

# AUDIT AND STANDARDS COMMITTEE

21 NOVEMBER 2017

## REPORTS OF THE CHIEF EXECUTIVE

### PART 1 – ITEMS FOR DECISION

#### 1. ANNUAL AUDIT LETTER

Director of Finance

<b>RECOMMENDED that the Annual Audit Letter for 2016/17 be received.</b>
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#### **Purpose**

To receive the Annual Audit Letter for 2016/17. The report will be presented by Mr Andrew Brittain of EY.

*For members' information, the Annual Audit Letter is circulated separately.*

#### **Annual Audit Letter 2016/17**

The detailed findings from the 2016/17 audit were reported in the Audit Results Report which was presented to the Committee on 17 July. The Annual Audit Letter is a formal report, the purpose of which is to communicate to the members of the Council and external stakeholders, including members of the public, the key issues that the auditors consider should be brought to their attention.

The report confirms that the auditors issued an unqualified opinion on the financial statements on 21 July 2017. No material misstatements were identified and the auditor thanked officers for their assistance during the audit process.

The auditor also issued an unqualified value for money conclusion, confirming that the Council has proper arrangements in place for securing financial resilience and for challenging how it secures economy, efficiency and effectiveness in the use of its resources.

In addition, the letter confirms that work on the whole of government accounts submission has been completed and that the auditors did not identify any inconsistencies between the Council's Annual Governance Statement and other information that they were aware of from their work.

Work on the certification of grant claims and returns is still ongoing and the annual certification report will be issued in January 2018.

## **Audit Fees**

The actual audit fee of £59,513 was £8,777 higher than the agreed fee required by the Public Sector Audit Appointments Ltd (PSAA). This increase was due to additional procedures being undertaken relating to Property, Plant and Equipment and Investment Property Valuations and the work undertaken in respect of group accounts prepared for the consolidation of Badger BC Investments Ltd. No work was undertaken outside of the PSAA's requirements.

The final fee for the certification of grant claims and returns will be reported to the next meeting of the Committee.

## **Financial, Legal and Risk Management Implications**

The Council is required to distribute the Annual Audit Letter to all members and to publish the letter on its website.

The external auditors are required to comply with statutory requirements governing their work, in particular the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the National Audit Office.

## **Alternative Options Considered**

'Alternative options considered' is not applicable to this report.

## **Equalities Implications**

There are no equality implications arising from the recommendation in this report.

## **Contribution to the Council's Objectives**

The Audit and Standards Committee has a pivotal role in how the Council delivers good governance and in reviewing the effectiveness of these arrangements.

Contact Officer:  
Mrs R Keene (Ext 5871)

List of Background Papers:  
Annual Audit Letter 2016/17

**RECOMMENDED that the accounting policies to be used in the preparation of the 2017/18 Statement of Accounts be approved.**

**Purpose**

To formally approve the accounting policies to be used in the preparation of the 2017/18 Statement of Accounts.

*For members' information, the Accounting Policies are circulated separately.*

**Background**

Traditionally the Council's accounting policies have been approved alongside the Statement of Accounts. However, 2017/18 is the first financial year where the requirement contained in the Accounts and Audit Regulations 2015 for accounts to be formally approved by 31 July, comes into force.

Although the Council has met this requirement in each of the last five years, the processes around the preparation and audit of the accounts have been reviewed in order to ensure that the Council continues to meet the legislative requirements.

One of the changes that is being introduced is engaging with the External Auditors earlier in the financial year, allowing them to carry out more of the assurance work they need to in advance of 31 March. One of the areas that has been identified as being suitable for earlier testing is the Council's accounting policies. Therefore, the policies are being presented to the Audit and Standards Committee for approval independently to the Statement of Accounts.

**Accounting Policies**

The proposed accounting policies for 2017/18 are circulated separately.

The accounting policies set the framework within which the financial statements are prepared. International Accounting Standard (IAS) 8 sets out the principles to be followed in selecting accounting policies and the disclosures needed to help users of the accounts understand the accounting policies adopted and how they have been applied. The Council should judge the appropriateness of the accounting policies to its individual circumstances and these should be reviewed regularly.

The Council's accounting policies were last formally approved on 17 July 2017.

The only substantive change from the policies approved by the Committee in July is the addition of a policy for accounting for financial liabilities (i.e. loans taken out by the Council). This is required because during the year, the Council has entered into loan agreements to fund the purchase of an additional investment property.

## **Financial, Legal and Risk Management Implications**

The accounting policies will be followed when preparing the 2017/18 Statement of Accounts.

There is a risk that there may be changes required to the accounting policies prior to the end of the financial year, either as a result of regulatory changes or because of things picked up during the audit process. If any significant changes are required, these will be reported to the Committee at its meeting in March.

## **Alternative Options Considered**

'Alternative options considered' is not applicable to this report.

## **Equalities Implications**

There are no equality implications arising from the recommendation in this report.

## **Contribution to the Council's Objectives**

The Audit and Standards Committee has a pivotal role in how the Council delivers good governance and in reviewing the effectiveness of these arrangements.

Contact Officer:  
Mrs R Keene (Ext 5871)

List of Background Papers:  
None.

### **3. INTERNAL AUDIT CHARTER**

**Head of Internal Audit**

<b>RECOMMENDED that the updated Internal Audit Charter be approved.</b>
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#### **Purpose**

The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committee's practical guidance for Local Authorities and Police 2013 edition states that the Audit and Standards Committee (the Committee) should have a role in reviewing and approving the internal audit charter. In addition, the Committee has a role in overseeing the independence, objectivity, performance and professionalism of the Internal Audit function. A revised Internal Audit charter is presented for approval.

