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Chief Executive

AGENDA

Committee:	AUDIT
Date and Time:	27 June 2017 at 7.30 p.m.
Venue:	Committee Room 1
Membership:	Councillors Cole (Chairman), Blackwell, Hart, May and Sharp Substitutes: Councillors Acott, Greig, Mumford and Mrs Wass
Officers attending:	Ian Stapleton, Financial Services Manager Craig Watts, Head of Performance and Service Support Mike Dineen, Fraud Investigation Officer Linda Everard, Head of Internal Audit
Also attending	Dean Bardrick, Manager, EY Kevin Suter, Executive Director, EY
Enquiries:	John Riley, Ext. 2417

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 30.3.2017 is attached.

- 4. Internal Audit Service, Quarterly Performance Report**

Report of the Head of Internal Audit is attached.

- 5. Annual Report on the Treasury Management Service and Actual Prudential Indicators 2016/17**

Report of the Financial Services Manager is attached.

6. Counter Fraud & Investigation Directorate: Annual Performance Report and Counter Fraud Strategy for 2017/18

Report of the Group Counter Fraud & Investigation Manager is attached.

7. Head of Internal Audit Annual Report 2016/17

Report of the Head of Internal Audit is attached.

8. Annual Governance Statement 2016/17

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

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AUDIT COMMITTEE

30th MARCH 2017

PRESENT: Councillors Hart (Chairman), Greig, May and MacLean.

Head of Performance and Service Support, Craig Watts, Head of Internal Audit, Linda Everard, Fraud Investigator, Michael Dineen Financial Services Manager, Ian Stapleton, External Auditors Kevin Suter (EY) and Dean Bardrick (EY) were also present.

Councillor Sharp also attended.

Apologies for absence were received from the Chairman, Councillor Ladzrie, and Councillors Acott, Blackwell and Mrs Wass.

In the absence of the Chairman, Councillor Hart chaired the meeting.

23. MEMBERS' INTERESTS

There were no disclosures of interest.

24. MINUTES

The Minutes of the meeting held on 4th January 2017 were taken as read and signed as correct.

25. EY GRANT CLAIMS AND RETURNS CERTIFICATION REPORT FOR THE YEAR ENDED 31 MARCH 2016

The External Auditor's Grants Claim and Return Certification Report for 2015/16 was presented to the Committee.

Kevin Suter, EY, provided Members with assurance that following initial and extended testing of housing benefit subsidy calculations the error level at Castle Point was consistent with, or better than, other district level local authorities. There were therefore no significant issues or risks of concern for the Audit Committee.

Resolved - That the Audit Committee accepts the Grant Claim and Return Certification Report for the Year Ended 31 March 2016.

26. MONITORING REPORT – CORPORATE 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.

During the discussion the Head of Performance and Service Support responded to Member questions about the stages within the Council Complaints Procedure and the accessibility of recorded complaints. Members of the Committee considered that performance information on complaints handling should be included in the Cabinet scorecard.

Resolved – That the Quarterly Monitoring Report and risk register is noted.

27. COUNTER FRAUD AND INVESTIGATION DIRECTORATE: STRATEGY AND WORK PROGRAMME FOR 2017/18 AND QUARTERLY PERFORMANCE REPORT

Michael Dineen gave an update on the progress made in delivering the Corporate Counter Fraud and Investigation Service and presented the Counter Fraud Strategy for 2017/18.

The Counter Fraud and Investigation Directorate had made good progress in delivering the 2016/17 counter fraud plan and training had been delivered in all high risk areas of the Council. Further training to senior management on counter fraud awareness and legislation affecting their service areas was planned in May 2017.

A copy of the case work flow into the Directorate between July 2016 and March 2017 was set out in Appendix 1 of the report.

A copy of the proactive work programme for the year 2017/18 was attached at Appendix 2.

Discussion took place and Mr Dineen answered Members' questions. Mr Dineen explained that the Directorate would investigate any reported allegations of fraud that directly affected the Council and had potential to cause economic damage to the Authority.

Resolved – 1. That the Audit Committee notes the performance of the Counter Fraud & Investigation Directorate to date.

2. That the Counter Fraud Work Plan for April to June 2017/18 is approved.

28. INTERNAL AUDIT SERVICE QUARTERLY PERFORMANCE REPORT

The Committee was updated on progress made in delivering the Internal Audit Strategy for 2016/17.

The current status of work planned for the year as at 3 March 2017 was set out in Appendix A. Three final amendments had been made to the Audit Plan this year: the work planned to revisit the homelessness report had been postponed due to significant pressures being experienced by the service; the accounts payable job had been moved into the 2017/18 Audit Plan and a piece of work had been added on updating the Risk Management Policy, Strategy and Toolkit and training staff in the refreshed arrangements.

Appendix B summarised the results and audit opinions given on work completed.

Appendix C summarised the results of the audit work completed since the last report to the Audit Committee in January 2017.

With regard to Performance Targets, sickness absence remained low at 1.14 days per FTE and 74% of reports were substantially complete at draft report stage.

The service had revised its approach to obtaining feedback from stakeholders so it focused on obtaining evidence of compliance with some of the less tangible elements of the standards. Two surveys had been carried out to date in 2016/17, the results of which were summarised at Appendix D. Appendix E summarised the actions that internal audit had identified it needed to take in order to address the issues arising from the surveys undertaken so far and the current status of each action with expected implementation dates where they were outstanding and applied to the Council.

Members discussed the results of the stakeholder surveys and expressed their concerns about the adequacy of contract management in general and the sub-contracting of work that could lead to the Council paying contractors agreed prices, but the actual work delivered was of lower quality than the contract specification. The Head of Internal Audit explained that contract management audits were undertaken which looked to see whether the terms of the contract were being delivered and that if any gaps in controls were identified liaison with the fraud service took place.

Resolved - That the assurance provided by the audit work completed this quarter is noted.

29. EY AUDIT PLAN 2016/17

The Audit Committee was presented with the external auditor's Audit Plan for 2016/17.

Members debated the Plan and in particular the risks around management override, management of the pensions liability as at 31 March 2016 and the External Auditor's fees. The Committee received assurance around the testing arrangements to mitigate the risk of management override, advice that managing the pension fund was a matter for Essex County Council and on the current arrangements and opportunities for procuring external auditor's services.

Resolved – That EY's Audit Plan for 2016/17 is noted.

30. INTERNAL AUDIT CHARTER, STRATEGY AND AUDIT PLAN FOR 2017/18

An Internal Audit Charter, with supporting strategy, and Audit Plan for 2017/18 was presented to the Audit Committee by the Head of Internal Audit.

The Internal Audit Charter was attached at Appendix A and the supporting Strategy at Appendix B. The Strategy included a number of sub-appendices which presented the Internal Audit Risk Assessment Summary; the Internal Audit Plan for 2017/18; audits planned linked to corporate risks; internal audit performance indicators for 2017/18 and a How We will work with You Statement.

In response to a question from a Member, the Head of Audit explained how the reporting mechanism in the How We will work with You Statement operated, culminating in reports submitted to the Audit Committee.

Resolved – That the Charter, Strategy and Audit Plan for 2017/18 are approved.

Chairman

AUDIT COMMITTEE

27th June 2017

Subject: Internal Audit Service, Quarterly Performance Report

1. Purpose of Report

To present to the Audit Committee, summary results of 2016/17 audit reviews completed.

2. Background

To comply with the UK Public Sector Internal Audit Standards, the Head of Internal Audit's Annual Report includes details of the team's final performance in delivering:

- the Audit Plan
- its targets.

3. Audit Opinions and Themes

Appendix A summarises the results of and where appropriate, the audit opinions given for each audit completed since the March Audit Committee meeting. No minimal assurance reports have been issued this quarter.

The majority of the audits included relate to the key financial systems audits. A commentary has only been included where a control has been assessed as either partial or minimal.

4. Independent External Assessment

The UK Public Sector Internal Audit Standards (1312) (the Standards) require that an external assessment must be conducted at least every five years by a qualified, independent assessor or team from outside the organisation. The Head of Internal Audit must discuss the:

- form of external assessment, which can be a full external assessment, or a self-assessment with independent external validation
- qualifications and independence of the external assessor or team, including any potential conflict of interest.

The external assessor or team must be able to demonstrate:

- competence in two areas: the professional practice of internal auditing and the external assessment process. The Head of Internal Audit should use professional judgment when assessing whether an external assessor or team demonstrates sufficient competence to be qualified
- there is not a real or an apparent conflict of interest and that they are not a part of, or under the control of, the organisation to which the internal audit activity belongs.

The Head of Internal Audit must agree the scope of external assessments with an appropriate sponsor, as well as with the external assessor or team. The sponsor for the Council is Devinia Board, Strategic Director, Transformation and Resources.

At the conclusion of the review, the Head of Internal Audit must communicate the results of the quality assurance and improvement programme to senior management and the Audit Committee.

Three quotes were obtained and evaluated taking into account day rates, the experience of reviewers and the potential to add value. On this basis, the Head of Internal Audit is recommending that:

- the Institute of Internal Auditors (IIA) is appointed to undertake the review which will include services provided to the Council, Southend-on-Sea Borough Council and South Essex Homes. It:
 - does not sell additional services or offer alternative solutions to delivering internal audit services, therefore it is truly independent and has no conflicts of interest to declare
 - sets the Standards, so is best placed to assess compliance with them as well as share learning where opportunities to improve are identified.
- a self assessment is completed, with supporting evidence that is then provided for review, as this limits the cost.

Appendix 2 contains the profile of the reviewers proposed, which demonstrates the team are suitably qualified to undertake this work.

As South Essex Homes buys its internal audit service from the Council, the results of this work will just be reported to its Audit Committee.

5. Shared Service Board

The first meeting of the Shared Services Board, Internal Audit and Counter Fraud & Investigation Services was held on 18 May 2017 at which it agreed its Terms of Reference.

The objective of the Board is for *“members work effectively together to enable good quality, professionally compliant but proportionate services to be provided that meet each individual organisations needs”*.

The purpose of the Board is to provide a forum for members to:

- provide a collaborative, strategic view for the on-going delivery and or development of the two services
- ensure there is a consistent contractual framework for delivering these services across the organisations that clarifies accountabilities and deliverable outcomes
- ensure that performance management arrangements are effective and each organisation is receiving the service it is paying for.

The main work for the Board initially is to refresh the various agreements Southend-on-Sea Borough Council, Castle Point Borough Council, Thurrock Council and South Essex Homes have with each other for these services. In order to co-ordinate this work better, it has been agreed to start the new agreements from 1 October 2017 for three years.

As part of this, the opportunity will be taken to standardise the arrangements for obtaining stakeholder feedback by both services. This will then form part

of the performance indicators reported to Audit Committee each quarter. Some thought was also given to the type of strategic information on overall service performance that should be reported to the Board.

6. Corporate Implications

Financial Implications

The Audit Plan was delivered within the approved budget.

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

Legal Implications

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

Human Resources and Equality Implications

Human Resources

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

Regular updates were provided to the Audit Committee on how the service was resourced (as required by the Standards).

Equality Implications

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

IT and Asset Management Implications

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

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

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

8. Timescale for Implementation

The Audit Plan relates to the 2016/17 financial year.

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

9. Risk Factors

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

The main risks the team has had to manage during the year are the:

- loss of in-house staff and its inability to replace this resource at all or in a timely manner
- lack of resources to manage external suppliers proactively to ensure the quality of work and timeliness of its delivery is maintained
- uncertainties arising as a result of the extended service review.

The realisation of these risks has adversely impacted on the service's ability to deliver its performance targets this year (refer Head of Internal Audit Annual Report 2016/17).

Recommendations:

The Audit Committee notes the assurance provided by the internal audit work completed this quarter.

Background Papers

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

Appendices

Appendix A Audit Opinions and Themes

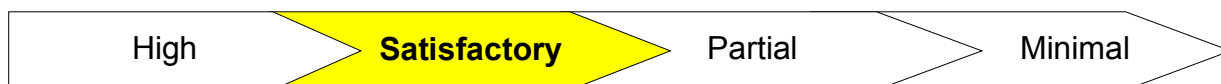
- 1 • Satisfactory Assurance
- 2 • Partial Assurance
- 3 • Audits Revisited

Appendix B Chartered Institute of Internal Auditors Review Team

Report Author: Linda Everard, Head of Internal Audit

Appendix A1: Audit Opinion and Themes

Assurance



Key Financial Systems

Objective

To assess whether the key controls in the systems effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's statement of accounts.

Scope and Control Opinions

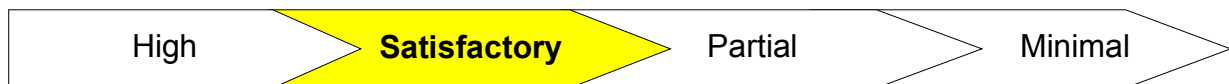
The audit evaluated the adequacy and effectiveness of the design and operation of the key controls listed in the table below, which also shows the assessed strength of each control.

Accounts Payable

Key controls tested	Strength of control
<ul style="list-style-type: none">New suppliers and amendments to current supplier details are set up accurately and supported by appropriate evidence to confirm their validity.	Partial
<ul style="list-style-type: none">Staff system permissions are configured to ensure payments are authorised in line with the Council's approved Scheme of Delegation.	High
<ul style="list-style-type: none">The correct VAT rates are applied to payments made.	High
<ul style="list-style-type: none">BACS payment runs are complete, accurate, and appropriately authorised.	High
<ul style="list-style-type: none">Staff access to, and permissions within, the BACS system are restricted according to assigned roles and responsibilities.	High
<ul style="list-style-type: none">Reconciliations between the Accounts Payable and General Ledger systems are complete, accurate and timely.	High
<ul style="list-style-type: none">Staff access to, and permissions within, the Accounts Payable system are appropriately restricted according to assigned roles and responsibilities.	High
<ul style="list-style-type: none">Previous audit recommendations have been implemented properly, in a timely manner.	High

Appendix A1: Audit Opinion and Themes

Assurance



Key issues

There is a long-standing process in place for the validation of new and changes to suppliers' bank account details for payment purposes, which has proved adequate to date but has not been refreshed for a number of years. In view of the increasing volume and sophistication of 'Bank Mandate Frauds,' which involves fraudsters requesting businesses to change suppliers' bank details, this process is to be updated. The Financial Services Unit will work with the Counter Fraud Investigation Directorate to update the Council Bank Mandate Policy to incorporate current best practice.

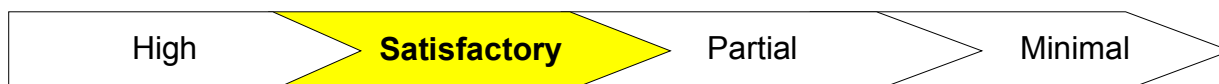
Number of actions agreed: 1

Business Rates

Key controls audited	Strength of control
<ul style="list-style-type: none">The list of business properties in the Business Rates system and on the Local Land and Property Gazetteer is complete, accurate and regularly reconciled to the Valuation Office Agency valuations.	Satisfactory
<ul style="list-style-type: none">The total amount of Business Rates to be collected from all businesses is set up accurately and on a timely basis.	High
<ul style="list-style-type: none">Discounts for small businesses, empty properties, charity reliefs and exemptions are accurately calculated, authorised and supported by appropriate evidence to confirm their validity, annually.	High
<ul style="list-style-type: none">In-year adjustments to Business Rates accounts are accurate, applied promptly and supported by appropriate evidence to confirm their validity (i.e. change of occupancy, change of business use, addition and removal of properties).	Partial
<ul style="list-style-type: none">Correct direct debits are raised and payments received are accurate, complete and allocated to the correct Business Rates account, in a timely manner.	High
<ul style="list-style-type: none">Reconciliations between the Business Rates and the General Ledger systems are complete, accurate and timely	Partial
<ul style="list-style-type: none">Staff access to, and permissions within, the Business Rates system are restricted, according to assigned roles and responsibilities.	Satisfactory

Appendix A1: Audit Opinion and Themes

Assurance



Key controls audited	Strength of control
<ul style="list-style-type: none"> Previous audit recommendations have been implemented properly, in a timely manner. 	Partial

Key issues

The monthly reconciliation of Business Rates records in CIVICA (the customer level record keeping system) to E-FIN (the financial control and reporting system) only balanced in May 2015 and April 2016. The difference has varied month to month and is cumulative for the financial year. As at 31 January 2017, it was £5,574.98.

The business is actively trying to balance the reconciliation. A monthly review meeting is being held between Revenues and the Financial Services Unit, to progress this. The daily reconciliation between the bank account and E-FIN, balances.

It was noted that the amounts transferred to rectify mis-posts between the Business Rate and Council Tax systems and Housing Benefits Overpayment, did not always correspond. This would normally be picked up as part of the reconciliation process. During the audit, the transfer errors were rectified.

