

A meeting of the **CORPORATE GOVERNANCE PANEL** will be held in the **CIVIC SUITE, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29 3TN** on **WEDNESDAY, 29 JANUARY 2014** at **6:30 PM** and you are requested to attend for the transaction of the following business:-

PRIOR TO THE MEETING THERE WILL BE A PRESENTATION FOR PANEL MEMBERS, ON THE COUNCIL'S CONSTITUTION, IN THE CIVIC SUITE COMMENCING AT 6.00PM.

APOLOGIES

**Contact
(01480)**

1. MINUTES (Pages 1 - 6)

To approve as a correct record the Minutes of the meeting of the Panel held on 27th November 2013.

**Mrs H J Taylor
388008**

2. MEMBERS' INTERESTS

To receive from Members declarations as to disclosable pecuniary, non-disclosable pecuniary or non-pecuniary interests in relation to any Agenda item. See Notes below.

**3. CORPORATE GOVERNANCE PANEL - PROGRESS REPORT
(Pages 7 - 8)**

To receive a report by the Head of Legal and Democratic Services.

**Mrs H J Taylor
388008**

4. REVIEW OF FRAUD INVESTIGATION ACTIVITY (Pages 9 - 22)

To consider a report by the Corporate Fraud Manager summarising the activity of the Corporate Fraud Team over the 2012/13 financial year.

**Mrs J Barber / N
Jennings
388105 / 388480**

5. REVIEW OF FRAUD PROSECUTION POLICY (Pages 23 - 36)

To consider a report by the Corporate Fraud Manager outlining changes to the Council's Fraud Prosecution Policy.

**N Jennings
388480**

6. WHISTLEBLOWING CONCERNS RECEIVED (Pages 37 - 38)

To receive a report by the Internal Audit Manager.

**D Harwood
388115**

7. NATIONAL FRAUD INITIATIVE (Pages 39 - 44)

To receive a report by the Internal Audit Manager on the National Fraud Initiative of 2012 and the work undertaken on resolving potentially fraudulent matches provided by the Audit Commission.

**D Harwood
388115**

8. INTERNAL AUDIT OPINIONS (Pages 45 - 52)

To receive a report by the Internal Audit Manager explaining the terminology associated with the annual internal audit opinion and internal audit reports.

**D Harwood
388115**

9. INTERNAL AUDIT INTERIM PROGRESS REPORT (Pages 53 - 60)

To consider a report by the Internal Audit Manager summarising the activity of the Internal Audit Service during the period 1st April to 31st December 2013.

**D Harwood
388115**

10. EXTERNAL AUDITORS: ISA 260 REPORT - 2012/13 IMPLEMENTATION OF RECOMMENDATIONS (Pages 61 - 68)

To receive a report by the Assistant Director (Finance and Resources) regarding the implementation of recommendations by the Council's External Auditors.

**C Mason
388157**

11. WORK AND TRAINING PROGRAMME (Pages 69 - 72)

To consider a report by the Internal Audit Manager.

**D Harwood
388115**

Dated this 20 day of January 2014



Head of Paid Service

Notes

1. Disclosable Pecuniary Interests

(1) *Members are required to declare any disclosable pecuniary interests and unless you have obtained dispensation, cannot discuss or vote on the matter at the meeting and must also leave the room whilst the matter is being debated or voted on.*

(2) *A Member has a disclosable pecuniary interest if it -*

(a) relates to you, or

(b) is an interest of -

(i) your spouse or civil partner; or

(ii) a person with whom you are living as husband and wife; or

(iii) a person with whom you are living as if you were civil partners

and you are aware that the other person has the interest.

(3) *Disclosable pecuniary interests includes -*

(a) any employment or profession carried out for profit or gain;

(b) any financial benefit received by the Member in respect of expenses incurred carrying out his or her duties as a Member (except from the Council);

(c) any current contracts with the Council;

(d) any beneficial interest in land/property within the Council's area;

- (e) any licence for a month or longer to occupy land in the Council's area;
- (f) any tenancy where the Council is landlord and the Member (or person in (2)(b) above) has a beneficial interest; or
- (g) a beneficial interest (above the specified level) in the shares of any body which has a place of business or land in the Council's area.

Other Interests

- (4) If a Member has a non-disclosable pecuniary interest or a non-pecuniary interest then you are required to declare that interest, but may remain to discuss and vote.
- (5) A Member has a non-disclosable pecuniary interest or a non-pecuniary interest where -
 - (a) a decision in relation to the business being considered might reasonably be regarded as affecting the well-being or financial standing of you or a member of your family or a person with whom you have a close association to a greater extent than it would affect the majority of the council tax payers, rate payers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the authority's administrative area, or
 - (b) it relates to or is likely to affect any of the descriptions referred to above, but in respect of a member of your family (other than specified in (2)(b) above) or a person with whom you have a close association

and that interest is not a disclosable pecuniary interest.

2. Filming, Photography and Recording at Council Meetings

The District Council supports the principles of openness and transparency in its decision making and permits filming, recording and the taking of photographs at its meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening at meetings. Arrangements for these activities should operate in accordance with guidelines agreed by the Council and available via the following link - [filming, photography and recording at council meetings.pdf](#) or on request from the Democratic Services Team. The Council understands that some members of the public attending its meetings may not wish to be filmed. The Chairman of the meeting will facilitate this preference by ensuring that any such request not to be recorded is respected.

Please contact Mrs H Taylor, Senior Democratic Services Officer, Tel No: 01480 388008 / e-mail: Helen.Taylor@huntingdonshire.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Cabinet.

Specific enquiries with regard to items on the Agenda should be directed towards the Contact Officer.

Members of the public are welcome to attend this meeting as observers except during consideration of confidential or exempt items of business.

Agenda and enclosures can be viewed on the District Council's website – www.huntingdonshire.gov.uk (under Councils and Democracy).

If you would like a translation of Agenda/Minutes/Reports or would like a large text version or an audio version please contact the Democratic Services Manager

and we will try to accommodate your needs.

Emergency Procedure

In the event of the fire alarm being sounded and on the instruction of the Meeting Administrator, all attendees are requested to vacate the building via the closest emergency exit.

Agenda Item 1

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the CORPORATE GOVERNANCE PANEL held in Civic Suite, Pathfinder House, St Mary's Street, Huntingdon, PE29 3TN on Wednesday, 27 November 2013.

PRESENT: Councillor E R Butler – Chairman.

Councillors M G Baker, K J Churchill,
G J Harlock, R Harrison, P Kadewere,
P G Mitchell and R J West.

33. MINUTES

The Minutes of the meeting of the Panel held on 26th September 2013 were approved as a correct record and signed by the Chairman.

34. MEMBERS' INTERESTS

No declarations were received.

35. CORPORATE GOVERNANCE PANEL - PROGRESS REPORT

The Panel received and noted a report by the Head of Legal and Democratic Services (a copy of which is appended in the Minute Book) which contained details of actions taken in response to recent discussions and decisions.

36. EXTERNAL AUDITORS: ANNUAL AUDIT LETTER 2012/13

With the aid a report by the Assistant Director, Finance and Resources (a copy of which is appended in the Minute Book) the Panel gave consideration to the Annual Audit Letter for 2012/13. Members were advised that the letter outlined the Auditor's findings, recommendations and fees for their work in respect of 2012/13. It had been produced following the publication of the 2012/13 Annual Financial Report.

In considering the contents of the Audit Letter, Members' attention was drawn to a number of recommendations to strengthen the budgetary control and financial planning process for the medium and longer term. Discussions then ensued on the monitoring of savings and the implications of zero based budgeting.

Members also considered the findings of the Auditor's review into the LGSS HR Contract and their opinion of project management, procurement and contracting.

Having expressed concern that the report lacked any officer response to the issues raised, the Panel received assurances from the Assistant Director, Finance and Resources that they were being addressed. Furthermore, he confirmed that information on the actions taken and planned to address the auditor's comments, including timescales, would be circulated to the Panel Members.

In response to a question raised by a Member, it was confirmed that the Annual Audit Letter would be circulated to all Members and made available on the Council's internet.

Whereupon, it was

RESOLVED

that the Annual Audit Letter from the Council's External Auditors, PricewaterhouseCooper for the 2012/13 be formally received.

37. ANNUAL REPORT OF THE FREEDOM OF INFORMATION ACT, ENVIRONMENTAL INFORMATION REGULATIONS AND DATA PROTECTION ACT

With the aid of a joint report by the IMD Service Manager and the Head of Legal and Democratic Services (a copy of which is appended in the Minute Book) the Panel received a report on the number of requests received by the Council under the Freedom of Information Act, Environmental Information Regulations and Data Protection Act.

Following a question raised by a Member over the cost to the Council for complying with these legislative requirements, the IMD Service Manager reported that a high level of requests were for general information and that alternative methods of making such data available to the public was being considered, including making maximum possible use of the Council's website.

RESOLVED

that the contents of the report now submitted be noted.

38. CORPORATE BUSINESS CONTINUITY PLANNING

With the assistance of a report by the Corporate Business Continuity Coordinator (IMD Service Manager) (a copy of which is appended in the Minute Book) the Panel received an update on the progress that had been made in reviewing the Council's corporate business continuity arrangements.

The Panel were advised that the Business Continuity Plan had been updated and an exercise to test the robustness of the plan undertaken, as a result of which a number of issues were identified. In referring to the success of the event, the Continuity Coordinator confirmed that the exercise would become an annual event to help ensure that the Plan remains a "living" document.

Members were encouraged to note that there had been no incidents during the last 12 months which required instigation of the Plan. However, there had been a number of partial IT failures which had

been recorded and analysed to avoid re-occurrence.

In terms of alternative accommodation, Members were advised that agreement in principle had been reached with Huntingdon Library to provide alternative accommodation for face to face services if Pathfinder Customer Centre was inaccessible.

Having stressed that it was important to give due and appropriate consideration to the Council's arrangements for business continuity, the Panel congratulated the Officers involved with this work.

RESOLVED

that the contents of the report now submitted be noted.

39. ANNUAL REVIEW OF WHISTLEBLOWING POLICY AND PROCEDURE

With the aid of a report by the Internal Audit Manager (a copy of which is appended in the Minute Book) the Panel were acquainted with legislative changes affecting the Council's Whistleblowing Policy and Procedure, which had arisen from the Enterprise and Regulatory Reform Act 2013 (ERRA). The changes introduced narrow the definition of "protected disclosure", removes the requirement that a worker or employee must make a protected disclosure in "good faith", introduces personal liability for co-workers who victimise whistleblowers and extends the meaning of "worker".