*For members' information, the updated Internal Audit Charter is circulated separately.*

#### **Introduction**

Following consultations the Public Sector Internal Auditing Standards (PSIAS) were updated in April 2017. The application of these standards is mandatory and therefore the Internal Audit charter has been updated. The Internal Audit charter (the charter)

defines Internal Audit's terms of Reference, authority and responsibility. The Charter establishes Internal Audit's position in the Council, including the nature of the Head of Internal Audit's reporting relationship with the Committee, access to records, personnel and physical properties relevant to the performance of engagement.

The most significant changes to the charter are that it is now more explicit on the mission and principles of the Internal Audit function, ensuring the role of Internal Audit includes risk management and governance, as well as internal controls. It also outlines the safeguards required in order to maintain impartiality and independence, should the Head of Internal Audit take on additional responsibilities.

The charter was due for its annual review in November 2016 but was postponed until the outcomes from the independent External Quality Assessment (EQA) of the Internal Audit function were known. The EQA determined that the Internal Audit function was compliant with the Public Sector Internal Audit Standards. Part of the EQA process included a review of the Internal Audit charter and no deficiencies or enhancements were noted by the assessor.

### **Financial, Legal and Risk Management Implications**

There are no financial implications and no direct risk management implications arising from this report. Audit Committees in local authorities are necessary to satisfy the wider requirements for sound financial management, internal controls and risk as set out in the Accounts and Audit (England) Regulations 2015.

### **Alternative Options Considered**

'Alternative options considered' is not applicable to this report.

### **Equalities Implications**

There are no equality implications arising from the recommendations in this report.

### **Contribution to the Council's Objectives**

The Audit and Standards Committee has a pivotal role in how the Council delivers good governance and in reviewing the effectiveness of these arrangements, including the role of Internal Audit.

### **Conclusion**

The Internal Audit charter sets out the purpose, authority and responsibility of the internal audit function. This has been revised and minor amendments made to ensure it remains current, fit for purpose and aligned to the PSIAS.

Contact Officer:  
Mrs S Marsh (Ext 5527)

List of Background Papers:  
Public Sector Internal Audit Standards.

**RECOMMENDED that the updated Anti-Fraud and Corruption Strategy be recommended to Council for approval.**

### **Purpose**

To advise Members of the updated Anti-Fraud and Corruption Strategy.

*For members' information, the updated Anti-Fraud and Corruption Strategy is circulated separately.*

### **Introduction**

The Anti-Fraud and Corruption Strategy is part of the Council's overall governance framework. It is designed to promote detection and prevention of both fraud and corruption against the Council.

The strategy has been updated taking into account the good practice set out in the 2016-19 Local Government Counter Fraud and Corruption Strategy, being a national strategy aimed at those charged with governance in local authorities. The Council mitigates fraud risks through strong systems of internal control and by creating a culture of high standards of conduct. Any loss through fraud and other irregularity could be a drain on resources which, in turn, reduces the amounts available for service delivery and to support those in genuine need. It is equally important that those working for and with the Council have a clear understanding of the Council's standards and expectations through effective communication and monitoring.

### **Ongoing Review of the Council's Anti-Fraud Strategy and Counter Fraud Resource**

The Council will need to keep under continuous review the risks of fraud. There is always scope to continually improve to be responsive and adaptive to emerging risks and pressures. The Council needs to continue to monitor its mechanisms for assessing the risk of fraud and having the means to share information and quantify the outcome whenever fraud occurs. The Council has a key role in assessing whether the framework for responding to the risk of fraud and corruption meets recommended practice and governance standards and complies with legislation. The strategy will be available on the Council's internet and it will be circulated to all staff. Training will also be provided.

### **Financial, Legal and Risk Management Implications**

There are no financial, legal or risk implications arising from the recommendation.

## **Alternative Options Considered**

'Alternative options considered' is not applicable to this report.

## **Equalities Implications**

There are no equality implications as a result of this report.

## **Contribution to the Council's Objectives**

The purpose of the Anti-Fraud and Corruption Strategy and Fraud Action Plan is to support the Council's Corporate Plan by protecting the 'public purse' as every pound lost through fraud cannot be spent on services.

## **Conclusion**

The Anti-Fraud and Corruption strategy has been reviewed and some amendments have been made.

The messages contained within the strategy are that the Council will:

- Maintain a culture that will not tolerate fraud or corruption.
- Ensure staff and Members demonstrate the highest standards of honesty and integrity at all times.
- Commit to an Anti-Fraud and Corruption Strategy that covers the best practice principles of acknowledging and understanding fraud risks, preventing and deterring fraud.
- Work in partnership both locally and nationally to tackle fraud and corruption.

The Council's Fraud Action Plan is a separate and dynamic document and supports the Strategy through identifying specific actions which are implemented and monitored.

Contact Officer:  
Mrs S Marsh (Ext 5527)

List of Background Papers:  
2016-19 Local Government Counter Fraud and  
Corruption Strategy

**RECOMMENDED that:**

- (a) the progress report, outlined at Appendix 'A', from the Shared Anti-Fraud Service (SAFS) Counter Fraud Manager be received and;**
- (b) the progress in delivering the Council's Anti-Fraud Action Plan for 2017/18 be noted.**

**Purpose**

To update Members on the progress made to date regarding the Hertfordshire Shared Anti-Fraud Service and against the Anti-Fraud Action Plan for 2017/18.

*For members' information, Appendices 'A' and 'B' relate to this item.*

**Background**

The Shared Anti-Fraud Service (SAFS) consists of six Hertfordshire Councils: the Borough of Broxbourne, East Herts District Council, Hertfordshire County Council, Hertsmere Borough Council, North Hertfordshire District Council and Stevenage Borough Council.

The work of the Shared Anti-Fraud Service is overseen by a board, which meets quarterly and is made up from representatives from each of the member councils. The board is responsible for determining the strategic direction of the service and monitoring performance.

