, individuals may seek advice and support physically at the Council building or via the First Contact Team.

- 4.31 Follow up of the **Health and Safety of Housing Stock** audit work demonstrated that good progress had been made to strengthen the arrangements for commissioning and delivering timely and effectively health and safety risk assessments and inspections of Council housing stock. Introduction of monthly spot checks on the completed fire risk assessments will help ensure that all actions to address issues have been completed.

ENVIRONMENT

- 4.32 A revisit of the **Environmental Health: Noise & Nuisance and Rubbish & Accumulations** audit identified that the previous audit recommendations had been effectively addressed. The team service plan has been updated with performance figures and agreed by the Head of Environment.
- 4.33 Procedures notes have been written and provide guidance to staff on the working practices of the service, reflecting Regulatory Information and Management Systems (RIAMS) guidance where appropriate.
- 4.34 The performance of staff is actively managed and one-to-one meetings take place bi-monthly. As part of these the Environmental Health Team Leader:
- 4.35 However, completing a learning and development proposal will allow management to map current skills and knowledge, and identify team training needs against the service's delivery objectives. A learning and development log has been established to record training undertaken by staff and extending this to include any further gaps in knowledge will enable staff to capture this in their feedback and further support to be provided as necessary.
- 4.36 Monitoring of unallocated cases is working effectively as very few cases exceed the five-day deadline. A Uniform report has also been developed but it has not been necessary to run this regularly.
- 4.37 Procedure notes now make clear the requirement for a detailed breakdown of costs to be provided for cases where enforcement action is being taken. It would be beneficial to extend the guidance to include how the breakdown of these costs is generated on Uniform.

TRANSFORMING OUR COMMUNITY

- 4.38 The **HRA New Build Programme** has a clear mandate that is consistent with the Council's 'Housing and Regeneration' Objectives 2 & 3. There is a thorough and compelling business case for undertaking the Hatley Gardens HMO project within the programme.
- 4.39 There is good evidence of consultation with stakeholders of the project and that this was used to inform the scheme design.
- 4.40 Two areas for further consideration were identified:
- improving protection of the Council's position in the event of any professional negligence by the consultant architect
 - confirming procurement strategies deliver value for money in the appointment of consultants.
- 4.41 The second phase of this audit work reviewed the procurement process followed for the letting of this contract, which it was found demonstrated fairness and transparency.

- 4.42 This was particularly aided by the procurement being undertaken through the Delta E sourcing portal used by the Essex Procurement Hub, managed by Braintree District Council. This represents best practice.
- 4.43 Work is planned to improve clarity of expectations in Contract Procedure Rules in the following areas :
- Using Construction prequalification questionnaires' for all construction related procurement
 - Maintaining the integrity of spreadsheets used in the evaluation stage through, for example, locking down the formulae within cells
 - Setting out good practice for the evaluation of bids by scoring the quality submission 'blind' from the financial submission.
- 4.44 In the meantime, pending the update of the procurement rules, officers have quickly acted on feedback and address the recommendations arising for a subsequent major procurement, to improve the ongoing integrity of the procurement process for the Council.

EFFICIENT AND EFFECTIVE CUSTOMER FOCUSED SERVICES

- 4.45 Internal audit were asked to comment about the adequacy and appropriateness of the draft Service Level Agreement being drawn up between the Council and South Essex Homes. Our review identified that the Council had developed a well-structured SLA for the delivery of **housing property management and maintenance** services. The primary and expected components are included but our review identified further enhancements which may inform better working practices across all primary elements of operational service delivery, governance and financial arrangements, that were addressed by management before agreement of the SLA.
- 4.46 **Licensing** policies and procedures provide sufficient guidance to support staff with processing new applications, but more information is needed in respect of appeals and renewals to ensure licences are granted appropriately and in line with legislation.
- 4.47 All licences are issued via the Lalpac system. Exploring the functionality of this to require more than one person to be involved in issuing a license would help to ensure licenses are only issued when appropriate. As an interim arrangement, a checklist is in place which, when used consistently, will ensure that licence applications are independently reviewed prior to issue. Extending the checklist to include a declaration of conflicts of interest will allow them to be appropriately identified and managed.
- 4.48 The Letter Book is being updated to align to Lalpac so it can be used as a reliable source of information when monitoring performance and generating the KPIs, while an independent reconciliation of income ensures that all payments have been received.
- 4.49 Follow up of the **Housing Allocations** audit demonstrated that the Allocations Policy has been reviewed and updated to ensure it is in line with statutory guidance. The hardcopy and online application forms have also been updated and align to the policy.
- 4.50 Working practices have been updated to ensure applications are assessed accurately in compliance with the policy, and these need to be implemented consistently.

- 4.51 The Accompanied Viewing Checklist has been updated, however, it is not being used consistently so it is not clear whether ID was checked. There is also a need to capture whether the Potentially Violent Persons Register has been checked prior to arranging property viewings with prospective tenants.
- 4.52 Sky Guard devices must be activated when staff are on lone visits and this is monitored monthly to confirm they are being used. All staff require access to a device to ensure viewings are safe.
- 4.53 Follow up of the **Income Collection** audit demonstrated that the Sundry Debtor Credit Policy has been reviewed and updated.
- 4.54 An Exceptions Policy for sundry debt has been drafted. This policy will cover exceptions to the payment terms outlined in the Sundry Debtor Credit Policy. Once the policy is approved it will be incorporated into the Sundry Debtor Credit Policy.
- 4.55 The current fee setting policy for chargeable services has been discussed between the Strategic Director Resources and the Cabinet Member and it was decided that the current policy should continue.
- 4.56 The Revenues Team informs the service areas of non-payment of invoices related to their area when a second reminder has been issued to the customer for information. This process was agreed between the Revenues team and each service area but has not been formalised. This replaces the need for a monthly report to be provided to and reviewed by each service area.

ALL PRIORITIES

- 4.57 Some aspects of the Council's delivery relies on the **effective engagement and management of casual and agency staff**. Whilst the Leisure Centres and the Refuse and Waste Collection services both function effectively, there is a need for both services to review the approved establishment numbers to ensure that staffing levels remain sufficient to meet the needs of the service, whilst ensuring the services are run safely and efficiently. The services should then seek to employ fully at that complement of staff, minimising the need for casual and agency staff.
- 4.58 The Council should also consider the implementation of rota software for the Leisure Centres, so that this time intensive exercise is automated and that time can then be utilised for other activities.

Key Financial Systems

- 4.59 Five key financial systems were reviewed this year to ensure they:
- were designed to prevent and / or detect material financial errors
 - had been in place during 2018/19 and therefore, could be relied on when producing the Council's Statement of Accounts.
- 4.60 Overall, high assurance was obtained over the **Treasury Management** system, satisfactory assurance was obtained over the **Business Rates** and **Housing Benefit, Housing Rent** systems, whereas partial assurance was obtained over the **Council Tax** system.

- 4.61 For the Council Tax system further work was still required to fully update the suite of procedure notes that is in place and to balance the reconciliation between Efin and Civica¹, which have not balanced since 2015 following an IT system upgrade, although the imbalance was not significant at £1,915

Implementing Action Plans

- 4.62 Internal Audit input agreed actions into an access database once audit reports were issued. Management then used this to monitor their implementation via Departmental Management Team meetings.
- 4.63 Internal Audit only revisited and retested action plans where a partial or minimal assurance opinion was given. Management closed down agreed actions in reports with high and satisfactory audit opinions once they were satisfied they had been properly dealt with. Internal Audit had been working proactively with departments to enhance this process, to enable management to be able to more effectively check that appropriate evidence is presented when agreed actions were to be signed off.

Grant Claims

- 4.64 It was possible to certify that money spent under the **Disabled Facilities Capital Grant** Determination, was in line with the grant terms and conditions.
- 4.65 We have worked with the Council to deliver the evidence requirements for the **Interreg Go Trade Grant** provided by the EU and to provide the necessary assurances to the EU over the Council's use of that money.

5. Compliance with Professional Standards

Head of Internal Audit Opinion

- 5.1 ***The Institute of Internal Auditors assessed the in-house team as fully meeting most of the Standards, as well as the Definition, Core Principles and the Code of Ethics in October 2017 (classified as "Generally Conforms", the highest rating).***

Good assessments were achieved in relation to:

- ***reflection of the Standards***
- ***focus on performance, risk and adding value***
- ***the quality assurance and improvement programme.***

Needs improvement assessments were given in relation to:

- ***coordinating and maximising assurance***
- ***the efficiency of its operations.***

1 Civica is the Council's Revenues and Benefits Management Software system.

Resourcing

- 5.2 Since the last Head of Internal Audit annual report to the Audit Committee there has been significant change within the team. The Head of Internal left in May 2018 and was replaced in July 2018.
- 5.3 One of the two Audit Managers left the team and work is currently underway to replace him. Following the successful recruitment to two of the vacant posts completed in June there remain four vacancies out of ten posts. The salaries of the remaining vacant posts continue to be used to fund audit resource brought in from suitable accountancy firms to assist with delivery of the audit plan.
- 5.4 Therefore, during 2018/19, the continued lack of specific capacity within the team has had an impact on the service's performance and its ability to deliver its normal performance targets.
- 5.5 The expected requirements of the internal audit service into the future are evolving and this has been assessed to determine the most appropriate team model utilising the resources available. This will then be implemented resulting in an appropriate mix of experienced staff, trainees who will be put through a relevant training programme and externally sourced skills. This will enable the team to deliver the internal audit service required by the organisations that it serves.
- 5.6 The remainder of this report needs to be considered within this context.

Audit Plan 2018/19

- 5.7 The target was to deliver 100% of the Audit Plan by mid-May so that the Head of Internal Audit Annual Opinion could be included in the Council's Annual Governance Statement, which has to be produced by 31 May. In the event, as at 31 May 2019 all 26 pieces of work had the audit work delivered, although not all of the reporting had been completed and finalised.
- 5.8 **Appendix B** shows the final status of the Audit Plan which is a comparison of actual audit work completed against work planned at the start of the year.

Other Performance Indicators

- 5.9 As much of the work this year has continued to be resourced through framework contracts, a more limited set of performance indicators have been reported upon.
- 5.10 Sickness absence remained low at a total of 23 days across the team for the year, equating to 3.2 days per FTE compared to a target of less than 5 days per FTE for in-house staff.
- 5.11 Stakeholder surveys are designed to assess compliance with some of the less tangible elements of the UK Public Sector Internal Audit Standards (the Standards). During the year, 9 officers were interviewed covering 9 different audits including work completed by in-house staff and contractors. **Appendix C** summarises the final survey results for 2018/19.

- 5.12 Overall, the level of compliance remains good, particularly with regard to internal audit adding value to the Council (89%). Appropriate actions are developed where opportunities to improve performance in any of these areas is identified. Some thought will be given to developing a short session for staff to explore the difference between delivering performance targets and needing evidence that a process / activity is being properly controlled (i.e. the assurance framework). The results show continued strength in researching, preparing for and communicating about audit scope and objectives, and a positive increase in the number of respondents indicating that they understood the rationale for the actions that were devised. Further work is needed to ensure that the audit participants fully understand the rationale behind assurance opinions given, as whilst this figure has improved since last quarter it remains the lowest-scoring section of the survey.

Service Management Arrangements

- 5.13 An assessment was also completed of the team's compliance with the Council's governance arrangements requirements as set out in the Manager Assurance Statements. All were high or satisfactory, where they were applicable. Actions have been developed to further strengthen arrangements in some areas.

Quality and Improvement Programme

- 5.14 I can confirm that I have maintained an appropriate Quality and Improvement Programme (QAIP) during the year for the in-house team or work undertaken by contractors when being managed by the in-house team. As required by the Standards, this consisted of:
- on-going supervision and review of individual audit assignments completed by in-house staff or contractors working to in-house staff
 - reporting on a limited set of performance targets to the Audit Committee each quarter (for all work done including that of the external supplier)
 - reviewing the results of the independent external assessment of compliance with the Standards in October 2017 which is required at least every five years and ensuring that the resultant action plan continues to be delivered.
- 5.15 I have received assurance from the external suppliers used that where they have undertaken work using their own audit approach, this is also compliant with the Standards.
- 5.16 **Appendix D** summarises the results of the independent external assessment of compliance against each element of the Standards, updated to reflect the developments that the team have made since the most recent independent external assessment.
- 5.17 **Appendix E** sets out the remaining actions that still need to be implemented arising from the:
- Head of Internal Audit's assessment of compliance as reported in the Annual Report presented to the Audit Committee in July 2018
 - independent external review.

- 5.18 A key focus for the team has been to ensure internal audit files and its audit approach complies with the new requirements of the General Data Protection Regulations.
- 5.19 Senior management has chosen not to implement the Standard relating to the appointment and removal of the Head of Internal Audit as the Council's normal HR practices would already mitigate this perceived potential risk.

Other Disclosures

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

6. Issues for the Annual Governance Statement

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

7. Corporate Implications

Financial Implications

- 7.1 The Audit Plan was delivered within approved budgets.

Legal Implications

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

Human Resources and Equality Implications

Human Resources

- 7.3 People issues that were relevant to delivering the Audit Plan were raised in the quarterly performance reports.

Equality Implications

- 7.4 The relevance of equality and diversity was considered during the initial planning stage of every audit before the Terms of Reference were agreed.
- 7.5 Any significant changes in the Charter and Strategy would also be subject to assessment.

IT and Asset Management Implications

- 7.6 There are no Asset Management Implications as a result of this report. Any IT implications are set out in the relevant audit reports issued.

8. Links to Council's Aims and Priorities

- 8.1 Audit work contributes to the delivery of all Council Priorities, Objectives and Targets.

9. Timescale for Implementation

- 9.1 This annual audit opinion relates to the 2018/19.

10. Risk Factors

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

Recommendations

- **The Audit Committee notes the Head of Internal Audit's Annual Report for 2018/19.**

Background Papers

None.