Members were advised that the Government considered that before ERRA, whistleblowing was open to abuse and that cases were being made over spurious issues, but the changes now made it a requirement for the alleged disclosure to be in the public interest.

Having been advised of the necessary amendments to the Council's Whistleblowing Policy and Guidance, the Panel felt that the section on maintaining confidentiality in the guidance should replace the words "in good faith", with "in the public interest".

RESOLVED

that subject to the inclusion of "in the public interest" to reflect the text of the preamble hereto, the contents of the Whistleblowing Policy and Guidance, appended to the report now submitted, be approved.

40. OVERVIEW AND SCRUTINY PANELS CO-OPTED MEMBERS

Further to Minute No.12/52, consideration was given to a report by the Head of Legal and Democratic Services (a copy of which is appended in the Minute Book) detailing the outcome of a review of the involvement of external co-optees on the Overview and Scrutiny Panels.

Members were advised that the review had concluded that instead of making permanent appointments to the Scrutiny Panels, there was merit in inviting individuals who have specialist knowledge or expertise to contribute to particular study areas. There are currently 3 vacancies and as the terms of office of another 2 would end naturally in February 2014, it was proposed that all appointments should finish at that time. Having noted that the Overview and Scrutiny Chairmen had been consulted on and supported the proposal, the Panel

RESOLVED

that the Council be recommended to delete the following words from paragraph 2 of the Overview and Scrutiny Procedure Rules contained in the Constitution:

“Each Overview and Scrutiny Panel shall comprise two co-opted persons appointed for a four year period without voting rights. The co-opted persons shall not be paid an allowance”

41. OFFICER GOVERNANCE WORKING GROUPS

The Panel received a report by the Assistant Director, Finance and Resources on proposals to introduce Officer Governance Working Groups to raise awareness of the importance of good governance throughout the authority. It was noted that the approach had been prepared by the Chief Officers Management Team following concerns raised in the External Auditor’s report over the lack of compliance in some areas.

Members were advised that the new arrangements would result in six working groups reporting to an Officer Governance Board consisting of Chief Officer’s Management Team, the Monitoring Officer and the Internal Audit and Risk Manager. In considering the contents of generic terms of reference for both the board and groups and in noting the main elements to be covered, the Panel were advised that the each group would be led by a Head of Service or Service Manager who has not got responsibility for that service area as part of their normal role in order to develop corporate working. Having expressed certain concerns over the latter and the level of commitment required, the Panel

RESOLVED

that the contents of the report be noted.

42. WORK AND TRAINING PROGRAMME

By way of a report by the Internal Audit Manager (a copy of which is appended in the Minute Book), Members received and noted a work programme for the Panel for the period January to November 2014.

Councillor Baker, a Member of the Council Programme Group, questioned the process followed at a recent Council meeting when dealing with a Notice of Motion. Reference was made of the need to review the Council’s Procedure Rules. In that respect, the Head of Legal and Democratic Services explained that the Deputy Leader had

suggested that such a review be undertaken by the Panel. In order to progress, he agreed to discuss the matter with the Deputy Leader and Councillor Baker.

Having referred to the complexity of the Council's Constitution, the Panel requested that a presentation be made, prior to the start of the next meeting, on the various sections of the Constitution.

43. EXCLUSION OF THE PRESS

RESOLVED

that the public be excluded from the meeting because the business to be transacted contains exempt information relating to consultations or negotiations in connection with labour relation matters between the Council and its employees.

44. INTERNAL AUDIT - PAY REVIEW

The Panel received a report by the Internal Audit Manager (a copy of which is appended in the Annex to the Minute Book) summarising the findings of a review of the job evaluation and pay review process.

In considering the contents of the report, a Member referred to the two job evaluations methodology being used to evaluate the posts and questioned the basis for Inbucon's assertion that their scheme was equality compliant. In response to which, the Head of Legal and Democratic Services explained that Inbucon had considerable experience in such matters and had been engaged by the authority to provide a legally compliant scheme. In the event of any successful challenge to the adopted scheme, then the Council would be able to seek redress from Inbucon. The Assistant Director, Finance and Resources added that Inbucon had submitted their scheme to the Equality Commission, who had raised no concerns.

Having noted the internal auditor's positive endorsement of the process, it was

RESOLVED

that the contents of the report be noted.

Chairman

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CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel Date	Decision	Response	Date for Action	Officer Responsible
24/7/13	<u>Internal Audit Service Annual Report</u> Requested regular updates from Chief Officers Management Team on procurement practices.	The Governance Board will provide information and assurance to the Panel on a regular basis starting with the Panel's March meeting.	26 th March 2014	Assistant Director Finance and Resources
26/9/13	<u>Annual Governance Statement</u> Approved the AGS. Required updates on the progress with introducing the six improvement areas identified.	Implementation dates for five of the areas was agreed as April 2014 or later. Progress will be reported to the May Panel meeting. The remaining area – project management – has been referred to the Project Management Working Group.	21 st May 2014	Managing Director
27/11/13	<u>External Auditors: Audit Letter 2012/13</u> Requested information on the actions taken and planned to address the auditor's comments, including timescales.	Assistant Director, Finance and Resources to email to Panel Members.		Assistant Director, Finance and Resources
27/11/13	<u>Annual Review of Whistleblowing Policy and Procedure</u> Under the section on maintaining confidentiality in the guidance replace the words "in good faith" with "in the public interest".	Completed		Internal Audit Manager

CORPORATE GOVERNANCE PANEL PROGRESS REPORT

Panel Date	Decision	Response	Date for Action	Officer Responsible
26/9/13	<u>Work and Training Programme</u> Head of Legal and Democratic Services to discuss a possible review of the Council's Procedure Rules with the Deputy Leader and Councillor M Baker. Requested presentation prior to the January meeting on the various sections of the Constitution.		29 th January 2014	Head of Legal & Democratic Services Head of Legal & Democratic Services

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: REVIEW OF FRAUD INVESTIGATION ACTIVITY

Meeting/Date: Corporate Governance Panel – Jan 2014

Executive Portfolio: Barry Chapman (BC)

Report by: Corporate Fraud Manager (NDJ)

Ward(s) affected: All

Executive Summary:

Recent central government reports estimate the risk of loss, from fraud, across local government could be in the region of £2.2bn. These estimates use levels of loss generally accepted as accurate in both the public and private financial sectors. Using the same calculations estimates of the risk of loss to HDC might be as high as £2.5m per annum. This level is an indicator only and does not represent actual loss.

This report provides an overview of the activity of the Councils Corporate Fraud Team for 2012/2013.

In 2012/2013 the Team investigated 297 allegations of fraud with a total value of £276k and delivered future savings of £476k. Collected £180k of 'hard to collect' debt. Recovered 12 social properties that were being unlawfully used. Brought prosecutions in 23 of the most serious cases.

The Fraud Team received subsidy and grants from the DWP (HB Admin Grant) for the work undertaken around benefit fraud and received further income from awards of costs and financial penalties totalling £202k.

Assuming that all funds, that were found to be fraudulent, are recovered a further £110K subsidy, pro-rata, will be received from DWP ensuring the Fraud Team provide a cost neutral service.

Recommendation(s):

It is recommended that the Panel;

- Reviews the work undertaken by the Fraud Team against its targets for performance in 2012/2013.

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1. WHAT IS THIS REPORT ABOUT?

- 1.1 This report provides a summary of the activity of the Councils Corporate Fraud Team in 2012/2013 including the number of investigations undertaken, types of investigations, the value of fraud identified and the cost to undertake this work.

2. BACKGROUND

- 2.1 The current estimate of fraud affecting local government exceeds £2.2bn across England and Wales. Based on the same estimates the risk of loss, to fraud, for HDC has been put at around £2.5m per annum. See appendix A- Fraud Risk- Corporate Governance Report 2012/2013.
- 2.2 Understanding the potential risk of fraud and the cost to investigate this loss will help to inform the Council when it considers how to mitigate those risks. This report will show how the Council does this through deterrence, prevention and investigation.

3. ANALYSIS OF FRAUD

- 3.1 Analysis of potential fraud loss has been undertaken by various Government and Private Sector bodies, between 2011 & 2012 including the Audit Commission, Cabinet Office, Department for Communities and Local Government (DCLG), Department for Work and Pension (DWP), Deloitte and Price Waterhouse Coopers.
- 3.2 HDC has had in place an effective Fraud Team for some years tasked, in the main, with the investigation of housing benefit fraud and working in close partnership with the DWP.
- 3.3 Analysis of investigations undertaken in 2011/2012 and 2012/2013 show the value and length of fraud that was identified from various investigations where fraud was identified.

	Ave No. Cases	Ave Length of fraud	Ave Cost of fraud	Predicted Annual loss
Housing Benefit Fraud	132	12 Mths	£2,109	£ 278,388
Council Tax Benefit Fraud	124	12 Mths	£504	£ 64,496
Council Tax Discounts & Exemptions	14	28 Mths	£535	£ 3,209
Total				£ 346,093

- 3.4 The options to combat fraud loss across the whole of the Council fall into various categories.

Deterrence	Making the option to defraud the council unattractive.
Prevention	Making it difficult to commit fraud against Council services.
Investigation	Catching those people who are alleged to commit fraud.
Prosecution	Punishing those people caught committing fraud.
Recovery	Recovering the financial loss/cost of fraud.

4. KEY IMPACTS/RISKS?

4.1 HDC administers and pays housing benefit (HB) and council tax benefit (CTB) as an agent of the DWP. The Council has a statutory duty to prevent homelessness and works in close partnership with a number of housing providers. The Council collects council tax and awards discounts and exemptions in prescribed circumstances. Annual fraud loss in each of these areas, for HDC, is estimated at around £350k housing benefit, £1.8m Housing/Homelessness, £400k council tax discounts/exemptions.

4.2 For 2012 and 2013 the Fraud Team were set the following targets, these focused mainly on housing benefit/council tax benefit fraud as the Team is funded from the Housing Benefit Admin Grant.