The issues raised in these last two paragraphs also apply to the Housing Benefits and Business Rates reports.

New applications for Small Business Rate Relief (SBRR) and other Business Rate discounts are subject to a number of internet searches but no evidence is kept of the searches undertaken.

Independent checks are included in the process for making in-year adjustments to Business Rates. However, these have not taken place as regularly during the year. As part of the restructure of the Revenues team, responsibility for undertaking these check is to be moved to two Performance Officers once these roles have been established.

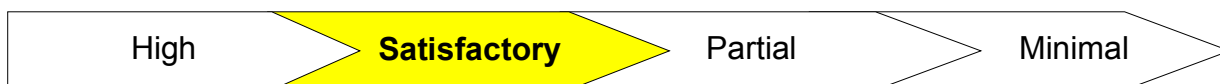
Number of actions agreed: 5

General Ledger

Key controls tested	Strength of control
<ul style="list-style-type: none"> Reconciliations between all key financial systems and the General Ledger are complete, accurate and timely. <p><i>Note: This audit opinion is influenced by the reconciliations to the General Ledger that were tested within all of the other key financial systems audited this year.</i></p>	Satisfactory

Appendix A1: Audit Opinion and Themes

Assurance



Key controls tested	Strength of control
<ul style="list-style-type: none"> Reconciliations between the General Ledger and the bank accounts are complete, accurate and timely. 	High
<ul style="list-style-type: none"> Journals are accurate, authorised and supported by appropriate evidence to confirm their validity. 	High
<ul style="list-style-type: none"> Virements are accurate, authorised and supported by appropriate evidence to confirm their validity. 	High
<ul style="list-style-type: none"> Staff access to, and permissions within the financial system are restricted according to assigned roles and responsibilities. 	Satisfactory

Number of actions agreed: 2

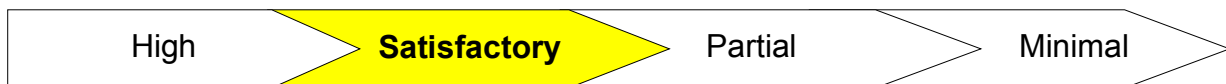
Housing Benefits

Key controls tested	Strength of control
<ul style="list-style-type: none"> Applicable Housing Benefit rates and eligibility parameters are amended accurately and completely on a timely basis. 	High
<ul style="list-style-type: none"> There are appropriate arrangements in place to check that: <ul style="list-style-type: none"> claims are processed by staff accurately, based on the supporting evidence payments made to claimants are accurate. 	Satisfactory
<ul style="list-style-type: none"> Reconciliations between the Housing Benefit and General Ledger systems are complete, accurate and timely. 	Partial
<ul style="list-style-type: none"> Staff access to, and permissions within, the Housing Benefit system are appropriately restricted according to assigned roles and responsibilities. 	Partial

Caveat: The audit did not include testing individual claims to ensure they had appropriate supporting evidence or that the calculation is correct, as this is done extensively by External Audit when auditing the Housing Benefit Grant Claim.

Appendix A1: Audit Opinion and Themes

Assurance



Key issues

The monthly reconciliation of Housing Benefits records in CIVICA (the customer level record keeping system) to E-FIN (the financial control and reporting system) only balanced in May 2015 and April to June 2016. The difference has varied month to month and is cumulative for the financial year. As at 31 March 2017, it was £1,614.42.

Refer to Business Rates above regarding the:

- processes being adopted to balance the reconciliation
- action taken during the audit to rectify mis-posts between the Business Rate and Council Tax systems and Housing Benefits Overpayments.

A systematic process is to be introduced to confirm that staff access to CIVICA remains appropriate to their role.

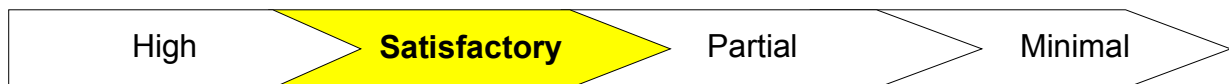
Number of actions agreed: 3

Housing Rents

Key controls audited	Strength of control
<ul style="list-style-type: none">• The list of Council house properties in the Rent system is complete and accurate per the source data, i.e. the Summary Housing Stock and in-year changes to housing stock.	High
<ul style="list-style-type: none">• There is an accurate, complete and timely uplift of rents, service charges and other charges.	High
<ul style="list-style-type: none">• In-year adjustments to rent accounts are accurate, supported by appropriate evidence and authorised (where adjustments include tenants moving in and out of properties, creating new properties and removing demolished properties or properties sold through the right to buy scheme).	Partial
<ul style="list-style-type: none">• Cash and BACS rental income received is accurate, complete, timely and secure when receipted and posted to the General Ledger and Housing Rents systems.	High
<ul style="list-style-type: none">• Reconciliations between the Housing Rents and General Ledger systems are complete, accurate and timely.	High

Appendix A1: Audit Opinion and Themes

Assurance



Key controls audited	Strength of control
<ul style="list-style-type: none"> Staff access to, and permissions within, the Housing Rents system: <ul style="list-style-type: none"> are restricted, according to assigned roles and responsibilities enforce separation of duties between closure of tenancy and rent accounts. 	Partial
<ul style="list-style-type: none"> Previous audit recommendations have been implemented properly, in a timely manner. 	Partial

Key issues

In-year changes to housing tenancy records are checked for accuracy before being entered onto the Housing Rents IT system (OHMS). A process is now being put in place to independently validate the information input into OHMS to ensure it is also accurate and complete.

Action is still required to:

- ensure the paper housing tenancy files contain all the appropriate records and reflect the information on OHMS
- return credit balances on former tenants' rent accounts in a timely manner
- confirm periodically, that staff access to OHMS is appropriate for their job role. A report is available in Infomaker that would provide this information.

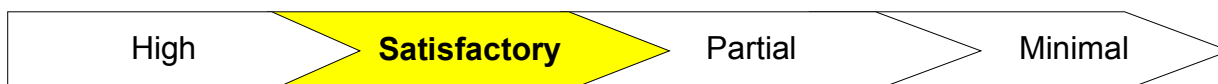
Number of actions agreed: 4

Income Receipting and Banking

Key controls audited	Strength of control
<ul style="list-style-type: none"> Information from originating payment systems is accurate, complete and transferred to the cash receipting system in a timely manner. 	Partial
<ul style="list-style-type: none"> Payments by CHAPS are necessary, authorised and supported by appropriate documentation to confirm their validity. 	High

Appendix A1: Audit Opinion and Themes

Assurance



Key controls audited	Strength of control
<ul style="list-style-type: none"> Direct Debits are: <ul style="list-style-type: none"> authorised properly and supported by appropriate evidence to confirm their necessity and validity when they are set up regularly reviewed to confirm their ongoing necessity. 	High
<ul style="list-style-type: none"> Reconciliations between the Income Receipting and other key financial systems are complete, accurate and timely. <i>Note: This audit opinion is influenced by the reconciliations to the Income Receipting system that were tested within the other key financial systems audited this year.</i> 	High
<ul style="list-style-type: none"> Staff access to, and permissions within, the online banking facility are restricted, according to assigned roles and responsibilities. 	High
<ul style="list-style-type: none"> Previous audit recommendations have been implemented properly, in a timely manner. 	High

Key issues

It is estimated that the total value of cheques received in the post, by the Council, in a 12 month period, is in the region of £1.5m compared to total income received of £11m. Until the cheques are handed over to the Finance Services Unit, they are under sole control of one officer, not logged nor not signed for on change of procession. If cheques are lost or mislaid, there would be no record of receipt.

It is understood that there are plans to introduce CCTV into the area where the post is opened. Action is being taken to introduce a process that requires better recording of cheques details, when they are received and then passed onto other departments.

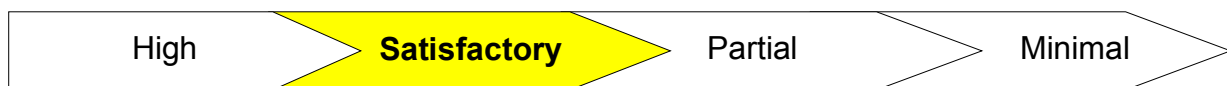
Number of actions agreed: 1

Payroll

Key controls audited	Strength of control
<ul style="list-style-type: none"> Reconciliations between Payroll and HR systems are complete, accurate and timely. 	Partial

Appendix A1: Audit Opinion and Themes

Assurance



Key controls audited	Strength of control
<ul style="list-style-type: none"> Changes to be made to payroll payments (e.g. salary, tax codes, national insurance) are accurately configured at the start of the financial year, and are done so in a timely manner. 	High
<ul style="list-style-type: none"> Amendments to the Payroll system (including starters, leavers and amendments to staff records) are accurate, independently authorised and supported by appropriate evidence to confirm their validity. 	High
<ul style="list-style-type: none"> BACS payment runs are complete, accurate, and appropriately authorised. 	High
<ul style="list-style-type: none"> Overtime payments made to staff are accurate, properly authorised and supported by appropriate evidence to confirm their validity. 	Minimal
<ul style="list-style-type: none"> Payments made to Her Majesty's Revenues and Customs (with respect to PAYE income tax and national insurance) are accurate, complete and supported by appropriate evidence to confirm their validity. 	High
<ul style="list-style-type: none"> Reconciliations between the Payroll and General Ledger systems are complete, accurate and timely. 	High
<ul style="list-style-type: none"> Staff access to, and permissions within, the Payroll system are restricted, according to assigned roles and responsibilities (including those working for external providers). 	High
<ul style="list-style-type: none"> Previous audit recommendations have been implemented properly, in a timely manner. 	Partial

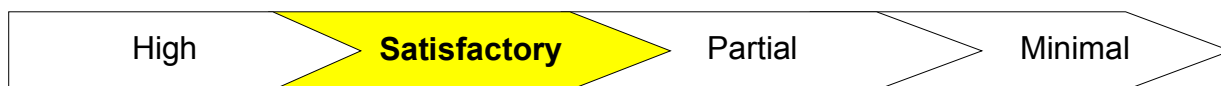
Key issues

HR and payroll records need to be regularly reconciled to ensure the details in both systems are complete and accurate.

Issues previously reported regarding overtime payments remain, in that they are not consistently being completed or authorised in line with the requirements of the Staff Handbook. The overtime claims form was updated following the introduction of a new process for claiming Standby and Callout allowances in February 2017. However, it still needs to be amended to reflect all the necessary aspects of the Overtime Policy.

Appendix A1: Audit Opinion and Themes

Assurance



The form used to claim expenses needs to be updated as does the supporting guidance on what can be claimed.

Number of actions agreed: 3

Appendix A2: Audit Opinion and Themes

Assurance



Cyber Security Governance

Objective

To assess whether the Council has designed, as well as effectively operates, a suitable cyber security governance framework for making and implementing decisions required to direct, monitor, evaluate and report on cyber security management within the business.

Themes

Cyber security strategy

The Council needs to develop a strategy for dealing with cyber security issues, although some cyber security principles are embedded within the information governance related policy set and wider IT documentation. The strategy, whether it is a stand alone document or further development of existing policies and strategies, should make reference to the National Cyber Security Strategy, and whether the aim is to implement the Cyber Essentials, and the enhanced, Cyber Essentials Plus. It should also include a clear statement of intent and direct spending accordingly.

Cyber security governance

Clear terms of reference need to be developed for cyber security governance. To date activities in this area have been mainly reactive. There is now a need for proactive strategic direction and leadership to be provided and to determine the reporting lines to the Council's various management teams. However, cyber security issues are discussed each month between the IT outsourced provider (Capita) and the Council's Service Manager, which is good practice.

Cyber security spending

Spend on cyber security would be met from the general IT budget and / or the specific earmarked reserve for ICT. The Council is able to prioritise spend and is able to reallocate funding as needs change. Outsourcing IT services also brings advantages, e.g. the provider manages and updates the IT estate on behalf of the Council.

The Council's Information Governance activities and processes were not as mature compared to IT. Nevertheless, a high level plan was in place to ensure compliance with the General Data Protection Regulation (GDPR) when it comes into force on 25 May 2018. Managers had received a training session on this. A more detailed work plan is being produced to deliver this.

Roles and Responsibilities

Roles, responsibilities and escalation process need to be defined and documented for the Senior Information Risk Owner (SIRO) and other senior management in relation to cyber security. This is being dealt with as part of the work to prepare for GDPR compliance.

Appendix A2: Audit Opinion and Themes

Assurance



Cyber security policies

A comprehensive set of policies and procedures are in place covering key aspects of cyber security. The policies reviewed were in line with international standards for information security. They are reviewed periodically, albeit on an ad hoc basis. There is a need to programme and evidence reviews every two years as a minimum, to ensure on-going compliance with good practice standards.

It will also be necessary to complete "Privacy Impact Assessments" (PIA) on IT systems going forward in order to comply with the GDPR. The Council's access to the government public sector network (PSN) has achieved certification, and Capita is working to the Information Technology Infrastructure Library (ITIL) standard for service management purposes.

Reporting and monitoring

Capita's IT Service Desk operates to a recognised industry-standard model (ITIL) to deal with cyber security incidents reported. The SIRO is informed of any IT related issues that may impact on the availability or confidentiality of Council data. The existing policy should be amended to define what constitutes each level of priority and require the monitoring and tracking of lower level incidents.

A mandatory Data Protection e-learning module is completed by new starters. Successful completion of this is monitored. This is currently being updated to reflect the GDPR requirements. Going forward, all employees should undertake refresher training at least every two years, and cyber security should be included within this.

Risk Management

Cyber security risks are included on the corporate and IT department risk registers. However, this approach does not provide enough detail to adequately manage the risk nor provide a holistic view of wider risks across the estate.

The Departmental Information Asset Registers should be scored for Business Impact Levels (BIL's). However, a centrally formalised register would provide a corporate view of assets and business impact as well as the amount of sensitive data under management. There is evidence of an emerging understanding between business / data asset ownership and technology asset ownership. It is recommended that this is explored further within the Council.

There is some protective marking of documents, although this is restricted for secure email (official / non official) as required by the PSN. Some network folders have additional controls to restrict access, although there is no formal or documented procedure for data / information asset handling.

All Council information is treated with the same risk level. There is a need to develop a clear guidance on how to store, transfer and delete different types of information at different levels of sensitivity.

Number of actions agreed: 10

Appendix A2: Audit Opinion and Themes

Assurance



Key Financial Systems

Objective

To assess whether the key controls in the systems effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's statement of accounts.

Scope and Control Opinions

The audit evaluated the adequacy and effectiveness of the design and operation of the key controls listed in the table below, which also shows the assessed strength of each control.

Accounts Receivable

Key controls audited	Strength of control
<i>Service areas within the Council</i>	
<ul style="list-style-type: none"> Service areas' instructions to the Accounts Receivable team to raise debts are appropriately reviewed and authorised to confirm they are accurate and supported by appropriate evidence to confirm their validity. 	Satisfactory
<i>Accounts Receivable Team</i>	
<ul style="list-style-type: none"> All instructions from originating service areas for debtors to be raised are: <ul style="list-style-type: none"> accurately and completely turned into an up to date, official Council invoice, on a timely basis recorded on the Accounts Receivable system. 	Satisfactory
<ul style="list-style-type: none"> The correct VAT rates are applied to invoices raised. 	Partial
<ul style="list-style-type: none"> Debts raised are regularly reconciled to income received. 	High
<ul style="list-style-type: none"> The required escalation process is applied following non-payment of invoices. 	Partial
<ul style="list-style-type: none"> Parked or Suspended Debt (i.e. debt not being actively pursued) is properly authorised and supported by appropriate evidence to confirm the initial and ongoing validity of the action. 	High

Appendix A2: Audit Opinion and Themes

Assurance



Key controls audited	Strength of control
<ul style="list-style-type: none">Reconciliations between the Accounts Receivable and the General Ledger systems are complete, accurate and timely.	Satisfactory
<ul style="list-style-type: none">Staff access to, and permissions within, the Accounts Receivable system are restricted, according to assigned roles and responsibilities.	Partial
<ul style="list-style-type: none">Previous audit recommendations have been implemented properly, in a timely manner.	Partial

Key issues

The Debtor Guidance Handbook is to be amended to detail what services are subject to VAT and at which rate, to help staff when raising invoices. Regular, independent checks will then be undertaken and documented to confirm that the correct VAT is charged.

Products / service descriptions still used on invoices that have VAT codes linked to them in eFinancials, will be reviewed to confirm these VAT Codes are still correct. Going forward, other regularly used service descriptions, which always have the same VAT indicator, will also have VAT codes linked to them to aid the process of raising invoices.

