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**Chief Executive**

## AGENDA

<b>Committee:</b>	<b>AUDIT</b>
<b>Date and Time:</b>	<b>26th July 2018 at 7.30 p.m.</b>
<b>Venue:</b>	<b>Committee Room 1</b>
<b>Membership:</b>	<b>Councillors Cole (Chairman), Blackwell, Hart, May and Sharp</b> <b>Substitutes: Councillors Acott, Greig, Mumford and Riley</b>
<b>Officers attending:</b>	<b>Chris Mills, Strategic Director (Resources)</b> <b>Ian Stapleton, Financial Services Manager</b> <b>Andrew Barnes, Head of Internal Audit</b> <b>Elaine Allen, Audit Manager</b> <b>Rebecca Gill, Senior Auditor</b> <b>Dan Helps, Senior Manager, Counter Fraud &amp; Investigation Directorate</b>
<b>Also attending</b>	<b>Debbie Hanson, Associate Partner, EY</b>
<b>Enquiries:</b>	<b>John Riley, Ext. 2417</b>

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

- 1. Apologies**
- 2. Members' Interests**
- 3. Minutes**  
A copy of the Minutes of the meeting held on 22 March 2018 is attached.
- 4. EY Audit Results Report (UK and Ireland) 260 for the year ended 31 March 2018:**  
Report of the External Auditor is attached.
- 5. Internal Audit Service, Quarterly Performance Report 2017/18:**  
Report of the Head of Internal Audit is attached.

- 6. Head of Internal Audit Annual Report 2017/18:**  
Report of the Head of Internal Audit is attached.
- 7. Annual Governance Statement 2017/18:**  
Report of the Head of Housing and Communities is attached.
- 8. Counter Fraud & Investigation Directorate: Quarter 1 Performance Report and Counter Fraud Strategy 2018**  
Report of the Senior Manager, Counter Fraud & Investigation Directorate is attached.
- 9. Annual Report on the Treasury Management Service and Actual Prudential Indicators 2017/18:**  
Report of the Financial Services Manager is attached.
- 10. Risk Management Update:**  
Report of the Financial Services Manager is attached.

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## AUDIT COMMITTEE

**22<sup>nd</sup> MARCH 2018**

**PRESENT:** Councillors Cole (Chairman), Blackwell, Hart, May and Sharp.

**Substitute Members Present:** Councillors Acott, Greig and Mumford.

Head of Housing & Communities, Craig Watts, Head of Internal Audit, Linda Everard, Financial Services Manager, Ian Stapleton, External Auditor, Debbie Hanson (EY), Senior Manager Counter Fraud and Investigation Directorate, Dan Helps, Senior Auditor, Rebecca Gill, and Senior Auditor, Gurdip Bhabra, were also present.

**Apologies for absence:** There were none.

### 19. MEMBERS' INTERESTS

There were no disclosures of interest.

### 20. MINUTES

The Minutes of the meeting held on 3<sup>rd</sup> January 2018 were taken as read and signed as correct.

### 21. EY AUDIT PLANNING REPORT YEAR ENDED 31 MARCH 2018

The External Auditor's Audit Planning Report for the year ended 31 March 2018 was presented to the Audit Committee.

Members debated the planning report and in particular the risks around the estimation process for the pension fund liability and the development of the Local Plan. In response to questions from a Member, an explanation was given on the procurement process leading to the appointment of EY as the Council's External Auditors.

**Resolved –** That EY's Audit Planning Report for the year ended 31 March 2018 is noted.

**22. QUARTERLY MONITORING REPORT OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS:**

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

The Head of Housing & Communities highlighted the monitoring results for key governance processes set out in the report.

The assurance arrangements for community engagement were satisfactory. Services undertook specific consultation as required and there were a number of customer satisfaction surveys being undertaken. Consultation had also been undertaken to help develop the Council's Corporate Plan, and this had been considered by the Policy and Scrutiny Committee in August and October last year and March this year.

With regard to risk management, a Risk Management Policy and Strategy was refreshed and approved by the Audit Committee in January 2018.

The Corporate Health and Safety Advisory Service (CHAS) had transferred to Environmental Health Services in April 2017. Whilst a number of key aspects of health and safety risk management were judged to be compliant, there were several areas of practice within the organisation which remained only partially compliant with regulatory requirements and relevant good practice guidance.

As to partnerships, assurance processes were subject to further development work. Partnership work was also subject to a report by Internal Audit and progress against the recommendations would be monitored. Initial work included refreshing the Community Strategy to 2021 as a prelude to further development work. This would include the need to incorporate the work of the South Essex 2050 partnership.

The monitoring of complaints was not fully compliant. Following a refresh of the policy and procedure and the requirement for all complaints at Stage 1 to be monitored, a report produced for OMT in February found that few services had recorded complaints on a routine basis. The issue had been further discussed at OMT when it was agreed that individual services would identify officers that have a role in monitoring complaints to ensure that information was recorded appropriately and also undertake some improvements to the complaints page on the Council's website.

With regard to ethical governance it was reported that satisfactory processes were in place that had been the subject of an audit a few years ago. In the last two years consideration had been given to whether appropriate processes were in place for interests to be declared by those operating key financial systems. A common code of conduct was also in place along with appropriate mechanisms including a Review Committee.

The Council had implemented an information governance strategy, which was underpinned by associated guidance. The Council was working towards

meeting the requirements of the General Data Protection Regulations which would apply from 25 May 2018.

Members debated a range of issues including: the composition of the Governance Group which assisted in the management of governance processes; the accuracy of the planning application determination figures included in the Corporate Scorecard; the compliance monitoring of complaints and the accessibility by Members of human resource policies relating to staff.

**Resolved –**

1. That the assurance provided by the report with regard to the operation of the Council's governance framework is noted.
2. That a report on complaints monitoring is submitted to the next appropriate meeting of the Committee.

**23. COUNTER FRAUD AND INVESTIGATION DIRECTORATE: QUARTERLY PERFORMANCE REPORT**

Dan Helps gave an update on the progress made by the Counter Fraud and Investigation Directorate in delivering the Counter Fraud Strategy and work programme for 2017/18.

The current status of the tasks within the Proactive Work Programme was set out at Appendix A to the report.

Appendix B set out the number of referrals the Counter Fraud and Investigation Directorate had received in 2017/18 from departments and residents, together with the number of referrals in the reporting quarter.

Appendix C set out two examples of the activity carried out by the Directorate.

Following discussion it was:-

**Resolved –** That the progress made in delivering the Counter Fraud and Investigation Strategy for 2017/18 is noted.

**24. INTERNAL AUDIT SERVICE, QUARTERLY PERFORMANCE REPORT**

A progress report on the delivery of the Internal Audit Strategy for 2017/18 was presented to the Committee.

Appendix A set out the current status of audit work planned for the year as at 23 February 2018. The report highlighted some amendments that had been made since the plan was last reported to the Committee.

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

Two further stakeholders carried out this quarter were summarised in Appendix C.

Appendix D set out the actions arising from the Head of Internal Audit's assessment of compliance with the public Sector Internal Audit Standards and the independent, external review of compliance completed by the Institute of Internal Auditors in October 2017

In response to a question from a Member, the future arrangements under the collaborative working agreement were explained, and it was noted that these involved the current Head of Internal Audit post holder leaving the Council's employment in May 2018.

**Resolved** – 1. That the progress made in delivering the 2017/18 Internal Audit Strategy is noted.

2. That the amendments to the Audit Plan are approved.

## **25. INTERNAL AUDIT CHARTER, STRATEGY AND AUDIT PLAN FOR 2018/19:**

An Internal Audit Charter, with supporting strategy, and Audit Plan for 2018/19 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 Plan for 2018/19; audits planned linked to corporate risks and a How We will work with You Statement.

**Resolved** – That the Charter, Strategy and Audit Plan for 2018/19 are approved.

## **26. AUDIT COMMITTEE WORK PROGRAMME FOR 2018/19:**

The Head of Internal Audit presented an outline work programme 2018/19 to the Audit Committee for consideration.

Appendix A set out the work programme for the year, which reflected changes required to meet the earlier timetable for the approval of the Statement of Accounts.

It was noted that revised good practice guidance was due to be published shortly on the role of the Audit Committee.

During the ensuing discussion, the Chairman referred to a training session he had attended recently where the revised good practice guidance had been mentioned together with the appointment of an Independent Person to serve on

## Audit Committee – 22<sup>nd</sup> March 2018

the Audit Committee. Members requested that, following receipt of the guidance, they be part of the decision making process should an independent person be appointed.

In closing the meeting, the Chairman, and Members, expressed their thanks to Linda Everard for her assistance and guidance to the Committee during her time at the Council, and wished her well for the future.

Chairman

**AUDIT COMMITTEE**

**26 July 2018**

**Subject: EY Audit Results Report (UK and Ireland) 260 for the year ended 31 March 2018**

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**1. Purpose of Report**

This report summarises the results of the work completed to date for the 2017/18 financial year with regard to:

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

**2. Background**

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

**3. Corporate Implications**

**(a) Financial Implications**

As the audit has not been concluded at the present time it cannot currently be confirmed whether the work required was delivered within the agreed fee.

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

**(b) Legal Implications**

The Council are required to:

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

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

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

**Human Resources**

None



### **Equality Implications**

None.

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

None

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

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

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

The audit opinion on the financial statements needs to be given by the 31 July 2018. The external auditor must report to those charged with governance before the opinion is given. By presenting this report to Committee, this requirement has been met.

There are currently no significant issues arising from this report therefore there are no risks to highlight. However until the audit is complete it is possible that further issues may arise. The action plan will be completed and implementation dates agreed.

### **6. Conclusion**

None

#### **Recommendation**

##### **The Audit Committee:**

- **considers and notes the external auditors Audit Results Report 2017/18**
- **approves the Letter of Representation contained within the report.**

### **Background Papers**

- None

### **Attachments**

EY Audit Results Report 2017/18 (to follow)

**Report Author: Debbie Hanson, Associate Partner, EY**

**AUDIT COMMITTEE**

**26th July 2018**

**Subject: Internal Audit Service, Quarterly Performance Report 2017/18**

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**1. Purpose of Report**

To update the Audit Committee for the final time, on the progress made in delivering the Internal Audit Strategy for 2017/18.

**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 during 2017/18, 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.

A number of these audits relate to the key financial systems audits. A commentary has only been included where a control has been assessed as partial.

**4. 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 is being resourced (as required by the Standards).

### **Equality Implications**

The relevance of equality and diversity were 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.

## **5. Links to Council's Priorities, Objectives and Targets**

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

## **6. Timescale for Implementation**

The Audit Plan relates to the 2017/18 financial year.

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

## **7. 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 Priorities, Objectives and Targets. 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 ability to replace this resource at all or in a timely manner
- lack of management capacity to support and process work in a timely manner and provide strategic leadership to the team
- possibility that the external supplier won't deliver contracted out work within the required deadlines to the expected quality standards
- need to maintain relationships with clients / partners until the service has been rebuilt.

### **Recommendations:**

**The Audit Committee notes the progress made in delivering the 2017/18 Internal Audit Strategy.**

## **Background Papers**

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

## **Appendices**

Appendix A1 Audit Opinion and Summaries: Satisfactory

Appendix A2 Audit Opinion and Summaries: Partial

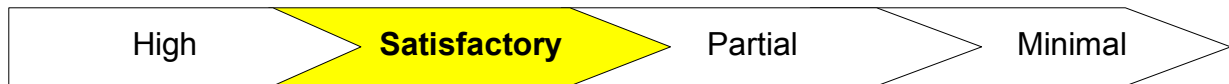
Appendix A3 Audits Revisited

Appendix A4 Other Audits

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

## Appendix A1: Audit Opinion and Summaries

### Assurance



### Procurement of Waste Collection

#### Objective

To assess whether the:

- implementation of the service changes which included the introduction of a chargeable wheeled bin garden waste service and the separate collection of garden and food waste are consistent with the objectives of the Essex Waste Partnership Board
- procurement of the new refuse vehicles was administered fairly, without favouritism or bias, in accordance with the Council's Contract Procedure Rules.

#### Summary

Overall, there was evidence that the:

- procurement project focused on delivery of the Council's and service's objectives and as a result the expected benefits were realised
- contract package stimulated enough market interest from which to obtain an optimum balance of contestability and delivering the service the Council wanted
- EU Public Contracts Directive and / or the Council's Contract Standing Orders were complied with in the selection of contractors to tender
- tender receipt, opening and reporting was undertaken independently of the tender evaluation
- contract met the Council's needs in providing it with legal comfort that should things go wrong, it could seek specific performance, damages or other suitable remedies at the discretion of the Court.

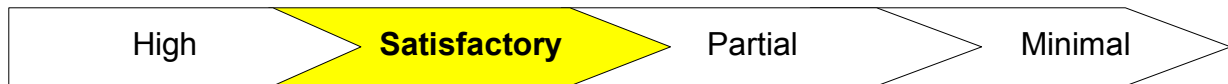
Therefore it was possible to conclude that:

- the introduction of a chargeable wheeled bin garden waste service and the separate collection of garden and food waste were consistent with the objectives of the Essex Waste Partnership Board
- there was also good evidence of reporting to members and influencing of service design via workshops
- the procurement of the new refuse vehicles was administered fairly, without favouritism or bias.

Action is also being taken to amend Contract Procedure rules to cover the introduction of e-tendering and opportunities to tighten up the manual tender opening and evaluation processes are being addressed through amendments to Contract Procedure Rules.

## Appendix A1: Audit Opinion and Summaries

### Assurance



Number of actions agreed: 7

### Business Rates

Key controls audited	Strength of control
<ul style="list-style-type: none"> <li>The list of business properties in the Business Rates system is complete, accurate and regularly reconciled to the Valuation Office Agency valuations.</li> </ul>	High
<ul style="list-style-type: none"> <li>The total amount of Business Rates to be collected from all businesses is set up accurately and on a timely basis.</li> </ul>	High
<ul style="list-style-type: none"> <li>Discounts for small businesses, empty properties, charity reliefs and exemptions are accurately calculated, authorised and supported by appropriate evidence to confirm their validity, annually.</li> </ul>	Satisfactory
<ul style="list-style-type: none"> <li>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).</li> </ul>	High
<ul style="list-style-type: none"> <li>Correct direct debits are raised and payments received are accurate, complete and allocated to the correct Business Rates account, in a timely manner.</li> </ul>	High
<ul style="list-style-type: none"> <li>Reconciliations between the Business Rates and the General Ledger systems are complete, accurate and timely</li> </ul>	Satisfactory
<ul style="list-style-type: none"> <li>Previous audit recommendations have been implemented properly, in a timely manner.</li> </ul>	High

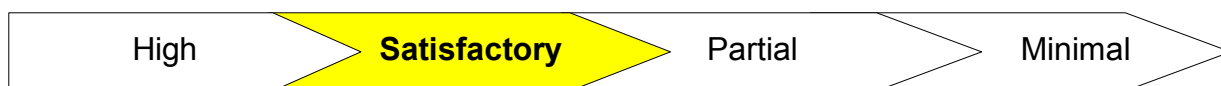
Number of actions agreed: 3

### Treasury Management

Key controls audited	Strength of control
<ul style="list-style-type: none"> <li>There is appropriate formulation and approval of the Treasury Management Policy and regular reporting in line with the CIPFA Code of Practice.</li> </ul>	Satisfactory

## Appendix A1: Audit Opinion and Summaries

### Assurance



<ul style="list-style-type: none"><li>• Treasury management transactions are properly authorised and supported by appropriate evidence to confirm their validity (including investments placed, recalled and borrowings made and repaid).</li></ul>	<b>Partial</b>
<ul style="list-style-type: none"><li>• Treasury management transactions are promptly and accurately reflected in the General Ledger system.</li></ul>	<b>High</b>

Evidence that Treasury Management transactions had been appropriately authorised prior to the deal being placed was not always available, as authorisation is predominantly given verbally at this stage. To improve this, electronic signature authorisation has been introduced for all transactions prior to investments being placed.

It was not possible to validate payments made between 2<sup>nd</sup> February 2018 and 10<sup>th</sup> March 2018 due to a banking system upgrade, however no issues were identified with payments made within the periods available.

Number of actions agreed: 6

## Appendix A2: Audit Opinion and Summaries

### Assurance



### Development Control Support Team

#### Objective

To assess whether the Development Control Support Team's (the team) redesigned operational processes are fit for purpose.

#### Summary

Overall, the new operational processes have been well documented and are easy to use and follow.

Workflow documents were produced for the team that set out both actual operational as well as re-designed processes. The latter contained some 'aspirational' elements which it is not possible to enforce yet.

The team's procedures were developed using the new workflow as a guide. As a result, further work is required to:

- build in independent / quality checks, except when a task had to be authorised by a Development Control Manager
- set timescales for the completion of any of the team's duties
- clarify expectations in a few other areas.

Otherwise, the procedures:

- cover the key functions of the team's role and clearly detail the action required to deliver tasks
- are stored on the team drive and as such are accessible to team members.

Up to date Job Profiles have been produced for all staff within the team that are fit for purpose.

Performance objectives now need to be developed for the team and management information produced on its activities. As part of this, consideration should be given to whether any performance indicators for the team are appropriate.

Number of actions agreed: 5

### Environmental Health: Noise & Nuisance and Rubbish & Accumulations

#### Objective

To assess whether there are robust arrangements in place to ensure that referrals made to selected services within the Environmental Health team are dealt with effectively and appropriate use is made of statutory enforcement powers.



## Appendix A2: Audit Opinion and Summaries

### Assurance



### Summary

#### Uniform System

Procedures are being strengthened to ensure that cases are independently entered onto Uniform (the case management system) and then flagged up to the Team Manager or Team Leader so they can be allocated to an officer in a timely manner.

Action is required to turn on functionality within the Uniform system that would enable user access to be restricted to certain fields to enforce segregation of duties. When doing this, only the Team Leader or Team Manager should be able to authorise the production of statutory notices. At present, the system would allow any staff member to do this without reference to these officers. Processes also need to be established to monitor the activity of the System Administrator user access.

#### Operational Procedures and Practice

The enforcement approach and procedure notes are documented; adhere to statutory requirements and good practice guidance. However, these industry standard operational procedures and strategies are now being tailored to reflect how the service actually operates. The new procedures will be drafted by the Team Manager and then communicated to staff.

New cases need to input into Uniform in a timely manner. The system should be used to record an outline plan of action for each case following the initial site visit, and dates of key actions to be taken so both can be more easily tracked. The potential to group complaints about a single incident on Uniform is to be explored to enable these cases to be dealt with more efficiently. Case officers need to be accountable not only for informing other services or partners of the need for them to take action but to continue to monitor this until the situation has been resolved. This requires other services to also take ownership of this process within their own procedure notes and working practices.

Claims for costs when cases go to court, should be signed off by the Team Leader as accurate and complete as well as supported by appropriate evidence.

The 2017/19 Environmental Health service strategy is set out in the standard Council team service plan. Whilst being substantially complete, it needs updating with actual performance information for 2016/17 and 2017/18.

#### Operational Supervision

It is important that regular staff supervision meetings are held throughout the year that cover all types of cases. Discussions should be documented with any actions that need to be taken so this can be tracked. Reports produced from Uniform to inform this process need enhancing so they are more informative and enable the action taken on a case to be reviewed. Lessons learnt from case reviews should be shared with the whole team.

Further work is required to formalise the approach to determining what training staff need; ensuring this is provided and evidence is retained of that; as well as checking that continued professional development requirements are met annually.

## Appendix A2: Audit Opinion and Summaries

### Assurance



Roles and responsibilities of all staff are set out in job descriptions, which need to be shared with staff.

Evidence needs to be obtained that relevant professional qualifications are held by some staff in the team, as this is missing from their personnel files.

Number of actions agreed: 19

### IDOX System Governance and Change Management

#### Objective

To assess whether the Council has a suitable governance framework in place for managing, planning and implementing changes to the IDOX system.

#### Summary

##### Framework

At a high level, the Uniform Working Group (the Group) in theory, 'owns' the IDOX suite of applications. Whilst the operation of this Group has improved over the last 18 months, ultimately further work is required to make it into an effective governance forum. This could be achieved by splitting the functions of the Group into:

- the 'User Group' which would continue to meet monthly, largely operating along the same lines
- a more senior group, the Governance Forum, which would meet quarterly and focus on the governance role e.g. the strategic direction of the IDOX suite.

As part of this process:

- the remit of both groups needs to be documented and attendance improved
- the fragmented nature of IT with regard to providing technical support to users of this system, also needs to be addressed
- reporting to the Governance Forum needs to be improved so it receives concise reports against agreed performance indicators
- the User Group should keep a rolling tracker of actions whilst the Governance Forum should be focussed on options presented, decisions taken and where necessary their rationale.

#### Roles and Responsibilities

At a high level, there is not complete agreement as to where the boundaries sit with regard to providing service users technical support in relation to the IDOX system. Whilst in isolation a number of the elements outlined above are working well, overall roles and responsibilities are fragmented and there are gaps / inconsistencies in some areas.

## Appendix A2: Audit Opinion and Summaries

### Assurance



There are a number of options as to how the issues above could be addressed, which is for senior management to consider. In the short term, flow charts should be produced identifying who is responsible for what, confirming where there are gaps and how the interfaces between responsibilities work.

Longer term options include:

- leaving the arrangements as they are but providing the service areas where there is insufficient staffing skills with additional resourcing and training
- centralising all IT related staff across the Council, to provide a single applications team
- purchasing an enhanced service from third parties, to enable them to take more responsibility for areas such as user management.

From a process perspective, both user management and support have weaknesses which need to be addressed as part of clarifying and enhancing current arrangements.

### Change Management

Unit and Integration testing are the responsibilities of Capita and IDOX and their approach is documented at a high level in relevant contracts.

User Acceptance Testing (UAT) has improved in the last 12 months, with more structured / organised functionality testing by services based on 'what's new' listings. However, the checklist introduced of key activities necessary to support good UAT, needs development.

Further action is necessary to address gaps and formalise the process by:

- ensuring the Council has all UATs provided by IDOX since the system was implemented and checking they remain current prior to any future upgrades
- formalising the process for actually testing system changes to include multiple users and sign off by management
- agreeing workarounds for outstanding issues before changes are accepted, with agreement as to how they will be addressed longer term, e.g. in a future upgrade.

