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**Chief Executive**

## **AGENDA**

<b>Committee:</b>	<b>AUDIT</b>
<b>Date and Time:</b>	<b>Wednesday 7th January 2015 at 7.30 p.m.</b>
<b>Venue:</b>	<b>Committee Room 1</b>
<b>Membership:</b>	<b>Councillors Cross (Chairman), Barrett, Partridge, Tucker and Mrs Wass</b>
<b>Officers attending:</b>	<b>Ian Stapleton, Financial Services Manager Craig Watts, Head of Performance and Service Support Linda Everard, Head of Internal Audit</b>
<b>Also attending</b>	<b>Zoe Thompson, Senior Manager, BDO</b>
<b>Enquiries:</b>	<b>John Riley, Ext. 2417</b>

### **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 22.9.2014 is attached.
- 4. BDO: Grant Claims and Returns Certification Report for the Year Ended 31 March 2014**  
Report of the External Auditor is attached.
- 5. Anti Fraud & Corruption Report**  
Report of the Head of Internal Audit is attached.
- 6. BDO Castle Point Borough Council Protecting the Public Purse Report**  
Report of the External Auditor is attached.

**7. Risk Management Update**

Report of the Head of Performance and Service Support and Head of Internal Audit is attached.

**8. Monitoring Report – Corporate Governance Arrangements**

Report of the Head of Performance and Service Support is attached.

**9. Local Code of Governance Refresh**

Report of the Head of Performance and Service Support is attached.

**10. BDO Progress Report to Those Charged with Governance**

Report of the External Auditor is attached.

**11. Treasury Management and Investment Strategy 2015/16**

Report of the Financial Services Manager is attached.

**12. Internal Audit, Quarterly Performance Report**

Report of the Head of Internal Audit is attached.

***Current Information Items (standing item)***

- CIPFA Code of Practice on Managing the Risk of Fraud and Corruption
- Audit Commission, Protecting the Public Purse, Fighting Fraud Against Local Government, October 2014

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## **AGENDA ITEM NO. 3**

### **AUDIT COMMITTEE**

**22<sup>ND</sup> SEPTEMBER 2014**

**PRESENT:** Councillors Partridge (in the Chair) and Mrs Wass.

Councillor Hart also attended.

Head of Performance and Service Support, Craig Watts, Head of Internal Audit, Linda Everard, Financial Services Manager, Ian Stapleton, Auditor, Claire Lavery and External Auditors Lisa Clampin and Zoe Thompson from BDO were also present.

Apologies for absence were received from Councillors Barrett and the Chairman Councillor Cross.

In the absence of the Chairman it was agreed that Councillor Partridge chair this meeting of the Committee.

#### **10. MEMBERS' INTERESTS**

There were no disclosures of interest.

#### **11. MINUTES**

The Minutes of the meeting held on 26<sup>th</sup> June 2014 were taken as read and signed as correct.

#### **12. BDO PROGRESS REPORT TO THOSE CHARGED WITH GOVERNANCE**

Zoe Thompson, BDO, reported on progress in delivering the 2013/14 and 2014/15 Audit Plan.

The progress report to those charged with governance was attached as an appendix to the report and Ms Clampin drew attention to key areas of work. It was reported that all work was expected to be completed on time.

**Resolved** - That progress with the 2013/14 and 2014/15 Audit Plan is noted.

#### **13. BDO FINAL REPORT TO THE AUDIT COMMITTEE**

Zoe Thompson, BDO, presented a report which summarised the results of the work completed to date for the 2013/14 financial year with regard to the opinion of the Statement of Accounts and the conclusion on the adequacy of the

Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

The key financial systems were generally adequate as a basis for preparing the financial statements, it was anticipated that, subject to the satisfactory completion of outstanding work, an unqualified "true and fair" opinion would be issued with regard to the financial statements. It was concluded that the Council had adequate arrangements in place against the value for money criteria and it was anticipated that an unqualified Value For Money conclusion would be issued.

Ms Thompson thanked the Council's Financial Services Unit for its assistance during the process.

**Resolved** –That the External Auditor's Annual Governance Report 2013/14 is accepted.

#### **14. TREASURY MANAGEMENT ACTIVITY MID-YEAR REPORT**

The Committee was informed that the mid-year report on treasury management activity was a requirement of the Council's reporting procedures.

The Financial Services Manager reported that this requirement was discharged through the report submitted to the Audit Committee which summarised the Council's treasury management activity for the first five months of the current financial year. Supporting information was provided within Annexes A and B.

There had been no changes in the Council's borrowing position from that reported at the end of the previous financial year, other than timed and budgeted interest repayments and repayment of one small PWLB loan of £75,112. A summary of external borrowing at 31<sup>st</sup> August 2014 was shown at Annexe A. This showed that interest paid on General Fund borrowings for the year to date was £18 (0%) more than budgeted and interest paid on HRA borrowings was £21 (0.0%) more than budgeted.

Annexe B summarised the Council's temporary investment activities for the year to date. The amount of interest received on investments to date was £26,853 and this exceeded budget by £9,453 (54.3%). It was reported that investment rates earned were slightly higher than budgeted. The average rate was 0.39% which was more than the London Inter Bank Bid Rate (LIBID rate) of 0.35%.

The current three benchmark indicators for 2014/15, explained in the Annual Investment Strategy, were reported as follows:

- Security - The overall credit-rating score for the year to date of 6.6 exceeded the target of 4.
- Liquidity – Remained at an extremely liquid level, currently averaging 11 days.
- Yield – Interest received on investments currently exceeded target.

In response to a question from a Member it was confirmed that the money to purchase new social housing units on Canvey Island had not been borrowed.

Following discussion it was:-

**Resolved** – That following scrutiny, the Treasury Management Activity Mid-Year Report for 2014/15 is approved, and submitted to Council.

#### **15. QUARTERLY MONITORING REPORT OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS**

The findings from the quarterly monitoring of the governance arrangements in place for the Council were reported to the Committee.

The Head of Performance and Service Support highlighted the monitoring results for key governance processes set out in the report.

The arrangements for business strategy and planning were adequate. The Corporate Plan had been agreed by full Council in July 2014 and the objectives contained in the plan formed the basis of regular highlight reports to Corporate Management Team. Further work was required to develop the Community Strategy and ensure it was effectively linked to the Corporate Plan.

Arrangements for risk management were to be the subject of further development following training and briefing sessions earlier in the year and an Internal Audit Review of reporting risks in Cabinet reports etc. It was envisaged that the Risk Management strategy would be updated and revised guidance drafted on how to implement it.

With regard to Performance Management it was reported that core processes were operating satisfactorily. The new Access database was in operation and services were providing performance information with improved controls in place. A target challenge exercise was planned as part of the development of service plans in the autumn.

Performance Management had been identified as a risk issue in the audit plan for the final accounts. Whilst there were no significant matters the External Auditors had made recommendations which included undertaking a target challenge exercise and ensuring targets in the corporate plan and those reported to Cabinet were aligned. This work would be undertaken in the autumn.

The complaints system required further development and the lead officer was currently undertaking some work to revise the complaints process into a two stage process. This would be followed with a revised corporate database and monitoring. A draft action plan setting out the work that was to be undertaken was circulated at the meeting.

Following discussion it was:-

**Resolved** – That the Quarterly Monitoring Report is noted.

#### **16. INTERNAL AUDIT QUARTERLY PERFORMANCE REPORT**

The quarterly performance report on progress made in delivery of Internal Audit's Strategy for 2014/15 was presented to the Committee.

The focus since June 2014 had been starting work on the 2014/15 Internal Audit Plan, a copy was attached at Appendix A. The Committee noted work that had been completed in the last quarter. Planning work had also been started for the financial systems audit work which would commence in October 2014.

The service continued to use a significant amount of resources from an external framework contract therefore time had been required during this period to establish long-term working relationships with a new supplier. As a result a large number of audits were in the planning or work in progress stage. It was confirmed that the service currently had sufficient resources to deliver the Audit Plan for the year by the end of May 2015. The 2014/15 work plan took account of the significant impact on staff of supporting a new trainee auditor who had joined the team in August 2014.

The Internal Audit Performance Indicators for 2014/15 as at 12<sup>th</sup> September 2014 were set out at Appendix B.

Following discussion it was:-

**Resolved** – That the progress made in delivering the Internal Audit Strategy for 2014/15 is noted.

#### **17. INFORMATION ITEMS**

- CIPFA Better Governance Forum Audit Committee Update: Helping Audit Committees to be Effective, Issue 14:
- External Audit Quality and Independence
- Government Consultation of Local Audit Regulations
- CIPFA's Consultation on a new Counter Fraud Code
- Regular Briefing on Current Issues
- Audit Commission, National Fraud Initiative, National Report, June 2014

Chairman

**AUDIT COMMITTEE**

**7 JANUARY 2015**

**Subject: BDO Grant Claims and Returns Certification Report for the Year Ended 31 March 2014**

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**1. Purpose of Report**

To present the External Auditor's Grants Claim and Return Certification Report for the Year Ended 31 March 2014 to the Audit Committee.

**2. Background**

The Audit Commission issued a "Review of Arrangements for Certifying Claims and Returns" in September 2009. One of the recommendations of the report was to report annually on the results of certification work to those charged with governance to raise the profile of this work. The Audit Commission has now mandated that this report will be produced annually by February each year to highlight errors, adjustments and qualifications arising in claims.

A senior representative of BDO (the appointed External Auditor to the Council) will present this report to the Audit Committee and respond to Members' questions.

**3. Corporate Implications**

**Financial Implications**

BDO act as an agent of the Audit Commission in the certification of grant claims and returns work. Fees billed are based on the Audit Commission's scale fee. Variations to the scale fee are discussed with the Head of Resources and are then required to be approved by the Audit Commission.

**Legal Implications**

The Council is 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). By considering this report, the Committee can satisfy itself that this requirement is being discharged.

**Human Resources and Equality Implications**

**Human Resources**

None

**Equality Implications**

None.

## **IT and Asset Management Implications**

None

### **4. Links to Council's Priorities and Objectives**

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

### **5. Timescale for Implementation and Risk Factors**

The report includes an Action Plan to address issues identified in the report which will be monitored by Officers.

### **Recommendation**

**The Audit Committee accepts the Grant Claim and Return Certification Report for the Year Ended 31 March 2014.**

### **Background Papers**

- None

### **Attachments**

- None

**Report Author: Zoe Thompson, Senior Manager, BDO**



**AUDIT COMMITTEE**

**7 JANUARY 2015**

**Subject: Anti Fraud & Corruption**

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**1. Purpose of Report**

To update the Audit Committee on the work being undertaken to manage the risk of fraud.

**2. National Framework**

The national local government counter fraud and investigation landscape is changing with:

- the demise of the Audit Commission in March 2015 and the transfer of its National Fraud Initiative to the Cabinet Office in due course
- the creation of CIPFA's new Counter Fraud Centre, who will inherit the Audit Commission's staff and functions that support the production of Protecting the Public Purse
- the Department of Works and Pensions creating the Single Fraud Investigation Service.

The data sets required by the Audit Commission to support the 2014 **National Fraud Initiative** were submitted on time in October 2014. The data matches from this exercise are expected in January 2015.

The **CIPFA Counter Fraud Centre** has been established to work with the Department for Communities and Local Government (DCLG), the National Crime Agency (NCA), the Cabinet Office and other agencies, to be a 'one stop shop' for fighting fraud. It is developing new tools, good practice and guidance as well as a CIPFA Accredited Counter Fraud Specialist qualification. It has also taken over responsibility for and is in the process of updating Fighting Fraud Locally, the Local Governance Strategy.

Copies of the following recent national publications (information items) have been circulated to the Committee and placed on deposit in the Members' Rooms:

- Code of Practice on Managing the Risk of Fraud and Corruption by CIPFA's Counter Fraud Centre
- Protecting the Public Purse 2014, Fighting Fraud Against Local Government by the Audit Commission.

Both reports set out good practice that should be considered by local authorities.

In October 2010, the Department for Work and Pensions (DWP) and HM Revenue and Customs (HMRC) published *The Fraud & Error Strategy: Tackling fraud and error in the benefit and tax credits systems*.

The strategy recommended that all welfare benefit fraud be investigated by one organisation taking all existing responsibility from the DWP, HMRC and Local Authorities. The new service named the **Single Fraud Investigation Service (SFIS)** is to be:

- located in the DWP as a newly formed department
- staffed by those employees from the DWP, HMRC and Local Authorities, who those organisations determine are 'in scope' to transfer over.

So from the 1<sup>st</sup> September 2015, the Council's fraud team will no longer investigate housing benefit fraud. Any existing investigations will simply be handed over to SFIS to continue. As has been pointed out during the consultation process, establishing the SFIS goes against the principles set out in *Fighting Fraud Locally*, the government's overall strategy to tackle fraud, error and debt in local government. The indications are that many authorities will lose the majority if not all of their fraud investigation teams to SFIS leaving limited capacity to deal with any other fraud risks. At present, all the Council's fraud staff have been formally identified as "in scope" and therefore are at risk of transfer to the SFIS.

An exercise is currently underway to consider what kind of counter fraud and investigation service the Council will require in the future. The good practice requirements outlined in the documents listed above as well as those included in *Fighting Fraud Locally*, will be taken into account when making this decision.

### 3. Policies and Strategies

As an interim measure, the Anti Fraud and Corruption Policy and Strategy (**Appendix A**) has been refreshed to reflect how the Council currently operates.

#### *Bribery Act 2010 and Money Laundering*

The Bribery Act 2010 created specific offences under Sections 1 and 2 of 'bribing' and being 'bribed' which apply to both private and public organisations where *"a person accepts a payment in return for manipulating the process or outcome of a public procurement in favour of a particular bidder"*.

Section 7 of the Bribery Act created an offence *"of a commercial organisation failing to prevent bribery"*. Although the offence by definition applies to commercial organisations, guidance states that covers organisations that are incorporated (by whatever means) or partnerships. It does not matter if the organisation pursues primarily charitable, educational aims or purely public functions. It will be caught if it engages in commercial activities, irrespective of the purpose for which profits are made. It is clear that some public sector organisations will fall within the definition set out in Section 7 of the Act e.g. a company established by a local authority under the Local Government Act 2003.

The key defence, should a bribery allegation arise, is that adequate procedures are in place to prevent this occurring. One aspect of this is to:

- undertake risk assessments that are periodic, informed, documented and includes financial risks but also other risks such as reputational damage
- provide refresher training for those activities highlighted as at risk.

In February 2014, new CIPFA guidance will be issued which outlines:

- continuing obligations on public authorities in relation to money laundering
- the interpretation of the provisions of the Money Laundering Regulations 2007 and the United Kingdom's response to the European Union Third Money Laundering Directive.

The Council last formally assessed its risks in both these areas in 2010/11. Therefore, it is important that the:

- impact of the new money laundering guidance on both the Policy and the risk assessment is considered once it is available
- the service risk assessments are updated in both areas.

All Service Managers will be asked to complete a short survey in due course to assess whether their service activities have characteristics that might make them more of a potential target for bribery or money laundering. The purpose of this assessment is to confirm whether the Council still has sufficient arrangements in place to counter these potential risks.

It will also be an opportunity to remind staff that breaches of the Bribery Act 2010 are punishable by unlimited fines and / or up to 10 years' imprisonment in the case of individuals. Further action can also be brought against "senior officers" of an organisation where it can be demonstrated that the offence took place with their consent or connivance.

#### **4. Housing and Council Tax Benefit Fraud**

The housing benefit and council tax fraud targets for 2014/15 are to achieve 20 Sanctions, close 250 investigations and receive 350 referrals by March 2015.

As at November 2014:

- 2 Summons have been issued for future court action
- 4 Administration Penalties have been agreed to the value of £17,611 which are either a 30% or 50% fine based on the level of the identified overpayment
- there have been 9 prosecutions, with overpayments of £115,298 being identified
- 229 cases have been investigated and closed
- overpayments have been identified totalling £193,524 in respect of Housing and Council Tax Benefit.

Therefore the Fraud Team is on target to meet these performance indicators by 31 March 2015.

## **5. Corporate Implications**

### **Financial Implications**

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

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

Proactive fraud and corruption audit work acts as deterrent against financial impropriety and it might identify financial loss.

### **Legal Implications**

The Accounts and Audit (England) Regulations 2011 require that:

*The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes the arrangements for the management of risk.*

Therefore failure to do so would be a breach of a statutory duty.

### **Human Resources and Equality Implications**

#### **Human Resources, Equality, IT and Asset Management Implications**

None

## **6. Links to Council's Priorities and Objectives**

The implementation of the various fraud related strategies and action plans helps deliver all the Council priorities and objectives.

## **7. Timescale for Implementation**

Timescales where relevant are set out in the body of the report.

## **8. Risk Factors**

Failure to implement a robust assurance framework which includes fit for purpose risk management arrangements increases the risk that Council objectives will not be delivered.

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 can not be eliminated from its activities, implementing these strategies will enable the Council to manage this more effectively.

## **Recommendations**

### **The Audit Committee:**

- **agrees the amendments made to the Anti Fraud and Corruption Policy and Strategy and recommends it to Cabinet for approval**
- **notes the work being done to mitigate the risk of fraud.**

### **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.**
- **Fighting Fraud Locally, The Local Government Fraud Strategy**
- **Association of Local Authority Risk Managers (ALARM) Publication: Managing the Risk of Fraud**
- **CIPFA Publication: Managing the Risk of Fraud**
- **Audit Commission Publication: Protecting the Public Purse: Local Government Fighting Fraud**

## **Appendix**

- **Appendix A: Anti Fraud & Corruption Policy and Strategy & Prosecuting Policy**

**Report Author: Linda Everard, Head of Internal Audit**



**ANTI FRAUD AND CORRUPTION &  
PROSECUTION POLICY STATEMENT  
AND STRATEGY**

**(INCLUDING BRIBERY, THEFT AND FINANCIAL  
IRREGULARITIES)**

Produced by: Head of Internal Audit

Subject to bi-annual review

**Presented to:**

Executive Management Team: December 2014

Audit Committee: January 2015

Cabinet: ???? 2015

## ANTI FRAUD AND CORRUPTION & PROSECUTION POLICY STATEMENT

Castle Point Borough Council (the Council) is committed to adhere to and promote the common principles of good governance for public sector organisations. This is because it recognises that good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users.

In order to achieve this, it is important to effectively manage risk. Otherwise resources that should be spent on front line services could be lost. This is particularly the case when dealing the risk of fraud, corruption, bribery, theft and financial irregularities.

Therefore the Council has adopted a zero tolerance to fraud, corruption, bribery, theft and financial irregularities. It will not tolerate any of these things perpetrated by:

- its councillors, employees or others
- customers, suppliers, claimants or other third parties against the Council.

It is determined that the culture and tone of the organisation is one of honesty and opposition to fraud, corruption, bribery, theft and financial irregularities. It therefore expects councillors and employees to adopt and promote the Nolan Committee's *Seven Principles of Public Life* (**Appendix A**) and participate in counter fraud initiatives.

It will ensure probity in local administration and governance by taking positive action against all forms of fraud, corruption, bribery, theft and financial irregularities. Where this is suspected the Council will:

- consider cases on their merits and investigate appropriately, all enquiries being carried out with the utmost propriety
- work within guidelines based on best practice and relevant legislation.

Where this is proven the Council will:

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

The Council is therefore committed to reduce losses from fraud, corruption, bribery, theft and financial irregularities to an absolute minimum.

The Council will deliver this policy through the strategy outlined in this document.

The strategy will be reviewed periodically to ensure continued compliance with good practice guidance.

# ANTI FRAUD AND CORRUPTION STRATEGY

## INTRODUCTION

An overriding responsibility of public sector organisations is the provision of effective and efficient services to clients and stakeholders in a manner that seeks to ensure the best possible protection of the public purse in its delivery arrangements.

The impact of fraud, corruption, bribery, theft and financial irregularities on a public sector organisation can have consequences that are serious and often far reaching. They can directly affect the ability of the public sector to serve the most vulnerable in society. Financial and reputational loss are the obvious key risk areas but instances of fraud, corruption and bribery can also bring a range of other serious consequences including breakdown of trust, political fall-out, impact on morale and the risk of potential litigation.

The indications nationally are that losses due to fraud, corruption, bribery, theft and financial irregularities are on the increase, a trend that is likely to continue given the current economic climate.

Therefore, the need for effective risk management in the public sector is more essential than ever, as:

- public expectations increase and tolerance of failure by public service organisations reduces
- the impact of government reforms in the public sector take effect.

The Accounts & Audit (England) Regulations 2011 also require the Council to have proper arrangements in place for managing risk:

*"The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes the arrangements for the management of risk."*

## WHAT IS COVERED UNDER THIS POLICY?

**Fraud** is the performing of an act to deliberately deceive in order to gain an unfair advantage. Fraud may be committed against the Council by councillors or employees (internal fraud) or by third parties (external fraud).

An offence is committed contrary to the Fraud Act 2006 if a person is dishonest and intends to make a gain or to cause a loss to another by:

- making a false or misleading statement
- failing to disclose information to another person which he/ she is under a legal duty to disclose
- abusing a position of trust.