**Progress to Date**

The progress report at Appendix 'A' summarises the detailed work undertaken this year to date. Appendix 'B' details the progress to date on the Anti-Fraud Action Plan 2017/18.

72 allegations of fraud had been referred to SAFS up to 30 September 2017. A further 56 cases were carried forward from 2016/17. The progress report details successful prosecutions to date.

**Financial, Legal and Risk Management Implications**

There are no financial implications and no direct risk management implications arising from the recommendations.

## **Alternative Options Considered**

'Alternative options considered' is not applicable to this report.

## **Equalities Implications**

There are no equality implications as a result of this report.

## **Contribution to the Council's Objectives**

The Shared Anti-Fraud Service is an integral part of the Council's Anti-Fraud and Corruption strategy, and helps to safeguard Council resources.

Contact Officer:  
Mrs S Marsh (Ext 5527)

List of Background Papers:  
None.



**Broxbourne Borough Council**

**Shared Anti-Fraud Service  
Report  
November 2017**

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1. Introduction
2. Background
3. SAFS 2017/18 anti-fraud Activity at BoB
4. Anti-Fraud Action Plan 2017/18 and progress against this.

### 1. Introduction

- 1.1 This report provides the Committee with details of performance against the published 2017/18 Anti-Fraud Action Plan for the Council, agreed by this Committee in March 2017. This Committee will receive a final report in March 2018 on the progress against the 2017/18 Plan and a draft plan for 2018/19.
- 1.2 Several reports issued by Government and public sector organisations have highlighted fraud as a significant risk for local government. These reports are used by SAFS to ensure that the Council is aware of its own fraud risks and finds ways to mitigate or manage these effectively wherever possible.

These reports include:

*Fighting Fraud and Corruption Locally 2016–2019 Strategy* published by CIPFA in March 2016 and supported by CLG. The new strategy estimates annual fraud losses in local government at around £2.1bn (this report is based on 2013 data).

*UK Annual Fraud Indicator* published by PKF, Portsmouth University and Experian in May 2016 which estimates the risk of fraud losses for local government in excess of £7bn per annum (this does not include fraud in schools or care services).

Both reports are available from the Head of Internal Audit on request.

### 2. Background

- 2.1 The Cabinet Office, Department for Communities and Local Government, NAO, and Chartered Institute for Public Finance and Accountancy (CIPFA) have issued advice, and best practice guidance to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for Councils to be vigilant in recognising their fraud risks and to invest resources in counter fraud activities.
- 2.2 It is essential that in protecting its services and finances the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.
- 2.3 Broxbourne Borough Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). SAFS works across the whole Council dealing with all aspects of fraud from prevention to prosecution working with staff at all levels across all services.

### **3. Activity 2017/18**

#### Staffing

- 3.1 The SAFS Team is comprised of fifteen staff based at the County Council offices in Stevenage.
- 3.2 Each SAFS Partner receives dedicated support and response from this Team. For Broxbourne Borough Council, Hilary Williams is the SAFS Counter Fraud Officer working with the Council. Hilary is a fully accredited criminal investigator with more than 5 years' experience working in the public sector. Hilary is supported by Paula Hornsby (SAFS Assistant Manager) and Intelligence officers, a financial investigator and a Data Analyst working for SAFS, as well as, service specialists working for the Council, local policing staff, and legal staff from the County Council.

#### Fraud Awareness and Reported Fraud

- 3.3 One of the key aims for the Council is to create an 'Anti-Fraud' culture, that will encourage senior managers and members to consider the risk of fraud when developing policies or processes to prevent fraud occurring; encourage staff and the public at large to understand the impact of fraud on Council services and to report fraud where it is suspected and ultimately deter fraud.
- 3.4 The SAFS webpage – [www.hertfordshire.org/reportfraud](http://www.hertfordshire.org/reportfraud) includes an online reporting tool for staff and public alike. A confidential fraud hotline (0300 123 4033) and a secure email account are also available for reporting fraud – [fraud.team@hertscg.gcsx.gov.uk](mailto:fraud.team@hertscg.gcsx.gov.uk). These contact details have been added to the Councils webpage. These functions complement the Council's own in-house Whistleblowing reporting procedures.
- 3.5 As at 30 September there were 72 allegations of fraud. SAFS also carried forward 56 live cases from 2016/17. The details of reported fraud can be found at Annex B to this report.
- 3.6 40 cases have been investigated and closed in year and 63 cases are still under investigation at present. 25 reports were closed as not requiring investigation or were referred to other agencies such as the DWP, Police or Action Fraud.
- 3.7 Two successful prosecutions were brought by the County Council's Legal Team and the Councils own Legal Team and a number of cases are pending prosecution. In addition the Council issued two formal cautions for CTRS claims for which repayment plans have been put in place. It also issued two financial penalties as alternatives to prosecution; one for £370 and one for £100.
- 3.8 The following data breaks down the financial benefits to the Council of the SAFS activity in 2017/18 and details the types of savings associated with the work of the Service and the related amounts. The 'value' of identified fraud falls broadly into three categories.

a) Fraud Loss

This is the value of actual fraud losses that the Council can take action to recover;

It includes:

- Financial fraud committed by third parties (this includes 'payment scams')
- Council Tax or Housing Benefit Fraud
- Contract/Procurement Fraud

b) Cashable Savings

This is the value/funds not paid out as a result of investigations or where fraud has been prevented at point of 'application'.

c) Non-Cashable Savings

This is the value of prevented loss where there may be notional rather than real savings. This could relate to a fraudulent housing application that is detected prior to the applicant being housed.