Area of Work	Strand	Target set
Publicity	Deterrence	To publicise prosecutions and activity of Fraud Team.
Use of WestMAP (In-house data-matching system)	Prevention	Increased use of data-matching
Weakness in Systems (This might include any Council service, staffing, IT system or procedure)	Prevention	When investigations revealed weakness in control- report to Service Manager
Fraud Awareness Training.	Prevention	To deliver training to Staff and Members
30 Investigations per 1,000 Benefit caseload (as at 31.3.2012)	Investigation	300
Number of days to 'Sift' reported matters.	Investigation	5 days
Investigation success (A successful outcome is one where a fraud/theft/misappropriation is identified regardless of the value)	Investigation	60%
Sanction cases (Cases where a penalty, caution, fine or prosecution results from an investigation)	Prosecution	60 / 30
Percentage of successful prosecutions	Prosecution	95%
HB Debt Reduction	Recovery	Maintain recovery rate of 32% and see reduction in the balance of overpayments (OP) outstanding
Regulation of Investigatory Powers Provision (Managing the Councils use of surveillance and Interception Communications)	Recovery	Team remain cost neutral to HDC

5. WORK UNDERTAKEN

5.1 In 2012/2013 The Fraud Team delivered the following against its targets

Area of Work	Achievements
Publicity	Over 20 press releases were issued through the Councils News Team.
Use of WestMAP (In-house data-matching system)	The Team now has access 30 data-sets across HDC, and a number externally, which has allowed improved data-matching.
Weakness in Systems (This might include any Council service including its staffing, IT systems or procedures)	Matters continue to be reported to the Service Managers. The E-forms project has also been supported by the Fraud Manager as has the implementation of Risk Based Verification.
Fraud Awareness Training.	Fraud awareness training has been delivered to all new starters in the Benefit Section and Customer Services. Additional training has been provided to Benefit Section as a whole, Members and some parts of the Housing and Local Taxation Teams.
30 Investigations per 1,000 Benefit caseload (as at 31.3.2012)	297 Investigations were concluded. This is slightly lower than previous years due to staff sickness and vacancies.
Number of days to 'Sift' reported matters.	9 days. Again this figure was higher than previous years due to a vacancy on the team and a growing number of reported frauds and the diversity of these.
Investigation success (A successful outcome is one where a fraud/theft/misappropriation is identified regardless of the value)	50%- This equated to 135 cases where a fraud was identified (the value of these frauds totalled £276k loss and ongoing saving of £260k per annum). 135 cases were closed as 'not proved' and a further 27 were withdrawn as not requiring investigation. The Fraud Team also assisted in recovering 12 social homes that were being unlawfully used delivering further savings of £216k.
Sanction cases (Cases where a penalty, caution, fine or prosecution results from an investigation)	13 / 23 Again these figures are lower than previous years due to staff absence. The lower figures also indicate a trend towards fraud being identified sooner and the resulting loss being smaller.
Percentage of successful prosecutions	100% Every case taken to court in 2012/2013 had resulted in a guilty verdict.
HB Debt Reduction	The HB recovery rate achieved was 35%. In real terms (for the debt dealt with by the Fraud Team dealing with 'hard to collect debt') this work generated £10k per month income from ongoing arrangements and cash payments or settlements totalling £180k from a debt of £720k.
Regulation of Investigatory Powers Provision (Managing the Councils use of surveillance and Interception Communications)	HDC was inspected in March 2012 and received a very positive review from the Office of the Interception of Communications Commissioner (IOCCO- Home Office).

<p>To make the Team Cost Effective. (cost neutral requirement based on Spend v Fraud & Ongoing Savings)</p>	<p>The Teams costs for 2012/2013 totalled £174k in salaries and direct on-costs. The Fraud Team received DWP subsidy of £189k (HB Admin Grant). Identified fraud in HB totalling £276k - realising subsidy of £110k. In addition the Fraud Team raised income from penalties and court costs of £13k. As well as delivering an ongoing annual savings of £260k HB, £216k from Tenancy Fraud and recovering around £180k of HB bad-debt.</p>
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Comparison with previous years performance in key areas of detection and outcomes.

Year	Cases Investigated	Success Rate	Value of Fraud (incl non-HB)	People Cautioned/ Fined	People Prosecuted
2008/2009	354	68%	£628k	70	50
2009/2010	358	62%	£519k	51	35
2010/2011	463	63%	£504k	64	30
2011/2012	384	66%	£694k	35	48
2012/2013	297	50%	£276k	13	23

6. RESOURCE IMPLICATIONS

- 6.1 The Teams salary costs for 2012/2013 totalled **£174k**. The Fraud Team received DWP grants of **£189k** (This is taken from the HB Admin Grant). Realised subsidy of **£110k** from identified HB fraud. In addition the Fraud Team raised income from penalties and court costs of **£13k**.

7. OTHER IMPLICATIONS

- 7.1 In early 2013 the Fraud Team was successful in bidding for funding from the Local Government Associations (£27.5k) and DCLG (£341k) to create a Tenancy Fraud Hub across Cambridgeshire to expand on its work dealing with Tenancy Fraud. This funding will be used by partner agencies (CCC, SCDC, FDC, ECDC, PCC) to build data-warehouses, to identify fraud, similar to that at HDC and employ fraud investigators at those councils.
- 7.2 In 2011, as part of the Governments welfare reform programme, the DWP announced that it would be launching the 'Single Fraud Investigation Service' (SFIS). This body will take over all welfare fraud investigations by 2015 and see some investigation functions, and staff, move from local authorities (including HDC) to the DWP.
- 7.3 Due to the success of the work of the Fraud Team HDC have been approached by a number of neighbouring authorities to create a shared service for fraud. The viability of such a service is being reviewed at present.
- 7.4 In December 20113 the Fraud Team won an award from the Cabinet Office in the 'Innovation' category of its *Fighting Fraud Awards 2013*. The Audit Commission have also used HDC as an example of 'Good Practice' in its annual report- *Protecting the Public Purse 2013*- for the work the Fraud Team undertake around tenancy fraud and data-matching.

8 REASONS FOR THE RECOMMENDED DECISIONS

- 8.1 The activity of the Fraud Team in 2012/2013 has shown that if the Council invests sufficient finance and resources the activity of the Team delivers value for money.
- 8.2. Reports from DCLG, Cabinet Office and private sector have all been scrutinised by HDC's Fraud and Audit Teams. As a result a 'Fraud Working Group' composed of Elected Members and Officers has been established and this group reviews new threats and risks as they emerge and determines the focus of the Fraud Teams work.
- 8.3 The work of the Fraud Team should continue until the DWP announce the date for SFIS to go live. In the interim other areas of fraud loss be examined and evaluated to see what future investment HDC will need to make, if any, to mitigate/combat this.

9. LIST OF APPENDICES INCLUDED

Appendix 1 - Fraud Risk- Corporate Governance Report 2012/2013.

BACKGROUND INFORMATION

Protecting The Public Purse- Audit Commission Report 2011 & 2012
The Local Government Fraud Strategy- Fighting Fraud Locally Board 2011
Tackling Fraud and Error in Government 2012- Report of the Fraud, Error and Debt Taskforce (Cabinet Office)
Social Housing Fraud Consultation 2011. DCLG
Eliminating Public Sector Fraud 2012- National Fraud Authority.
Fraud Team Business Plan 2012/2013
Fraud Team Annual Report 2012/2013 (full report)
HDC: Anti-Fraud and Corruption Strategy

CONTACT OFFICER

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**COMT
CORPORATE GOVERNANCE PANEL
CABINET**

FRAUD INVESTIGATION

1. INTRODUCTION

- 1.1 This report provides a summary of the historic activity of the Councils Fraud Team, the current threat of fraud and a proposal to provide a response to these threats following the introduction of a Single Fraud investigation Service between 2013 and 2015
- 1.2 The Councils Fraud Team was originally created to deal with the recognised threat of fraud within the Housing Benefit (HB) and Council Tax Benefit (CTB) schemes administered by HDC as an agent of the Department for Work and Pensions (DWP). The Team has worked closely with the DWP's own investigation branch (Counter Fraud Investigation Service) which is itself charged with the investigation of national benefits such as Job Seekers Allowance and Employment Support Allowance.
- 1.3 Over the last five years the years the remit of the Councils Fraud Team has expanded to include other areas of fraud which affect the authority, such as council tax exemptions, housing, procurement and staff fraud. Even though the remit has expanded the team are funded entirely from central government grant (Benefits Admin) and the recovery of sums defrauded. This work complies with various legislative requirements such as PACE, CPIA, RIPA, CJA, SSAA and the Fraud Act 2006¹.
- 1.3 In 2010 The Coalition Government announced that it would be launching a major review of the existing welfare system and as part of this announcement stated that it would create a Single Fraud Investigation Service (SFIS) to look into all types of welfare fraud. Since then the Government has announced that the SFIS will combine the skills, experience and resources that exist within local councils, DWP and HMRC into one service that will deal solely with the investigation of all welfare fraud but will come under the control of the DWP.
- 1.5 The effect of this announcement is twofold for HDC. Firstly any service which takes existing specialist workers in the fraud arena will see a drain in this resource within local councils. Secondly the DWP provides a grant to local councils for the administration of the HB/CTB schemes, this grant will be reduced as the investigation roles moves from local councils to the DWP.

¹ Police and Criminal Evidence Acts, Criminal Procedures and Investigations Acts, Regulation of Investigatory Powers Acts, Criminal Justice Acts, Social Security Administration Acts.

1.6 In response to the DWP's announcement that local authority staff would move away from providing a local fraud service the National Fraud Authority (an executive agency of the Home Office) The Audit Commission and Department for Communities and Local Government commissioned a report to review the impact of such a transition and a full and detailed report about the financial and reputational risk of fraud to local councils.

1.7 Earlier this year the Home Office in partnership with DCLG and others released its report 'Fighting Fraud Locally'. This report was presented to Councillors at Corporate Governance Panel on 26th June 2012. As a result of the facts presented in that the Panel establish a Working Party of Councillors and Officers to look at the current risks, the implications of SFIS and how HDC manages the established risk in the future. The Working Party was composed of Cllrs, Butler, Churchill and Mitchell and the Councils Audit and Fraud Managers David Harwood and Nick Jennings.

2. The Findings

2.1 Since its establishment the Working Party has met on a number of occasions and established that the following areas should be addressed.

- What was the real threat of fraud?
- How could this be evaluated and corroborated?
- How could this be reduced by having a fraud 'presence'?
- What was the cost of that 'presence' in absence of DWP funding?