Number of actions agreed: 10

### 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.

## Appendix A2: Audit Opinion and Summaries

### Assurance



### 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.

### Council Tax

Key controls audited	Strength of control
<ul style="list-style-type: none"><li>The list of properties in the Council Tax system is complete, accurate and regularly reconciled to the Valuation Office Agency valuations.</li></ul>	High
<ul style="list-style-type: none"><li>The total amount of Council Tax to be collected from all properties is set up accurately, on a timely basis.</li></ul>	High
<ul style="list-style-type: none"><li>Discounts, disregards, exemptions and reliefs are accurately set up, on a timely basis.</li></ul>	High
<ul style="list-style-type: none"><li>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).</li></ul>	High
<ul style="list-style-type: none"><li>Correct direct debits are raised and payments received are accurate, complete and allocated to the correct Council Tax account, in a timely manner.</li></ul>	High
<ul style="list-style-type: none"><li>Reconciliations between the Council Tax and General Ledger systems are complete, accurate and timely.</li></ul>	Minimal
<ul style="list-style-type: none"><li>Previous audit recommendations have been implemented properly, in a timely manner.</li></ul>	Satisfactory

### Key issues

#### Reconciliation of CIVICA to eFinancials

The monthly reconciliation of CIVICA<sup>1</sup> to eFinancials<sup>2</sup> has not balanced since CIVICA was upgraded in 2015. The Financial Services Unit (FSU) and the Revenues team have worked together to resolve this, however the root cause of the differences is yet to be identified. Work is continuing to resolve this.

Number of actions agreed: 3

<sup>1</sup> CIVICA is the Council's Revenues and Benefits Management software system.

<sup>2</sup> eFinancials is the Council's Financial Management and Reporting software system.

## Appendix A2: Audit Opinion and Summaries

### Assurance



### Housing Benefits

Key controls audited	Strength of control
<ul style="list-style-type: none"><li>Applicable Housing Benefit rates and eligibility parameters are amended accurately and completely on a timely basis.</li></ul>	High
<ul style="list-style-type: none"><li>There are appropriate arrangements in place to check that:<ul style="list-style-type: none"><li>claims are processed by staff accurately, based on the supporting evidence</li><li>payments made to claimants are accurate.</li></ul></li></ul>	Partial
<ul style="list-style-type: none"><li>Reconciliations between the Housing Benefit and General Ledger systems are complete, accurate and timely.</li></ul>	Partial
<ul style="list-style-type: none"><li>Previous audit recommendations have been implemented properly, in a timely manner.</li></ul>	Satisfactory

### Key issues

#### Processing and paying claims

When claims are received from Call Credit<sup>3</sup>, checks are required to ensure:

- any changes to risk levels made by the company are appropriate
- the risk level on the CIVICA<sup>4</sup> system is in line with that given by the company.

Procedure notes will be developed to assist with this process.

Some independent management checks are undertaken to ensure appropriate supporting documentation is provided, however:

- these are irregular
- they do not cover all members of staff that assess claims
- those relating to in-year amendments checks are not proportionate to the number of transactions processed.

Improving the frequency and coverage of these checks would enable management to identify any issues and rectify them in a timely manner.

#### Reconciliations

Reconciliations between CIVICA and eFinancials<sup>5</sup> take place on a monthly basis for Housing Benefit Payments and Overpayments. Both reconciliations balance each

<sup>3</sup> Call Credit are the Risk Based Verification providers for the Council who automatically assess the risk level of an incoming Housing Benefit claim.

<sup>4</sup> CIVICA is the Revenues and Benefits software system.

## Appendix A2: Audit Opinion and Summaries

### Assurance



month and at year-end. Overpayment reconciliations are regularly completed and in a timely manner. However, reconciliations of Housing Benefit payments were not always completed in a timely manner, meaning errors may not be identified and rectified quickly.

Introducing an independent check and approval of these reconciliations will give assurance they have been completed accurately and that any errors have been identified and dealt with appropriately.

Number of actions agreed: 6

### Housing Rents

Key controls audited	Strength of control
<ul style="list-style-type: none"><li>The list of Council house properties in the Rent system is complete and accurate per the Council's fixed assets register.</li></ul>	High
<ul style="list-style-type: none"><li>There is an accurate, complete and timely uplift of rents, service charges and other charges.</li></ul>	Partial
<ul style="list-style-type: none"><li>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).</li></ul>	Minimal
<ul style="list-style-type: none"><li>Cash and BACS rental income received is accurate, complete, timely and secure when receipted and posted to the General Ledger and Housing Rents systems.</li></ul>	High
<ul style="list-style-type: none"><li>Reconciliations between the Housing Rents and General Ledger systems are complete, accurate and timely.</li></ul>	Partial
<ul style="list-style-type: none"><li>Staff access to the Housing Rents system enforces separation of duties between closure and / or amendments of tenancy and rent accounts.</li></ul>	Partial
<ul style="list-style-type: none"><li>Previous audit recommendations have been implemented properly, in a timely manner.</li></ul>	Partial

### Key issues

#### Rental uplifts

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<sup>5</sup> eFinancials is the Financial Management and Reporting system

## Appendix A2: Audit Opinion and Summaries

### Assurance



The process of uplifting rents is completed during 'test' and 'live' phases. At each phase:

- checks are completed to ensure rental uplifts or reductions in OHMS<sup>6</sup> have been applied correctly and are subsequently accurate
- an assurance statement is signed to say those figures have been independently checked and are accurate.

Moving forward, records of these checks and the assurance statements will be stored centrally on the Council's shared drive prior to progression to the live stage, as this evidence was not fully available for this year.

### In-year adjustments

Introducing independent verification checks of in-year adjustments made to rental accounts on OHMS, will ensure that the data input is accurate, correct and complete.

### Reconciliations

Monthly reconciliations between OHMS and EFIN<sup>7</sup> need to be independently checked back to the source systems to:

- confirm they have been completed accurately
- ensure any issues have been appropriately and promptly dealt with.

### System access

Staff access to the OHMS system is reviewed on a six monthly basis and any adjustments required are dealt with in a timely manner.

However, there are 11 members of staff who have 'system admin' access rights, which provides them access to the whole system and means these staff can create, amend as well as close rent and tenancy accounts. It needs to be confirmed, whether these staff need 'system admin' access to fulfil their job role.

Segregation of duties also needs to be built into the process between closure and / or amendments of tenancy and rent accounts, either by:

- creating restrictions within the OHMS system that enforces this
- independently validating all amendments made to rent accounts by staff with 'system admin' access rights, from a system print out.

### Previous actions

There are a number of rent accounts with credit balances but there is no formal process to review them regularly. Therefore, going forward:

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<sup>6</sup> OHMS is the Housing Rental and Management software system

<sup>7</sup> Efin - the Council's financial control and reporting system

## Appendix A2: Audit Opinion and Summaries

### Assurance



- credit balances should be reviewed each quarter and appropriate refunds made in a timely manner (e.g. once housing benefit adjustments have been put through)
- the 'ceasing a tenancy' process should be extended to include identification and refund of any credit balances.

A one off exercise should be undertaken to contact and repay former tenants any outstanding balances on their now, closed rent accounts.

The Housing Department has undergone a structural change over the year and as such, procedure notes are still to be developed. These will be written with the new arrangements in mind.

Number of actions agreed: 6



## Appendix A3: Audits Revisited

### Purpose of these audits

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

### Regeneration Partnership



### Original Objective

To assess whether the regeneration partnership has evidenced that it has:

- achieved its 2008/13 Regeneration Framework ambitions and key priorities
- effective arrangements and processes in place to deliver future regeneration ambitions.

### Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Not now relevant
0	1	4	3	1

### Summary

The last formally approved Regeneration Framework ran from 2008 to 2013. Since this time, the Council has circulated a number of draft Regeneration Frameworks 2018/22 for approval by their partners, but it is yet to be agreed.

Further comments received at the end of February 2018 from Essex County Council, the major partner in the Castle Point Regeneration Partnership (CPRP), are being incorporated into the final draft for referral and approval by the partnership during the summer of 2018.

Council officers will need to consider whether there are any other regeneration opportunities by reviewing the council's activities, including taking account of the recent peer review on corporate services and then feeding the results into the emerging regeneration partnership.

Once the Framework has been approved an implementation plan needs to be developed to include:

- long term planning, objectives or indication of measurable outcomes
- project objectives, measures of success or links to the overall aims of the Partnership
- details of why projects are being undertaken or what key actions are required to deliver them.

In the meantime, some 30 regeneration projects are actively being worked upon by the CPRP. While these are recorded in the draft framework, details of their

## Appendix A3: Audits Revisited

objectives, the key tasks to be completed with timescales and measures of success are not. This will be addressed as part of the development of the implementation plan.

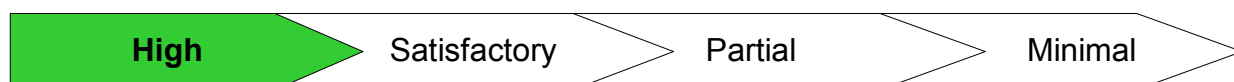
Monthly Project Status update reports, are presented to the CPRP on the progress of its various live projects. This partly mitigates the risk of not having an annual work/implementation plan at the current time. In order to give a better insight into the delivery of the projects the CPRP will be encouraged to include additional information into these Project Status Update reports. In particular:

- reflecting progress made in delivering key tasks against timeframes; and
- highlighting any issues, the action being taken to resolve them and potential impacts on timescales or overall project delivery.

Once the new Regeneration Framework has been approved by the CPRP, council officers will start work on:

- refreshing the Terms of Reference for the CPRP;
- formalising the Terms of Reference for the Strategic Regeneration Project Group;
- assessing the extent to which the Council's relevant corporate policies and strategies align with and therefore, are likely to deliver the current or proposed regeneration priorities; and
- producing a risk register to be presented to the CPRP to support managing the delivery of projects.

### Approval of Planning Applications



### Original Objective

To assess whether decisions on planning applications are being made at the most appropriate level, in line with Castle Point Borough Council (the Council) Policy as well as statutory and recognised good practice standards.

### Results

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

### Summary

Good progress has been made in addressing the issues raised in the original report.

The arrangements for approving planning decisions are now reflective of recognised good practice and sector norms. A new Member Call-In Policy supported by new procedures and a call-in application form for use in the Development Control Committee (the Committee), were introduced in October 2017.

## Appendix A3: Audits Revisited

These documents:

- clearly set out for Members:
  - when it is appropriate to call in a planning application and the process for doing this, if it is to be accepted
  - the decision making process to be followed when discussing planning applications at the Committee meeting so that timely decisions can be made.
- also, reflect lessons learnt from past cases where the Committee has overturned officer recommendations.

The Council's constitution now needs to be updated to reflect these Policy changes. These minor amendments will be dealt with at the next update due in May 2018.

As a result of these changes, there:

- is now evidence that planning decisions are being made:
  - at the most appropriate level
  - consistently
  - in line with the Council's Policy and procedures.
- has been a significant reduction in the number of requests for Member call-ins, as between October 2017 and February 2018, only:
  - six such requests were made
  - three of these were considered to be valid.

No officer recommendation in respect of these cases has been overturned. However, it is intended that the records used to record committee decisions will be used to analyse any such cases in the future should they arise<sup>1</sup>.

Training is now provided to the Members prior to the start of Development Control Committee meetings. It is supported by factsheets, which are comprehensive and have links to appropriate laws and government guidance documents, so that Members can delve deeper into the topic. There is also reference to case law as appropriate. The factsheets are stored on a Members only section on the Council's Internet site.

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<sup>1</sup> These circumstances have led to the "not tested" comment in the "Results" summary above.

## Appendix A4: Other Audits

### Preparation for the Introduction of the General Data Protection Regulations

#### Objective

To assess whether the General Data Protection Regulations (GDPR) health check action plan is being implemented properly and in a timely manner.

#### Status as at March 2018

As at March 2018, when this work was completed, it was concluded that the Council had taken a proactive approach to GDPR compliance through the:

- introduction of a dedicated programme of work
- appointment of a Project Manager who has substantial knowledge of the legal requirements of GDPR
- development of an implementation plan which, when completed, will put the Council in a strong position for compliance with the GDPR legislation.

At this time:

- most services had a good understanding of what was required of them or a training programme arranged to cover this
- a specific e-learning package for GDPR had been created as part of the annual compliance training which will be rolled out and attendance will be monitored
- key policies had either already been reviewed and updated or were awaiting approval
- business processes had also been updated for GDPR policy provisions where related to personal data
- the Information Asset Register was up to date as of Q3 2017.

If delivery of the implementation plan stays on track, key risk areas should be appropriately mitigated.

Number of actions agreed: 7

**AUDIT COMMITTEE**

**26 July 2018**

**Subject: Head of Internal Audit Annual Report 2017/18**

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**1. Purpose of Report**

- 1.1 To provide for the 2017/18 financial year:
- the rationale for and an audit opinion on the adequacy and effectiveness of Castle Point Borough Council's (the Council's) risk management, control and governance processes
  - a statement on conformance with the UK Public Sector Internal Audit Standards (the Standards) and the results of the Quality Assurance and Improvement Programme.

**2. Background**

- 2.1 The Head of Internal Audit's Annual Report and Opinion provides the Council with an independent source of evidence regarding both the design of its risk management, control and governance framework and how well it has operated throughout the year.
- 2.2 The opinion is predominantly based upon the audit work performed during the year as set out in the risk based Audit Plan discussed with the Executive Management Team and approved by the Audit Committee.
- 2.3 As outlined in the Internal Audit Charter, audit coverage is determined by prioritising the significance of the Council's activities to its ability to deliver its Priorities, Objectives and Targets. This is done:
- using a combination of Internal Audit and management risk assessments (including those set out in risk registers)
  - in consultation with some service managers, Heads of Service and the Strategic Director, Transformation and Resources (latterly the Strategic Director, Resources) to ensure the work is focused on key risks.
- 2.4 Periodic discussions are then held with the Strategic Director, Transformation and Resources (latterly the Strategic Director, Resources) and the Head of Housing and Communities to:
- reflect on the original risk profile and work planned
  - determine whether any changes are required to it or the Audit Plan.
- 2.5 Organisationally, this reflects a very mature approach to operating an internal audit function.
- 2.6 All individual audit reports are discussed with the relevant Service Managers and Heads of Service or Strategic Directors before being finalised.
- 2.7 The opinion and summary findings from audit reviews are reported to the Executive Management Team and the Audit Committee throughout the year.

### **3 Head of Internal Audit Opinion for the year ended 31 March 2018**

#### **3.1 *The Council continues to maintain satisfactory and effective risk management, control and governance arrangements.***

*Reliance continues to be placed on the Council's risk management arrangements. Workshops were held during 2017/18, to further embed the refreshed procedures into day to day operational practices.*

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

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

*However, as of 3rd January 2018, responsibility for some services that were previously part of Regeneration and Neighbourhoods Department, were transferred to Housing & Communities. Plans are now in place to address concerns raised last year about the adequacy of design and the effectiveness of operation with regard to these services only.*

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

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

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

### **4. Supporting Commentary**

#### **4.1 Appendix A summarises the audit opinions issued this year.**

#### **4.2 The following paragraphs then:**

- summarise findings from all the work completed this year
- highlight the key areas requiring improvement
- summarise how other independent assurance has been used to support the opinion.

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

## Managing the Business

- 4.4 The **Good Governance Group** continued to operate efficiently and effectively, in that it had:
- a Terms of Reference agreed by the Executive Management Team that required it to ensure:
    - the Council maintains arrangements that are fit for purpose and comply with good practice requirements
    - that sufficient assurance is available throughout the year to support the production of the Annual Governance Statement.
  - it has an appropriate membership of senior officers responsible for maintaining the main corporate business management processes that are then applied at service level.
- 4.5 It continued to deliver its work programme during the year which ensured key tasks were completed, and involved:
- robustly challenging Corporate Assurance Statements for 2017/18 before signing off the assessments and the action required to improve these business management arrangements
  - critically evaluating a summary of service assessments of these arrangements as contained in the Manager Assurance Statements.
- 4.6 Therefore it is possible to place reliance on the conclusions drawn from this work, which are summarised in the audit opinion above.
- 4.7 The Head of Housing Communities continued to produce quarterly reports on the operation of the Council's **key business management arrangements**. These were presented to and challenged by the Executive Management Team and the Audit Committee. No significant concerns were reported. Opportunities to strengthen or develop arrangements were highlighted in year as they arose.
- 4.8 The processes outlined above remain key elements of the Council's assurance framework, and continued to provide evidence of the effective design and operation of its business management arrangements.
- 4.9 In 2016/17, the understanding of risk was assessed as sound at both corporate and service levels. The governance of the organisation ensured that risk management was operating in a way that met its needs. Risk maturity was greater than the documentation alone indicated.
- 4.10 The Risk Management Policy and Strategy were refreshed and approved during the year. The Strategy now included the concepts of risk appetite and tolerance as well as assurance. The supporting Procedure Note had also been updated and included more practical guidance on how to apply these concepts. Workshops were held with the Operational Management Team members to work through the updated arrangements.
- 4.11 The Council continued to maintain a Corporate Risk Register that was reported to the Executive Management Team each quarter and the Audit Committee twice a year. Heads of Service were required to identify key risks in their service plans, which were reviewed by the Head of Housing Communities.
- 4.12 Therefore, reliance continued to be place on the Council's risk management framework throughout the year.

- 4.13 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. Targeted risk management training was arranged via the Council's insurers where potential opportunities to further mitigate key risks were identified.
- 4.14 As at March 2018, the Council was progressing well with its preparations for implementing the **General Data Protection Regulations** (GDPR). It had taken a proactive, structured approach to this by:
- appointing appropriately experienced staff and having a dedicated work programme
  - developing an implementation plan which, when completed, will put the Council in a strong position for compliance with the GDPR legislation.
- 4.15 A corporate IT risk assessment was undertaken this year.
- 4.16 Accountability had now been assigned to the Head of Housing and Communities for:
- designing, maintaining and reporting upon the application of a proportionate but good practice **partnership governance framework**. When delivering this work during 2018/19:
    - the characteristics of a "partnership" will be established and all such arrangements challenged against this to ascertain whether their remit is clear, they are still required and their accountability and reporting lines are defined
    - a Partnership Strategy and Framework or Toolkit will be produced, then used for managing performance and monitoring their effectiveness
    - the Local Strategic Partnership's Accountability, Governance and Performance Management Framework will be updated accordingly.
  - fully embedding proportionate **safeguarding arrangements** throughout the Council and ensuring consistent compliance with them can be demonstrated. In delivering this work:
    - better performance reports will be provided to various levels of management
    - assurance will be obtained that contractors are:
      - clear about the Council's requirement
      - complying with them consistently.
    - training will be tailored to staff groups and Members dependent on risk, taking into account the Essex Safeguarding Board's guidance.

### **Service Delivery Risks**

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



## PUBLIC HEALTH AND WELLBEING

- 4.18 Sound processes were in place for ensuring **income due** from **leisure centre** bookings, memberships and other non cash sources, was completely and accurately billed for as well as collected in a timely manner.
- 4.19 All booking arrangements will be reviewed to ensure they comply with the Council's Safeguarding Policy. The block booking system will also be improved and a more proactive process adopted to clawing back debts arising from annual memberships cancelled within six months.

## ENVIRONMENT

- 4.20 The **procurement of the new refuse vehicles** was administered fairly, without favouritism or bias, in accordance with the Council's Contract Procedure Rules.
- 4.21 The decision to introduce a chargeable wheeled bin garden waste service and separate the collection of garden and food waste, was consistent with the objectives of the Essex Waste Partnership Board. There was good evidence of reporting to members and influencing of service design via workshops.
- 4.22 Amendments to Contract Procedure Rules are required to cover the introduction of e-tendering and opportunities to tighten up the manual tender opening and evaluation processes should be addressed.

## TRANSFORMING OUR COMMUNITY

- 4.24 Advice and support work was undertaken to help inform an exercise to **re-engineer building control** processes. Action was being taken to strengthen the arrangements for:
- processing full plan applications in line with statutory timescales and undertaking appropriate checks prior to issuing the final Building Certificate
  - completing inspections at key progress stages of the building work, using commercial terms, accurately assessing the fees for this work
  - discharging statutory duties regarding dangerous structures in line with business practice guidelines and timescales as well as effectively co-ordinating activity in relation to Demolition Notices.
- 4.25 The Building Control team's operational practices were also being developed to enable it to:
- liaise more effectively with other bodies when dealing with changes to street names and numbering
  - better protect itself from possible fraud and corruption as well as produce more useful performance information about its activities.
- 4.26 The **Development Control Support team's** newly redesigned operational processes were well documented and easy to follow. Further work was required to build in management checks at key stages within the processes and timescales for delivering aspects of them. Performance targets also needed to be produced for the team and then proactively monitored.
- 4.27 In February 2017, it was reported that none of the actions agreed in the original **Regeneration Partnership** report dated October 2015 had been

implemented. The Regeneration Framework needed to be updated first and work on the other issues would follow. As at June 2018, this process was still in progress.

- 4.28 Given the Castle Point Regeneration Partnership was working on some 30 'projects', action was still required to improve the governance and performance management framework supporting its work. This will need to take into account the requirements of the new partnership governance framework due to be produced during 2018/19.
- 4.29 Overall, good progress had been made in strengthening the **Right to Buy** arrangements. Procedure notes and forms were fit for purpose. More comprehensive information was collected when processing applications. The discount calculator included previous discounts and arrangements for recording the Councils interest on sold properties had improved. More robust management information was being produced on Right to Buy activity. Instructions were also in place for all new Right to Buy applications to be referred to the Counter Fraud & Investigation Directorate.
- 4.30 Going forward, the focus was on ensuring that staff applied the new procedures and forms properly and that there was robust, independent review at key stages in the process.