Action needs to be taken to deal with debts that are now over a year old. This may include writing them off if recovery is unlikely. Going forward, a more proactive stance is required to prevent further, non-statutory services being provided to people who already have unpaid debts with the Council. All debts relating to one person, should be consolidated and the action taken to recover them, co-ordinated.

An exercise will be completed to confirm whether:

- all the user profiles currently being used within the Financials Accounts Receivable module are still required
- staff using the system have been allocated appropriate access, so they can undertake the functions required of them by their job profile.

The appropriateness of staff access to this system will then be checked periodically.

Number of actions agreed: 9

Appendix A2: Audit Opinion and Themes

Assurance



Council Tax

Key controls audited	Strength of control
<ul style="list-style-type: none"> The list of properties in the Council Tax system and the Local Land and Property Gazetteer is complete, accurate and regularly reconciled to the Valuation Office Agency valuations. 	Satisfactory
<ul style="list-style-type: none"> The total amount of Council Tax to be collected from all properties is set up accurately, on a timely basis. 	High
<ul style="list-style-type: none"> Discounts, disregards, exemptions and reliefs are accurately set up, on a timely basis. 	Partial
<ul style="list-style-type: none"> In-year adjustments to Council Tax accounts are accurate, applied promptly and supported by appropriate evidence to confirm their validity (i.e. change of occupancy, addition and removal of properties). 	Partial
<ul style="list-style-type: none"> Correct direct debits are raised and payments received are accurate, complete and allocated to the correct Council Tax account, in a timely manner. 	High
<ul style="list-style-type: none"> Reconciliations between the Council Tax and General Ledger systems are complete, accurate and timely. 	Partial
<ul style="list-style-type: none"> Staff access to, and permissions within, the Council Tax system are restricted, according to assigned roles and responsibilities. 	Satisfactory
<ul style="list-style-type: none"> Previous audit recommendations have been implemented properly, in a timely manner. 	Partial

Key issues

The cost effectiveness of the current arrangements in place to identify potential single person discount fraud will be assessed, now the Council no longer has a licence with Datatank to match this data.

Independent checks are included in the process for making in-year adjustments to Council Tax. However, these have not taken place as regularly during the year. As part of the restructure of the Revenues team, responsibility for undertaking these check is to be moved to two Performance Officers once these roles have been established.

Appendix A2: Audit Opinion and Themes

Assurance



The monthly reconciliation of the Council Tax records in CIVICA (the customer level record keeping system) to E-FIN (the financial control and reporting system) has not balanced since May 2015. The difference has varied month to month and is cumulative for the financial year. As at 31 January 2017, it was £1,271.22.

Refer to Business Rates (Satisfactory Assurance Section) regarding the:

- processes being adopted to balance the reconciliation
- action taken during the audit to rectify mis-posts between the Business Rate and Council Tax systems and Housing Benefits Overpayments.

Number of actions agreed: 5

Appendix A3: Audits Revisited

Purpose of these audits

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

Complaints, Compliments and Comments

Original Objective

To assess whether complaints, comments and compliments are effectively managed in line with a clear policy framework.

Results

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

Summary

The Council has a clear, internal procedure that guides staff on how to handle complaints about services delivered by its employees. However, the procedure is less clear about how staff and contractors should handle complaints made to and / or about third party contractors. Lack of clarity in this area has led to variable practises across the Council. In July 2015, the Local Government Ombudsman issued some guidance in this area which is being taken into account in amending the procedures.

The Customer Care Forum is being updated to make it clear to the public; how to make a complaint and escalate it should they remain unsatisfied.

To help improve quality, efficiency and effectiveness when responding to complaints:

- staff training will be provided
- standard letter templates will be produced with instructions on how to use them.

The new complaints database was implemented in May 2015 although further work is required by Heads of Service to ensure:

- their staff are recording all relevant complaints
- that sufficient information is provided about each complaint and how it is being managed.

This will both enhance the quality of the management reports but also enable trend analysis reports to be produced periodically to identify areas of repeated complaints or services that may require improvement.

Informal complaints will remain outside of this process, be managed at departmental level and be expected to be subject to various levels of management challenge. The benefits of alternative database solutions are being considered to improve security over the information and reduce the risk of data corruption. The annual Manager Assurance Statements signed off by service managers and Heads of Service have also been amended to reflect the new requirements.

Appendix B: Chartered Institute of Internal Auditors Review Team

Extract from the IIA Proposal

All our reviewers are experienced heads of internal audit, have passed our stringent assessment process and are members of the Chartered IIA, thereby ensuring they abide by our Code of Professional Conduct.

John Chesshire CFIIA

John is a Chartered Fellow of the Chartered Institute of Internal Auditors. He is currently a member of the Institute's Professional Development Committee, and a committee member for the southwest region. He is also a member of ISACA and the IRM.

John has undertaken internal audit roles in a number of organisations and currently works as Head of Assurance, covering internal audit and risk management, in the public sector. He also leads external quality assessments of internal audit functions in private, public and third sector organisations, reviewing both the effectiveness of internal audit and its adherence to the international standards for the professional practice of internal auditing.

John has a valuable perspective on the quality of internal audit and assurance because of his extensive experience as a freelance internal audit consultant, delivering a variety of training and internal audit engagements for a variety of clients. As well as his demanding day job, he continues to undertake a number of roles for the Chartered IIA as a trainer, facilitator, tutor, author and examiner. This breadth of knowledge gives him a unique range of practical and theoretical insight into good practice internal auditing.

Liz Sandwith CFIIA

Liz has over 28 years' experience in internal audit and risk management.

Liz's most recent role was at Bupa where she held a number of roles in her 5 years there from Head of Assurance, Risk and Compliance to Head of Internal Audit - Operations. Liz is responsible for advising and representing the Institute on all matters relating to the professional practice of internal audit; on ensuring quality standards; and on technical issues. She is also technical advisor to the Chartered IIA's External Quality Assessment (EQA) service. Liz's background is firmly embedded in internal audit and risk management. She has worked for a number of private and public sector organisations, helping to develop risk management and control awareness; and has delivered training to internal auditors in the UK and internationally. Liz has recently been appointed as Chair of the Audit and Risk Committee to a Leeds based Housing Association.

She will also be an independent board member and a member of the Remuneration Committee. Prior to joining Bupa, she spent thirteen years as Head of Internal Audit at Channel 5. She has also worked with the Information Commissioner's Office and the Electoral Commission, as well as advising a number of local authorities on internal audit and risk management issues. Liz served as President of the Institute of Internal Auditors between 2000 and 2001.

AUDIT COMMITTEE

27 June 2017

Subject: Annual Report on the Treasury Management Service and Actual Prudential Indicators 2016/17

1 Purpose of Report

The annual treasury report is a requirement of the Council's reporting procedures. It covers both the treasury activity and the actual Prudential Indicators for 2016/17.

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

2 Links to Council's priorities and objectives

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

3 Recommendations:

1. That following scrutiny, the Treasury Management Activity Report for 2016/17 is approved.
2. To approve the actual 2016/17 prudential indicators (shown at Annexe D).

Resolution required.

4 Background

- 4.1 The 2016/17 Treasury Management Strategy summarises the Council's obligations defined in the Code of Practice for Treasury Management in the Public Services, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 4.2 During 2016/17 the Council complied with its legislative and regulatory requirements.

5 Treasury Report for 2016/17 and scrutiny of treasury activity

- 5.1 As required by the Code, the activity report for 2016/17 is submitted at Annexe A for scrutiny by Audit Committee, prior to submission to Cabinet on 19 July 2017.
- 5.2 It is important to ensure that the Council's treasury management activities are subject to a robust process of scrutiny. This report provides Members with information on treasury management activity and variances in order to fulfil this process.

6 Corporate Implications

a Legal implications

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

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

b Financial implications

There are no new implications.

c Human resources and equality implications

There are no new implications.

d Timescale for implementation and risk factors

No new targets applicable.

Report Author: Robert Greenfield - Accountant

Background Papers:

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

CPBC: *Treasury Management Strategy Statement for 2016/17*.

CPBC: *Working paper: external loan calculation 2016/17*.

Treasury Management Activity Report for 2016/17

1 Introduction

- 1.1 This report summarises the Council's treasury management activity for 2016/17 and compares actual interest transactions with the revised estimates set for 2016/17.
- 1.2 The Council must comply with the Code of Practice on Treasury Management in the Public Services, issued by CIPFA and updated in 2011. The code requires the Council to annually set a Treasury Management Strategy. The Strategy for the 2016/17 financial year was approved by Council on 24 February 2016.
- 1.3 This report confirms that all Treasury Management activity during the year was undertaken in accordance with this strategy and in consultation, where appropriate, with our external advisers, Capita.

2 The Economy

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

3 Borrowing

- 3.1 A summary of external borrowing at 31st March 2017 is in Annexe B. The principal amounts are shown in this annexe but in the statement of accounts the amounts for borrowing also include interest outstanding.
- 3.2 The Council operated within treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement throughout the year. The outturn for the Prudential Indicators is shown in Annexe D.
- 3.3 There was no change in borrowings during 2016/17.
- 3.4 Annexe B shows that interest paid on borrowings was exactly as budgeted.

4 Investments

- 4.1 The Council's investment policy is governed by CLG Guidance, which was implemented in the annual Investment Strategy approved by Council on 24 February 2016. The investment activity during the year conformed to the approved strategy, and the Council had no liquidity issues.
- 4.2 Annexe C summarises the Council's activities for the year relating to the temporary investment of surplus funds. The average daily balance was **£29.0m** in 2016/17 (**£22.4m** in 2015/16). The principal amounts are shown in this annexe but in the statement of accounts investments again include interest outstanding.

- 4.3 Annexe C also shows that the amount of interest received on these investments was over budget by **£16,331** (18%). The variance was due to prudent budgeting and average interest rates and balances being moderately higher than estimated. The average interest achieved was 0.37% compared to the 7-day LIBID average of 0.20%.

5 Benchmarking

- 5.1 Three benchmark indicators for 2016/17, explained in the Annual Treasury Management Strategy, are reported as follows:

- **Security – Weighted Credit Rating Score for the year of 6.1 exceeded the target of 4.**
- **Liquidity – Weighted Average Life was at a highly liquid level, averaging 31 days over the year.**
- **Yield – Interest received on investments – income was over budget, as reported in paragraph 4.3 above.**

6 Regulatory Framework, Risk and Performance

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

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

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

Summary of Loan Transactions and Interest Payable (accrued daily) for the year to 31st March 2017

Loan transactions activity for the year

	Amount o/s 01/04/2016 £	Loans Repaid £	Amount o/s 31/03/2017 £
Public Works Loan Board			
General Fund	5,250,000	0	5,250,000
HRA	36,451,000	0	36,451,000
Totals for the Council	41,701,000	0	41,701,000

Interest payable Comparison of estimate with actual

Budget Profile to 31/03/2017 £	Actual Interest to 31/03/2017 £	Variance 31/03/2017 £	
207,300	207,250	50	0.0%
1,087,400	1,087,440	-40	0.0%
1,294,700	1,294,690	10	0.0%

Interest rates for the year

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

Base rate history

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

Summary of Temporary Investments and Interest Received (accrued daily) for the year to 31st March 2017

Type of Borrower	Amount Invested 01/04/2016 £	Made in the Year £	Repaid in the Year £	Amount Invested 31/03/2017 £
Investments by Value:				
Debt Management Office	0	1,000,000	1,000,000	0
Treasury bills	3,001,309	7,846,356	7,450,225	3,397,440
Local Authorities	2,000,000	6,000,000	4,000,000	4,000,000
Money Market Funds	14,120,000	85,107,683	79,907,683	19,320,000
Notice accounts	1,500,000	0	0	1,500,000
Bank deposits	0	500,000	0	500,000
Investments	20,621,309	100,454,039	92,357,908	28,717,440
Lloyds current account	496,875	13,475	0	510,350
Cash equivalents	496,875	13,475	0	510,350
Total	21,118,184	100,467,514	92,357,908	29,227,790
	Number	Number	Number	Number
Number of Investment Transactions:				
Debt Management Office	0	1	1	0
Treasury bills	4	10	9	5
Local Authorities	1	3	2	2
Money Market Funds	36	160	145	51
Notice accounts	2	0	0	2
Bank deposits	0	1	0	1
Investments	43	175	157	61
Lloyds current account	1	0	0	1
Cash equivalents	1	0	0	1
Total	44	175	157	62

Interest Received on Temporary Investments for the year to 31st March 2017

	£
Actual Interest Received	106,331
Revised estimate	90,000
Variance	16,331 18%

Temporary Investments

Average Balance for the Period	29,048,947
Average Interest Rate for the Period	0.37%
Benchmark: Average 7-Day LIBID Rate	0.20%

Prudential Indicators

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

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

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

Indicator 2 - Capital Expenditure

	2016/17 Revised Estimate £000s	2016/17 Actual £000s
General Fund	662	632
Housing Revenue Account	2,022	1,362
Total	2,684	1,994

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

	2016/17 Revised Estimate %	2016/17 Actual %
General Fund	7	7
Housing Revenue Account	36	37

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

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

	2016/17 Revised Estimate %	2016/17 Actual %
General Fund	10	9
Housing Revenue Account	37	37

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

Indicator 4 - Indicator of Capital Financing Requirement (CFR)		
	2016/17 Revised Estimate £000s	2016/17 Actual £000s
General Fund	6,064	6,058
Housing Revenue Account	36,451	36,418
The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.		

Indicator 5 - Incremental Impact of Capital Investment		
	2016/17 Revised Estimate £	2016/17 Actual £
Band D Council Tax	11.94	10.73
Average Weekly Housing Rents	-5.40	-6.40
This indicator shows how the changes in capital financing charges to revenue from year to year affect the Council Tax and Housing Rent for the year in question.		

Indicator 6 - Authorised Limit for External Debt		
	2016/17 Revised Estimate £000s	2016/17 Final £000s
Borrowing	46,510	46,428
Other Long -Term Liabilities	0	0
	46,510	46,428
This indicator shows the overall limit for total external debt, including allowances for changes in the CFR, contingencies, risks, unusual cash flow movements and so on.		

Indicator 7 - Operational Boundary for External Debt		
	2016/17 Revised Estimate £000s	2016/17 Final £000s
Borrowing	43,769	44,205
Other Long -Term Liabilities	0	0
	43,769	44,205
This indicator shows a similar calculation to the previous indicator, without all of the above allowances for contingencies, etc.		

Indicator 8 - Upper Limits of Fixed and Variable Exposure		
	2016/17 Revised Estimate £m	2016/17 Actual £m
Upper Limit - Fixed Rates	47	42
Upper Limit - Variable Rates	(16)	(23)

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

Indicator 9 - Maturity Structure of Fixed Rate Borrowing			
	Upper Limit cumulative %	Lower Limit %	Actual cumulative total %
Less than one year	50	0	1
Between one and two years	50	0	1
Between two and five years	60	0	18
Between five and ten years	80	0	32
More than ten years	100	0	100

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

Indicator 10 - Housing Revenue Account limit on indebtedness	
The debt limit imposed by the Department for Communities and Local Government as at the date of implementation of self financing is £37,470,000. This limit of indebtedness exceeds the value of the HRA self financing settlement and therefore allows some flexibility to accommodate additional future investment.	

For further information on prudential indicators including revised estimates for 2016/17 please refer to sections 11 and 12 of the Policy Framework and Budget Setting report for 2017/18, presented to the Special Meeting of the Council on 15 February 2017

AUDIT COMMITTEE

27th June 2017

Counter Fraud & Investigation Directorate: Annual Performance Report and Counter Fraud Strategy for 2017/18

1. Purpose of Report

- 1.1 To present the Counter Fraud & Investigation Directorate's Annual Report for 2016/17 to the Committee for consideration.

2. Recommendation

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

3. Performance

- 3.1 The Counter Fraud & Investigation Directorate (CFID) has made good progress in delivering the 2016/17 counter fraud work plan since July 2016. The following are Castle Point specific statistics.

- 21 reports of suspected fraud have been received
- 2 of those cases have been closed as 'no fraud'
- 15 investigations are still being conducted
- 2 sanctions have been delivered in cases of proven fraud

- 3.2 **Appendix 1** details the performance of CFID throughout the last year.

4. Work Plan for 2017/18

- 4.1 CFID will be progressing the Annual Work Plan which will include the following significant elements:

4.1.1 Fraud Risk Assessment

Where every Council department will participate in Fraud Risk Assessment Workshops so that the entire fraud and economic crime risk can be mapped.

This essential work assist with developing an increased awareness of the types of fraud the council faces as well as a service-specific understanding of the control framework that exists and what mitigation is in place.

This data will then be re-produced in a matrix to ensure that the work of CFID and the services affected can be tasked correctly to protect public funds and frontline services.