**Table A. Fraud Losses**

Housing Benefit £,000	Council Tax Support/Discounts £,000	Housing/Tenancy Fraud £,000	Other £,000	Total £,000
60*	17	13.5**	0	90.5

\*The Council will also receive 40% subsidy from DWP on this value (£20,000)

\*\*This relates to the additional cost of Temporary Accommodation

**Table B. Fraud Cashable Savings**

Housing Benefit £,000	Council Tax Support/ Discounts £,000	Other £,000	Total £,000
17	5	0	22

Pilot Projects

3.9 SAFS have worked with the Council's Shared Revenue Service to identify potential fraud around Council tax discounts and exemptions. The Council is now able to level civil and financial penalties for false claims for discounts and exemptions and has started to do so where appropriate and in line with the Prosecution and Sanctions Policy.

- 3.10 Attention has been paid to Blue Badge abuse with officers from SAFS and Parking Enforcement conducting joint patrols. Reports from CIPFA and CLG report cost of each Blue Badge 'fraud' to Councils is at least £550 per annum in lost parking revenue.
- 3.11 From April 2017 SAFS has provided B3Living Housing Association with a contracted Investigation Service to assist in cases of suspected Tenancy Fraud. This work will benefit the Council as any properties recovered can be returned to stock and made available to households on the waiting list. At the end of September 2017 the Council was providing temporary accommodation to 364 families seeking housing, the Councils spend on temporary accommodation in 2016/17 was £522k.
- 3.12 SAFS have arranged specialist free training events for staff, covering areas including document verification and how staff can report fraud. SAFS work closely with the Council's Personnel Service providing assistance in promoting anti-fraud training. SAFS have developed an anti-fraud and corruption on-line training package for all staff which will be rolled out later in the year.
- 3.13 SAFS have delivered a county-wide framework to identify council tax fraud, particularly around discounts and exemptions, empty homes, and council tax support schemes. Districts Councils have been able to make use of this framework from April 2017.
- 3.14 SAFS are working with the Councils Internal Audit Team to deal with the National Fraud Initiative (NFI) 2016/17 to resolve all reports and matches within the required statutory timescales.

#### **4. Summary of anti-fraud activity at Broxbourne in 2017/18**

- 4.1 The Council has in place an Anti-Fraud and Corruption Strategy. This document lays out the Council's position, and includes advice to Members, senior officers and staff about how to deal with identified fraud.
- 4.2 The Councils Anti-Fraud Action Plan for 2017/18 covers all areas recommended by CIPFA to ensure that the Council acknowledges the risk of fraud, its own responsibility to combat these risks, and takes appropriate action to prevent, deter and pursue fraud.

## Annex B

**Table 1. Types of fraud being reported (in year):**

Council Tax Discount Fraud	HB/ Council Tax Support Fraud	Housing Fraud*	Blue Badge Abuse	Other Fraud**	Total
2	56	3	6	5	72

*\*for BoB 'Housing Fraud' relates to housing application/ homelessness fraud.*

*\*\*Other Fraud includes 4 cases of alleged Business rates fraud and one report of alleged Staff fraud. All reports were closed – 'no action required'.*

**Table 2. Who is reporting Fraud (in Year)?**

Fraud Reported by Staff	Reports from Public	Data-Matching	Other	Total
17	48	5	2	72

**Table 3. Outcomes of cases closed (includes cases carried fwd. from 16/17):**

Closed No Action Required	Referred to Another Agency	Closed Fraud Proved/ Advice Provided	Closed Fraud 'Not Proved'	Total
20	5	9/20	11	65

**Table 4. Status of cases still under investigation (includes cases carried fwd.)**

Pre-Investigation Checks	Pending Investigation	Live Investigations	Pending Decision*	Total Live Cases
24	12	20	7	63

\*Includes cases waiting for assessment/sanction/prosecution

Progress and Performance against Borough of Broxbourne Council Anti-Fraud Plan 2017/2018

SAFS/ BoB Team Business Plan 2017 2018						
Mission	Objectives	Goals	Strategies	Measures/Success Criteria	Responsibility	Progress
<b>ACKNOWLEDGE</b>	<b>ACKNOWLEDGEMENT</b> The risk of fraud the the Councils responsibility to prevent and investigate fraud	Show the Councils Willingness to Combat Fraud	Anti- Fraud Strategy	Have in place an Anti-Fraud and Corruption Strategy	Audit Manager	Complete
			Membership of SAFS	Retaining Board Membership of SAFS	S.151 Officer	Complete
			Internal Audit	Have in place an effective IA Plan and Audit Committee	S.151 Officer	Complete
			Member Support	Policies to deal with Money Laundering/ Bribery/ Whistleblowing/ Sanctions	Head of Legal	Complete
	<b>FRAUD AWARENESS</b> Promote an effective antifraud culture w thin the Council	Enhance the level of fraud aw areness internally and externally	Local News Media	Issue a press release for every successful prosecution in 2017/2018	SAFS/Comms	Ongoing
			Promote Fraud Team	Promotion of internet fraud pages (SAFS) and local media exposure	SAFS/Comms	Ongoing
			Fraud Aw areness Training	Deliver five fraud training aw areness training sessions to Council Staff, or tailored training as requested by services	SAFS	2 Complete
			Internal Aw areness	Conduct an E-Survey of fraud aw areness across officers	SAFS	Planned Dec 17
<b>PREVENT</b>	<b>CUSTOMER SERVICE</b> Service performance is managed to the highest standards so that agreed level's of service are met	Ensure customers and staff are informed about counter fraud w ork	Customer Service	Issue customers with information leaflets w hen attending interview s	SAFS	Ongoing
			Shard Revs and Bens	Maintain good relationship with Revs and Bens Team	SAFS/R&B Mgt	Meeting Qly
			Meeting SAFS Champion	Quarterly meetings with BoB SAFS Board Rep	SAFS/Audit Mgr	Ongoing
			Reports to Audit Comms	2 Reports to Audit Committee	SAFS/Audit Mgr	June/Nov/Mar
	<b>PERFORMANCE</b> Maximize performance through robust risk assessment and quality investigation w ork.	Be recognized as a high performing and successful fraud team.	Quality Fraud Referrals	100% risk assessment on all fraud referrals received	SAFS	Ongoing
			Individual Targets	SAFS CFO- Set FMDG Targets to match BoB KPIs	SAFS	Complete
			Data Matching	NFI Data Matches 2017 to be review ed in year	Audit Mgr	Complete by Dec 17
			Fraud Referrals	Monitor source of fraud referrals each quarter	SAFS	Ongoing
Performance Report	Issue a performance report in Summer 2018	SAFS	Complete			
<b>PURSUE</b>	<b>QUALITY INVESTIGATIONS</b> Undertake high quality investigations maximizing all investigative resources and achieving value for money	Ensure that investigations comply w ith the law and are beyond reproach	Interview Under Caution	SAFS management checks on all sanctions issued	SAFS	ongoing
			Sanction Files	File management checks on live caseload	SAFS	ongoing
			Witness Statements	100% check on witness statements used in prosecution cases	SAFS	ongoing
			Legal Services	promote case conferences betw een Solicitors & Investigators @ HCC/ BoB	SAFS/ HCC Legal	Complete
	<b>SANCTIONS/PROSECUTIONS</b> Instigate legal sanctions to counter criminal behaviour	Ensure the prosecution of fraud and dishonesty in appropriate cases	Prosecutions	Ensure all cases suitable for sanction are reviewed in line w ith Policy	SAFS	ongoing
			Formal Cautions	Ensure that the Councils makes use of civil penalties w here appropriate	SAFS/S.151	ongoing
			Admin Penalty	Ensure that the use of Administrative Penalties is maximised	SAFS/S.151	ongoing
			Legal Service Liaison	Continue to w ork w ith BoB/HCC Legal to maximise recovery of costs	SAFS/ HCC Legal	ongoing