Appendices

Appendix A	Assurance Summary 2018/19
Appendix B	Internal Audit Plan 2018/19 as at 15 July 2019
Appendix C	Stakeholder Surveys, Compliance with Professional Standards
Appendix D	Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2018/19
Appendix E	Compliance with the UK Public Sector Internal Audit Standards 2018/19 Action Plan as at 30 June 2019

Report Author: Andrew Barnes, Head of Internal Audit

Appendix A: Assurance Summary 2018/19

Audit Plan Areas	Level of Assurance				
	High	Satisfactory	Partial	Minimal	No Opinion
Managing the Business		<ul style="list-style-type: none"> • Emergency Planning (Jan 2019) • IT Strategy (Feb 2019) • Information Governance GDPR (Feb 2019) 			<ul style="list-style-type: none"> • Engagement and management of casual and agency staff (July 2019)
Managing Service Delivery Risks		<ul style="list-style-type: none"> • HRA New Property Build Projects Phase 1 (Feb 2019) and Phase 2 (June 2019) • Homelessness (May 2019) 			<ul style="list-style-type: none"> • Housing Property Management and Maintenance SLA (March 2019)

Appendix A: Assurance Summary 2018/19

Audit Revisited	Action Implementation Level				
	High	Satisfactory	Partial	Minimal	No Opinion
Implementing action plans	<ul style="list-style-type: none"> • Health and Safety of Housing Stock (Aug 2018) • Environmental Health 9June 2019) • Cyber Security Governance (Jan 2019) • Treasury Management (Feb 2019) 	<ul style="list-style-type: none"> • Income Collection (Sep 2018) • Business Rates (Feb 2019) • Housing Benefit (Mar 2019) • Housing Rent (July 2019) 	<ul style="list-style-type: none"> • Council Tax (Feb 2019) • Housing Allocations (July 2019) • Right to buy (July 2019) 	•	•

Internal Audit Plan 2018/19

Dept	Service Activity	Fraud risk	Status as at 15 July 2019
Managing the Business			
All Aims			
Res	Emergency Planning To assess the robustness of the Council's preparedness to respond to a civil emergency under the Civil Contingencies Act 2004.	No	Report issued in January 2019.
SD, MO	Information Governance, General Data Protection Regulation (GDPR) To assess whether the Council is suitably compliant with the requirements of GDPR.	No	Report issued in February 2019.
Res	IT Strategy To assess whether the IT Strategy supports the development, maintenance and enhancement of IT systems, to enable the achievement of wider business objectives.	No	Report issued in February 2019.
Res	Engagement and management of casual and agency staff To assess whether the Council has a mechanism in place for managing their staff establishment within the levels of resource and financial budgets in two areas, the leisure and refuse & recycling services.	No	Report issued in July 2019.

Internal Audit Plan 2018/19

Dept	Service Activity	Fraud risk	Status as at 15 July 2019
Managing Service Delivery Risks			
Aim: Public Health and Wellbeing			
H&C	Homelessness To assess whether the Council has a clear strategy and appropriate arrangements in place for dealing with homelessness, in line with the Homelessness Reduction Act 2017.	Yes	Report issued in May 2019.
Aim: Environment			
<i>Implementing Action Plans*</i>			
H&C	Environmental Health: Noise & Nuisance and Rubbish & Accumulations	Yes	Report issued in June 2019.
Aim: Transforming Our Community			
H&C	HRA New Property Build Projects To assess whether appropriate business case, procurement and contract management arrangements are in place to select and deliver new Council housing properties.	Yes	Phase 1 report issued in February 2019. Phase 2 report issued in June 2019.
<i>Implementing Action Plans*</i>			
H&C	Right to Buy	Yes	Reported in July 2019.

*** Implementing Action Plans** - To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.

Internal Audit Plan 2018/19

Dept	Service Activity	Fraud risk	Status as at 15 July 2019
Aim: Efficient and Effective Customer Focused Services			
H&C	Housing Property Management and Maintenance To be determined with the business, as the review of the SLA progresses.	Yes	Reported in March 2019.
H&C	Licensing To assess whether licence applications are effectively and promptly processed and all due income is received.	Yes	Draft report being reviewed by Council.
<i>Implementing Action Plans*</i>			
Res	Cyber Security Governance	Yes	Report issued in January 2019.
H&C	Health and Safety of Housing Stock	No	Report issued in August 2018.
H&C	Housing Allocations	Yes	Report issued in July 2019.
Res	Income Collection	Yes	Report issued in September 2018.
Key Financial Systems			
All Aims			
Key financial systems 2017/18 To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.			
All	Business Rates	Yes	Report issued in February 2019.
All	Council Tax	Yes	Report issued in February 2019.
All	Housing Benefit	Yes	Report issued in March 2019.
All	Housing Rents	Yes	Report issued in July 2019.
All	Treasury Management	Yes	Report issued in February 2019.

Internal Audit Plan 2018/19

Dept	Service Activity	Fraud risk	Status as at 15 July 2019
Key financial systems 2016/17			
To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.			
All	General Ledger	Yes	Report issued in August 2018.
All	Income, Receipting and Banking	Yes	Report issued in September 2018.
All	Accounts Payable	Yes	Report issued in August 2018.
All	Accounts Receivable	Yes	Report issued in September 2018.
All	Payroll	Yes	Report issued in August 2018.
Grant Claims			
Env	Disabled Facilities Capital Grant Determination To confirm the monies have been spent in accordance with the terms of the grant.	Yes	Completion of 2017/18 grant certification audit work, undertaken in 2018/19 completed August 2018.
SD, Mo	Interreg Go Trade Grant To confirm the monies have been spent in accordance with the terms of the grant.	Yes	First sign-off for 2018/19 completed September 2018. Second sign-off completed March 2019.
Advice and Support Work			
	None		
Managing Delivery of the Audit Plan			
	Audit Planning and Resourcing		
	Managing Audit Plan Delivery		
	Reporting to Executive Management Team and Audit Committee		

Internal Audit Plan 2018/19

Audit Activities	Resource allocation
Managing the Business	15%
Managing Service Delivery Risks	54%
Key Financial Systems	8%
Grant Claims	5%
Advice and Support	0%
Managing Delivery of the Audit Plan	18%
Total	100%
Total Council Audit Plan Days	264

The days required to revisit and retest action plans from previous reports are included under each heading.

Analysis Over Departments		
Env	Environmental	4%
H&C	Housing	41%
Res	Resources	23%
SD, MO	Strategic Director, Monitoring Officer	11%
All	Cross cutting	10%
All	Managing Delivery of the Audit Plan	11%
	Total	100%

Risk Watch List	
Env	Income Generation from Waste Collection Services
H&C	Safeguarding
H&C	Strategic Housing Strategy
H&C	Working with Partners, Strategic Partnership Framework
Res	Business Continuity
Res	Replacement of the Telephony Systems
Res	The Paddocks Project
SD, MO	Building Control
SD, MO	Development Control Support Team, Effectiveness Review and Revisited
SD, MO	Leases and Licenses Revisited
All	Ethical Governance
All	Health and Safety

These are other potential audits that may be considered for inclusion in the Audit Plan during the year should resources permit.

Appendix C: Stakeholder Surveys, Compliance with Professional Standards

Setting up and planning the audit (PSIAS 1200 / 2200)		
1	Did we show a good level of knowledge and understanding of your service when discussing the potential scope and objective to be covered by the audit before fieldwork took place?	100%
Performing the audit (PSIAS 2300)		
2	Did we work effectively with you when doing the audit to minimise the impact on your service?	94%
3	Were we able to talk knowledgeably with you about information provided to us and queries we had during the audit?	94%
Communicating results (PSIAS 2400) and Improving governance, risk management and control processes (PSIAS 2100)		
4	Did we keep you informed of the progress of the audit and issues arising from the work in timely manner?	88%
5	Did we effectively explain to you where we felt action was required to improve your arrangements and why?	94%
6	Was the report fair and reflective of the work done by audit and the issues found as discussed with you?	89%
Independence and Objectivity (PSIAS 1100)		
7	Did we provide relevant evidence to back up our findings if required?	94%
8	At the end of the audit, did you understand the rationale for the overall opinion given?	83%
Managing the Internal Audit Activity (PSIAS 2000)		
9	Do you think internal audit adds value to the Council?	89%

Appendix D Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2018/19

Ref	Standard	Generally Conforms	Partial Conforms	Does Not Conforms	N/A
Ref	Definition of Internal Auditing				
Ref	Code of Ethics	✓			
1	Integrity	✓			
2	Objectivity	✓			
3	Confidentiality	✓			
4	Competence	✓			
Ref	Attribute Standards				
1000	Purpose, Authority and Responsibility		✓		
1010	Recognising Mandatory Guidance in the Internal Audit Charter		✓		
1100	Independence and Objectivity	✓			
1110	Organisational Independence		✓		
1111	Direct Interaction with the Board		✓		
1112	Head of Internal Audit Roles Beyond Internal Auditing	✓			
1120	Individual Objectivity	✓			
1130	Impairments to Independence or Objectivity	✓			
1200	Proficiency and Due Professional Care	✓			
1210	Proficiency	✓			
1220	Due Professional Care	✓			
1230	Continuing Professional Development	✓			
1300	Quality Assurance and Improvement Programme	✓			
1310	Requirements of the Quality Assurance and Improvement Programme	✓			
1311	Internal Assessments	✓			
1312	External Assessments	✓			

Appendix D Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2018/19

Ref	Standard	Generally Conforms	Partial Conforms	Does Not Conforms	N/A
1320	Reporting on the Quality Assurance and Improvement Programme	✓			
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	✓			
1322	Disclosure of Non-conformance	✓			
Ref	Performance Standards				
2000	Managing the Internal Audit Activity	✓			
2010	Planning	✓			
2020	Communication and Approval	✓			
2030	Resource Management	✓			
2040	Policies and Procedures	✓			
2050	Coordination and Reliance		✓		
2060	Reporting to Senior Management and the Audit Committee	✓			
2070	External Service Provider and Organisational Responsibility for Internal Audit		✓		
2100	Nature of Work	✓			
2110	Governance	✓			
2120	Risk Management	✓			
2130	Control	✓			
2200	Engagement Planning	✓			
2201	Planning Considerations	✓			
2210	Engagement Objectives	✓			
2220	Engagement Scope	✓			
2230	Engagement Resource Allocation	✓			
2240	Engagement Work Programme	✓			

**Appendix D Summary Assessment of Compliance with
UK Public Sector Internal Audit Standards 2018/19**

Ref	Standard	Generally Conforms	Partial Conforms	Does Not Conforms	N/A
2300	Performing the Engagement		✓		
2310	Identifying Information		✓		
2320	Analysis and Evaluation	✓			
2330	Documenting Information	✓			
2340	Engagement Supervision	✓			
2400	Communicating Results	✓			
2410	Criteria for Communicating	✓			
2420	Quality of Communications		✓		
2421	Errors and Omissions	✓			
2430	Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'				✓
2431	Engagement Disclosure of Non-conformance		✓		
2440	Disseminating Results	✓			
2450	Overall Opinions	✓			
2500	Monitoring Progress	✓			
2600	Resolution of Senior Management s Acceptance of Risks	✓			
	TOTAL OUT OF 64	53	10	0	1

Appendix C: Compliance with UK Public Sector Internal Audit Standards Action Plan (CPBC version) as at 10th July 2019

Action required	Current status	Date
Attribute Standards		
1100 Independence and Objectivity		
<i>1111 Direct Interaction with the Board</i>		
Re-establish annual Audit Committee performance assessments in line with good practice.	<p>New good practice guidance was published in May 2018. Good practice workshops were undertaken in September 2018.</p> <p>At some point, an assessment of compliance with it should be produced. This can then be considered as part of a wider review of the Council's governance and assurance framework.</p>	HoIA, Ongoing
1200 Proficiency and Due Professional Care		
<i>1230 Continuing Professional Development</i>		
Continue with the recruitment programme for professional audit staff during 2017/18.	<p>No further recruitment was undertaken in 2017/18.</p> <p>During 2018/19:</p> <ul style="list-style-type: none"> - Head of Internal Audit was appointed from July to replace the previous incumbent who left at the end of May - a Senior Auditor on the team was promoted to Audit Manager - a current Council employee has been seconded into an Audit trainee role and has now been made permanent - a campaign to recruit a Senior Auditor and an Auditor has made appointments to both roles. <p>The next step will be to reconsider how the resources available can be configured into the most appropriate team model.</p>	HoIA, Ongoing

Appendix C: Compliance with UK Public Sector Internal Audit Standards Action Plan (CPBC version) as at 10th July 2019

Action required	Current status	Date
Create and then recruit to the Business Support function that will support both the Internal Audit and Counter Fraud & Investigation Directorate.	<p>The Business Support Team is in the process of taking over the relevant functions from the two teams.</p> <p>The capacity of the team to deliver the increased workload is being monitored.</p> <p>Subsequent changes to the team have necessitated another round of recruitment.</p>	HolA, Ongoing
1300 Quality Assurance and Improvement Programme		
Re-introduce cold file reviews when more fully staffed and include a sample of contractor files.	<p>This has now been built into the Audit Strategy presented to Audit Committee in March 2019 and will be implemented as soon as is practical.</p> <p>This is not currently a priority due to the positive outcome of the PSIAS Inspection in October 2017, but will be introduced when there is sufficient resource in the team.</p>	HolA, Ongoing
1311 Internal Assessments		
Reinstate a full set off performance indicators once the team is more fully resourced with in-house staff.	This has now been built into the Audit Strategy presented to Audit Committee in March 2019 and will be implemented as soon as is practical.	HolA, Ongoing
Performance Standards		
2000 Managing the Internal Audit Activity		
2010 Planning		
<p>Summarise the activities considered significant enough to warrant periodic, independent challenge by internal audit.</p> <p>Present the list periodically to senior management and the Audit Committee as part of the audit planning process.</p>	This was part of the papers drawn up to support the 2019/20 Audit Plan.	Implemented

Appendix C: Compliance with UK Public Sector Internal Audit Standards Action Plan (CPBC version) as at 10th July 2019

Action required	Current status	Date
Consider how to split out time allocated to a review on: <ul style="list-style-type: none"> pure audit work advice and support. 	The time recording system has been amended to capture advice and support given throughout audits.	Implemented
2040 Policies and Procedures		
Refresh the Audit Manual and supporting forms to reflect: <ul style="list-style-type: none"> updates in the Standards current working practices any issues arising from the independent external assessment. 	<p>Most of this work is still in progress. It will take longer than anticipated to complete due to the changes in the senior management team.</p> <p>Work is also needed to update the Audit Manual to ensure the audit approach will be compliant with the General Data Protection Regulations (GDPR) from May 2018.</p>	AMs, Ongoing
2050 Co-ordination and Reliance		
At all clients, further develop the "other assurance" element of the audit risk assessments particularly with regard to corporate business management processes, as part of the 2018/19 audit planning round.	This work commenced as part of the Audit Planning process in 2018/19. This has been developed throughout the year as audit work is completed and as part of the 2019/20 audit planning process.	AMs, Ongoing
Request that the Good Governance Group (GGG): <ul style="list-style-type: none"> makes this a work stream using all the intelligence it currently has reconsiders the practicalities of building "assurance" into the risk management process as part of the update of the framework currently being undertaken. 	Work with the GGG to integrate all its intelligence into the audit risk assessment.	HolA, Ongoing

Appendix C: Compliance with UK Public Sector Internal Audit Standards Action Plan (CPBC version) as at 10th July 2019

Action required	Current status	Date
2100 Nature of Work		
2110 Governance		
Assess whether an ethical governance audit should be included in 2018/19 Audit Plan.	<p>The Head of Internal Audit and the Head of Housing and Communities are undertaking a piece of work to set out the Council's ethical governance framework.</p> <p>It was decided not to include such a review until this document is in place.</p>	AMs, Risk assessed for 2019/20
2200 Engagement Planning		
2210 Engagement Objectives		
Make sure that the audit approach makes the links to performance management as part of the planning process.	<p>The audit planning form requires auditors to consider what criteria or measures of success management have established to determine whether the activity's objectives are being achieved.</p> <p>Focus is being given to assess the effectiveness and appropriateness of these measures in future audits.</p>	Implemented