This work was scheduled to start in March 2017 however due to unexpected staff absences across CFID, there has been significant impact on resources. This is hoped to have been rectified and the plan will 're-start' from June 2017.

4.5 **Appendix 2** outlines the revised plan for the year due to the resourcing impact.

4.6 The plan is a working document. Where opportunities exist to conduct specific targeted proactive exercises on identified fraud risk areas, these opportunities will be brought back to Committee and included in the work plan.

5. Corporate Implications

5.1 Contribution to Council's Aims and Priorities

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

5.2 Financial Implications

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

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

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

5.3 Legal Implications

The Accounts and Audit Regulations 2015 Section 3 requires that:

The relevant authority must ensure that it has a sound system of internal control which:

- *facilitates the effective exercise of its functions and the achievement of its aims and objectives*
- *ensures that the financial and operational management of the authority is effective*
- *includes effective arrangements for the management of risk.*

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

5.4 People Implications:

Where fraud or corruption is proven the Council will:

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

5.5 Property Implications

Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity.

5.6 Consultation: None

5.7 Equalities Impact Assessment: None

5.8 Risk Assessment

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

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

5.9 Value for Money

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

5.10 Community Safety Implications and Environmental Impact: None

6. Background Papers

- Fighting Fraud locally, The Local Government Fraud Strategy
- CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption
- Association of Local Authority Risk Managers (ALARM) Publication: Managing the Risk of Fraud
- Audit Commission: Protecting the Public Purse: Fighting Fraud Against Local Government.

7. Appendices

- Appendix 1: Annual Report for 2016/17
- Appendix 2: Counter Fraud Work Plan

Author: David Kleinberg, Head of CFID.



Counter Fraud & Investigation Directorate



2016/17 ANNUAL REPORT

EXECUTIVE SUMMARY

The Counter Fraud & Investigation Directorate has developed significantly since its inception 3 years ago. The purpose of the function was to increase the resilience in public authorities from fraud and other economic crime.

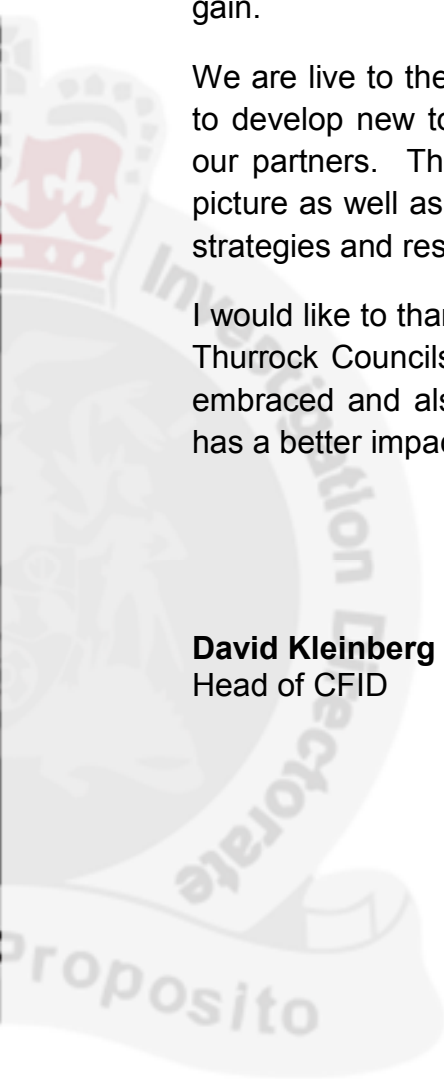
CFID has now supported central government bodies, local authorities and policing in protecting the public. We began a journey of what some thought would be difficult in changing the perceptions of many around what fraud is and how it affects public bodies. The perceived challenges came from the fact that each organisation is different, with different systems, processes, controls and service priorities. We were however greeted with professional staff willing to develop our counter-fraud culture embracing the changes that would protect their organisation from fraud.

Our service was created with the full support and backing of Thurrock and Southend-on-Sea Borough Councils who fully understood the significant risk local authorities face from economic crime. This common understanding is held between all our partners who have unfortunately seen how criminals have taken advantage of the frontline services provided, including in social care and social housing for their own gain.

We are live to the fact that the threat from fraud changes regularly and we continue to develop new tools in prevention and detection of crime to reduce the impact on our partners. The increase in our national partnerships bring a better intelligence picture as well as coordinated response to crime, which are now being built into our strategies and response plans.

I would like to thank the brilliant staff of CFID and with our sponsors in Southend and Thurrock Councils for their continued support with the culture of change they have embraced and also in supporting our vision to reduce fraud in the way we do that has a better impact on our communities.

David Kleinberg
Head of CFID



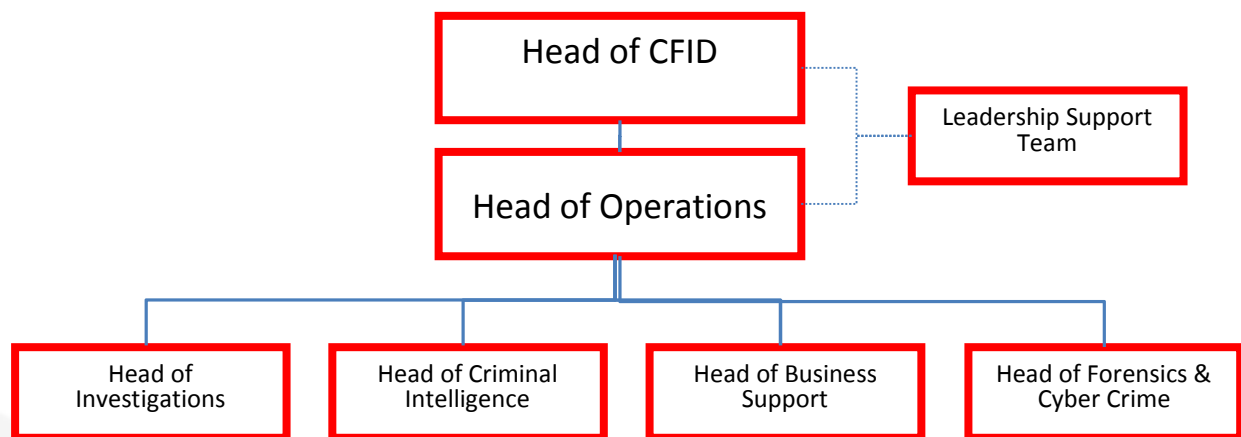
SERVICE STRUCUTRE

Over the last year we consulted with our partners and staff to ensure that the service we provide is fit for purpose in meeting the needs of our business to reduce fraud and economic crime.

We have strengthened our operational resilience, invested in technology and sought to improve how we allocate resources across all our counter fraud and investigation operations for all our partners.

Management & Leadership Team

A restructure which commenced in November 2016 sought to improve the segregation of the different disciplines that form the CFID. This approach met national best practice and delivers improved response to economic crime incidents.



Tactical Tasking & Coordination Process

We conducted a review of our tasking and coordination processes to ensure that our decision making for crimes affecting our partners can have the appropriate response.

This group meets weekly where the unit heads will discuss:

1. Progress for agreed action for reported fraud incidents
2. Progress for proactive work plans agreed by the control strategy
3. Agree the response to new incidents

PARTNERSHIPS

CFID continue to support these partners facing economic crime:



Operational collaboration agreements were made with these partners:



GOVERNANCE & ACCOUNTABILITY

The inaugural Shared Services Board took place in May 2017 with senior executives from Thurrock Council, Southend-on-Sea Borough Council, South Essex Homes and Castle Point Borough Council.

The new board is an opportunity to work effectively together to enable good quality, professional services to be provided that meet each individual organisation's needs.

Inspections

CFID was inspected by a number of bodies last year with good reports received on the work delivered by the service.

Her Majesty's Inspector of Constabulary

Thurrock Council (who hosts CFID) was the only local authority inspected by HMIC as we have a policing purpose which works closely with police forces, and other public bodies including the Ministry of Justice (the only council in the country that has this status).

The ten-page report ends by saying: *"Taking into account the purposes for which Thurrock Council needs PNC access, we conclude that the level of access specified in the Supply Agreement is appropriate for the Council's needs."*

"The satisfactory training records, the physical security arrangements, the signed undertakings by all PNC staff and the high level of internal audit lead us to conclude that the Council has been complying with the requirements of its Security Operating Procedures."

<https://www.thurrock.gov.uk/news/fraud-and-other-economic-crime/council-backed-by-police-inspectorate>

Office of Surveillance Commissioner

His Honour Brian Barker CBE QC inspected CFID's surveillance activity authorised under the Regulation of Investigatory Powers Act 2000, which includes covert directed surveillance and use of Covert Human Intelligence Sources.

Between April 2016 and March 2017 a total of 4 RIPA applications were authorised

Covert directed surveillance authorisation	3
Covert Human Intelligence Source (CHIS) authorisations	1
Total	4

His Honour Brian Barker commented on the *"successful and impressive innovation in both law enforcing and financial terms in the Counter Fraud & Investigation team"*

FINANCE

The CFID is hosted at Thurrock Council with staff seconded to the function from Southend-on-Sea Borough Council. Other partners contribute to the service financially or with the placement of staff within the function.

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

Overall CFID Budget 2016/17

	Contribution	Contributor
	£877,468	Thurrock Council
	£288,960	Southend Council
	£293,715	Other Partners
Total Budget	£1,460,143	

Detected Fraud 2016/17

	£4,562,032	Thurrock Council
	£375,302	Southend Council
	£621,474	Other Partners
Total Fraud	£5,558,808	

Money Recovered 2016/17

	£3,235,050	Thurrock Council
	£128,725	Southend Council
Total Recovery	£3,363,775	

These statistics show that for every £1.00 that CFID costs it detects £3.81 in fraud and other economic crime.



OPERATIONAL ACTIVITY

CFID works to protect the public purse from economic crime with a strong footing that its host organisations are local authorities. This work ensures that the frontline services delivered by these public bodies can be sustained to ensure the most vulnerable of our society receive the housing, social care and other essential support they are entitled to.

Social Housing Fraud

The annual cost of social housing fraud in the UK stands at £1.8bn every year. Our collaborative approach ensures that those who seek to criminally deceive social landlords are sanctioned appropriately, recovering the affected properties for use by other deserved families taking redress against offenders where necessary.

Between April 2016 and May 2017, a total of 47 social housing properties have been recovered by CFID.

This figure represents a loss to the public purse by **£846,000**.¹

In one particular case in the Southend-on-Sea area a social housing tenant moved from her property in Southend to Cornwall, subletting her property. The property was recovered and put back into use for a family in need.

Another case detected by CFID in Poplar, East London, involved a male tenant subletting his property just after he moved in for a 7 year period. The male pleaded guilty at Basildon Crown Court where he received 12 months imprisonment, suspended for 24 months, for illegally sub-letting the home he rented from Poplar HARCA. He also has to carry 120 hours unpaid work; and rehabilitation to understand the impact his offending has had on the community. CFID are now finalising a confiscation investigation to recover the losses.

<http://www.24housing.co.uk/news/habusts-seven-year-sub-let-scam/>

Right to Buy Fraud

The Right to Buy Scheme provides social housing tenants the opportunity to buy their social housing property. After a qualifying period properties can be sold to the tenants at a maximum discount between £78,600 and £104,900.

CFID have detected 8 cases of Right to Buy fraud which ensured that the sales did not complete, saving the public purse **£623,200** and ensuring that properties remain available to those who are in need.

Blue Badge Fraud

The Blue Badge scheme is a national initiative to help disabled people to park close to their destination, either as a passenger or driver. While the badge is intended for on-street parking only, some off-street car parks, such as those provided by local authorities, hospitals or supermarkets, also offer benefits to Blue Badge Holders.

It is a criminal offence to misuse the badge, and doing so can lead to a £1,000 fine. If the badge holder is using the parking concessions as a passenger (as opposed to driving the car themselves), it is their responsibility to make sure that the driver is aware of the rules governing the scheme.

A total of 69 cases of blue badge fraud was detected by CFID valued at **£53,475**² of loss on the public purse.

In these cases 15 of the badges were

¹ Using national fraud authority figure of £18,000 per property recovered.

² Using the national fraud authority figure of £775 per badge

recovered that belonged to the deceased or had been fraudulently altered.

One CFID prosecution for blue badge fraud in Thurrock Council involved a female using her deceased mothers' blue badge to park near the train station for her daily commute. She was sentenced to 120 hours unpaid work and was ordered to pay the council's costs of £2,181 and a £60 victim surcharge.

Council Tax Fraud

Council tax fraud is when a person deliberately gives incorrect or misleading information in order to pay less or no council tax.

CFID detected 21 cases of Council Tax Fraud, working closely with the affected revenues departments to recover the losses and ensure an accurate liability is recorded for the properties.

One prosecution by CFID in Southend-on-Sea was where a female falsely claimed to be a student living alone to receive a 100% discount on her council tax. This fraud cost the council £5,438.81 over that period.

The female was sentenced to a 12 month community order, 150 unpaid work with full prosecution costs being awarded back to the council. The full £5k loss has also been repaid.

Staff Fraud & Corruption

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

Resources teams in a collaborative approach.

In **Thurrock Council** Kathryn Adedeji its former Head of Housing was convicted of Fraud at the Old Bailey following a CFID investigation. Adedeji, along with her sister Blessing defrauded two social housing providers by subletting their social housing properties, one of which was an Islington house worth over £1m.

The Leader of Thurrock Council, Cllr Rob Gledhill spoke following the verdict. He said: *"I'm extremely proud of our fraud and legal teams who professionally led a large investigation which has ultimately resulted in successful criminal prosecutions."*

"It is disappointing that actions such as these can deprive deserving families of a social home."

"Although this case was complex, it is clear that we do not hide from difficult cases but will prosecute to the full extent of the law. It should also send the positive message out that we do listen and act when people blow the whistle."
<https://www.thurrock.gov.uk/news/fraud-and-other-economic-crime/thurrocks-fraud-and-legal-team-successful-prosecution>

At **Southend-on-Sea Borough Council** a former Parking Services Team Member was investigated by CFID who fraudulently issued parking permits to herself and others as well as corruptly cancelling penalty charge notices.

On the second day of the Trial at Southend Crown Court, the female changed her plea to guilty. Sentencing is due to take place in June 2017.

http://www.echo-news.co.uk/news/local_news/15248407

Social Care Fraud

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

In one case detected by CFID a carer for a vulnerable adult fraudulently claimed that she was supporting the adult when she was no longer doing so. A total of **£1,365** was fraudulently claimed by the woman. She was prosecuted but absconded prior to sentence. CFID tracked down the individual who was arrested and again put before the court for sentence.

Disruption Operations

In some cases the most effective way to prevent fraud and other economic crime affecting the public purse is through disruption tactics employed by CFID.

In one case, criminals sought to use public bodies as a way to launder the proceeds of crime with stolen credit cards. CFID worked with the business areas to change business processes preventing this crime occurring. As an accredited organisation CFID worked with the financial institutions to share intelligence and protect their customers.

Another case concerned a fake service being offered to vulnerable adults who needed a blue badge. This website sought to charge a fee to members of the public to obtain a blue badge where no fee was required or payable. CFID worked with the press and communications team to publicise the correct way to obtain a blue badge as well as with partners to protect residents.

Collaborations

CFID works closely with policing partners and other law enforcement bodies to protect the public purse. Intelligence packages have been continually disseminated to law enforcement bodies by CFID where suspected crime is identified.

CFID's Criminal Intelligence Unit works closely with law enforcement to develop intelligence that will assist in protection of our public body partners. Over the last year **45 Alerts** and guidance notes have been shared by CFID across all our local authority and social housing providers.

CFID's specialist expertise has been used with other local authority services in protecting frontline services, ranging from other enforcement teams in Planning, Trading Standards and Housing to Human Resources, Procurement and ICT.

CFID has also supported other professional bodies including local authorities and police forces in delivering their strategic priorities in digital forensics, cyber crime, intelligence, financial investigation and prosecution support.

BENCHMARKING

A number of county metropolitan, unitary and district councils were researched to establish comparative results on CFID's performance over the last year.

The data produced by councils varies with some not publically reporting any fraud.