2.2 Various reports have been produced by a number of government agencies (DWP/HMRC/DCLG/NAO) and private sector companies (KPMG/PKF/Deloitte). A decision was made that these various sources would be used to establish the potential for actual fraud risk across a variety of Council services. Only areas where a potential fraud loss has been identified are included in this report

2.3

Fraud Type	Source for estimated loss	HDC Estimated loss
Procurement Fraud	Cabinet Office	£390k- £650k
Council Tax Fraud (Discounts and Exemptions)	Cabinet Office	£330k- £560k
Staff Fraud	Cabinet Office	£40k- £70k
Council Tax Support Fraud	DWP	£210k
Tenancy Fraud	Audit Commission/ DCLG	£1.8m
Rental Deposit	HDC records. NFA est of fraud – 5%	£8.5k
Housing Waiting List	HDC records. NFA est of fraud – 5%	250 false applications
Potential Estimated Loss		£2.8m - £3.4m (excl Waiting list)

- 2.4 The Working Party looked at the current performance of the Fraud Team based on its reported output in 2010/2011 & 2011/2012 but excluding its work on welfare fraud, such as HB and CTB.

2010-2011

Fraud Type	Source	Value
CTAX Discount Fraud	Local Data-matching & NFI 2010	£139k
CTAX discount fraud 2010/2011	From other reported fraud	£5k
RSL Properties Recovered	6 @ £18k	£108k
Staff and whistle-blowing allegations commenced	5 matters reported	Variable un-recorded financial outcomes
Actual savings identified		£252k

2011/2012

Fraud Type	Source	Value
CTAX Discount Fraud	Local Data-matching	None undertaken as no-resource
CTAX discount fraud 2011/2012	From other reported fraud	£11k
RSL Properties Recovered	11 @ £18k	£198k
Staff and whistle-blowing allegations commenced	12 matters reported	Variable un-recorded financial outcomes
Actual savings identified		£206k

- 2.5 In 2011/2012 the Fraud Teams cost to HDC was £341k (salaries, on-costs and all other expenditure). The Team identified fraud (including welfare fraud and non-welfare fraud) in of £703k. Income to the Council from the DWP, by way of grants and subsidy, amounted to £385K. Further revenue was raised from court orders and fines imposed of around £50k.

- 2.6 In 2011/2012 the Fraud Team allocated 80% of its resources to welfare fraud identifying £494k of fraud in this area. With an

allocation of just 20% of its resource during the same period £199k of non-welfare fraud was identified.

3. Potential for dealing with the risk of fraud in the future

- 3.1. The chart below combines the potential estimated loss, compared with what has already been established. It is recognised at present that this only scratches the surface as the Fraud Team has no additional resource to tackle these areas without impacting on its welfare fraud work. The chart does show that loss does occur in these areas and the final column shows what might be achievable with additional resources directed solely at these areas.

Fraud Type	Estimated loss	Already Identified	Annual Target
Procurement Fraud	£390k- £650k	Nil	£50k
Council Tax Fraud (Not CTB)	£330k- £560k	£11K	£100k
Staff Fraud	£40k- £70k	Nil	£25k
Council Tax Support Fraud	£210k	£100k <i>(based on CTB)</i>	£100k
Tenancy Fraud	£1.8m	£198K	£300k
Rental Deposit	£8.5k	Nil	£4k
Housing Waiting List	250 false applications	Nil	20 false applications
Potential Estimated Loss	£2.8m - £3.4m (excl Waiting list)	£309k	£579k (excl Waiting list)

- 3.2. Between 2013 and 2015 the Fraud Team will continue to receive funding from the DWP until the Single Fraud Investigation Service goes live. Between 2013 and 2015 the Council's investigations into welfare fraud will be directed and controlled by the DWP working to that departments policies and procedures but still paid for and 'housed' by the Council.
- 3.3. This two year period of grace will give the Council time to investigate the level of fraud in the other areas indicated and establish methods and expertise to deal with these before SFIS results in staff and finances for those staff moving away from the Council but only if resources over and above those provided by the DWP are made available.
- 3.4. The current costs of the Team, £341k (plus cost of living for 2013), is met in full by the DWP. The existing additional savings already identified by the Team could be used to create new posts which would be cost neutral to the Council and in all probability deliver further savings.

4. New areas of work for 2013

- 4.1. In April this year the National Fraud Authority approached HDC to create a 'Fraud Hub' for Cambridgeshire. This was followed a month later by the Chartered Institute of Housing and DCLG approaching the Council to create a 'Tenancy Fraud Forum' for Cambridgeshire. Both approaches were made due to the innovative approach that the Council takes to combat fraud.

- 4.2. The Fraud Hub and the Tenancy Fraud Forum will require a great deal of work across the County, much of which has already started, but as well as recognising that such work will provide even greater savings, across Cambridgeshire as well as just HDC, there is no funding for this activity to be undertaken at present.


5. Options

- 5.1 **Option 1.** HDC stays as it is until the transition to SFIS takes place. This will maintain the status quo and ensure that the Council has in place a robust welfare fraud service between 2013 & 2015. There would be no resources to undertake any other fraud identified by the 'Fighting Fraud Locally' and from 2015 onwards there would be no anti-fraud function at the Council. This would leave the Council at considerable risk of fraud from 2013 onwards.
- 5.2 **Option 2.** HDC moves all or part of its welfare fraud work to the DWP from April 2013. Retains the ongoing funding which will remain in place and uses this to resource a mainly non-welfare fraud function until 2015. This would allow other areas to be developed at no cost to the Council and evaluate potential savings and required resources from 2015 onwards when the DWP funding ends.
- 5.3 **Option 3.** From 2013 move to a wholly non-welfare fraud function. DWP funding would be made available to the Benefit Section to re-invest in additional resources. Funding for a fraud function would have to come from within the Council either from savings delivered, from service areas such as housing, procurement, local taxation. This will ensure that the Council retains long term anti-fraud function which would have to be cost neutral, at least, to be effective.
- 5.4 **Option 4.** As options 2 & 3 but with additional resource being provided to fund a Cambridgeshire wide Fraud Hub supported by other councils, Police and Registered Housing Providers. This funding may come from central government, EU or the Councils themselves and a separate report will be put before members with recommendations if this way forward is agreed.

6. Recommendations

- That the panel acknowledge the work of the Fraud Team in combating all areas of fraud across Council services.
- 6.2 That the panel accepts that the risks of fraud in the areas highlighted in this report are real and potentially avoidable.
- 6.3 That the panel decides whether there is a need for additional 'Spend to Save' investment in the Fraud Team and which option is preferable to it.
- 6.4 That the panel acknowledge that such investment will provide a year on year saving comparable to any expenditure

BACKGROUND INFORMATION

Contact Officer: David Harwood and Nick Jennings -
 01480 388

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: REVIEW OF FRAUD PROSECUTION POLICY
Meeting/Date: Corporate Governance Panel – Jan 2014 (NDJ)
Executive Portfolio: BC
Report by: Corporate Fraud Manager (NDJ)
Ward(s) affected: All

Executive Summary:

The Council currently has had in place for some years a *Fraud Prosecution Policy* for dealing with cases of reported fraud where the matters are so serious that some penalty/sanction is appropriate and in the public interest.

The existing Policy encompasses matters of fraud and theft committed against the Council and in the main relates to offences contrary to the Social Security Administration Act 1992. The recent Welfare Reform Acts, amendments to the Local Government Finance Act 1992 and the introduction of the Prevention of Social Housing Fraud Act 2013 have resulted in amendments to the existing schemes and the introduction of various financial and civil remedies.

This report introduces minor amendments to the *Fraud Prosecution Policy* to bring the Council in line with the new legislation and considers the full range of options available where fraud is identified.

Recommendation(s):

It is recommended that the Panel;

- Adopt the amended *Fraud Prosecution Policy* and authorise the Head of Customer Services, after consultation with the relevant Executive Member and the Head of Legal and Democratic Services, to make any minor changes that may be considered necessary in the future.

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1. WHAT IS THIS REPORT ABOUT?

- 1.1 This report introduces changes to the existing *Fraud Prosecution Policy* to bring it in line with the most recent legislative changes.

2. BACKGROUND

- 2.1 The Council has historically been effective at dealing with fraud where it occurs and bringing prosecutions and sanctions when appropriate in the most serious cases, both as a lead agency in joint matters or solely where the matters only affect HDC.
- 2.2 The Council only considers such action where the matters are serious, such as deliberate or high value frauds, or where offending is persistent.

3. ANALYSIS

- 3.1 Between 2010 and 2013 the Council's Fraud Team has cautioned or fined 112 people and brought prosecutions against a further 101. During the same period over 1100 fraudulent acts were identified. These figures show that the Council uses penalties and prosecution sparingly and only when it is in the public interest to do so.
- 3.2 Analysis of re-offending shows that less than 10% of people receiving a sanction or being prosecuted are reported for any further acts of fraud. Publicity following prosecutions has shown that there is an increased public awareness of fraud where the Council is shown to be effective in dealing with people who commit fraud.

4. KEY IMPACTS/RISKS?

- 4.1 HDC administers and pays out £millions every year in various benefits, discounts and grants. Central government figures estimate that local government is at risk of loss through fraud valued in excess of £2.2bn each year.
- 4.2 Central and local government strategies for dealing with fraud include the need for penalties and punishment where fraud is identified.

5. NEW LEGISLATION

- 5.1 The Welfare Reform Act 2012 introduced a more severe penalty regime for those committing fraud, increasing the levels of financial penalties for cases dealt with out of court.
- 5.2 The introduction of the Council Tax Reduction Scheme to replace Council Tax Benefit from April 2013 included Regulations to allow local authorities to investigate fraud in this new 'benefit' and apply financial penalties and bring prosecutions.
- 5.3 Both of the changes to legislation outlined above also include a provision to allow local authorities to apply civil penalties where benefit claimants fail to report changes in circumstances, which result in overpayments of benefit, but no fraud has occurred. HDC has taken a decision not to apply such penalties as they would be both expensive to recover and excessive on people who may already be in financial difficulties.

- 5.4 The Prevention of Social Housing Fraud Act received Royal Assent in early 2013 and came into force, with regulations, in October 2013. This Act introduces powers for local authorities exclusively, to investigate fraud in this area and bring prosecutions and apply for costs awards through both civil and criminal routes.
- 5.5 The Local Government Finance Act 1992 included provisions for local authorities to apply civil penalties where a person knowingly provides false or incorrect information in relation to their council tax liability. In 2008 the penalty scheme was strengthened and now includes provision for penalties as alternatives to prosecution.
- 5.6 The revised *Fraud Prosecution Policy* reflects all of the changes referred to above.