**Corruption** is the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person. This involves the abuse of a councillor or employees position within the Council in order to confirm an unfair advantage on a third party (who can be either internal or external to the Council).



## ANTI FRAUD AND CORRUPTION STRATEGY

**Bribery** is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

An offence is committed contrary to the Bribery Act 2010:

- by giving or receiving a bribe (section 1 and 2);
- by bribing a Foreign Official with the intention of obtaining or retaining business or an advantage in the conduct of business (section 6)
- where a commercial organisation fails to stop people who are operating on its behalf from being involved in bribery (section 7).

**Theft** is defined under Section 1 Theft Act 1968 as the dishonest appropriation of property belonging to another person with the intention of permanently depriving the other person of it.

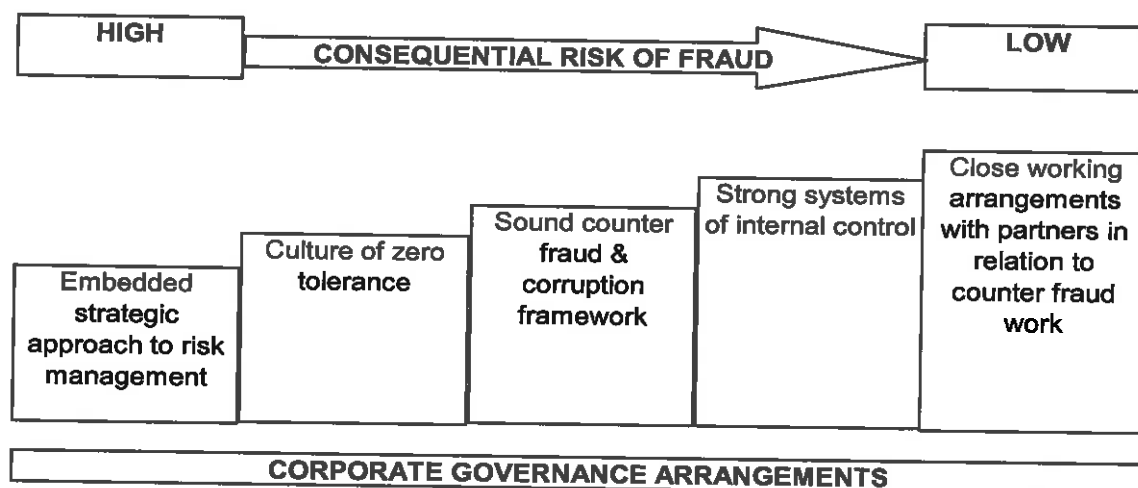
**Financial Irregularity** is the evading of internal controls, which may or may not be fraudulent such as intentional misstatement or omission of significant information in accounting records, financial statements, other reports, documents or records. Irregularities include:

- fraudulent financial reporting which renders financial statements misleading
- misappropriation of assets.

### WHAT THIS STRATEGY AIMS TO DELIVER

#### GOVERNANCE ARRANGEMENTS

The Council aims to maintain the five key essentials of corporate governance that need to be in place in order to manage the risk of fraud, corruption, bribery, theft and financial irregularities at an acceptable level.



Source: ALARM Managing the Risk of Fraud

# **ANTI FRAUD AND CORRUPTION STRATEGY**

## **OPERATIONAL PROCESSES**

The Council will then:

- adopt the right operational strategy for the size and nature of the organisation
- accurately identify the risks
- create and maintain a strong framework through:
  - giving those doing this work the necessary authority and support to pursue their remit effectively
  - ensuring staff doing this work have specialist training and accreditation
  - having effective propriety checks in place
  - developing effective relationships with other organisations to facilitate collaborative working on this agenda.
- takes action to tackle the problem which includes:
  - continually working on maintaining the fraud, corruption, bribery, theft and financial irregularities culture
  - focusing more on deterrence and prevention as this is more cost effective
  - taking focused action to detect fraud, corruption, bribery, theft and financial irregularities, investigating it robustly and exploring all options regarding sanctions or redress.
- define success, based on outcomes not merely activity.

*Source: CIPFA Managing the Risk of Fraud*

## **OTHER RELATED POLICIES**

The Anti Fraud and Corruption & Prosecution Policy Statement and Strategy should be read in conjunction with the relevant:

- Risk Management Policy Statement and Strategy
- Whistleblowing Policy (Confidential Reporting Policy)
- Anti-Money Laundering Policy and Strategy
- Employees and Councillors Codes of Conduct.

## **THE BENEFITS**

The financial cost of fraud, corruption, bribery, theft and financial irregularities does not fully reflect the personal impact it can have on victims. In the public sector, every pound lost through fraud, corruption, bribery, theft and financial irregularities directly affects citizens by increasing national and local taxation levels and housing rents or threatening essential services. The honest majority pay for it.

Fraud, corruption, bribery, theft and financial irregularities are likely to increase during a time of financial constraint as:

## ANTI FRAUD AND CORRUPTION STRATEGY

- economic distress can increase the incentive to commit such offences
- controls to prevent and detect it can come under pressure as councils reduce their costs.

Therefore, having an embedded anti fraud and corruption culture throughout the Council will help minimise the loss of resources through fraudulent or corrupt activity.

### DELIVERING THE STRATEGY

#### REPORTING ALLEGATIONS / SUSPICIONS

Allegations and / or suspicions may arise from any source within or external to the Council. Anybody who suspects fraud, corruption, bribery, theft or other financial irregularity in respect of the Council is expected to report the matter in accordance with Financial Procedure Rules:

- **to the Council's Fraud Team:**
  - on **01268 882250** or via [Fraudhotline@castlepoint.gov.uk](mailto:Fraudhotline@castlepoint.gov.uk) or
  - via the Council's **Confidential Report Line** on **01268 882250**
  - via any of the above under the provisions of the Whistleblowing Policy
- in exceptional circumstances, to the **Chief Executive 01268 8822401**.

The Council's Fraud Team will take the details of the concern and log it on a central record. They will then take whatever action is appropriate to ensure that the concerns are investigated in accordance with the respective policies.

Action will be taken swiftly and firmly to deal with those who defraud the Council or who are corrupt.

#### ROLES AND RESPONSIBILITIES

In order to ensure the successful implementation of the strategy, clear roles and responsibilities have been established for councillors and employees which are detailed in **Appendix B**.

#### DATA MATCHING

The Council will actively pursue opportunities to both develop and participate in data sharing exercises internally and externally, in the quest to prevent and detect fraud and corruption. These will include the Audit Commission's National Fraud Initiative and ongoing data matching with the Department of Works and Pensions.

This will be done in line with the Information Commissioners Code of Practice for Data Sharing.

#### PROSECUTION

All allegations of fraud, corruption, bribery, theft or other financial irregularity will be taken seriously, thoroughly investigated and rigorous action taken when it is substantiated.

## ANTI FRAUD AND CORRUPTION STRATEGY

Where there is clear evidence that a fraudulent or corrupt act has been committed the following tests will be applied before a case is considered for prosecution:

- **The Evidential Test:** There must be enough evidence to provide a realistic prospect of conviction.
- **The Public Interest Test:** A prosecution will usually take place unless there are public interest factors tending against prosecution that clearly outweigh those tending in favour. Although there may be public interest factors against prosecution in a particular case, often it should go ahead and those factors should be put to the court for consideration when sentence is being passed.

The Crown Prosecution Service's 'Code for Crown Prosecutors' published 2000, details various public interest factors that should be referred to when making a decision to prosecute.

The Council will in most instances prosecute where the fraud, corruption, bribery, theft or other financial irregularity is perpetrated:

- was not a first offence, or
- was planned, or
- involved more than one person and
- passes the Public Interest Test detailed above.

The Council's Fraud Team being involved in the detection and investigation of fraud, corruption, bribery, theft or other financial irregularity will maintain detailed guidance as to the:

- relevant public interest factors and thresholds to be applied
- required sufficiency and standards of evidence obtained, before referring cases for prosecution
- appropriate sanctions that can be considered
- options available to seeking redress for any losses (where appropriate).

The Council believes fair and effective prosecution is essential in order to protect public funds and deter fraudulent or corrupt activity. The Council will ensure that successful prosecutions are reported to the media where it is appropriate to do so, in order to demonstrate their continual drive to prevent fraud, corruption, bribery, theft or other financial irregularity.

### DISCIPLINARY ACTION

The Council will also invoke internal disciplinary action in line with the relevant Disciplinary Policy and Procedure against those suspected of fraud, corruption, bribery, theft or other financial irregularity if this is considered to be appropriate. This may be the only action taken or 'parallel sanctions' may be pursued which means internal disciplinary proceedings will be started at the same time as pursuing external prosecution (such as civil action).

## **ANTI FRAUD AND CORRUPTION STRATEGY**

### **APPENDIX A: NOLAN COMMITTEE'S PRINCIPLES OF PUBLIC LIFE**

#### **INTRODUCTION**

The Council has set out the principles of good governance it applies in its Local Code of Governance which is consistent with the CIPFA / SOLACE Guidance Delivering Good Governance in Local Government Framework. However councillors and employees must also refer to the Nolan Committee's *Seven Principles of Public Life*, as set out below, to help ensure that their own conduct complies with these overarching good governance principles.

#### **SELFLESSNESS**

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

#### **INTEGRITY**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

#### **OBJECTIVITY**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

#### **ACCOUNTABILITY**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

#### **OPENNESS**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

#### **HONESTY**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

#### **LEADERSHIP**

Holders of public office should promote and support these principles by leadership and example.

**ANTI FRAUD AND CORRUPTION STRATEGY**  
**APPENDIX B: ROLES AND RESPONSIBILITIES**

GROUP OR INDIVIDUALS	ROLE	RESPONSIBILITIES ARE TO:
<b>Cabinet</b>	<p>To approve arrangements for managing risk (including fraud and corruption)</p> <p>To ensure risk has been properly evaluated and managed as part of its decision making process</p>	<ul style="list-style-type: none"> <li>• Approve the Anti Fraud &amp; Corruption Policy, the Whistleblowing Policy and the Anti Money Laundering Policy once challenged by the Audit Committee</li> <li>• Ensure all aspects of risk are considered and understood when making any policy decisions</li> <li>• Monitor performance, which includes active consideration of related risk</li> </ul>
<b>Audit Committee</b>	<p>To satisfy itself that there are adequate arrangements in place to manage risk (including that relating to fraud and corruption) effectively</p>	<ul style="list-style-type: none"> <li>• Challenge the Anti Fraud &amp; Corruption Policy, the Whistleblowing Policy, the Anti Money Laundering Policy to ensure they are fit for purpose</li> <li>• Seek assurance that any control issues identified through fraud and corruptions investigations are properly dealt with</li> </ul>
<b>Executive Management Team</b>	<p>To ensure there are appropriate corporate arrangements in place to enable the organisation to effectively manage risk and they are operating as designed</p>	<ul style="list-style-type: none"> <li>• Challenge the Anti Fraud &amp; Corruption Policy, the Whistleblowing Policy, the Anti Money Laundering Policy to ensure they are fit for purpose</li> <li>• Receive periodic reports on investigations undertaken and outcomes achieved</li> </ul>
<p><b>Chief Executive / Strategic Directors</b></p> <p><b>Heads of Service / Service Managers</b></p> <p>(Individually or Collectively)</p>	<p>To ensure that risk is managed effectively both organisationally and in each service area in line with corporate strategies including those relating to Risk Management and Anti Fraud &amp; Corruption</p>	<ul style="list-style-type: none"> <li>• Be satisfied that there are appropriate processes in place to train all councillors and employees re: <ul style="list-style-type: none"> <li>• this policy's contents and their respective roles and responsibilities under this policy</li> <li>• the standards and requirements of the respective Codes of Conduct</li> </ul> </li> <li>• Deal with any councillors or employees who are suspected of fraud, corruption, bribery, theft or financial irregularity in accordance with the respective Code of Conduct and where relevant the Disciplinary and Dismissal at Work Policy</li> </ul>

**ANTI FRAUD AND CORRUPTION STRATEGY**  
**APPENDIX B: ROLES AND RESPONSIBILITIES**

GROUP OR INDIVIDUALS	ROLE	RESPONSIBILITIES ARE TO:
		<ul style="list-style-type: none"> <li>• Report all potential or indications of fraud, corruption, bribery, theft or financial irregularity identified to the Council's Fraud Team whether or not support is required to investigate the matter</li> <li>• Investigate any potential irregularities relating to their service area arising from matching data from different sources and report any that are potential cases of fraud to the Council's Fraud Team</li> <li>• Respond to all audit reports in writing within a timetable agreed with the Council's Head of Internal Audit detailing the action intended, to address any recommendations which could reduce exposure to fraud, (as required by Financial Procedure Rules and Regulations)</li> </ul>
<p><b>All Employees / Elected Members</b></p> <p>Individually or collectively)</p>	<p>To manage risk effectively in their job</p>	<ul style="list-style-type: none"> <li>• Bring to the attention of line management (for staff), the Strategic Director Corporate Services and Monitoring Officer (for councillors) any positions held outside the Council that may conflict with Council roles and responsibilities</li> <li>• Disclose any financial or non-financial interests that could conflict with the Council's interests</li> <li>• Be aware of the standards and requirements of the respective Code of Conducts and all relevant legislation (as per the individual's Job Description)</li> <li>• If unsure of the standards required, request guidance from an appropriate senior manager</li> <li>• Act with integrity at all times and to be honest and trustworthy by complying with all laws and regulations applicable to the Council's business</li> <li>• Ensure potential conflicts of interest are raised immediately when asked to be involved in something so that the Council's impartiality cannot be bought into question when making decisions</li> <li>• As a general rule, do not accept gifts or hospitality as this could be seen as compromising impartiality. If they are accepted, then record them in the gifts and hospitality register</li> </ul>

# ANTI FRAUD AND CORRUPTION STRATEGY

## APPENDIX B: ROLES AND RESPONSIBILITIES

GROUP OR INDIVIDUALS	ROLE	RESPONSIBILITIES ARE TO:
		<ul style="list-style-type: none"> <li>• Report suspected fraud, corruption, bribery, theft or other financial irregularity that could have an impact on the Council (as required by Financial Procedure Rules and Regulations) to the Council's Fraud Team. Failure to do so could expose an individual to risk of subsequent disciplinary action</li> <li>• Report the matter using the Whistleblowing Policy if that is more appropriate</li> </ul>
<b>Individual Managers</b>	To apply proper recruitment practices that minimise the risk of fraud	<ul style="list-style-type: none"> <li>• Check the validity of information provided on the job application forms (wherever possible) e.g. references and qualifications before making an offer of appointment</li> </ul>
<b>Fraud Manager</b>	<p>To ensure robust and effective anti fraud and corruption arrangements are maintained</p> <p>To prevent, detect and investigate fraud, corruption, bribery, theft or financial irregularity</p> <p>To work effectively with partners in this endeavour</p>	<ul style="list-style-type: none"> <li>• Deal appropriately with information received via the confidential report line or the on line reporting facilities</li> <li>• Maintain a log of all allegations made (excluding those relating to benefits), and report them to the Chief Executive, Strategic Director Corporate Services and Monitoring Officer, Strategic Director Transformation and Resources, Head of Resources (the Section 151 Officer) and the Head of Internal Audit</li> <li>• Investigate and report upon suspected cases of fraud or corruption in accordance with documented procedures, with the support and or involvement of Internal Audit where appropriate</li> <li>• Comply with specific procedures, government guidelines and relevant legislation in the prevention and detection of benefit fraud</li> <li>• Maintain procedures that are consistent with the Department of Works &amp; Pensions' (DWP) Housing and Council Tax Benefit Security Guidance</li> <li>• Inform the Chief Executive, Strategic Director Corporate Services and Monitoring Officer, Strategic Director Transformation and Resources, Head of Resources (the Section 151 Officer) and the Head of Internal Audit of any allegations that require investigation and the progress / outcome of such cases</li> </ul>



**ANTI FRAUD AND CORRUPTION STRATEGY**  
**APPENDIX B: ROLES AND RESPONSIBILITIES**

GROUP OR INDIVIDUALS	ROLE	RESPONSIBILITIES ARE TO:
<b>Head of Internal Audit</b>	To ensure appropriate policies are in place	<ul style="list-style-type: none"> <li>• Update the Anti Fraud &amp; Corruption, Whistleblowing and Anti Money Laundering policies and strategies at least bi-annually</li> <li>• Submitted to Executive Management Team, Audit Committee and Cabinet for consideration and approval</li> </ul>
<b>Internal Audit</b>	To provide assurance as to whether the risk management arrangements are fit for purpose	<ul style="list-style-type: none"> <li>• Periodically provide an independent view of the robustness of the corporate approach to risk management and compliance therewith</li> <li>• Review and comment on the content and relevance of service risk registers (particularly with regard to the identification of fraud and corruption risks) in supporting the delivery of the service plan objectives when undertaking risk based audits</li> <li>• Review and appraise the adequacy, reliability and effectiveness of the Council's framework of governance, risk management and control including those relating to fraud, corruption, bribery, theft or financial irregularity</li> <li>• Report recommendations to management, relating to weaknesses in internal controls, which could leave the Council open to fraud, corruption, bribery, theft or financial irregularity</li> </ul>
<b>Customers, contractors, suppliers, third parties</b>	To help safeguard public money	<ul style="list-style-type: none"> <li>• Be honest in their dealings with the Council</li> <li>• Report any suspicions that have re public money may be inappropriately spent</li> <li>• Co-operate with any investigation be it by the Council and or police</li> </ul>

**AUDIT COMMITTEE**

**7 JANUARY 2015**

**Subject: Audit Commission's Protecting the Public Purse, Fraud Briefing 2014, Castle Point Borough Council**

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**1. Purpose of Report**

To present the Audit Commission's Protecting the Public Purse Fraud Briefing 2014 to the Audit Committee.

**2. Background**

The Audit Commission has produced a briefing as an information source to support councillors in considering their council's fraud detection activities and performance.

A senior representative of BDO (the appointed External Auditor to the Council) will present this report to the Audit Committee and respond to Members' questions.

**3. Corporate Implications**

**Financial Implications**

Report is for information only.

**Legal Implications**

None. For information only.

**Human Resources and Equality Implications**

**Human Resources**

None

**Equality Implications**

None.

**IT and Asset Management Implications**

None

**4. Links to Council's Priorities and Objectives**

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

## **5. Timescale for Implementation and Risk Factors**

To be considered as part of the fraud arrangements.

### **Recommendation**

**The Audit Committee notes the briefing and the Council's performance in terms of detecting fraud.**

### **Background Papers**

- None

### **Attachments**

- Audit Commission's Protecting the Public Purse, Fraud Briefing 2014, Castle Point Borough Council

**Report Author: Zoe Thompson, Senior Manager, BDO**

# Protecting the Public Purse Fraud Briefing 2014

Castle Point Borough Council



# Purpose of Fraud Briefing



Provide an information source to support councillors in considering their council's fraud detection activities



Extend an opportunity for councillors to consider fraud detection performance, compared to similar local authorities

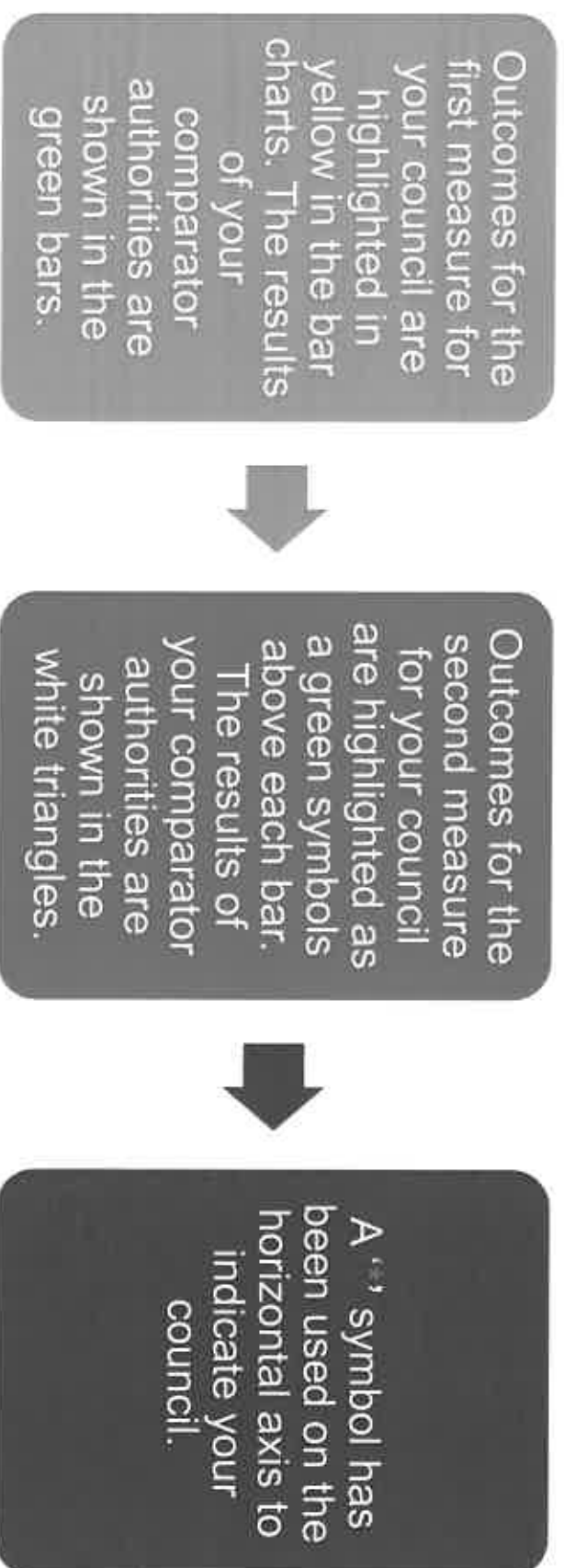


Give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed



Be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud

# Understanding the bar charts



All data are drawn from council submissions on the Audit Commission's annual fraud and corruption survey for the financial year 2013/14.