## SAFS

### KPIs for Broxbourne 2017/2018

KPI	Measure	2017/2018 Target	Performance to 30.9.2017	SAFS Project Aims
1	Provide an Investigation Service	1 FTE on call at Broxbourne (supported by SAFS Intelligence/ Management). Membership of NAFN Membership of CIPFA Counter Fraud Centre Access to Case Management System (CMS) Local Data Hub Fraud training events for staff*	1 FTE in post supported by SAFS Management. Membership of NAFN/CIPFA	<b>Ensure ongoing effectiveness and resilience of anti-fraud. Deliver a return on investment for the Councils financial contribution to SAFS.</b>
2	Identified Value of Fraud prevented/detected. Based on the Methodology agreed by SAFS Board	£100k From fraud identified and savings/prevention	£112.5k (combined loss/savings only)	<b>Deliver financial benefits in terms of cost savings or increased revenue.</b>
3	Allegations of fraud Received. From all sources.	100 Fraud referrals from all sources to SAFS	72	<b>Improve the reach into the areas of non-benefit and corporate fraud within the county.</b>
4	Success rates for cases investigated. This will ensure that quality investigations are undertaken.	50%	45% (9 from 20 cases)	<b>Create a recognised centre of excellence able to disseminate alerts and share best practice nationally.</b>
5	Conduct Data-Matching using the local data-hub, NFI and other data-matching/mining.	Data-Hub for local data matching. Access to NFI output. County wide Council Tax Review Framework.	Data-Hub active. Council Tax Framework in place. NFI ongoing	<b>Create a data hub for Hertfordshire.</b>

*\*Costs will include salary and direct on-costs for CFO (1 FTE), ACFM (1/3 FTE), Intel Officer (1/3 FTE) = £62k. Costs for NAFN/CIPFA/CMS/ Data Hub = £10k. Costs for 5 training events = £2.5k.*

## 6. INTERNAL AUDIT PROGRESS REPORT

Head of Internal Audit

**RECOMMENDED that the Internal Audit Service's progress against the audit plan be noted.**

### **Purpose**

To update members on the work completed by the Internal Audit service since the July 2017 meeting.

*For members' information, Appendices 'C' and 'D' relate to this item.*

### **Internal Audit Reports**

The following reports have been issued as final reports since the Committee received its last update in July 2017:

#### **Revenues and Benefits service Contract Management - Substantial Assurance**

The Revenues and Benefits service is subject to detailed monitoring by the contract monitoring officers based at Welwyn Hatfield Borough Council (WHBC) with a satisfactory level of reporting and engagement with Broxbourne Officers.

A Partnership Agreement and Inter Authority Agreement make provision for adequate governance. Part of the agreement is the requirement of the contractor to produce performance data. At the time of the audit a data migration exercise had occurred and several documents to support the required monthly Performance Indicator (PI) data were not available. The audit also noted that many of the PI's were not being met at the time of fieldwork; the main reason for this was attributed to the data migration exercise and performance is expected to improve during 2017/18.

Governance could be enhanced by introducing quarterly meetings between Heads of Service responsible for operations at Broxbourne and the Contract Manager to gain additional assurances, especially whilst performance is affected. A review of the risks relating to the service will provide further assurance in respect of governance.

#### **Subcontractor Procurement within Environmental Services (ES) – Substantial Assurance**

Significant progress has been made by ES to ensure it complies with the Council's Contract Standing Orders and in the management and monitoring of sub-contractors as these were identified as areas of weakness in the previous audit (2011/12).

The corporate Procurement Checklist is used by ES to ensure all appropriate documentation is obtained and, as a result of the audit, has been amended to ensure evidence is obtained of health and safety policies and method statements. The audit found that contracts are let in line with the Councils' Contract Standing Orders and a formal evaluation undertaken with scores weighted based on price and quality, thereby reducing the risk that contracts are let to contractors who do not provide value for money.