1. London Borough of Hammersmith & Fulham³
2. Kent County Council⁴
3. Basildon Borough Council⁵
4. Braintree Council⁶

	1	2	3	4	CFID
Detected Fraud Value ⁷	1,594,383	152,352	576,000	Unk	5,558,808
Annual Budget (£)	494,000	903,500	Unk.	73,035	1,460,143
Money Recovered	409,284	112,310	Unk.	Unk	3,363,775

1. Harlow Council
2. Maldon Council
3. Colchester Council
4. Tendring Council

	1	2	3	4	CFID
Detected Fraud Value ⁸	Unk	Unk	Unk	Unk.	5,558,808
Annual Budget (£)	Unk	Unk	165,000	Unk.	1,460,143
Money Recovered	Unk	Unk	Unk.	Unk.	3,363,775

³ <http://democracy.lbhf.gov.uk/documents/s80183/Corporate%20Anti-Fraud%20End%20of%20Year%20Report.pdf>

⁴ <https://www.kent.gov.uk/about-the-council/finance-and-budget/spending/fraud-prevention>

⁵ <http://www.basildonmeetings.info/documents/s81372/Internal%20Audit%20and%20Consultancy%20Service%20enc1%20290616.pdf>

⁶ https://www.braintree.gov.uk/info/200136/access_to_information/762/transparency_code

⁷ This calculation has been made using the same figures CFID use from the National Fraud Authority.

⁸ This calculation has been made using the same figures CFID use from the National Fraud Authority.

NATIONAL ARRANGEMENTS

Cabinet Office

David Kleinberg – CFID head, was seconded to the Cabinet Office – Fraud Error and Debt Taskforce as the Head of Counter Fraud Standards (Punishment, Sanction and Redress) in January 2016. This role is to create and set national standards across government to create a 'Counter Fraud Profession'.

David also sits on the Cabinet Office Cross-Sector Group with other members from law enforcement including the City of London police, National Crime Agency, government and private sector.

National Anti-Fraud Network (NAFN.gov)

Daniel Helps – Investigation Manager, was elected to the national executive board for NAFN.gov. This organisation was selected by David Anderson QC (*the government's independent reviewer of RIPA & covert policing*) to be the national body with the powers to acquire communications data for local government.

National Tenancy Fraud Forum

Daniel Helps – Investigation Manager, is an executive board member of the national forum for fighting tenancy fraud, formed of every social housing provider in the UK. The forum develops national practice and strategic assessment for response to fraud and other economic crime against social housing.

College of Policing

David Nash – head of digital forensics & cyber crime for CFID, sits on the national group for 'Cyber & Digital Careers Pathway in Policing'. This board is sponsored by Home Office grant to improve the training for all cyber crime and digital investigation practitioners in policing bodies (including CFID).

There are 12 members of the group (including CFID) out of the 43 police forces in the UK.

FUTURE PROGRAMME OF WORK

International Conference Speaking

David Kleinberg – head of CFID, will be the keynote address at the Australian National Public Sector Fraud & Corruption Congress in July 2017. Appearing via Skype, David will be speaking alongside the United States Government Director of Audit and the head of Risk and Advisory Services for the New Zealand Government to public sector attendees from around Australia.

Fraud Risk Assessment Workshops

CFID will be conducting service-specific workshops with all departments of our partners to assess the fraud and other economic crime risks. These workshops will ensure that the individual business processes can be understood as well as the threats faced from fraud and other economic crime. This will ensure that our partners have a full understanding of the risk as well as a strategy to mitigate those risks with an corporate-wide level of monitoring and reporting.

Policy Review

Once the fraud risk assessment process concludes all policies supporting the overall counter-fraud strategy will be reviewed for legislative and best practice changes. These policies include:

- Anti-Fraud, Bribery, Corruption & Money Laundering
- Whistle-blowing
- Information Governance & Data Protection
- Regulation of Investigatory Powers Act

National Conference – Cyber Crime in Local Government

CFID will be hosting a 'closed group' national conference in September 2017 with all local authority staff invited. The purpose of the conference is to increase awareness of cyber security as well as the work that CFID does to assist authorities where cyber crime incidents occur.

A number of speakers will be there including:

- National Cyber Security Centre
- National Technical Assistance Centre
- National Crime Agency
- ActionFraud – City of London Police

Appendix 2 - Counter Fraud & Investigation Directorate

Counter Fraud Work Plan for March 2017 to Sep 2017

Risk area	Tasks	Planned for	Current status
Council-wide	Plan Fraud Risk Assessment workshops in these areas: <ul style="list-style-type: none"> • Adults, Housing & Health • Children's Services • Environment & Place • Finance & IT • HR, OD & Transformation • Strategy, Comms & Customer Services 	June 2017	New meetings are planned with the Directors to plan the workshops.
Council-wide	Conduct Fraud Risk Assessment workshops in these areas: <ul style="list-style-type: none"> • Adults, Housing & Health • Children's Services • Environment & Place • Finance & IT • HR, OD & Transformation • Strategy, Comms & Customer Services 	July 2017 – Aug 2017	Awaiting workshops.
Council-wide	UK Bribery Act (UKBA) Compliance Review. A questionnaire will be distributed to all Managers to ensure UKBA compliance.	June 2017	The questionnaire is written and is being installed into an online portal for distribution to the Managers in April.
Council-wide	Counter Money Laundering (CML) Compliance Review. A questionnaire will be distributed to all staff to ensure CML compliance.	June 2017	The questionnaire is written and is being installed into an online portal for distribution to staff in April.
Council-wide	Process the results from the Fraud Risk Assessment workshops & produce report and action plan	Sept 2017	Awaiting workshops.
National Fraud Initiative, Data Matching Exercise	Investigate high level recommended data matches until the 2017 exercise is complete.	Will report progress made on quarterly basis	Results being assessed. Regular performance reporting will commence in June 2017.

AUDIT COMMITTEE

27 June 2017

Subject: Head of Internal Audit Annual Report 2016/17

1. Purpose of Report

To provide for the 2016/17 financial year:

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

2. Background

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

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

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

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

Periodic discussions are held with the Strategic Director, Transformation and Resources and the Head of Performance and Service Support to:

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

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

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

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

Head of Internal Audit Opinion for the year ended 31 March 2017

The Council is managing to maintain satisfactory and effective risk management, control and governance arrangements despite the financial pressures it continues to experience. During the year, the Council's risk management arrangements were assessed as being sound.

Overall, there is strong evidence that:

- ***corporate business management processes remain well designed and fit for purpose or are in the process of being updated***
- ***there is an inconsistency in terms of application, across some services which needs to be addressed.***

This was particularly the case with many of the Regeneration and Neighbourhoods department services where issues identified indicated that the Council's business management arrangements were not operating effectively. It is very positive to note that senior management has recognised this and is taking positive and proactive action to address the concerns raised.

The basis for forming this opinion is an assessment of:

- the design and operation of the underpinning governance and assurance framework
- the range of individual opinions arising from risk based and other audit assignments that have been reported during the year taking into account the relative significance of these areas
- whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales.

The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to her opinion.

3. Supporting Commentary

Appendix A summarises the audit opinions issued this year.

The following paragraphs then:

- summarise findings from all the work completed this year
- highlight the key areas requiring improvement
- also includes findings from other relevant sources that have been used to support the overall opinion

Where necessary, actions have been agreed with services to improve the arrangements where the more serious control issues were identified during the audits.

Key Theme

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. In the public sector, it involves both governing bodies and individuals trying to achieve their entity's objectives while acting in the public interest at all times.

Source: International Framework, Good Governance in the Public Sector

The overall aim of good governance is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

Source: Delivering Good Governance in Local Government: Framework

In order to deliver this, there is a need to have a clear constitutional framework and corporate plan, an appropriate organisational structure and culture with good ethical standards as well as a set of processes that manage business delivery. Appropriate assurance is then required that these processes are fit for purpose and applied effectively and consistently throughout the organisation.

Audit opinions are one, independent barometer of how well these arrangements are operating, from the work of the Audit Committee to setting and managing the delivery of individual's performance targets (i.e. the golden thread).

A consistent theme arising this year, was the need to strengthen the application of the Council's business management arrangements across many Regeneration and Neighbourhoods department services, where concerns were identified that:

- appropriate controls still needed to be designed into systems and processes to adequately mitigate key operational risks
- relevant evidence was not being obtained that controls were operating effectively, as designed throughout the year
- the arrangements to monitor that weaknesses in internal control identified were dealt with, in a timely manner had not operated effectively.

Accountability also needed to be assigned for designing, maintaining and reporting upon the application of a proportionate but good practice partnership governance framework.

During the year, a Transformation Manager (Planning) was appointed for Development and Building Control, reporting to the Strategic Director, Transformation and Resources. The Chief Executive has now clarified that responsibility for:

- Partnerships, Licensing and Safeguarding Arrangements lies with Strategic Director, Corporate Services, who is taking proactive action to deal with the outstanding actions
- the Regeneration review remains with the Local Plan and Regeneration Adviser.

Senior management are to be commended for their positive and proactive response to addressing this.

Managing the Business

The **Good Governance Group** continued to operate efficiently and effectively, in that it has:

- a Terms of Reference agreed by the Executive Management Team that requires it to ensure:

- the Council maintains arrangements that are fit for purpose and comply with good practice requirements
- that sufficient assurance is available throughout the year to support the production of the Annual Governance Statement.
- an appropriate membership of senior officers who are responsible for maintaining the main corporate business management processes that are then applied at service level.

It continues to deliver its work programme, ensuring key tasks are completed during the year, which involved:

- assessing continued compliance with the CIPFA Good Governance Framework, identifying some areas for further development
- robustly challenging Corporate Assurance Statements for 2016/17 before signing off the assessments and the action required to improve these business management arrangements
- critically evaluating a summary of service assessments of these arrangements as contained in the Manager Assurance Statements
- discussing the draft Annual Governance Statement prior to its submission to Executive Management Team for consideration.

It was possible to conclude from this work that:

- overall, these business management processes remain well designed and fit for purpose (or are in the process of being updated)
- there was an inconsistency in terms of application, across some services which needs to be addressed.

The Group has identified a need ensure there is more regular reporting to Executive Management Team on its activities throughout the year, which will be addressed in 2017/18.

The Head of Performance and Service Support continued to produce quarterly reports on the operation of the Council's **key business management arrangements**. These were presented to and challenged by the Executive Management Team and the Audit Committee. No significant concerns were reported. Opportunities to strengthen or develop arrangements were highlighted in year as they arose.

These processes remain key elements of the Council's assurance framework, and continue to provide evidence of the effective design and operation of its business management arrangements.

The Council continued to maintain a **Corporate Risk Register** that was regularly taken to the Executive Management Team, and twice a year to the Audit Committee. Heads of Service were required to identify key risks in their service plans and these were reviewed by the Head of Performance and Service Support. The **Insurance Group** continued to meet at least twice a year to review the Council's arrangements and claims profile to see if action could be taken to reduce costs.

Overall the understanding of risk at both the **corporate and service** levels was sound. The governance of the organisation ensured that **risk management** was operating in a way that meets its needs. Risk maturity was greater than the documentation alone indicated.

In order to further embed this into the way the Council manages its business, there needed to be a greater discipline and consistency about accurately capturing all risk management activity across the Council, within risk registers and performance reports.

Action is being taken to update the Risk Management Policy, Strategy and Toolkit to reflect current operational practice. The concepts of risk appetite and tolerance will be included with practical guidance on how to apply them. Workshops will then be run to ensure management understand and can effectively implement the refreshed arrangements.

Accountability needed to be assigned for designing, maintaining and reporting upon the application of a proportionate but good practice **partnership governance framework**. As part of this work:

- the characteristics of a "partnership" needed to be established and all such arrangements challenged against this to ascertain whether their remit was clear, they were still required and their accountability and reporting lines were defined
- a Partnership Strategy and Framework or Toolkit needed to be produced, then used for managing performance and monitoring their effectiveness
- the Local Strategic Partnership's Accountability, Governance and Performance Management Framework needed to be updated accordingly.

Good progress had been made to strengthen the **Complaints, Comments and Compliments** Procedure (the Procedure), as well as the database used to record them. Standard letter templates were to be produced that contained common paragraphs for staff to use as required to increase:

- consistency of approach
- the likelihood that complaints would be dealt with successfully at the earliest opportunity.

Training was still to be provided on how to write a good response to a complaint.

Concerns remained that services weren't recording all complaints received in line with the requirements of the Procedure. Therefore, it was not possible to produce useful management information or trend analysis about complaints made, to learn from.

Appropriate action had been taken to strengthen the **Procurement Framework** with regards to contract spend between £10,001 and £50,000. This included introducing more formal sign off where exemptions from applying Contract Procedure Rules were requested. Action had also been taken to deal with areas of spend where the annual spend analysis exercise had highlighted non compliance with Contract Procedure Rules.

Operational Management Team had been briefed on the revised requirements, although evidence was still required that this message had been cascaded from OMT to all relevant staff within their service areas.

Going forward, the focus needs to be on monitoring compliance with the strengthened arrangements and ensuring Legal Services have signed contracts for all appropriate spend supported by an entry in the contracts register.

Service Delivery Risks

A key objective for Internal Audit is to give a view on whether the Council's risk management and control processes are robust enough to enable services to effectively contribute to the delivery its corporate aims and objectives.

The remainder of the report therefore, structures the audits undertaken of services areas under the corporate aims they help deliver so this connection can be made.

Public Health and Wellbeing

No work completed this year.

Environment

Many of the issues raised in the original **Waste Collection** report were linked to the lack of investment in vehicles and staff pending completion of the service review. Good progress has subsequently been made in addressing them and as a result:

- the Vehicle Replacement Programme had been revised, will be reviewed annually as part of the budget progress and replacement vehicles were expected for delivery early in 2017/18
- permanent staff had been recruited to updated job profiles, with agency staff being trained to the same standard as Council employees.

Phase 1 of the service review secured the investment in vehicles and staff required to move to the separate collection and treatment of food and garden waste to reduce the overall costs and collection and treatment of this waste. Management had committed to completing the final phase of the service review by June 2017.

The service will also go to the market periodically, to let a call-off framework contract for supplying waste collection drivers and loaders.

Transforming our Community

When the original report was issued, officers were able to describe examples of where the **Regeneration Partnership** had positively influenced others. However, its overall success in doing so and therefore its effectiveness had not been formally assessed and reported on. It was therefore unclear, the extent to which the 2008 to 2013 Regeneration Framework had been delivered or achieved the required regeneration outcomes.

Following that audit, management decided that the Regeneration Framework needed to be updated first and work on the other issues would be delayed until that was complete. The intention was to have the new arrangements in place by April 2016.

A proposal was presented to the November 2015 Castle Point Regeneration Partnership to update the Framework, which was approved at its January 2016 meeting. Although discussed regularly, some of the information required from partners had not been forthcoming. Therefore, as the Regeneration Framework had not been updated, no action had been taken to progress any of the other outstanding recommendations.

Efficient and Effective Customer Focused Services

The day-to-day operations of IT and the relationship with the Council's third party supplier were satisfactory and allowed the Council to leverage the skills of a larger organisation. However, the governance and strategic elements required to direct **cyber security** in a more proactive manner and move the Council to satisfactory maturity levels, were not present. Clarifications on the role of Senior Information Risk Owner and her team will increase the overall assurance over cyber security across the Council.

Furthermore, Information Governance and the Council's preparation for the introduction of the General Data Protection Regulation (GDPR) (May 2018) required further attention. The creation of a Council-wide information asset register will help the Council in meeting some of its GDPR obligations, as will further investment in the current training and awareness programme.

Overall, the Council had good **debt collection** arrangements in place that complied with relevant legislation and sector good practice guidance. Comprehensive and clear debt management policies and local procedure notes were in place. Timely action was taken to recover debts which was also seen to be effective, with legal remedies being utilised appropriately and proportionately.

Aged debtor reports were produced each month and appropriate checks were undertaken to:

- ensure expected income was being received and payment arrangements were being complied with
- confirm the most appropriate debt collection method was being used.

Monthly Housing Benefit overpayment reports were checked to ensure collection arrangements were appropriate to the claimant's circumstances. Action was also being taken to investigate and then address the issues surrounding the Council's large debt balance that relates to housing benefit overpayments recorded as fraudulent.

Overall the arrangements for writing off debt were fit for purpose and applied consistently.

Reporting on outstanding debt was generally timely and to an appropriate level of management. Reports were being developed which showed the level of outstanding debt across all types of debt and stages of the recovery process.

The Constitution detailed the types of **planning applications** that are required to be referred to the Development Control Committee. The Planning Code of Good Practice could be found in the Constitution and reflected industry good practice guidance. Therefore, guidance was available that set out what acceptable planning grounds are and members received regular training on this. Procedures need to be developed outlining the process for Councillor Call-ins and the Constitution should make reference to this.

However, the arrangements in place to ensure that all planning applications considered are approved in accordance with proper practice were not robust. In particular, there were significant weaknesses in the process for:

- Members to call in applications to Committee

- clarifying what the 'material planning grounds' were when Members overturned an officer recommendation to refuse an application
- providing time for a proper evaluation of the case, where Members are considering a motion against an officer recommendation.

The framework in place to guide Members in this area was in the process of being fundamentally reviewed. Training was then to be provided, to ensure it is clearly understood and then adhered to.