In some cases, council report they have detected fraud and do not report the number of cases and/or the value. For the purposes of this fraud briefing these 'Not Recorded' records are shown as Nil.

# Comparator group

Basildon  
Blaby  
Braintree  
Brentwood  
Broadland  
Broxtowe  
Castle Point  
Chelmsford  
Colchester  
Epping Forest  
Gedling  
Harlow  
High Peak  
Kettering  
Lichfield  
Maldon  
Rochford  
Rushcliffe  
South Ribble  
South Staffordshire  
Staffordshire Moorlands  
Tending  
Tewkesbury  
Uttlesford

# Interpreting fraud detection results



Contextual and comparative information needed to interpret results



Detected fraud is indicative, not definitive, of counter fraud performance (*Prevention and deterrence should not be overlooked*)



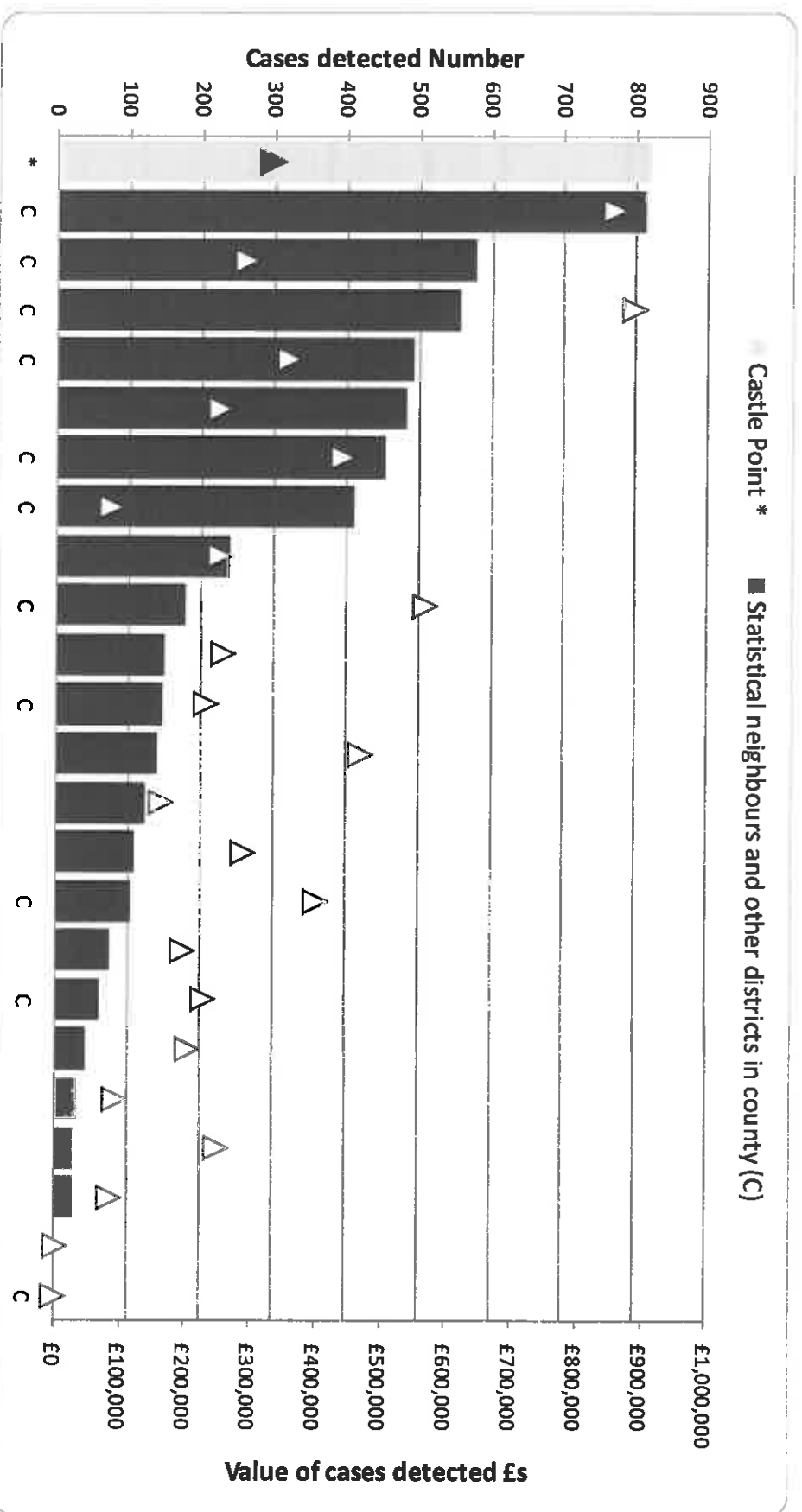
No fraud detected does not mean no fraud committed (*Fraud will always be attempted and even with the best prevention measures some will succeed*)



Councils who look for fraud, and look in the right way, will find fraud (*There is no such thing as a small fraud, just a fraud that has been detected early*)



# Total detected cases and value 2013/14 (Excludes Housing tenancy fraud) Castle Point



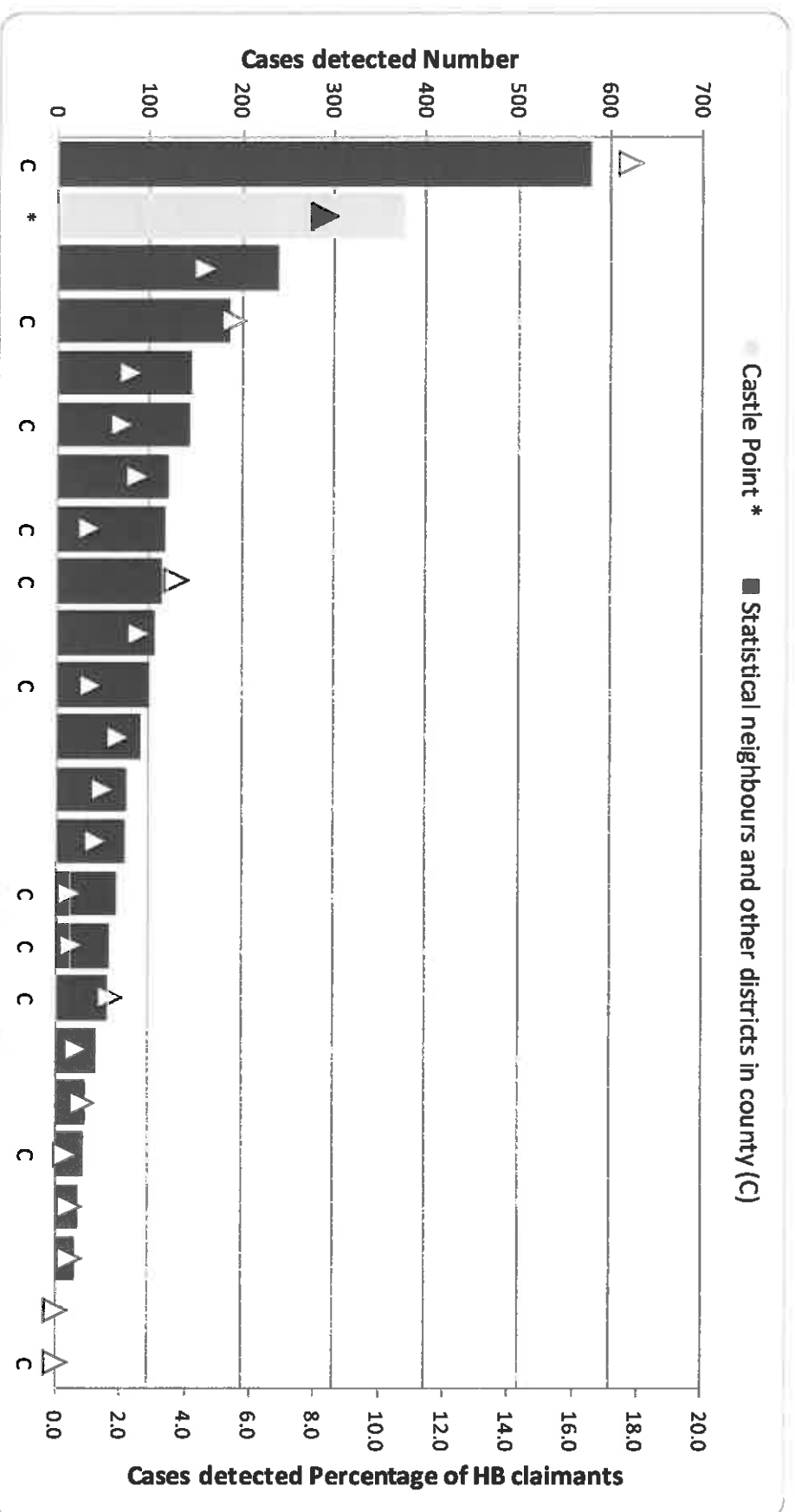
Castle Point detected 822 cases of fraud. The value of detected fraud was £328,560 #.

Average for statistical neighbours and county: 228 cases, valued at £298,064

# Housing Benefit (HB) and Council Tax Benefit (CTB) 2013/14

## Total detected cases, and as a proportion of housing benefit caseload

### Castle Point

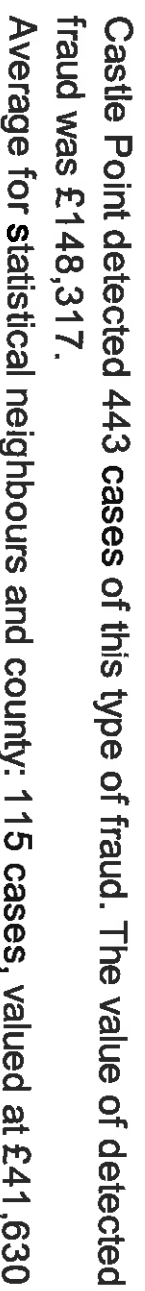


Castle Point detected 377 cases of this type of fraud. The value of detected fraud was £180,243.

Average for statistical neighbours and county: 105 cases, valued at £268,872



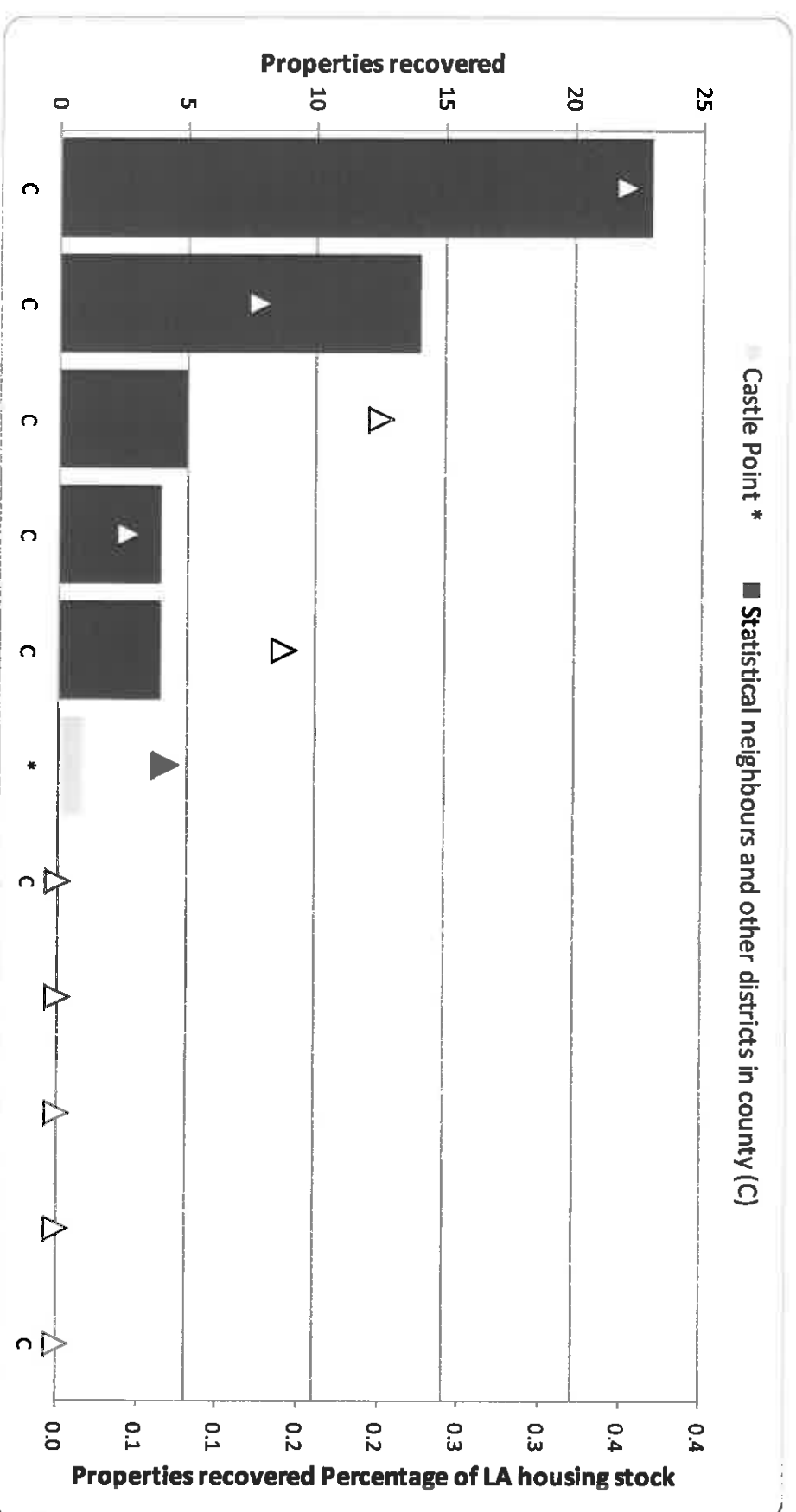
**Total detected cases, and as a proportion of council tax income**



# Social Housing fraud (only councils with housing stock) 2013/14

## Total properties recovered, and as a proportion of housing stock

### Castle Point



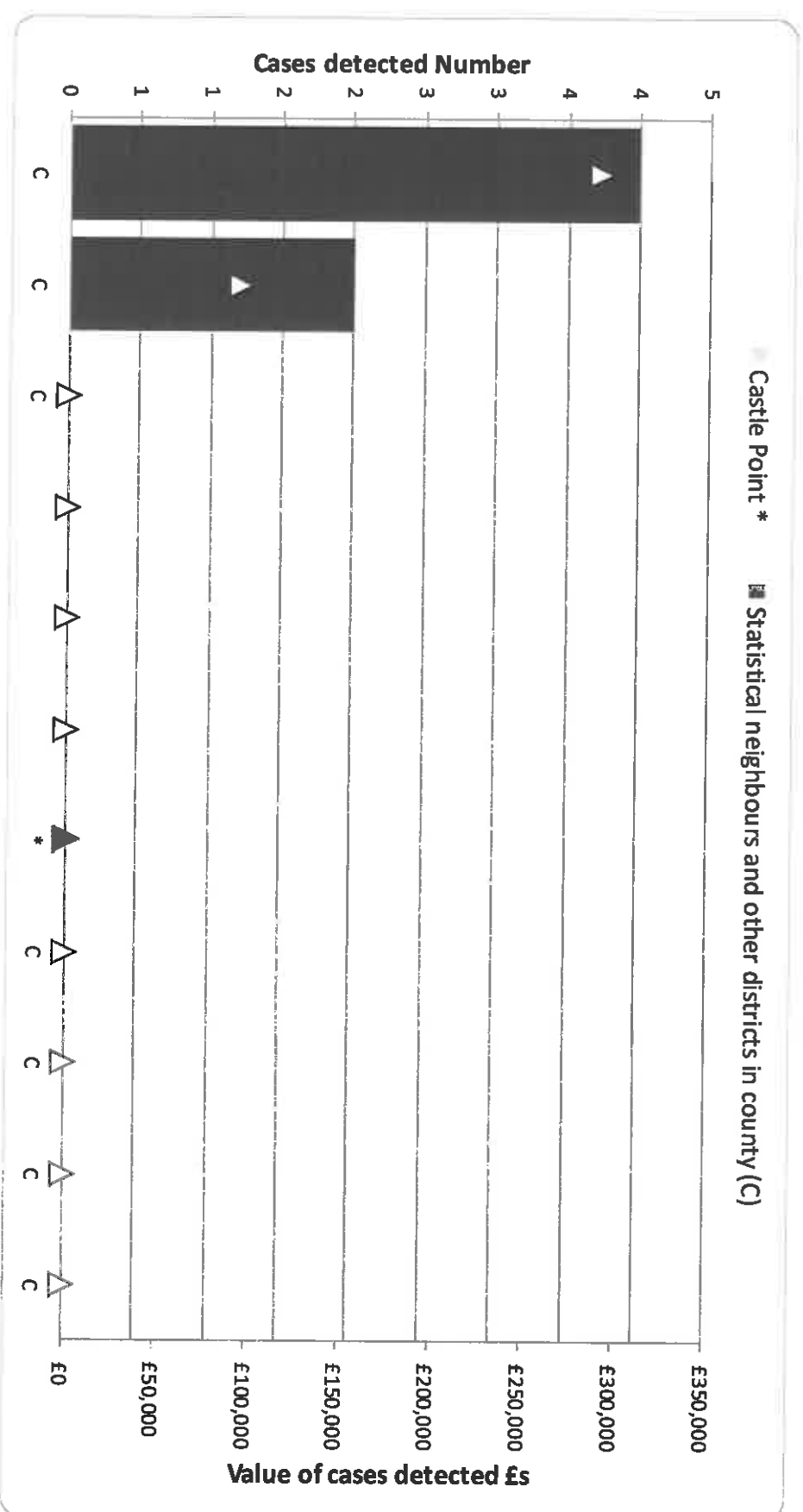
Castle Point recovered 1 property.

Average for statistical neighbours and county with housing stock: 5 cases

# Right to buy fraud (only councils with housing stock) 2013/14

## Right to buy cases and value

### Castle Point



Castle Point did not detect any cases of this type of fraud.  
 Average for statistical neighbours and county with housing stock: 1.0 case,  
 valued at £192,250

## Other frauds 2013/14 Castle Point

Procurement: Castle Point did not detect any cases of this type of fraud.  
Total for statistical neighbours and county: 1 case, valued at £640

Insurance: Castle Point did not detect any cases of this type of fraud.  
Total for statistical neighbours and county: 0 cases

Economic and third sector: Castle Point did not detect any cases of this type of fraud.  
Total for statistical neighbours and county: 1 case, valued at £2,837

Internal: Castle Point detected this type of fraud and did not report the number of cases.  
Total for statistical neighbours and county: 10 cases, valued at £25,215

***Correctly recording fraud levels is a central element in assessing fraud risk.  
It is best practice to record the financial value of each detected case***

# Questions elected members and decision makers may wish to ask

**Post SFIS**

**Local  
priorities**

**Partnerships**

**Using  
information  
and data**

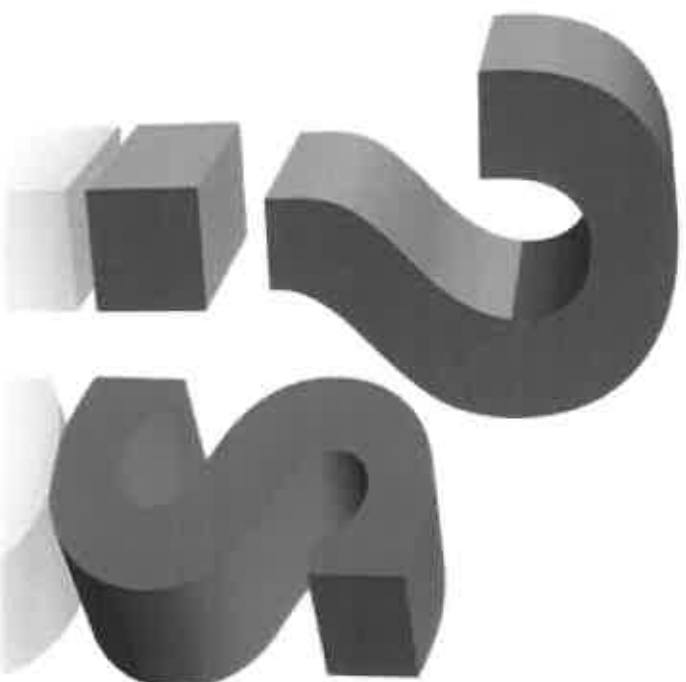
Are our remaining counter-fraud resources and skill sets adequate after our benefit fraud investigators have left to join SFIS?