Appendix C: Compliance with UK Public Sector Internal Audit Standards Action Plan (CPBC version) as at 10th July 2019

Action required	Current status	Date
2300 Performing the Engagement		
2330 Documenting Information		
Set up a project to check all files and destroy whatever is necessary to comply with the Retention Policy.	<p>This project is well underway with document disposal and retention work being undertaken on all client files.</p> <p>Disposal of paper files is complete and the review of electronic files continues.</p> <p>A Disposal and Retention Log is in use, which also serves as the service's Information Asset Register.</p>	Implemented
2400 Communicating Results		
2410 Criteria for Communicating		
<p>Include an instruction in the operational protocol that meetings should always be held to:</p> <ul style="list-style-type: none"> • feedback findings at the conclusion of fieldwork • discuss the draft report. 	<p>Operational protocol documents for in house staff (Audit Management Checklist) and the "Ways of Working" document with contractors are clear about discussing draft reports with clients.</p> <p>Both documents need to be amended to clarify expectations that:</p> <ul style="list-style-type: none"> • findings will be fed back during the audit, so there are no surprises • all auditors will have a final feedback meeting on conclusion of the fieldwork. 	Implemented
Reassess the reporting templates as part of updating the Audit Manual, to see how underlying issues with the Council's governance arrangements could be highlighted.	This is still work in progress.	AMs, Ongoing

Appendix C: Compliance with UK Public Sector Internal Audit Standards Action Plan (CPBC version) as at 10th July 2019

Action required	Current status	Date
2420 Quality of Communications		
Build triggers into the Audit Manual that remind staff to keep clients informed of when reports can be expected and if there are delays in producing them.	<p>Work has been undertaken to:</p> <ul style="list-style-type: none"> • amend the Planning, Fieldwork and Reporting sections of the Audit Management Checklist for in house staff • add this to the “Ways of Working” document with contractors. <p><i>(Also see Standard 2030 About Resource Management regarding monitoring delivery of work which also contributes to this action).</i></p>	Implemented
Reinstate target for issuing draft reports once the team is more fully resourced.	This has now been built into the Audit Strategy presented to Audit Committee in March 2019 and will be a focus of the team from now on.	Implemented
Complete the project on upgrading / refreshing how we use APACE, our time recording / performance management data base.	This work has been paused whilst the Business Support Manager reviews the list of improvements and changes required to the database’s functionality with the new Head of Internal Audit.	BSM, Ongoing
Use APACE effectively to timetable the delivery of audits and monitor progress against both budgets and timelines.	<p>APACE, in conjunction with the Internal Audit Resource Schedule, is now being used to:</p> <ul style="list-style-type: none"> • allocate, phase and cost audits • allow the Business Support Team to monitor the delivery of audits against both the Audit Plan and the financial profile. <p>Reports on job budget monitoring are being provided to the Audit Managers on a weekly basis.</p> <p>Opportunities to do this more effectively are being considered in the project noted above.</p>	Implemented

Appendix C: Compliance with UK Public Sector Internal Audit Standards Action Plan (CPBC version) as at 10th July 2019

Action required	Current status	Date
Include a requirement in the Audit Manual about: <ul style="list-style-type: none"> issuing the guidance to and discussing it with clients within the draft terms of reference attaching it as an appendix to the report. 	This is now being included in the report as part of the opinion section.	Implemented
2431 Engagement Disclosure of Non-Conformance		
Consider updating the Audit Manual with a small section covering this particular situation and referencing PS2431.	This is still work in progress.	AMs, Ongoing
2500 Monitoring Progress		
Introduce the process for management to provide the Audit Committee with this assurance for reports with high and satisfactory audit opinions.	The Business Support Team has produced a report format that is currently being discussed with Council officers.	BSM, Ongoing
Finalise the arrangements for reporting to Audit Committee on management sign off of action plans for audit reports with high or satisfactory opinions.	The Business Support Team has produced a report format that is currently being discussed with Council officers.	BSM, Ongoing
Design the content and format of a report to go to Audit Committee, for each client that shows the progress made by services in addressing agreed actions, for each live audit report.	The Business Support Team has produced a report format that is currently being discussed with Council officers.	BSM, Ongoing

Key:

- HoIA, Head of Internal Audit
- AM, Audit Manager
- BSM, Business Support Manager

AUDIT COMMITTEE

25th July 2019

Subject: Counter Fraud & Investigation Directorate: Annual Report for 2018/19

1. Purpose of Report

To update the Audit Committee on the progress made in delivering the Corporate Counter Fraud & Investigation strategy at Castle Point Borough Council for 2018/19.

2. Counter Fraud & Investigation Annual Report

CFID has a programme of proactive work conducted to ensure the council's posture against fraud is robust and effective. **Appendix A** sets out the progress made in delivering the proactive work programme over the last 12 months.

The work programme focuses on the areas that intelligence and risk assessments determine are most at risk of criminality. The CFI team will then work with service areas and Internal Audit to test and improve, if necessary, the control environment.

Last year the flow of casework in to CFID was:

- Number of suspected fraud reports received (Q1-Q4): **17**
- Number of ongoing investigations: **12**
- Number of closed investigations (Q1-Q4): **20**
- Value of suspected fraud currently under investigation: **£244,900**
- **Value of detected fraud: £253,800**

3. Contribution to Council's Aims and Priorities

Work undertaken to reduce fraud and enhance the Council's anti-fraud and corruption culture contributes to the delivery of all its aims and priorities.

Financial Implications:

Proactive fraud and corruption work acts as a deterrent against financial impropriety and might identify financial loss and loss of assets.

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

Proactively managing fraud risk can result in reduced costs to the Council by reducing exposure to potential loss and insurance claims.

Legal Implications:

The Accounts and Audit Regulations 2015 Section 3 requires that:

The relevant authority must ensure 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*
- *includes effective arrangements for the management of risk.*

The work of the Directorate contributes to the delivery of this.

People Implications:

Where fraud or corruption is proven the Council will:

- take the appropriate action which could include disciplinary proceedings and prosecution
- seek to recover losses using criminal and civil law
- seek compensation and costs as appropriate.

Property Implications:

Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity. This action will benefit the authority by means of returning housing stock to those in need or gaining the assets of those who seek to profit from their criminal behaviour.

Consultation / Equalities Impact Assessment:

None

Risk Assessment:

Failure to operate a strong anti-fraud and corruption culture puts the Council at risk of increased financial loss from fraudulent or other criminal activity.

Although risk cannot be eliminated from its activities, implementing these strategies will enable the Council to manage this more effectively.

A closer working relationship is in place with the internal audit team to ensure that any overlapping areas of concern can be detected early and corroborative working can be utilised.

Value for Money:

An effective counter fraud and investigation service saves the Council money by reducing the opportunities to perpetrate fraud, detecting it promptly and applying relevant sanctions where it is proven.

As can be seen from the results already obtained from the CFID actions, actively seeking and identifying criminality allows the authority to gain back money that would have otherwise left the budgets of various service areas of the authority. This in itself is a positive step; however the subsequent message sent to those who seek to abuse the financial stability of the authority is such a deterrent that further 'unmeasured' savings will be made by deterring future criminality against the authority.

Community Safety Implications and Environmental Impact:

None

Recommendations

The Audit Committee notes the performance of the Counter Fraud & Investigation Directorate over the last year.

Background Papers

- Fighting & Corruption Fraud locally, The Local Government Fraud Strategy
- Crowe Whitehall & Clarke Annual Fraud Indicator 2017

Appendices

- Appendix A: Counter Fraud & Investigation Annual Report for 2018/19

Report Author: Michael Dineen, Senior Manager, Counter Fraud & Investigation Directorate

Counter Fraud & Investigation



See it. Report it. Stop it.

Annual Report 2018/19



Foreword

“The estimated annual loss to local government from fraud has increased considerably from £2.1bn in 2016 to £8bn a year in 2019.

In context of local government finance, the LGA reported on the 2018/19 finance settlement a £5.8bn funding gap by 2020.

Our priority has always been to work across the council preventing fraud, disrupt those who seek to take public money, to ensure our services are protected.”

David Kleinberg,
Assistant Director for Counter Fraud &
Investigation

This is the third year of the counter fraud and investigation collaboration between Castle Point and Thurrock Councils. During that period the overall service has detected over £30m of fraud for local government and repatriated 162 social housing properties back to those in need as well as safeguarded 87 adults and children from harm.

The service has been recognised by government and other public bodies alike as a centre of excellence in reducing harm and detecting fraud in public finance. The government's 'Counter Fraud Fund Programme' invested in our service to strengthen our capability and also to help others. Over 40 public bodies have been supported by us in their own crime fighting initiatives all over the UK.

In the last year a new specialised element of the department was created with the support of government. Known as 'NATIS' – the National Investigation Service, it is a ring-fenced function removed from the 'usual' counter fraud activity of the department to support others. As a partnered function with the police regional organised crime and counter terror network it supports local authorities suffering from the most serious criminality.

Having these specialist functions supporting Castle Point mean that the knowledge, skills and capabilities to protect our council, residents, visitors and businesses are prepared for the modern threats we face.

The function has detected more fraud than ever before, leading to large high value and complex crime being detected. The service has been working hard to harness the data gathered over the last 5 years to prevent more fraud and protect our frontline services better. This year we are increasing the collaboration with our Internal Audit Services to enhance controls and fraud-proof our systems.

Performance and Partnerships

Our key role is to protect Thurrock, Southend and Castle Point Councils from fraud and economic crime. We also have a national capability providing expertise to other public bodies to reduce economic crime.

This work is provided by our capabilities not present in other public authorities, including:

- Criminal Intelligence Bureau – Strategic Assessment Programmes, helping organisations understand the threats they face and implementing plans to deal with them
- Digital Forensics – providing access to electronic evidence in investigations to international standards (ISO17025)
- Criminal Finances – providing officers, accredited by the National Crime Agency to investigate, restrain and confiscate criminal proceeds, putting them back in to public finance
- Cyber Resilience – providing advanced technology and expertise to protect public bodies from cyber crime



£30m
Detected



£4.6m
Recovered



42
Public
Bodies
Supported



109
Insider Threats
Apprehended



42
Adult &
Children
Safeguarding
Cases



6
Organised Crime
Groups (OCGs)
Disrupted



98
Convictions



8
Police
Forces
Supported

Governance & Accountability

A Shared Services Board was formed in May 2017 with senior executives from Thurrock Council, Southend-on-Sea Borough Council, South Essex Homes and Castle Point Borough Council, which continues to meet on a quarterly basis.

The board considers the work of CFI team across the partners as well as opportunities to develop more collaboration ensuring good quality, professional services are provided that meet each individual organisation's needs.

The provision of a national capability brings with it national responsibilities and oversight. Recognising our role and responsibilities, we sought assistance from national bodies to implement an appropriate inspection regime to provide assurance over our work.

The governance structure overseeing the directorate's work is now formed of several independent bodies:

Local & Central Government – Standards & Audit Committees

- Monitoring of Performance against each annual strategy for the bodies to provide assurance of crime risk and organisational governance

Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services

- Annual inspection to monitor use of police data by the Directorate and its use in investigative work

Investigatory Powers Commissioner's Office

- Inspections to monitor the use of investigative tactics regulated by the Regulation of Investigatory Powers Act 2000, Investigatory Powers Act 2016 and Human Rights Act 1998

Home Office - National Police Information Risk Management Team

- Inspections to monitor the security of data used in the department

Governance & Accountability

College of Policing

- Delivery of Accredited programmes for all the officers in the directorate, including Professionalising Investigation Practice (PIP) & Intelligence Professionalisation Programme (IPP) accreditations

United Kingdom Accreditation Service

- Inspections to monitor our forensics activity for criminal casework

UK Forensic Science Regulator

- The Regulator ensures that the provision of forensic science services by CFID across the criminal justice system is compliant to an appropriate regime of scientific quality standards.

National Crime Agency – Proceeds of Crime Regulator

- CFID uses a number of powers afforded by Parts 2, 5 and 8 of the Proceeds of Crime Act 2002. The National Crime Agency is the regulator of these powers. An inspection in to CFID's use of the powers will take place in July 2018.

UK Accreditation Service

- CFI has its own forensic laboratory to deal with digital media, recovering material from electronic devices for use in criminal or civil outcomes. All laboratories conducting this work in the UK must now be accredited to ISO17025 (International Standards). CFID has worked towards this accreditation for 2 years. This year the final inspection will take place to accredit CFID's laboratory to ISO17025 standards.

Finances

The Counter Fraud & Investigation team is hosted at Thurrock Council with staff seconded to the function from Southend-on-Sea Borough Council and other agencies. Other partners can join the service with a financial contribution or with the secondment of its staff into the team.

In some cases where CFID is providing a partner's on-site counter fraud resource CFID will have an 'on-site' budget to maintain the counter fraud & investigation operations for that partner.