The Council had an agreement with its IT contractor, Capita, to develop a comprehensive **IT Business Continuity Disaster Recovery** (BCDR) Plan. This set out all the requirements that would be expected within a good practice BCDR Plan. As at March 2016, the Council had a draft BCDR Plan but it was not due to be completed and signed off until June 2016.

Subsequent to the audit, several disaster recovery components such as documented lists, processes and procedures which existed, were consolidated into the IT BCDR Plan. It was also amended to include:

- Recovery Time Objectives (RTO) were required for all critical systems and services
- a list of all the DR team members, their roles and objectives and current contact details
- disaster escalation and IT BCDR Plan invocation procedures.

The revised IT BCDR Plan was accepted by the Council on 11 November 2016.

The original audit assessed whether adequate processes and procedures were in place to **allocate Council housing** and ensure empty properties were re-let fairly, consistently, promptly and in line with the Allocations Policy.

Progress made in implementing the actions arising from this report was disappointing. Additionally some actions required which the business had reported as being complete at the end of the audit, had either:

- not been implemented OR
- had since been discontinued without alternative compensating controls being put in place.

Nevertheless, the new Interim Head of Housing and Tenancy Services Manager was proactively looking to progress with this work and had agreed revised implementation dates for all the outstanding actions. This will involve:

- ensuring all policies, guidance, procedure notes and documentation both paper and electronic are update to date and fit for purpose
- improving the processes for and documentation maintained to support both letting and terminating tenancies
- strengthening the lone worker arrangements for when staff are on site.

Limited progress had been made in implementing the actions contained in the original **Licensing** report issued in November 2013, despite it being followed up in June 2015. As a result, actions were still required to:

- fully evaluate whether LalPac is being used to its full potential, thus minimising the manual processes still being used when assessing license applications and undertaking enforcement visits
- revise and then get approved by the Licensing Committee, the draft 'Licensing Enforcement Guidance Notes' and 'Licensing and Gambling Enforcement Policy and Procedures' so they cover all the relevant operational processes the team operate and are consistent within themselves
- implement a proactive approach to enforcement visits
- complete monthly reconciliations between LalPac and the main financial system E-financials to confirm all income due is actually received which are then independently checked
- benchmark the service against other similar councils licensing activities.

Satisfactory progress had been made in addressing the issues raised in the original **Residential Leaseholder Charging** report.

A Leaseholder Management Policy had been produced which needed further development to fully document the process as well as version control, details of ownership and timescales for review. The primary record for Residential Leaseholder details had been password protected with amendment access restricted to appropriate staff. Action was being taken to lockdown key cells within the excel spreadsheet and completely reconcile the mailing list with Legal Service's records to ensure it was accurate, complete and up-to-date.

There was evidence recharge estimates were independently checked before they were billed. Relevant records had been updated to include details on Leaseholders' right to loans in order to pay for recharges in relation to major works completed.

Some progress had been made in implementing the actions contained in the original **Right to Buy** report. As a result:

- current and new tenants were properly informed of their right to buy and discounts awarded for previous right to buy sales had been embedded into the process for calculating any current entitlement
- the legal charge placed with the Land Registry had been amended to require properties to be offered back to the Council if resold within 10 years.

The Right to Buy procedures had been updated in a number of areas but needed further enhancement to cover the complete operational process. Additionally, the need to independently confirm that the correct checks had been undertaken by the people assessing and processing applications needed to be embedded throughout the Right to Buy process. Decisions still needed to be made on what information was required by the Departmental Management Team to monitor the progress of such applications.

Staff awareness needed to be raised of Anti-Money Laundering 'red flags' or the possible impact of Anti-Social Behaviour on the sale process.

The primary record for residential leaseholder details had been password protected with amendment access restricted to appropriate staff. Key cells within the spread sheet still needed to be locked down to protect them against amendment or deletion.

The original audit of the Council's **safeguarding arrangements** was completed in January 2012. In June 2014, it was noted that:

- the framework adopted was in line with that set out by Essex County Council but better arrangements were needed to demonstrate consistent and full delivery of it
- there were concerns that service management were not being sufficiently challenged to provide robust supporting evidence when reporting that outstanding actions had been implemented.

As at February 2017, further work was still required to fully embed proportionate safeguarding arrangements throughout the Council and ensure consistent compliance with them, could be demonstrated. This required:

- better performance reporting to various levels of management
- evidence that contractors were clear about the Council's requirement and were complying with them consistently
- training to be tailored to staff groups and Members dependent on risk, taking into account the Essex Safeguarding Board's guidance.

Nevertheless, where safeguarding referrals had been raised, the correct reporting and escalation procedures had been followed.

An unqualified audit opinion was given on the **Disabled Facilities Capital Grant Determination**. The purpose of this grant is to assist with providing facilities including fixtures and fittings to properties, to help disabled people to live at home. It was possible to confirm that in all significant respects, the grant was used to fund capital expenditure on items covered by the terms and conditions of this grant.

Key Financial Systems

Nine key financial systems (refer Appendix A) were reviewed this year (excluding Treasury Management). The key controls in all but two were assessed as satisfactorily to enable the:

- preventing or detecting material errors on a timely basis
- production of information that can be relied upon when compiling the Council's Statement of Accounts.

Whilst the current year debt collection rate remains high at 96.42%, the Accounts Receivable system is being strengthened to ensure:

- invoices are raised before the service is provided wherever possible, or in line with the Sundry Debtor Credit Policy and the correct VAT is always charged
- debts that over a year old are dealt with and going forward, the Council does not provide further, non-statutory services to people who already have unpaid debts and all debts relating to one person are consolidated and the action taken to recover them, co-ordinated
- the appropriateness of staff access to this system is checked periodically.

With regards to the Council Tax system, action is being taken to:

- balance with reconciliation between CIVICA (the customer level record keeping system) to E-FIN (the financial control and reporting system)

- review the effectiveness of the arrangements for identifying fraudulent claims of single person discount
- ensure regular independent checks in-year are completed to valid changes to Council Tax records
- the appropriateness of staff access to this system is checked periodically.

Opportunities were identified to strengthen aspects of these systems and action has been agreed to address this.

Implementing Action Plans

Internal Audit only revisits and retests action plans where a partial or minimal assurance opinion was given. Management close down other action plans once they are satisfied the issues identified have been properly dealt with.

As already reported above, the arrangements in place in some service areas to ensure action plans are properly monitored, has not worked as well as it might. Further work will be done with services during 2017/18, to strengthen these arrangements.

4. Compliance with Professional Standards

Head of Internal Audit Opinion

The in-house service has substantially conformed to the relevant professional standards and the Council's operational requirements throughout the year.

I have obtained assurance from external suppliers regarding their conformance with relevant professional standards, but have not independently confirmed this with regards to audit work completed at the Council.

Resourcing

In July 2015, Southend-on-Sea Borough Council decided to undertake a service review of the Internal Audit Service so permanent recruitment was stopped. All subsequent vacancies were covered by:

- resources bought in through framework contracts with external suppliers
- agency or casual staff and staff on short term contracts.

BDO was appointed to complete the service review, which occurred during January / February 2017. It was concluded in August 2016 at which time permission to recruit and rebuild the in-house team was granted. By this time, the combined in-house team of nine auditor posts was carrying seven vacancies, one of which has been covered by a long term contractor. The Head of Internal Audit also continued to cover the contract manager role.

This reduced management capacity has had a significant impact on its ability to deliver:

- all audit reports in a timely manner

- an annual programme of work that would provide some assurance that there are appropriate arrangements in place to manage the key risks within the more significant Council services / activities (as agreed when discussing the audit risk assessment / assurance statements) over a three / four year period.

Recruitment of permanent staff commenced in January 2017. However, the remainder of the report needs to be considered within this context.

Audit Plan 2016/17

The target was to deliver 100% of the Audit Plan by the June Audit Committee meeting. As at 9th June 2017, a draft report had been produced for 35 out of the 37 (95%) audits undertaken this year. 33 reviews (89%) have been completed. All outstanding audits will now be included in the 2017/18 Audit Plan.

Appendix B shows the final status of the Audit Plan which is a comparison of actual audit work completed against work planned at the start of the year.

Other Performance Indicators

The service stopped reporting on its productivity during the year as it was no longer a relevant indicator, given the service was predominately being bought in from external suppliers. However, sickness absence remained very low at 1.49 days per FTE compared to a target of under 5 days per FTE for in-house staff.

The service revised its approach to obtaining feedback from stakeholders at the conclusion of audits so it focused more on obtaining evidence of compliance with some of the less tangible elements of the UK Public Sector Internal Audit Standards (the Standards). During the year, four officers were interviewed covering 11 audits. The key message from the surveys was the need for there to be a more seamless service regardless of whether work is undertaken by the in-house team or contracted in resources. Nevertheless, the response to the question "*Do you think internal audit adds value to the Council?*" was 100%. **Appendix C** summarises the final survey results relating to the Council's 2016/17 audits.

External Audit confirmed that it could rely on Internal Audit's work where it was relevant to its audit of the Council's Statement of Accounts.

Service Management Arrangements

An assessment was also completed of the team's compliance with the Council's governance arrangements requirements as set out in the Manager Assurance Statements. This highlighted some areas where they should be strengthened and actions are in hand to address this (refer Appendix E below).

Quality and Improvement Programme

I can confirm that I have maintained an appropriate Quality and Improvement Programme (QAIP) during the year for the in-house team or work undertaken by contractors when being managed by the in-house team. As required by the Standards, this consisted of:

- on-going supervision and review of individual audit assignments completed by in-house staff or contractors working to in-house staff

- reporting on a limited set of performance targets to the Audit Committee each quarter (for all work done including that of the external supplier)
- undertaking a self assessment which evaluates conformance with the Standards.

I have received assurance from the external suppliers that where they have undertaken work using their own audit approach, this is also compliant with the Standards.

Due to resource constraints, there have been no independent file reviews of in-house staff or contractors work completed this year.

Appendix D summarises the results of the annual self assessment of the team's compliance with the Standards. **Appendix E** sets out the actions the team plans to take over the coming year to improve its working arrangements, which include:

- organising the independent external assessment of the combined services compliance with professional standards which must be completed before 31 March 2018, and then refreshing the audit approach / Audit Manual accordingly
- destroying all audit files that fall outside the data retention policy period.

Senior management has chosen not to implement the Standard relating to the appointment and removal of the Head of Internal Audit as the Council's normal HR practices would already mitigate this perceived potential risk.

Other Disclosures

As required by the Standards, I can confirm that the Internal Audit service has:

- operated in a manner that maintains its organisational independence throughout the year
- been able to determine the scope of reviews, perform the work and report on its findings without interference neither has there been any inappropriate resource limitations imposed upon it.

5. Issues for the Annual Governance Statement

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

6. Corporate Implications

(a) Financial Implications

The Audit Plan was delivered within approved budgets.

(b) Legal Implications

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

(c) Human Resources and Equality Implications

Human Resources

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

Equality Implications

The relevance of equality and diversity was considered during the initial planning stage of every audit before the Terms of Reference were agreed.

Any significant changes in the Charter and Strategy would also be subject to assessment.

(d) IT and Asset Management Implications

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

7. Links to Council's Aims and Priorities

Audit work contributes to the delivery of all Council Aims and Priorities.

8. Timescale for Implementation

This annual audit opinion relates to the 2016/17.

9. Risk Factors

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

Recommendations

- **The Audit Committee:**
 - **notes the Head of Internal Audit's Annual Report for 2016/17**
 - **satisfies itself that the contents of this report are appropriately reflected in the Council's Annual Governance Statement, when considered.**

Background Papers

- The Accounts and Audit Regulations 2015
- UK Public Sector Internal Audit Standards
- CIPFA Local Governance 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

Appendices

Appendix A	Assurance Summary 2016/17
Appendix B	Internal Audit Plan 2016/17 as at 9th June 2017
Appendix C	Stakeholder Surveys, Compliance with Professional Standards
Appendix D	Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2016/17
Appendix E	Compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan as at 9th June 2017

Report Author: Linda Everard, Head of Internal Audit

Appendix A: Internal Audit Plan 2016/17

Who (see key)	Council activity and focus of audit work	Fraud risk	Status as at 9 June 2017
Managing the Business			
All Aims			
HoIA / All	Risk Management, Corporate and Service Plan Risks To assess whether departments are accurately identifying and taking appropriate action to manage risks effectively.	No	Report issued March 2017.
TBD / L&SC All	Working With Partners To assess whether for a number of partnerships there are robust governance arrangements.	No	Report issued February 2017.
<i>Implementing Action Plans</i>			
CG & L / G All	Complaints, Compliments and Comments For the focus of the work, see below* <i>Original report issued April 2016</i>	No	Report issued May 2017.
Res / All	Procurement For the focus of the work, see below* <i>Original report issued December 2015</i>	Yes	Report issued December 2016.
Managing Service Delivery Risks			
Aim: Public Health and Wellbeing			
Env	Leisure Centres, Income Management To assess whether the bookings, memberships and other income generating processes are fit for purpose.	Yes	Draft report produced. Being finalised before issue to client.
Aim: Environment			
<i>Implementing Action Plans</i>			
Env	Waste Collection Service For the focus of the work, see below* <i>Original report issued December 2015</i>	Yes	Report issued February 2017.

Appendix A: Internal Audit Plan 2016/17

Who (see key)	Council activity and focus of audit work	Fraud risk	Status as at 9 June 2017
Aim: Transforming Our Community			
<i>Implementing Action Plans</i>			
LP & RA	Regeneration Partnership For the focus of the work, see below* <i>Original report issued November 2015</i>	No	Report issued February 2017.
Aim: Efficient and Effective Customer Focused Services			
Res	Accounts Payable To assess whether the Accounts Payable system operates efficiently and effectively.	Yes	This work has been moved into 2017/18 – see summary report.
P	Approval of Planning Applications To assess whether decisions on planning applications are being made at the most appropriate level, in line with Council Policy as well as statutory and recognised good practice standards.	Yes	Report issued December 2016.
Res	Cyber Security Governance To assess the effectiveness of arrangements in place to protect the Council from cyber-attacks and other online vulnerabilities.	Yes	Report issued June 2017
R&B	Debt Collection To assess whether there are robust processes in place to ensure all debt due is cost effectively collected.	Yes	Report issued December 2016.
H	Health and Safety of Housing Stock To assess whether actions are addressed when issues arise from health and safety inspections undertaken by South Essex Homes.	No	Draft report being discussed with clients.
H	Housing Maintenance Contracts To assess whether a contract is being effectively managed.	Yes	Deleted. This risk will be reassessed in 2017/18.
Res	Income Collection For a sample of income streams, assess whether all income due is raised in accordance Council policies / fees and charges framework.	Yes	Draft report being produced.

Appendix A: Internal Audit Plan 2016/17

Who (see key)	Council activity and focus of audit work	Fraud risk	Status as at 9 June 2017
All	Individual Electoral Registration To confirm that appropriate verification procedures have been applied when implementing Individual Electoral Registration.	Yes	Delete this year due to a change in priorities.
CG & L / G	Leases and Licences To assess whether lease and license records are complete, reviewed in a timely manner and all income due is collected.	Yes	Draft report being produced.
<i>Implementing Action Plans</i>			
H	Housing Allocations For the focus of the work, see below* <i>Original report issued July 2015</i>	Yes	Report issued March 2017.
H	Homelessness For the focus of the work, see below* <i>Original report issued June 2015</i>	Yes	Terms of Reference issued. This work has been postponed to 2017/18 – see summary report.
Res	IT Disaster Recovery To assess whether there are robust plans, systems and processes to ensure the Council's IT systems and data are recoverable following a disaster incident and follow-up on whether the actions agreed have been implemented.		Report issued December 2016.
L&SC	Licensing For the focus of the work, see below* <i>Original report issued November 2013, 1st follow up June 2015</i>	Yes	Report issued February 2017.
H	Residential Leaseholder Charging For the focus of the work, see below* <i>Original report issued September 2015</i>	Yes	Report issued September 2016.
H	Right to Buy For the focus of the work, see below* <i>Original report issued December 2015</i>	Yes	Report issued December 2016.
L&SC	Safeguarding Arrangements For the focus of the work, see below* <i>Original report issued January 2012, updated June 2014</i>	No	Report issued February 2017.