#### EFFICIENT AND EFFECTIVE CUSTOMER FOCUSED SERVICES

- 4.31 The **new Accounts Payable process** for raising and paying purchase orders as well as posting this spend to the general ledger, had been reasonably well designed and was operating as such, in practice. Action was being taken to consolidate process documentation in one place as well as review the:
- decision to enforce an exact match on the maximum amount of an invoice, to the purchase order
  - individual authority levels for invoices in line with current best practice.
- 4.32 More robust arrangements were required to enable **Environmental Health** to effectively deal with **Noise & Nuisance and Rubbish & Accumulations** referrals and consistently demonstrate appropriate use was made of statutory enforcement powers.
- 4.33 This will involve tailoring the industry standard enforcement approach procedure notes and producing more comprehensive performance information about the progress of case work. The functionality within the IT case management system needed to be activated to enforce segregation of duties. System Administrator 'log on' use needed to be more actively monitored. Better use should be made of the IT system to record and then track plans of action following the initial site visits. Evidence will be obtained annually to demonstrate that continued professional development requirements are met.
- 4.34 The enhanced functionality within the **Accounts Payable module** of the **eFinancials** system was implemented successfully using a recognised good practice approach.
- 4.35 An interim internal management report was produced during the year to inform a management review of the arrangements for commissioning and delivering timely and effective **health and safety** risk assessments and inspections of the Councils **housing stock**. Timely action was being taken

to address all the potential opportunities to strengthen these arrangements further.

- 4.36 The Head of Housing and Communities had developed well-structured **business cases** for the two propositions relating to **Housing Property Management and the Housing Management Restructure** under review, with the primary expected components included. Some opportunities were identified to further develop the corporate business case template and supporting guidance, which were being addressed.
- 4.37 Options were being explored to enable the Council to have independent access to data and statistics regarding the performance of property management service providers. A view was also to be taken as to whether the current housing management system was still fit for purpose. If the projects progress, a few other matters were identified for management to consider to assist with their successful delivery. This included designing a project risk register to capture all risks, including the perception of changes amongst all stakeholders; and establishing appropriate monitoring arrangements for it.
- 4.38 Further work was required to develop a suitable **governance framework** for managing, planning and implementing changes to the **IDOX<sup>1</sup> system**. The results of this audit may equally apply to other service applications.
- 4.39 Overall, roles and responsibilities as well as user support were fragmented, there were gaps / inconsistencies in some areas and segregation of duties was required to improve user access management. Change management processes, which include user acceptance testing, needed to be formalised and consistently applied.
- 4.40 Therefore, the Uniform Working Group will be split into a User Group and a Governance Forum to make the governance arrangements effective. Both groups will need new remits. Attendance at meetings also needs to improve, as does system ownership by some service users.
- 4.41 The arrangements needed strengthening for ensuring all non-statutory **income due** was accurately raised and collected fully in accordance with Council policies / fees and charges framework.
- 4.42 Both fee setting and sundry debtor credit policies were in place, but needed review to ensure they were in line with current commercial practice. Many fees were collected prior to providing a service but shorter payment terms could be introduced. The arrangements for checking that all services have been charged could be strengthened. A more bespoke approach to keeping service areas advised of non-payment of fees could assist the collection process. In addition, a more robust approach was required for collecting premises licensing renewal fees.
- 4.43 Good progress had been made in addressing all the actions agreed in the original **Approval of Planning Applications** report. This process was proactively managed as well as delivered in a timely way, and there is evidence that the revised arrangements are embedded into current working practices. The only remaining action is to amend the Constitution to reflect the new working arrangements.

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<sup>1</sup> The IDOX suite of applications is used to support frontline processing in Planning, Building Control, Environmental Health, Licensing and Land Charges. Is also supports making information available online to members of the public.

- 4.44 Accountability has now been assigned to the Head of Housing and Communities for the Licensing function. In completing the service review, account will be taken of all the outstanding audit issues which include:
- fully evaluating whether LalPac<sup>2</sup> is being used to its full potential in supporting license applications assessment and enforcement visit processes
  - revising key guidance notes as well as policies and procedures to cover all the relevant operational processes and ensuring they are consistent within themselves
  - implementing a proactive approach to enforcement visits
  - completing and independently checking monthly reconciliations between LalPac and E-financials<sup>3</sup> to confirm all income due is actually received
  - benchmarking the service against other similar councils.

#### ALL PRIORITIES

#### Key Financial Systems

- 4.45 Five key financial systems were reviewed this year to ensure they:
- were designed to prevent and / or detect material financial errors
  - had been in place during 2017/18 and therefore, could be relied when producing the Council's Statement of Accounts.
- 4.46 Overall, satisfactory assurance was obtained from the **Business Rates** and **Treasury Management** systems, whereas partial assurance was obtained from the other systems reviewed.
- 4.47 A general theme arising from the financial systems work was the need to ensure all reconciliations were independently checked and approved. Various procedure notes also needed to be updated.
- 4.48 Specifically, with regards to:
- **Council Tax**, further work was still required to balance the reconciliation between Efin and Civica<sup>4</sup> which had not balanced since 2015 following a IT system upgrade
  - **Housing Benefits**, some additional checks were required on claims downgraded by Call Credit<sup>5</sup>, to confirm that an appropriate level of evidence had been requested; and a more inclusive and systematic approach needed to be adopted to independently checking a sample of claims assessments and in-year adjustments

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2 LalPac is the IT system which provides the Council with the tools to manage the licensing process .

3 eFinancials is the Council's accounting and general ledger system.

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

5 Call Credit is an external organisation undertaking Risk Based Verification (assessment of the level of risk attached to a Housing Benefit claim which then determines the level of supporting evidence required to progress a claim) on behalf of the Council.

- **Housing Rents**, independent checks should be established for in-year adjustments; the use of 'System Admin' user access should be minimised and monitored closely; and credit balances needed to be more closely monitored and returned to tenants in a timely manner.

### **Implementing Action Plans**

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

### **GRANT CLAIMS**

- 4.51 It was possible to certify that money spent under the Disabled Facilities Capital Grant Determination, was in line with the grant terms and conditions.

## **5. Compliance with Professional Standards**

### **Head of Internal Audit Opinion**

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

#### ***Good assessments were achieved in relation to:***

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

#### ***Needs improvement assessments were given in relation to:***

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

### **Resourcing**

- 5.2 As outlined in my 2016/17 Annual Report, recruitment of permanent staff recommenced in January 2017, following a recruitment freeze lasting from July 2015. By this time, the:
- combined in-house team was carrying seven vacancies out of nine auditor posts, one of which was being covered by a long term contractor
  - Head of Internal Audit was also covering the contract manager role as well as being accountable for delivering an internal audit service to three clients and Southend Borough Council's Counter Fraud & Investigation service which was being provided by Thurrock Council as well as delivering other governance type functions for the Council.

- 5.3 Therefore, during 2017/18, the continued lack of management capacity has had a significant impact on the service's performance and its ability to deliver its normal performance targets.
- 5.4 However, since February 2018 three of the four Audit Manager / Senior Auditor posts have been filled. This will make a significant difference to the team's ability to manage contractors effectively as well as take on and train new staff going forward. As at the April 2018, the remaining Senior Auditor and four Auditor vacancies continue to be covered by buying in resources through the framework contracts with external suppliers.
- 5.5 The return of the Business Support Manager in July 2017 also had a significant and very positive impact on the operation of team management processes, reducing the level of such work that professional staff needed to do. As at April 2018, there is still a need to consolidate the Business Support Team's workload and then review its capacity to deliver it.
- 5.6 Finally, as part of renewing the Internal Audit and Counter Fraud and Investigation services Collaborative Working Agreements with partners, the Head of Internal Audit post was restructured. From April 2018, the Counter Fraud & Investigation Directorate will report directly to the Strategic Director, Resources at the Council. This will increase capacity at the Head of Internal Audit level to focus on client management and the strategic development of the service.
- 5.7 The remainder of this report needs to be considered within this context.

#### **Audit Plan 2017/18**

- 5.8 The target was to deliver 100% of the Audit Plan by mid May so that the Head of Internal Audit Annual Opinion could be included in the Council's Annual Governance Statement, which has to be produced by 31 May. In the event, as at 31st May 2018 *all 24 pieces of work had been delivered*.
- 5.9 **Appendix B** shows the final status of the Audit Plan which is a comparison of actual audit work completed against work planned at the start of the year.

#### **Other Performance Indicators**

- 5.10 As much of the work this year has continued to be resourced through framework contracts, a more limited set of performance indicators have been reported upon.
- 5.11 Sickness absence remained low at 3.94 days per FTE compared to a target of less than 5 days per FTE for in-house staff.
- 5.12 Stakeholder surveys are designed to assess compliance with some of the less tangible elements of the UK Public Sector Internal Audit Standards (the Standards). During the year, four officers were interviewed covering 20 different audits including work completed by in-house staff and contractors. **Appendix C** summarises the final survey results for 2017/18.
- 5.13 Overall, the level of compliance remains good, particularly with regard to internal audit adding value to the Council (93%). Appropriate actions are developed where opportunities to improve performance in any of these areas is identified. Some thought will be given to developing a short session for staff to explore the difference between delivering performance targets and needing evidence that a process / activity is being properly controlled (i.e. the assurance framework).

## **Service Management Arrangements**

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

## **Quality and Improvement Programme**

- 5.15 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 the independent external assessment of compliance with the Standards in October 2017 which is required at least every five years.
- 5.16 I have received assurance from the external suppliers used that where they have undertaken work using their own audit approach, this is also compliant with the Standards.
- 5.17 Due to resource constraints, the only independent file reviews of work completed this was undertaken as part of the independent review.
- 5.18 **Appendix D** summarises the results of the independent external assessment of compliance against each element of the Standards.
- 5.19 **Appendix E** sets out the remaining actions that still need to be implemented arising from the:
- Head of Internal Audit's assessment of compliance as reported in her Annual Report presented to the Audit Committee in June 2017
  - independent external review.
- 5.20 A key focus for the team has been to ensure internal audit files and its audit approach complies with the new requirements of the General Data Protection Regulations.
- 5.21 Senior management has chosen not to implement the Standard relating to the appointment and removal of the Head of Internal Audit as the Council's normal HR practices would already mitigate this perceived potential risk.

## **Other Disclosures**

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

## **6. Issues for the Annual Governance Statement**

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

## **7. Corporate Implications**

### **Financial Implications**

- 7.1 The Audit Plan was delivered within approved budgets.

### **Legal Implications**

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

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

#### **Human Resources**

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

#### **Equality Implications**

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

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

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

## **8. Links to Council's Aims and Priorities**

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

## **9. Timescale for Implementation**

- 9.1 This annual audit opinion relates to the 2017/18.

## **10. Risk Factors**

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



## **Recommendations**

- **The Audit Committee notes the Head of Internal Audit's Annual Report for 2017/18.**

### **Background Papers**

None.

### **Appendices**

Appendix A	Assurance Summary 2017/18
Appendix B	Internal Audit Plan 2017/18 as at 11th May 2018
Appendix C	Stakeholder Surveys, Compliance with Professional Standards
Appendix D	Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2017/18
Appendix E	Compliance with the UK Public Sector Internal Audit Standards 2017/18 Action Plan as at 11th May 2018

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

## Appendix A: Assurance Summary 2017/18

Audit Plan Areas	Level of Assurance				
	High	Satisfactory	Partial	Minimal	No Opinion
<b>Managing the Business</b>					<ul style="list-style-type: none"> <li>Information Governance, General Data Protection Regulation (May 2018)</li> </ul>
<b>Managing Service Delivery Risks</b>	<ul style="list-style-type: none"> <li>eFinancials, New Accounts Payable Functionality, Post Implementation Review (Mar 2018)</li> </ul>	<ul style="list-style-type: none"> <li>Leisure Centres, Income Management (Nov 2017)</li> <li>Procurement of Waste Collection Vehicles (May 2018)</li> <li>Accounts Payable, Process System Design and Application (Feb 2018)</li> </ul>	<ul style="list-style-type: none"> <li>Development Control Support Team (Mar 2018)</li> <li>Environmental Health: Noise &amp; Nuisance and Rubbish &amp; Accumulations (May 2018)</li> <li>IDOX System Governance and Change Management (May 2018)</li> <li>Income Collection (Aug 2017)</li> </ul>		<ul style="list-style-type: none"> <li>Building Control Redesign (Feb 2018)</li> <li>Health &amp; Safety of Housing Stock (Nov 2017)</li> <li>Housing Management Business Case Review (May 2018)</li> </ul>

## Appendix A: Assurance Summary 2017/18

Audit Plan Areas	Level of Assurance				
	High	Satisfactory	Partial	Minimal	No Opinion
Key Financial Systems		<ul style="list-style-type: none"> <li>• Business Rates (May 2018)</li> <li>• Treasury Management (June 2018)</li> </ul>	<ul style="list-style-type: none"> <li>• Council Tax (May 2018)</li> <li>• Housing Benefits (May 2018)</li> <li>• Housing Rents (May 2018)</li> </ul>		

## Appendix A: Assurance Summary 2017/18

Audit Revisited	Action Implementation Level				
	High	Satisfactory	Partial	Minimal	No Opinion
Implementing action plans	<ul style="list-style-type: none"> <li>Approval of Planning Applications (Apr 2018)</li> </ul>		<ul style="list-style-type: none"> <li>Right to Buy (Aug 2017)</li> <li>Regeneration Partnership Revisited (June 2018)</li> </ul>		

## Appendix B: Internal Audit Plan 2017/18

Who*	Council activity and focus of audit work	Fraud risk	Status as at 18th May 2018 (changes in <b>bold</b> )
<b>Managing the Business</b>			
<b>All Aims</b>			
SD,R	<b>Business Continuity</b> To assess whether there are effective arrangements in place to enable services (particularly critical ones) to continue to be provided in the event of a disaster occurring.	No	Deleted as refreshed corporate business continuity plan was still being produced.
SD,R	<b>Emergency Planning</b> To assess the robustness of the Council's preparedness to respond to a civil emergency under the Civil Contingencies Act 2004.	No	Deleted as contractor could no longer resource.
SD,CS	<b>Information Governance, General Data Protection Regulation</b> To assess how well the Council is progressing with its preparations for implementing the new requirements of the General Data Protection Regulations, which come into force in May 2018.	No	Report issued May 2018.
SD,R	<b>IT Risk Identification and Assessment</b> To provide a current assessment of ICT risks within the Council, using an industry recognised ICT risk universe that: <ul style="list-style-type: none"> <li>• highlights where current control strength is in each areas compared to that desired taking into account the potential impact rating</li> <li>• can be used to inform future Audit Plans.</li> </ul>	No	Report issued November 2017.
<i>Implementing Action Plans</i>			
HoH&C	<b>Working with Partners, Strategic Partnership Framework</b>	No	Deleted. No further work planned until new framework has been established.

## Appendix B: Internal Audit Plan 2017/18

Who*	Council activity and focus of audit work	Fraud risk	Status as at 18th May 2018 (changes in bold)
<b>Managing Service Delivery Risks</b>			
<b>Aim: Public Health and Wellbeing</b>			
HoE	<b>Leisure Centres, Income Management</b> To assess whether income due from leisure centre bookings, memberships and other non cash sources, is completely and accurately billed for as well as collected in a timely manner.	Yes	Report issued November 2017.
<b>Aim: Environment</b>			
HoE	<b>Procurement of Waste Collection Vehicles</b> To assess whether the: <ul style="list-style-type: none"> <li>implementation of the service changes which included the introduction of a chargeable wheeled bin garden waste service and the separate collection of garden and food waste, are consistent with the objectives of the Essex Waste Partnership Board</li> <li>procurement of the new refuse vehicles was administered fairly, without favouritism or bias, in accordance with the Council's Contract Procedure Rules.</li> </ul>	Yes	Report being finalised with officers.
<i>Implementing Action Plans</i>			
HoH&C	<b>Safeguarding Arrangements</b>	No	Deleted. No further work planned until new framework has been established.
<b>Aim: Transforming Our Community</b>			
SD,CS	<b>Building Control Redesign</b> To assess the adequacy and effectiveness of the existing arrangements, to enable the Building Control service to operate commercially and in accordance with statutory building regulations.	Yes	Report issued February 2018.

## Appendix B: Internal Audit Plan 2017/18

Who*	Council activity and focus of audit work	Fraud risk	Status as at 18th May 2018 (changes in <b>bold</b> )
SD,CS	<b>Development Control Support Team</b> To assess the adequacy and effectiveness of the Support Team's redesigned operational processes to ensure they are fully embedded into day to day working practices.	Yes	Report issued March 2018.
<i>Implementing Action Plans</i>			
CE	<b>Regeneration Partnership</b>	No	Report issued June 2018.
HoH&C	<b>Right to Buy</b>	Yes	Report issued August 2017.
<b>Aim: Efficient and Effective Customer Focused Services</b>			
SD,R	<b>Accounts Payable, Process System Design and Application</b> To assess whether new process for raising and paying purchase orders as well as posting this spend to the general ledger, has been effectively designed and is operating as designed, in practice.	Yes	Report issued February 2018.
HoE	<b>Environmental Health: Noise &amp; Nuisance and Rubbish &amp; Accumulations</b> To assess whether there are robust arrangements in place to ensure that referrals made to selected services within the Environmental Health team are dealt with effectively and appropriate use is made of statutory enforcement powers.	Yes	Report issued May 2018.
SD,R	<b>eFinancials, New Accounts Payable Functionality, Post Implementation Review</b> To assess whether the enhanced functionality within the Accounts Payable module of the eFinancials (EFIN) system, was implemented using a recognised good practice approach.	Yes	Report issued March 2018.
HoH&C	<b>Health and Safety of Housing Stock</b> To assess whether the Council is obtaining the required health and safety inspections and risk assessments of its housing stock and appropriate action is then taken to address any issues identified.	No	Interim Management Report issued November 2017.

## Appendix B: Internal Audit Plan 2017/18

Who*	Council activity and focus of audit work	Fraud risk	Status as at 18th May 2018 (changes in <i>bold</i> )
HoH&C	<b>Housing Management Business Case Review</b> To assess whether the two business cases relating to Property Management and the Housing Restructure: <ul style="list-style-type: none"> <li>align to good practice governance standards for business cases development</li> <li>contain sufficient information and analysis for management to make informed and effective decisions.</li> </ul>	No	Report issued May 2018.
HoH&C	<b>Housing Management: Procurement</b> To provide advice, support and independent challenge during the initial procurement process for contracting out the management of the housing service.	No	Deleted until a decision made about the way forward.
Var	<b>IDOX System Governance and Change Management</b> To assess whether the Council has a suitable governance framework in place for managing, planning and implementing changes to the IDOX system.	Yes	Report issued May 2018.
SD,R	<b>Income Collection</b> For a sample of non-statutory income streams, assess whether all income due is accurately raised and collected fully in accordance with the Council policies / fees and charges framework.	Yes	Report issued August 2017.
HoH&C	<b>Housing Benefits: Risk Assessment of New Claims</b> To assess whether the automated risk profiling arrangements to determine the level of verification checks required to confirm entitlement, are fit for purpose.	Yes	This work has been subsumed into the financial systems audit reported upon below.
<i>Implementing Action Plans</i>			
SD,CS	<b>Approval of Planning Applications</b>	Yes	Report issued April 2018.
HoH&C	<b>Homelessness</b>	Yes	Deleted. A new audit is planned for 2018/19.
HoH&C	<b>Licensing</b>	Yes	Deleted. A new audit is planned for 2018/19.



## Appendix B: Internal Audit Plan 2017/18

Who*	Council activity and focus of audit work	Fraud risk	Status as at 18th May 2018 (changes in <b>bold</b> )
<b>Key Financial Systems</b>			
<b>Aim: Efficient and Effective Customer Focused Services</b>			
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.			
<b>Work planned to support 2017/18 Statement of Accounts</b>			
HoH&C	<b>Business Rates</b>	Yes	Report issued May 2018.
HoH&C	<b>Council Tax</b>	Yes	Report issued May 2018.
HoH&C	<b>Housing Benefit</b>	Yes	Report issued May 2018.
HoH&C	<b>Housing Rents</b>	Yes	Report issued May 2018.
SD,R	<b>Treasury Management</b>	Yes	Report issued June 2018.
<b>Grant Claims</b>			
HoE	<b>Disabled Facilities Capital Grant Determination</b> To confirm the monies have been spent in accordance with the terms of the grant.	Yes	Completed September 2017. Unqualified
<b>Advice and Support Work</b>			
SD,R	<b>Risk Management</b> To update the Council's Risk Management Framework whilst making the arrangements proportionate for the size of the authority, and roll this out across the Council.	No	Policy and Strategy approved January 2018. Workshops delivered February / March 2018. Procedure note produced May 2018.

## Appendix B: Internal Audit Plan 2017/18

Who*	Council activity and focus of audit work	Fraud risk	Status as at 18th May 2018 (changes in <i>bold</i> )
CE / HoH&C	<b>Working with Partners, Safeguarding Arrangements, Regeneration Partnership, Licensing, Homelessness and Allocations</b>  To provide independent advice and challenge as new processes are developed or currently working practices strengthened.	No	This work continued throughout 2017/18.

- \* 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.

## Appendix C: Stakeholder Surveys, Compliance with Professional Standards

<b>1. Setting up and planning the audit (PSIAS 1200 / 2200)</b>		
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%
<b>2. Performing the audit (PSIAS 2300)</b>		
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%
<b>3. Communicating results (PSIAS 2400)</b>		
3.1	Did we keep you informed of the progress of the audit and issues arising from the work in timely manner?	69%
3.2	Did we effectively explain to you where we felt action was required to improve your arrangements and why?	94%
3.3	Was the report fair and reflective of the work done by audit and the issues found as discussed with you?	75%
<b>4. Independence and Objectivity (PSIAS 1100)</b>		
4.1	Did we provide relevant evidence to back up our findings if required?	93%
4.2	At the end of the audit, did you understand the rationale for the overall opinion given?	83%
<b>5. Improving governance, risk management and control processes (PSIAS 2100)</b>		
5.1	Did we explain how the actions you agreed to take would strengthen your operational arrangements and why that is important?	75%
<b>6. Managing the Internal Audit Activity (PSIAS 2000)</b>		
6.1	Do you think internal audit adds value to the Council?	97%

Five individuals were interviewed in 2017/18, covering 22 audit reports.