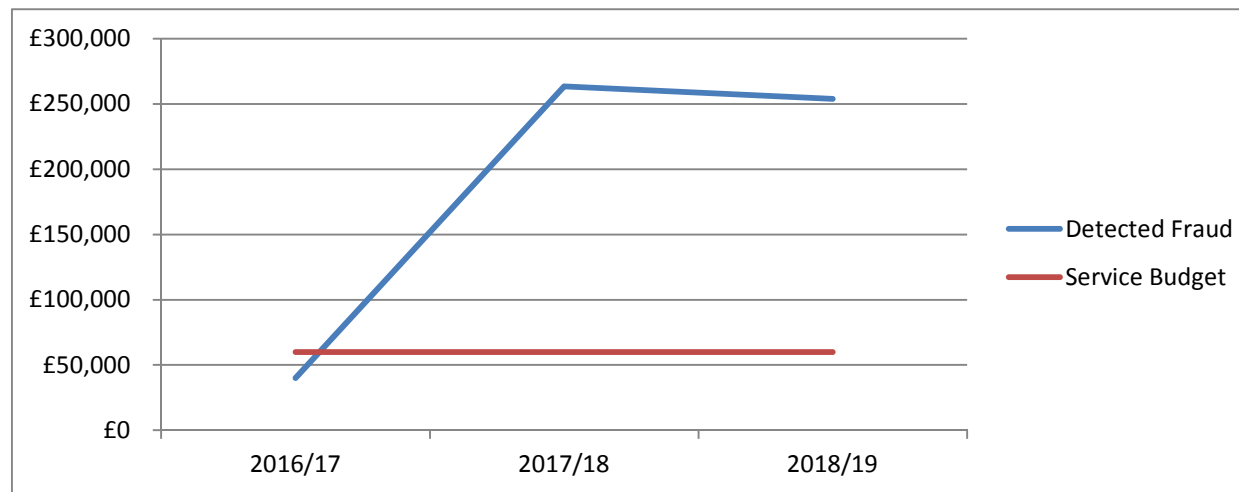
Overall CF&I Budget 2018/19

Contribution		Contributor
	£945,876	Thurrock Council
	£704,459	Southend Council
	£106,187	Other Partners
Total Budget	£1,756,522	

Finances

Return on Investment (2016-2019) Castle Point Borough Council

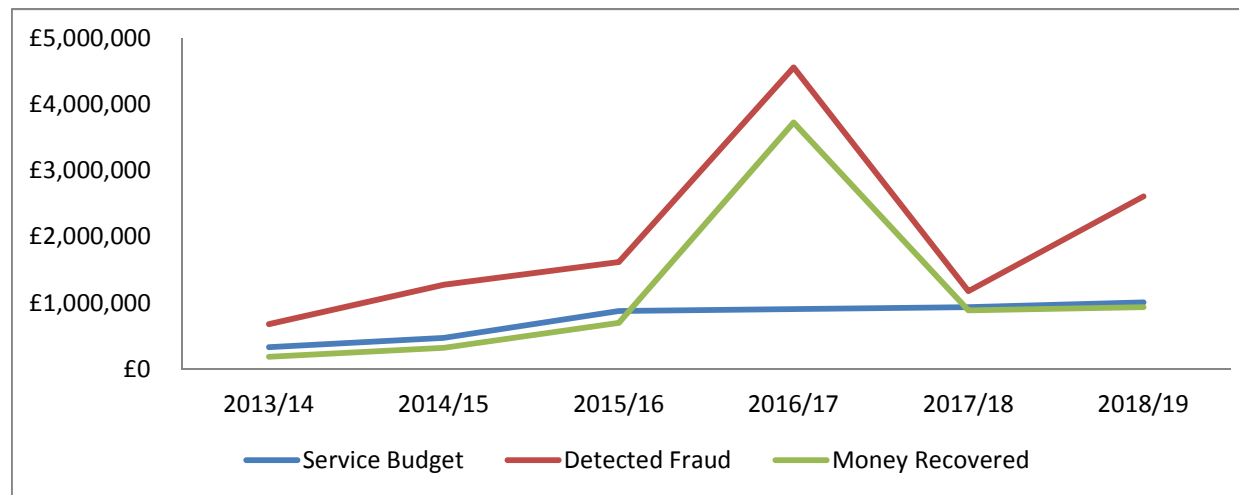
	2016/17	2017/18	2018/19
Detected Fraud	£40,000	£263,400	£253,800
Service Budget	£60,000	£60,000	£60,000



Finances

Return on Investment (2014-2019) Thurrock Council

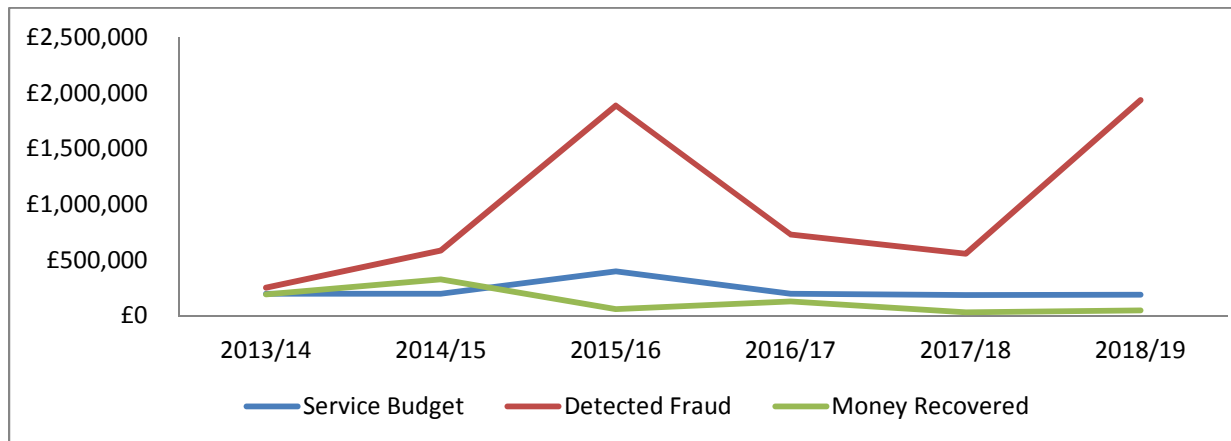
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Detected Fraud	£680,478	£1,278,010	£1,622,604	£4,562,032	£1,179,987	£3,426,474
Service Budget	£336,302	£472,327	£880,637	£909,556	£939,313	£945,876
Money Recovered	(£190,000)	(£326,075)	(£701,418)	(£3,729,705)	(£889,097)	(£941,155)



Finances

Return on Investment (2014-2019) Southend-on-Sea Borough Council

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Detected Fraud	£252,054	£585,696	£1,887,589	£729,145	£555,418	£1,935,940
Service Budget	£195,075	£195,075	£397,075	£196,610	£185,301	£704,459
Money Recovered	(£190,000)	(£326,075)	(£59,478)	(£128,725)	(£30,916)	(£354,300)



Strategic Assessment

The Counter Fraud & Investigation team's primary focus is the protection of the council and its partners around the UK from economic crime.

Local authorities were provided with a framework in 2016 for countering fraud known as the Fighting Fraud and Corruption Locally strategy. That strategy provided a limited assessment of the threats impacting on local government, without a national understanding of the problem or how to deal with the threat holistically.

The loss figures used in that strategy were also from 2013 as the data in the sector is poor. The most notable gaps in that strategy were the understanding of fraud in Social Care, Cyber Crime or Money Laundering. All of these areas have seen an increase to team's casework detecting offences for Thurrock and other councils around the UK.

CFID's commissioned its own assessments supported by the Cabinet Office which were concluded in April 2018. This assessment provided a better understanding of the full threat picture and its impact on local government.

CFID developed a new Fraud Loss Matrix¹ which provides partners a better understanding of the threats and what they should be doing about it.

Strategic Assessment



Economic Crime in Local Government



The **Threats** **£11.6bn**
Could cost local government *annually*

¹ This was supported by publications from Crowe Clark Whitehall <https://www.croweclarkwhitehill.co.uk/wp-content/uploads/sites/2/2017/11/Annual-fraud-indicator-2017.pdf>

Operational Activity

Social Housing Fraud

Last year 40 social housing properties were recovered by the team in 2018/19. Recovering properties lost due to fraud and preventing further housing stock being lost ensures the use of temporary accommodation for those in need is reduced. Had these properties not been recovered then the potential loss to the public purse would have exceeded £1million.



40
Social Housing
Properties Recovered

Case Example

A married couple were granted a three bed social housing property in 1998 which they then applied to buy, being offered a £104,900 discount under the Right to Buy Scheme. However following investigation by CFID it was found the couple were sub-letting this property.

They tenants employed letting agents, turned the property into a House of Multiple Occupancy and were receiving between £1600 - £1800 rental income a month from students who believed they had found a legitimate property to rent. Meanwhile both were not paying the required £140 rent per week and were living in a privately rented five bed house. Following an execution of a Magistrates warrant and interviews of the suspects, an unlawful profit order was made for £6990 at a County Court and the property was recovered. The couple were sentenced at Crown Court, with the judge handing out an eight month immediate custodial sentence.

Operational Activity

Insider Threats

The sad reality for any large organisation is the small minority of individuals who seek to take advantage of the trust their employer places in them. It is of some comfort that these cases are extremely rare but where fraud or corruption does occur, CFID has the expertise and experience to resolve any allegations swiftly and professionally reducing the potential impact on frontline service delivery. CFID works closely with business areas in each partner agency as well as its Executive and Human Resources teams in a collaborative approach.

His Honour Judge Owen-Jones said:

'It's extremely sad and disheartening to see someone with your background in court charged with these crimes. It's the hard working residents of Southend who suffer – they are the council taxpayers.'

Case Example

A report from Southend-on-Sea Borough Council's Finance Team identified an insider, employed as a Private Sector Housing Manager, who was undertaking suspicious activity. Between 2016 and 2017 the staff member defrauded the authority of £307,401 through an abuse of their position. They did this through the creation of false suppliers to the council, forged quotes, invoices and letters of application to steal the council's finances.

They were able to prolong their activities by relying on the good will and trust of their colleagues and the negligence of their manager. Suspicions were raised when an Accounts Payable officer identified two suppliers with the same bank details. When challenged, the staff member became evasive and approached a Procurement Officer to delete material they had submitted.

This was referred to CFID through Internal Audit and the staff member was suspended from duty and interviewed under caution. During this interview they lied and attempted to present themselves as a victim of fraud. The investigation was lengthy and complex and involved three arrests, the execution of two search warrants, joint working with Essex Police, digital forensic analysis of computers and phones, the examination of thousands of documents, the analysis of over 50 forged documents, over 100 witness statements and over 500 items of evidence. Due to the excellent work of the investigating team the former-staff member entered guilty pleas to four counts of fraud by abuse of position and was sentenced to 18 months' immediate imprisonment.

Operational Activity

Social Care Fraud

Social care fraud occurs where a person fraudulently presents their needs or financial status or does not use their awarded funding correctly. Fraud in this area also takes place where a third party financially abuses an adult or child receiving social care support.

In one case a non-EU national was receiving care from Social Care but was not entitled to any public funds. This was referred to CFID as it was thought that this person was also working 'cash in hand'. It was identified that the person was in fact working more a multi-national company and had in fact used false documents and a 'friends' bank account to launder the illegally gained salary. A search took place at the suspects address and evidence of the offending was identified. This also highlighted a second suspect who was also arrested and interviewed. This has resulted in the matter being passed to prosecutors to ensure the perpetrators face justice.



Transport Fraud

In one case someone was found to be using their dead fathers blue badge when not entitled to. They were interviewed by CFID officers and they explained that they had used the badge as they were late for prayers and could not find anywhere else to park. This type of crime, although to some may seem minor, is a very emotive offence and residents within the local authority area regard this crime type as one of the most important issues to combat.

The suspect in this case had to pay over £250 and now has a criminal record.

Operational Activity

Joint Working

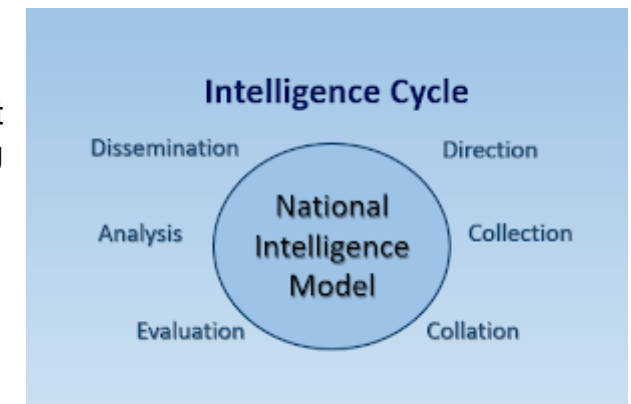
CFID works closely with policing partners and other law enforcement bodies to protect the public purse. Intelligence is lawfully shared under statute, including the new Data Protection Act 2018 where crime is suspected.

CFID's Criminal Intelligence Unit works closely with law enforcement to develop intelligence that will assist in protection of the public. Over the last year **32 Alerts** and guidance notes were disseminated by CFID across all our local authority and public partner service areas.

The Criminal Intelligence Unit has also disseminated **295 Intelligence Reports** to other agencies to assist with their criminal investigations.

CFID's specialist expertise has been used by other local authority services to protect the public including tactical support to other enforcement teams in Planning, Trading Standards and Housing to Human Resources, Procurement and ICT.

In one case CFID received information from an anonymous source alleging that a Thurrock woman employed as a nurse in the NHS was working under a false identity. This information was reviewed and assessed by CFID intelligence. It was treated as urgent and sent to NHS Counter Fraud where it was allocated to an investigator as a priority. NHS Counter Fraud worked with CFID to develop areas of intelligence that the NHS Counter Fraud team were unable to develop due to the unprecedented access CFID has to intelligence tools.



Results

The Counter Fraud & Investigation team present all of its cases to Legal Services across the different partners, or in some cases the Crown Prosecution Service where serious criminality is identified. A framework of different sanctions, redress and punishment outcomes are then considered by a Lawyer independently of the CF&I team.

This process includes the use of the Code for Crown Prosecutors in consideration of any criminal litigation.

In 2018/19 the number of fraud cases identified by the team increased, as did the number of sanctions delivered.

The overall fraud detected figure for **2018/19** is **£5,497,805**

This figure has increased from the **2017/18** figure of **£3,138,836**.

The following tables detail the investigations, sanctions and compliance activities completed by the team across partner for 2018/19. The tables has been developed to show details of all sanction types as opposed to previous reports which only showed prosecutions, value and 'other'. This table enables a clearly understanding of the work conducted by CFID as it relates to solely CFID investigations:

Results

Comparison to Previous Years (Concluded Investigations)

The table below shows the number of investigations completed year on year, since the inception of CFID,

Year	Thurrock Council	Southend Council	Castle Point Council	Poplar HARCA	Other Partners	Total
2014/15	205	339	N/A	N/A	0	544
2015/16	256	225	N/A	15	18	514
2016/17	110	112	15	27	38	302
2017/18	142	136	12	21	13	324
2018/19	314	162	22	57	26	576

Comparison to Previous Years (detected fraud)


The table below shows the detected fraud value year on year since the inception of the Counter Fraud & Investigation team.

Year	Thurrock Council	Southend Council	Castle Point Council	Poplar HARCA	Other Partners	Total
2014/15	£1,823,300	£585,697	N/A	N/A	£1,230,930	£3,639,927
2015/16	£1,312,038	£1,887,589	N/A	N/A	£5,569,330	£8,768,957
2016/17	£4,562,031	£375,302	£40,000	£191,000	£1,790,475	£6,958,808
2017/18	£1,499,894	£687,742	£263,400	£448,900	£2,238,900	£5,138,836
2018/19	£3,426,474	£1,935,940	£115,000	£833,771	-	£5,497,805


The total value of fraud detected during April 2014 to June 2019 is **£30,004,333**

Delivery of the Proactive Work Programme

The work programme implemented across the council was delivered in full last year. The purpose of the programme is to ensure that there is an enterprise-wide acknowledgement of the risks from fraud and economic crime and the area's most at risk have mechanisms to both prevent and detect suspicious activity.