Are local priorities reflected in our approach to countering fraud?

Have we considered counter-fraud partnership working?

Are we satisfied that we will have access to comparative information and data to inform our counter-fraud decision making in the future?

# Any questions?





**AUDIT COMMITTEE**

**7 JANUARY 2015**

**Subject: Risk Management Update Report**

---

**1. Purpose of Report**

To update the Audit Committee on the delivery of the Council's Risk Management Strategy.

**2. Risk Management, Corporate Risk Register**

A key role for the Audit Committee is to satisfy itself that the Council has appropriate arrangements in place to identify and manage its key risks. Therefore the Corporate Risk Register attached at **Appendix A** is reported to the Audit Committee as part of the assurance provided that this is the case.

The Corporate Risk Register is reviewed quarterly by Executive Management Team.

The register has been updated to include early consideration of the draft service plans. It will continue to be updated to reflect any new issues or initiatives.

Committee are invited to consider and comment on the corporate risk register.

**3. Risk Management, General Update**

The Council's risk management policy, strategy and framework still needs to be updated as soon as resources are available. A review of the current arrangements against good practice guidance indicated that the framework is still sound. So the work will specifically focus on:

- developing mechanisms that ensure risk management is applied consistently across services and risks are escalated through the management structures effectively
- providing a framework for considering risk appetite and tolerance
- developing the guidance in some areas to make it more user friendly
- integrating risk management into 'the way we work' rather than it being about how risk is recorded, which means developing staff capabilities in this area
- reviewing the approach to and assessment of partnership risks
- developing the links to identifying and evaluating the risks relating to opportunities

- fully integrating the concept of assurance into the framework.

#### **4. Insurance**

The Council operates an Insurance Group where relevant services meet twice a year with the Senior Insurance Officer from Basildon Borough Council and on occasion, the Council's insurance broker to minimise risks in areas that might lead to potential insurance claims. To that end:

- the combined liability and motor risk management standards review completed by the Council's insurer, concluded that its arrangements for minimising losses in these areas were good
- an exercise is underway to fundamentally review the Council's insurance portfolio to see if there are any opportunities to reduce the overall premium.

An action plan has been produced from the risk management standards review so that potential opportunities highlighted to improve the arrangements even further are explored and implemented if practical.

Further work is planned to ensure that the good practice inspection regimes already applied in some services used are consistently across the Council.

#### **5. Corporate Implications**

##### **Financial Implications**

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

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

Proactive fraud and corruption audit work acts as deterrent against financial impropriety and it might identify financial loss.

##### **Legal Implications**

The Accounts and Audit (England) Regulations 2011 require that:

*The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes the arrangements for the management of risk.*

Therefore failure to do so would be a breach of a statutory duty.

##### **Human Resources and Equality Implications**

##### **Human Resources, Equality, IT and Asset Management Implications**

Any human resource, equality, IT or asset management implications arising from identifying and managing risk will be considered through the Council's normal business management processes.

Proactive fraud and corruption audit work acts as deterrent against general impropriety and it might identify loss of assets.

## **6. Links to Council's Priorities and Objectives**

Risk management arrangements support the delivery of all the Council's Priorities and Objectives.

## **7. Timescale for Implementation and Risk Factors**

Failure to implement a robust assurance framework which includes fit for purpose risk management arrangements increases the risk that Council objectives will not be delivered.

### **Recommendation**

#### **The Audit Committee**

- **notes the content of the report**
- **considers the corporate risk register attached as Appendix A.**

### **Background Papers**

- The Accounts and Audit (England) Regulations 2011
- Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives and Senior Managers publication: Delivering Good Governance in Local Government - Framework.
- Chartered Institute of Public Finance and Accountancy / Association of Local Authority Risk Managers (ALARM) benchmarking survey based upon ALARM's National Performance Model for Risk Management published in 2009.

### **Appendices**

- **Appendix A: Corporate Risk Register**

### **Report Authors:**

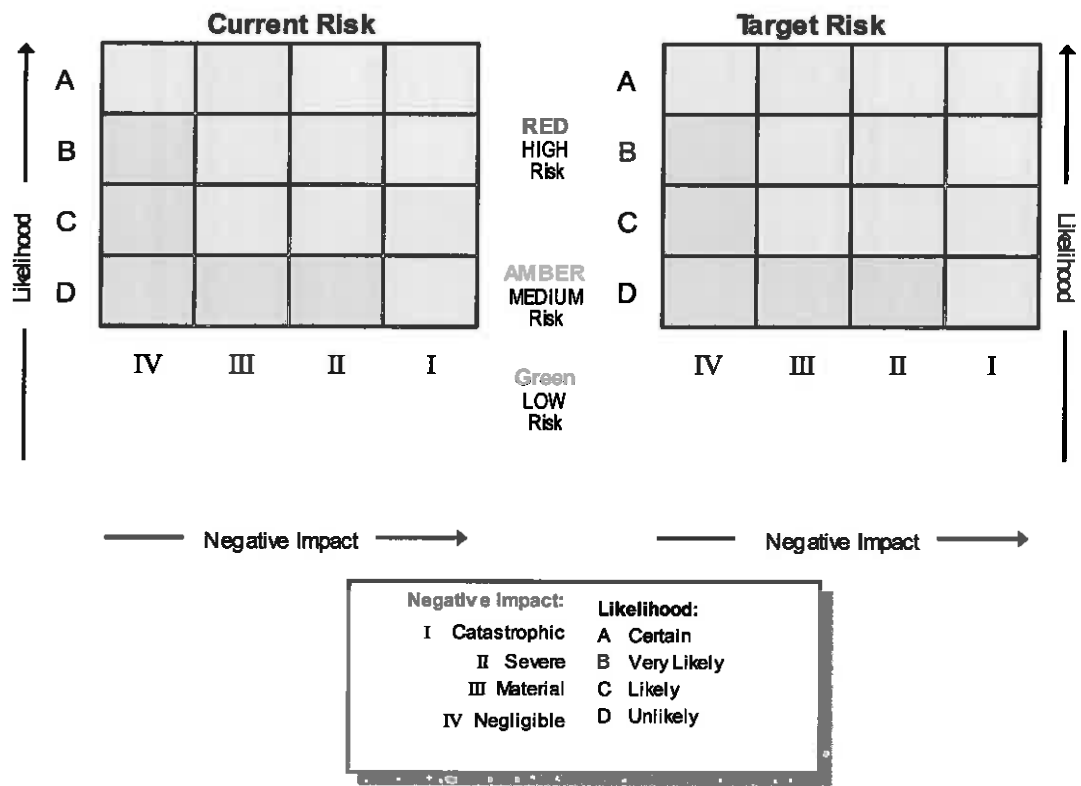
- **Craig Watts, Head of Performance and Service Support**
- **Linda Everard, Head of Internal Audit**

Appendix A

**Corporate Risk Register**

**Risk Assessment**

All risks are assessed as follows:



A summary of the current controls is set out for the current risk and a summary of the further actions planned is set out for the target risk.

## Appendix A

### Public Health & Wellbeing:

**Risk Description: Partnership working does not result in improved efficiency and effectiveness and reduces rather than increases organisational capacity.**

#### Current Risk

A		X		
B				
C				
D				
	IV	III	II	I

#### Target Risk

A				
B		X		
C				
D				
	IV	III	II	I

#### Summary of Current Controls:

- Key partnership frameworks in place such as the LSP with associated governance
- Other partnerships operate with associated governance arrangements
- Partnership framework document in place

#### Summary of Actions to further mitigate risks:

- Audit of Partnership Arrangements – March 2015
- Review Community Strategy and associated partnership governance processes - March 2015

**Responsibility: Head of Partnerships & Safer Places**

**Target Risk to be achieved by: March 2015**

**Transforming Our Community**

**Risk Description: The Vision for Regeneration is not fully clear and the achievement of outcomes is limited.**

<b>Current Risk</b>
---------------------

A		x		
B				
C				
D				
	IV	III	II	I

<b>Target Risk</b>
--------------------

A				
B		x		
C				
D				
	IV	III	II	I

**Summary of Current Controls:**

- Regeneration priorities in place
- Town centre master plans for Canvey and Hadleigh complete, and in use
- Regeneration team in place
- Regeneration consultation arrangements in place

**Summary of Actions to further mitigate risks:**

- To revise Regeneration priorities and clarify key milestones – March 2015
- Assess resources required and undertake cost benefit analysis – March 2015
- Revised objectives and outcomes communicated to members, staff and public – June 2015

**Responsibility: Head of Regeneration & Neighbourhoods**

**Target Risk to be achieved by: 30th June 2015**

Appendix A

**Risk Description: Local Plan is not progressed resulting in unwanted development and high legal costs.**

**Current Risk**

A				X
B				
C				
D				
	IV	III	II	I

**Target Risk**

A				X
B				
C				
D				
	IV	III	II	I

**Summary of Current Controls:**

- Local Development Scheme and Annual Monitoring Report – reported annually to Cabinet.
- Project plan and programme management and monitoring by officers and Members.

**Summary of actions to further mitigate risks:**

- Ongoing engagement with elected Members through Task & Finish Group
- Completion of necessary administrative requirements to ensure legal compliance - Ongoing
- Background evidence kept up to date - Ongoing

**Responsibility:** Head of Regeneration & Neighbourhoods

**Target Risk to be achieved by:** Ongoing.

**Efficient & Effective Customer Focussed Services**

**Risk Description: Unable to provide full range of existing services for years 2017/18 and beyond due to reductions in government grant funding.**

<b>Current Risk</b>
---------------------

A			X	
B				
C				
D				
	IV	III	II	I

<b>Target Risk</b>
--------------------

A				
B				
C			X	
D				
	IV	III	II	I

**Summary of Current Controls:**

1. Value of efficiencies required identified for each respective financial year.
2. Budget process for 2015/16 in progress and indicates potentially balanced budget for 2015/16 and 2016/17.
3. Operation Darwin Transformation Programme conceived and set out in Corporate Plan.
4. Budget challenge and assessment exercise has been completed in all service areas.

**Summary of Actions to further mitigate risks:**

- Monitoring and reporting processes established.
- Budget process for 2015/16 continuing.

**Responsibility: Head of Resources**

**Further actions to be undertaken to mitigate risk:**

- Development and implementation of Operation Darwin. This will include:
  - Formulating an ICT Roadmap to extend the use of and improve the ICT infrastructure.
  - Reviewing processes and procedures across the Council.
  - Reviewing and streamlining service structures across the Council.
  - Maximising income generation opportunities.

**Responsibility: Strategic Director, Transformation and Resources**

**Target Risk to be achieved by: Implementation of Transformation Programme and associated milestones. Transformation programme initial framework to be in place by 31<sup>th</sup> March 2015. Risk is subject to on-going assessment.**



Appendix A

**Risk Description: Potential for too many priorities and inadequate staff capacity to pursue all priorities / insufficient corporate resources to implement change**

**Current Risk**

A				
B			X	
C				
D				
	IV	III	II	I

**Target Risk**

A				
B				
C			X	
D				
	IV	III	II	I

**Summary of Current Controls:**

1. Directorate and Service Planning in place
2. Corporate objectives drafted
3. New corporate aims in corporate plan
4. Corporate training programme in place

**Summary of Actions to further mitigate risks:**

- New draft Corporate Plan to set out priorities and objectives Responsibility: Head of Performance & Service Support – March 2015
- Explore opportunities to develop capacity through partnership working. Responsibility: CMT - Ongoing
- Development of initial Transformation Programme. Responsibility: Strategic Director Transformation & Resources – March 2015
- Projects to be reviewed and incorporated into corporate programming. Responsibility: Head of Performance & Service Support – March 2015

**Target Risk to be achieved by: 31<sup>st</sup> March 2015**

## Appendix A

**Risk Description: Power Outage (Electricity powercut/surge/spike) only limited coverage by current equipment in Capita Data Centre resulting in Server/Application downtime and potential loss of service to residents**

Current Risk				
--------------	--	--	--	--

A				
B			X	
C				
D				
	IV	III	II	I

Target Risk				
-------------	--	--	--	--

A				
B				
C				
D			X	
	IV	III	II	I

### Summary of Current Controls:

1. UPS in place (Limited battery life)
2. Covered by Capita Contract
3. Replacement items can be sourced (Configuration may take some time)
4. Many servers now virtualised so rebuilt easily.

### Summary of Actions to further mitigate risks:

- Awaiting costed Proposal from Capita for Replacement UPS (Uninterrupted Power Supply)

**Responsibility: IT Service Manager/Head of Resources**

**Target Risk to be achieved by: April 2015**

**Committee:               AUDIT COMMITTEE**

**Date:                       7 January 2015**

**Subject:                   Quarterly Monitoring Report of the Council's  
Governance Arrangements**

---

**1.     Purpose of Report**

To present the findings from the quarterly monitoring of the Council's governance arrangements.

**2.     Background**

- 2.1 Part of the requirement of the Council's governance arrangements is a quarterly report on the operation of the assurance framework for the Council. The assurance process includes the work of external auditors and is supplemented by the work of the internal audit service, as well as other assurance processes, including internal officer and member processes.
- 2.2 The Committee will be aware that governance arrangements include individual staff leads who have taken responsibility for the governance processes set out below and are members of the Governance Group. This report was developed in consultation with officers from the governance group.

**3.     Monitoring Results for Key Governance Processes**

**3.1   Community Engagement**

- 3.1.1 Assurance arrangements are satisfactory. Services undertake specific consultation as required, the most significant of which relates to the ongoing development of the Local Plan, which is currently being considered by a member working group. Two member ward area meetings a year have been arranged and progress will be monitored. A consultation toolkit remains available for staff to use.

**3.2   Business Strategy and Planning**

- 3.2.1 The arrangements for business strategy and planning are adequate. There is a corporate action plan, service plans and team plans in place. Highlight reporting to corporate management team remains in operation and has been based on the annual objectives set out in the corporate plan, which was agreed by full Council in July 2014. Draft team and service plans have recently been completed for 2015/16 and will be subject to a challenge process. Further work is required to further develop the Community Strategy and ensure it is effectively linked to the corporate plan. This is programmed for completion by March 2015 and progress will be monitored.

### **3.3 Financial Planning, Reporting and Budgetary Control**

- 3.3.1 Generally robust processes are evident to be assured that the arrangements for financial planning, reporting and budgetary control are effective. For example, a budget exception report is considered by the Executive Management Team and Councillors on a monthly basis. Variances at year end are reported on all service areas, with commentary on those in excess of +/- £10k, and analysis of changes in income and expenditure from the previous financial year. External assurance has been provided by the annual audit of the Council's Statement of Accounts and the work of external audit. The processes in place give adequate officer and member assurance.
- 3.3.2 The Council maintains a five year rolling financial forecast which is reviewed and reported through to Cabinet on a bi-monthly basis unless there is no significant change to report. The forecast is supported by three years detailed budget workings with the final two years of the forecast being adjusted for future anticipated cost pressures. Assumptions adopted in the forecast are contained in a detailed report made to Special Council in February annually.
- 3.3.3 The Council maintains a level of reserves in excess of the minimum level recommended by the Council's Chief Finance Officer and has set a balanced budget for 2014/15. Full Council agreed the Policy Framework and Budget Setting report in February which includes the financial planning strategy, the medium term financial forecast and a summary of completed efficiency work.
- 3.3.4 However, significant savings are required for the medium term and the Council is undertaking a number of actions through the efficiency programme and budget challenge exercise as well as service reviews detailed within operation Darwin. Progress will be monitored.

### **3.4 Asset Management**

- 3.4.1 There are adequate routine assurance processes for Asset Management which include bi-monthly Asset Management sessions, which are integrated into programmed meetings of the Operational Management Team. Significant Asset Management based projects conform to the Councils project management methodology (PROMPT) and are reported to Cabinet.
- 3.4.2 Refresh of corporate building stock condition surveys during 2014 has been completed, enabling a draft programme of works to be generated which addresses planned repairs and maintenance issues. Completion of all works is planned within the lifetime of the current medium term financial forecast.

### **3.5 Policy Framework**

- 3.5.1 The policy framework operates satisfactorily, and policies and strategies largely continue to be refreshed by services. A register of policies and strategies is in place as well as guidance on the elements of a good strategy or policy and an assessment of key policies and strategies. The policy framework is set out in the Business Planning and Budget Framework and was reported to Cabinet in August 2014.

### **3.6 Risk Management including Fraud & Corruption, Whistleblowing, Money Laundering and Health & Safety**

- 3.6.1 The arrangements are subject to further development.
- 3.6.2 For an update on the current arrangements, please refer to the Agenda items:

- Risk Management Update Report
- Anti Fraud & Corruption Report

### **3.7 Business Continuity**

- 3.7.1 The arrangements in place are subject to further development. Impact assessments have been completed by all services and are being used to help all appropriate services develop a Service Delivery Action Plan. These will then be used to help develop a refreshed corporate business continuity plan which is programmed to be in place by March 2015. Progress will continue to be monitored.

### **3.8 Performance Management**

- 3.8.1 Core processes operate satisfactorily, including highlight reporting to Corporate Management Team and the production of a corporate scorecard which is considered quarterly by Cabinet.
- 3.8.2 The new Access database is in operation and services are providing performance information with improved controls in place. A target challenge exercise will be undertaken in January 2015 following the recent completion of draft service plans for 2015/16.
- 3.8.3 A detailed challenge and examination of performance measures and monitoring is also being progressed with a view to a revised set of performance measures in place from April 2015.
- 3.8.4 The revised targets and annual objectives will be reported in a refreshed corporate plan which will be considered by full Council in June this year.

### **3.9 Data Quality**

- 3.9.1 Arrangements are satisfactory. The service planning process includes a requirement for team managers and heads of service to sign a declaration which includes consideration of data quality and the commitment to spot checking of data. An internal audit of a sample of performance measures was undertaken last year which found there to be satisfactory arrangements in place.

### **3.10 Value for Money**

- 3.10.1 Arrangements are in place and the assurance processes are operating appropriately. For example, a programme of work to identify and obtain efficiencies is in place for council services. The Council has also identified a set of value for money ratios taken from the Audit Commission website and plans to use these to monitor progress and retain understanding of comparative value for money.

### **3.11 Procurement**

- 3.11.1 There are satisfactory arrangements in place and the assurance processes are operating appropriately. Procurement is integrated into the meetings of the Operational Management Team and assists in the implementation of corporate requirements.

### **3.12 Partnerships**

- 3.12.1 Assurance processes are subject to further development work. The Head of Partnerships and Safer Places is working to refresh the community strategy to develop the ambitions in partnership with partners and to ensure there is an appropriate connection with the revised aims in the recently developed corporate plan. An update and clarification of the partnership framework and associated arrangements is also planned. Partnerships is also scheduled for an Internal Audit and progress will be monitored.

### **3.13 Project Management**

- 3.13.1 The arrangements are subject to further development. Service plans have been adjusted to require the prioritisation as well as identification of projects. These will then be subject to an assessment with the most important projects part of a wider corporate programme to be in place by March 2015. In addition a register of projects is also in place and will be used to help clarify any possible capacity issues as well as monitor progress.

### **3.14 Complaints**

- 3.14.1 The complaints system requires further development and the Complaints lead officer is currently undertaking some work to revise the complaints process into a two stage process. Consultation is currently being undertaken on the new policy and procedure. The database used to capture complaints data will be refreshed and will be launched in April 2015 along with new control processes to help ensure complaints are consistently monitored. Progress will be monitored.

### **3.15 Ethical Governance**

- 3.15.1 Satisfactory arrangements are in place. A common code of conduct is in place along with appropriate mechanisms including a governance committee.

### **3.16 Officer Conduct**

- 3.16.1 There are appropriate assurance arrangements in place to ensure robust officer conduct. This includes a range of human resource policies and procedures. The processes in place continue to give adequate assurance.

### **3.17 Information Governance**

- 3.17.1 The Council has implemented an information governance strategy, which is underpinned by associated guidance. The Council's Head of Law acts as the Senior Information Risk Owner. The 'How it Works' guidance also contains a section on information governance.

## **3.2 Annual Governance Statement Action Plan**

- 3.2.1 Audit Committee considered the Annual Governance Statement in June 2014 which also included an Action Plan to improve governance arrangements. This action plan is attached as Appendix 1 and sets out progress to date. The action plan has also been considered by the governance group and Executive Management Team.

**4. Corporate Implications**

**a. Legal implications**

There are no direct legal implications arising from this report.

**b. Financial implications**

There are no direct financial implications arising from this report.

**c. Human Resource & Equality**

The monitoring and development of the assurance framework is delivered within existing resources.

The Council's equality policy is applied as an inherent element of the assurance processes. Equality is also an area that is subject to audit scrutiny. All key decisions require an Equality Impact Assessment.

**d. IT and Asset Management implications**

There are no direct IT or Asset Management implications arising from this report.

**5. Links to Council's priorities and objectives**

All assurance processes and improvement work support the corporate priority of Improving the Council.

**6. Timescale for implementation and risk factors**

The monitoring of the effectiveness of the assurance framework will be undertaken every three months and reported to the Audit Committee. The Council will not be able to fully achieve its objectives and priorities without a robust assurance framework.