Appendix A: Internal Audit Plan 2016/17

Who (see key)	Council activity and focus of audit work	Fraud risk	Status as at 9 June 2017
Key Financial Systems			
Aim: Efficient and Effective Customer Focused Services			
To assess whether the key controls in each of the key financial systems effectively prevent or detect material errors on a timely basis to ensure that the financial statements are not materially incorrect.			
Outstanding financial systems reports from 2015/16 delivered in 2016/17			
R&B	Council Tax	Yes	Reports issued Aug 2016.
R&B	Business Rates	Yes	
R&B	Housing Benefits	Yes	
R&B	Accounts Receivable	Yes	Report issued Sept 2016.
R&B	Housing Rents	Yes	
Res	Accounts Payable	Yes	
Work planned to support 2016/17 Statement of Accounts			
Res	Accounts Payable	Yes	Report issued June 2016.
R&B	Accounts Receivable	Yes	
R&B	Business Rates	Yes	Reports issued March 2017.
R&B	Council Tax	Yes	
Res	General Ledger	No	Report issued May 2016.
R&B	Housing Benefit	Yes	Report issued June 2016.
R&B	Housing Rents	Yes	
R&B	Income Receipting and Banking	Yes	Reports issued March 2017.
Res	Payroll	Yes	
Res	Treasury Management	Yes	Not auditing as assurance going to be carried forward this year.

Appendix A: Internal Audit Plan 2016/17

Who (see key)	Council activity and focus of audit work	Fraud risk	Status as at 9 June 2017
Grant Claims			
Env	Disabled Facilities Capital Grant Determination (New audit)	Yes	Unqualified audit opinion given.
Advice and Support Work			
Res	Allowances To establish whether services are consistently applying the Council's Allowances Policy.	Yes	Internal management report produced and issued, August 2016.
R&B	Revenues and Benefits Restructure To provide critical friend support as systems are being re-designed.	Yes	First interim memo issued August 2016. More reviews will be included in the 2017/18 Audit Plan.
HoIA	Risk Management To update the Policy, Strategy and Toolkit. To provide workshops with staff on how to apply the refreshed arrangements, specifically regarding risk appetite and tolerance.	No	This job has been transferred to 2017/18 Audit Plan.

- * The objective of the work when **revisiting audit reports** is to confirm that action agreed have been effectively implemented and embedded into the day to day operation of the service.

Key:

- CG&L/G: Civic Governance & Law / Governance
- Env: Environment Directorate
- HoIA: Head of Internal Audit
- H: Housing Directorate
- L&SC: Licensing & Safer Communities
- LP&RA: Local Plan & Regeneration Adviser
- P: Transformation Manager (Planning)
- Res: Resources Directorate
- R&B: Revenues and Benefits Transformation Manager
- TBD: To be determined

Appendix B: Assurance Summary 2016/17

Audit Plan Areas	Level of Assurance			
	High	Satisfactory	Partial	Minimal
Managing the Business		<ul style="list-style-type: none"> • Risk Management Corporate and Service Plan Risks (Mar 2017) • Working with Partners, Partnerships Reviewed (Feb 2017) 		<ul style="list-style-type: none"> • Working with Partners, Strategic Partnership Framework (Feb 2017)
Managing Service Delivery Risks		<ul style="list-style-type: none"> • Debt Collection (Dec 2016) 	<ul style="list-style-type: none"> • Cyber Security Governance (May 2017) 	<ul style="list-style-type: none"> • Approval of Planning Applications (Dec 2016)
Key Financial Systems		<ul style="list-style-type: none"> • Accounts Payable (June 2017) • Business Rates (Mar 2017) • General Ledger (June 2017) • Housing Benefits (June 2017) • Housing Rents (June 2017) 	<ul style="list-style-type: none"> • Accounts Receivable (June 2017) • Council Tax (Mar 2017) 	

Appendix B: Assurance Summary 2016/17

Audit Plan Areas	Level of Assurance			
	High	Satisfactory	Partial	Minimal
		<ul style="list-style-type: none">• Income Receipting and Banking (Mar 2017)• Payroll (Mar 2017)		

Appendix B: Assurance Summary 2016/17

Audit Revisited	Action Implementation Level			
	High	Satisfactory	Partial	Minimal
Implementing action plans	<ul style="list-style-type: none"> IT Disaster Recovery (Dec 2016) 	<ul style="list-style-type: none"> Complaints, Compliments and Comments (May 2017) Procurement (Dec 2016) Waste Collection (Feb 2017) Residential Leaseholder Charging (Sept 2016) 	<ul style="list-style-type: none"> Licensing (Feb 2017) Right to Buy (Dec 2016) Safeguarding Arrangements (Feb 2017) 	<ul style="list-style-type: none"> Regeneration Partnership (Feb 2017) Housing Allocations (Mar 2017)

Appendix C: Stakeholder Surveys, Compliance with Professional Standards

1. Setting up and planning the audit (PSIAS 1200 / 2200)		
1.1	Did we show a good level of knowledge and understanding of your service when discussing the potential scope and objective to be covered by the audit before fieldwork took place?	100%
2. Performing the audit (PSIAS 2300)		
2.1	Did we work effectively with you when doing the audit to minimise the impact on your service?	100%
2.2	Were we able to talk knowledgeably with you about information provided to us and queries we had during the audit?	100%
3. Communicating results (PSIAS 2400)		
3.1	Did we keep you informed of the progress of the audit and issues arising from the work in timely manner?	75%
3.2	Did we effectively explain to you where we felt action was required to improve your arrangements and why?	100%
3.3	Was the report fair and reflective of the work done by audit and the issues found as discussed with you?	88%
4. Independence and Objectivity (PSIAS 1100)		
4.1	Did we provide relevant evidence to back up our findings if required?	100%
4.2	At the end of the audit, did you understand the rationale for the overall opinion given?	88%
5. Improving governance, risk management and control processes (PSIAS 2100)		
5.1	Did we explain how the actions you agreed to take would strengthen your operational arrangements and why that is important?	83%
6. Managing the Internal Audit Activity (PSIAS 2000)		
6.1	Do you think internal audit adds value to the Council?	100%

**Appendix D Summary Assessment of Compliance with
UK Public Sector Internal Audit Standards 2016/17**

Ref	Standard	Yes	Partial	No	N/A
Ref	Definition of Internal Auditing	√			
Ref	Code of Ethics				
1	Integrity	√			
2	Objectivity	√			
3	Confidentiality	√			
4	Competence	√			
Ref	Attribute Standards				
1000	Purpose, Authority and Responsibility	√			
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter	√			
1100	Independence and Objectivity	√			
1110	Organisational Independence		√		
1111	Direct Interaction with the Board	√			
1120	Individual Objectivity	√			
1130	Impairments to Independence or Objectivity	√			
1200	Proficiency and Due Professional Care				
1210	Proficiency	√			
1220	Due Professional Care	√			
1230	Continuing Professional Development		√		
1300	Quality Assurance and Improvement Programme		√		
1310	Requirements of the Quality Assurance and Improvement Programme	√			
1311	Internal Assessments		√		
1312	External Assessments				√
1320	Reporting on the Quality Assurance and Improvement Programme	√			

**Appendix D Summary Assessment of Compliance with
UK Public Sector Internal Audit Standards 2016/17**

Ref	Standard	Yes	Partial	No	N/A
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	√			
1322	Disclosure of Non-conformance	√			
Ref	Performance Standards				
2000	Managing the Internal Audit Activity	√			
2010	Planning	√			
2020	Communication and Approval	√			
2030	Resource Management	√			
2040	Policies and Procedures		√		
2050	Coordination	√			
2060	Reporting to Senior Management and the Board	√			
2070	External Service Provider and Organisational Responsibility for Internal Audit	√			
2100	Nature of Work	√			
2110	Governance	√			
2120	Risk Management	√			
2130	Control	√			
2200	Engagement Planning	√			
2201	Planning Considerations	√			
2210	Engagement Objectives	√			
2220	Engagement Scope	√			
2230	Engagement Resource Allocation	√			
2240	Engagement Work Programme	√			
2300	Performing the Engagement	√			
2310	Identifying Information	√			
2320	Analysis and Evaluation	√			
2330	Documenting Information		√		

**Appendix D Summary Assessment of Compliance with
UK Public Sector Internal Audit Standards 2016/17**

Ref	Standard	Yes	Partial	No	N/A
2340	Engagement Supervision	√			
2400	Communicating Results	√			
2410	Criteria for Communicating	√			
2420	Quality of Communications		√		
2421	Errors and Omissions	√			
2430	Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'	√			
2431	Engagement Disclosure of Non-conformance	√			
2440	Disseminating Results	√			
2450	Overall Opinions	√			
2500	Monitoring Progress	√			
2600	Resolution of Senior Management s Acceptance of Risks	√			

Appendix E: Compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan

	Action		Evidence / Comment	Action Required	Current Status / Action Date
3	Attribute Standards				
3.3	1200 Proficiency and Due Professional Care				
	<i>1230 Continuing Professional Development</i>				
B4 / C45	<p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:</p> <p>c) Continually improving their proficiency and effectiveness and quality of their services, for example through Continued Professional Development (CPD) schemes?</p> <p>Do internal auditors undertake a programme of continuing professional development?</p>	P	<p>All staff should have training and development programmes that, where necessary, comply with professional institute requirements.</p> <p>Because of management capacity issues, the Head of Internal Audit and Audit Manager have had limited professional development over the last 18 months.</p> <p>This won't be resolved until additional in-house resources are recruited.</p>	<p>Continue with the recruitment programme for professional audit staff during 2017/18.</p> <p>Create and then recruit to the Business Support function that will support both the Internal Audit and Counter Fraud & Investigation Directorate.</p>	<p>An Audit Manager will start in July 2017.</p> <p>In May, the team is advertising for:</p> <ul style="list-style-type: none"> a graduate to start in Sept 2017 either an auditor or part qualified auditor. <p>In Sept, the team will look to recruit a senior auditor.</p> <p>The Business Support Manager returns from maternity leave in July 2017. Her first task is to develop a structure for the new team and then recruit to any vacant posts.</p>

Appendix E: Compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan

	Action		Evidence / Comment	Action Required	Current Status / Action Date
3.4	1300 Quality Assurance and Improvement Programme				
C48	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?	Y	<p>Issues arising from file reviews or stakeholder surveys are evaluated and appropriate training / development put in place to address any issues.</p> <p>Because of resource constraints, no cold file reviews have been completed this year.</p>	Re-introduce cold file reviews when more fully staffed and include a sample of contractor files.	2018/19 Audit Plan.
	1311 Internal Assessments				
C54 LGAN	Does on-going performance monitoring include comprehensive performance targets?	P	<p>The service has team performance targets which are reported to each Audit Committee as set out in the Strategy.</p> <p>Because the service is substantially contracted out, the targets monitored have changed to reflect this.</p>	Reinstate a full set off performance indicators once the team is more fully resourced with in-house staff (as set out in the 2016/17 Strategy).	To be determined.
C58	Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?	P	<p>The internal self assessments have not been independently reviewed for a few years now. But these reviews were completed by Heads of Internal Audit or Finance Directors.</p> <p>The team will reinstate this after the external independent review has been undertaken.</p>	Reinstate periodic independent review of the self assessment every other year.	July to Sept 2019

Appendix E: Compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan

	Action		Evidence / Comment	Action Required	Current Status / Action Date
	1312 External Assessments				
C60 to C68	Has an external assessment been carried out, or is planned to be carried out, at least once every five years?	N	This is being commissioned to be completed between Jul and Sept 2017.	Determine the approach to be adopted to undertaking the external assessment. Present a report to the Audit Committee on the proposals for the external review.	June 2017
4	Performance Standards				
4.1	2000 Managing the Internal Audit Activity				
	2010 Planning				
D13 LGAN	Does the risk-based plan differentiate between audit and other types of work?	Y	The audit plan does separate work between types of activity e.g. risk based or financial systems work. But is does not always break down time allocated to an audit between pure audit work; and advice and support.	Consider how to split out time allocated to a review on: <ul style="list-style-type: none"> pure audit work advice and support when producing the action plan. 	31 March 2018
D20	Does the HoIA identify and consider the expectations of senior management, the board and the other stakeholders for internal audit opinions and any other conclusions?	Y	The team reported to senior management and the Audit Committee when it changed from three to the current four audit opinions. However, there is a need to be able to more clearly explain to services the factors taken into account when determining the audit opinion on a review.	Update the opinion summary contained within the Audit Manual. Produce a version that can be shared with services to explain how judgements are made on the opinion to be given on each audit.	June 2017

Appendix E: Compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan

	Action		Evidence / Comment	Action Required	Current Status / Action Date
	2030 Resource Management				
D27 LGAN / D56	Has the HoIA planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise abortive work and time? Does the engagement plan include its objectives, scope, timing and resource allocation?	Y	The provisional timing of audits is discussed with Head of Service when the proposed Audit Plan is considered. However, more regular contact is required with service managers to discuss the delivery of work throughout the year.	Put an item on Operational Management Team agenda each quarter to discuss the progress of the Audit Plan and any changes required.	Jul, Oct, Jan, Apr
	2040 Policies and Procedures				
D29	Has the HoIA developed and put into place policies and procedures to guide the internal audit activity?	Y	There is an Audit Manual which supports the Charter and the Strategy and is designed to comply with the requirements of the Standards. It was fundamentally reviewed in the summer of 2015 to ensure compliance with the standards. The audit approach is discussed regularly at team meetings. Documents are updated or training arranged as required. However, it needs updating when resources are available to do so.	Refresh the Audit Manual and supporting forms to reflect: <ul style="list-style-type: none"> updates in the Standards current working practices any issues arising from the independent external assessment. 	31 March 2018
D30 LGAN	Has the HoIA established policies and procedures to guide staff in performing their duties in a manner that conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems.	Y			
D31 LGAN	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	P			

Appendix E: Compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan

	Action		Evidence / Comment	Action Required	Current Status / Action Date
4.2	2100 Nature of Work				
	2110 Governance				
D42 / D44 / D49	Does the internal audit activity: a) Promote appropriate ethics and values within the organisation? Has the internal audit activity evaluated the: a) design b) implementation, and c) effectiveness of the Council's ethics-related objectives, programmes and activities?	Y	Ethical governance is a potential audit area included in the risk assessment. It was reviewed in 2014/15 and subsequently followed up. Financial systems reviews in 2015/16 considered whether staff were declaring interests and then these were appropriately managed.	Assess whether an ethical governance audit should be included in 2018/19 Audit Plan.	February 2018
				Complete an assessment of compliance with the Fighting Fraud & Corruption Locally framework which also covers many of the same areas.	September 2017
4.3	2200 Engagement Planning				
	2210 Engagement Objectives				
D65 / D66	Have internal auditors ascertained whether management and / or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished? If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?	Y	These would be considerations when completing: <ul style="list-style-type: none">• Audit Risk Assessment• Audit Research and Planning Form• Terms of Reference• Control Evaluation Form.	Make sure these links within the Audit Manual are clear as well as through out the documentation.	31 March 2018

Appendix E: Compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan

	Action		Evidence / Comment	Action Required	Current Status / Action Date
4.4	2300 Performing the Engagement				
	2330 Documenting Information				
D93	Has the HoIA developed and implemented retention requirements for all types of engagement records?	P	Document retention requirements have been defined in line with good practice guidance. This is part of the Audit Manual.	Set up a project to check all files and destroy whatever is necessary to comply with the Retention Policy.	31 March 2018
4.5	2400 Communicating Results				
	2410 Criteria for Communicating				
D99 LGAN	Has the internal auditor discussed the contents of the draft final report with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	Y	All draft reports should be discussed with the relevant Service Manager and Head of Service. The stakeholder surveys identified contractors were not always meeting with officers to do this.	Include an instruction in the operational protocol that meetings should always be held to: <ul style="list-style-type: none"> • feedback findings at the conclusion of fieldwork • discuss the draft report. 	June 2017
D104 LGAN	Do the final communications of engagement results contain, where appropriate, the internal auditor's opinions and/or conclusions, building up to the annual internal audit opinion on the control environment?	Y	Whilst the reporting style of the team complies with this, clearer links could be made to any underlying issues with the Council's governance arrangements.	Reassess the reporting templates as part of updating the Audit Manual, to see how underlying issues with the Council's governance arrangements could be highlighted.	31 March 2018

Appendix E: Compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan

	Action		Evidence / Comment	Action Required	Current Status / Action Date
	2420 Quality of Communications				
D110	Are communications: g) Timely?	P	There are significant issues with the team providing timely reports due the lack of management capacity.	Build in triggers into the audit manual that remind staff to keep clients informed of when reports can be expected and if they are delays in producing them.	June 2017
				Reinstate target for issuing draft reports once the team is more fully resourced.	2018/19.
4.6	2500 Monitoring Progress				
D126	Has the HoIA established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	Y	Minimal and partial opinion reports are revisited by internal audit when all the actions should have been implemented. The implementation of action plans with high or satisfactory opinions is signed off by management.	Introduce the process for management to provide the Audit Committee with this assurance for reports with high and satisfactory audit opinions.	March 2018

AGENDA ITEM NO 8

Committee: **AUDIT COMMITTEE**

Sub-Committee:

Date: **27th June 2017**

Subject: **Annual Governance Statement 2016/17**

Report of the: **Head of Performance & Service Support**

Report author: **Craig Watts**

1 Purpose of Report

To present the Annual Governance Statement for 2016/17 to the Committee.