## Appendix D Summary Assessment of Compliance with UK Public Sector Internal Audit Standards 2017/18

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

**Appendix D Summary Assessment of Compliance with  
UK Public Sector Internal Audit Standards 2017/18**

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

**Appendix D Summary Assessment of Compliance with  
UK Public Sector Internal Audit Standards 2017/18**

Ref	Standard	Generally Conforms	Partial Conforms	Does Not Conforms	N/A
<b>2300</b>	<b>Performing the Engagement</b>		✓		
2310	Identifying Information		✓		
2320	Analysis and Evaluation	✓			
2330	Documenting Information	✓			
2340	Engagement Supervision	✓			
<b>2400</b>	<b>Communicating Results</b>	✓			
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	✓			
<b>2500</b>	<b>Monitoring Progress</b>	✓			
<b>2600</b>	<b>Resolution of Senior Management s Acceptance of Risks</b>	✓			
	<b>TOTAL OUT OF 64</b>	<b>53</b>	<b>10</b>	<b>0</b>	<b>1</b>

## Appendix E: Compliance with UK Public Sector Internal Audit Standards Action Plan as at 18th May 2018

Action required	Current status	Date
<b>Attribute Standards</b>		
<b>1100 Independence and Objectivity</b>		
<b><i>1111 Direct Interaction with the Board</i></b>		
Re-establish annual Audit Committee performance assessments in line with good practice.	New good practice guidance was published in May 2018. An assessment of compliance with it will be produced in conjunction with the Head of Housing and Communities.	HoIA, 31 Dec 2018
<b>1200 Proficiency and Due Professional Care</b>		
<b><i>1230 Continuing Professional Development</i></b>		
Continue with the recruitment programme for professional audit staff during 2017/18.	<p>No further recruitment was undertaken in 2017/18.</p> <p>In April 2018, an:</p> <ul style="list-style-type: none"> <li>experienced Senior Auditor on the team was promoted to Audit Manager</li> <li>exercise is underway to explore the possibility of seconding a current Southend Borough Council employee who wants to retrain, into an auditor post, if someone can demonstrate the key competencies required.</li> </ul>	Implemented
Create and then recruit to the Business Support function that will support both the Internal Audit and Counter Fraud & Investigation Directorate.	<p>The Business Support Team is in the process of taking over the relevant functions from the two teams.</p> <p>The capacity of the team to deliver the increased workload will be monitored over the summer.</p>	HoIA, Dec 2018

## Appendix E: Compliance with UK Public Sector Internal Audit Standards Action Plan as at 18th May 2018

Action required	Current status	Date
<b>1300 Quality Assurance and Improvement Programme</b>		
Re-introduce cold file reviews when more fully staffed and include a sample of contractor files.	This has now been built into the Audit Strategy presented to Audit Committee in March 2018 and will be implemented as soon as is practical.	To be determined
<b>1311 Internal Assessments</b>		
Reinstate a full set off performance indicators once the team is more fully resourced with in-house staff.	This has now been built into the Audit Strategy presented to Audit Committee in March 2018 and will be implemented as soon as is practical.	To be determined
<b>Performance Standards</b>		
<b>2000 Managing the Internal Audit Activity</b>		
<b>2010 Planning</b>		
Summarise the activities considered significant enough to warrant periodic, independent challenge by internal audit.  Present the list periodically to senior management and the Audit Committee as part of the audit planning process.	This will form part of the papers presented to support the 2019/20 Audit Plan.	HoIA, Mar 2019
Consider how to split out time allocated to a review on: <ul style="list-style-type: none"> <li>pure audit work</li> <li>advice and support.</li> </ul>	This is still work in progress. It will take longer than anticipated to complete due to the changes in the senior management team between Jan and May 2018.	AMs, 31 Dec 2018



## Appendix E: Compliance with UK Public Sector Internal Audit Standards Action Plan as at 18th May 2018

Action required	Current status	Date
<b>2040 Policies and Procedures</b>		
<p>Refresh the Audit Manual and supporting forms to reflect:</p> <ul style="list-style-type: none"> <li>updates in the Standards</li> <li>current working practices</li> <li>any issues arising from the independent external assessment.</li> </ul>	<p>Most of this work is still in progress. It will take longer than anticipated to complete due to the changes in the senior management team between Jan and May 2018.</p> <p>However, work is underway to update the Audit Manual to ensure the audit approach will be compliant with the General Data Protection Regulations (GDPR) from May 2018.</p>	AMs, 31 Dec 2018
<b>2050 Co-ordination and Reliance</b>		
<p>At all clients, further develop the "other assurance" element of the audit risk assessments particularly with regard to corporate business management processes, as part of the 2018/19 audit planning round.</p>	<p>This work has commenced as part of the Audit Planning process. This will be developed throughout the year as audit work is completed.</p>	AMs, 31 Dec 2018
<p>Request that the Good Governance Group (GGG):</p> <ul style="list-style-type: none"> <li>makes this a work stream using all the intelligence it currently has</li> <li>reconsiders the practicalities of building "assurance" into the risk management process as part of the update of the framework currently being undertaken.</li> </ul>	<p>Work with the GGG to integrate all its intelligence into the audit risk assessment in time for producing the 2019/10 Audit Plan.</p>	HoIA 31 Dec 2018

## Appendix E: Compliance with UK Public Sector Internal Audit Standards Action Plan as at 18th May 2018

Action required	Current status	Date
<b>2100 Nature of Work</b>		
<b>2110 Governance</b>		
Assess whether an ethical governance audit should be included in 2018/19 Audit Plan.	The Head of Internal Audit and the Head of Housing and Communities are undertaking a piece of work during 2018/19 to set out the Council's ethical governance framework.  It was decided not to include such a review until this document is in place.	AMs, Risk assess for 2019/20
	Co-ordinate this with any work done by the Counter Fraud & Investigation Directorate to assess the adequacy of the Council's counter fraud, corruption and bribery governance framework.	HoIA, 31 Dec 2018
<b>2200 Engagement Planning</b>		
<b>2210 Engagement Objectives</b>		
Make sure that the audit approach makes the links to performance management as part of the planning process.	This is still work in progress. It will take longer than anticipated to complete due to the changes in the senior management team between Jan and May 2018.  <i>(Also see Standard 2040 about Policies and Procedures)</i>	AMs, 31 Dec 2018

## Appendix E: Compliance with UK Public Sector Internal Audit Standards Action Plan as at 18th May 2018

Action required	Current status	Date
<b>2300 Performing the Engagement</b>		
<b>2330 Documenting Information</b>		
Set up a project to check all files and destroy whatever is necessary to comply with the Retention Policy.	<p>This project is well underway with document disposal and retention work being undertaken on all client files.</p> <p>Disposal of paper files is complete and the review of electronic files is approximately 50% complete.</p> <p>A Disposal and Retention Log is in use, which also serves as the service's Information Asset Register.</p>	BSM, 30 Sept 2018
<b>2400 Communicating Results</b>		
<b>2410 Criteria for Communicating</b>		
<p>Include an instruction in the operational protocol that meetings should always be held to:</p> <ul style="list-style-type: none"> <li>• feedback findings at the conclusion of fieldwork</li> <li>• discuss the draft report.</li> </ul>	<p>Operational protocol documents for in house staff (Audit Management Checklist) and the "Ways of Working" document with contractors are clear about discussing draft reports with clients.</p> <p>Both documents need to be amended to clarify expectations that:</p> <ul style="list-style-type: none"> <li>• findings will be fed back during the audit, so there are no surprises</li> <li>• all auditors will have a final feedback meeting on conclusion of the fieldwork.</li> </ul>	AMs, 31 Oct 2018

Reassess the reporting templates as part of updating the Audit Manual, to see how underlying issues with the Council's governance	This is still work in progress. It will take longer than anticipated to complete due to the changes in the senior	AMs, 31 Dec
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## Appendix E: Compliance with UK Public Sector Internal Audit Standards Action Plan as at 18th May 2018

Action required	Current status	Date
arrangements could be highlighted.	management team between Jan and Mar 2018.	2018
<b>2420 Quality of Communications</b>		
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.	<p>Work outstanding is to:</p> <ul style="list-style-type: none"> <li>• amend the Planning, Fieldwork and Reporting sections of the Audit Management Checklist for in house staff</li> <li>• added this to the “Ways of Working” document with contractors.</li> </ul> <p><i>(Also see Standard 2030 About Resource Management regarding monitoring delivery of work which also contributes to this action).</i></p>	AMs, 31 Oct 2018
Reinstate target for issuing draft reports once the team is more fully resourced.	This has now been built into the Audit Strategy presented to Audit Committee in March 2018 and will be implemented as soon as is practical.	To be determined
Complete the project on upgrading / refreshing how we use APACE, our time recording / performance management data base.	<p>This work is in progress.</p> <p>The Business Support Manager is liaising with the team and the software supplier about the list of improvements and changes required to the database’s functionality.</p>	BSM, Sept 2018
Use APACE effectively to timetable the delivery of audits and monitor progress against both budgets and timelines.	APACE, in conjunction with the Internal Audit Resource Schedule, is now being used to:	BSM, 30 Sept 2018

## Appendix E: Compliance with UK Public Sector Internal Audit Standards Action Plan as at 18th May 2018

Action required	Current status	Date
	<ul style="list-style-type: none"> <li>• allocate, phase and cost audits</li> <li>• allow the Business Support Team to monitor the delivery of audits against both the Audit Plan and the financial profile.</li> </ul> <p>Reports on job budget monitoring are being provided to the Audit Manager on a weekly basis.</p> <p>Opportunities to do this more effectively are being considered in the projected noted above.</p>	
<p>Include a requirement in the Audit Manual about:</p> <ul style="list-style-type: none"> <li>• issuing the guidance to and discussing it with clients within the draft terms of reference</li> <li>• attaching it as an appendix to the report.</li> </ul>	This is still work in progress. It will take longer than anticipated to complete due to the changes in the senior management team between Jan and Mar 2018.	AMs, 31 Dec 2018
<b>2431 Engagement Disclosure of Non- Conformance</b>		
Consider updating the Audit Manual with a small section covering this particular situation and referencing PS2431.	This is still work in progress. It will take longer than anticipated to complete due to the changes in the senior management team between Jan and Mar 2018.	AMs, 31 Dec 2018
<b>2500 Monitoring Progress</b>		
Introduce the process for management to provide the Audit Committee with this assurance for reports with high and satisfactory audit opinions.	The Business Support Team is currently working on this project with Council officers.	BSM, 30 Sept 2018
Finalise the arrangements for reporting to Audit Committee on management sign off of action plans for audit reports with high or satisfactory opinions.	The Business Support Team is currently working on this project with Council officers.	BSM, 30 Sept 2018
Design the content and format of a report to go to Audit Committee, for each client that shows the progress made by services in addressing agreed actions, for each live audit report.	The Business Support Team is currently working on this project with Council officers.	BSM, 30 Sept 2018

## Appendix E: Compliance with UK Public Sector Internal Audit Standards Action Plan as at 18th May 2018

Action required	Current status	Date
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Key:

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

**Committee:** **AUDIT COMMITTEE**

**Sub-Committee:**

**Date:** **26<sup>th</sup> July 2018**

**Subject:** **Annual Governance Statement 2017/18**

**Report of the:** **Head of Housing and Communities**

**Report author:** **Craig Watts**

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## **1 Purpose of Report**

To present the Annual Governance Statement for 2017/18 to the Committee.

## **2 Background**

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

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

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

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

## **3 Legal implications**

Accounts and Audit Regulations 2015 section 6 states that:

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

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

(b) prepare an annual governance statement;

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

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

(i) by a committee; or

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

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

(i) a committee; or

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

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

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

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

#### **4. Report**

The Annual Governance Statement is attached as Appendix 1.

#### **5. Financial implications**

None

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

None.

#### **7. Links to Council's priorities and objectives**

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

#### **8 Timescale for implementation and risk factors**

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

#### **Recommendations:**

The Committee adopts the Annual Governance Statement 2017/18 and subject to any further amendments from external audit recommends its adoption to Council.

#### **Resolution required.**

#### **Background Papers:**

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



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

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

**Appendix:**

- **Appendix 1: Governance Statement 2017/18**

# 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](http://www.castlepoint.gov.uk) or can be obtained from the Head of Housing and Communities by e-mail [crwatts@castlepoint.gov.uk](mailto: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 2018 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

## ANNUAL GOVERNANCE STATEMENT

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

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

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

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

The process also includes a governance group of officers responsible for the implementation and monitoring of key governance processes. The group provided a challenge of the operation of the processes and individual assessments of core governance processes for which they were responsible 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	Satisfactory
Financial Reporting including Budgetary Management	High
Asset management	Satisfactory
Risk Management	Satisfactory
Fraud & Corruption	Satisfactory
Health & Safety	Satisfactory
Business Continuity	Satisfactory
Performance Management	High
Data Quality	Satisfactory
Information Management Security	Satisfactory
Procurement	High
Project Management	Satisfactory
Complaints	Satisfactory
Ethical Governance	Satisfactory
Workforce Management	High

## ANNUAL GOVERNANCE STATEMENT

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.

During the year the Council was subject to a [peer challenge](#) by an externally appointed group of senior officers and a member and their report was published in March 2018. A number of the findings are relevant to the governance arrangements and are incorporated into this Annual Governance Statement.

### 3 REVIEW OF EFFECTIVENESS

#### Reviewing the effectiveness of the framework

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

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

During the review of the operation of the framework for 2017/18, the governance group found that in several areas whilst the core corporate processes were in place, the application of those processes was not always consistent. This is set out in more detail for specific processes in the following sections.

#### **CIPFA Key Principle 1:**

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

The Council has an established set of organisational values which underpin the approach to engaging with staff and the community. These can be found on page 5 of the Council's Corporate Plan which is available on the following web link, along with a variety of other strategies and plans as well as the Council Constitution: <https://www.castlepoint.gov.uk/council-strategies-and-policies>

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

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

Arrangements to investigate breaches of proper standards of conduct include a staff handbook which outlines expected codes of conduct and procedures for dealing with breaches e.g. disciplinary procedures for staff. The Constitution also includes the requirement for the Council to appoint a Review Committee which has a role 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

## ANNUAL GOVERNANCE STATEMENT

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. However in undertaking corporate assurance assessments in April this year, the governance group found that there remains a further opportunity to clarify the criteria and approach to satisfactorily assess the corporate assurance arrangements for ethical governance. It was considered that the criteria was cross cutting and could be applied individually in separate assurance processes. For example procurement. Consequently the assurance process will be subject to further revision to ensure a wider cross cutting consideration of ethical arrangements is considered in all other corporate assurance processes.

The Council communicates its [complaints policies](#) and [whistle blowing procedures](#), and ensures all stakeholders have access through the Internet. However whilst the core corporate processes are in place, it is not clear that they are fully implemented in all service areas and the monitoring of complaints does not appear consistent for all services. This issue has been the subject of a review by the Operational Management team that has resulted in some changes to the complaints procedure, which has included the deletion of informal complaints and to require the monitoring of all complaints received at stage 1. Operational Management Team have subsequently established a working group which is looking to clarify lead officers for managing and inputting data into the database.

The approach to Anti-Fraud & Corruption, Whistle Blowing, and Anti-Money Laundering has been further developed. The original Service Level Agreement with Thurrock Council for providing Counter Fraud and Investigation services ended in July 2017. This was extended by mutual agreement of both councils, until the end of June 2018. The intention is to sign a further Collaborative Working Agreement with Thurrock Council, following a fundamental review of the service specification including performance targets, for the service. A programme of work was in place during the year and progress in delivering the programme is presented to EMT and Audit Committee. In March 2018 a total of **£208,200** of fraud had been detected during 2017/18, with **£33,000** being recovered. In addition two Right to Buy applications had been stopped allowing two social housing properties to remain within the housing stock, saving the Council £157,200.

### **CIPFA Key Principle 2**

#### **Ensure Openness and Comprehensive Stakeholder Engagement.**

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. In addition the Council worked with Canvey Town Council through various joint Member Working Groups including Canvey Town Centre Member Group and West Canvey Marshes Member Group. Canvey Town Council was also part of a Working Group which was successful in obtaining £10,000 from the Coastal Communities Fund to improve Canvey Island sea front.

During the year the Council undertook public consultation on its corporate plan which included satisfaction levels for a range of services as well as on priorities for improvement. The results of the consultation were discussed and agreed by the Policy and Scrutiny Committee in the autumn of 2017 and helped to clarify the Council's priorities and objectives for the future. The results of the consultation are detailed in the corporate plan. When the results were considered by the Committee, some concerns were raised regarding the comparatively low response rate, which numbered approximately 350, although it was recognised that to increase the response rate would require considerably more resources. Furthermore the consultation was subsidised by Place Survey results commissioned by Essex County Council which gives a statistically reliable return. The results of the consultation process demonstrated that Environment and Community Safety issues continued to be a priority for residents and that perceptions of value for money, satisfaction with how the Council

## ANNUAL GOVERNANCE STATEMENT

runs things, and satisfaction with influencing decisions in the local area were in some cases significantly below the Essex average. Conversely, there are some strong service satisfaction including overall satisfaction with Council Services. Consultation on the corporate plan included with partner organisations, councillors and staff as well as residents and is due to be considered at full Council in July 2018.

The peer challenge report found that communication could be improved further by the Council. It highlighted further opportunities to utilise new media to add real value in projecting services and staff in the best light. It also set out the importance of creating an alternative narrative around the potential that development can offer to access green space. Consequently officers are looking to improve the approach to communication and progress will be monitored.

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

The Council also has a consultation toolkit and although it is a number of years old the key principles and good practice requirements do 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 and partnership framework, but the peer challenge report found partnership work to be a strength. It notes that: "Partners really welcome and value CPBCs contribution to joint-working at delivery level. They highlighted and are very supportive of a range of beneficial and positive collaborations."

### **CIPFA Core Principle 3:**

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

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

The Peer Challenge report considered that further work is require to clarify what is distinctive about Castle Point as a place. Consequently further work is required to progress a clearer vision for Castle Point and longer term ambitions as part of the further development of the corporate plan this year which will take into account the wider strategic development of the South Essex Area through the Essex 2050 partnership.

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

The Council is committed to working in partnership with all other South Essex authorities to develop the South Essex 2050 partnership with ambitions that will include Regeneration, Economic Infrastructure, Transport, Housing and Quality of Life. A Memorandum of Understanding is in place. Significant further work needs to be undertaken to define the expected outcomes in terms of sustainable, economic, social and environmental benefits. The Peer Challenge review recommends that the Council must continue to commit fully to South Essex Vision 2050 as a ground breaking initiative to develop the vision and ambitions for the area as well as Castle Point. Progress will be monitored.

### **CIPFA Core Principle 4**

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

It must be recognised that the Council was identified for investigation by central government due to lack of progress with the development of its Local Plan. Consequently a timetable has been developed to deliver a new Local Plan by June 2019, which will be overseen by the Housing and Communities and Local Government Department to ensure progress is achieved. It is essential that progress is maintained to ensure the successful completion of the plan and this is a key risk as it will inevitably require the development of some land currently designated as green belt, which will be politically contentious. Close monitoring of progress will be maintained and will be reported as part of the quarterly monitoring to the Audit Committee.

The Council utilises effective project management and review work to achieve outcomes that benefit both the Council and for residents. For example, the Council has successfully completed an extension of the Runnymede Pool leisure facility to create a gym which will see additional benefits to the community through healthy living and exercise, as well as provide increased revenue to the Council from charges raised for gym membership. Furthermore the Council completed the construction of two fully disabled accessible homes in Lawns Court sheltered housing facility which provides new social housing to elderly people.

Like all other Councils the Council faces significant financial challenges and needs to reduce net operational spend over the coming years. This will be achieved through the combination of a variety of approaches including service reviews, maximising the use of estate and assets, utilising new technology to transform working practices and procedures, procurement, and exploring ways of securing greater income. The Council is developing its approach through its commercialisation strategy and this is likely to have a wide ranging impact across all services. As such it is a risk issue that requires careful monitoring.

The Council has established project management arrangements with a process based on PRINCE2 principles. This has been used to undertake significant projects and procurements. 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. It is considered by the governance group that the current project management methodology and guidance is too complicated and needs simplifying in order to enhance understanding and increase compliance with its requirements. Consequently a review of the project management arrangements is planned.

The approach to business continuity 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.



## ANNUAL GOVERNANCE STATEMENT

The Council has a service planning process and associated guidance. A review of the manager's assurance statements demonstrated that most services assessed themselves to be satisfactory or high compliance. Service planning requires the consideration of customer and user feedback as appropriate and some services undertook customer satisfaction surveys and used feedback to identify issues. For example, estate improvements have been undertaken at Middleburg, St Guiberts, Church Parade and Wrackall Court as well as car park resurfacing in some areas following feedback from customers. The Housing Service also produces a tenant's newsletter to obtain feedback on policy development issues such as a pet's policy. 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.

### **CIPFA Core Principle 5**

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

The Peer Challenge report recognises strong officer leadership and states: "CPBC is led by strong senior managerial leadership. This is recognised by many, including senior influential figures from external partners, who see the Council as a professional and well respected organisation". The report also notes that "Positive officer and member relationships have also been identified as a key factor for past success". The report also recognises good practice in the delivery of formal and mandatory Development Control (DC) Committee training as part of the 30 minute briefings before each DC meeting. However, it is also considered that more is required with regular briefings on key issues and the developing vision for the area as well as issues of importance for members to allow them to ask questions. Consequently the Council is reviewing its training programme for members and progress will be monitored.

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 corporate plan, review of garden waste and briefing on the seafront and concord beach for Scrutiny.

Working relationships between officers and members are constructive in a number of aspects but are not fully effective. This is ultimately illustrated in the decision to submit a Local Plan that was subsequently found by an independent planning inspector to have not met the legal requirement, duty to co-operate and the subsequent decision for government intervention. Nevertheless there are also examples of effective joint working such as the decision to develop a site in Hatley Gardens for a House in Multiple Occupation for homeless people. The Council also recognises that there are further challenges with the need to locate significant financial savings in the near future.

The Council uses partnership working to good effect to increase its capacity. The Council maintains its commitment to the Local Strategic Partnership with Rochford District Council, and operates partnership working with the Thames Gateway Partnership and the Regeneration Partnership, as well as statutory partnerships such as with the Health and Wellbeing Board. As a result there are a number of operational small projects which have resulted in outcomes for residents and improved staff understanding. Examples range from community safety initiatives such as extremist ideology training provided by the Community Safety Partnership for front line professionals to a Six week cook for life workshops and healthy and economic cooking for older people in our sheltered housing blocks.

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

- £90k of funding from various organisations for partnership and community safety initiatives (2017/18).
- Flexible support funding from the DWP for various programmers such as helping get people back to work, totaling £105k (2017/18 and 2018/19)
- A share of £870k of planning joint working fund jointly awarded to south Essex local authorities (2017/18 and 2018/19).