 Counter Fraud & Investigation Directorate Counter Fraud Work Plan 2018/19					
Risk area	Tasks	Planned for	Current status	Responsible CFID Officer	Completed Activity Date
Council-wide	Fraud risk matrix assessment to be delivered to all service areas	July – Mar 2019	Accepted by Chris Mills and Audit Committee, on-going programme of meetings with service managers being delivered.	Michael Dineen	COMPLETE
Council-wide	UK Bribery Act (UKBA) Compliance Review. A questionnaire will be distributed to all Managers to ensure UKBA compliance.	October 2018	Questionnaire now developed and being tested at Thurrock Council before being circulated across CPBC	Michael Dineen	COMPLETE
Council-wide	Counter Money Laundering (CML) Compliance Review. A questionnaire will be distributed to all staff to ensure CML compliance.	October 2018	Questionnaire now developed and being tested at Thurrock Council before being circulated across CPBC	Michael Dineen	COMPLETE
Proactive Fraud Drives	Conduct proactive activity to disrupt and detect fraud affecting the council.	Throughout 2018/19	Proactive work continues to be undertaken across the high-risk areas. So far this year activity has been conducted in: <ul style="list-style-type: none"> • Housing • Right to Buy • NNDR 	Michael Dineen	COMPLETE

Delivery of the Proactive Work Programme

		Counter Fraud & Investigation Directorate Counter Fraud Work Plan 2018/19			
Risk area	Tasks	Planned for	Current status	Responsible CFID Officer	Completed Activity Date
Investigation Review	Review of insider threat investigations with Human Resources to reviews action and learning points	Throughout 2018/19	Meetings continue throughout the year when allegations are received.	Michael Dineen	COMPLETE
Fraud Awareness Training	Training to be delivered to high risk areas – housing officers, housing allocations, temporary accommodation and right to buy	Ongoing to December 2018	Training now being booked with assistance from CFID business support team.	Michael Dineen / Nicola Spencer	COMPLETE
Referral Training to Housing	Specific training to Housing Services due to lack of referrals and information suggesting that they are conducting criminal investigation themselves	September 2018	Meeting took place with John Grisley and mechanisms are in place to refer allegations. CFID staff member also on site to liaise with housing every Tuesday and Thursday.	Michael Dineen	COMPLETE
Update to Council website	Updates to the council's website on local government fraud, detailing what the council does to investigate provide advice to signpost referrers.	November 2018	Request sent on 21/11/2018 to ICT at CPBC but as yet, no response.	Dave Nash	COMPLETE

Delivery of the Proactive Work Programme



Counter Fraud & Investigation Directorate Counter Fraud Work Plan 2018/19

Risk area	Tasks	Planned for	Current status	Responsible CFID Officer	Completed Activity Date
Policy update and review	Update the council's Counter Fraud, Bribery & Corruption Policy and; Counter Money Laundering Policy.	September 2018	Policies updated to national standard and to support legislative changes. To be presented to audit committee on 17 th September 2018	David Kleinberg	COMPLETE

AUDIT COMMITTEE

25th July 2019

Subject: EY Audit Results Report (UK and Ireland) 260 for the year ended 31 March 2019

1. Purpose of Report

This report summarises the results of the work completed to date for the 2018/19 financial year with regard to:

- the opinion on the Statement of Accounts
- the conclusion on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources (the VFM conclusion).

2. Background

A senior representative of EY (the Council's appointed external auditors) will present the key matters from this report to the Audit Committee and then respond to any questions of clarification by Members.

3. Corporate Implications

(a) Financial Implications

The work required was delivered within the agreed fee.

No issues have arisen from the audit to date that have a financial consequence for the Council.

(b) Legal Implications

The Council are required to:

- have an external audit of its activities that complies with the requirements of the Audit Commission's Code of Audit Practice (the Code).
- receive a report from the external auditor on the work completed under the provisions of the International Auditing Standard 260 prior to giving the opinion on the financial statements.

By considering this report, the Council has met these statutory requirements

(c) Human Resources and Equality Implications

Human Resources

None

Equality Implications

None.

(d) IT and Asset Management Implications

None.

4. Links to Council's Priorities and Objectives

Audit contributes to the delivery of all the Council's Priorities and Objectives.

5. Timescale for Implementation and Risk Factors

The audit opinion on the financial statements needs to be given by the 31 July 2019. The external auditor must report to those charged with governance before the opinion is given. By presenting this report to Committee, this requirement has been met.

There are no significant issues arising from this report therefore there are no risks to highlight. The action plan will be completed and implementation dates agreed.

6. Conclusion

None

Recommendation**The Audit Committee:**

- considers and notes the external auditors Audit Results Report 2018/19
- approves the Letter of Representation contained within the report.

Background Papers

- None

Attachments

EY Audit Results Report 2018/19

Report Author: Debbie Hanson, Associate Partner, EY

AUDIT COMMITTEE

25th July 2019

Subject: Annual Report on the Treasury Management Service and Actual Prudential Indicators 2018/19

1 Purpose of Report

The annual treasury report is a requirement of the Council's reporting procedures. It covers both the treasury activity and the actual Prudential Indicators for 2018/19.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

2 Links to Council's priorities and objectives

The scrutiny and approval of the Council's Treasury Management activity is linked to the Council's priority of a Commercial and Democratically Accountable Council through sound financial management.

3 Recommendations:

1. That following scrutiny, the Treasury Management Activity Report for 2018/19, including the prudential indicators reported in Annexe D, is approved for onward submission to Cabinet.

Resolution required.

4 Background

- 4.1 The 2018/19 Treasury Management Strategy summarises the Council's obligations defined in the Code of Practice for Treasury Management in the Public Services, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 4.2 During 2018/19 the Council complied with its legislative and regulatory requirements.

5 Treasury Report for 2018/19 and scrutiny of treasury activity

- 5.1 As required by the Code, the activity report for 2018/19 is submitted at Annexe A for scrutiny by Audit Committee, prior to submission to Cabinet on 21st August or 18th September 2019.
- 5.2 It is important to ensure that the Council's treasury management activities are subject to a robust process of scrutiny. This report provides Members with information on treasury management activity and variances in order to fulfil this process.

6 Corporate Implications

a Legal implications

This report is the responsibility of the Strategic Director (Resources) – the Officer appointed by the Council as “section 151 Officer” to have responsibility for the Council's financial administration. Submission of such a report is a requirement of CIPFA's Standard of Professional Practice on Treasury Management.

Under the revised Code of Practice, Cabinet was nominated at Special Council 16th February 2010 to ensure effective scrutiny of the treasury management strategy and policies.

b Financial implications

There are no new implications.

c Human resources and equality implications

There are no new implications.

d Timescale for implementation and risk factors

No new targets applicable.

Report Author: Rob Greenfield - Accountant

Background Papers:

Chartered Institute of Public Finance and Accountancy: *Code of Practice for Treasury Management in the Public Services*.

CPBC: *Treasury Management Strategy Statement for 2018/19*.

CPBC: *Working paper: external loan calculation 2018/19*.

Treasury Management Activity Report for 2018/19

1 Introduction

- 1.1 This report summarises the Council's treasury management activity for 2018/19 and compares actual interest transactions with the revised estimates set for 2018/19.
- 1.2 The Council must comply with the Code of Practice on Treasury Management in the Public Services, issued by CIPFA and updated in 2017. The code requires the Council to annually set a Treasury Management Strategy. The Strategy for the 2018/19 financial year was approved by Council on 14 February 2018.
- 1.3 This report confirms that all Treasury Management activity during the year was undertaken in accordance with this strategy and in consultation, where appropriate, with our external advisers, Capita.

2 The Economy

- 2.1 **Short-term interest rates.** The Bank of England base rate remained at just **0.50%** from March 2009 until August 2016 when it reduced to **0.25%**, increased to **0.50%** in November 2017 and then to **0.75%** in August 2018. The Council therefore continues to earn low rates on its investments, while facing the challenge of increased counterparty risk, resulting in a significantly reduced number of counterparties that the Council can use.

3 Borrowing

- 3.1 A summary of external borrowing at 31st March 2019 is in Annexe B. The principal amounts are shown in this annexe but in the statement of accounts the amounts for borrowing also include interest outstanding.
- 3.2 The Council operated within treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement throughout the year. The outturn for the Prudential Indicators is shown in Annexe D.
- 3.3 There was no change in borrowings during 2018/19.
- 3.4 Annexe B shows that interest paid on borrowings was exactly as budgeted.

4 Investments

- 4.1 The Council's investment policy is governed by MHCLG Guidance, which was implemented in the annual Investment Strategy approved by Council on 14 February 2018. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity issues.
- 4.2 Annexe C summarises the Council's activities for the year relating to the temporary investment of surplus funds. The average daily balance was **£32.1m** in 2018/19 (**£30.0m** in 2017/18). Only the principal amounts are shown in this

annexe but in some areas within the Statement of Accounts the investment balances include interest outstanding.

- 4.3 Annexe C also shows that the amount of interest received on these investments was over budget by **£28,113** (16%). The variance was due to prudent budgeting and average interest rates and balances being moderately higher than estimated. The average interest achieved was 0.65% compared to the 7-day LIBID average of 0.51%.

5 Benchmarking

- 5.1 Three benchmark indicators for 2018/19, explained in the Annual Treasury Management Strategy, are reported as follows:

- **Security – Weighted Credit Rating Score for the year of 5.9 exceeded the target of 4.**
- **Liquidity – Weighted Average Life was at a highly liquid level, averaging 35 days over the year.**
- **Yield – Interest received on investments – income was over budget, as reported in paragraph 4.3 above.**

6 Regulatory Framework, Risk and Performance

- 6.1 The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance, including:

- The Local Government Act 2003, and associated Statutory Instruments;
- The CIPFA Prudential Code for Capital Finance in Local Authorities;
- The CIPFA Code of Practice for Treasury Management in the Public Services.

- 6.2 The Council has complied with all of the relevant statutory and regulatory requirements which require the Council to identify and, where possible, quantify the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.

Summary of Loan Transactions and Interest Payable (accrued daily) for the year to 31st March 2019

Loan transactions activity for the year

	Amount o/s 01/04/2018 £000's	Loans Repaid £000's	Amount o/s 31/03/2019 £000's
Public Works Loan Board			
General Fund	5,250	0	5,250
HRA	36,451	0	36,451
Totals for the Council	41,701	0	41,701

Interest payable Comparison of estimate with actual

Budget Profile to 31/03/2019 £000's	Actual Interest to 31/03/2019 £000's	Variance 31/03/2019 £000's	
207	207	0	0.0%
1,087	1,087	0	0.0%
1,294	1,294	0	0.0%

Interest rates for the year

	Range of loans		Average
	From	To	
General Fund	3.70%	4.10%	3.95%
HRA	2.31%	3.49%	2.98%
Totals for the Council	2.31%	4.10%	3.10%

Base rate history

08/01/2009	1.50%
05/02/2009	1.00%
05/03/2009	0.50%
04/08/2016	0.25%
02/11/2017	0.50%
02/08/2018	0.75%
31/03/2019	0.75%

Summary of Temporary Investments and Interest Received (accrued daily) for the year to 31st March 2019

Type of Borrower	Amount Invested 01/04/2018 £000's	Made in the Year £000's	Repaid in the Year £000's	Amount Invested 31/03/2019 £000's
Investments by Value:				
Treasury bills	2,994	7,973	6,981	3,986
Local Authorities	7,500	13,000	14,000	6,500
Money Market Funds	13,430	99,515	95,265	17,680
Notice accounts	2,000	0	0	2,000
Investments	25,924	120,488	116,246	30,166
Lloyds current account	509	0	25	484
Cash equivalents	509	0	25	484
Total	26,433	120,488	116,271	30,650
Number of Investment Transactions:				
	Number	Number	Number	Number
Treasury bills	3	7	6	4
Local Authorities	4	6	7	3
Money Market Funds	25	162	164	23
Notice accounts	2	0	0	2
Investments	34	175	177	32
Lloyds current account	1	0	0	1
Cash equivalents	1	0	0	1
Total	35	175	177	33

Interest Received on Temporary Investments for the year to 31st March 2019

	£000's
Actual Interest Received	208
Revised estimate	180
Variance	28 16%

Temporary Investments

	£000's
Average Balance for the Year	32,105
Average Interest Rate for the Year	0.65%
Benchmark: Average 7-Day LIBID Rate	0.51%

Prudential Indicators

Indicator 1 - Key indicator of prudence - Gross Debt and the Capital Financing Requirement

"In order to ensure that over the medium term debt (i.e. gross external borrowing) will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

The requirement is met for the current year and is expected to be met for the forthcoming two financial years.

Indicator 2 - Capital Expenditure

	2018/19 Revised Estimate £000s	2018/19 Actual £000s
General Fund	1,301	948
Housing Revenue Account	1,889	1,325
Total	3,190	2,273

Indicator 3 - Indicator of Ratio of Financing Costs to Net Revenue Stream

	2018/19 Revised Estimate %	2018/19 Actual %
General Fund	5	4
Housing Revenue Account	35	35

This indicator shows financing costs such as interest charges and the minimum revenue provision as a percentage of the net General Fund and HRA revenue budgets.

Indicator 3B - Local Indicator of Ratio of Financing Costs to Net Revenue Stream

	2018/19 Revised Estimate %	2018/19 Actual %
General Fund	10	5
Housing Revenue Account	35	35

This is a variation on the above indicator, which includes in the financing costs any revenue contributions made to fund capital expenditure.

Indicator 4 - Indicator of Capital Financing Requirement (CFR)		
	2018/19 Revised Estimate £000s	2018/19 Actual £000s
General Fund	6,086	6,100
Housing Revenue Account	36,418	36,418
The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.		

Indicator 5 - Authorised Limit for External Debt		
	2018/19 Revised Estimate £000s	2018/19 Final £000s
Borrowing	46,817	46,844
Other Long-Term Liabilities	0	0
	46,817	46,844
This indicator shows the overall limit for total external debt, including allowances for changes in the CFR, contingencies, risks, unusual cash flow movements and so on.		

Indicator 6 - Operational Boundary for External Debt		
	2018/19 Revised Estimate £000s	2018/19 Final £000s
Borrowing	44,205	43,787
Other Long-Term Liabilities	0	0
	44,205	43,787
This indicator shows a similar calculation to the previous indicator, without all of the above allowances for contingencies, etc.		

Indicator 7 - Upper Limits of Fixed and Variable Exposure		
	2018/19 Revised Estimate £m	2018/19 Actual £m
Upper Limit - Fixed Rates	47	42
Upper Limit - Variable Rates	(16)	(26)

This indicator identifies upper limits for net investment / borrowing at variable and fixed rates. Currently all borrowings are at fixed rates and our investments are generally at variable rates. Because of this the fixed rate limit is a positive amount and the variable rate is a negative amount. Both indicators were within the limits at year end.

Indicator 8 - Maturity Structure of Fixed Rate Borrowing			
	Upper Limit %	Lower Limit %	Actual %
cumulative within 1 year	50	0	1
cumulative within 2 years	50	0	1
cumulative within 5 years	60	0	18
cumulative within 10 years	80	0	48
after 10 years	100	0	52

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.