The audit identified some minor housekeeping issues around spreadsheets used to evaluate contracts and contract renewal dates and progress with contract tender exercises. Also, one rolling contract (value less than £5k) had not been re-tendered to demonstrate value for money was being achieved.

### **Environmental Services - PPE (Personal Protective Equipment) – Substantial Assurance**

There are robust processes in place to ensure Environmental Services operatives are issued with and use Personal Protective Equipment, thereby minimising the risk of injury in the workplace.

Staff inductions cover health and safety (including PPE) and supervisors regularly monitor operatives to ensure correct PPE is worn. Inspections are not documented by all supervisors which would provide better assurance that inspections are regularly undertaken.

The audit notes the market has not been tested for PPE purchases as the same supplier has been used for around five years, therefore, value for money cannot be demonstrated.

### **Health and Safety – Staff safety (lone working) – Moderate Assurance**

There are corporate procedures and monitoring arrangements to ensure the safety of staff when working alone. However, improvements are required to ensure lone working risks are identified within services and specific training is provided to staff who routinely work alone.

### **Safeguarding – Moderate Assurance**

The Council has designated child and vulnerable adult safeguarding officers whose roles and responsibilities are known to officers. Mandatory training is in place for all staff with specialist training also offered.

A child protection policy is in place with the most recent version approved by Cabinet in July 2017. The Adult Safeguarding Policy, which includes domestic violence, was last updated in 2014 and is due to be reviewed to ensure it remains relevant.

The designated safeguarding officers meet regularly with Personnel to discuss training requirements but there is no formal mechanism in place to ensure that staff attend the training if it is required.

At the time of the audit adult safeguarding referral data was not held on a secure part of the network. This was rectified prior to the completion of the audit. Other control weaknesses include the lack of formal process to ensure referrals are made in the required time and that sent email data is being retained appropriately.

### **Significant Audit Reports**

Audit and Standards Committee Members have requested to see those audit reports giving limited assurance. Since the last progress report no reports have been issued, which fall into this category.

### **Other Internal Audit Activities**

A number of assignments in the 2017/18 Audit Plan are intended to provide advice and guidance to the Council throughout the year on current issues. As these assignments will not normally result in a single, traditional audit report, Internal Audit will summarise its output here for members' information.

- **Information Asset Register** – efforts continue within the Council to ensure compliance with the General Data Protection Regulation (GDPR) by the May 2018 deadline, with Internal Audit compiling a corporate Information Asset Register and risk assessing its contents. An update on GDPR which provides an overview of data subjects rights and an implementation plan is at Appendix 'C'.
- **Review of IT Policies** – The Council's IT policies were reviewed in consultation with Sopra Steria, who deliver the Council's IT function, and found to be fit for purpose. They will need to be considered in line with GDPR to ensure they continue to remain relevant.
- **National Fraud Initiative**  
Following the release of data matches in January 2017, a review of the high level returned matches is nearing completion. The Shared Anti-Fraud Service (SAFS) have assisted with some of this.
- **Update on the Shared Anti-Fraud Service (SAFS)**  
Internal Audit continues to have regular liaison meetings with SAFS. Meetings are also held between SAFS, Sopra Steria and Internal Audit to ensure a joined up approach in tackling and preventing fraud and highlighting best practice.

### **Recommendation Tracker**

The Audit and Standards Committee receives details of all overdue recommendations, plus any fundamental recommendations from final reports, regardless of whether they are overdue or not.

The current tracker (see Appendix 'D') contains 10 recommendations which have passed their original implementation date.

<b>Recommendation type</b>	<b>Number</b>
Fundamental (High) not passed its due date	0
Fundamental (High) passed its due date	0
Significant (Medium) passed its due date	7
Requires Attention (Low) passed its due date	3

## **PROGRESS AGAINST THE ANNUAL GOVERNANCE STATEMENT**

In July 2017, the Audit and Standards Committee approved the Annual Governance Statement (AGS) which accompanies the Council's Statement of Accounts.

The Governance Group (comprising the Director of Finance, Head of Legal Services, Corporate Policy Manager and the Head of Internal Audit) continues to monitor the actions set out in the AGS, as a standing agenda item. The table below sets out the current position against the action plan:

<b>Objective</b>	<b>Action to be taken in 2017/18</b>	<b>Progress at November 2017</b>
Audit and Standards Committee governance	Review the composition of the Audit and Standards Committee in relation to the Chartered Institute for Public Finance and Accountancy (CIPFA) guidance	Complete. Since May 2017 members of Cabinet no longer sit on the Committee.
General Data Protection Regulations (GDPR)	It is imperative that businesses and public bodies are prepared for the GDPR which will apply in the UK from 25 May 2018. The government has confirmed that the UK's decision to leave the EU will not affect the commencement of the GDPR. Work is already in hand to ensure that Broxbourne is compliant with the requirements of the GDPR ahead of May 2018 and beyond.	Work is ongoing.
Business Continuity Plans (BCP)	Common theme from the Service Assurance Statements was ensuring that Business Continuity Plans remain relevant	In progress. BCP features on the Corporate risk register and actions to mitigate risks which include

Objective	Action to be taken in 2017/18	Progress at November 2017
	and periodically tested and a multi-disciplinary approach will be undertaken to ensure this.	a review of priority services, updates to the BCP, staff briefings and periodic testing of the plan have been set out.

### **Financial, Legal and Risk Management Implications**

The responsibilities, duties and obligations of Internal Audit are set out in the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS) 2017 against which internal audit activity should be measured and determined, and overseen by the Audit and Standards Committee.

Failure to achieve the audit plan and poor follow up of audit recommendations may lead to a lack of assurance that internal controls are effective and risks properly managed.

There are no financial implications arising from the contents of this report.

### **Alternative Options Considered**

‘Alternative options considered’ is not applicable to this report.

### **Equalities Implications**

There are no equality implications arising from the recommendation in this report.