6. LEGAL IMPLICATIONS

- 6.1 The proposed adoption of a new *Fraud Prosecution Policy* will ensure that the Council is complying with recent legislative changes.

7. RESOURCE IMPLICATIONS

(Comments from the Assistant Director, Finance & Resources)

- 7.1 Prosecutions and sanctions are currently agreed by the appropriate Head of Service. Each case is treated on its own merits and any financial risks identified at that time. All prosecutions will be resolved by the Councils Legal Team as part of its litigation function or external partners including CPS.

8 REASONS FOR THE RECOMMENDED DECISIONS

- 8.1 The amended policy brings the Council in line with current legislation and will provide member consent regarding the way that fraud is dealt with, where it occurs.
- 8.2. Once the Council has adopted these changes allowing the Head of Customer Service to make any future minor changes, with the advice from the Head of Legal and Democratic Services and the agreement of the Portfolio Holder, will ensure that the policy is reviewed and revised when needed. Any significant changes will come before the panel for agreement.

9. LIST OF APPENDICES INCLUDED

Appendix 1 - Fraud Prosecution Policy (2014).

BACKGROUND INFORMATION

The Local Government Fraud Strategy- Fighting Fraud Locally Board 2011
 Tackling Fraud and Error in Government 2012- Report of the Fraud, Error and Debt Taskforce (Cabinet Office)
 The Local Government Finance Act 1992
 The Fraud Act 2006
 The Welfare Reform Act 2012
 Prevention of Social Housing Fraud Act 2013
 The Council Tax Reduction Scheme (Detection of Fraud and Enforcement) Regulations 2013.

CONTACT OFFICER

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HUNTINGDONSHIRE DISTRICT COUNCIL

Fraud Prosecution Policy

1. Introduction

- 1.1 Huntingdonshire District Council (the Council) is committed to delivering the highest standards of service and value for money to the local community in accordance with its corporate plan.
- 1.2 The Council also has a duty to protect from abuse the public funds, resources and assets it administers and be aware of the risks within its financial and delivery systems for fraud, error or other irregularity. In carrying out this duty, the authority may use information provided to it for the purpose of the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.
- 1.3 The Council will wherever possible incorporate effective internal controls to minimise the risk of fraud occurring. However, despite this fraud can be perpetrated and appropriate procedures need to be in place.
- 1.4 The Council understands that some people (including customers, staff, elected Members or contractors) may attempt to obtain financial or some other advantage from Council services to which they are not entitled and sometimes this is done deliberately. Where an investigation has revealed this to be the case the Council will consider the individual circumstances of the case and where appropriate will consider whether a criminal prosecution, or alternative disposal such as financial penalties or Caution, should be applied.
- 1.5 This policy outlines the procedures to be followed with regard to the prosecution of benefit claimants, landlords, employees and Members who have committed benefit fraud. It will serve as a policy statement that is supported by members of the Council who have endorsed the Fraud and Corruption Strategy, and as an operational guide for Investigating Officers.
- 1.6 The council will always have regard to the circumstances of the individual it is dealing with when considering any case of alleged fraud. Every case will be treated on its own merits and it will abide with its duties contained in the Equality Act 2010. The council will, however, have regard to any extenuating and relevant circumstances of the individual including age, disability, learning or language difficulties which may have contributed to alleged offending.
- 1.7 The term Sanction refers to any penalty or criminal prosecution that can be imposed by the council, and allowed by legislation, where offending contrary to any of the following appears, in the Councils opinion, to have occurred.
 - Theft Acts 1968/ 1978 (TA)
 - Forgery and Counterfeiting Act 1987 (FCA)
 - Computer Misuse Use Act 1990 (CMA)
 - Social Security Administration Act 1992 (SSAA)
 - Local Government Finance Act 1992 (LFGA)
 - Data Protection Act 1998 (DPA)
 - Identity Card Act 2006 (ICA)
 - Fraud Act 2006 (FA)

- The Bribery Act 2010 (TBA)
- Welfare Reform Act 2012 (WRA)
- The Prevention of Social Housing Fraud Act 2013. (PSHFA)

2. The Policy

- 2.1 All investigations conducted by the Council must adhere, at all times, to the requirements of the Police and Criminal Evidence Act 1984, the Criminal Procedures and Investigations Act 1996 and the relevant primary legislation listed in 1.7.
- 2.2 All cases that result in an act of dishonesty, fraud, theft, misrepresentation, or reckless/wilful failure being identified, regardless of the level of any alleged offending, will be passed to the Councils Fraud Manager who will decide whether a prosecution or some other disposal is appropriate, and recommend the type of disposal with reasons to the appropriate Head of Service.

Where a sanction/penalty, of any type is to be considered, a recommendation will be made to the appropriate Head of Service for their approval. The Head of Service will convene a panel including an officer from the Councils legal Department, relevant Activity Manager and Fraud Manager so that welfare, legal and policy advice is available as each case is dealt with.

- As a general rule a financial threshold for sanction or prosecution should be considered. The Department for Work and Pensions (DWP) operate financial thresholds for sanction activity and these will be considered by the Council when decisions are made about Benefit Fraud cases.
 - Any prosecution is referred to the most appropriate organisation, i.e. where the primary fraud appears to have been perpetrated. This could be the DWP, the Police, the Councils Legal Department, The Councils Fraud Team or any other body deemed appropriate including external partners.
 - Offering financial penalties, as permitted by legislation, as an alternative to prosecution. (This could include Administrative Penalties allowed under the SSAA 1992 or one off penalties to Council Tax accounts permitted by the LGFA 1992)
 - Offering a formal caution (this can only be offered where there are sufficient grounds to prosecute and the offence has been admitted).
 - Closure of the case without action, if it would not be in the public interest to pursue the particular case. However, the reasons should be fully documented and authorised by the appropriate Head of Service.
 - In all cases the Council will always seek to recover the full value of the fraud whether this is overpaid benefits, underpaid council tax liabilities, over claimed pay or reward, or any other financial gain that the offender has benefitted from.
 - The Council will seek to recover the cost of investigation and any sanction imposed or the cost of recovery from the offender wherever this is possible.
- 2.3 Where any case is to be considered for prosecution or a penalty the Code for Crown Prosecutors requires that every case is considered fairly and objectively and that principles around the standard of evidence and the public interest are considered and that only where these tests are passed should a case be considered for prosecution

2.4 The Evidential Test.

To be considered in all cases regardless of the method of sanction chosen.

The Code for Crown Prosecutors, revised in January 2013, lays out how this test must be applied. Prosecutors must be satisfied that there is sufficient evidence to provide a realistic prospect of conviction against each suspect on each charge. They must consider what the defence case may be, and how it is likely to affect the prospects of conviction. A case which does not pass the evidential stage must not proceed, no matter how serious or sensitive it may be.

2.5 The Public Interest Test

To be considered in all cases regardless of the method of sanction chosen.

The Code for Crown Prosecutors lays out the public interest factors which can increase the need to prosecute or may suggest an alternative course of action. The factors will vary from case to case. Not all the factors will apply to each case and there is no obligation to restrict consideration to the factors listed. In making a decision to prosecute all available information must be carefully considered.

The Councils officers will refer to the latest CPS guidance and Best Practice when considering the public interest test.

3. Alternatives to Prosecution

3.1 Only cases that qualify for court on both the strength of evidence and the public interest factors can be considered for an alternative to prosecution. In essence, this means that the collated evidence must be sufficient to enable criminal proceedings to be initiated. If the evidence is insufficient then no alternative should be considered. In addition to strong independent evidence, there must be an admission of guilt at interview or subsequent written admissions for a formal caution to be considered. Investigations, which fail to meet the above criteria, must be closed without any sanction.

3.2 The defendant must give his informed consent to the alternative procedure to prosecution being offered. If the offer is declined the Council must always be in a position to commence criminal proceedings should it wish to do so. This means that an investigation must have been undertaken as if it was the intention to prosecute if the case is proved. It would be a serious abuse of process to offer an alternative to prosecution in any case where a prosecution would be unlikely to succeed in court.

3.3 As a general rule the following cases should not normally be considered for an alternative to prosecution:

- a) The defendant is a council Member, employee or an employee of another welfare organisation or public body.
- b) The defendant has declined to accept or has withdrawn from their agreement to accept an administrative penalty.
- c) The defendant has declined a formal caution.

- d) The defendant has already received a financial penalty or caution for a previous offence.
- e) The defendant is subject to a prosecution by another agency for a similar offence.
- f) The defendant has previous convictions for similar offences.
- g) Where there is evidence that the defendant has used alias/es or false identities to commit the fraud.

4. Formal Caution

- 4.1 A formal caution is an oral or written warning given to a person who has committed an offence as an alternative to prosecution. In any case selected for caution there must be evidence to prove the offence, admission at an interview under caution and the person being cautioned must give informed consent. Where a caution has been declined the case must then be considered for criminal proceedings.
- 4.2 The Fraud Manager, or other appropriately authorised officer, after agreement from the Head of Service will offer a formal caution in appropriate cases. These will include:
 - a) A first offence that was disclosed by the person at the first opportunity.
 - b) A first offence where the fraudulent act resulted in no financial gain or very limited gain (unless there are exceptional circumstances. In such circumstances the agreement of the Head of Service must be sought before such a sanction is offered.
 - c) Where a genuine mistake or oversight contributed to the offence.

5. Administrative Penalties

- 5.1 Section 115a of the SSAA and Section 11 Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013, introduced financial/administrative penalties as alternatives to prosecution. The legislation which now has several variants allows for various financial penalties amounting to between 30% & 50% of the gross adjudicated overpayment can be offered if the following conditions are met:
 - a) There is a recoverable overpayment or excess award of benefit/reduction as defined by the relevant legislation
 - b) The cause of the overpayment is attributed to an act or omission on the part of the defendant, and
 - c) There are grounds for instituting criminal proceedings for an offence relating to the overpayment upon which a penalty is based.
 - d) The person offered such a penalty has the ability to repay it within a reasonable timescale and the imposition of such a penalty will not over-burden them if they have existing priority debts.
 - e) Penalties should normally only be offered where the overpayment does not exceed £2000 (DWP Guidance for National Benefits only) unless there are exceptional circumstances. In such circumstances the agreement of the Head of Service must be sought before such a penalty is offered.