For further information on prudential indicators including revised estimates for 2018/19 please refer to sections 11 and 12 of the Policy Framework and Budget Setting report for 2019/20, presented to the Special Meeting of the Council on 27 February 2019

AUDIT COMMITTEE

25th July 2019

Subject: Annual Governance Statement 2018/19

Report of the: Head of Housing and Communities

Report author: Craig Watts

1 Purpose of Report

To present the Annual Governance Statement for 2018/19 to the Committee.

2 Background

The responsibility for ensuring that there is a sound approach to governance, risk management and control rests with the Council. It is required to report on this annually via its Governance Statement which is published with the financial statements.

In order to do this, the Council should seek regular assurance that its systems are functioning effectively. It should also ensure that the controls in place are effective in managing significant risks in the way that it would expect.

The Council has delegated responsibility for monitoring and reporting on the adequacy and effectiveness of its governance, risk management and controls to the Audit Committee.

Therefore the Committee is required to satisfy itself that the Annual Governance Statement is consistent with its view on the Council's systems based upon the assurance presented to it throughout the year.

3 Legal implications

Accounts and Audit Regulations 2015 section 6 states that:

(1) A relevant authority must, each financial year—

(a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and

(b) prepare an annual governance statement;

(2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must—

(a) consider the findings of the review required by paragraph (1)(a)

(i) by a committee; or

(ii) by members of the authority meeting as a whole; and

(b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of

(i) a committee; or

(ii) members of the authority meeting as a whole.

(4) The annual governance statement, referred to in paragraph (1)(b) must be

(a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and

5 (b) prepared in accordance with proper practices in relation to accounts (a).

4. Report

The Annual Governance Statement is attached as Appendix 1.

5. Financial implications

None

6. Human Resource, Equality, IT, Asset Management Implications

None.

7. Links to Council's priorities and objectives

Operating robust governance arrangement contributes to the delivery of all Council aims and priorities but specifically to the Council Priority: A Commercial and Democratically Accountable Council.

8 Timescale for implementation and risk factors

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

Recommendations:

The Committee adopts the Annual Governance Statement 2018/19 and subject to any further amendments from external audit recommends its adoption to Council.

Resolution required.

Background Papers:

- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Delivering Good Governance in Local Government - Framework.
- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) publication: Guidance Note for English Authorities
- The CIPFA Finance Advisory Network, The Annual Governance Statement, meeting the requirements of the Accounts and Audit Regulations 2003, Incorporating

Accounts and Audit (Amendment) (England) Regulation 2006, Rough Guide for Practitioners.

- The Accounts and Audit Regulations 2011
- Delivering Good Governance in Local Government Framework 2016

Appendix:

- **Appendix 1: Governance Statement 2018/19**

ANNUAL GOVERNANCE STATEMENT

1 SCOPE OF RESPONSIBILITY

The Council is responsible for ensuring that its 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. 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, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Castle Point Borough Council has approved and adopted a Local Code of Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the authority's code is on our website at www.castlepoint.gov.uk or can be obtained from the Head of Housing and Communities by e-mail crwatts@castlepoint.gov.uk or by phone on 01268 882419. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the vision, culture and values, systems and processes and structure by which the Council is organised, directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The framework needs to be flexible to ensure it meets the needs of a changing environment.

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

The governance framework has been in place at Castle Point Borough Council for the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

Operation of the governance framework

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

- Community Engagement
- Business Strategy and Planning
- Financial Reporting including Budgetary Control
- Asset Management
- Policy Framework
- Risk Management including, Whistleblowing, Health and Safety and Business Continuity
- Fraud and Corruption
- Performance Management
- Information Governance
- Data Quality
- Procurement

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- Partnerships
- Project Management
- Value for Money
- Complaints
- Ethical Governance including Codes of Conduct
- Workforce Management

These areas form the main sources of assurance to be considered in any review of the internal control environment. In support of the review process, the Local Code of Governance sets out further detail to be reviewed in each area before an opinion on the effectiveness of the system of internal control can be expressed.

The Head of Housing and Communities has been given the responsibility for overseeing the implementation and monitoring of the Code, through a process which includes:

- quarterly reports to Executive Management Team and the Audit Committee which set out:
 - weaknesses identified in the governance arrangements;
 - any corrective action necessary to resolve concerns identified
- an annual review of the governance framework supported by manager assurance statements certified by service managers and reviewed and certified by Heads of Service
- a corporate assurance process for key governance processes with a nominated officer owner undertaking an assessment
- an assessment of compliance with the core principles of the CIPFA delivering good governance assessment
- an annual report to Executive Management Team and the Audit Committee on the adequacy of governance arrangements

The process also includes a governance group of officers responsible for the implementation and monitoring of key governance processes. The group provided a challenge of the operation of the processes and individual assessments of core governance processes for which they were responsible. Some of their findings and further work have been incorporated into the views expressed in this governance statement. Each corporate process was subject to an overall assessment by the governance group according to one of four assessments: High (majority or all requirements being met), Satisfactory (significant proportion greater than 50% of requirements are met), Partial (Some requirements are met but less than 50%); Minimal (very few requirements are met). A summary of the key findings for each corporate process is set out in the table below:

Assurance Process	Assessment
Consultation and Engagement	Satisfactory
Business Planning & Strategy	Satisfactory
Financial Reporting including Budgetary Management	High
Asset management	Satisfactory
Risk Management	Satisfactory
Fraud & Corruption	Satisfactory
Health & Safety	Satisfactory
Business Continuity	Satisfactory
Performance Management	Satisfactory
Data Quality	Satisfactory
Information Management Security	Satisfactory
Procurement	Satisfactory
Project Management	Partial
Complaints	Satisfactory
Ethical Governance	Satisfactory
Workforce Management	High

Further detail relating to the findings is incorporated into the review of effectiveness set out in section 3.

The Council's key governance and business planning processes are also subject to audit on a risk basis. This work forms part of the evidence in support of the Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's risk management, control and governance framework.

3 REVIEW OF EFFECTIVENESS

Reviewing the effectiveness of the framework

Castle Point Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies.

The Internal Audit service also produced reports throughout the year which provide an opinion on the adequacy and effectiveness of the Council's risk management, control and governance framework. These reports are considered when reviewing the effectiveness of the framework.

During the review of the operation of the framework for 2018/19, the governance group found that in several areas whilst the core corporate processes were in place, the application of those processes was not always consistent. This is set out in more detail for specific processes in the following sections.

CIPFA Key Principle 1:

Behave with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

The Council has an established set of organisational values which underpin the approach to engaging with staff and the community. These can be found on page 8 of the Council's Corporate Plan which is available on the following web link, along with a variety of other strategies and plans as well as the Council Constitution: <https://www.castlepoint.gov.uk/council-strategies-and-policies>

The Council has Codes of Conduct for Members and staff within the Council's Constitution. The Code of Conduct for Members was developed by an Essex wide legal partnership and has been adopted by a number of Councils within Essex.

As a condition of office all members are required to sign an undertaking that they will observe the Code of Conduct. There is a requirement to re-sign this undertaking when there are any major revisions to the Code as well as on election or re-election. The staff Code of Conduct sets out policies and expectations for staff conduct. It is published on the Intranet and a copy is issued to every new starter as part of the induction pack.

Arrangements to investigate breaches of proper standards of conduct include a staff handbook which outlines expected codes of conduct and procedures for dealing with breaches e.g. disciplinary procedures for staff. The Constitution also includes the requirement for the Council to appoint a Review Committee which has a role that includes promoting and maintaining high standards of conduct and behaviour as well as hearing any complaints of breaches of the Code. The Council has appointed 2 Independent Persons who must be consulted before the Council makes a finding as to whether a Member has failed to comply with the Code of Conduct.

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An assessment of ethical governance has been undertaken and the arrangements have been assessed as satisfactory. Key corporate documents are in place and for example, the Council's PPDP (Appraisal) form includes a record of whether any declarations of interest have been made by staff during the year. Specialist training has also been undertaken for Development Control Committee members.

The Council communicates its [complaints policies](#) and [whistle blowing procedures](#), and ensures all stakeholders have access through the Internet. The requirements of the complaints policy and procedure were communicated to OMT during the year and complaints are also discussed at DMT meetings as appropriate. The website has also been improved to more clearly set out how to complain regarding issues for services as well as set out the Council's complaints procedure.

Counter Fraud and Investigation services are provided by Thurrock Council. A programme of work was in place during the year and progress in delivering the programme is presented to EMT and Audit Committee. In March 2019 the value of suspected fraud currently under investigation was £421,800. The Counter Fraud, Bribery and Corruption Policy and the Counter-Money Laundering Policy and Strategy were both updated and approved by the Audit Committee in September 2018. Within the last financial year, the counter fraud and investigation department has investigated a variety of criminal allegations ranging from illegal subletting of council housing stock to procurement fraud to corruption of employees. The department has successfully investigated a conspiracy between a family to sublet the council property, whilst living on the proceeds of the 'rental income'.

CIPFA Key Principle 2

Ensure Openness and Comprehensive Stakeholder Engagement.

The Council has the core requirements in place. Corporate guidance requires the results of any customer engagement or consultation activities to be considered as part of the service planning process. Individual services undertake consultation on a range of areas. For example, the Housing Department consulted on a Pet's policy with tenants.

The Council's corporate plan was agreed in September 2018 and refers to public consultation to develop priorities and included satisfaction levels for a range of services as well as on priorities for improvement. The consultation also included Place Survey results commissioned by Essex County Council which gives a statistically reliable return.

The peer challenge report published in March 2018 found that communication could be improved further by the Council. It highlighted further opportunities to utilise new media to add real value in projecting services and staff in the best light. It also set out the importance of creating an alternative narrative around the potential that development can offer to access green space. Further work is yet to be undertaken in this area so consequently it has been identified to be progressed during 2019/20 and will be monitored.

The Council adopted a five year Equality Scheme in 2014 and included consultation with a range of stakeholders. The scheme includes records on the groups and organisations in place that represent minority and specialist interest in order to ensure that any future consultations identified and involved these groups as appropriate and can be found on the following link: <https://www.castlepoint.gov.uk/equality-scheme>. It is recognised that this scheme is now due for renewal and work has begun to update it during 2019/20. Progress in this area will be monitored.

The Council also has a consultation toolkit available for services to use and this is set out in the 'How it Works' guidance. The Council also ensures it involves staff in any appropriate decisions and elicits their views on issues. For example a monthly staff forum meets to discuss and agree any issues important to staff, and following staff feedback, further work is being undertaken to develop parking control arrangements in staff car parks.

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The Council ensures its services provide clear expectations for service users and members of the public through a set of service standards. These standards are publically available through service access points including the internet site as well as reception areas and through newsletters. The internet address for these is <https://www.castlepoint.gov.uk/customer-promise>.

The Council works closely with partners on joint objectives. For example with the Health and Wellbeing Board and the Crime and Disorder reduction partnership. However, further work is still required to clarify the strategic approach and partnership framework. This was identified in last year's annual governance statement but has not been progressed due to staff capacity issues. Progress is expected during 2019/20 as a new officer has been appointed which includes a role for the development of the strategic partnership framework. Progress will be monitored.

During the year member led consultation on the options for the future of the Paddocks community hall was undertaken. This has subsequently been called-in by Scrutiny for further examination. The progress of the Scrutiny work and the findings will continue to be monitored.

CIPFA Core Principle 3:

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

The Council's corporate plan was approved by full Council in September 2018. The plan sets out a high level vision for the area and four corporate priorities: Environment, Housing and Regeneration, Health and Community Safety, A commercial and democratically accountable Council. The plan complies with a number of good practice requirements, and sets out some defined outcomes that have sustainable benefits. For example, it targets the construction or acquisition of a total of 45 new affordable or social rented homes by the Housing Service by March 2021. However, and as noted in last year's Annual Governance Statement, further work is needed to clarify the vision for Castle Point and link longer term ambitions for the area to the corporate plan. This was noted in the report by the Peer Challenge team that states: "Clarity is also needed on a vision for the area both as a Borough and as part of the South Essex Vision 2050. As part of that clear vision, the peer team also recommends that the Council considers and determines the optimum way to present and communicate its corporate plan."

The Peer Challenge report considered that further work is required to clarify what is distinctive about Castle Point as a place. Consequently, further work to progress a clearer vision for Castle Point and longer term ambitions will be progressed by a new officer appointment who takes up his position in May.

An annual corporate action plan to help deliver the aims and objectives of the corporate plan was developed and formed the basis for monitoring and highlight reporting. Monthly highlight reports were considered by the Corporate Management Team.

The Council is committed to working in partnership with all other South Essex authorities to develop the South Essex 2050 partnership with ambitions that will include Regeneration, Economic Infrastructure, Transport, Housing and Quality of Life. A Memorandum of Understanding is in place. The Peer Challenge review recommended that the Council must continue to commit fully to South Essex Vision 2050 as a ground breaking initiative to develop the vision and ambitions for the area as well as Castle Point. Consequently work has been undertaken to develop a South Essex Joint Strategic Plan. This is expected to be completed by the end of 2019. Progress will be monitored.

CIPFA Core Principle 4

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

It must be recognised that the Council was identified for intervention by central government due to lack of progress with the development of its Local Plan. Consequently, a timetable had been developed to agree a Local Plan for examination by December 2019. The Council did not agree to

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submit the local plan for further examination and the motion failed by one vote. It remains essential that progress is pursued to ensure the successful completion of the plan and this is a key risk as it will inevitably require the development of some land currently designated as green belt, which will be politically contentious. Close monitoring of progress will be maintained and will be reported as part of the quarterly monitoring to the Audit Committee.

The Council faces significant financial challenges and needs to reduce net operational spend over the coming years or increase income substantially. Whilst the budget for 2019/20 is balanced, the Council does face the need to find very significant savings in 2020/21 and thereafter. This will be achieved through the combination of a variety of approaches including service reviews, maximising the use of estate and assets, utilising new technology to transform working practices and procedures, procurement, and exploring ways of securing greater income. The Council agreed a set of commercial principles in 2018 but is yet to develop and implement a strategy that underpins these principles and seeks to close the budget gap in a sustainable way. Work is being undertaken to close the budget gap and will be monitored.

The assessment of the Council's project management arrangements is partial. The Council has established project management arrangements with a process based on PRINCE2 principles. This has been used to undertake significant projects and procurements and the governance arrangements for the project management of housing construction projects was audited and found to be satisfactory. A number of managers stated that they were not undertaking projects over the last year, whilst those that were generally indicated satisfactory compliance, with just one reporting partial. However, whilst the core corporate processes are in place, further work is required to ensure that the approach is consistently implemented in all service areas. It is considered by the governance group that the current project management methodology and guidance is too complicated and needs simplifying in order to enhance understanding and increase compliance with its requirements. Consequently a review of the project management arrangements is planned.