2 Background

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

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

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

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

3 Legal implications

Accounts and Audit Regulations 2015 section 6 states that:

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

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

(b) prepare an annual governance statement;

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

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

(i) by a committee; or

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

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

(i) a committee; or

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

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

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

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

4. Report

The Annual Governance Statement is attached as Appendix 1.

5. Financial implications

None

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

None.

7. Links to Council's priorities and objectives

Operating robust governance arrangement contributes to the delivery of all Council aims and priorities but specifically to the Council Priority: Improving the Council and the Corporate Key Objective of Improving Council Performance.

8 Timescale for implementation and risk factors

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

Recommendations:

The Committee adopts the Annual Governance Statement 2016/17 and subject to any further amendments from external audit recommends its adoption to Council.

Resolution required.

Background Papers:

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

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

- The Accounts and Audit Regulations 2011

Appendix:

- **Appendix 1: Governance Statement 2016/17**

ANNUAL GOVERNANCE STATEMENT

1 SCOPE OF RESPONSIBILITY

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

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

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

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at Castle Point Borough Council for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts.

Operation of the governance framework

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

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

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

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

The Head of Performance & Service Support has been given the responsibility for overseeing the implementation and monitoring of the Code, through a process which includes:

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

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

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

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

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

3 REVIEW OF EFFECTIVENESS

Reviewing the effectiveness of the framework

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

In addition, the Head of Internal Audit provided reports throughout the year as well as the annual report which provides an opinion on the adequacy and effectiveness of the Council's risk management, control and governance framework. These reports are considered when reviewing the effectiveness of the framework.

During the review of the operation of the framework for 2016/17, the governance group found that in several areas whilst the core corporate processes were in place, the application of those processes was not always consistent. This is set out in more detail for specific processes in the following sections.

CIPFA/SOLACE Core Principle 1:

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

In September 2016 the Council's corporate plan was considered and approved by Full Council. The plan sets out a vision for the area and four corporate priorities: Public Health and Wellbeing, Environment, Transforming our Community and Efficient and Effective Customer Focussed Services. The plan complies with a number of good practice requirements, and includes an annual report on achievement against the objectives of the Council.

An annual corporate action plan to help deliver the aims and objectives of the corporate plan was developed and formed the basis for monitoring and highlight reporting, and was subject to monthly reporting to Executive Management Team. However, the corporate plan was last subject to community consultation in 2013 and it is recognised that the ambitions and priorities contained within the plan need further development and consideration. Consequently the Council has begun the development of a new corporate plan with a process being overseen by Policy and Scrutiny Committee. This includes a public consultation process and it is envisaged that a new plan will be in place by the end of the year.

The Council maintains its commitment to the Local Strategic Partnership with Rochford District Council, and operates partnership working with the Thames Gateway Partnership and the Regeneration Partnership, as well as statutory partnerships such as with the Health and Wellbeing Board. However, there is a need to develop the approach to strategic partnership working. An internal audit of partnership arrangements was undertaken during the year and concluded that accountability needs to be assigned for designing, maintaining and reporting upon the application of a proportionate but good practice partnership governance framework. The opportunity also needs to be taken to challenge all groups currently called "partnerships", to ascertain whether their remit is clear and they are still required. The report also found that the Local Strategic Partnership provides

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the underpinning governance arrangement for all partnerships within its jurisdiction but it does not oversee other important strategic partnerships, such as the Regeneration Partnership and Thames Gateway Partnership and its governance arrangement, are out of date. Consequently further work is necessary to develop and implement a strategic partnership framework.

Highlight reporting was in place to ensure the delivery of corporate objectives and a quarterly performance scorecard was monitored by Cabinet and Executive Management Team. The approach to reporting the scorecard at Cabinet was further developed during the year with individual cabinet portfolio holders reporting on the performance measures for which were within their responsibilities.

Core performance management arrangements are in place and this includes the operation of an Access database to produce performance information for all services, with reports produced every quarter and reviewed by EMT. There is some variance in the completion of performance information and in the robustness of target setting. Whilst the core corporate processes are in place the application is not always consistent. It is considered that a workshop with operational managers on the requirements of core governance arrangements may assist.

The self-assessment by managers for performance management arrangements in the managers' assurance statement demonstrated that most managers assessed themselves to have satisfactory or high assurance although several managers assessed their arrangements to be partial. It has also been noted that not all service areas ensure appraisals are completed for all staff. Further work has been identified to strengthen the arrangements and the completion of appraisals will be monitored throughout the year.

The financial forecast going forward indicates a fully balanced budget for 2017/18, although this is not the case for 2018/19 and beyond. As a result, significant ongoing efficiencies and cost savings need to be identified for those years. Efficiencies identified during the course of 2017/18 will be available for re-allocation to spending priorities or applied to the Council's general reserves. General reserves are currently predicted to be fully depleted during 2021/22. In this context the Council has continued to undertake efficiency review work during 2016/17 and this has included a significant service review for the Revenues and Benefits service and an ongoing review of Development Control. Progress in the securing of cashable savings will be monitored.

The Council has adopted a set of value for money indicators as part of its value for money strategy.

The total expenditure on Council services has significantly decreased from £11.18m in 2014/15 to £9m in 2015/16. The total net spend per head of population on Council services reduced from £398.22 in 2014/15 to £362.76 in 2015/16 which is below the average for all district councils at £391.29.

The Council's revenue from fees and charges has also increased from 17.47% in 2014/15 (as a percentage of total spend) to 19.56% in 2015/16 although this is still below the average for all district councils at 22.36%.

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

CIPFA/SOLACE Core Principle 2:

Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Working relationships between officers and members are constructive in a number of aspects but are not fully effective. This is illustrated in the decision to submit a Local Plan that was subsequently found by an independent planning inspector to have not met the legal requirement, duty to co-operate. Nevertheless there are also examples of effective joint working such as the decisions to implement a new garden waste service, to develop gym facilities at Runnymede pool and to agree

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the further construction of two new homes at Lawns Court. The Council also recognises that there are further challenges with the need to locate significant financial savings in the near future

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

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

The approach to business continuity is generally satisfactory with most services self-assessing broad compliance with the arrangements, which includes requiring an update of the service specific business continuity plan. A corporate business continuity plan continues to be maintained.

The Council has a service planning process and associated guidance. A review of the manager's assurance statements demonstrated that most services assessed themselves to be satisfactory or high compliance. Furthermore the corporate processes were complied with and this included a challenge of individual team plans that was fed back to heads of service for further action.

The Council has established project management arrangements with a process based on PRINCE2 principles. This has been used to undertake significant projects and procurements for example in the construction of homes at St Christopher's Mews and in the construction of two new homes at Lawns Court. A significant number of managers stated that they were not undertaking projects over the last year, whilst those that were generally indicated satisfactory compliance. However, whilst the core corporate processes are in place, further work is required to ensure that the approach is consistently implemented in all service areas.

ROLE OF THE CHIEF FINANCIAL OFFICER

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

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

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

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5) The CFO in a local authority must be professionally qualified and suitably experienced.

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

CIPFA/SOLACE Core Principle 3:

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

The Council has an established set of organisational values which underpin the approach to engaging with staff and the community.

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

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

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

An audit of ethical governance arrangements was undertaken in 2014 and found that the Council has satisfactory arrangements with the core documents, processes and arrangements in place to form an ethical governance framework as part of its overall governance arrangements. The governance group found that there is an opportunity to further clarify the criteria and approach to satisfactorily assess the corporate assurance arrangements for ethical governance and further work is required.

The Council communicates its complaints policies and whistle blowing procedures, and ensures all stakeholders have access through the Internet, however the arrangements for the management and monitoring of complaints requires further development. Whilst the core corporate processes are in place, they are not being implemented in all service areas and the monitoring of complaints is not consistent for all services. This issue has been the subject of a review by the Operational Management team that has resulted in some proposed changes to the complaints procedure. This includes the deletion of informal complaints and to require the monitoring of all complaints received at stage 1. This is planned to be followed-up by a workshop with managers to go through the new arrangements and to require monitoring of the process from the summer of 2017. Progress in the implementation of the revised approach will be monitored.

The approach to Anti-Fraud & Corruption, Whistle Blowing, and Anti-Money Laundering is being further developed. A team has been in place since the summer of last year through a service level agreement with Thurrock to assist with the investigation of potential fraud matters and a proactive work programme is in place. Progress in delivering the programme is presented to EMT and Audit Committee each quarter. A review of the success of the work and the approach ahead is planned to be undertaken. There are a suite of policies in this area that were broadly last updated in 2013 and

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further work is planned to update these documents. Induction training for staff includes training on fraud awareness and it is intended to introduce awareness sessions for quarterly meetings of the operational management team. The approach will continue to be monitored.

CIPFA/SOLACE Core Principle 4:

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

There are three Policy and Scrutiny Committees which may make proposals in relation to their particular functions, including the review and development of policy items, whose proposals support the Council's published priorities. During the year a Policy and Scrutiny Committee undertook a scrutiny of the garden waste green bin scheme which helped with the implementation of the approach. A Joint Policy and Scrutiny Committee also received an overview of the approach to financial management in the Council and has been working in the development of the Council's corporate plan. The work in this area is expected to be complete in the autumn of 2017.

The corporate risk register was monitored during the year by Executive Management Team and has been updated by Heads of Service. It has been reported to the Audit Committee. Risks and health and safety issues were also discussed at directorate meetings during the year. An internal audit of risk management arrangements found that overall, there was a good understanding by management of the risks the Council was facing and what locally and corporately was being done to mitigate them. Risk maturity was greater than the documentation alone indicated. More needed to be done to make all service risk registers live documents that reflect the current position of risks being actively managed throughout the year. There also needs to be a more consistent approach to formally communicating and escalating risks from service to corporate level for consideration. Further work is planned to refresh the risk management strategy and to undertake a workshop with managers to further develop the approach to risk management.

The Council continues to maintain a corporate Health and Safety process. For example, risk assessments are recorded on a corporate database, and there is reporting of any significant health and safety issues to Executive Management Team. Furthermore a self-assessment and performance analysis process is in place for service managers to complete to help enable them to understand how well their current arrangements operate and any potential for further development.

The processes for Information Governance are in place and guidance has been incorporated into the 'How it Works' document. Arrangements are led by the Head of Law and include a number of policies ranging from a clear desk policy and document retention policy to guidance on privacy of data and when data is clearly public. Information asset registers are also in place for some services. Managers are also required to follow the data security breach management procedure in the event of a data breach. Further work identified is the need to further clarify the approach to managing personal information stored in paper records and preparing for implementation of the General Data Protection Regulations.

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

Guidance on the importance of data quality requirements was set out in the 'How it Works' document and communicated to all managers. Systems work has been undertaken to ensure data quality requirements are considered, for example, the operation of a detailed performance management framework in the Housing Services, and the development of systems for revenues and benefits.

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Internal Audit

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

"The Council is managing to maintain satisfactory and effective risk management, control and governance arrangements despite the financial pressures it continues to experience. During the year, the Council's risk management arrangements were assessed as being sound.

Overall, there is strong evidence that:

- corporate business management processes remain well designed and fit for purpose or are in the process of being updated*
- there is an inconsistency in terms of application, across some services which needs to be addressed.*

This was particularly the case with many of the Regeneration and Neighbourhoods department services where issues identified indicated that the Council's business management arrangements were not operating effectively. It is very positive to note that senior management has recognised this and is taking positive and proactive action to address the concerns raised.

The basis for forming this opinion is an assessment of:

- the design and operation of the underpinning governance and assurance framework
- the range of individual opinions arising from risk based and other audit assignments that have been reported during the year taking into account the relative significance of these areas
- whether management properly implement actions arising from audit work completed, to mitigate identified control risks within reasonable timescales.

The Head of Internal Audit has not reviewed all risks and assurances relating to the Council's activities in coming to her opinion."

The Head of Internal Audit also annual assesses the services compliance with the UK Public Sector Internal Audit Standards. For 2016/17, she stated that:

"The in-house service has substantially conformed to the relevant professional standards and the Council's operational requirements throughout the year.

I have obtained assurance from external suppliers regarding their conformance with relevant professional standards, but have not independently confirmed this with regards to audit work completed at the Council".

Internal Audit will be subject to a formal, independent review of its compliance with professional standards every five years, which is planned for the summer 2017. External audit relies on the work internal audit complete on financial systems where it is relevant to its audit of the Council's financial statements.

Audit Committee

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

External Audit

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

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

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

External Inspections

There were no external inspections of Council services during the financial year 2015/2016.

CIPFA/SOLACE Core Principle 5:

Developing the capacity and capability of members and officers to be effective.

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

Training and development is also targeted to meet particular committee requirements, for example Development Control and Licensing Committee members receive regular training and briefing sessions before committee business. The information needs for members to effectively develop policy and make decisions is also considered, and various reports and further details were provided for example in the development of the new garden waste scheme and the corporate plan.

The Council has an appraisal system in place which has been operating across all Council services for a number of years. The governance group has considered the operation of the arrangements and has determined that not all staff receive a yearly appraisal. Consequently further work will be undertaken to ensure staff receive an appraisal over the coming year.

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

Like all other Council's the Council faces significant financial challenges and needs to prepare for future change. In this regard, and as already noted, the Council has identified the need to obtain further cashable efficiencies and over the coming year will be seeking to obtain significant financial savings from a variety of approaches including service reviews, maximising the use of estate and assets, utilising new technology to transform working practices and procedures, procurement, and exploring ways of securing greater income. The approach will bring a number of possible risk issues and the Council will need to ensure its arrangements consider whether capacity is in the right place and there is organisational planning and succession development, including ensuring sufficient corporate resources are available to effectively manage and deliver change and transformation going forward.

The Council has the core processes in place to ensure decisions consider key information requirements. All Cabinet reports are required to include considerations for financial, legal and

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equality issues. The Council also recognises when the need for external support and has for example, service level agreement in place with South Essex Homes to obtain professional advice and support to undertake effective housing estate and procurement functions, as well as for a fraud, land charges and internal audit services. The Council has also procured specialist support in the design and construction of new council homes in the borough.

CIPFA/SOLACE Core Principle 6:

Engaging with local people and other stakeholders to ensure robust public accountability.

The Council continues its commitment to neighbourhood involvement, with a series of member led Community Liaison Groups throughout the Borough. These were used to help engage with local people to discuss issues and actions for local concerns.

The Council is currently undertaking consultation on its corporate plan which includes satisfaction levels for a range of services as well as on priorities for improvement. The results of the consultation will be available in the early summer and is envisaged to help shape future objectives and planned work as part of the development of the plan.

The Council adopted a five year Equality Scheme in 2014 and included consultation with a range of stakeholders. The scheme includes records on the groups and organisations in place that represent minority and specialist interest in order to ensure that any future consultations identified and involved these groups as appropriate and can be found on the following link: <https://www.castlepoint.gov.uk/equality-scheme>.

The Council also has a consultation toolkit and it was noted by the governance group that there is a need to review and update the toolkit, although the key principles will not change. The Council also ensures it involves staff in any appropriate decisions and elicits their views on issues. For example a monthly staff forum meets to discuss and agree any issues important to staff.

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

The Council works closely with partners on joint objectives. For example with the Health and Wellbeing Board and the Crime and Disorder reduction partnership. Further work is required to clarify the strategic approach as detailed earlier in this statement.

Significant governance issues

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

Number	Issues	Action 2016/17	Date of implementation	Responsible officer
1.	Need for an up to date corporate plan that incorporates recent consultation results as well as deal with significant challenges faced by the Borough and national and local priorities.	Significant re-development of the Corporate Plan.	March 2018	Head of Performance and Service Support

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2.	Need to ensure sufficient savings and revenue is identified so that there is no budget gap in 2018/19 and in future years.	Undertake and implement service reviews, locate efficiency savings such as through ICT systems development and undertake effective procurement.	March 2018	Strategic Director for Transformation and Resources Head of Resources
3.	Clarify strategic approach to partnership working.	Develop a Partnership Framework and associated Strategy.	March 2018	Strategic Director for Governance and Monitoring Officer
4.	Strengthen approach to Fraud and Risk Management.	Update and implement policies and framework for Fraud and Risk Management with associated training.	December 2017	Head of Internal Audit
5.	Complaints not consistently monitored in corporate database.	Update complaints policy and procedure and implement new arrangements.	September 2017	Head of Performance & Service Support / Head of Governance All Heads of Service

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

Councillor Colin Riley
Leader of the Council
30 June 2017

David Marchant
Chief Executive
30 June 2017