- 5.2 If the offender declines the offer of a penalty or the offender withdraws his agreement to pay the penalty the case should be considered for prosecution. Where the person signs the agreement but then defaults on repayment of the Penalty this will also be treated as a withdrawal of the agreement by that person.
- 5.3 The Fraud Manager or other appropriately authorised officer, after agreement from the Head of Service, will offer a financial Penalty in appropriate cases. These will include:
- a) An offence where the overpayment is significant enough to consider that the claimant be prosecuted, but also dependant on the length of time over which the overpayment arose.
 - b) Whether or not there has been an admission at an interview under caution.
 - c) Any action the Department of Social Security is taking in relation to the benefit it administers.

6. Penalties for non-criminal matters

- 6.1 The LGFA, the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013 and the SSAA (as amended by the WRA) all permit Councils to impose financial penalties where a person fails to report a material fact.
- 6.2 Each Act lays out its own requirement for such a penalty to be imposed but essentially they all require:
- As a general rule the penalties are fixed one-off 'fines' to be added to a persons liability to pay.
 - They can only be offered where a person fails to report a material fact or is negligent in some way and that failure resulted in an overpayment of benefit or reduction in Council Tax liability.
 - These penalties can only be imposed where no criminal charges or other administrative penalties are offered.
 - The person receiving the penalty can appeal against the imposition of it if/as permitted by the relevant legislation.
- 6.3 Although these penalties could arise from fraud investigations they relate to non-criminal outcomes. They would still need the relevant Head of Service to authorise them and the penalty would be added to an existing liability for collection by the relevant service.

7 Warning letters

- 7.1 Encouraging people who use the Councils services to act honestly at all times should be paramount to any policy that considers criminal/civil penalties for those people that fail in their responsibilities. Warning letters/notices can be used to ensure future compliance, where a minor failure/offence, has been identified to reinforce the individuals knowledge.
- 7.2 In any cases where a minor offence has occurred or there are serious mitigating circumstances or even where to bring action might put the Council at risk of disrepute, a

warning letter can be issued to a person to remind them of their duty/ responsibilities and the implications of a future failure to comply with Council policies/ procedures or relevant legislation.

- 7.3 Such a letter would not be recorded as a criminal disposal but would be kept on record for reference if further matters come to light about the same person in future.

8. Recording Sanctions and Prosecutions

- 7.4 For an effective regime of sanctions to be successful it is a requirement that accurate records of all convictions, penalties and cautions are maintained. This will enable the correct decisions to be made taking full account of the offenders background and antecedent history. Therefore, it is important that a record of each is maintained.
- 7.5 All sanctions must be recorded by the Council and copies of all documents used to consider and issue the sanction retained, in accordance with the Council's Retention Policy, by the Fraud Team and the affected service . Relevant paperwork must also be sent to the DWP (in benefit fraud cases) and in the case of prosecution to the Police National Computer (PNC) Bureau at Cambridgeshire Constabulary to update the central databases on sanction activity.

9 Publicity

- 9.1 It is the Council's intention to positively promote this policy as well as the outcome of any prosecutions, which will deter others from fraudulent activity.

10 Reporting and Review

- 10.1 Summary information on cases and action taken will be reported to the Head of Customer Services and the Executive Councillor on a quarterly basis.
- 10.2 An annual report will be produced for the Head of Service, Senior Management Team and Corporate Governance Panel on all cases where sanctions or prosecutions have resulted from investigations conducted by Council Officers.
- 10.3 This policy will be reviewed annually or when changes in legislation require it.

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Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: Whistleblowing concerns received
Meeting/Date: Corporate Governance Panel – 29 January 2014
Executive Portfolio: Resources: Councillor J A Gray
Report by: Internal Audit Manager
Ward(s) affected: All Wards

Executive Summary

This report summarises the matters that have been received under the Council's whistleblowing policy during the 13 month period ending December 2013.

Employees' and customers have a number of ways to raise whistleblowing concerns. These include an internet form, a specific email address and a dedicated 24 hour telephone.

16 allegations have been received through the whistleblowing channels in the period (as compared to 32 in the year ending November 2102). They fall into the following categories:

- housing and council tax benefit (12)
- enforcement (1)
- social housing (1)
- employee matters (2)

12 of the concerns were made anonymously. All the concerns have been appropriately investigated.

One of the employee allegations was against a named individual, investigated and found unproven.

The second allegation was of a more general nature and referred to employees' car parking arrangements. This allegation was not investigated; senior managers were informed of the nature of the complaint and asked to deal with the matter.

Financial implications

There are no financial implications arising from the report

Legal implications

There are no legal implications arising from the report.

Recommendations:

It is recommended that the Panel note the report.

BACKGROUND PAPERS

Whistleblowing policy & procedure
Whistleblowing allegations received

CONTACT OFFICER

David Harwood. Internal Audit Manager
Tel No. 01480 388115

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: National Fraud Initiative
Meeting/Date: Corporate Governance Panel – 29 January 2014
Executive Portfolio: Resources: Councillor J A Gray
Report by: Internal Audit Manager
Ward(s) affected: All Wards

Executive Summary

This report informs the Panel about the National Fraud Initiative (NFI) of 2012 and the work undertaken on resolving potentially fraudulent matches provided by the Audit Commission.

A statutory national data matching exercise is carried out every two years. The Council's output from the exercise consisted of 1,929 matches that potentially highlighted fraud or error in the payments we were making. Investigation of 355 of the matches has identified two housing benefit claim errors, with a value of slightly less than £1,000.

Financial implications

There are no financial implications arising from the report

Legal implications

There are no financial implications arising from the report.

Recommendation

It is recommended that the Panel note the work that has been undertaken with respect to the 2012 NFI exercise.

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1. BACKGROUND TO THE REPORT

- 1.1 The NFI is a data matching exercise run by the Audit Commission every two years that aims to detect instances of fraud and over/under payment. It involves comparing the Council's own records with the records held by other public bodies.
- 1.2 The Audit Commission conducts the data matching exercise under the statutory powers given to it under Part 2A of the Audit Commission Act 1998 which are themselves derived from the Serious Crime Act 2007. All mandatory participants (which include the council) must provide data and failure to provide data without reasonable reason is a criminal offence.
- 1.3 The last substantial data extraction took place in October 2012 and included payroll, housing benefit, creditor payments and standing data, hackney carriage and personal alcohol licence holders, concessionary travel passes and market traders. Matches for investigation in respect of these datasets were provided to the Council in February 2012.
- 1.4 Council tax and electoral role data is due to be submitted to the Audit Commission in February 2014 with outcomes expected to be released on potential fraudulent single person discount claims during March 2014.
- 1.5 With the abolition of the Audit Commission, the Government has decided to transfer responsibility for the management and operation of the NFI to the Cabinet Office, where it will form part of the Efficiency and Reform Group.

2. DATA PROTECTION

- 2.1 The use of personal data for NFI purposes is covered by the Data Protection Act and as such the Council is required to explain to individuals that their data may be used for the prevention and detection of fraud. Appropriate 'Fair Processing Notices' are included on application forms, letters and bills. Further information is provided on the council's website.
- 2.2 All data that is submitted to the Audit Commission has to be submitted via a secure website that requires files to be encrypted and password protected.

3. RESULTS

- 3.1 The Audit Commission matches the data in numerous ways and summarises the data into a number of categories. Appendix 1 details those categories.
- 3.2 The 2012 exercise identified a total of 1,929 (2,991 in 2010) matches. of which 262 of these were 'recommended' matches (1,150 in 2010).

The reduction in the number of matches appears to be due to the County Council taking on the responsibility for the management of concessionary travel passes. In 2010 over 1,000 matches were received in this category.

- 3.3 The 262 recommended matches fell into three categories as detailed in the table below. Delays to completing the investigations into three housing benefit claims is due to information not yet having been received from another public sector body. The 31 creditor matches that are outstanding have not been investigated as they all fall within the category of vat overpayment. These

payments have been made to bailiff companies. The vat charged in respect of these invoices is correct.

	Total	Investigated	Fraud/Error
Housing Benefit	160	157	1 - £827.66
Payroll	4	4	None
Creditors	39	8	None

- 3.4 Once the recommended matches had been investigated a total of 1,667 matches remained. 186 of these matches were investigated.

	Total	Investigated	%age	Fraud/Error
Housing Benefit	1034	103	10%	1 - £163.84
Payroll	41	38	92%	None
Creditors	592	45	7%	None

- 3.5 A number of the NFI reports aren't particularly sensitive or sophisticated in the way that data is matched. Experience has shown that even when reviewing all matches the number of successful outcomes is low. For that reason an initial review of the non recommended matches is undertaken to identify any that appear to be worthy of investigation.

A risk based approach is then taken to identify matches for further review. For example - NFI report 14.1, Housing Benefit Claimants to Payroll, high quality, between bodies - lists 569 potential matches, 9 of which are recommended matches. Of the remain 560 matches a filter was applied to exclude those matches which had passported benefits applying (Income Support, Job Seekers Allowance income based, Pension Credit or Guarantee Credit, Employment Support Allowance) or were in receipt of the Council Tax second adult rebate. This filter returned three matches, all were reviewed.

- 3.6 Investigation of the matches are undertaken by both the Corporate Fraud and the Internal Audit teams with an overview by the Internal Audit & Risk Manager. The Council's external auditors also review the progress made in evaluating the matches.

- 3.7 Whilst records have not been maintained of the total value of fraud/error identified from all the NFI exercises undertaken, the 2012 review has identified the least amount of fraud or error. This would suggest that that internal control systems are working as intended.

Year	Total Matches	Total Reviewed	No. & value (£) of fraud/error identified	
2012	1929	355	2	991
2010	1990 ¹	649	13	41,739
2008	2330	2267	40	57,000 ²

¹ excludes concessionary travel passes

² includes fraud value only.

- 3.8 Whilst reviewing and investigating the matches provided by the NFI is time consuming, the low level of successful matches provides assurance to the Council that current control arrangements are working effectively. The Panel

should therefore recognise the level of assurance that the NFI exercise brings to the corporate governance of the authority.

4. LIST OF APPENDICES INCLUDED

Appendix 1 – Categories of matched data

Background Papers

NFI data matches

Contact Officer

David Harwood. Internal Audit Manager

Tel No. 01480 388115

Categories of NFI Matched Data

Categories	Matched data records
Housing Benefits to	Student Loans Payroll Pensions UK Visas Housing Benefit Claimants (other authorities) Housing Tenants Housing Right to Buy Market Traders Taxi Drivers Personal alcohol licences Disclosure of Death Registration information
Payroll to	Payroll (other authorities) UK Visas Creditors Nat Insurance number check
Creditors	Duplicate creditors/records by Creditor name Creditor address Bank account number Reference, amount and creditor number Amount and creditor number VAT overpaid

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Internal Audit Opinions
Meeting/Date:	Corporate Governance Panel – 29 January 2014
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Internal Audit Manager
Ward(s) affected:	All Wards

Executive Summary

The report explains the terminology associated with the annual internal audit opinion and internal audit reports. This information was requested by the Panel following the review of their own effectiveness in September 2013.