The approach to Business Continuity (BC) has been assessed as satisfactory as most core requirements are in place. There is a business continuity plan for the Council, which is stored electronically including on the Government's 'Resilience Direct' website. There is a BC policy as well as a separate framework document. Also, an IT disaster recovery test was undertaken during the year. However, BC arrangements need to be further embedded. Three service areas reported partially meeting the requirements and there was no testing of business continuity plans during the year. Consequently, further work is required and the Facilities Manager has recently completed a business risk assessment to elicit a high level overview of the main BC risks which will assist in strategic response prioritisation. Further development work and an internal audit review of BC arrangements is planned for 2019/20. Progress will be monitored.

The Council has a service planning process and associated guidance. A review of the manager's assurance statements demonstrated that most services assessed themselves to be satisfactory or high compliance. Service planning requires the consideration of customer and user feedback as appropriate and some services undertook customer satisfaction surveys and used feedback to identify issues. It is noted that during the year that whilst satisfaction with housing repairs has improved, the time taken to relet a void has increased when compared to the previous year. Consequently, an action plan has been developed to improve performance in this area and progress will be monitored. Furthermore, the corporate processes have been complied with and this included a challenge of individual team plans that was fed back to heads of service for further action.

CIPFA Core Principle 5

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

The 2018 Peer Challenge report recognised strong officer leadership and stated: "CPBC is led by strong senior managerial leadership. This is recognised by many, including senior influential figures from external partners, who see the Council as a professional and well respected organisation". The report also notes that "Positive officer and member relationships have also been identified as a key

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factor for past success". The report also recognises good practice in the delivery of formal and mandatory Development Control (DC) Committee training as part of the 30 minute briefings before each DC meeting. However, it is also considered that more is required with regular briefings on key issues and the developing vision for the area as well as issues of importance for members to allow them to ask questions. Consequently the Council has developed a programme of Scrutiny which has included:

- Scrutiny Committee continued a review of Street Scene and waste collection Service to improve understanding of the service.
- Environment Policy and Scrutiny Committee examined a petition seeking to engage private self – financing company to enforce laws on littering etc. and made recommendations to Cabinet.
- Scrutiny Committee acting together with Health and Well-being Policy and Scrutiny Committee examined and reviewed the Food and Health and Safety Statutory Service plans and improve understanding of the service.
- All Councillors had the opportunity to engage in briefing sessions to understand the development of the New Local Plan

The information needs for members to effectively develop policy and make decisions is also considered, and cabinet reports included considerable detail in some areas, for example in the consideration and approval of the Council's Housing Asset Management Plan, Future Proposals for the Paddocks Community Hall, Budget and Policy Framework for 2019/20, Canvey Island Seafront Improvements, as well as Cabinet and full Council decisions on the Corporate Plan and the Local Plan.

Working relationships between officers and members are constructive in a number of aspects but are not fully effective. This is ultimately illustrated in the decision to not submit a Local Plan. Nevertheless, there are also examples of effective joint working such as the decision to develop a garage site in Windsor Gardens into two 2 bedroomed homes, and the Council maintains strong financial governance with agreement of the budget and medium-term financial forecasting in February 2019. Furthermore, a Peer Challenge has been recently undertaken on the Council's decision-making processes for planning applications and any recommendations will be examined and actioned as appropriate. Progress in this area will continue to be monitored.

The Council uses partnership working to good effect to increase its capacity. The Council maintains its commitment to the Local Strategic Partnership with Rochford District Council, and operates partnership working with the Thames Gateway Partnership and the Regeneration Partnership, as well as statutory partnerships such as with the Health and Wellbeing Board. As a result there are a number of operational small projects which have resulted in outcomes for residents and improved staff understanding. Examples include Youth outreach work, with professional detached youth work delivered every week at Waterside Farm Leisure Centre to reduce antisocial behaviour, raise aspirations through good citizenship and deliver appropriate information and advice on leading healthy lifestyles. Examples of other initiatives include: 15-week course for adults with mental health problems and related issues comprised of 60 guided learning hours, the provision of a Sanctuary Scheme for high risk victims (Safe Partnership and Housing Providers) as well as working with the Police to reduce and deal with anti-social behaviour including issuing 2 closure orders and an anti-social behaviour injunction.

The Council is successful in obtaining grant funding to pursue projects that will result in better outcomes for local people. Recent and current examples include:

- £92k of funding from various organisations for partnership and community safety initiatives (2018/19).
- Funding from the DWP for various programmes totalling £134k in 2018/19.
- A share of £870k of planning joint working fund jointly awarded to south Essex local authorities (2017/18 and 2018/19).
- A successful "Interreg" bid for European funding – "GoTrade" - for support for existing and new town centre markets in Canvey and Hadleigh Town Centres. Castle Point stands to benefit from around €165,000 of "Interreg" funding in total over 3.5 years (late 2017/18 onwards).

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- £90k from various organisations towards highways, parks and open spaces projects.

However, there is a need to develop the approach to strategic partnership working. An internal audit of partnership arrangements was undertaken in 2016 and concluded that accountability needs to be assigned for designing, maintaining and reporting upon the application of a proportionate but good practice partnership governance framework. The opportunity also needs to be taken to challenge all groups currently called "partnerships", to ascertain whether their remit is clear and they are still required. The report also found that the Local Strategic Partnership provides the underpinning governance arrangement for all partnerships within its jurisdiction but it does not oversee other important strategic partnerships, such as the Regeneration Partnership and its governance arrangement, are out of date. Consequently further work is planned to develop and implement a strategic partnership framework. This is an issue outlined in previous Annual Governance Statements. The appointment of a new officer resource will help assist with the work in this area and progress will be monitored.

The Monitoring Officer is responsible for the maintenance of the Constitution and for reviewing its relevance and effectiveness. Any significant changes to the Constitution are approved by full Council following consideration of a report made by the Chief Executive.

Decisions made by the Cabinet may be Called-in (in accordance with the procedure for a Call-in, which is shown in the Overview and Scrutiny Procedure Rules) by the Scrutiny Committee. A decision made by Cabinet is published within 4 working days of the Cabinet meeting and can be called-in for consideration by the Scrutiny Committee within 5 working days of the publication by either the Chairman of the committee or by 3 committee members.

The Constitution sets out the responsibilities for Scrutiny Committee, Policy and Scrutiny Committees and the Audit Committee. The Audit Committee's role includes an overview of the governance arrangements and received quarterly monitoring reports on its effectiveness. In addition the committee also considered the corporate risk register. The Audit Committee received a standard induction from the Head of Internal Audit and external auditor. Additional training is provided to meet identified needs and every agenda to the committee includes any relevant recent publications to help with good practice in governance awareness.

The Council has effective recruitment and retention arrangements and a Corporate Training Plan which provides staff development programmes to ensure staff skills are further developed to improve the capacity of the Council and the continued development of staff. Development and training is varied and includes professional programmes such as CIPFA qualifications to generic training. The Council also makes use of online training programmes particularly for induction and training in health and safety arrangements.

Compliance with the appraisal process has significantly improved and most staff are recorded to have undergone the personal performance development plan process. Monitoring of the process will continue to ensure compliance is in place for all services.

CIPFA Core Principle 6

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

Core performance management arrangements are in place and this includes the operation of an Access database to produce performance information for all services, with reports produced every quarter and reviewed by EMT. There is some variance in the completion of performance information and in the robustness of target setting. Whilst the core corporate processes are in place the application is not always consistent, and the arrangements will need to be further embedded. To assist with this, a Strategy, Policy and Performance Manager has been recently appointed and his responsibilities will include further developing the controls for performance management.

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The key performance reporting arrangements remain in place. Highlight reporting was regularly undertaken to ensure the delivery of corporate objectives and a quarterly performance scorecard was monitored by Cabinet and Executive Management Team.

The financial forecast going forward indicates a fully balanced budget for 2019/20, although this is not the case for 2020/21 and beyond. As a result, significant ongoing efficiencies and cost savings need to be identified for those years to reduce funding gaps of around, £924k in 2020/21 and £1.1m in 2021/22. Efficiencies identified during the course of 2019/20 will be available for re-allocation to spending priorities or applied to the Council's general reserves. General reserves are currently predicted to be fully depleted by the end of 2021/22. In this context the Council has continued to undertake efficiency review work during 2018/19 and this generated ongoing savings of approximately £343k for 2018/19 and £710k for 2019/20. Progress in the securing of cashable savings will be monitored.

Financial monitoring reports are informed by a risk assessment and focus on the Council's large, high risk or volatile budgets. Departures from budget, and corresponding operational performance information, are reported to Executive Management Team and Cabinet on a regular basis.

ROLE OF THE CHIEF FINANCIAL OFFICER

The Section 151 Chief Financial Officer (CFO) occupies a key position in the Council, managing the Councils' finances and ensuring that resources are used wisely to secure positive results.

In order to support the post holder in the fulfilment of their duties and ensure that the Council has access to effective financial advice, in 2010 the Chartered Institute of Public Finance and Accounting (CIPFA) issued a Statement on the Role of the Chief Financial Officer in Local Government, most recently updated in 2016. The statement sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role, and includes five key principles that define the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. These statements are set out below

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

The Council has the necessary arrangements and procedures in place which ensure that these principles are either directly complied with or, where not directly complied with, there are alternative procedures in place so that the necessary outcomes and objectives are still achieved and suitable controls are in place. For example the CFO is a member of the leadership team (Executive Management Team) and reports directly to the Chief Executive.

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There are three Policy and Scrutiny Committees which may make proposals in relation to their functions, including the review and development of policy items, whose proposals support the Council's published priorities. The work undertaken by the committees is further detailed under CIPFA core principle 5.

The corporate risk register was monitored during the year by Executive Management Team and has been updated by Heads of Service. It has also been reported to the Audit Committee. Risks and health and safety issues were also discussed at directorate meetings during the year. A refresh of the corporate risk register was most recently undertaken in March 2019 and this will continue to be updated every six months.

As an employer the Council continues in its aim to meet its statutory Health and Safety duties and to assist in this employs a competent person. The competent person, who as the corporate health and safety lead maintains an overview of Council arrangements and provides analysis on current management performance. Any significant health and safety issues are raised to the Executive Management Team.

The key functions of the corporate health and safety lead is to advise and assist the Councils Operational Management team in developing a positive health and safety culture, where risk is managed sensibly with specific aims to reduce accidents and ill health, and to bring about improvements in overall efficiency, quality and productivity.

CIPFA Core Principle 7:

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

The processes for Information Governance are in place and guidance has been incorporated into the 'How it Works' document. Arrangements are led by the Head of Law and include a number of policies ranging from a clear desk policy and document retention policy to guidance on privacy of data and when data is clearly public. Information asset registers are also in place for some services. Managers are also required to follow the data security breach management procedure in the event of a data breach. The Head of Law has led a corporate project to implement the requirements of the General Data Protection Regulations which came into force in May 2018. This was followed up by an Internal Audit of the GDPR implementation which received partial assurance. A further follow-up audit on Cyber Security received high assurance. An action plan has resulted from the recommendations and progress will be monitored.

The Council has a comprehensive procurement toolkit and strategy and associated governance processes which have been subject to an annual review by the Head of Law. The arrangements are proving to be effective and officers use the expertise provided by the Braintree Procurement Hub to help develop invitation to tenders for a range of services and to quantify savings from procurements compared to budgeted costs.

Guidance on the importance of data quality requirements was set out in the 'How it Works' document and communicated to all managers. The 'How it Works' document was refreshed in October 2018. Systems are designed in some areas to ensure data quality requirements are considered, for example, the operation of a detailed performance management framework in the Housing Services, and systems for revenues and benefits and planning. There is a risk of variations in the implementation of the approach as there are different systems for a variety of services.

The Council has adopted a set of value for money indicators as part of its value for money strategy, and some analysis reveals the following: The total net expenditure per head of population on Council

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services increased from £363 (inflation adjusted) in 2016/17 to £378 in 2017/18. The average for all district Councils in 2017/18 was £363.

Costs have decreased in some areas, but increased in others. One example of an increase is the cost of refuse and recycling where the cost per head has increased by circa 20% from £31 in 2016/17 to £37 in 2017/18, with the district council average being £34 in 2017/18. This does however reflect the investment in the service for the commencement of the garden waste bin collection scheme early in 2017/18. General Fund Housing services also continues to remain an area of cost pressure and the demand for services such as housing and homelessness support remains high. Costs in 2017/18 increased by around 10% to £26 per head from £24 per head in 2017/18, and remain above the district council average of £16 in 2017/18. The increase however is not as steep as the movement from 2015/16 to 2016/17 of 21%, as reported in the 2016/17 Annual Governance Statement,

Income from sales, fees and charges as a percentage of total spend slightly decreased from 18.4% in 2016/17 to 16.8% in 2017/18. There is a wide variation in levels of charging between district councils with the same responsibilities, and the Council is still below the average of all district councils, which was 24.4% in 2017/18. Income charges will be reviewed during 2019/20 as part of the aforementioned work to find savings to reduce the budget gap for 2020/21.

The Council has the core processes in place to ensure decisions consider key information requirements. All Cabinet reports are required to include considerations for financial, legal and equality issues. The Council also recognises when the need for external support and has for example, service level agreement in place with South Essex Homes to obtain professional advice and support to undertake effective housing estate and procurement functions, as well as for a fraud, land charges and internal audit services. The Council has also procured specialist support in the design and construction of new council homes in the borough.

Internal Audit

The annual risk based audit plan was prepared in consultation with Heads of Service, Executive Management Team and the Audit Committee. The audit plan was delivered with reports issued to senior managers at the conclusion of each audit highlighting internal control weaknesses identified and the actions required to address them. Recommendations were also reviewed to ensure they were implemented properly, by the due date. A quarterly performance report was taken to Executive Management Team and the Audit Committee. The Head of Internal Audit annual report and opinion was also considered by the Audit Committee and included an assessment of compliance with relevant professional standards. The Head of Internal Audit's annual opinion states:

"The Council continues to maintain satisfactory and effective risk management, control and governance arrangements, despite the continuing financial pressure that it is dealing with. During 2018/19 an external provider has undertaken a high level assessment of the Council's risk management arrangements which concluded that risk management is happening as expected across the Council, however there is further work to be done to fully embed this to drive value from the process and help inform decision making at all levels of the Council. As a result reliance continues to be placed on the Council's risk management arrangements, but steps will be taken to enhance arrangements.

The work of the Good Governance Group and results of the audits completed continue to confirm that:

- corporate business management processes remain generally well designed and in some areas, work is underway to update or strengthen them further
- there is inconsistency in terms of application, across some services which still need to be addressed.

Internal Audit is subject to a formal, independent review of its compliance with professional standards every five years. External audit relies on the work internal audit complete on financial systems where it is relevant to its audit of the Council's financial statements.

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Audit Committee

The Audit Committee consists of a chairman and four other members. The committee's role is to provide independent assurance to Council on the adequacy of the risk management framework and associated internal control environment and the integrity of the financial reporting and governance processes.

External Audit

External Audit is undertaken by Ernst & Young and their work includes:

- providing an opinion on the financial statements, including whether they provide a true and fair view of the financial position at the end of the year and the expenditure and income for the year, and that they have been properly prepared in accordance with relevant legislation and applicable accounting standards;
- reviewing and providing a conclusion of the arrangements in place to secure value for money.