## ANNUAL GOVERNANCE STATEMENT

- Coastal Communities funding of £10k for community development projects (2016/17).
- A successful “Interreg” bid for European funding – “GoTrade” - for support for existing and new town centre markets in Canvey and Hadleigh Town Centres. Castle Point stands to benefit from around €165,000 of “Interreg” funding in total over 3.5 years (late 2017/18 onwards).

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

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

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

The Constitution sets out the responsibilities for Scrutiny Committee, Policy and Scrutiny Committees and the Audit Committee. The Audit Committee’s role includes an overview of the governance arrangements and received quarterly monitoring reports on its effectiveness. In addition the committee 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.

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

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

### **CIPFA Core Principle 6**

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

Core performance management arrangements are in place and this includes the operation of an Access database to produce performance information for all services, with reports produced every quarter and reviewed by EMT. There is some variance in the completion of performance information and in the robustness of target setting. Whilst the core corporate processes are in place the application is not always consistent, although there is an improvement when compared to the

## ANNUAL GOVERNANCE STATEMENT

previous year. Further work is required for some specific service areas and Heads of Service / Corporate Directors will undertake this during the year.

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

The financial forecast going forward indicates a fully balanced budget for 2018/19, although this is not the case for 2019/20 and beyond. As a result, significant ongoing efficiencies and cost savings need to be identified for those years to reduce funding gaps of around £700k in 2019/20, £800k in 2020/21 and £1.3m in 2021/22. Efficiencies identified during the course of 2018/19 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 2023/24. In this context the Council has continued to undertake efficiency review work during 2017/18 and this generated ongoing savings of approximately £800k for 2018/19. Progress in the securing of cashable savings will be monitored.

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

### ROLE OF THE CHIEF FINANCIAL OFFICER

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

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

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

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

## ANNUAL GOVERNANCE STATEMENT

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 Scrutiny Committees worked in the development of the Council's corporate plan, and review of the garden waste scheme. However, there are a number of issues to resolve in respect of the Scrutiny function, and this is noted in the Peer Challenge report, which states:

"The scrutiny function is not well-developed or clearly set out in the Council's calendar of meetings. Scrutiny is an opportunity for front line councillors to question and hear from senior political and managerial leaders, as well as partners, about the Council's plans and journey towards achieving its vision. Scrutiny needs play a much earlier, more proactive and forward-looking role to enable all members to contribute to policy development prior to cabinet decisions."

Consequently further work is required to strengthen the role of the Scrutiny function.

The corporate risk register was monitored during the year by Executive Management Team and has been updated by Heads of Service. It has also been reported to the Audit Committee. Risks and health and safety issues were also discussed at directorate meetings during the year. Following the results of an earlier Internal Audit report on risk management work was also progressed to refresh the risk management strategy which was agreed by Audit Committee. Workshops with managers were also undertaken 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.

During the year the corporate health and safety lead undertook an exercise to ensure risk assessments that were completed were robust. However, he identified that a number of services had incomplete risk assessments and subsequently a lack of sufficient controls in place in certain areas. Work is being undertaken with service managers to ensure there is general compliance and progress will be monitored.

### **CIPFA Core Principle 7:**

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

The processes for Information Governance are in place and guidance has been incorporated into the 'How it Works' document. Arrangements are led by the Head of Law and include a number of policies ranging from a clear desk policy and document retention policy to guidance on privacy of data and when data is clearly public. Information asset registers are also in place for some services. Managers are also required to follow the data security breach management procedure in the event of a data breach. The Head of Law has led a corporate project to implement the requirements of the General Data Protection Regulations which came into force in May 2018. Progress has been good, although further monitoring is required to ensure full compliance.

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 are designed in some areas to ensure data quality requirements are considered, for example, the operation of a detailed performance management framework in the Housing Services, and systems for revenues and benefits and planning. There is

## ANNUAL GOVERNANCE STATEMENT

a risk of variations in the implementation of the approach as there are different systems for a variety of services. In addition, there remains issues for complaints information which is subject to further work.

The Council has adopted a set of value for money indicators as part of its value for money strategy, and some analysis reveals the following: The total net expenditure per head of population on Council services decreased from £371.05 in 2015/16 to £356.20 in 2016/17. The average for all district Councils in 2016/17 was £382.47.

Costs have increased in some service areas, particularly for General Fund Housing costs, the bulk of which relate to homelessness. In 2015/16 the cost was £19.33 per head, in 2016/17 it was £23.40 per head, which is a 21% increase on 2015/16. The district average for 2016/17 was £14.82. However, the indicator looks at gross expenditure, and the increase on net expenditure after income would be around £1. It is important to note that there have been significant cost pressures on the homelessness service for some time. For example, in 2010 /11 the Number of households unintentionally homeless and in priority need was 37 which increased to 93 in 2016/17. Similarly the number of homeless households in accommodation arranged by the local authority was 61 in 2010/11 rising to 124 in 2016/17. Also there is a private sector rental market with high demand and prices. Further work is planned to help prevent homelessness and to develop Council owned short term temporary accommodation.

Income from sales, fees and charges as a percentage of total spend slightly decreased from 19.5% in 2015/16 to 18.4% in 2016/17, however the overall trend is still an increase over recent years – in 2012/13 the indicator was 12.1%. There is a wide variation in levels of charging between district councils with the same responsibilities, and the Council is still below the average of all district councils, which was 22.9% in 2016/17.

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

### Internal Audit

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

“The Council continues to maintain satisfactory and effective risk management, control and governance arrangements.

Reliance continues to be placed on the Council's risk management arrangements. Workshops were held during 2017/18, to further embed the refreshed procedures into day to day operational practices.

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

- corporate business management processes remain generally well designed and in some areas, work is underway to update or strengthen them further

## ANNUAL GOVERNANCE STATEMENT

- there is inconsistency in terms of application, across some services which still need to be addressed.

However, as of 3rd January 2018, responsibility for some services that were previously part of Regeneration and Neighbourhoods Department, were transferred to Housing & Communities. Plans are now in place to address concerns raised last year about the adequacy of design and the effectiveness of operation with regard to these services only.”

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

### Audit Committee

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

### External Audit

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

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

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

1. Continue to commit fully to South Essex Vision 2050 as a groundbreaking initiative. This is the agreed way ahead for CPBC and its South Essex council partners, all of which have committed to and are progressing this work.
2. Develop your vision for Castle Point as a place through your emerging corporate plan as well as within the South Essex Vision 2050. Whilst the latter is your foremost priority, your draft corporate plan provides a more in-depth opportunity to set the council’s business model and communicate its identity and make the most of the Council’s unique assets for your residents.
3. Continue to use your strong political leadership and engagement in the next phases of South Essex Vision 2050. Political leaders need the authority and confidence to make decisions with your partners in the meetings ahead.
4. Build your strategic approach internally. Use the skills of staff including those showing great promise within CPBC to harness and drive change in areas including: housing, communications, ICT, commercialisation and regeneration.

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

## ANNUAL GOVERNANCE STATEMENT

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

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

Number	Issues	Action 2017/18	Date	Responsible officer	Progress
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	Achieved. Corporate Plan considered at full Council.
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	Ongoing – budget for 2018/19 balanced.
3.	Clarify strategic approach to partnership working.	Develop a Partnership Framework and associated Strategy.	March 2018	Strategic Director for Governance and Monitoring Officer	Not achieved as Essex 2050 partnership still evolving.
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	Achieved.
5.	Complaints not consistently monitored in corporate database.	Update complaints policy and procedure and implement new arrangements.	September 2017	Head of Housing and Communities / Head of Governance All Heads of Service	Partially Achieved. Policy updated but new arrangements require further work to embed.

## ANNUAL GOVERNANCE STATEMENT

### Significant governance issues

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

Number	Issues	Action 2018/19	Date of implementation	Responsible officer
1.	Need to ensure the Local Plan is progressed and agreed by June 2019.	Programme in place and subject to intervention to ensure timescales are met.	June 2019	Chief Executive
2.	Need to ensure sufficient savings and revenue is identified so that there is no budget gap in 2019/20 and in future years.	Develop and implement Commercial Council Strategy.	March 2019	Strategic Director for Resources
3.	Clarify strategic approach to partnership working.	Develop a Partnership Framework and associated Strategy.	March 2019	Head of Housing and Communities
4.	Complaints not consistently monitored in corporate database.	Implement new arrangements and ensure responsibilities for monitoring is clear.	March 2019	Head of Governance All Heads of Service
5.	Develop a more effective Scrutiny Function	Develop and agree a programme of scrutiny work for 2018/19	June 2018	Head of Governance

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 Norman Smith  
Leader of the Council  
30 June 2018

David Marchant  
Chief Executive  
30 June 2018

**AUDIT COMMITTEE**

**26<sup>th</sup> July 2018**

**Subject: Counter Fraud & Investigation Directorate: Q1 Performance  
Report and Counter Fraud Strategy 2018**

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**1. Purpose of Report**

To update the Audit Committee on the progress made by the Counter Fraud & investigation Directorate (CFID) in delivering the Counter Fraud Strategy and work programme for 2018/19.

This report provides a detailed update to the Committee on the improved counter-fraud measures for the Council and how it is reducing fraud under the council's anti-fraud strategy.

**2. Introduction & Background**

The Counter Fraud & Investigation Directorate (CFID) is responsible for the prevention, detection and deterrence of all instances of alleged economic crime affecting the authority including: allegations of fraud, theft, corruption, bribery and money laundering.

CFID has developed working arrangements with other agencies to further the Council's counter-fraud culture providing support to those bodies where necessary.

CFID's success has grown and has been recognised nationally as a leading local authority fraud service and as a model for the approach to tackling fraud and corruption.

This report outlines the work undertaken by CFID in Castle Point and across other partners in 2017-18 and the work plan for Castle Point in 2018-19.

**3. Recommendation**

**The Audit Committee notes the performance of the Counter Fraud & Investigation Directorate over 2017-18 and the work plan going forward for 2018-19.**

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**4. Performance**

CFID made good progress in delivering the 2017/18 counter fraud work plan over the last year.

- 15 reports of fraud were received in this period
- 4 of those cases have been closed as no fraud
- 8 sanctions have been delivered in cases of proven fraud



- 10 investigations are currently being conducted (not all closed in year received)
- The value of detected fraud was £263,400

CFID also delivered 6 days of pro-active work within 2017/18, this included a review of NNDR liabilities. Over 50 properties were visited by CFID officers and 22 further detailed reviews conducted.

From these reviews it was initially thought that up to eleven properties were potentially committing fraud against the NNDR regime, although further investigations found issues with the recording of information within the council.

This issue was rectified and the properties in question now have fully complete NNDR records and correct liabilities are being charged.

One case where fraud was identified resulted in disruption action by CFID where the offending business immediately vacated the property up on intervention from CFID. This safeguarded future loss from occurring and allowed the property to be brought into the NNDR regime.

During 2017/18 a number of cases of fraud were identified and have since been processed to the legal stage. Criminal prosecution files have been drafted and we are awaiting court dates. Once these cases are finalised in court details will be feedback to this committee.

CFID also anticipate that it will publicise the outcomes are a deterrent factor if agreed and deemed appropriate by the council's senior management team.

Details of the full performance of CFID, across all partners, is contained in the 2017/18 annual report shown at **Appendix 1**.

## 5. **Work Plan for 2018/19**

CFID has a programme of proactive work to ensure the council's posture against fraud is robust and effective. **Appendix 2** sets out the plan to deliver the proactive work programme over the coming year.

The work programme is a working document and if during the year changes or additions to the plan are proposed between the CFID and the Section 151 Officer these will be brought back to the Committee.

CFID has also agreed with the housing service that all applications for the Right to Buy council properties from the council will be referred to CFID for review. This has already started and four applications have been reviewed by CFID.

This process is replicating the service that CFID already provide across other partners and one that is widespread within local authorities and housing providers. It is anticipated that the CFID review will reduce fraud in the right to buy service.

During 2017/18, as detailed in appendix 1, CFID stopped two suspected fraudulent right to buy applications. The value of the discount alone in these

cases would have been more than £140,000 and caused a loss to the council of future rental income had they been allowed to proceed.

## **6. National Counter Fraud**

CFID are working with a number of national bodies to champion and raise the profile of fraud, sharing knowledge and working best practice between partner agencies. The acknowledgment of fraud by the public sector remains a common challenge with continual work being done to publicise successful outcomes. CFID continues to support other local councils and government bodies providing specialist capabilities, particularly in the emerging cybercrime and digital space.

CFID is an Executive Board member of the National Anti-Fraud Network (NAFN.gov Data & Intelligence). NAFN is a national body funded in-part by the Home Office that develops and shares intelligence across local councils and central government. CFID developed a national paper to enhance the work of NAFN to increase its leadership role for the sector. CFID's strategy sought to increase the recognition and professionalisation by councils in the areas of Digital Forensics, Cyber-Crime, Criminal Finances and Fraud Awareness.

CFID continues to provide support to HM Government Cabinet Office in the development of the national Counter Fraud Profession for all law enforcement agencies. This programme of developing the 'profession' is in recognition that:

- fraud is the most prevalent crime in the UK
- fraud in the public sector is under-reported
- the historical approach to deal with fraud through disciplinary activity alone is no longer acceptable
- the capabilities in cyber and digital have not developed quick enough
- the public sector needs to share its practice and intelligence to protect the public purse.

CFID are now co-writing the standards using its experience having direct input into the development and rollout across law enforcement and wider public sector.

CFID is an Executive Board member of the National Tenancy Fraud Forum (NTFF). NTFF is the lead body for housing tenancy fraud across local councils and registered providers nationally.

CFID is unique in that it is the only body that is a member of all of the above three functions (NAFN, Cabinet Office, NTFF) in the counter fraud sector to ensure that CFID is at the forefront of changes and development.

## **7. MHCLG Counter Fraud Fund Project**

CFID is working with the Ministry for Housing, Communities and Local Government (MHCLG) and CIPFA to produce a detailed report on the effectiveness of the 2014-16 counter fraud fund grant project in England & Wales.

CFID's model of tackling fraud has been identified as a best practice approach recognising its development of national capabilities. These specialist function were never previously available to local councils nor the public sector as a

whole particularly in the horizon scanning in cyber-crime, supply chain fraud & corruption.

## **8. Multi Agency Collaborations**

CFID's capability in cyber-crime and digital forensics was identified by policing as being an opportunity to co-locate and share capacity and resources where there are obvious, or regular, cross over in criminals targeting local councils and others generally.

Working with Police forces CFID's work has led to the investigation of over 200 cases of online child abuse, resulting in the successful safeguarding of 45 children and over 60 convictions.

CFID is working with national police agencies to share its experiences and skill to ensure the capabilities are accessible for the whole of law enforcement.

## **9. Fraud Loss Assessment**

The Fighting Fraud & Corruption Locally strategy was published in 2016 and provided a snapshot of the crime risks faced by local councils. The strategy could only take account of information known at the time it was published and has not been updated since. To ensure that CFID had a live understanding on the threats faced by the council and its partners a significant amount of time was invested in research and analysis.

CFID's intelligence bureau used all the national intelligence and published reports and strategies to relate the fraud risks to Castle Point Borough Council. This work has provided knowledge of the current threats and impact on frontline services, both locally and on the national spectrum.

Various data sources have been used by CFID including information from:

- Counter Fraud Centre at the University of Portsmouth
- Annual Fraud Indicator published by Crowe Clark & Whitehall
- Home Office Serious & Organised Crime Strategy
- Home Office working group on 'Costs of Cyber Crime'
- National Cyber Security Centre cyber assessments
- National Audit Office Cross Government Annual Fraud Landscape Report

This research now puts the annual loss figure to local councils from fraud at £12.9bn, a significant increase from the reported £2.1bn in 2013 and 2016.

CFID has collated all the published tools and information from the leading government sources and used the information from internal fraud risk assessment process to devise an annual fraud impact assessment, this is at **Appendix 3.**

The '4P's' strategy has been adopted to outline the areas where CFID will target its resources, similar to the national CONTEST terrorism strategy. This approach mirrors the soon to be published fraud strategy for policing to ensure easy interoperability and cohesion.

## **10. Corporate Implications**

### **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.

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.

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

### **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.

### **Human Resources and Equality 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.

### **Risk Assessment**

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

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

A closer working relationship is being sort with the internal audit team to ensure that any overlapping areas of concern can be detected early and corroborative working can be utilised. To assist with this, CFID will produce monthly reports

to the Head of audit detailing the investigations of CFID and the appropriate risk area.

It is also the hope of the CFID that a return in monthly reporting will be completed by the internal audit team, identifying the current audits taking place and if any concerns are being identified. This will capture early warnings of risk to the authority and allow officers from the CFID to assess if intervention is required in specific circumstances where criminality may be present.

**11. Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- 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.

**12. Appendices to the report**

Appendix 1 – CFID 2017/18 Annual Report

Appendix 2 – Work Plan

Appendix 3 – Example of Loss Assessment

**Report Author:**

Daniel Helps, Senior Manager - Counter Fraud & Investigation Directorate



**Counter Fraud &  
Investigation Directorate**

# **Safeguarding frontline services, protecting communities**

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**Annual Report 2017/18**



# Introduction

The Counter Fraud & Investigation Directorate was launched as an internal service but also as a separate national function in 2014 following the award of government grant. The funded programme was to install advanced capabilities for crime fighting in order to protect not only Thurrock & Southend Councils but provide assistance to other public bodies around the UK.

Since we started that journey our work has led to over £24.5m of economic crime being detected and the recovery of £3.9m of public funds from criminals.

We have provided specialist support to twenty-five local authorities, three police forces and two government departments all over the UK from Essex to London, Lancashire, Manchester and Wales. Last year we were also called upon by the Foreign & Commonwealth Office to assist the government of Malawi suffering from a serious economic crime incident.

I am proud to say that our effectiveness in countering the most serious types of crime, now across the world speaks for itself. None of that success could have been achieved without the continuing commitment of the CFID officers working 24/7 to protect the public purse supporting frontline public services.

Our work is far from complete and the ensuing year will see us pursue further collaborations to make sure that public bodies continue to acknowledge and respond better to the ever changing threats from fraud and economic crime.

**David Kleinberg**

Assistant Director - Head of CFID

# Our Performance

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

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

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



**£24.5m**  
Detected



**£3.9m**  
Recovered



**48**  
Convictions



**29**  
Insider Threats  
Apprehended



**81**  
Adults &  
Children  
Safeguarded



**3**  
Organised Crime  
Groups (OCGs)  
Disrupted



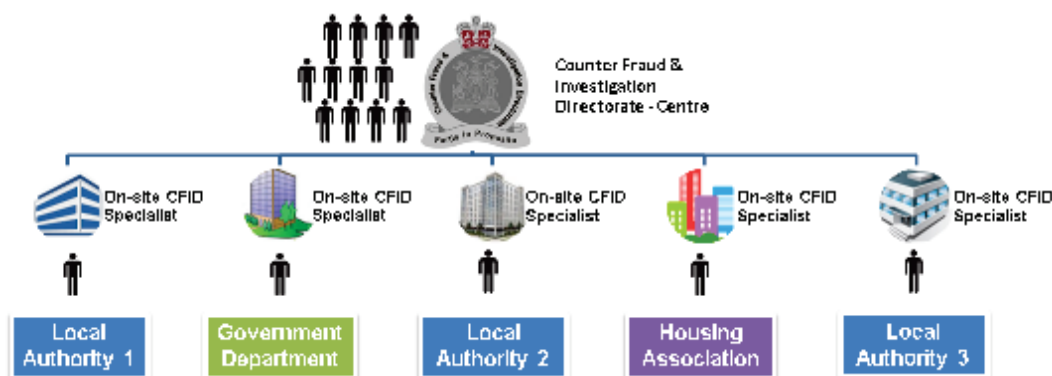
**3**  
Police  
Forces  
Supported



**27**  
Public  
Bodies  
Supported

## How we operate

In order to deliver this support to other public bodies CFID's officers will deliver specific investigative projects or will co-locate CFID officers to support ongoing operations:





# Collaboration

CFID continue to support these partners to fight economic crime:



Operational collaboration agreements are being developed with these partners:



# Governance & Accountability

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

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

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

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

- **Local & Central Government – Standards & Audit Committees**
  - Monitoring of Performance against each annual strategy for the bodies to provide assurance of crime risk and organisational governance
- **Her Majesty's Inspector of Constabulary**
  - Annual inspection to monitor use of police data by the Directorate and its use in investigative work
- **Investigatory Powers Commissioner's Office**
  - Inspections to monitor the use of investigative tactics regulated by the Regulation of Investigatory Powers Act 2000, Investigatory Powers Act 2016 and Human Rights Act 1998
- **Home Office - National Police Information Risk Management Team**
  - Inspections to monitor the security of data used in the department
- **College of Policing**
  - Delivery of Accredited programmes for all the officers in the directorate, including Professionalising Investigation Practice (PIP) & Intelligence Professionalisation Programme (IPP) accreditations
- **United Kingdom Accreditation Service**
  - Inspections to monitor our forensics activity for criminal casework
- **UK Forensic Science Regulator**
  - The Regulator ensures that the provision of forensic science services by CFID across the criminal justice system is compliant to an appropriate regime of scientific quality standards.

## Inspections

CFID did not have any inspections over the last year but two inspections are planned for this year:

### **National Crime Agency – Proceeds of Crime Regulator**

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

### **UK Accreditation Service**

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

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

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

## Overall CFID Budget 2017/18

	<b>Contribution</b>	<b>Contributor</b>
	£898,502	Thurrock Council
	£288,960	Southend Council
	£349,467	Other Partners
<b>Total Budget</b>	<b>£1,536,929</b>	

## Detected Fraud 2017/18

	£1,499,894	Thurrock Council
	£687,742	Southend Council
	£263,400	Castle Point Council
	£238,900	South Essex Homes
	£448,900	Poplar HARCA
<b>Total Fraud</b>	<b>£3,138,836</b>	

**These statistics show that for every £1.00 that CFID costs it detects £2.04 in fraud and other economic crime.**

# Strategic Assessment

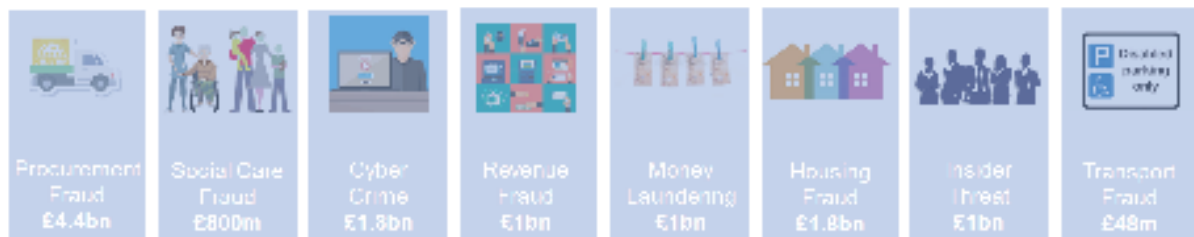
The Counter Fraud & Investigation Directorate's primary focus is the protection of Thurrock and its partners, around the UK, from economic crime.