**Recommendation:**

**Committee are invited to consider the findings of this report as outlined in section 3 and question officers as appropriate.**

**Resolution required.**

**Background Papers:** Local Code of Governance

**Report Author:** Craig Watts, Head of Performance & Service Support

Number	Issues	Action 2014/15	Date of implementation	Responsible officer	Progress Summary
1.	The need to deal with the future financial challenges facing the Council.	Further develop and implement the approach to securing efficiencies and outline the 'Operation Darwin' programme.	March 2015	Strategic Director for Transformation and Resources	Ongoing reviews in place including for Development Control. Business Process Re-engineering approach developed and will be piloted in services along with development of management information systems. Efficiency programme as part of Medium Term Financial Forecast also in place.
2.	The need to re-clarify ambitions with partners which take into account recent developments in partnership working.	Re-develop the Community Strategy and associated governance framework and partnership protocol.	March 2015	Head of Partnerships & Safer Places	Community Strategy re-development being progressed.
3.	Ensure revised approach to performance management arrangements are effectively in place.	Establish and review controls for corporate performance indicator database.  Re-develop and implement revised performance appraisal process.	March 2015	Head of Performance & Service Support / Human Resources Manager	Controls in place including production of quarterly reports to EMT and 1:1 meetings between Head of Performance and Service Support and Heads of Service to review targets and actions. Appraisal process has been subject to re-development and new approach is now available to staff. PPDP training sessions for managers in December 2014.
4.	Business Continuity arrangements need to be progressed to include greater testing by services and re-development of corporate business continuity plan.	Implement controls to require testing by services. Re-develop corporate business continuity plan.	March 2015	Head of Resources / Emergency Planning Officer	Impact assessments have been completed by all services and service level BC action plans are being refreshed. Services are due to undertake a simple desktop check/exercise by the end of March 2014. Plans will be reviewed for any cross cutting issues that need to be taken into account when updating the corporate generic business continuity



					plan, which is programmed to be in place by the end of March 2015. In conjunction with Capita, an IT server disaster recovery exercise is planned for early January 2015.
5.	Complaints not consistently monitored in corporate database.	Re-develop complaints policy and procedure and refresh complaints database and working procedures.	March 2015	Cabinet & Electoral Services Officer	A review of the complaints policy and procedure is being implemented to simplify it into a two stage process and is currently being consulted with officers. The new process will be reported to cabinet by March 2015. A revised database is being prepared with new control arrangements to ensure completion by services.
6.	Risk management arrangements are not fully embedded.	Revise risk management strategy and re-consider working practices. Implement improvements.	March 2016	Head of Internal Audit	When resources become available, planned work includes: <ul style="list-style-type: none"> <li>• updating the mechanisms that ensure risk management is applied consistently across services and risks are escalated through the management structures effectively;</li> <li>• providing a framework for considering risk appetite and tolerance;</li> <li>• developing the guidance in some areas to make it more user friendly.</li> </ul> It is hoped that the new approach will ensure the arrangements become more embedded throughout the Council.
7.	Project management arrangements are not fully robust	Revise the project management arrangements and develop and implement effective controls.	March 2015	Head of Performance & Service Support	Service plans have been adjusted to require the prioritisation as well as identification of projects. These will then be subject to an assessment with the most important projects part of a wider corporate programme to be in

						place by March 2015. In addition a register of projects is also in place and will be used to help clarify any possible capacity issues as well as monitor progress.
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**AUDIT COMMITTEE**

**7 JANUARY 2015**

**Subject: Good Governance Update & Local Code of Governance**

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**1. Purpose of Report**

To present to the Audit Committee a revised Local Code of Governance, which has taken into consideration the requirements of the updated CIPFA / SOLACE Framework, Delivering Good Governance in Local Government (the Framework) for consideration.

**2. Background**

The Local Code of Governance (the Code) is regularly updated and a proposed revision is attached.

The overall aim of the Framework is to help local authorities adopt governance arrangements that:

- are proportionate to the risks faced – i.e. a 'one size fits all' is not appropriate
- are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes for the service users and communities.

It also reinforces the importance of having processes that provide assurance throughout the year that these arrangements are effective.

**3. Requirements**

It is important that the governance framework adopted by the Council:

- remains proportionate and fit for purpose
- takes account of partnership arrangements, collaboration, commissioning, shared services and other less traditional ways of service provision as these new ways of working provide additional challenges with regard to managing risk, ensuring transparency and demonstrating accountability.

**4. Governance Arrangements**

The Framework identifies the systems / processes required to maintain a strong governance framework, it does not define:

- how they should operate or

- how ongoing assurance is to be obtained that they are operating as designed.

Therefore the arrangements to support this overall Framework are outlined below.

## **5. Operation of the Overall Framework**

This includes maintaining a Local Code of Governance, which sets out the Council's governance framework. This is attached at **Appendix 1** and has been amended to consider the updated approach to annual review which includes an assessment against the six principles of the CIPFA framework for good governance.

The Code includes a Good Governance Group of officers to ensure that the governance framework remains appropriate and effective.

In summary, the core framework will consist of:

- maintaining the ' How To Do It ' guides for officers and members, providing training where necessary in its concepts and application
- annual completion of a Corporate Assurance Statement and Manager Assurance Statements by policy / procedure owners and service managers
- periodic challenge of aspects of the Corporate Assurance Statement to supporting evidence by the Good Governance Group
- twice yearly challenge of a sample of Manager Assurance Statements to supporting evidence by the Good Governance Group
- the Good Governance Group looking for assurance from departmental management teams that action plans arising from Manager Assurance Statements are being dealt with properly and in a timely manner
- assessment of the operation of the code against the six CIPFA core principal requirements with evidence updated annually.

The Good Governance Group will also ensure that the action plan arising from the assessment against the CIPFA / SOLACE Framework is delivered.

This work is reflected in the quarterly monitoring report that goes to Executive Management Team and the Audit Committee regarding the operation of the Council's governance framework and support the production of the Annual Governance Statement.

## **6. Governance Statement**

The purpose of the governance statement is report on the extent to which the Council's Code of Governance has been complied with, including how the effectiveness of governance arrangements have been monitored in year and on any planned changed in the coming period. The process of preparing the governance statement should itself add value to the corporate governance and internal control framework of an organisation.

## **7. Corporate Implications**

### **(a) Financial Implications**

None

**(b) Legal Implications**

This Framework has been given 'proper practices' status by the Department for Communities and Local Government. So complying with The Framework enables the Council to deliver the statutory requirements contained in the Accounts and Audit (England) Regulations 2011 Regulation 4, which cover:

- ensuring that the financial management of the body is adequate and effective and the body has a sound system of internal control which facilitates the effective exercise of that bodies functions and includes the management of risk
- conducting a review at least annually of the effectiveness of its system of internal control and reporting this to council or nominated committee
- requiring council or the nominated committee to approve an annual governance statement following the annual review.

**(c) Human Resources and Equality Implications**

**Human Resources**

All members and staff need to adopt the principles and values outlined in the Code and apply the business management processes required within their service areas.

**Equality Implications**

This is reflected in both the principles, values and business management processes to be adopted. An Equality Impact Assessment has been carried out and the impact of the proposal is neutral.

**(d) IT and Asset Management Implications**

None

**8. Links to Council's Priorities and Objectives**

Operating robust governance arrangements contributes to the delivery of all Council aims and priorities i.e.:

Public Health and Wellbeing

Environment

Transforming our Community

Efficient and Effective Customer Focussed Services

**9. Timescale for Implementation and Risk Factors**

The new Code will apply from 1 April 2015.

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.

**10. Conclusion**

None

**Recommendation**

**The Audit Committee approves the Local Code of Governance and recommends its adoption to Cabinet.**

**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 (England) Regulations 2011

**Report Author: Craig Watts, Head of Performance & Service Support**



castlepoint

benfleet | canvey | hadleigh | thundersley

Appendix 1

# LOCAL CODE OF GOVERNANCE

Produced by: Head of Performance & Service Support

Next Review: January 2016

Approved by: **Executive Management Team: December 2014**

**Audit Committee: January 2015**

# **LOCAL CODE OF GOVERNANCE**

## **WHAT DO WE MEAN BY GOVERNANCE?**

Good governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk. All authorities should aim to meet the standards of the best and governance arrangements should not only be sound but also be seen to be sound.

The Council recognises that achieving high standards of governance encourages stakeholders to have confidence in it and allows the Council to more effectively undertake the role of Community Leader.

## **PURPOSE OF THE FRAMEWORK**

Castle Point Borough Council (the Council) is accountable for the proper conduct of public business. This means ensuring that they operate in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

In doing this, each local government body operates through a governance framework that brings together an underlying set of values, legislative requirements, governance principles and management processes that enables it to achieve its aims and objectives.

This Local Code of Governance (the Code) sets out the governance framework adopted by the Council in line with good practice guidance<sup>1</sup>, including the principles that underpin it. The governance framework established is proportionate to the overall risk environment facing the Council.

These principles should be considered in the light of the four key roles for local authorities, which are:

- to engage in effective partnerships and provide leadership for and with the community
- to ensure the delivery of high quality local services whether directly or in partnership or by commissioning
- to perform a stewardship role which protects the interests of local people and makes the best use of resources
- to develop citizenship and local democracy.

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<sup>1</sup> 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* (2012) (CIPFA Framework), reflecting the six core principles from *The Good Governance Standard for Public Services* (2004) by the Independent Commission on Good Governance in Public Services



## LOCAL CODE OF GOVERNANCE

The Council then discharges accountability for the proper conduct of public business, through the publication of an annual governance statement that will make the adopted practice open and explicit.

This document sets out:

- accountability as well as the principles and values by which the Council operates
- how the principles are put into practice in order to enable service delivery to reflect community need and ongoing evidence is obtained that they operate effectively throughout the year
- the annual reporting process
- how the Code is communicated to members, staff and other relevant parties.

## ACCOUNTABILITY

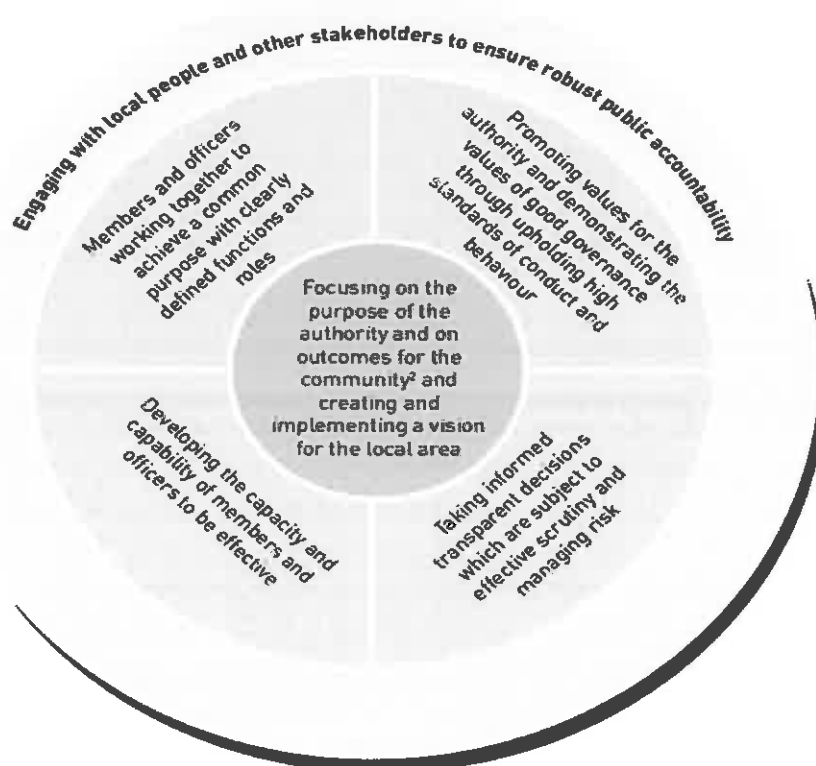
The Council delegates responsibility for independently checking that an effective governance framework (which includes a sound system of internal control) exists and operates effectively throughout the year to the Audit Committee.

The Leader and Chief Executive of the Council:

- are accountable for ensuring good governance in their authority
- sign the Annual Governance Statement on behalf of the Council.

## PRINCIPLES

**At an organisational level**, the Council has adopted the six core principles from the CIPFA Framework as the basis on which it wants to operate as outlined below.



2. Including citizens and service users.

## LOCAL CODE OF GOVERNANCE

**Appendix A** expands on these core principles to show how they will be applied in practice.

These put high standards of conduct and leadership at the heart of good governance, placing responsibility on members and staff to demonstrate leadership by behaving in ways that exemplify high standards of conduct and so set the tone for the rest of the organisation.

## VALUES

In discharging their roles and implementing the principles outlined above **at an individual level**, members and employees are expected to adopt;

- the ***Nolan Committee's Seven Principles of Public Life***, refer to **Appendix B**,
- the ***Council's own values*** as outlined below.
  - **Equality**: Fair treatment for all
  - **Respect**: Respect for others
  - **Integrity**: Integrity and impartiality in all our decisions
  - **Caring**: Listening and acting on staff and customer need
  - **Innovation**: New, improved and sustainable ways of working
  - **Teamwork**: Working together and valuing everyone's contribution
  - **Accountability**: Openness and accountable to local residents, customers and partners.

This will ensure that their own conduct complies with these overarching good governance principles.

## PUTTING THE PRINCIPLES INTO PRACTICE

All organisations, whether public or private, large or small, need to operate the same core management processes in order to enable them to set and deliver their vision, aims and objectives. These processes are explained in **Appendix C** and structured below under the four main management activities that all successful organisations discharge well.

## LOCAL CODE OF GOVERNANCE

### MANAGING CUSTOMERS

- Community Engagement
- Customer Satisfaction (*performance management*)
- Complaints, Compliments and Comments (*performance management*)

### MANAGING PEOPLE

- Workforce Development Planning
- Codes of Conduct for Members and Staff
- Staff Performance Management (*performance management*)
- Health and Safety (*risk management*)

### MANAGING RESOURCES

- Financial Planning, Budgetary Control and Treasury Management
- Asset Management

### MANAGING PERFORMANCE

- Business Strategy and Planning
- Committee Structure, Constitution, Policy Framework and Procedures
- Performance Management
- Risk Management, Whistleblowing and Business Continuity
- Data Quality
- Data Management and Security
- Contract Management
- Project Management
- Change / Transformation Management
- Fraud & Corruption and Insurance (*risk management*)
- Procurement and Value for Money

Whilst this sets out the processes that need to be in place to demonstrate good governance arrangements, it does not explain how each process works. Therefore two "How it Works" guides are maintained setting out:

- for officers, the minimum expectations in order to maintain management processes that are proportionate but fit for purpose
- for members, an overview of the purpose of each management process and how they impact on them in the various roles they might have within the Council.

The Council also has a very specific responsible for ensuring that:

- the financial management of the body is adequate
- it has a sound system of internal control which facilitates the effective exercise of its functions and which includes its arrangements for the management of risk.

All services are responsible for maintaining proportionate but sound operational procedures and processes that adequately mitigate risks that may result in a service failure or the failure to deliver service objectives.

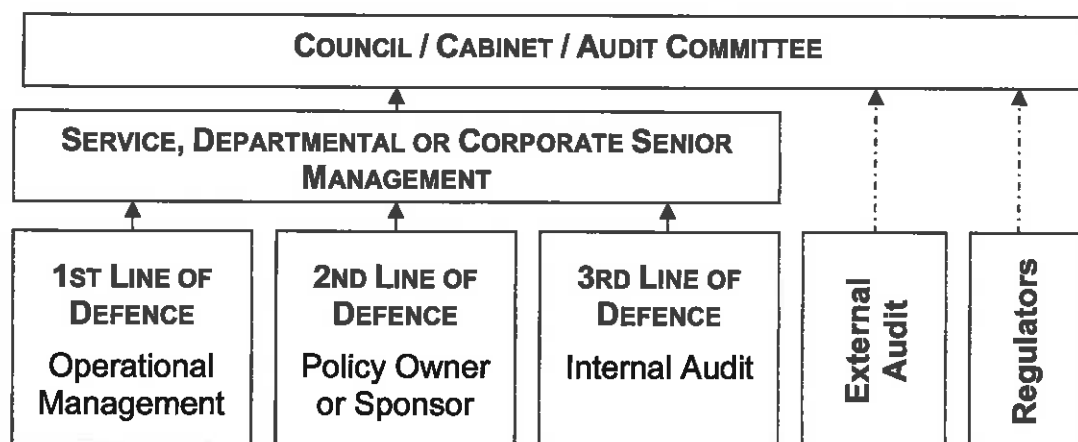
Application of the framework outlined should put the Council in a strong position to successfully deliver what ever services it chooses to.

# LOCAL CODE OF GOVERNANCE

## EVIDENCING EFFECTIVE IMPLEMENTATION

### THE APPROACH

In order to ensure that the governance framework set out above is in place and operating properly throughout the year, the Council has adopted the concept contained in the **THREE LINES OF DEFENCE<sup>2</sup>** model, as shown below.



Ongoing evidence that the governance framework is being applied is obtained via:

#### The first line of defence which is:

Operational management, who are **responsible** for the effective and consistent application of these requirements in their area of operation (which includes both behavioural as well as procedural arrangements)

#### The second line of defence which is:

The 'owner' or 'sponsor' who is **accountable** for the overall operation of the corporate management or service specific process and should ensure that:

- it is fit for purpose (e.g. based upon relevant good practice), regularly reviewed and approved by senior management and members
- it is constructed so that evidence of its application is easily produced i.e. as 'business as usual'
- there are proportionate and cost-effective mechanisms in place to enable them to confirm that operational managers are applying it effectively and consistently
- informative, regular and timely reports are provided to senior management to confirm the process has been operating effectively and consistently, identifying any remedial actions required should this not be the case.

#### The third line of defence which is:

Internal Audit who provide **independent assurance** to senior management and the Audit Committee, on how effectively the first and second lines of defence have been operating.

<sup>2</sup> Based upon general industry good practice, more specifically guidance issued by the European Confederation of Institutes of Internal Auditing "monitoring the effectiveness of internal control, internal audits and risk management systems" September 2010

# LOCAL CODE OF GOVERNANCE

## SYSTEM OF INTERNAL CONTROL

Within this, it is incumbent on all staff to ensure that:

- sufficient checks (controls) are built into all systems, processes and activities to ensure that they consistently and effectively deliver the objectives required of them (risk management / mitigation)
- they obtain sufficient evidence throughout the year (key management controls) that these checks are operating as they should and therefore that the systems, processes and activities objectives are being delivered.

## OTHER POTENTIAL ASSURANCE

This can be obtained from external sources such as external audit, regulators and peers and considered as a fourth line of defence where any of this third party activity is relevant and robust.

## KEY COMMITTEES

Full Council is responsible for ensuring the organisation has good governance arrangements. It can discharge this duty itself or delegate this role to a committee although accountability for this remains with Council.

Although the Council has delegated this function to the Audit Committee, there are five key member groups (other than full council) that have a significant role to play within the governance framework, i.e.:

- **Cabinet** is responsible for leading the community and organisational planning process, setting the policy framework, priorities and budget, monitoring performance and approving the overall governance arrangements
- Review Committee responsibilities include promoting and maintaining high standards of conduct by Members and hearing and determining complaints about members.
- **Scrutiny & Policy Committees** are responsible for the review and development of policies and strategies and undertake specific development work at the request of Cabinet
- **the Audit Committee** is responsible for independently checking that appropriate governance arrangements (including the system of internal control) are in place, operating effectively throughout the year and that actions required to strengthen these arrangements are addressed, in a timely manner. Its work programme is designed to provide it with sufficient evidence to conclude that the Annual Governance Statement accurately reflects the governance arrangements as operated for the year in question
- **The Council's Monitoring Officer** is responsible for promoting and maintaining high standards of conduct by the members and co-opted members, and assisting them to observe the Council's code of conduct.

This means that it is necessary sometimes for information will go to more than one committee in order for them to discharge their respective responsibilities.

# **LOCAL CODE OF GOVERNANCE**

## **GOOD GOVERNANCE GROUP**

The Council has a Good Governance Group that meets quarterly to oversee the delivery of the governance framework. There is a terms of reference for this group and it reports to Executive / Corporate Management Team.

## **ANNUAL REVIEW AND REPORTING**

Local Authorities are required to undertake an annual review of their governance arrangements and evidence that they are:

- up to date, fit for purpose and comply with the CIPFA Framework
- consistently applied across the organisation at all service levels
- being strengthened as necessary where improvement opportunities have been identified.

Such reviews should be reported on both within the council, to the audit committee and externally with the published accounts. The annual report should also be submitted to the council so it can satisfy itself that appropriate governance arrangements are in place.

As with the in year arrangements for obtaining evidence that the governance framework is operating as it should, annual assurance is also provided by management as well as internal and external audit.

## **MANAGEMENT EVIDENCE**

Management contribute to this annual requirement by asking for assurance statements from:

- the owners or sponsors of key management processes regarding the adequacy of and compliance with these arrangements
- operational managers who confirm the degree to which key management processes have been applied in their service areas throughout the year
- other significant functions / service providers (e.g. project / contract managers) that confirms compliance with the relevant corporate approach or requirements.