### **Contribution to the Council’s Objectives**

Internal Audit supports and contributes to the achievement of the Council’s objectives through its Annual Plan of works.

### **Conclusion**

Good progress is being made against the agreed 2017/18 audit plan.

Contact Officer:  
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List of Background Papers:  
Internal Audit Plan  
Internal Audit monitoring reports  
Chartered Institute of Public Finance & Accountancy (CIPFA) audit committee practical guidance for Local Authorities and police (2013 Edition)

## Audit Plan Monitoring 2017/18

Risk Area/Audit	Risk Area/Theme	Plan Days	Status	Fieldwork started	Report issued to Management	Finalised	Opinion: Level of Assurance	Fundamental/High Recommendations	Significant/Medium recommendations	Requires Attention/Low recommendations	Additional comments
<b>Audits c/f from 16/17 plan</b>											
Joint working: WH/SS contract management	Joint Working/Shared Service	5	Final report	■	■	■	Substantial	0	3	1	
ES - Personal Protective Equipment (PPE)	Environmental Services	5	Final report	■	■	■	Substantial	0	2	2	
Procurement: Environmental Services	Procurement	3	Final report	■	■	■	Substantial	0	5	0	
H&S Policies	Corporate	5	Final report	■	■	■	Limited	0	4	0	
<b>17/18 Plan</b>											
H&S Staff Safety - Lone Working	Corporate	10	Final report	■	■	■	Moderate	0	4	0	
Safeguarding	Corporate	8	Final report	■	■	■	Moderate	0	5	0	
IT policy review	Information Management & Governance	5	Complete	■	■	■	N/A				
Asset Management Strategy	Finance	8	Draft report	■	■						
CIL/S106	Community & Economic Development	10	In progress	■							
General Data Protection Regulations (GDPR)	Information Management & Governance	18	In progress	■							
Debtors	Key Financial Audit	12	In progress	■							
Fixed assets/asset management	Key Financial Audit	13	In progress	■							
IT Disaster Recovery	Information Management & Governance	10	In progress	■							
Income: Green waste	Environmental Services/Finance	8									
Serious and organised crime (Procurement)	Finance/Information Management and Governance	10	In progress	■							
Payroll	Key Financial Audit	10	In progress	■							
Capital Projects Programme	Finance/Projects	14	Scoping								
Income: Broxbourne Sport	Finance/Income	10									
Broxbourne Sport Health & Safety	Chief Executive	10									
Cyber security	Information Management & Governance	10									
Homelessness/Temporary Housing (VFM)	Finance/Head of Housing	5									
Commercial Property Purchases	Finance/Property Services	10									
Revenues and Benefits: Pls and contract payments/Contract Management	Finance	10									
Revenues and Benefits: Business plan	Finance	10									
Building control	Finance/Contract Management	10									
Refuse and recycling	Environmental Services	10					<b>Totals</b>	<b>0</b>	<b>23</b>	<b>3</b>	
<b>Unplanned</b>											
LGPS annual assurance audit	Chief Executive		Complete	■	■	■	N/A				
<b>Abbreviations</b>											
WH/SS Welwyn Hatfield/Sopra Steria	CIL - Community Infrastructure Levy										
ES - Environmental Services	LGPS - Local Government Pension Scheme.										
H&S - Health and Safety	VFM - Value for Money										

## Internal Audit Recommendation Tracker (Overdue)

Last Updated: October 2017

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ HoS & Director	Agreed Imp Date	Revised Imp Date	Status Update from Management	Status
Badger BC Investment Ltd 2015/16	2	The Company's Business Plan should be reviewed in light of experience from the first 18 months of trading. As part of this: <ul style="list-style-type: none"> <li>The Company's aims should be clarified and made consistent throughout its documentation</li> <li>Any links to wider Council objectives should be noted</li> </ul>	Medium	The Business Plan will be updated in light of the experience so far and consistency will be ensured. The business plan has to be approved by the Cabinet on behalf of the Council and reference to the Council's objectives will be noted.	Board of Badger BC Investments Ltd / Director of Finance	March 2017	Feb 2017	<b>Oct 17:</b> Badger BC Business Plan will be updated at the same time as the council's service plans are set – Jan/Feb 2018	Overdue
Commercial Property Follow up (September 2015)	6	The management agreement/SLA with B3 Living requires updating in respect of management of flats above shops.  B3 living are currently responsible for the daily management and responsive repairs and maintenance of flats. Lack of a formal agreement increases the risk of financial loss to the Council i.e. increased charges,	Medium	Ongoing negotiations subsist with B3L over the flats and steps have also been taken to enlist an outside agency to take over the management if required.	Head of Property Services/ Director of Finance	Mar 2016	<del>Apr 2016</del> <del>Mar 2017</del> Sept 2017	<b>Sept 15:</b> As original response <b>Feb16:</b> Ongoing negotiations with B3L still continuing, stock condition surveys being carried out, part of an overall negotiation of possible redevelopment. <b>Jun16:</b> Negotiations still in hand. Condition surveys produced and being reviewed prior to moving forward with B3 Living.	Overdue

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ HoS & Director	Agreed Imp Date	Revised Imp Date	Status Update from Management	Status
		accidents arising through failure to maintain set standards.						<p><b>Nov16:</b> Talks with B3L are in progress over various aspects of the proposed transfers.</p> <p><b>Feb17/Jun17:</b> These are still ongoing but have been superseded by other matters which will also take into account the pieces of land and footpaths but has added to the delay in reaching a settlement with B3L. The anticipated date of completion is now September 2017.</p> <p><b>Oct 17:</b> Discussions with B3 Living are still ongoing.</p>	
Environmental Services - PPE - <b>June 2017</b>	2	Quotes should be obtained from at least three suppliers and documentary evidence should be retained to demonstrate value for money.	Medium	A procurement exercise will be undertaken via Supply Hertfordshire.	Head of Frontline Services / Director of Environmental Services	Jul 2017	Nov 2017	<b>Oct17:</b> It is intended to tender the uniform provision in November 2017.	Overdue
IT Outsourced Services <b>(May 2018)</b>	5	The Inter authority agreement should be subject to formal review. The level of the IT service monitoring by WHDC	Low	Agreed	Head of Business management / Director of Finance	Jul 2017	Nov 2017	<b>Oct 17:</b> This will be addressed prior to the end of November 2017.	Overdue