Local authorities were provided with a framework in 2016 for countering fraud known as the Fighting Fraud and Corruption Locally Strategy. That strategy provided only limited assessment of the threats impacting on local government, without a national understanding of the problem or how to deal with the threat holistically. The loss figures used were also from 2013. The most notable gaps in that strategy were the understanding of fraud in Social Care, Cyber Crime and Money Laundering. All of these areas have seen an increase to CFID's casework detecting those crimes for councils around the UK.

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

CFID developed a new Fraud Loss Matrix<sup>1</sup> which provides partners a better understanding of the threats and what they should be doing about it.

## Fraud Loss Matrix - Top 10 risks for local government



## Economic Crime in Local Government



Each of the partners now have an organisation-specific strategy based on these risk, which has been presented to their Audit Committees.

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

## Social Housing Fraud

Last year 45 social housing properties were recovered by CFID with an additional five housing applications stopped due to fraud. Recovering properties lost due to fraud and preventing further housing stock being lost saves the public purse in terms of increased temporary accommodation costs as well as ensuring that those in real need of housing receive accommodation. Had these properties not been recovered then the potential loss to the public purse would have exceeded £1million.



**45**

**Properties Recovered**

In one particular case, in Southend-on-Sea, a sole social housing tenant died, and the housing provider served a notice to quit (NTQ) to recover the property. The deceased's estranged wife contested the NTQ, claiming that she had been continually living in the property. An investigation identified that this claim was untrue and took the matter to Court. The Court agreed with the findings of the investigation and the property was returned to the housing provider. The Defendant was also ordered to reimburse the housing provider for lost income during the false claim period.

In another case in Thurrock, it was alleged that a female tenant falsely claimed to be living in her council property but was in fact living with her partner in another property. An investigation confirmed what was suspected and the council property was recovered and put it back into circulation for a family in genuine need. CFID also identified that full council tax wasn't being paid by her partner at the property the female tenant resided in. The council recharged her partner for wrongfully claiming council tax single person discount for the period the female tenant resided at the property.

## 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 £77,900 and £103,900.

CFID reviews all right to buy applications for Thurrock Council and in the future intends to do this also for Castle Point and South Essex Homes.

Last year CFID detected 6 cases of Right to Buy fraud preventing the social housing properties from being lost. This intervention prevented a significant loss to the public purse ensuring that the properties remained available to those who are in genuine 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 39 blue badge warnings were issued for first offences, and 19 blue badges seized where criminality was detected. CFID prosecuted one resident of Thurrock for multiple use of a deceased person's blue badge. This person received a

sentence of 120hrs unpaid work and ordered to pay over £2000 in legal costs.



**58**

**Fraud Incidents  
Detected**

CFID are working closely with Civil Enforcement Officers in Southend-on-Sea to ensure body cameras are worn and activated when enforcing blue badge crime. Training has also been provided to CEOs to ensure they provide witness statements to a criminal standard. This approach provided better outcomes for the CEOs where one member of the public was prosecuted by CFID for a public order offence when they abused a CEO for doing their job.

## Council Tax Fraud

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

CFID works closely with the affected revenues departments and their inspectors to recover the losses and ensure an accurate liability is recorded for properties.



## Conviction

**A female who fraudulently  
claimed 100% council tax  
reduction worth £5,000**

One example in Southend-on-Sea related to a liable party who fraudulently claimed to be living alone as a full-time student to receive a 100% discount on their council tax.

CFID found that other adults were also living at the property and therefore a full charge should have been applied. The liable party was prosecuted for fraud amounting to more than £5,000. The woman was sentenced to 150 hours of unpaid work and was required to pay court costs.



## Insider Threats

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

### THURROCK Gazette

Thurrock Council worker spared jail after cheating system to provide her friends with council houses



In one case at Thurrock, CFID found that a staff member had been manipulating housing allocations records to provide housing to her friends and associates. The investigation culminated in several arrests leading to five prosecutions at Basildon Crown Court for various fraud offences. Two social housing properties were recovered, one housing application was stopped from progressing and one staff member resigned prior to her disciplinary hearing for gross misconduct.

In another case CFID found that a member of staff working at a Theatre had been stealing money from the refreshment kiosk. A CFID operation identified irrefutable video and physical evidence of the thefts taking place. The suspect was interviewed and fully admitted the offence when presented with the video evidence. They attended the Basildon Magistrates Court pleading guilty at the earliest opportunity. The staff member was also dismissed from their employment for gross misconduct.

## Social Care Fraud

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

In one Southend case, a Carer for a vulnerable adult continued to claim payments into their own bank accounts following the death of the vulnerable person. They then contacted the council claiming to be someone else stating that they had taken over the care of the vulnerable service user. CFID identified that the service user had died and that over £6,000 had been fraudulently claimed for his care since his death. The suspect was prosecuted and ordered to carry out 160 hours of unpaid work, a 12-month community order, legal costs of £4000 and ordered to pay compensation of £6,077.50.



### Conviction

Resulted in 160 hours unpaid work, £4k costs, £6k compensation



# Operational Activity

In another Southend case, CFID were asked to review a person's application for support after they claimed to be destitute. Council staff became suspicious when the person refused to answer questions surrounding their financial circumstances. CFID identified that they were not in fact destitute, with financial assets and debts with financial institutions going back a number of years. The application for support was refused resulting in a significant saving to the public purse.

## Joint Working

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

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

The Criminal Intelligence Unit have also disseminated **117 Intelligence Reports** to other agencies to assist with the apprehension of criminals.

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



CFID has also delivered an enhanced national assessment of the economic crime risks faced by local government using data from its national work as well as reports by professional bodies like CroweClarkWhitehall. This new **Fraud Loss Matrix** is being adopted by councils around the UK and government.

## Disruption Operations

In some cases, the most effective way to deal with fraud and other economic crime affecting the public purse is through disruption tactics.

CFID were asked by Environmental Services at Thurrock Council to investigate reports of trade waste being illegally dumped at a local refuse site. CFID deployed tactics to identify prolific offenders. This information was collated and a day of action took place whereby nine fixed penalty notices, with a value of more than £3,000 were issued, two vehicles were seized and six requirements to produce certificates were issued.

# Operational Activity

The information obtained by CFID was used to support the recent decision to implement a permit system for vans and commercial vehicles at the site.

Another case concerned NNDR in Castle Point, where a resident business attempted to claim that the landlord was actually operating at the premises, and they were due to pay the NNDR. They provided what was suspected to be false documents. CFID took action to disrupt this criminality and the business quickly moved from the address. The property was seen as an easy target as the landlord was out of the country. NNDR records were updated accordingly to prevent this from occurring at this property again.



# Results

CFID presents all of its cases to Legal Services across the different partners, or in some cases the Crown Prosecution Service where fraud or other criminality is identified. A framework of different sanctions, redress and punishment outcomes are then considered by a Lawyer independently. This process includes the use of the Code for Crown Prosecutors in consideration of criminal litigation.

In 2017/18 the number of fraud cases identified by CFID increased, as did the number of sanctions delivered.

The overall fraud detected figure for 2017/18 is £3,138,836.

This figure as reduced from the 2016/17 figure of £5,558.808 This change has been attributed to the inclusion of one case last year that was valued at £3.2m alone. The increased disruption activity, where controls are changed, and deterrence factors are included will also have had an impact.

The table below details the sanctions, investigations and compliance activities completed by CFID across each partner for 2017/18. The table has been developed to show details of all sanction types as opposed to previous reports which only showed prosecutions, value and 'other'. This table enables a clearly understanding of the work conducted by CFID as it relates to solely CFID investigations:

Sanctions Applied – Fraud Proven	Thurrock Council	Southend Council	Castle Point Council	South Essex Homes	Poplar HARCA	TOTAL
Blue Badge Seizure	4	15	0	N/A	N/A	19
Blue Badge Warning	3	33	0	N/A	N/A	36
Civil Action	0	1	1	N/A	N/A	2
Disruption Activity	10	7	1	N/A	N/A	18
Dismissal (Staff)	7	2	0	N/A	N/A	9
Financial Penalty	1	2	0	N/A	N/A	3
Fixed Penalty Notice	9	0	0	N/A	N/A	9
Formal Caution	1	1	0	N/A	N/A	2
Goods Recovered	1	0	0	N/A	N/A	1
Housing App Stopped	3	2	0	0	0	5
Overpayment Recovery	2	11	0	N/A	N/A	13
Parking App Stopped	0	1	0	N/A	N/A	1
Parking Permit Seized	1	2	0	N/A	N/A	3
Property Recovered	26	2	1	6	10	45
Prosecution (Criminal)	10	5	0	0	0	15
Prosecution (Joint)	2	0	0	N/A	N/A	2
Referral to HR	8	3	2	N/A	N/A	13
Repayment of Monies	2	2	1	N/A	N/A	5
Resignation (Staff)	3	2	0	N/A	N/A	5
Right to Buy Stopped	3	0	2	0	1	6
Tenancy Sanction	2	0	0	0	0	2
Vehicle Seized	2	0	0	N/A	N/A	2
TOTAL SANCTIONS	100	91	8	6	11	216
VALUE	£1,499,894	£687,742	£263,400	£238,900	£448,900	£3,138,836
Investigations Completed with No Further Action 2017-18	42	45	4	7	10	108
All Investigations Completed 2017-18 (Sanction + NFA)	142	136	12	13	21	324

# Results

Compliance Activity	Thurrock Council	Southend Council	Castle Point Council	South Essex Homes	Poplar HARCA	TOTAL
<b>NNDR Reviews</b>	0	0	22	N/A	N/A	22
<b>Tenancy Audits</b>	221	0	0	0	0	221
<b>Right to Buy Review</b>	65	0	0	0	0	65
<b>Council Tax Review</b>	23	0	0	0	0	23
<b>Referral to DWP</b>	48	4	0	0	0	52
<b>TOTAL</b>	<b>357</b>	<b>4</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>383</b>

## Comparison to Previous Years

The table below shows the detected fraud value year on year since the inception of CFID, for investigations solely conducted by CFID

Year	Thurrock Council	Southend Council	Castle Point Council	Poplar HARCA	Other Partners	Total
2014/15	£1,823,300	£585,697	N/A	N/A	1,230,930	£3,639,927
2015/16	£1,312,038	£1,887,589	N/A	N/A	£5,569,330	£8,768,957
2016/17	£4,562,031	£375,302	£40,000	£191,000	£1,790,475	£6,958,808
2017/18	£1,499,894	£687,742	£263,400	£448,900	£2,238,900	£5,138,836
						<b>£24,506,528</b>

The total value of fraud detected during **April 2014 to March 2018 is £24,506,528.**

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

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

# Joint Working & Assistance

In addition to CFID own investigations support and expertise has been provided to other law enforcement agencies such as the Police and Local Authorities.

This assistance has been to agencies that have their investigation capability but require specialist tools and resources that exist within CFID to conclude casework.

One such example was an organised welfare fraud committed against the London Borough of Redbridge. CFID provided digital forensic support to the investigation team from Redbridge and identified key pieces of evidence from seized devices which ultimately led to guilty verdicts for a **fraud valued at £1,124,000**

## Assistance to other council service areas

CFID have provided support to other service areas within the partner agencies requiring assistance.

## Private Sector Housing Enforcement

CFID have worked with the private sector housing team to provide guidance on interviewing suspects under conditions in-line with the Police & Criminal Evidence Act, known as 'interviews under caution'. CFID officers have mentored these officers and conducted interviews under caution to pursue prosecution for offences under the various Housing Acts.

This has been a successful project and has greatly up-skilled the Environmental Health Officers enabling them to more effectively deal with offences including unlicensed Houses in Multiple Occupation, unlawful eviction & harassment and breaches of notices.

Additionally CFID have provided support to the officers in using different tactics to obtain intelligence and evidence to support prosecutions, this includes the use of the Data Protection Act 1998 (now DPA 2018) to obtain evidence.

## Trading Standards

CFID's Financial Investigation Unit has assisted Thurrock Council's Trading Standards during several investigations. CFID are the only unit with Thurrock Council that are accredited by the National Crime Agency to use powers under the Proceeds of Crime Act 2002.

One example relates to an investigation by Trading Standards into the sale of counterfeit cigarettes. CFID assisted with a premises search and used powers under the Proceeds of Crime Act to seize more than £20,000 in cash from the suspect's home address.

# Our National Work

## Cabinet Office

**David Kleinberg** – Assistant Director and Head of CFID, was seconded to HM Government – Fraud, Error and Debt Taskforce as the Head of Standards (Punishment, Sanction and Redress) in January 2016. David's role is to assist government in the creation of a 'Counter Fraud Profession'.

David also sits on the HM Government, Cross-Sector Group and the College of Policing' Cyber Crime Careers Pathway, Programme Board with other senior members from law enforcement including from the City of London Police, National Crime Agency, government and private sector.

## National Anti-Fraud Network (NAFN.gov)

**Daniel Helps** – Senior 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** – Senior 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** – who heads our digital forensics & cyber crime units 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.

# How to Report Fraud



**See it**



**Report it - Email**  
**[reportfraud@cfid.uk](mailto:reportfraud@cfid.uk)**



**Report it - Call**  
**03000 999111**

©2018

CFID  
Civic Offices  
New Road  
Grays, Essex  
Tel: 03000 999111

## Appendix 2 - Counter Fraud & Investigation Directorate

### Counter Fraud Work Plan

Risk area	Tasks	Planned for	Current status
Council-wide	Fraud risk matrix assessment to be delivered to all service areas	July – Sep 2018	Meetings to be booked for EMT with relevant Directors.
Council-wide	UK Bribery Act (UKBA) Compliance Review. A questionnaire will be distributed to all Managers to ensure UKBA compliance.	In Progress	This item is delayed due to the ICT system implementation difficulties.
Council-wide	Counter Money Laundering (CML) Compliance Review. A questionnaire will be distributed to all staff to ensure CML compliance.	In Progress	This item is delayed due to the ICT system implementation difficulties.
Proactive Fraud Drives	Conduct proactive activity to disrupt and detect fraud affecting the council.	In Progress	Proactive work continues to be undertaken across the high-risk areas. So far this year activity has been conducted in: <ul style="list-style-type: none"> <li>• Housing</li> <li>• Right to Buy</li> <li>• NNDR</li> </ul>
Investigation Review	Review of insider threat investigations with Human Resources to reviews action and learning points	Ongoing monthly	Meeting to be booked for August 2018 and then monthly going forward
Fraud Awareness Training	Training to be delivered to high risk areas – housing officers, housing allocations, temporary accommodation and right to buy	Ongoing to December 2018	Meeting has taken place between CFID Senior Manager and housing management team and bespoke training is being developed for each team.





## Castle Point Borough Council Annual Fraud Impact Measurement Matrix

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

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

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

**Total Proven in 2017/18      £263,400**

**AGENDA ITEM NO. 9****AUDIT COMMITTEE****26 July 2018**

**Subject: Annual Report on the Treasury Management Service and Actual Prudential Indicators 2017/18**

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**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 2017/18.

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 2017/18, including prudential indicators reported in Annexe D, is approved.

**Resolution required.**

---

**4 Background**

- 4.1 The 2017/18 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 2017/18 the Council complied with its legislative and regulatory requirements.

## **5 Treasury Report for 2017/18 and scrutiny of treasury activity**

- 5.1 As required by the Code, the activity report for 2017/18 is submitted at Annexe A for scrutiny by Audit Committee, prior to submission to Cabinet on 19 September 2018.
- 5.2 It is important to ensure that the Council's treasury management activities are subject to a robust process of scrutiny. This report provides Members with information on treasury management activity and variances in order to fulfil this process.

## **6 Corporate Implications**

### **a Legal implications**

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

Under the revised Code of Practice, Cabinet was nominated at Special Council 16<sup>th</sup> 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 2017/18*.

CPBC: *Working paper: external loan calculation 2017/18*.

## Treasury Management Activity Report for 2017/18

### 1 Introduction

- 1.1 This report summarises the Council's treasury management activity for 2017/18 and compares actual interest transactions with the revised estimates set for 2017/18.
- 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 2017/18 financial year was approved by Council on 15 February 2017.
- 1.3 This report confirms that all Treasury Management activity during the year was undertaken in accordance with this strategy and in consultation, where appropriate, with our external advisers, Capita.

### 2 The Economy

- 2.1 **Short-term interest rates.** The Bank of England base rate remained at just **0.50%** from March 2009 until August 2016 when it reduced to **0.25%** and then returned to **0.50%** in November 2017. 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 31<sup>st</sup> March 2018 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 2017/18.
- 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 15 February 2017. 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 **£30.0m** in 2017/18 (**£29.0m** in 2016/17). Only the principal amounts are shown in this

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

- 4.3 Annexe C also shows that the amount of interest received on these investments was over budget by **£15,353** (22%). The variance was due to prudent budgeting and average interest rates and balances being moderately higher than estimated. The average interest achieved was 0.28% compared to the 7-day LIBID average of 0.22%.

## **5 Benchmarking**

- 5.1 Three benchmark indicators for 2017/18, explained in the Annual Treasury Management Strategy, are reported as follows:

- **Security – Weighted Credit Rating Score for the year of 5.9 exceeded the target of 4.**
- **Liquidity – Weighted Average Life was at a highly liquid level, averaging 33 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 2018

### Loan transactions activity for the year

	Amount o/s 01/04/2017 £000's	Loans Repaid £000's	Amount o/s 31/03/2018 £000's
<b>Public Works Loan Board</b>			
General Fund	5,250	0	<b>5,250</b>
HRA	36,451	0	<b>36,451</b>
<b>Totals for the Council</b>	<b>41,701</b>	<b>0</b>	<b>41,701</b>

### Interest payable Comparison of estimate with actual

Budget Profile to 31/03/2018 £000's	Actual Interest to 31/03/2018 £000's	Variance 31/03/2018 £000's
207	<b>207</b>	0 0.0%
1,087	<b>1,087</b>	0 0.0%
<b>1,294</b>	<b>1,294</b>	<b>0 0.0%</b>

### Interest rates for the year

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

### Base rate history

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

## Summary of Temporary Investments and Interest Received (accrued daily) for the year to 31st March 2018

Type of Borrower	Amount Invested 01/04/2017 £000's	Made in the Year £000's	Repaid in the Year £000's	Amount Invested 31/03/2018 £000's
<b>Investments by Value:</b>				
Treasury bills	3,397	5,991	6,394	2,994
Local Authorities	4,000	15,500	12,000	7,500
Money Market Funds	19,320	83,883	89,773	13,430
Notice accounts	1,500	500	0	2,000
Bank deposits	500	500	1,000	0
<b>Total</b>	<b>28,717</b>	<b>106,374</b>	<b>109,167</b>	<b>25,924</b>
<b>Number of Investment Transactions:</b>				
Treasury bills	5	6	8	3
Local Authorities	2	8	6	4
Money Market Funds	51	155	181	25
Notice accounts	2	0	0	2
Bank deposits	1	1	2	0
<b>Total</b>	<b>61</b>	<b>170</b>	<b>197</b>	<b>34</b>

### Interest Received on Temporary Investments for the year to 31st March 2018

	£000's
Actual Interest Received	85
Revised estimate	70
Variance	15 22%

### Temporary Investments

	£000's
Average Balance for the Year	29,957
Average Interest Rate for the Year	0.28%
Benchmark: Average 7-Day LIBID Rate	0.22%

## 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**

	<b>2017/18 Revised Estimate £000s</b>	<b>2017/18 Actual £000s</b>
General Fund	3,872	3,909
Housing Revenue Account	2,388	2,007
<b>Total</b>	<b>6,260</b>	<b>5,916</b>

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

	<b>2017/18 Revised Estimate %</b>	<b>2017/18 Actual %</b>
General Fund	4	4
Housing Revenue Account	33	34

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**

	<b>2017/18 Revised Estimate %</b>	<b>2017/18 Actual %</b>
General Fund	15	17
Housing Revenue Account	33	34

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



<b>Indicator 4 - Indicator of Capital Financing Requirement (CFR)</b>		
	<b>2017/18 Revised Estimate £000s</b>	<b>2017/18 Actual  £000s</b>
General Fund	6,549	6,517
Housing Revenue Account	36,418	36,418
The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.		

<b>Indicator 5 - Incremental Impact of Capital Investment</b>		
	<b>2017/18 Revised Estimate £</b>	<b>2017/18 Actual  £</b>
Band D Council Tax	42.66	45.68
Average Weekly Housing Rents	0.00	0.00
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.		

<b>Indicator 6 - Authorised Limit for External Debt</b>		
	<b>2017/18 Revised Estimate £000s</b>	<b>2017/18 Final  £000s</b>
Borrowing	47,304	47,241
Other Long-Term Liabilities	0	0
	<b>47,304</b>	<b>47,241</b>
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.		

<b>Indicator 7 - Operational Boundary for External Debt</b>		
	<b>2017/18 Revised Estimate £000s</b>	<b>2017/18 Final  £000s</b>
Borrowing	44,695	44,664
Other Long-Term Liabilities	0	0
	<b>44,695</b>	<b>44,664</b>
This indicator shows a similar calculation to the previous indicator, without all of the above allowances for contingencies, etc.		

<b>Indicator 8 - Upper Limits of Fixed and Variable Exposure</b>		
	<b>2017/18 Revised Estimate £m</b>	<b>2017/18 Actual £m</b>
Upper Limit - Fixed Rates	47	42
Upper Limit - Variable Rates	(15)	(25)
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.		