The Head of Governance will undertake to confirm the successful transaction of Council business over the year.

Members of the Good Governance Group will challenge a sample of these assurance statements each year, produce reports summarising the results of this work, highlighting any areas that require senior management attention. Departmental Management Teams will monitor delivery of these action plans through the normal performance management process. This work will also provide evidence that the governance framework is being applied throughout the year. The governance processes will also be assessed against CIPFA six core principal requirements and any evidence will be updated by the group.

Other manager assurance is provided by:

- annual reports on:

## **LOCAL CODE OF GOVERNANCE**

- the Council's risk management arrangements (including those relating to fraud and corruption)
- compliance with the treasury management policy
- the approval of the financial statements
- self assessments by the Head of Internal Audit and the Section 151 officer against the CIPFA statements on the role of these functions.

## **INDEPENDENT EVIDENCE**

Evidence primarily takes the form of:

- the Head of Internal Audit's annual report, which includes an opinion on the overall system of internal control and whether the internal audit functions has complied with professional standards
- the external auditor's Annual Governance Report to Those Charged with Governance.

## **ANNUAL GOVERNANCE STATEMENT**

The Annual Governance Statement is produced by the Good Governance Group, considered by the Executive / Corporate Management Team before being reported to the Audit Committee. The Audit Committee considers whether the Annual Governance Statement accurately reflects its understanding of how the Council's governance arrangements have operated for the year in question. It either approves the Annual Governance Statement or recommends it to Council for approval.

The Annual Governance Statement is then signed by the Leader and the Chief Executive on behalf of the Council no later than the statement of accounts and published as part of them.

## **COMMUNICATION STRATEGY**

This Code is available on the internet. It is therefore accessible to all staff, members, the public and other stakeholders.

Copies are also available in the Members room.

Training on aspects of the governance framework or the application of key business management processes is provided as required.

The Head of Performance & Service Support can be contacted on 01268 882419 with any queries regarding the Code.

## **APPENDIX A: DEFINING THE PRINCIPLES OF GOOD GOVERNANCE**

### **1. CORE PRINCIPLE: FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA**

<b>Supporting Principle</b>	<b>The Council will</b>
1. Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users	<ul style="list-style-type: none"> <li>• Develop and promote the authority's purpose and vision</li> </ul>
	<ul style="list-style-type: none"> <li>• Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners</li> </ul>
	<ul style="list-style-type: none"> <li>• Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance</li> </ul>
2. Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	<ul style="list-style-type: none"> <li>• Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available</li> </ul>
	<ul style="list-style-type: none"> <li>• Put in place effective arrangements to identify and deal with failure in service delivery</li> </ul>
3. Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money	<ul style="list-style-type: none"> <li>• Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively</li> <li>• Measure the environmental impact of policies, plans and decisions</li> </ul>



## **APPENDIX A: DEFINING THE PRINCIPLES OF GOOD GOVERNANCE**

### **2. CORE PRINCIPLE: MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES**

<b>Supporting Principle</b>	<b>The Council will</b>
1. Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function	<ul style="list-style-type: none"> <li>• Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice</li> </ul>
	<ul style="list-style-type: none"> <li>• Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and senior officers</li> </ul>
2. Ensuring that a constructive working relationship exists between elected members and officers and that the responsibilities of authority members and officers are carried out to a high standard	<ul style="list-style-type: none"> <li>• Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required</li> </ul>
	<ul style="list-style-type: none"> <li>• Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management</li> </ul>
	<ul style="list-style-type: none"> <li>• Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained</li> </ul>
	<ul style="list-style-type: none"> <li>• Make a senior officer the (section 151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control</li> </ul>
	<ul style="list-style-type: none"> <li>• Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</li> </ul>

## **APPENDIX A: DEFINING THE PRINCIPLES OF GOOD GOVERNANCE**

### **2. CORE PRINCIPLE: MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES**

<b>Supporting Principle</b>	<b>The Council will</b>
3. Ensuring relationships between the authority, its partners and the public are clear so that each know what to expect of the other	<ul style="list-style-type: none"> <li>• Develop protocols to ensure effective communication between members and officers in their respective roles</li> </ul>
	<ul style="list-style-type: none"> <li>• Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensure that effective mechanisms exist to monitor service delivery</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</li> </ul>
	<ul style="list-style-type: none"> <li>• When working in partnership, ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority</li> <li>• Ensure that there is clarity about the legal status of the partnership</li> <li>• Ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions</li> </ul>

## APPENDIX A: DEFINING THE PRINCIPLES OF GOOD GOVERNANCE

### 3. CORE PRINCIPLE: PROMOTING VALUES FOR THE AUTHORITY AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR

Supporting Principle	The Council will
1. Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	<ul style="list-style-type: none"> <li>• Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols</li> </ul>
	<ul style="list-style-type: none"> <li>• Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice</li> </ul>
2. Ensuring that organisational values are put into practice and are effective	<ul style="list-style-type: none"> <li>• Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners</li> </ul>
	<ul style="list-style-type: none"> <li>• Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice</li> </ul>
	<ul style="list-style-type: none"> <li>• Develop and maintain an effective standards committee</li> </ul>
	<ul style="list-style-type: none"> <li>• Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority</li> </ul>
	<ul style="list-style-type: none"> <li>• In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively</li> </ul>

## APPENDIX A: DEFINING THE PRINCIPLES OF GOOD GOVERNANCE

### 4. CORE PRINCIPLE: TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK

Supporting Principle	The Council will
1. Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	<ul style="list-style-type: none"> <li>• Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisations for which it is responsible</li> </ul>
	<ul style="list-style-type: none"> <li>• Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based</li> </ul>
	<ul style="list-style-type: none"> <li>• Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice</li> </ul>
	<ul style="list-style-type: none"> <li>• Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints</li> </ul>
2. Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	<ul style="list-style-type: none"> <li>• Ensure that those making decisions, whether for the authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical and financial issues and their implications</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensure that proper professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately</li> </ul>
3. Ensuring that an effective risk management system is in place	<ul style="list-style-type: none"> <li>• Ensure that risk management is embedded into the culture of the authority with members and managers at all levels recognising that risk management is part of their jobs</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensure that effective arrangements for whistleblowing are in place to which officers, staff and all those contracting with or appointed by the authority have access</li> </ul>

## APPENDIX A: DEFINING THE PRINCIPLES OF GOOD GOVERNANCE

### 4. CORE PRINCIPLE: TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK

Supporting Principle	The Council will
4. Using their legal powers to the full benefit of the citizens and communities in their area	<ul style="list-style-type: none"><li>• Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine, but also strive to utilise their powers to the full benefit of their communities</li></ul>
	<ul style="list-style-type: none"><li>• Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law</li></ul>
	<ul style="list-style-type: none"><li>• Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law-rationality, legality and natural justice - into their procedures and decision-making processes</li></ul>

## APPENDIX A: DEFINING THE PRINCIPLES OF GOOD GOVERNANCE

### 5. CORE PRINCIPLE: DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE

Supporting Principle	The Council will
1. Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	<ul style="list-style-type: none"> <li>• Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority</li> </ul>
2. Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group	<ul style="list-style-type: none"> <li>• Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively</li> </ul>
	<ul style="list-style-type: none"> <li>• Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensure that arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan, which might for example aim to address any training or development needs</li> </ul>
3. Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal	<ul style="list-style-type: none"> <li>• Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensure that career structures are in place for members and officers to encourage participation and development</li> </ul>

## APPENDIX A: DEFINING THE PRINCIPLES OF GOOD GOVERNANCE

### 6. CORE PRINCIPLE: ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY

Supporting Principle	The Council will
1. Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	<ul style="list-style-type: none"> <li>• Make clear to themselves, all staff and the community to whom they are accountable and for what</li> </ul>
	<ul style="list-style-type: none"> <li>• Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required</li> </ul>
	<ul style="list-style-type: none"> <li>• Produce an annual report on the activity of the scrutiny function</li> </ul>
2. Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning	<ul style="list-style-type: none"> <li>• Ensure clear channels of communication are in place with all sections of the community and other stakeholders, including monitoring arrangements, and ensure that they operate effectively</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands</li> </ul>
	<ul style="list-style-type: none"> <li>• Establish a clear policy on the types of issue on which they will meaningfully consult on or engage with the public and service users, including a feedback mechanism for those consultees to demonstrate what has changed as a result</li> </ul>
	<ul style="list-style-type: none"> <li>• Publish an annual performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period</li> </ul>
	<ul style="list-style-type: none"> <li>• Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so</li> </ul>

## **APPENDIX A: DEFINING THE PRINCIPLES OF GOOD GOVERNANCE**

### **6. CORE PRINCIPLE: ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY**

<b>Supporting Principle</b>	<b>The Council will</b>
3. Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money	<ul style="list-style-type: none"><li>• Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making</li></ul>



## **APPENDIX B: NOLAN COMMITTEE'S PRINCIPLES OF PUBLIC LIFE**

### **INTRODUCTION**

The Council has set out the principles of good governance it applies in its Local Code of Governance which is consistent with the CIPFA / SOLACE Guidance Delivering Good Governance in Local Government Framework (2007).

However members and employees are required to comply with the Nolan Committee's *Seven Principles of Public Life*, as set out below, to ensure that their own conduct complies with these overarching good governance principles.

### **SELFLESSNESS**

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

### **INTEGRITY**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

### **OBJECTIVITY**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

### **ACCOUNTABILITY**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

### **OPENNESS**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

### **HONESTY**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

### **LEADERSHIP**

Holders of public office should promote and support these principles by leadership and example.

## APPENDIX C: HOW TO RUN A SUCCESSFUL ORGANISATION

WHAT DO YOU NEED TO DO?	MANAGEMENT PROCESS
Find out what your customers want	Community Engagement
Produce a plan outlining how you are going to meet that need	Business Strategy and Planning
Calculate how much this is going to cost you	Financial Planning / Treasury Management
Identify how you are going to finance this	
Identify what assets / people you are going to need to deliver this	Asset Management / Workforce Development Planning
Create the 'entity' and supporting constitution / policy structure	Committee Structure, Constitution, Policy Framework, Procedures and Codes of Conduct
Define roles and responsibilities between executive and non executive members and create supporting operational structures	
Manage activities on a day to day basis	Performance Management including that applicable to staff
Understand where things could go wrong and cause you problems in delivering your services	Risk Management including Fraud & Corruption, Health & Safety, Insurance and Business Continuity
Check to see whether you are getting sufficient income in to pay your bills with an appropriate reserve	Budgetary Control
Ensure that the information you use to decide whether you are delivering what is expected is complete and accurate	Data Quality
Ensure that you are not holding information about others you should not be, that it is secure and is not being used inappropriately	Data Management and Security
Ensure that you buy your stock / assets / services cost effectively	Procurement and Value for Money, Contract Management
When undertaking one off projects, draw up a detailed plan to enable you to do this by the pre-determined date, within the allocated resources and to the required quality standards	Project Management

**AUDIT COMMITTEE**

**7 JANUARY 2015**

**Subject: BDO Progress Report to Those Charged with Governance**

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**1. Purpose of Report**

To report on progress in delivering the 2014/15 Annual Audit Plan.

**2. Background**

Attached is BDO's (the appointed External Auditor to the Council) Progress report to Those Charged with Governance.

A senior representative of BDO 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**

**Financial Implications**

The cost to the Council of external audit for 2014/15 is planned to be £74,120 for the Code audit and £22,910 for the certification work.

**Legal Implications**

The Council is 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). By considering this report, the Committee can satisfy itself that this requirement is being discharged.

**Human Resources and Equality Implications**

**Human Resources**

None

**Equality Implications**

None.

**IT and Asset Management Implications**

None

**4. Links to Council's Priorities and Objectives**

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

## **5. Timescale for Implementation and Risk Factors**

Timescales for delivering elements of the Audit Plan are set out in the progress report.

### **Recommendation**

**The Audit Committee notes the progress with the 2014/15 Audit Plan.**

### **Background Papers**

- None

### **Attachments**

- BDO's Progress Report to Those Charged with Governance

**Report Author: Zoe Thompson, Senior Manager, BDO**

# CASTLE POINT BOROUGH COUNCIL

Progress report to those charged with governance

December 2014



# INTRODUCTION

## Summary of progress

This report is intended to provide the Audit Committee with an update of the progress in delivering the 2014/15 audit.

Auditors' principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code of Audit Practice for Local Government, the audited body's:

- financial statements
- arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to certify specified grant claims and returns as directed by the Audit Commission.

We have assessed whether the arrangements put in place by the Council will allow us to complete our work by the expected deadlines and whether there are any issues that are likely to have a significant impact on our ability to provide unmodified audit reports and opinions. This is included as a "RAG" assessment in the report.



**RED**

Unlikely to be able to meet reporting deadlines or modification of audit report or opinion



**AMBER**

Some concerns around meeting reporting deadlines or potential risk of modification of audit report or opinion







**GREEN**

On target to meet deadlines and no current concerns over issue of audit report or opinion

## 2014/15 Annual Audit Plan - progress summary as at 8 December 2014

Area of work	Scope / Associated deadlines	Status	Outputs / Date	RAG
Planning	Risk assessment and formulation of the audit plan. Detailed audit plan to be issued outlining direction of the audit.	Planning letter issued. Detailed planning due to commence following completion of the 2013/14 audit.	Planning Letter 2014/15 Reported to the Audit Committee in March 2014. Audit Plan 2014/15 Target issue date February 2015.	G
<b>Financial statements</b>				
Interim audit	Audit of the key financial systems that support the financial statements of accounts. To be completed prior to commencement of the audit of the financial statements in July 2015.	Work to commence 7 April 2015.	We report to management any deficiencies in internal control identified during the audit. Where we identify significant deficiencies in internal control identified during the audit we also report those in our Final Report to the Audit Committee.	G
Financial Statements audit	Audit of the draft financial statements to determine whether they give a true and fair view of the Council's financial affairs and the income and expenditure for the year. Deadline for issue of audit opinion and publication of the statement of accounts is 30 September 2015.	Work to commence 29 June 2015.	Final Report to the Audit Committee Target issue date September 2015. Opinion on the financial statements Target issue date September 2015.	G
Whole of government accounts audit	Audit of the consolidation pack for consistency with the audited statement of accounts. Consolidation pack opinion - deadline TBC but expected to be 2 October 2015.	To be completed in September 2015.	Opinion on the WGA Consolidation Pack Target date 2 October 2015.	G

# CASTLE POINT BOROUGH COUNCIL

Area of work	Scope / Associated deadlines	Status	Outputs / Date	RAG
<b>Use of Resources</b>				
Use of resources	<p>Review of use of resources based on:</p> <ul style="list-style-type: none"> <li>proper arrangements in place for securing financial resilience</li> <li>proper arrangements for challenging how the Council secures economy, efficiency and effectiveness.</li> </ul> <p>Conclusion to be given alongside the accounts opinion by the deadline of 30 September 2015.</p>	To be completed by September 2015.	Final Report to the Audit Committee Target issue date September 2015.	
VFM conclusion	<p>Review to support a conclusion on whether the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.</p> <p>Conclusion to be given alongside the accounts opinion by the deadline of 30 September 2015.</p>	As above.	Final Report to the Audit Committee Target issue date September 2015. VFM conclusion Target issue date September 2015.	
<b>Reporting</b>				
Annual Audit Letter	Public-facing summary of audit work and key conclusions for the year. To be finalised by 31 October 2015.	This will follow completion of the Audit.	Annual Audit Letter Target issue date October 2015.	
<b>Grants certification</b>				
Grants and returns	To audit and submit grant claims and returns by the relevant deadlines.	Work to be completed from August to November 2015.	All grants claims and returns to be audited in line with an agreed schedule.	



# CASTLE POINT BOROUGH COUNCIL

Area of work	Scope / Associated deadlines	Status	Outputs / Date	RAG
Grants Report	Summary of our certification work completed on 31 March 2015 claims, to be issued by February 2016.	To be drafted after certification work concluded.	Grants Report to those charged with governance to be issued by February 2016 (target date December 2015).	

STOCK LIST

**300 Partners**  
**2,350 Staff**

**1** for exceptional client service<sup>1</sup>

**92%** of our clients would recommend us<sup>2</sup> **76%** a top employer<sup>3</sup>

1. Based on a survey of our clients for the year ended June 2010
2. Based on a survey of our clients for the year ended June 2010
3. Based on a survey of our clients for the year ended June 2010

100% IN CHARGE OF

**US\$6.45 bn**

**1,250 Offices**  
**55,000 Staff**

1. IN CHARGE OF 100% IN CHARGE OF

**AUDIT COMMITTEE**

**7 JANUARY 2015**

**Subject: Treasury Management and Investment Strategy 2015/16**

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**1. Purpose of Report**

The Council must comply with the Treasury Management in the Public Services Code of Practice, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). As part of this Code of Practice the Council is required to set an annual Treasury Management and Investment Strategy for the forthcoming financial year, which must be approved prior to the start of that financial year.

**2. Links to Council's priorities and objectives**

The scrutiny and approval of the Council's Treasury Management and Investment Strategy is linked to the Council's objective of Improving the Council through sound financial management.

**3. Recommendation:**

That following scrutiny, the Treasury Management and Investment Strategy for 2015/16 is approved for onward submission to Council in February 2015 as part of the Policy Framework and Budget Setting Report for 2015/16.

**Resolution required.**

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# Treasury management Strategy

## Definition of Treasury management

1 Treasury management is:-

*"The management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

2 The Council includes the following Treasury Management clauses within its Constitution, as recommended by the Treasury Management in the Public Services: Code of Practice:

The Council:

- Will create and maintain, as the cornerstones for effective treasury management:
  - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
  - Suitable treasury management practices (TMP's) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- Will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMP's.
- Delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Head of Resources, who will act in accordance with the Council's policy statement and TMP's and CIPFA's Standard of Professional Practice on Treasury Management.
- Nominates Cabinet to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

## Treasury management strategy for 2015/16

3 The strategy has been formulated after considering the advice of the Council's consultants, Sector Treasury Services Ltd trading as Capita Asset Services. All activity envisaged by the strategy will be in accordance with the Treasury Management Policy Statement. Officers are required to follow policies and procedures.

## Balanced Budget Requirement

4 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This therefore means that the associated financing and operational costs arising from new capital projects must be affordable within the projected income of the Council for the foreseeable future.

## Prospects for interest rates

5 The Bank of England base rate has been 0.5% since March 2009. Growth in the UK economy is expected to continue to be at best weak and Capita, the Council's Treasury Management Advisor, does not expect the base rate to increase until at least mid-2015. Therefore it remains difficult to predict longer-term rates with any certainty and as such the interest rates used to forecast investment income will continue to be very prudent. It is expected that the 40-50yr Public Works Loan Board (PWLb) long-term rate for maturity loans will be in the range of 4.0% to 4.5% during 2015/16.

**Current debt position and requirements for 2015/16**

- 6 A summary of external debt that is expected to be outstanding at 31 March 2015 is:-

<b>Table 6.1 External debt outstanding</b>	
<b>Source</b>	<b>Total at 31/3/15 £000's</b>
Public Works Loan Board – General Fund	5,250
Public Works Loan Board – Housing Revenue Account	36,451
<b>Total</b>	<b>41,701</b>

- 7 All of the Council's General Fund borrowing consists of fixed rate loans at interest rates ranging from 3.70% to 4.10% per annum. All of the Council's HRA borrowing consists of fixed rate loans at interest rates ranging from 2.31% to 3.49% per annum. If loans are repaid prematurely, they attract either a premium or discount depending on the relationship between the interest rate of the loan and market rates and also the unexpired period at the time of repayment.
- 8 External borrowing can arise as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. The proposed programme of capital expenditure due to be approved by Council in February 2015 is not at this time anticipated to trigger a requirement for new borrowing in 2015/16. The Policy Framework and Budget Setting Report will provide confirmation of the prudential position for future years, based on current estimates.
- Borrowing strategy**
- 9 The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.
- 10 Long-term fixed interest rates are at risk of being higher over the medium-term, and short-term rates are unlikely to change significantly. The Head of Resources, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter-term fixed rates may provide lower cost opportunities in the short to medium term.
- 11 With the likelihood of long-term rates increasing, debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt, although the Head of Resources and treasury consultants will monitor prevailing rates for any opportunities during the year.
- 12 The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of debt has been compounded since 20 October 2010 by a considerable further widening of the difference between new borrowing and repayment rates to 1% over gilt yields from typically 0.15%. This has meant that PWLB debt restructuring is now much less attractive than it was before both of these events.
- 13 The PWLB periodically allows local authorities to register for a preferential "certainty rate" for borrowing, which is below the standard rate. Registering for this preferential rate does not commit an authority to undertake any borrowing, it just allows them to use the preferential rate if they do undertake borrowing. Although there are no current plans to borrow the Council will continue to register for the preferential rate in the future when it is offered, so that the Head of Resources may take advantage of the offer if borrowing is needed.
- 14 The weighted average maturity of the Council's General Fund debt is long at **39 years**, and all the debt portfolio is not due to mature before 2052 so there is no refinancing risk in the foreseeable future. Subject to any future changes in borrowing or planned capital projects the General Fund will not be affected by increased borrowing margins in the short or medium term.
- 15 The Housing Revenue Account debt taken out in March 2012 is set to mature at different times between 2021/22 and 2041/42.