Public Sector Internal Audit Standard (PSIAS) 2450 states that if an overall internal audit opinion is issued it needs to take into account the expectations of senior management (COMT) and the Board (this Panel). Expectations in this context cover the :

1. value of the opinion to the stakeholders
2. timing of the issue of the opinion
3. form of the opinion
4. level of assurance to be provided
5. period or point in time the opinion covers.

The Internal Audit Charter approved by the Panel in March dealt with points 1, 2, 3 and 5. This report deals with item 4.

Internal audit work is planned and performed to obtain appropriate evidence, sufficient to support the assurance opinion stated in individual audit reports. Since 2004, four levels of assurance opinion have been used in internal audit reports to summarise the adequacy of the controls within individual systems or audited areas – **Substantial, Adequate, Limited and Little**. The opinion levels and supporting definitions are regularly reviewed.

Chief Officers' Management Team, in taking into account the current risk appetite (as described within the risk management strategy), require managers to achieve an overall 'adequate' level of assurance across their systems and processes.

The annual internal audit opinion upon the Council's internal control environment is based upon the work carried out by Internal Audit during the year and the assurance made available by external assessors and similar providers. The annual internal audit opinion has always been expressed by using one of the four opinion descriptors noted above. It is proposed that this approach remains.

It is important to recognise that whenever an audit opinion is expressed it is the internal auditors subjective view based upon the findings of their review. Limitations

exist in all systems of internal control. Even when stated positively, the opinion is neither a guarantee, nor should it be taken as providing 'absolute' assurance, that the system is free from error or that it will always meet its objectives.

Financial implications

There are no direct financial implications arising from the report. If the Panel decide that they require 'substantial' assurance across all service areas, it is likely that additional controls will be required to be introduced. The cost associated with these cannot be determined at this time.

Recommendations:

It is recommended that the Panel note the report and the process followed for preparing both the annual and individual internal audit report assurance opinions.

1. INDIVIDUAL INTERNAL AUDIT OPINIONS

- 1.1 At the conclusion of an internal audit review, the auditor will form a judgement, based on the work they have completed, as to the overall assurance opinion they believe should be included in the internal audit report.

There are four opinions available: **Substantial, Adequate, Limited, or Little.**

The opinion issued is based upon the auditors view as to the existence and adequacy of the controls in place to manage the risks within the system under review and the reliance that a manager can place upon those controls. The opinion given is nothing more than a shorthand way of expressing the auditor's level of concern. The focus of attention should be on the specific audits findings and the actions that will address them.

- 1.2 The opinion that is given (see Appendix 1) is included in specific paragraph in the report, e.g.

“Based on the audit work undertaken it is my opinion that the inherent risks are generally well managed although there are some control weaknesses which have been identified. Consequently, if the existing approach is maintained I am able to provide adequate assurance that the system risks are being properly managed”.

- 1.3 Auditors work to the following guidelines when deciding upon the opinion to be given:

Inherent Risks Are	Absence of Controls ¹	Control Failings In System ²	System impact / Implications	Assurance Level Given
Well / over managed	None	None	Objectives achieved	Substantial
Generally well managed	Minor	Minor	Objectives achieved	Adequate
Not adequately managed	Significant	Major	Objectives not met & significant improvements required	Limited
Not being managed	Major	Major	Objectives not met & risk of significant error or abuse	Little

¹ Controls are effective in design

² Controls are effective in operation

- 1.4 Whilst there will be many unique inherent risks within a system, the majority of reviews will also consider a number of common areas and the opinion reached takes into account how well these common areas are managed:

- procedure notes/instructions
- authority to take decisions/compliance with Constitution
- identification and management of service development risks
- data protection/bribery and
- performance management information.

2. INTERNAL AUDIT ACTIONS

- 2.1 Managers are responsible for how their services operate. For that reason, internal audit reports do not include recommendations, but suggested actions for managements consideration.
- 2.2 The actions fall into two categories: red (high risk failings) or amber (medium risk failings).

Red High risk: current controls are inadequate and/or ineffective. The inherent risks have not been properly managed and the resulting residual risk has the potential to seriously affect service delivery. High risk actions must be implemented as the current exposure to risk is unacceptably high, indicating a major control weakness.

Actions will normally be given a red priority when the residual risk identified

- adversely affects the annual *Statement on Corporate Governance*
- may result in the significant loss of funds or assets
- may lead to service delivery failures which could adversely affect the council's reputation
- shows non-compliance with statutory requirements, the Council's Constitution or its codes and/or policies.

Amber Medium risk: current controls that manage the inherent risks need to be improved to further reduce the residual risks and give managers greater confidence in the system. Control weaknesses identified during the audit have the potential to compromise internal control, operational effectiveness or service delivery.

Actions will be given an amber priority when the residual risk identified

- shows non-compliance with established good practice
- the lack of, or failure of performance management or reporting systems
- failures in supporting systems
- non-major failures in controls that potentially affect compliance with key Council responsibilities listed under the High Risk priority definition above.

- 2.3 Red actions that cannot be agreed are referred to the S151 Officer, whilst amber actions that cannot be agreed will be referred to the appropriate member of Chief Officers' Management Team. In this way, the acceptance of the control failing that has been identified has to be formally accepted and understood by senior management. Any actions that fall into this category are reported to the Panel in the interim/annual internal audit report.

3. ANNUAL INTERNAL AUDIT OPINION

- 3.1 The Internal Audit Charter requires that "the annual report shall be timed to support the Council's Annual Statement of Assurance on Corporate Governance and include an opinion on the overall adequacy and effectiveness of the control environment".

Definition of the control environment is included at Appendix 2. The definition has been used since 2006 and been taken directly from the Cipfa Code of

Practice for Internal Audit in Local Government in the United Kingdom. The Cipfa Code is no longer applicable having been replaced by the Public Sector Internal Audit Standards. The Standards do not provide any similar definition of control environment. The definitions in Appendix 2 remain valid.

- 3.2 The annual opinion is based upon the audit work completed in the previous year, results of follow-up work on agreed audit actions that have been introduced (including any changes in 'limited' or 'little' assurance opinions previously issued) and any opinions that can be relied upon from the work of other assurance bodies.
- 3.3 The opinion is again given using one of the four assurance opinions – substantial, adequate, limited or little. The descriptions of these opinions (as described in Appendix 1) is used as the basis for deciding on the overall opinion.
- 3.4 The opinion that is given is in a 'positive' form and so provides the highest level of assurance. In providing positive assurance, the Internal Audit Manager take a definite position – that internal controls are or are not effective or the risks are or are not being managed.
- 3.5 On occasions, the opinion has remained positive, but been qualified. This is useful in situations where there is an exception to the general opinion, e.g. controls were adequate with the exception of accounts payable controls which require significant improvement.
- 3.6 The alternative opinion that can be given is that of 'negative' assurance. This type of opinion does not provide the same assurance value. It is a statement that nothing came to the auditors attention that would indicate inadequate controls are in place. The negative opinion merely states that the internal auditor has not encountered any issues within the work they performed.

4. LIST OF APPENDICES INCLUDED

- Appendix 1 – Internal audit opinion statements
- Appendix 2 – Definition of internal control environment

BACKGROUND PAPERS

Public Sector Internal Audit Standards.

CONTACT OFFICER

David Harwood. Internal Audit Manager
Tel No. 01480 388115

INTERNAL AUDIT OPINION STATEMENTS

The following information is an extract of the information contained in the internal audit manual.

Assurance opinion options	Audit Report paragraph
<p>Substantial</p> <p>There are no weaknesses in the level of control for managing the material inherent risks within the system. Testing shows that controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically apart from any excessive controls which are identified in the report.</p>	<p>Based on the audit work undertaken it is my opinion that the inherent risks in the system are</p> <p>(option 1) being well managed and that key controls are being applied consistently and effectively.</p> <p>(option 2) too low, and the system is being over managed.</p> <p>Consequently, if the existing approach is maintained I am able to provide substantial assurance that the system risks are being properly managed.</p>
<p>Adequate</p> <p>There are minor weaknesses in the level of control for managing the material inherent risks within the system. Some control failings have been identified from the systems evaluation and testing which need to be corrected. The control failings do not put at risk achievement of the system's objectives</p>	<p>Based on the audit work undertaken it is my opinion that the inherent risks are generally well managed although there are some control weaknesses which have been identified</p> <p>Consequently, if the existing approach is maintained I am able to provide adequate assurance that the system risks are being properly managed.</p>
<p>Limited</p> <p>There are weaknesses in the level of control for managing the material inherent risks within the system. Too many control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.</p>	<p>Based on the audit work undertaken it is my opinion that the inherent risks are not being adequately managed. There is a clear risk that the system will fail to achieve its objectives.</p> <p>Consequently, if the existing approach is maintained I am able to provide only limited assurance that the system risks are being properly managed.</p>

Little

There are major, fundamental weaknesses in the level of control for managing the material inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meeting its objectives.

Based on the audit work undertaken it is my opinion that the inherent risks in the system are not being managed properly. The system is not capable of achieving its objectives.

Consequently, if the existing approach is maintained I am able to provide little assurance that the system risks are being properly managed.

Guide to selecting the assurance opinion

This guide is intended to be the starting point (rather than being an authoritative key) for deciding upon the actual assurance opinion to be given. Opinions can't be judged solely on the basis of the number of actions in a particular category. The auditors judgement on the controls in place, controls that are absent and the consequences arising from, or likelihood of events occurring due to the residual risks, all need to be considered.

The Audit Manager agrees all assurance opinions reported. All audits where Little assurance is given will be highlighted in the Annual Governance Statement.

Red	Amber	Inherent Risks are	Level of Assurance
No	No	well managed, over managed	Substantial No report, memo only
No	Yes	generally well managed	Adequate
Yes	Yes	not being adequately managed	Limited
Yes	Yes	not being managed	Little

The selection of the Limited or Little assurance opinion will depend upon the significance and number of red suggested actions.

Internal Control Environment

The following definitions are contained in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006).