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ HoS & Director	Agreed Imp Date	Revised Imp Date	Status Update from Management	Status
		and the element of administration fee incurred should be documented within the agreement.							
IT Outsourced Services <b>(May 2017)</b>	6	Consideration should be given to forming an IT Technical user group with the HOPP and Contract Service Manager on a quarterly basis. (Representatives from each service area can use the forum to raise issues. These can be formally documented and taken forward.)	Medium	Agreed. This will commence after the current priority	Head Of Personnel and Payroll/ Director of Finance	Oct 2017	Dec 17	Outstanding	
Subcontractor Procurement <b>(June 2017)</b>	4	It is good practice to maintain a spreadsheet of contracts to enable effective monitoring of renewal dates and other relevant information. Environmental Services should update their contract monitoring spreadsheet, to ensure that it is up to date and includes sufficient detail to enable the timely and effective monitoring of the contract re-letting	Medium	The Council's 'contracts register' is the correct vehicle for recording contract details. However, the use of the local spreadsheet is considered useful to maintain contract renewal dates and other relevant information this will be updated in accordance with the recommendation.	Director of Environmental Services	Jul 2017	Dec 2017	<b>Oct 17:</b> Update in progress - to be completed by end of November 2017	Overdue

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ HoS & Director	Agreed Imp Date	Revised Imp Date	Status Update from Management	Status
		process.							
Creditors (Accounts Payable) <b>December 2016</b>	4	The Revenues and Exchequer business continuity plan containing the contingency plans for the Creditors (Accounts Payable) should be updated.	Low	The continuity plan will be updated.	Head of Financial Planning and Reporting/ Director of Finance	Mar 2017	<del>Oct 2017</del> Feb 17	<b>Jul17:</b> Date to be revised to be looked at in October 17 due to other work priorities. <b>Oct 17:</b> The business continuity plan as a whole is being reviewed. These updates will be made as part of that process.	Overdue
Revenues and Benefits service Contract <b>Management - August 2017</b>	1	For completeness, The Head of Financial Planning and Reporting and Head of Housing should request that when PI's are not met for 3 months in a row, a formal escalation report is produced by the WHDC Contract Manager.	Medium	A comprehensive report is produced to show year to date performance with red, amber and green colour coding to show where targets are not being achieved. This report is checked for accuracy by the Welwyn Contract Manager and circulated to the Head of Business Management, Head of Financial Planning and Reporting and Head of Housing and Benefits. In future it will also be circulated to the Director of Finance. In addition the Council will ensure that a form of escalation occurs by	Head of Financial Planning and Reporting/ Director of Finance	Aug 2017	Nov 17	<b>Oct 17:</b> A review meeting is scheduled with WHDC on 14th November which will cover off the requirements regarding performance management.	Overdue

Audit Year (Date report issued)	Rec Ref	Original Recommendation	Priority	Original Managers Response	Responsible Officer/ HoS & Director	Agreed Imp Date	Revised Imp Date	Status Update from Management	Status
				the WHDC contract Manager although this may not be a formal report. To discuss with Contract Manager at WHDC.					
Revenues and Benefits service Contract Management <b>(August 2017)</b>	3	The Head of Financial Planning and Reporting and Head of Benefits to introduce formal quarterly meetings with the Contract Manager at WHDC in order to strengthen governance arrangements and to gain assurance in respect of contract monitoring. This will also help to ensure any operational issues are taken forward.	Medium	Agreed – a discussion will be held to ensure the best approach - this may be achieved through a separate bi-annual meeting or by way of attendance at the quarterly board meetings.	Head of Financial Planning and Reporting/ Director of Finance	Aug 2017	Nov 17	<b>Oct 17:</b> To be discussed at meeting on 14th November.	Overdue

## 7. QUARTERLY REVIEW OF OPERATIONS OF THE ETHICAL FRAMEWORK

Head of Legal Services

**RECOMMENDED that the Committee notes the content of this report.**

### **Purpose**

This report is presented to the Committee to summarise ethical standards issues in the Council such as the number of complaints made concerning alleged breaches of the members' code of conduct, the outcome of any local assessments, investigations or determinations and any training provided on the Code of Conduct or other issues within the ethical framework.

The report is included in the agenda of items for decision to ensure that the topic is raised for the Committee to consider whether any pro-active work on ethical standards issues needs to be undertaken.

### **Introduction**

The Council is charged with promoting and maintaining high standards of ethical conduct by members in the Localism Act 2011.

The Council is also required to adopt a code of conduct for members and co-opted members that accords with the Nolan principles of standards in public life. The principles of conduct are appended to the code of conduct which is part of the Council's constitution.

### **Annual Statistics**

There have been no complaints of a breach of the members' code of conduct since the last meeting of the Committee.

Training for members on the code of conduct took place on 21 February 2017, with a refresher to be provided in January or February 2018.

### **Alternative Options Considered**

'Alternative options considered' is not applicable to this report.

### **Equalities Implications**

There are no equalities implications arising from the recommendation in this report.

## **Contribution to the Council's Objectives**

The Audit and Standards Committee has a pivotal role in how the Council delivers good governance and reviewing the effectiveness of these arrangements.

Contact Officer:  
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List of Background Papers:  
None.