**Borrowing in advance of need**

- 16 The Council has some flexibility to borrow funds this year for use in future years. The Head of Resources may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Head of Resources will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so, borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities.
- 17 CLG guidance has determined that the setting of constraints for any borrowing in advance of need is considered good practice. The Head of Resources does not currently anticipate any need to borrow in advance of need, but if circumstances change then borrowing in advance will be made within the constraints that:-
- It will be limited to no more than **£2m** of the expected increase in borrowing need (CFR) over the three year planning period; and
  - The Council would not look to borrow more than 18 months in advance of need.
- 18 Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism. Any surplus funds arising from borrowing in advance of need will be invested in accordance with the Council's Investment Strategy.

**Treasury Management Indicators**

- 19 The Council is required to calculate a number of Treasury Management Indicators as part of the Treasury Management Code of Practice. Draft indicators are reported in the following paragraphs and final calculations will be included when this report is submitted to Council in February.

**Borrowing maturity structure**

- 20 The Prudential Code for Capital Finance in Local Authorities requires the Council to set upper and lower limits for the maturity structure of fixed rate borrowing. These limits are designed to help the Council minimise its exposure to large fixed rate sums falling due for refinancing. The proposed limits, expressed as percentages of total projected fixed rate borrowing, are as follows:-

<b>Maturity</b>	<b>General Fund</b>		<b>Housing Revenue Account</b>	
	<b>Upper limit</b>	<b>Lower limit</b>	<b>Upper limit</b>	<b>Lower limit</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
within 1 year	50	0	50	0
within 2 years	50	0	50	0
within 5 years	60	0	60	0
within 10 years	80	0	80	0
after 10 years	100	0	100	0

**Borrowing – limits of fixed and variable rate exposure**

- 21 The Prudential Code requires the Council to set upper limits for fixed and variable interest rate exposure. These indicators identify the maximum limits for both fixed and variable interest rates based upon the Council's debt position net of investments. The proposed limits are as follows:-

<b>Table 21.1 Upper limits of fixed and variable exposures</b>					
	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Upper limit – fixed rates	47	47	47	47	47
Upper limit – variable rates	-5	-3	-3	-2	-2

**Borrowing - interest rate sensitivity**

22 Any borrowing decisions will need to take account of any sudden changes in interest rates. There are two possible scenarios:-

- a sudden sharp rise in rates – if this is considered possible, any fixed interest borrowing will be taken while interest rates are relatively low;
- a sudden sharp fall in rates – if this is expected, any borrowing will be postponed (waiting for borrowings to become cheaper) and rescheduling from fixed to variable rate funding will be considered.

**Borrowing objectives**

23 A summary of our borrowing objectives for the year is therefore as follows:-

- to borrow if necessary in order to finance cash flows arising from capital expenditure in accordance with the Prudential Code;
- to reduce, if possible, the amount of long-term borrowing without incurring net losses for early redemption;
- to manage the debt maturity profile in order to avoid a high level of repayments in any one year;
- to borrow at the best interest rates achievable in relation to estimated future rates;
- to monitor and review the level of any variable interest rate loans, in order to take advantage of interest rate movements;
- if possible, to reschedule debt in order to take advantage of potential savings as interest rates change;
- to avoid as far as possible, excessive overdrawn bank balances by achieving a balanced daily cash position, unless market borrowing proves favourable by comparison;
- to ensure that overall borrowing is within the authorised limit for external debt and that this is monitored on a regular basis.

# Investment Strategy

## Investment Guidance

- 1 This Council has regard to the CLG's Guidance on Local Government Investments ("Guidance") and CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes ("CIPFA TM Code").

## Investment Principles

- 2 All investments will be in sterling. The general policy objective for this Council is the prudent investment of its treasury balances. The Council's investment priorities are (a) the **security** of capital (protecting the capital sum from loss) and (b) **liquidity** of its investments (keeping the money readily available for expenditure when needed). Provided that proper levels of security and liquidity are achieved, it may then (but only then) be reasonable to seek the highest **yield** consistent with those priorities.
- 4 The Guidance maintains that the borrowing of monies purely to invest or lend on and make a return is unlawful and this Council will not engage in such activity.

## Specified and Non-Specified Investments

- 5 Specified investments are high security, high liquidity investments in sterling with high credit quality, and with a maturity of no more than a year. Specified investment instruments identified for use in the financial year are listed in table 9.1. Non-specified investments are any other type of investment, i.e. not defined as Specified above. The Council's Co-operative Bank plc accounts were in this category but since these were closed in July 2014 the Council will have no non-specified investments in the foreseeable future.

## Liquidity

- 6 Based on its cash flow forecasts, the Council anticipates its fund balances in the financial year 2015/16 to range between **£8.4m** and **£18.7m**.

## New Investments

- 7 The Head of Resources recommends adding two new types of specified investment to the approved list of counterparties. The Council has consulted with its treasury adviser, Capita, and believes it can achieve slightly better rates of interest and more diversification without significant loss of security. Treasury bills and certificates of deposit are regularly used by other local authorities.
- 8 Treasury bills (T-bills) are an AAA/AA+ rated short-dated form of Government debt issued by the Debt Management Office (DMO) via a weekly tender. They are normally issued for one, three and six month duration and enable councils to invest in the same counterparty at a better rate than the Debt Management Agency Deposit Facility, currently on the approved list. There is a very active secondary market for T-bills and they may be sold before maturity, so they are a very liquid and flexible investment. However, like Gilts (UK Government bonds) there can be a realised capital loss or gain if sold before maturity, as the capital value may fluctuate as interest rates vary.
- 9 Certificates of Deposit (CD's) are a negotiable form of fixed deposit, ranked equally with ordinary fixed deposits. The primary difference is that you are not obligated to hold the CD to maturity and may realise the cash by selling into an active secondary market. CD's are issued by a number of UK and international banks and building societies. If held to maturity, the coupon interest will be the same whether you buy a fixed deposit or CD. A CD gives you the option to get out of that investment before maturity, if the counterparty is downgraded, unlike a fixed deposit. However if sold before maturity there may be a capital gain or loss.



**All "Specified Investments" listed below must be sterling-denominated.**

<b>Table 9.1 Specified Investments for the Financial Year 2015/16</b>			
<b>Investment</b>	<b>Counterparty limit</b>	<b>Security / Minimum Credit Rating</b>	<b>Maximum period of investment</b>
<b>Debt Management Agency Deposit Facility (DMADF)</b> (this facility is at present available for investments up to 6 months)	No limit	The Debt Management Office is an agency of the UK Government	6 months (DMO imposed time limit)
<b>Treasury Bills</b> issued by the UK Government	No limit	The Debt Management Office is an agency of the UK Government	364 days
<b>Term deposits</b> with the UK government or with UK local authorities (i.e. local authorities as defined under section 23 of the 2003 Act)	The lesser of £5m or 33% of total investments	High quality as either directly invested or via agencies of UK Government. (Although local authorities are not specifically credit rated)	364 days
<b>Term Deposits</b> with institutions, part nationalised by the UK Government	The lesser of £5m or 33% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
<b>Money Market Funds</b> (i.e. a collective investment scheme as defined in SI 2004 No 534) These funds do not have a maturity date	The lesser of £5m or 33% of total investments	Fitch, Moody's or Standard and Poors AAA (Minimum of two ratings)	n/a (repayable on demand)
<b>Current accounts, notice accounts or term deposits</b> with credit-rated deposit takers (UK banks and building societies)	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days (Call deposits repayable on demand)
<b>Forward deals</b> with credit rated banks and building societies < 1 year (i.e. negotiated deal period plus period of deposit)	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days
<b>Certificates of Deposit</b> issued by UK institutions	The lesser of £4m or 25% of total investments	long-term A-, short-term F1 (lowest common denominator Fitch, Moody's & S&P)	364 days

All investments are managed in-house. No shares or loan capital is held by the Council and none of the investments is classed as capital expenditure.

**Investment Risk and Creditworthiness**

- 10 Credit quality of counterparties (issuers and issues) and investment schemes will be determined mainly by reference to credit ratings published by Fitch, Moody's and Standard & Poors. In compliance with CIPFA recommendations and the CIPFA Treasury Management Code, the rating criteria use the lowest common denominator method of selecting counterparties and applying limits. Table 9.1 sets out the Council's minimum credit ratings that it considers appropriate for each category of investment. All funds, other than those used for day to day cash flow requirements, are invested in institutions with high long-term credit ratings (minimum A-) or in money market funds with the highest possible rating (AAA or equivalent). The Council has a policy of diversification to prevent over-reliance on a small number of counterparties and Money Market Funds are used to provide a broad spread of underlying holdings.

11 **Monitoring of credit ratings:**

- All credit ratings will be monitored on a regular basis, including when investments are made. The Council's external adviser, Capita, also alerts the Council to changes in ratings as they occur.
- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- If a counterparty/investment scheme is upgraded so that it fulfils the Council's criteria, the s151 Officer will have the discretion to include it on the lending list.

**Country, group and sector limits**

- 12 The Council selects counterparties according to credit quality as well as the additional information in paragraph 14 below. The Council will only invest in UK Government or local authority deposits; UK Government treasury bills; UK-regulated banks and building societies; or funds which adopt the Institutional Money Market Funds Association (a trade body for European fund managers) Code of Conduct for triple-A rated funds. A Money Market Fund is a pooled source of funds invested in a wide range of short term investments, and managed by an independent fund management company, as defined in SI 2004 No 534. Frequently these are well known banks or investment houses. The funds are domiciled in the United Kingdom, Ireland or Luxembourg. The Council will only invest in jurisdictions and institutions where the financial sector is, in the opinion of the s151 Officer, thought to be well regulated and relatively secure.

- 13 Group and sector limits do not form part of the formal investment strategy, but are used within the temporary, stricter investment guidance described in paragraph 14.

**Use of additional information other than credit ratings**

- 14 Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example equity prices, Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

**Internal Stricter Guidance**

- 15 Due to the ongoing poor economic situation, with resulting uncertainty in the money markets and lack of confidence in counterparties, the Council continues to use temporary stricter internal investment guidance than that laid out in the Investment Strategy, such as lower counterparty limits. The situation is reviewed regularly, taking into account information and advice supplied by Capita, the Council's treasury adviser. Changes to the guidance are decided by the Head of Resources. These measures will remain in place for as long as they are required.

### **Use of Derivative Instruments**

- 16 Local authorities have the ability to use any hedging tools such as derivatives, but only for the management of risk and the prudent management of financial affairs. When an authority intends to use derivative instruments the policy for their use must be clearly detailed in the Annual Treasury Management Strategy. The Council does not currently intend to use derivatives, but should this change then the Treasury Management Strategy will be amended prior to their use. The Council will seek proper advice when entering into arrangements to use such products to ensure that it fully understands those products.

### **Investments defined as capital expenditure**

- 17 The acquisition of share capital or loan capital in any corporate body is defined as capital expenditure under Regulation 25(1) (d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Such investments will have to be funded out of capital or revenue resources and will be classified as 'non-specified investments'. As already stated, the Council does not currently intend to invest in "non-specified" investments.
- 18 Investments in money market funds, as defined in paragraph 12, will not be treated as capital expenditure.
- 19 A loan, grant or financial assistance by this Council to another body for capital expenditure by that body will be treated as capital expenditure.

### **Provisions for credit-related losses**

- 20 If any of the Council's investments appeared at risk of loss due to default (i.e. a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.

### **Investment Strategy to be followed in-house**

- 21 The Council's in-house managed funds are mainly cash flow derived. Due to the level of these funds and uncertainty in the current climate, the Council has no proposals to invest for periods over 364 days. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

### **The Council's banking arrangements**

- 22 The Council transferred banking operations from the Co-operative Bank to Lloyds Bank in early 2014. The Council signed an initial one-year contract with Lloyds and following a benchmarking exercise, in November 2014 entered in to a permanent longer-term contract which expires on 31<sup>st</sup> March 2018 with the option of a two-year extension to 2020.

### **Risk Benchmarking**

- 23 The most recent version of the CIPFA TM Code recommended the use of security and liquidity benchmarks alongside existing yield benchmarks used to assess investment performance.
- 24 These benchmarks are simple targets (not limits) and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy depending on any changes. Any breach of the benchmarks will be reported with supporting reasons in the Mid-Year or Annual Report. Use of these benchmarks will be reviewed and they may be amended or added to if necessary.
- 25 Security - The Council's maximum security risk benchmark for the current portfolio is:-
- A credit-rating score of **4.0** for the overall investment portfolio. Each investment is given a score according to long-term credit rating (e.g. 7 for AAA, 4 for AA-, 1 for A-) and then weighted according to amount.
- 26 Liquidity – In respect of this area the Council seeks to maintain:-

- Bank overdraft - **£200,000**. Higher overdraft facilities are available on request.
- Liquid short term deposits of at least **£1.0m** available with a day's notice.
- Weighted Average Life benchmark is expected to be up to 4 months, with a maximum of one year.

27 Yield - Local measures of yield benchmarks are:-

- Investments – returns above the 7-day LIBID rate.

#### **Treasury Management Adviser**

28 Capita, the largest provider of capital financing and treasury advisory services to public sector organisations, is the Council's current treasury adviser. The company provides a range of services which includes technical support on treasury matters and capital finance issues; economic and interest rate analysis; debt rescheduling advice surrounding the existing portfolio; investment advice on interest rates, timing and investment instruments; credit ratings/market information service provided by the three main credit rating agencies; and data from international money markets.

29 Whilst Capita provides support to the internal treasury function, under current market rules and the CIPFA TM Code, the final decision on treasury matters remains with the Council. This service is subject to regular review.

#### **Member and Officer Training**

30 Members receive training on Treasury Management matters on a periodic basis. Treasury staff attend appropriate courses and seminars held by CIPFA and Capita to both maintain and improve their knowledge and expertise.

#### **Investment Activity Reporting and Publication**

31 Officers prepare a mid-year monitoring report on investment activity each autumn and an end of year report as part of its Annual Treasury Report after the close of each financial year. This does not preclude more frequent reporting should changes or circumstances dictate, including changes to the Treasury Management and Investment Strategy if required. The Council's Investment Strategy is published annually on the Council's website.

**AUDIT COMMITTEE**

**7 JANUARY 2015**

**Subject: Internal Audit, Quarterly Performance Report**

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**1. Purpose of Report**

To update the Audit Committee on progress made in delivering Internal Audit's Strategy for 2014/15.

**2. Internal Audit Plan Status (Appendix A)**

In the last quarter:

- two Terms of Reference have been agreed with officers
- three audits are in progress with detailed testing being currently undertaken
- one report has been issued and another is being finalised with officers
- five action plans from previous audits have been revisited to see whether the recommendations agreed have been actioned. Four draft follow up reports have been produced and are with officers for comment and agreement. One follow up report has been agreed.

The team's in-house auditors have undertaken more business support-related tasks since the resignation of its Business Support Officer at the end of June 2014. It is unlikely this post will be filled before the end of the financial year. Therefore this reduced in house auditor capacity is reflected by the removal of the Stock Control at Waterside Leisure Centre from the 2014/15 Audit Plan. This review has been selected as work is still in progress to fully implement the stock control systems.

This activity will be included in the risk assessment undertaken to support the production of the 2015/16 Audit Plan.

Planning work has also been started for the financial systems audits that will commence in January 2015. Where possible, for those systems with a history of good assurance opinions, a full audit will not be undertaken if key controls can be evidenced as still present.

***Resources***

In December 2014, two auditors resigned from the team. In the short term, this resource will need to be replaced from a framework contract, although getting unplanned resources from this source can be more difficult at this time of year. This will reduce the number of days available to allocate to audit work for the remainder of 2014/15. The impact on the number of audits that can now be delivered is currently being assessed.

The 2014/15 work plan already takes into account the significant impact on staff for the remainder of the year of supporting a new trainee auditor who started in August 2014 and a new senior auditor who started in November 2014.

### **3. Audit Opinions and Themes**

A summary of the key themes arising from the Management of the Street Cleaning and Grounds Maintenance Contract is attached at **Appendix B**.

### **4. Implementing Recommendations**

Internal Audit decides which action plans to revisit on a risk basis. Where it is determined that further work is required to ensure recommendations have been properly implemented, this will involve re-testing to ensure this is the case and the strengthened control arrangements are firmly established in the day to day running of the service.

The action plans followed up in the quarter are:

- Environmental Health
- Property Services Provided by South Essex Homes
- Service Planning and Appraisals
- Waterside Leisure Centre Cash Management.

The detailed testing is complete and draft reports have been sent to officers for comment and agreement for all of these audits. The results of the work will be reported to the March 2015 Audit Committee.

The action plan for Performance Management in Departments was followed up and the report agreed with officers in September 2014.

Two of the three recommendations were fully implemented. The third recommendation was partially implemented. This recommendation related to management consistently undertaking data quality checks on performance indicators. Work is continuing to embed such checks. In particular to explore whether the Housing IT system can more effectively record, validate and produce performance information.

### **5. Internal Audit Performance Targets (Appendix C)**

The suite of indicators reported on, if delivered, provide evidence the Council is maintaining an adequate and effective internal audit service that operates in accordance with proper internal audit practices, but also adds value and helps it improve its operations.

#### *Delivery of the Audit Plan*

The service continues to use a significant amount of resources from an external framework contract to deliver aspects of the work. Time has been required to establish long-term working relationships with the new supplier.

As a result, a number of audits originally scheduled to be completed by them earlier in the year have been rescheduled. Along with a request from officers to change the timing of an audit, this has resulted in the target for the quarter not being met.

## *Productivity*

This indicator reflects the productivity of all the resources used, both internal and external, at all clients the team provides a service to.

Therefore, although the in-house team's productivity target has been amended slightly from 75% to 73% to reflect the impact of losing the team's Business Support Officer in late June 2014, overall the service is meeting its productivity target.

The improvement in performance from last quarters report reflects:

- work undertaken by contractors, whose time is not included until jobs are substantially complete
- the expected increased productivity of in-house staff after the summer holiday period.

This indicator is sensitive to timing issues that can have a relatively large impact on the reported performance in any one quarter, but is deliverable over a whole year.

## **6. UK Public Sector Internal Audit Standards (the Standards)**

These Standards came into effect in April 2013. The Head of Internal Audit reported upon her first assessment of compliance with these requirements in January 2014 and then provided an end of year position in her annual report in June 2014. **Appendix D** sets out the current status of those areas that were still outstanding at this time (as highlighted in **bold** for ease of reference).

The work on updating the audit manual is still in progress. The aim is now to have it completed and fully implemented by 1 April 2015 (rather than 30 September 2014 as originally planned).

Corporately, work is underway to:

- assess the adequacy of and update the risk management framework as required
- identify the strategic aspects of the Council's assurance framework and then evaluate their effectiveness and the reliance that can be placed on them for audit purposes.

Work in evaluating the Council's ethical governance framework is planned to start in December 2014.

The Head of Internal Audit will undertake a full assessment of compliance with the Standards, taking into account any updated guidance on its implementation to inform her annual report which will be presented to the June 2015 Audit Committee.

## **7. Corporate Implications**

### **Financial Implications**

The audit plan will be delivered within the approved budget.

## **Legal Implications**

The Council is required, by the Accounts and Audit (England) Regulations 2011 (the Regulations) Section 6, to maintain an adequate and effective internal audit function, that complies with relevant professional standards and report upon this annually to the Audit Committee. This is covered in the Head of Internal Audit's Annual report.

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 updated on its delivery. Therefore this report discharges that 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.

### **Equality Implications**

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

Equality Impact Assessments are completed on relevant internal audit policy / strategy documents whenever they are updated.

### **IT and Asset Management Implications**

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

## **8. Links to Council's Aims, Targets and Objectives**

Audit work contributes to the delivery of all of the Council's aims, targets and objectives.

## **9. Timescale for Implementation**

The audit plan is resourced to be delivered between April 2014 and May 2015 at which time the Head of Internal Audit's annual report is produced for consideration by the Audit Committee at its June meeting.

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

## **10. 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 and priorities. A key mitigating factor is the work of the Good Governance Group. Assurance provided this group is summarised in the Quarterly Monitoring Report of the Council's Governance Arrangements.



The main risk the team continues to manage is the possibility that the external supplier won't deliver contracted in work within the required deadlines to the expected quality standards. Additional time has been built into the Audit Plan this year for managing this contract.

**Recommendations:**

**The Audit Committee notes the progress made in delivering the Internal Audit Strategy for 2014/15.**

**Background Papers**

- The Accounts and Audit (England) Regulations 2011
- UK Public Service Internal Audit Standards
- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards
- CIPFA: The Role of the Head of Internal Audit in Public Service Organisations 2010
- CIPFA: Audit Committees, Practical Guidance for Local Authorities and Police 2013
- CIPFA / SOLACE: Delivering Good Governance in Local Government Framework.