<b>Indicator 9 - Maturity Structure of Fixed Rate Borrowing</b>			
	<b>Upper Limit %</b>	<b>Lower Limit %</b>	<b>Actual %</b>
cumulative within 1 year	50	0	1
cumulative within 2 years	50	0	1
cumulative within 5 years	60	0	18
cumulative within 10 years	80	0	48
after 10 years	100	0	52
These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.			

<b>Indicator 10 - Housing Revenue Account limit on indebtedness</b>
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 2017/18 please refer to sections 11 and 12 of the Policy Framework and Budget Setting report for 2018/19, presented to the Special Meeting of the Council on 14 February 2018

**AUDIT COMMITTEE**

**26 July 2018**

**Subject: Risk Management update report**

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**1 Purpose of Report**

To update the Audit Committee on Risk Management matters

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

Risk Management arrangements support the delivery of all Council priorities and objectives.

**3 Recommendations:**

1. That the Corporate Risk Register is noted.

**Resolution required.**

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**4 Risk Management**

- 4.1 Audit Committee members last received a Risk Management update at the January 2018 meeting.
- 4.2 That report included a newly updated Risk Management Policy Statement and Strategy, as well as the current Corporate Risk Register at that time.
- 4.3 Since that meeting certain Risk Management responsibilities have transferred to the Strategic Director (Resources) and are now managed by the Resources directorate.

**5 Corporate Risk Register**

- 5.1 The Corporate Risk Register has recently been reviewed by the Financial Services Manager in consultation with Heads of Service and other key officers. Previously included risks have been updated where relevant to take account of recent developments, and a number of other risks previously only included in departmental registers have also been added to the corporate register.
- 5.2 The register has been agreed by Executive Management Team (EMT) and is included as Appendix A to this report.

## **6 Corporate Implications**

### **a Legal, Financial, Human resources and equality implications**

Any implications arising from Risk Management procedures and practices will be considered through the Council's normal business management process.

### **b Timescales for implementation and risk factors**

The Corporate Risk Register will continue to be regularly reviewed and updated, and periodically presented to Audit Committee, normally on a six month cycle.

Robust risk Management arrangements help to reduce the risk that the Council's objectives will not be delivered.

**Report Author:** Ian Stapleton, Financial Services Manager

#### **Background Papers:**

- Risk Management Policy Statement and Strategy

#### **Appendixes**

- Appendix A – Corporate Risk Register – June 2018



## **Corporate Risk Register – June 2018**

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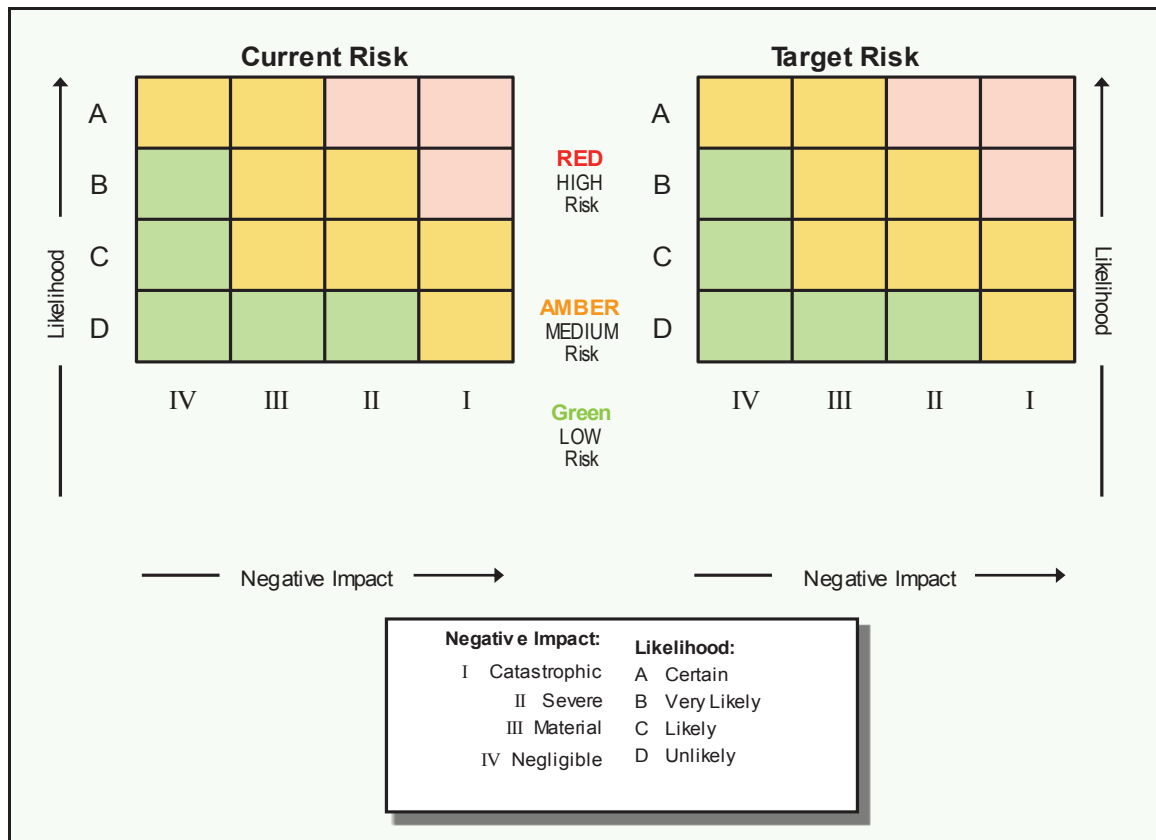
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 <b>Council Priority: Environment:</b>	
There are currently no items in the Corporate Risk Register relating to this priority	
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## **Appendix A - Corporate Risk Register – June 2018**

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Risk 18: Risk of Implementation of Universal Credit (UC) and wider digital requirements by Department of Work and Pensions (DWP) impacting service delivery and effectiveness (Revenues & Benefits Transformation Manager). .....	19
Risk 19: Risk that contract re-tenders / renewals / extensions or other procurements or a lack of robust contract management may result in higher costs placing greater strain on the Council's financial position (All Heads of Service / All Service Managers). .....	20

## Risk Assessment template

All risks are assessed as follows:

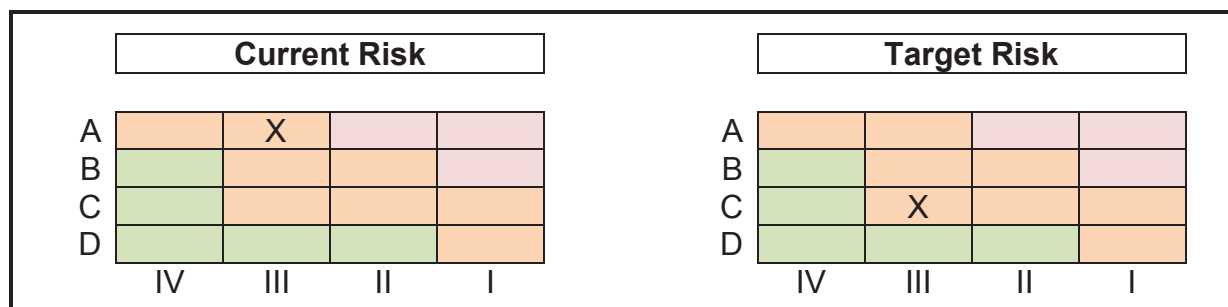


A summary of the current controls is set out for the **Current Risk**.

A summary of the further actions planned is set out for the **Target Risk**.

**Council Priority: Public Health & Wellbeing**

**Risk 1: Partnership arrangements are not fully effective and risks focus on work that does not always meet Council priorities (Head of Housing and Communities).**

**Summary of current controls:**

1	Experienced Head of Licensing and Safer Communities responsible for Local Strategic Partnership (LSP) work.
2	Core partnerships in place.
3	Some explicit priorities for some key partnerships.
4	Reporting arrangements for key partnerships including LSP, and Opportunity South Essex.

**Assurances that controls are in place:**

1	Minutes of partnership meetings.
2	Copies of partnership documentation including strategies and action plan.

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

	Action	Responsibility	Date for completion
1	Internal Audit of Partnership arrangements	Head of Internal Audit	Completed March 2017
2	Implement Action Plan	Head of Licensing and Safer Communities	June 2018
3	Undertake review of arrangements	Head of Housing and Communities / Head of Licensing and Safer Communities	September 2018
4	Partnership Strategy developed and agreed by Cabinet	Head of Housing and Communities	December 2018

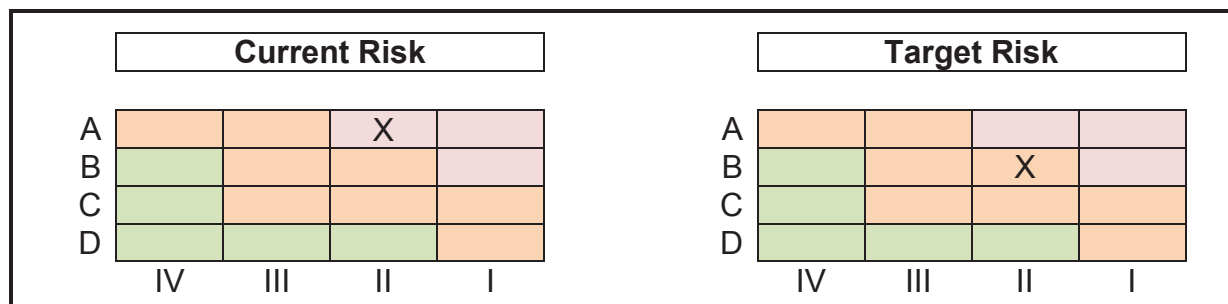
<b>Officer(s) with overall responsibility for risk:</b>	<b>Head of Housing and Communities</b>
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<b>Target Risk to be achieved by:</b>	<b>December 2018</b>
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**Council Priority: Public Health & Wellbeing**

**Risk 2: Approach to Safeguarding not fully effective and embedded in the organisation with lack of clarity on responsibilities (Head of Housing and Communities).**

**Summary of current controls:**

1	Head of Licensing and Safer Communities is the Designated Officer for Safeguarding Children and Vulnerable Adults.
2	Policy and approach set out in Safeguarding Strategy.
3	Monthly monitoring of safeguarding issues at Corporate Management Team (CMT).
4	Established processes and training for relevant staff.

**Assurances that controls are in place:**

1	Safeguarding Policy and Strategy.
2	Monthly CMT reports.

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

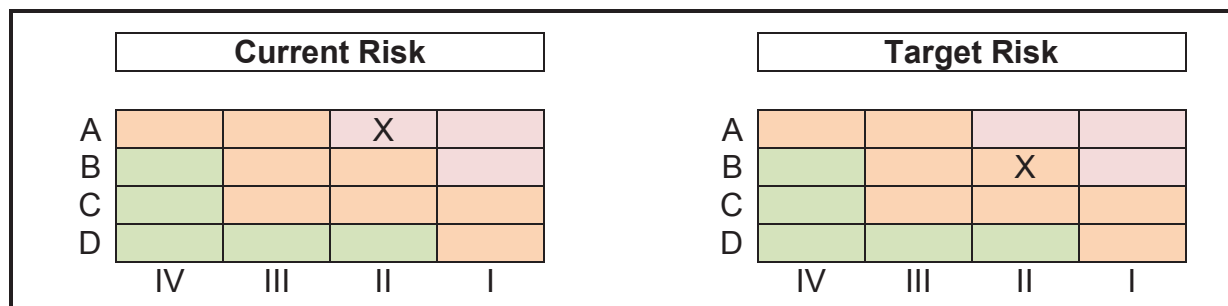
	Action	Responsibility	Date for completion
1	Review of arrangements to ensure good practice undertaken in preparation for Section 11 Audit	Head of Licensing and Safer Communities	June 2018
2	Section 11 Audit undertaken by Essex County Council	Head of Licensing and Safer Communities	September 2018
3	Implementation of any actions and recommendations arising from the Section 11 Audit to improve arrangements	Head of Licensing and Safer Communities	March 2019

<b>Officer(s) with overall responsibility for risk:</b>	<b>Head of Licensing and Safer Communities</b>
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<b>Target Risk to be achieved by:</b>	<b>March 2019</b>
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**Council Priority: Public Health & Wellbeing**

**Risk 3: Risk of large numbers of households currently residing in caravans designed for leisure purposes being required to leave caravans and become homeless households requiring support from the Council with limited resources to provide (Head of Housing and Communities).**



**\*\*\*Note – this item has been added to the Corporate Risk Register following the Peer Challenge\*\*\***

**Summary of current controls:**

1	Liaison meetings with owners of Thorney Bay caravan site.
2	Monitoring of homeless application received.

**Assurances that controls are in place:**

1	Minutes of meetings.
2	Performance reports.

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

	Action	Responsibility	Date for completion
1	Meeting to clarify approach by site owners.	Head of Housing and Communities / Housing Options Manager	February 2018
2	Further discussions	Head of Housing and Communities / Housing Options Manager	Ongoing
3	Continue to explore options for Private Sector Leasing / Direct provision of housing for homeless households	Head of Housing and Communities / Housing Options Manager	By March 2019

<b>Officer(s) with overall responsibility for risk:</b>	<b>Head of Housing and Communities / Housing Options Manager</b>
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<b>Target Risk to be achieved by:</b>	<b>Ongoing</b>
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**Council Priority: Transforming our Community**

**Risk 4: The vision for Regeneration is not fully clear and the achievement of outcomes is limited (Local Plan & Regeneration Adviser).**

Current Risk					Target Risk				
A			X		A				
B					B		X		
C					C				
D					D				
	IV	III	II	I		IV	III	II	I

**Summary of current controls:**

1	Regeneration partnership in place, and work on 2018 Regeneration Framework underway.
2	Regeneration Manager and staff in place.
3	Employment Skills and Business (ESB) Partnership operating as part of Local Strategic Partnership (LSP).
4	Detailed monthly briefings on specific projects, including town centres and other commercial development.

**Assurances that controls are in place:**

1	Minutes of Regeneration partnership meetings.
2	Experienced staff managing work programmes.
3	Minutes of ESB meetings.
4	Minutes of monthly briefings.

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

	Action	Responsibility	Date for completion
1	Consider recommendations from Peer Challenge team, including a clear statement in Regeneration Framework around objectives, and greater embedding of regeneration objectives and asset management objectives within the wider Council	Local Plan & Regeneration Adviser / Regeneration Manager	December 2018
2	Ensure that detailed project briefs and timetables are in place for key projects and initiatives, particular those which may seek to access external funding	Local Plan & Regeneration Adviser / Regeneration Manager	December 2018
3	Implement action plan arising from Internal Audit	Local Plan & Regeneration Adviser / Regeneration Manager	March 2019

<b>Officer(s) with overall responsibility for risk:</b>	<b>Local Plan &amp; Regeneration Adviser / Regeneration Manager</b>
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<b>Target Risk to be achieved by:</b>	<b>March 2019</b>
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**Council Priority: Transforming our Community**

**Risk 5: The Local Plan is not progressed satisfactorily and / or is not robust resulting in central government intervention and high legal costs (Local Plan & Regeneration Adviser)**

Current Risk					Target Risk				
A				X	A				
B					B				X
C					C				
D					D				
	IV	III	II	I		IV	III	II	I

**Summary of current controls:**

1	Accelerated Draft Local Plan timetable in place.
2	Agreement by full Council June 2018 to proceed to formal consultation on the commencement of the preparation of the New Local Plan 2018 (as required by Regulation 18 of the Town & Country Planning (Local Planning) (England) Regulations 2012).
3	Service Level Agreement with Place Services to increase resources to deliver.
4	Member briefings throughout process.
5	Revised Local Development Scheme approved by Council June 2018.

**Assurances that controls are in place:**

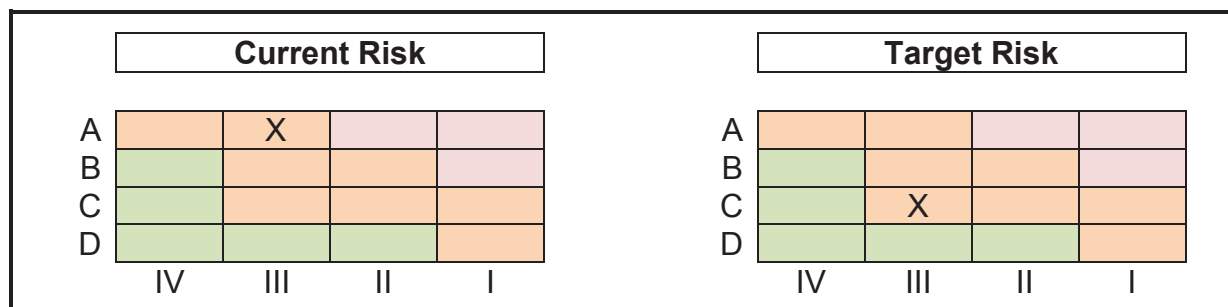
1	Minutes of June 18 Council meeting.
2	Copies of reports and policies prepared by staff and consultants – e.g. Strategic Housing Market Assessment.
3	Minutes of meetings with members.
4	Minutes of Duty to Cooperate (DTC) meetings regarding unmet needs where identified.

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

	Action	Responsibility	Date for completion
1	Consultation with local residents on the draft local plan.	Local Plan and Regeneration Adviser	July 18
2	Local Plan considered by Full Council and approved for submission to Planning Inspectorate.	Local Plan and Regeneration Adviser	November 18
3	Publication of plan	Local Plan and Regeneration Adviser	January 19
4	Submission of plan to Secretary of State (SofS)	Local Plan and Regeneration Adviser	April 19

<b>Officer(s) with overall responsibility for risk:</b>	<b>Local Plan &amp; Regeneration Adviser</b>
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<b>Target Risk to be achieved by:</b>	<b>April 2019</b>
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**Council Priority: Transforming our Community****Risk 6: Inadequate strategic approach to Housing resulting in lack of development of Affordable Housing (Head of Housing and Communities).****Summary of current controls:**

1	Project team and programme in place to develop HRA and GF Housing Assets.
2	Project approach to construction of homes and Homelessness bed spaces.
3	Housing Asset Management Plan in place.

**Assurances that controls are in place:**

1	Housing Asset Management Plan.
2	Meeting notes / minutes for programme team for construction programme.
3	Programme Risk Register.

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

	Action	Responsibility	Date for completion
1	Development of Housing Asset Management Plan	Head of Housing and Communities	Completed December 2017
2	Private Sector Housing Condition Assessment	Environmental Health Manager	Completed October 2017
3	Housing Asset Management Plan considered and agreed by Cabinet	Head of Housing and Communities	July 2018
4	Draft Housing Strategy consultation and results incorporated into Housing Strategy	Head of Housing and Communities	March 2019
5	Housing Strategy and completed Action Plan considered and agreed by Cabinet (timescales dependent on Local Plan progress)	Head of Housing and Communities	December 2019

<b>Officer(s) with overall responsibility for risk:</b>	<b>Head of Housing and Communities</b>
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<b>Target Risk to be achieved by:</b>	<b>December 2019</b>
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**Council Priority: Efficient & Effective Customer Focussed Services**

**Risk 7: Unable to provide full range of existing services for years 2019/20 and beyond due to reductions in government grant funding (Strategic Director (Resources)).**

Current Risk					Target Risk				
A			X		A				
B					B				
C					C		X		
D					D				
	IV	III	II	I		IV	III	II	I

**Summary of current controls:**

1	Medium Term Financial Forecast (MTFF) identifies value of efficiencies required for each respective financial year.
2	Budget process for 2018/19 completed and balanced budget set (not dependent on achievement of in-year savings). Budget report made clear reference to future year's funding gap to ensure awareness of Members.
3	Financial management procedures remain unaltered. Regular financial monitoring and reporting is undertaken to EMT and Cabinet. Formal reports to Cabinet approximately bi-monthly with regular updates on issues of a financial nature.
4	Budget approved by Members in February 2018 included reference to commercial principles which will be further strengthened by report to Cabinet in June 2018.
5	All Council reports include reference to financial implications and decisions of a financial nature are taken in the context of the current financial forecast.
6	Consistent financial advice provided to EMT & Cabinet.

**Assurances that controls are in place:**

1	Budget / MTFF agreed by Cabinet and Council in February 2018 and record of meetings.
2	Financial update reports to Cabinet and record of meetings.
3	Commercial Council Principles adopted by Cabinet in February 2018 and reaffirmed June 2018.
4	Records of meetings, reports and business cases considered by Cabinet & EMT.
5	Financial Management reports to EMT & Cabinet and Assurance statements "signed off" by individual service managers.

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

	Action	Responsibility	Date for completion
1	Monitoring of financial developments and forecasting impact on MTFF	Strategic Director (Resources)	Ongoing
2	Post implementation review of Leisure and other major projects	Strategic Director (Resources)	July 2018
3	Detailed review of General Fund Budget	Strategic Director (Resources) / Financial Services Manager	October 2018
4	Establishment of departmental efficiency targets	Financial Services Manager / OMT	November 2018
5	Specific spend areas identified for review during 2018/19 and set out in Resources Directorate Plan	Resources Service Managers	March 2019
6	Commercialisation Project	Strategic Director (Resources)	Ongoing
7	Implementation of technology roadmap	Strategic Director (Resources)	Ongoing

<b>Officer(s) with overall responsibility for risk:</b>	<b>Strategic Director (Resources)</b>
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<b>Target Risk to be achieved by:</b>	<b>March 2019</b>
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**Council Priority: Efficient & Effective Customer Focussed Services**

**Risk 8: Potential for too many priorities and inadequate staff capacity to pursue all priorities / insufficient corporate resources to implement change (Executive Management Team).**

	Current Risk					Target Risk			
A					A				
B			X		B				
C					C		X		
D					D				
	IV	III	II	I		IV	III	II	I

**Summary of current controls:**

1	Corporate Plan including corporate objectives in draft.
2	Directorate and Service Planning in place.
3	Establishment of Corporate Action Plan and regular review at Executive Management Team.
4	Regular Personal Performance and Development Plans (PPDPs) undertaken supported by team meetings and 1 to 1s. Managers empowered to identify and deliver training to staff. Corporate training also delivered.

**Assurances that controls are in place:**

1	Process to ensure completion and quality assessment of Service and Directorate plans.
2	Process for drafting of corporate objectives in place and integrated into directorate and corporate planning.
3	Process to ensure compliance with PPDP process.
4	Project plans and monitoring for key department projects.
5	Minutes of EMT meetings evidencing regular review of Corporate Action Plan.