Where the auditor identifies weaknesses in the Council's arrangements or significant deficiencies in internal controls, these are highlighted in the final report to the Audit Committee.

External Inspections

The Council was subject to a Peer Challenge in February 2018 and extracts from the findings of the report produced are set out in this document. However, the four key recommendations were as follows:

1. Continue to commit fully to South Essex Vision 2050 as a ground-breaking initiative. This is the agreed way ahead for CPBC and its South Essex council partners, all of which have committed to and are progressing this work.

The Council has made significant progress. Castle Point Council Officers chair the Joint Strategic Partnership (JSP) Project Delivery Board and the Connectivity Strategy. The JSP will form part of the development plan for the Borough on adoption and provide a framework for future local plans. The JSP will set out how housing and economic development needs across South Essex will be met and the supporting infrastructure. Publication of the first stage plan is due by the end of 2019.

2. Develop your vision for Castle Point as a place through your emerging corporate plan as well as within the South Essex Vision 2050. Whilst the latter is your foremost priority, your draft corporate plan provides a more in-depth opportunity to set the council's business model and communicate its identity and make the most of the Council's unique assets for your residents.

Please see above. The development of the Joint Strategic Plan by the end on 2019 will allow the further development of the corporate plan to link with the long term vision and ambitions for the region.

3. Continue to use your strong political leadership and engagement in the next phases of South Essex Vision 2050. Political leaders need the authority and confidence to make decisions with your partners in the meetings ahead.

Please see above. The political leadership is actively engaged in the South Essex 2050 partnership and the development of the JSP.

4. Build your strategic approach internally. Use the skills of staff including those showing great promise within CPBC to harness and drive change in areas including: housing, communications, ICT, commercialisation and regeneration.

Following this recommendation changes were made in some areas including the promotion of the Head of Resources to a Strategic Director. The Chief Executive will continue to undertake further changes to strengthen the strategic approach internally and as required.

ANNUAL GOVERNANCE STATEMENT

The implementation of these recommendations will be subject to future monitoring.

Progress against Recommendations Identified in last year's Annual Governance Statement

The table below sets out the actions identified and an assessment of progress.

Number	Issue	Action 2018/19	Date of implementation	Responsible officer	Progress
1.	Need to ensure the Local Plan is progressed and agreed.	Programme in place and subject to intervention to ensure timescales are met.	December 2018	Chief Executive	Local Plan considered for submission by full Council but not agreed.
2.	Need to ensure sufficient savings and revenue is identified so that there is no budget gap in 2019/20 and in future years.	Develop and implement Commercial Council Strategy.	March 2019	Strategic Director for Resources	Budget gap addressed for 2019/20, however ongoing work needs to continue for future years. Development of a Commercial Strategy is progressing.
3.	Clarify strategic approach to partnership working.	Develop a Partnership Framework and associated Strategy.	March 2019	Head of Housing and Communities	Not progressed – but new officer appointed – action to continue.
4.	Complaints not consistently monitored in corporate database.	Implement new arrangements and ensure responsibilities for monitoring is clear.	March 2019	Head of Governance All Heads of Service	New arrangements implemented. Unclear how well embedded. Need to continue monitoring.
5.	Develop a more effective Scrutiny Function	Develop and agree a programme of scrutiny work for 2018/19	June 2018	Head of Governance	Scrutiny Programme agreed with Chair of Scrutiny.

ANNUAL GOVERNANCE STATEMENT

Significant governance issues

The following are the key governance issues that have been identified:

Number	Issue	Action 2019/20	Date of implementation	Responsible officer
1.	Need to ensure the Local Plan is progressed and submitted for consideration.	Programme in place and subject to intervention to ensure timescales are met.	December 2019	Head of Place and Policy
2.	Need to ensure sufficient savings and revenue is identified so that there is no budget gap in 2020/21 and in future years.	Develop and implement Commercial Council Strategy.	March 2020	Strategic Director for Resources
3.	Clarify strategic approach to partnership working.	Develop a Partnership Framework and associated Strategy.	March 2020	Strategy, Policy and Performance Manager
4.	Work with the South Essex 2050 partnership to develop the vision for region and long term ambitions and to further develop the corporate plan.	Through the development of the South Essex 2050 partnership vision and associated strategy and planning arrangements.	June 2020	Chief Executive
5.	Need to simplify and clarify project management arrangements	Implement new arrangements and ensure responsibilities for monitoring is clear.	March 2020	Strategy, Policy and Performance Manager
6.	Strengthen the approach to business continuity.	Undertake review of strategic and tactical business impact analysis and produce a mitigation and continuity options document. Business Continuity also features in this year's Internal Audit reviews.	March 2020	Facilities and Asset Manager

Conclusion

This statement has been considered by the governance group of officers as well as Executive Management Team and is considered an accurate reflection of the Council's governance arrangements. 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.

ANNUAL GOVERNANCE STATEMENT

Councillor Norman Smith
Leader of the Council
30 July 2019

David Marchant
Chief Executive
30 July 2019

AUDIT COMMITTEE

25th July 2019

Subject: Counter Fraud & Investigation Directorate: Counter Fraud Strategy for 2019/20

1. Purpose of Report

To consider and approve the proposed Counter Fraud & Investigation Strategy and Proactive Work Plan for 2019/20.

2. Counter Fraud Strategy & Plan for 2019/20

A number of developments have been made to the CFI service over the last year. The CFI service is hosted by Thurrock Council who has been partnered with CPBC for over 2 years.

In 2014, Thurrock was awarded government funding to develop its counter fraud capability and support other local authorities across the UK. Thurrock's success in delivering that project was recognised following a full inspection by Auditors from CIPFA on behalf of the Ministry of Housing, Communities and Local Government.

A specialist ring-fenced element of the Thurrock team has now been created with support of government known as NATIS – the National Investigation Service. NATIS is a policing and government collaboration, which operates across the UK to protect local government from serious and organised fraud and economic crime.

Following this enhancement the CFI and NATIS team have a co-sponsored the council's strategy for 2019/20. The new strategy takes account of the threats CPBC face and uses specialist intelligence and recognition of the additional powers to tackle the issues.

Appendix A outlines the Counter Fraud & Investigation strategy for the ensuing year and the areas for focus in proactive operations and testing.

3. Contribution to Council's Aims and Priorities

Work undertaken to reduce fraud and enhance the Council's anti-fraud and corruption culture contributes to the delivery of all its aims and priorities.

Financial Implications:

Proactive fraud and corruption work acts as a deterrent against financial impropriety and might identify financial loss and loss of assets.

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

Proactively managing fraud risk can result in reduced costs to the Council by reducing exposure to potential loss and insurance claims.

Legal Implications:

The Accounts and Audit Regulations 2015 Section 3 requires that:

The relevant authority must ensure 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*
- *includes effective arrangements for the management of risk.*

The work of the Directorate contributes to the delivery of this.

People Implications:

Where fraud or corruption is proven the Council will:

- take the appropriate action which could include disciplinary proceedings and prosecution
- seek to recover losses using criminal and civil law
- seek compensation and costs as appropriate.

Property Implications:

Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity. This action will benefit the authority by means of returning housing stock to those in need or gaining the assets of those who seek to profit from their criminal behaviour.

Consultation / Equalities Impact Assessment:

None

Risk Assessment:

Failure to operate a strong anti-fraud and corruption culture puts the Council at risk of increased financial loss from fraudulent or other criminal activity.

Although risk cannot be eliminated from its activities, implementing these strategies will enable the Council to manage this more effectively.

A closer working relationship is in place with the internal audit team to ensure that any overlapping areas of concern can be detected early and corroborative working can be utilised.

Value for Money:

An effective counter fraud and investigation service saves the Council money by reducing the opportunities to perpetrate fraud, detecting it promptly and applying relevant sanctions where it is proven.

As can be seen from the results already obtained from the CFID actions, actively seeking and identifying criminality allows the authority to gain back money that would have otherwise left the budgets of various service areas of the authority. This in itself is a positive step; however the subsequent message sent to those who seek to abuse the financial stability of the authority is such a deterrent that further 'unmeasured' savings will be made by deterring future criminality against the authority.

Community Safety Implications and Environmental Impact:

None

Recommendations

The Audit Committee agrees the strategy and plan for 2019/20.
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Background Papers

- Fighting & Corruption Fraud locally, The Local Government Fraud Strategy
- Crowe Whitehall & Clarke Annual Fraud Indicator 2017

Appendices

- Appendix A: Counter Fraud & Investigation Strategy & Plan for 2019/20.

Report Author: Michael Dineen, Senior Manager, Counter Fraud & Investigation Directorate

Counter Fraud & Investigation



See it. Report it. Stop it.

Counter Fraud Plan & Strategy

2019/20



Foreword

“Last year we detected more fraud than previous years. The £264k detected represents the cost of 63 social housing properties or investment in local services for residents.

Increasing our resilience to the risk of fraud is our priority to ensure the most vulnerable of our society are not affected by the impact of fraud on our frontline services.

David Kleinberg,
Assistant Director for Counter Fraud & Investigations

The Counter Fraud & Investigation service began operating at an advanced level following government sponsorship in 2014. The grant investment in the service ensured that the best possible resources and capabilities could be leveraged at the issue of fraud and economic crime in Castle Point.

Having the best tools and resources still requires a continually refreshed understanding of the threats local government face and a focus of activity. The service has been part of the Government Counter Fraud Profession, with David Kleinberg the CF&I Assistant Director being seconded to write its standards in 2016.

In 2018 the new part of the service was launched – known as NATIS - the National Investigation Service, which has supported over 44 public authorities across the UK facing serious and organised crime.

Having the new NATIS function working side-by-side with Counter Fraud & Investigation provides access to an enhanced intelligence picture to protect the most vulnerable.

This new strategy & plan takes account of that additional resource and capability – the first anywhere in the UK, here in Castle Point.

**Counter Fraud
& Investigation**



See it.



Report it.



Stop it.

Our Control Strategy

This year we install our control strategy which defines how we will be working over the next 12 months. This means that all the casework we adopt will be assessed and progressed in consideration of the 4 Questions below.

The Counter Fraud & Investigation team's partnership with the National Investigation Service ensures that we are able to identify at an earlier stage intelligence relating to the key priorities below, particularly those affecting the most vulnerable of society.

Who are We?

A specialist function to protect public finance from fraud and serious crime, using our legal framework as a local authority service

What is Our Purpose?

- 1 Protect the public purse from crime
- 2 Support the wider-public sector with shared, advanced capabilities

What are Our Priorities?

Crimes affecting a vulnerable adult or child

Insider threats in local government

Organised crime targeting local government

Improving local government's resilience to cyber crime

How do we Succeed?

Always acting Ethically in everything that we do, working to our values, attitudes and principles

Consider opportunities to work collaboratively with others for the benefit of our purpose, sharing our knowledge, experience and expertise

Apply the 4 'P' Strategy to Prevent, Protect and Prepare local government for economic crime, pursuing offenders where necessary

Ensure our teams are fully equipped to respond to the threats faced from economic crime

Fraud Risk Profile

Last year we concluded a risk profile for the entire council to identify the Top Risks the council faced from fraud and economic crime. That analysis used national intelligence from partner law enforcement agencies, proven cases by the CF&I team and the baseline strategy for local government known as Fighting Fraud & Corruption Locally.



Castle Point Borough Council Annual Fraud Impact Measurement Matrix

	Procurement Fraud	Cyber Crime	Housing Tenancy Fraud	Money Laundering	Council Worker Fraud & Corruption
Annual Council Spend	£3,884,000	N/A	£3,267,000	£29,709,000	£11,929,000
Annual Potential Impact Percentage	4.76%	N/A	4.04%	0.89%	1.07%
Annual Potential Impact	£184,878	£160,000	£131,987	£264,410	£127,640
Under Investigation	£420,180	£0	£174,900	£0	£0
Proven	£0	£0	£231,900	£0	£18,500
	Revenues Fraud	Grants Fraud	Insurance Fraud	Transport Fraud	
Annual Council Spend	£9,616,000	£605,500	£129,600	£542,000	
Annual Potential Impact Percentage	1.22%	3.02%	3.99%	3.86%	
Annual Potential Impact	£117,315	£18,286	£5,171	£20,921	
Under Investigation	£1,400	£0	£0	£0	
Proven	£13,000	£0	£0	£0	

Total Potential Loss Impact **£1,192,303**

Total Amount Under Investigation **£596,480**

Total Proven in 2018/19 **£263,400**

**Counter Fraud
& Investigation**



See it.



Report it.



Stop it.

Proactive Work Plan

Risk Area	Activity	When	Current Status	Responsible Officer	Date Complete
Council-wide	Launch a new e-Learning Package for Countering Fraud, Bribery, Corruption and Money Laundering.	July – Sep 2019		Michael Dineen	
Council-wide	Develop an early intervention risk matrix for social housing tenants targeted by criminality.	July June 2020		Philip Butt	
Council-wide	Cyber crime risk assessment across the council.	Nov 2019		Dave Nash	
Council-wide	Enhancing counter fraud and money laundering controls for Finance & Revenue teams.	Nov 2019		Michael Dineen	
Council-wide	Renewed Education & Marketing Campaign for Countering Fraud, Bribery, Corruption and Money Laundering	January 2020		Nicholas Coker	



Risk Area	Activity	When	Current Status	Responsible Officer	Date Complete
Revenues	Use of Data Matching Solution to compare NNDR data with law enforcement data.				

New Awareness Campaign



This year we launch the 'See it, Report it, Stop it' campaign, highlighting the risks the council face from fraud and economic crime as well as some of the case studies and enhanced methods of prevention we utilise.

The campaign will include targeted awareness events for high-risk council areas such as Procurement, Finance, Housing and Revenues.



**Last year we detected
£264k of fraud**

**That money pays for 61
Social Housing rents**

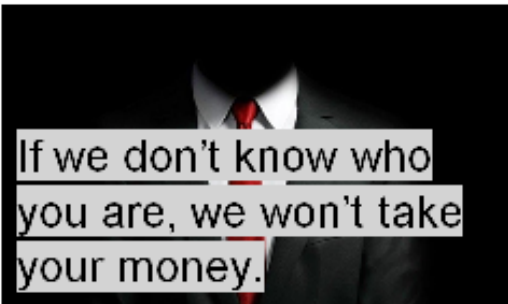
Seen something suspicious?
Speak to a member of the team
on 03000 999111
or visit castlepoint.gov.uk/fraud



**Counter Fraud
& Investigation**




See it. Report it. Stop it.




**If we don't know who
you are, we won't take
your money.**

**We're working hard to
stop money laundering.**

Seen something suspicious?
Speak to a member of the team
on 03000 999111
or visit castlepoint.gov.uk/fraud



**Counter Fraud
& Investigation**



See it. Report it. Stop it.

**Counter Fraud
& Investigation**