**Appendices**

- Appendix A: Internal Audit Plan 2014/15
- Appendix B: Audit Opinions and Themes
- Appendix C: Internal Audit Performance Indicators 2014/15 as at 28 November 2014
- Appendix D: UK Public Sector Internal Audit Standards, Outstanding Actions

**Report Author: Linda Everard, Head of Internal Audit**

## Appendix A: Internal Audit Plan 2014/15

Dept	Audit Activity	Work type *	Status as at 28 November 2014	Corporate Risk No #
<b>Managing the Business</b>				
<b>Efficient and Effective Customer Focused Services</b>				
L&G	<b>Ethical Governance</b> To assess whether the Council has established appropriate arrangements to ensure its operations are open, accountable and in line with recognised ethical standards.	Core Fraud Risk	Terms of Reference agreed. Work scheduled for December 2014 to February 2015.	
All	<b>Management Information Quality</b> To assess the accuracy and usefulness of information on which management rely to make decisions		Work scheduled for March 2015 to May 2015	7
All	<b>Working With Partners</b> To assess whether for a number of partnerships there are robust governance arrangements		Work scheduled for December to February 2014	2
<b>Key Financial Systems</b>				
<b>Efficient and Effective Customer Focused Services</b>				
H&C	Council Tax	Fraud Risk	Work scheduled for January 2014 to April 2015.	7
H&C	National Non-Domestic Rates			
H&C	Housing Benefit			
Res	General Ledger (Main Accounting)			
H&C	Accounts Receivable: General Debtors			
Res	Accounts Payable (Creditors)			
Res	Payroll			
H&C	Cash and Banking (Income)			
Res	Treasury Management			
H&C	Housing Rents			

## Appendix A: Internal Audit Plan 2014/15

Dept	Audit Activity	Work type *	Status as at 28 November 2014	Corporate Risk No #
<b>Implementing Recommendations</b>				
<b>Efficient and Effective Customer Focused Services</b>				
All	<b>Reports to be followed up</b> To check that recommendations made have been implemented, properly, in a timely manner.	Core	<b>Performance Management complete September 2014.</b>  <b>For all the following reports fieldwork completed and draft report being agreed with officers:</b> <ul style="list-style-type: none"> <li>• Environmental Health</li> <li>• Property Services Provided by South Essex Homes</li> <li>• Service Planning and Appraisals</li> <li>• Waterside Leisure Centre – Cash Management.</li> </ul>	All
<b>Managing Service Delivery Risks</b>				
<b>Public Health &amp; Wellbeing:</b> Improve the Health and Wellbeing of Castle Point residents through the provision of value for money Leisure and Recreation Services that increases the percentage of adults aged 16 or over participating in sport at least once a week				
Env	<b>Waterside Leisure Centre</b> To assess whether there are robust controls to manage stock and assets	Core (R2) Fraud Risk	<b>Audit deleted.</b>	6
<b>Public Health &amp; Wellbeing:</b> Develop Strategic Partnership working with the public, private and voluntary sector organisations to help achieve joint priorities and obtain efficiencies				
All	<b>Working With Partners</b> <i>(Note this is the same work as set out in Managing the Business section)</i>		See above	2

## Appendix A: Internal Audit Plan 2014/15

Dept	Audit Activity	Work type *	Status as at 28 November 2014	Corporate Risk No #
Env	<b>Parking Enforcement</b> To assess whether the Council receives sufficient assurance from the South Essex Parking Partnership on the delivery of parking enforcement duties (whereby Chelmsford City Council undertakes the administration of relevant 'back office' functions).	Core (R2)	Terms of Reference agreed with officers. <b>Work in progress.</b>	6
<b>Public Health &amp; Wellbeing:</b> Continue the transformation of the Housing Services				
H&C	<b>Housing Allocations and Voids</b> To assess whether adequate processes and procedures are in place to enable Council housing to be allocated and empty properties re-let, fairly, consistently, promptly and in line with the Allocations Policy.	Core (R2) Fraud Risk	Work in progress.	1
H&C	<b>Homelessness (2013/14 audit)</b> To assess whether the service is effectively and economically fulfilling the Council's statutory duties regarding homelessness services.	Core (R2) Fraud Risk	<b>Draft report being agreed with officers.</b>	1
<b>Environment:</b> Ensure high quality grounds maintenance and street scene cleansing is delivered through pro-active monitoring and rectification				
Env	<b>Contract Management</b> To assess whether there is effective management of the street cleansing and grounds maintenance contracts	Core (R2) Fraud Risk	<b>Completed December 2014.</b>	6

## Appendix A: Internal Audit Plan 2014/15

Dept	Audit Activity	Work type *	Status as at 28 November 2014	Corporate Risk No #
<b>Transforming our Community:</b> Progress development of the Local Plan for the Borough and progress the regeneration of Canvey and Hadleigh Town Centres				
R&N	<b>Regeneration</b> To assess whether the Council through the Regeneration partnership has evidence it has: <ul style="list-style-type: none"> <li>achieved its 2008-13 Regeneration Framework ambitions and key priorities</li> <li>effective arrangements and processes to deliver future regeneration ambitions</li> </ul>	Core (R1)	<b>Terms of Reference agreed.</b> Work scheduled December 2014 to February 2015.	5
<b>Efficient and Effective Customer Focused Services:</b> Implement organisational change to transform the Council by March 2016 by using new technology and working practices				
All	<b>Welfare Reform</b> To assess whether there is clear corporate understanding and joined up management of the impacts of welfare reforms introduced to date and readiness for future reforms	In year risk	Terms of Reference agreed with officers. <b>Work in progress.</b>	1
All	<b>Financial Planning</b> To assess whether there are robust plans to meet the Council's medium-term financial challenges to deliver its priority and statutorily required services within balanced budgets	In year risk	Work scheduled for March to May 2015.	6
Res	<b>IT Contract Management</b> To assess whether there is robust management of the IT contract	Core (R1)	Work scheduled for March 2015 to May 2015.	6
Res	<b>IT Governance</b> To understand and assess whether there is sufficient clarity over roles and responsibilities for key IT-related tasks and outcomes (per Information Technology Infrastructure Library practices)	Core (R1)	<b>Terms of Reference agreed.</b> Work scheduled December 2014 to February 2015.	7

## Appendix A: Internal Audit Plan 2014/15

Dept	Audit Activity	Work type *	Status as at 28 November 2014	Corporate Risk No #
<b>Managing Delivery of the Audit Plan</b>				
	Audit Planning and Resourcing			
	Managing Contractor work			
	Reporting to Management Team and Audit Committee			
	Contingency for In-Year Unplanned Work			

### Audit Plan Definitions

#### Departments

- H&C: Housing and Communities
- Env: Environmental Services
- R&N: Regeneration and Neighbourhoods
- Res: Resources
- L&G: Legal and Governance

\* **Core work** means those service activities that score as high risk (i.e. risk level 1 or 2 out of 4 levels) from an audit perspective based on the criteria set out in the Internal Audit Strategy.

# **Corporate Risk Numbers** (where numbers are missing, no planned audit coverage in 2014/15)

1. Welfare Reforms result in less benefit, greater demand on services and reduced recovery levels
2. Partnership working does not result in improved efficiency and effectiveness
5. Housing Regeneration is not progressed
6. Unable to provide full range of existing services
7. Potential for too many priorities and inadequate staff capacity

## Appendix B: Audit Opinions and Themes

Managing Service Delivery Risks			
Report title	Management of the Street Cleansing and Ground Maintenance Contract	Report issued	December 2014
<b>Objective</b>	To assess whether there are robust arrangements in place to ensure that the street cleansing and maintenance contract is being delivered properly in compliance with the specified performance and quality standards, at the correct cost / price.		
<b>Opinion</b>	<div> <div>High</div> <div>Satisfactory</div> <div>Partial</div> <div>Minimal</div> </div>		
<b>Conclusion and key themes</b>	<p>Robust contract management arrangements have been established over the eighteen months since the contract started to ensure:</p> <ul style="list-style-type: none"> <li>risks over the key deliverables of quality, timeliness and costs are monitored and controlled</li> <li>probity and accountability is properly provided for.</li> </ul> <p>This is demonstrated by:</p> <ul style="list-style-type: none"> <li>strong and evidence based monitoring of work undertaken by the contractor and the establishment of key performance indicators to assess whether outcomes required by the contract are achieved</li> <li>officers using key provisions incorporated within the contract to monitor and challenge performance and hold the contractor to account</li> <li>there being clarity around the processes for making monthly contract payments which ensure correct payments are made</li> <li>regular reporting to senior management and councillors regarding the performance of the contract.</li> </ul> <p>Going forward there is an opportunity to develop these arrangements further by establishing a process to:</p> <ul style="list-style-type: none"> <li>monitor and report upon the level of the resources (staffing and equipment) deployed by the contractor, as this was a key assessment factor when the tenders were evaluated</li> <li>determine whether this is and continues to be sufficient to deliver the outcomes required.</li> </ul> <p>This would provide some important ongoing assurance that the contract will continue to be successfully delivered.</p>		



## Appendix B: Audit Opinions and Themes

	<p>At the time of testing, the Contract Manager was intending to analyse and compare yearend resource data, supplied by the contractor, with the tender submission. Contract terms enable the Council to obtain the data on a weekly and / or monthly basis.</p> <p>It is therefore recommended that more frequent monitoring of resources used is introduced. This would provide some timely and insightful information / data:</p> <ul style="list-style-type: none"><li>• should there be future issues around delivery of the contract, as was experienced last year with grass cutting</li><li>• to assess whether there are potential efficiency savings that could be explored with the contractor.</li></ul>
<b>Number of actions agreed 1</b>	

## Internal Audit Performance Indicators 2014/15 as at 28 November 2014

DESCRIPTION	TARGET	ACTUAL
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### Coverage

Deliver sufficient work for the Head of Internal Audit to be able to give an annual opinion on the adequacy and effectiveness of the Council's risk management, control and governance arrangements.	21% by 31 August 2014	<b>28%</b>
	34% by 28 November 2014	
	56% by 28 February 2015	
	98% by 31 May 2015	

### Productivity of Combined Team (Southend and Castle Point)

Maximise the staff days available to spend on delivering the audit plan.	75% of total available days	<b>79%</b> of total available days
Minimise the days lost annually per full time equivalent (FTE) team member to sickness absence.	Less than five days	<b>0.2 days per FTE</b>

### Professional Compliance

Deliver audits that are timely, professionally delivered, well communicated, that also addressed key risks and made useful and practical recommendations that added value to the service.	Under review as part of updating the Audit Manual	
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**Appendix C**

DESCRIPTION	TARGET	ACTUAL
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**Professional Compliance cont'd**

Comply with:		
<ul style="list-style-type: none"> <li>the UK Public Sector Internal Audit Standards (PSIAS) and CIPFA Local Government Application Note</li> </ul>	Conform to the PSIAS	Due in June 2015
<ul style="list-style-type: none"> <li>the CIPFA Statement on the Role of the Head of Internal Audit.</li> </ul>	Operate in accordance with the Statement	Due in June 2015
Produce audit work that external audit can rely on.	External Audit confirm this	Due in June 2015

Management implement opportunities to mitigate risks by strengthening controls, properly within the agreed timescales.	Refer to the Quarterly Performance Report
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**Cost**

Ensure the cost of the internal audit service is competitive.	Met	Will report on this in March 2015
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# Appendix D: UK Public Sector Internal Audit Standards, Outstanding Actions

Ref	Standard	Evidence / Comment	Action Required	Current Status
<b>3</b>	<b>ATTRIBUTE STANDARDS</b>			
<b>3.1</b>	<b>1000 Purpose, Authority and Responsibility</b>			
C3	Does the internal audit charter also:			
	b) Establish the Head of Internal Auditor's (HoIA) functional reporting relationship with the Audit Committee?	Y	See section in the Charter on Reporting Lines and Relationships.	Assess whether the Audit Committee (AC) Terms of Reference still complies with the PSIAS and updated new CIPFA Audit Committee guidance.
<b>3.3</b>	<b>1200 Proficiency and Due Professional Care</b>			
	<b>1210 Proficiency</b>			
C38	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	Y	Auditors do have the skills to evaluate the risk of fraud and one of the team now has a BTEC Level 7 Advanced Professional Certificate in Investigative Practice.	Assess whether the audit approach in the Audit Manual sufficiently covers the role of internal audit in terms of identifying and ensuring adequate control of fraud risks when undertaking audits.
	<b>1220 Due Professional Care</b>			
C41	Do internal auditors exercise due professional care by considering the: c) Adequacy and effectiveness of governance, risk management and control processes?	Y	This was set out in the Terms of Reference and now the Charter.	Assess whether the audit approach in the Audit Manual sufficiently covers the role of internal audit in assessing the adequacy of risk management processes when undertaking audits.
				Fraud risks were identified in the 2014/15 Audit Plan approved by the March 2014 Audit Committee. Audit Manual update due to be completed by <b>31 March 2015</b> .
				Audit Manual update due to be completed by <b>31 March 2015</b> .

# Appendix D: UK Public Sector Internal Audit Standards, Outstanding Actions

Ref	Standard		Evidence / Comment	Action Required	Current Status
<b>3.4</b>	<b>1300 Quality Assurance and Improvement Programme</b>				
C57 LGAN	Does ongoing performance monitoring include obtaining stakeholder feedback?	Y	Client satisfaction surveys are sent out at the end of each assignment. The results of this are reported upon to each AC meeting as part of the team's suite of performance indicators.	Develop a short service survey for completion periodically by senior management and the Audit Committee.	Will develop as part of the Audit Manual update due to be completed by 31 March 2015.
	<b>1312 External Assessments</b>				
C61 LGAN	Has the HoIA considered the pros and cons for the different types of external assessment (i.e. 'full' or self-assessment plus 'independent validation')?	Y	<p>The last external assessment by external audit against the CIPFA Code of Practice for Internal Audit in LG in the UK covered the year ended 31 March 2011.</p> <p>To date, the HoIA has completed the assessment and provided it with supporting evidence for someone independent of the service to assess.</p> <p>However the other option is to opt for a full external assessment by a suitably qualified person.</p> <p>The assessment must take place within 5 years of the PSIAS coming into force i.e. April 2013.</p>	Decide on the approach to be adopted with the Strategic Director, Transformation and Resources when the next assessment is due.	<p>This needs to be completed before 31 March 2018.</p> <p>Consideration is being given to commissioning an external assessment in 2015/16.</p>

# Appendix D: UK Public Sector Internal Audit Standards, Outstanding Actions

Ref	Standard	Evidence / Comment	Action Required	Current Status
	<b>1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing' &amp; 1322 Disclosure of Non-conformance</b>			
C71, C72, C73	<p>Has the HoIA stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?</p> <p>Has the HoIA reported any instances of non-conformance with the PSIAS to the Audit Committee?</p> <p>Has the HoIA considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?</p>	These are new requirements.	<p>Evaluate how to comply with the requirement to report any instances of non-conformance with the PSIAS to the Audit Committee once further guidance on this becomes available.</p>	<p>This guidance is starting to be issued now.</p> <p>The implications of such guidance will be evaluated and acted upon as required.</p>
<b>4</b>	<b>PERFORMANCE STANDARDS</b>			
<b>4.1</b>	<b>2000 Managing the Internal Audit Activity</b>			
	<b>2010 Planning</b>			
D10	In developing the risk-based plan, has the HoIA taken into account the organisation's risk management framework and relative risk maturity of the organisation?	Y	<p>Organise the initial training session for key officers regarding risk appetite and tolerance.</p> <p>Develop and integrate the approach into the Council's risk management framework in a practical and pragmatic manner.</p>	<p>Risk Appetite and Tolerance workshop delivered on 16 December 2013.</p> <p><b>Work in this is in progress and will be reported upon by 31 March 2014.</b></p>

# Appendix D: UK Public Sector Internal Audit Standards, Outstanding Actions

Ref	Standard		Evidence / Comment	Action Required	Current Status
	<b>2040 Policies and Procedures</b>				
D31 LGAN	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	Y	<p>Until 2013/14 the Strategy was reviewed annually and presented to management and the AC with the Audit Plan.</p> <p>The adequacy of the audit approach was assessed as part of the external audit review of the service in 2010/11.</p> <p>It has not changed significantly since then, although it is continually developed.</p>	Assess whether the Audit Manual is still fit for purpose taking into account the new PSIAS.	Audit Manual update due to be completed by <b>31 March 2015</b> .
	<b>2050 Coordination</b>				
D32	Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	N	This is not explicitly stated in any of the audit documents / approach but it is the approach auditors would take should the opportunity arise to do so.	Document the approach in the Audit Manual that auditors should take when undertaking an audit to identify and assess the level of assurance that can be provided by other sources and how this can be used.	Audit Manual update due to be completed by <b>31 March 2015</b> .
D33 LGAN	Has the HoIA carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	N	This work has not been undertaken at the Council although the Head of Internal Audit is aware of the work of the Good Governance Group.	<p>See D7</p> <p><b>Establish the key strategic aspects of the Council's assurance framework.</b></p> <p><b>Evaluate their effectiveness and reliance that can be placed on them for audit purposes.</b></p>	<p>Aspects of this will be evaluated and reported on over the coming year.</p> <p>Work has started on assessing officer groups.</p>

# Appendix D: UK Public Sector Internal Audit Standards, Outstanding Actions

Ref	Standard		Evidence / Comment	Action Required	Current Status
	<b>2110 Governance</b>				
D42	Does the internal audit activity: a) Promote appropriate ethics and values within the organisation?	N	This is a new requirement. Many of the processes required to ensure this are covered by the Fighting Fraud Locally framework. To date, this has not been a standard audit in the governance part of the Audit Plan.	Include an audit activity in the Audit Plan regarding evaluating the design, implementation and effectiveness of the Council's ethics-related objectives, programmes and activities.	Terms of Reference agreed. Work planned to start in December 2014.
D44	Has the internal audit activity evaluated the: a) design b) implementation, and c) effectiveness of the organisation's ethics-related objectives, programmes and activities?				
	<b>2120 Risk Management</b>				
D47	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that: a) Organisational objectives support and align with the organisation's mission? b) Significant risks are identified and assessed? c) Appropriate risk responses are selected that align risks with the organisation's risk appetite?	N	Not recently. A high level self assessment of compliance with the ALARM / CIPFA good practice guidance was completed during 2013/14 to assess potential areas for further investigation. In 2013/14, an audit was undertaken of how well risks are evaluated and reported upon in reports that go to EMT or any member committee / group.	Complete an assessment against the ALARM / CIPFA good practice guidance and consider the outcome when producing the 2015/16 Audit Plan. <b>Document areas that require attention to improve the arrangements.</b>	The HoIA took the effectiveness of Council's risk management processes into account when producing the 2014/15 Audit Plan. <b>The intention is complete this assessment by 31 March 2015.</b>



# Appendix D: UK Public Sector Internal Audit Standards, Outstanding Actions

Ref	Standard		Evidence / Comment	Action Required	Current Status
	d) Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?				
<b>4.3</b>	<b>2200 Engagement Planning</b>				
D57	Do internal auditors consider the following in planning an engagement, and is this documented: a) the objectives of the activity being reviewed? d) the activity's resources?	P	Whilst they would be considered, if relevant, they may not always be clearly documented as such.	Amend the audit approach in the Audit Manual where required to include all the areas that should be considered when planning an engagement.	Audit Manual update due to be completed by <b>31 March 2015</b> .
	<b>2210 Engagement Objectives</b>				
D64 to D68	Does the auditor consider the following when preparing engagement objectives: • fraud, error and non-compliance risks • performance management arrangements • governance, risk management and control arrangements • value for money arrangements.	Y	All of these areas would be considered when researching an area to audit.  They would be included in the Terms of Reference if they were relevant to the focus of the audit.	See C38 and D31.	

# Appendix D: UK Public Sector Internal Audit Standards, Outstanding Actions

Ref	Standard		Evidence / Comment	Action Required	Current Status
	<b>2330 Documenting Information</b>				
D93	Has the HoIA developed and implemented retention requirements for all types of engagement records?	Y	Refer to the Audit Strategy AC papers Mar 2012.	Confirm this is reflected within the corporate document retention records.  The corporate Document Retention Policy will be updated to reflect this by <b>31 March 2015</b> .	The HoIA has developed the requirements for the service.  The corporate Document Retention Policy will be updated to reflect this by <b>31 March 2015</b> .
	<b>2431 Engagement Disclosure of Non Conformance</b>				
D113	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: a) The principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved? b) The reason(s) for non-conformance? c) The impact of non-conformance on the engagement and the engagement results?		This is a new requirement.	Build the requirement to disclose non-conformance with the PSIAS into the: • Audit Manual • report templates used.	Audit Manual update due to be completed by <b>31 March 2015</b> .

# Appendix D: UK Public Sector Internal Audit Standards, Outstanding Actions

Ref	Standard	Evidence / Comment	Action Required	Current Status
D125	Does the annual report incorporate the following:			
LGAN	<p>h) The results of the Quality Audit and Improvement Programme (QAIP)?</p> <p>i) Progress against any improvement plans resulting from the QAIP?</p>	<p>P</p> <p>The annual report for 2012/13 concluded there was sufficient evidence to demonstrate professional standards had been adhered to.</p> <p>A summary of the assessment undertaken and the resulting action plan were not included in the 2012/13 annual report, although they have been in previous years.</p>	Provide the AC with a mid-year report on the progress made in implementing actions contained in the team's improvement plan.	Delivered January 2015 Audit Committee.