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

	Action	Responsibility	Date for completion
1	Regular review of Corporate Action Plan to ensure it reflects key objectives and actions	EMT	Ongoing
2	Progress corporate development approach to help spread skills and capacity (e.g. Investigation & Appraisal training delivered)	Strategic Director (Resources) / HR Manager	Ongoing
3	Progress ICT programme to implement ICT improvements to reduce staff intensive working procedures and enhance service provision (e.g. Skype and Office 365)	Strategic Director (Resources) / IT Service Manager	Ongoing – specific projects have specific timeframes
4	Organisational Development to build capacity and skills within the organisation – identified through Peer Challenge – at investigation stage	Strategic Director (Resources) / HR Manager	TBA – currently at investigation stage
5	Progress ICT programme to expand potential for mobile and flexible working. Benefits to recruitment and retention of staff	Strategic Director (Resources) / IT Service Manager	Ongoing – specific projects have specific timeframes

<b>Officer(s) with overall responsibility for risk:</b>	<b>Executive Management Team</b>
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<b>Target Risk to be achieved by:</b>	<b>Ongoing</b>
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**Council Priority: Efficient & Effective Customer Focussed Services**

**Risk 9: Rent income reduction proposals by Central Government will result in a Housing Revenue Account which is unsustainable in future years (Head of Housing and Communities).**

Current Risk					Target Risk				
A				X	A				
B					B				
C					C				X
D					D				
	IV	III	II	I		IV	III	II	I

**Summary of current controls:**

1	Re-development of 30 year HRA business plan to identify cost pressures in future years.
2	Capital programme linked to condition survey and re-profiling / cost reduction to help with dealing with income reductions.
3	Ongoing budget monitoring.

**Assurances that controls are in place:**

1	Copy of revised HRA Business Plan and minutes of appropriate meetings.
2	Copy of revised capital programme.
3	Budget monitoring documentation and minutes of appropriate meetings.

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

	Action	Responsibility	Date for completion
1	Ongoing analysis of government legislation and timescales as well as developments from conferences, etc. to inform planned preparations for Housing Service development	Housing Services Manager	Ongoing
2	Development of Housing Asset Management Plan	Head of Housing and Communities	Completed January 2018
3	Review existing information and set capital programme to meet decent homes and identified prioritised repairs requirements	Head of Housing and Communities	Completed March 2018
4	Housing Asset Management Plan considered and agreed by Cabinet	Head of Housing and Communities	July 2018
5	Completion of full stock condition survey and analysis to provide updated requirements to aid short-term budget setting and incorporate into long-term business planning	Head of Housing and Communities	November 2018

<b>Officer(s) with overall responsibility for risk:</b>	<b>Head of Housing and Communities</b>
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<b>Target Risk to be achieved by:</b>	<b>January 2019</b>
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**Council Priority: Efficient & Effective Customer Focussed Services****Risk 10: Staff morale decreases due to impact of austerity (Strategic Director (Resources)).**

Current Risk					Target Risk				
A		X			A				
B					B				
C					C		X		
D					D				
	IV	III	II	I		IV	III	II	I

**Summary of current controls:**

1	Appraisal process in place and process of compliance established with compliance reported to EMT.
2	Staff forum – regular meetings between management and staff.
3	Refreshed approach to staff engagement / consultation launched with feedback and outcomes shared with staff.

**Assurances that controls are in place:**

1	Records of appraisals held by individual managers and overview reports made to EMT.
2	Minutes of staff forum.
3	Outcomes from staff surveys.

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

	Action	Responsibility	Date for completion
1	Continue to embed new process of staff engagement and review impact	Human Resource Manager	October 2018
2	Organisational Development Work Programme being developed	Strategic Director (Resources) / Human Resource Manager	March 2019
3	Continue to ensure adoption of good management practice consistently across the organisation	Executive & Operational Management Teams	March 2019

<b>Officer(s) with overall responsibility for risk:</b>	<b>Strategic Director (Resources)</b>
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<b>Target Risk to be achieved by:</b>	<b>March 2019</b>
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**Council Priority: Efficient & Effective Customer Focussed Services**

**Risk 11: Adequate Business Continuity (BC) arrangements in place that mitigate severe disruption to Council services (Strategic Director (Corporate Services)).**

Current Risk					Target Risk				
A					A				
B					B				
C			X		C				
D					D		X		
	IV	III	II	I		IV	III	II	I

**Summary of current controls:**

1	Overarching corporate generic BC plan in place.
2	Service level BC plans in place outlining key activities and arrangements.
3	BC issues / presentations / workshops provided at OMT meetings.
4	Capita IT Disaster Recovery Plan in place / Critical software list prepared / IT Disaster Recovery and software access testing.
5	Guidance provided to Managers on Impact Analysis, BC plans completion and sharing plans.
6	BC desk checks or tests undertaken annually.
7	Intruder and Fire alarm systems installed in key corporate buildings (some systems monitored out of hours).
8	EP/BC policy outlining corporate arrangements.

**Assurances that controls are in place:**

1	Copies of plans held in S drive Corporate folder (classified versions password protected)
2	Corporate BC plan available on 'Resilience Direct' secure website for responders
3	Record of presentations/workshops held
4	Annual IT DR test undertaken and post exercise report saved
5	Record of Service level and Corporate level BC testing/exercising & desk checks
6	Records of statutory inspections and cyclical maintenance checks in corporate buildings

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

	Action	Responsibility	Date for completion
1	1. Services to refresh their Service level BIAs on a revised template to capture additional information and more user friendly	Strategic Director (Resources) / FM Manager	Completed March 2018
2	2. Annual DR Test – Capita and Services using critical IT applications	IT Service Manager / Capita	Completed March 2018 -
3	3. Refresh of Corporate Generic Business Continuity Plan	FM Manager	Completed May 2018

<b>Officer(s) with overall responsibility for risk:</b>	<b>Strategic Director (Corporate Services) / Facilities &amp; Asset Manager / IT Service Manager</b>
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<b>Target Risk to be achieved by:</b>	<b>May 2018</b>
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**Council Priority: Efficient & Effective Customer Focussed Services**

**Risk 12: Failure to deliver key ICT improvement and enhancement projects resulting from contract operating difficulties with Capita (Strategic Director (Resources)).**

Current Risk					Target Risk				
A			X		A				
B					B				
C					C				
D					D		X		
	IV	III	II	I		IV	III	II	I

**Summary of current controls:**

1	Contract in place with current period expiring March 2019.
2	Contract documentation sets out responsibilities and requirements of all parties.
3	Established and agreed joint project management approach for projects with Capita.
4	Established contract management approach.
5	Established working arrangements with other ICT related service providers to support implementation of projects.

**Assurances that controls are in place:**

1	Contract documentation
2	Project management methodology and board minutes setting out agreed approaches etc.
3	Contract monitoring documentation including performance reports.
4	Minutes of monthly Service Level Review meetings.
5	Internal Audit ICT Risk Identification and Assessment – satisfactory conclusion.
6	Technology roadmap established to support IT Strategy and regularly reviewed.

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

	Action	Responsibility	Date for completion
1	Establishment of ICT (projects) steering group to monitor performance of projects and ensure appropriate engagement and communication within the organisation	Strategic Director (Resources)	Completed
2	Use of third party contractors to implement project solutions should this prove to be a cost effective approach	Strategic Director (Resources) / IT Service Manager	Ongoing
3	Focus on contract monitoring with Capita to clarify any issues and agree any improvements to the approach.	Strategic Director (Resources) / IT Service Manager	March 2019
4	Further contract extension being sought for two years to end March 2021	Strategic Director (Resources) / IT Service Manager	March 2019

<b>Officer(s) with overall responsibility for risk:</b>	<b>Strategic Director (Resources)</b>
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<b>Target Risk to be achieved by:</b>	<b>March 2019</b>
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**Council Priority: Efficient & Effective Customer Focussed Services****Risk 13: Inadequate Health and Safety arrangements within Housing Services and the potential for a serious incident as a result (Head of Housing and Communities).**

Current Risk					Target Risk				
A				X	A				
B					B				
C					C				X
D					D				
	IV	III	II	I		IV	III	II	I

**Summary of current controls:**

1	Fire risk assessments undertaken by South Essex Homes and recorded in Excel spreadsheet for identifying and monitoring further action.
2	Key performance indicators (KPI's) and reports to monitor performance in areas such as compliance with boilers undertaking annual safety checks.
3	Asbestos register recorded on an Excel spreadsheet and updated when further checks undertaken.

**Assurances that controls are in place:**

1	Copies of Fire Risk Assessments and Excel table to monitor progress.
2	Minutes of meetings where KPI's discussed.
3	Copy of Asbestos register.

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

	Action	Responsibility	Date for completion
1	Initial development of Access database and guidance to record key information	Head of Housing and Communities	Completed December 2017
2	Develop Health and Safety Policy Statement outlining arrangements	Housing Support Manager	Completed January 2018
3	Set out processes with South Essex Homes	Head of Housing and Communities	Completed January 2018
4	Trial database with staff and get feedback	Head of Housing and Communities	January to May 2018
5	Receive results of Internal Audit of arrangements and agree action planning.	Head of Housing and Communities	July 2018
6	Further revision of Health and Safety Policy Statement and Database and implement new arrangements.	Housing Management Team	September 2018
7	Develop procedures for staff	Head of Housing and Communities	October 2018

<b>Officer(s) with overall responsibility for risk:</b>	<b>Head of Housing and Communities</b>
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<b>Target Risk to be achieved by:</b>	<b>October 2018</b>
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**Council Priority: Efficient & Effective Customer Focussed Services**

**Risk 14: Housing Services working practices and management systems are not fully effective and do not provide value for money (Head of Housing and Communities).**

Current Risk					Target Risk				
A		X			A				
B					B				
C					C		X		
D					D				
	IV	III	II	I		IV	III	II	I

**Summary of current controls:**

1	Housing service plan in place setting out a number of actions.
2	Options appraisal of ICT systems issues.
3	Regular performance monitoring of core service areas.

**Assurances that controls are in place:**

1	Copy of Service plan and minutes of appropriate meetings.
2	Copies of performance reports and minutes of meetings where discussed.
3	Any Project Initiation Documents (PIDs) to deal with identified issues.

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

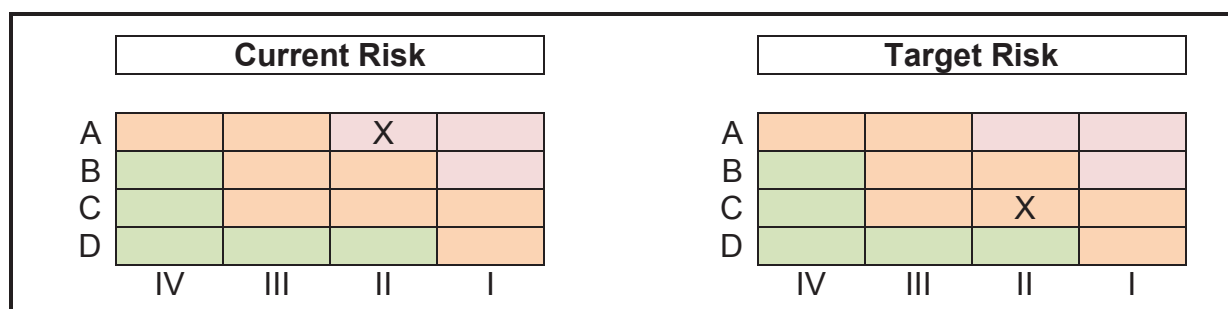
	Action	Responsibility	Date for completion
1	Development of interface with Aaron	Housing Support Manager	Completed December 2017
2	Identification of particular process issues and rectifying action	Tenancy Services Manager / Housing Support Manager	Ongoing
3	Ongoing use of performance information to manage any performance issues	Tenancy Services Manager / Housing Support Manager	Ongoing
4	Implement series of policy updates, including Allocations Policy, Recharges Policy and Voids Standards Policy	Housing Services Manager	March 2019

<b>Officer(s) with overall responsibility for risk:</b>	<b>Tenancy Services Manager / Housing Support Manager</b>
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<b>Target Risk to be achieved by:</b>	<b>Ongoing</b>
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**Council Priority: Efficient & Effective Customer Focussed Services**

**Risk 15: Risk of Service Level Agreement (SLA) arrangements with South Essex Homes not being successful and resulting in inability to provide a housing property management service (Head of Housing and Communities).**



\*\*\*Note – this item has been added to the Corporate Risk Register following the Peer Challenge\*\*\*

**Summary of current controls:**

1	SLA arrangement in place with option to extend to March 2019 taken up.
2	Monthly SLA meetings in place to ensure SLA is managed.
3	Performance monitoring regime.

**Assurances that controls are in place:**

1	SLA.
2	Minutes of SLA meetings.
3	Performance reports.

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

	Action	Responsibility	Date for completion
1	Meeting to explore future partnership arrangements with South Essex Homes.	Head of Housing and Communities	Completed April 2018
2	Decision on future approach made	Head of Housing and Communities	Completed May 2018
3	Project manage implementation of new arrangements	Head of Housing and Communities	By March 2019

<b>Officer(s) with overall responsibility for risk:</b>	<b>Head of Housing and Communities</b>
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<b>Target Risk to be achieved by:</b>	<b>March 2019</b>
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**Council Priority: Efficient & Effective Customer Focussed Services****Risk 16: Unable to fully implement the requirements of the General Data Protection Act Regulations (GDPR) 2015 (Head of Law).**

Current Risk					Target Risk				
A			X		A				
B					B				
C					C		X		
D					D				
	IV	III	II	I		IV	III	II	I

**Summary of current controls:**

1	Current compliance with Data Protection Act 1998.
2	Review of current guidance issued by the Information Commissioners Office (ICO) and EU Working Party 29.
3	Internal Audit of Information Governance undertaken.
4	External report on cyber security risks by ZM.
5	Work plan developed taking reports items 3 & 4 above into account reporting to OMT.
6	Information Governance regular monthly report item on agenda for OMT.
7	Implementation requirements identified and reported to EMT.
8	Information Governance Sub-Group of OMT set up.
9	Information Governance Managers Assurance Statements.

**Assurances that controls are in place:**

1	Reports to CMT.
2	Sub Group of OMT notes dealing with information governance.
3	Minutes of meetings CMT/OMT.
4	Managers Information Management/Governance Assurance statement & updated as implementation takes place.

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

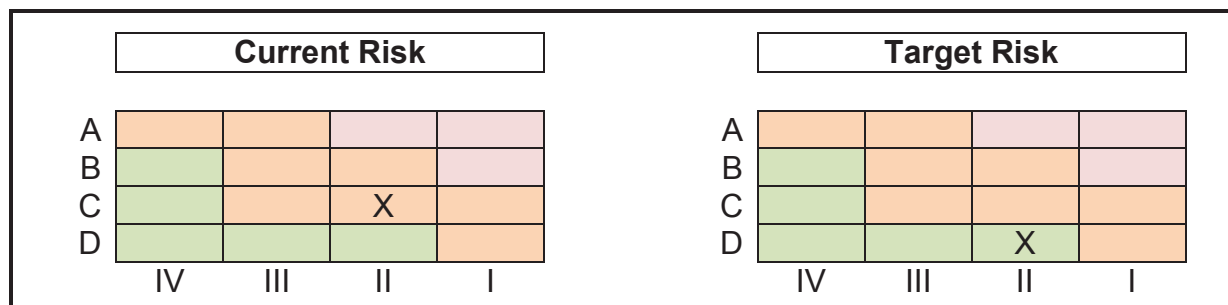
	Action	Responsibility	Date for completion
1	Identification of Information Asset Owners	OMT	Completed
2	Appointment of Sub-Group of OMT	OMT	Completed
3	Development of Work Plan	Head of Law	Completed
4	Undertaking actions from Work Plan	Head of Law / Strategic Director (Resources) / OMT	Ongoing (GDPR deadline May 2018)
5	Follow up on Information Governance Audit to be undertaken by Internal Audit	Head of Internal Audit	January 2019
6	Follow up GDPR Health Check to be undertaken by ZM	Head of Law	May 2019

<b>Officer(s) with overall responsibility for risk:</b>	<b>Head of Law</b>
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<b>Target Risk to be achieved by:</b>	<b>Ongoing</b>
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**Council Priority: Efficient & Effective Customer Focussed Services**

**Risk 17: Successful cyber security attack resulting in disruption to service, theft or loss of data / information, financial and reputational damage (Strategic Director (Resources)).**

**Summary of current controls:**

1	Cyber security strategy in place supported by appropriate policies and procedures. Regularly reviewed and maintained.
2	Awareness of cyber threats raised periodically.
3	Quarterly checks (Nessus scans) undertaken by Capita to identify infrastructure vulnerabilities.
4	Vulnerabilities identified and addressed promptly.
5	Annual IT Health check undertaken which also checks for vulnerabilities and informs the Council's Public Sector Network (PSN) compliance certification with the Cabinet Office.
6	Compliance with principles of Cyber Securities Accreditation.
7	Use of Metaphish tool periodically (3 monthly) to check staff awareness, compliance and follow up.

**Assurances that controls are in place:**

1	PSN compliance certification – annual assessment.
2	Reports and action plans arising from quarterly Nessus scans provided by Capita and minutes of monthly Service Level Review (SLR) meetings.
3	Outcomes from periodic Metaphish exercise regularly reported to EMT.

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

	Action	Responsibility	Date for completion
1	Quarterly Metaphish exercise	IT Service Manager / Capita	Quarterly / ongoing
2	Progress Cyber Security Actions	Strategic Director (Resources) / IT Service Manager	Ongoing
3	Annual PSN certification	IT Service Manager	August (Annually)

<b>Officer(s) with overall responsibility for risk:</b>	<b>Strategic Director (Resources)</b>
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<b>Target Risk to be achieved by:</b>	<b>Ongoing</b>
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**Council Priority: Efficient & Effective Customer Focussed Services**

**Risk 18: Risk of Implementation of Universal Credit (UC) and wider digital requirements by Department of Work and Pensions (DWP) impacting service delivery and effectiveness (Revenues & Benefits Transformation Manager).**

Current Risk					Target Risk				
A			X		A		X		
B					B				
C					C				
D					D				
	IV	III	II	I		IV	III	II	I

**Summary of current controls:**

1	Regular liaison with DWP and Job Centre Plus (JCP).
2	Service planning via Universal Credit Working Group (UCWG).
3	Stakeholder engagement and support.

**Assurances that controls are in place:**

1	Minutes of meetings with DWP/JCP, Pan Essex meetings and emails.
2	UCWG Action plan, meeting notes and emails.
3	Training events, emails, Action Plan, Members Briefings, publications, website info, Community Engagement Support Officer outcomes.

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

	Action	Responsibility	Date for completion
1	Project team established to investigate, manage and monitor impact of changes.	Transformation Manager / Head of Housing and Communities	Completed January 2018
2	Report to EMT / OMT on UCWG Action Plan setting out impact and any necessary preparations	Transformation Manager / Head of Housing and Communities	Completed April 2018
3	Ongoing work by project team to communicate and manage implementation.	Transformation Manager / Head of Housing and Communities	Ongoing (UC to be implemented July 2018)

<b>Officer(s) with overall responsibility for risk:</b>	<b>Revenues &amp; Benefits Transformation Manager</b>
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<b>Target Risk to be achieved by:</b>	<b>Ongoing</b>
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**Council Priority: Efficient & Effective Customer Focussed Services**

**Risk 19: Risk that contract re-tenders / renewals / extensions or other procurements or a lack of robust contract management may result in higher costs placing greater strain on the Council's financial position (All Heads of Service / All Service Managers).**

Current Risk					Target Risk				
A					A				
B			X		B				
C					C	X			
D					D				
	IV	III	II	I		IV	III	II	I

**Summary of current controls:**

1	Detailed procedures in place and documented. Procurement financial thresholds are set out to confirm relevant process to follow depending on cost.
2	Contracts register maintained with details on contracts over £5,000, including contract end dates.
3	Council is a member of Braintree Procurement Hub (managed by Braintree Council) and can access their expert support and available frameworks.
4	Annual spend review / challenge exercise undertaken by Facilities Management.

**Assurances that controls are in place:**

1	Procurement Toolkit updated by Legal Services June 2018. Toolkit has all relevant documents and templates embedded within it so that everything required can be accessed from within one document.
2	Contract Register on Council intranet and website: <a href="http://v5intranet/cpapps/index.cfm?fa=contracts">http://v5intranet/cpapps/index.cfm?fa=contracts</a> and <a href="https://apps.castlepoint.gov.uk/cpapps/index.cfm?fa=contracts">https://apps.castlepoint.gov.uk/cpapps/index.cfm?fa=contracts</a> &
3	Braintree Procurement Hub: <a href="http://www.braintree.gov.uk/info/200316/selling_to_the_council/679/essex_procurement">www.braintree.gov.uk/info/200316/selling_to_the_council/679/essex_procurement</a>
4	Contract data recorded on Improvement East Website: <a href="http://contracts.eelga.gov.uk/">http://contracts.eelga.gov.uk/</a>

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

	Action	Responsibility	Date for completion
1	Ensure that all contract re-tender processes allow sufficient time to be completed before the expiry of the current contract	All Heads of Service / All Service Managers	Ongoing
2	Ensure that if any contract extension options are taken up that they are agreed with the contract provider in accordance with the timeframes, terms and processes stated within the contract	All Heads of Service / All Service Managers	Ongoing
3	Ensure that Legal Services and Financial Services are consulted in relation to any contracts, early in the process	All Heads of Service / All Service Managers	Ongoing
4	Ensure that Legal Services and Financial Services are consulted in relation to applications for funding, including potential State Aid implications	All Heads of Service / All Service Managers	Ongoing
5	Ensure that where applicable the Braintree Procurement hub and frameworks are used	All Heads of Service / All Service Managers	Ongoing
6	Consult with Financial Services on a periodic basis to request financial re-appraisals on companies providing works/services on long term contracts	All Heads of Service / All Service Managers	Ongoing
7	Risk management training in relation to procurement/contract extension-renewals and contract management	All Heads of Services / All Service Managers	31 March 2019

<b>Officer(s) with overall responsibility for risk:</b>	<b>All Heads of Service / All Service Managers</b>
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<b>Target Risk to be achieved by:</b>	<b>ongoing</b>
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