Internal control environment:

The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- establishing and monitoring the achievement of the organisation's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness
- the financial management of the organisation and the reporting of financial management
- the performance management of the organisation and the reporting of performance management

Internal control

A term to describe the totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

Public
Key Decision - No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: Internal Audit Service: Interim Progress Report
Meeting/Date: Corporate Governance Panel – 29 January 2014
Executive Portfolio: Resources: Councillor J A Gray
Report by: Internal Audit & Risk Manager
Ward(s) affected: All Wards

Executive Summary

The report details the work completed by the Internal Audit Service during the period April to December 2013 and associated performance issues.

During the reporting period it should be noted that:

- One 'little' assurance and five 'limited' assurance opinions were issued.
- The continuous audit approach to key financial systems has proved successful and is to continue.
- 72% of agreed internal audit actions (target 100%) for the year ending 31 December 2013 were introduced on time.

The computer audit contract with Deloitte's is to be extended until the 31 January 2015.

The Internal Audit & Risk Manager continues to report functionally to the Corporate Governance Panel and maintains organisational independence. He has had no constraints placed upon him in respect of determining overall audit coverage, audit methodology, the delivery of the audit plan or proposing actions for improvement or forming opinions on individual audit reports issued.

Financial & Legal implications

There are no financial or legal implications arising from this report.

Recommendation:

It is recommended that the Panel note the report.

1. Delivery of the 2013/14 Audit Plan

1.1 Panel approved the internal audit plan (consisting of 34 reviews and 5 continuous audit areas) at its March 2013 meeting. The Panel agreed that the audit plan should be more dynamic than in previous years and that a trial should be undertaken on refreshing the plan quarterly, to allow for changing circumstances (risks, operations, programs, systems and controls) to be taken into account.

1.2 A substantial amount of unplanned time was spent, and is continuing to be spent on dealing with the One Leisure St Ives redevelopment. To account for this, three audits were removed from the plan - LGSS contract management, the delivery of the leadership objectives and performance management.

The external auditor completed work earlier this year on the value for money aspect of the LGSS contract, and touched in part upon contract management. The development of service plans and the related performance management systems that underpin the leadership objectives is expected to be in place by April 2014. It is the intention that all three reviews will be undertaken during the 2014/15 plan year.

1.3 As at the 31 December, 32 reviews are anticipated to be completed by 31 March 2014. 23 reviews have been completed or are substantially underway.

1.4 Current indications are that two of the remaining audits planned for this year (email monitoring and e-recruitment) may need to be delayed due to significant IT system/procedure changes being introduced. If that is the case, then further contract related reviews are likely to be substituted.

1.5 Details of all the audits that have been issued in the reporting period are shown in Appendix A. All completed audit reports are available via the internal audit intranet pages. At the request of the Panel, audit reports have also been circulated to all Panel Members. The first set of reports were circulated in December.

2. IT Audit Coverage

2.1 Due to the specialist nature of IT audit, it is delivered under contract by Deloitte & Touche Public Sector Internal Audit (Deloitte's PSIAS). The Council have been informed that Deloitte's PSIAS is to be sold to Mazars LLP, with the sale due to be completed on the 31 January. Mazars LLP have indicated that there will be no changes to the audit team who undertake the IT audit work.

2.2. Prior to being informed of the sale, a decision was taken that the current contract with Deloitte's PSIAS, which was coming to the end of its initial two year period, would be extended until 31 January 2015. The extension option was preferred to the re-tendering of the contract as this would allow for the future governance and internal audit arrangements arising

from the potential out-sourcing of IMD to be clarified and agreed. A decision on IT audit coverage from 2015/16 onwards will then be made. The Panel will be kept informed of the decisions that are taken.

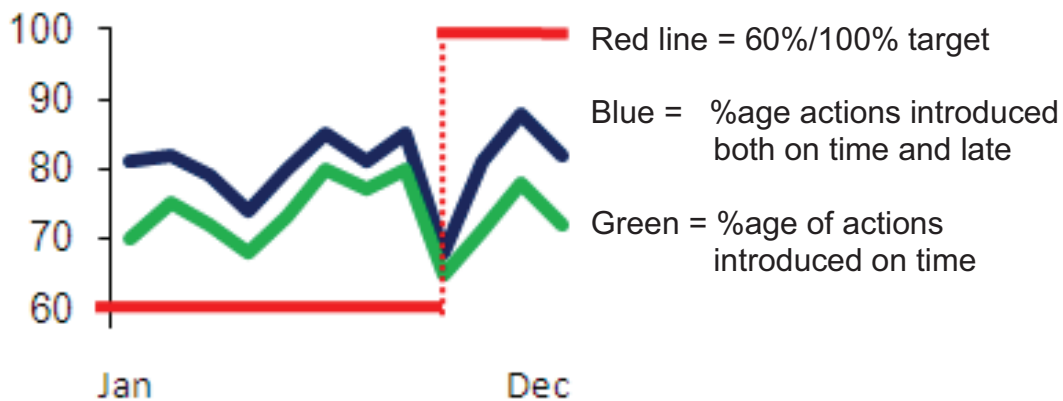
2.3 The IT audit plan was agreed in December 2012 for the 15 month period ending March 2014. 10 areas were planned to be reviewed. As at the 31 December seven of those reviews have been completed, three within 2012/13 and four within the current audit plan year. One of the reviews (application review of Community Infrastructure Levy) did not progress further than the draft reporting stage due to a management decision to procure alternative software. Two further reviews commenced during January. It is expected that the final review will be completed by the year end.

3. Implementation of Agreed Actions

3.1 From September 2013, Chief Officers' Management Team (COMT) increased the target for introducing agreed audit actions on time, from 65% to 100%. Performance is reported to the COMT each month.

For the year ending December 2013, 72% of agreed actions were introduced on time.

3.2 The chart below shows performance for the year ending December 2013.



	Status of Action			TOTAL
	Introduced on time	Introduced Late	Not introduced	
Red Action	15	3	3	21
Amber Action	48	6	12	66
Total	63	9	15	87
% age	72%	10%	18%	

3.3 A sample of actions that have been reported as being completed are checked to see that the action introduced sufficiently addresses the risk that has been identified.

If during the review of actions introduced it is found that the action taken does not fully deal with the risk then the action that has been taken to address the risk identified is discussed with the appropriate manager and if necessary, changes to the database are made to reflect the actual position.

4. Internal Audit's Performance

4.1 Information is included in Appendix 2.

5. List of Appendices

Appendix 1 – Internal audit work undertaken.

Appendix 2 – Internal audit performance

CONTACT OFFICER

David Harwood. Internal Audit & Risk Manager

Tel No. 01480 388115

**Summary of Internal Audit Work
1 April to 31 December 2013**

Internal Audit reports issued during the period

Audit area	Level of assurance				Agreed action status	
	Substantial	Adequate	Limited	Little	Red	Amber
Cashiering income & receipting	✓✓				0	1
Value added tax	✓✓				0	2
Staff travel & subsistence	✓✓				0	4
Call Centre: Amundsen House		✓			0	0
Electronic documentation management		✓			0	4
Pay review/job evaluation		✓			2	2
Consultants & employment status			x		0	2
Income generation & grant income			x		0	4
Internet use monitoring			x		1	5
One Leisure: Café Zest			x		3	5
Information management			x		4	4
Social media				xx	7	3
Computer Audit						
Application upgrades & patching		✓			0	5
Application review: Gladstone MRM		✓			0	6
Software licensing		✓			1	1

There were no suggested actions proposed by internal audit during the draft or final reporting stages that were rejected by management.

The table above does include the work that has been undertaken in respect of the continuous auditing of key controls within the main financial systems of

- Council Tax
- Main Accounting System (incl. bank reconciliations)
- Accounts Payable (Creditors)
- Accounts Receivable (Debtors)

Reviews have been conducted on a quarterly basis within these areas. A number of minor control failings have been identified. Reports that summarise the findings from the main financial systems will be prepared following the completion of the March reviews.

Internal audit have also undertaken work in a number of other areas. These include:

- Review of the sales bonus scheme in use within One Leisure.
- Responding to whistleblowing allegations and reviewing the approved policy.
- Consideration of the national fraud initiative data.
- Attending 17 quotation openings.

- Leading the annual governance review and preparation of the annual governance statement.
- Development of the employee handbook.
- Involvement with the social media user group and developing policy.

Guidance has also been provided on an ad-hoc basis on a wide variety of control issues.

Issued identified from previous reports

Previous reports to the Panel have identified a number of issues of concern. A review of these has been undertaken and current progress is detailed below.

One Leisure – Pure and Café Zest

The reviews of the management of the 'Pure' spa and therapy facilities and Café Zest identified similar types of control failings. These included inconsistent operations across the Centres, the lack of formal business plans, strategies and targets. Little management review or monitoring is performed. Stock controls were weak and inconsistent. Pricing and discount arrangements were not sufficiently controlled.

A follow-up review has been completed in respect of 'Pure'. This found that all the agreed actions had been introduced. The Café Zest follow-up review is due to be conducted by 31 March.

Post Implementation Reviews (PIR)

There is infrequent, formal challenge or consideration of the value for money aspects of completed projects. The prime emphasis has tended to be on project budget approval with less concern on demonstrating improved service outcomes. One of the two agreed actions has been the introduced. The outstanding action is reliant upon the completion of the project management guidance, as it refers to the process to be followed for undertaking a PIR.

Code of Procurement

A number of reports have been considered by the Panel during the year that referred to non-compliance with the Code of Procurement. As a result of the instructions that have been issued by COMT to managers, changes to the Code of Procurement and the attendance by internal audit staff at the opening of quotations, it is evident that compliance with the Code has improved.

A contract audit training course was attended by all the internal audit team and the Fraud Manager in September 2013. As a result of this, a summary record of contractors and tender prices is being developed alongside an expenditure analysis. Both documents will be used to inform the selection of contacts for future audit.

Establishment Control

Ensuring the accuracy of the payroll to reduce the opportunity for fraud is a key control. The six monthly establishment report for July 2013 were emailed to managers in July 2013 by LGSS HR. Despite reminders being issued, 10 (16%) of the 63 managers had not provided a response at the time of writing this report.

For information: Levels of Assurance - Definitions

<i>Substantial Assurance</i>	✓✓	<i>There are no weaknesses in the level of internal control for managing the material inherent risks within the system. Testing shows that controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically apart from any excessive controls which are identified in the report.</i>
<i>Adequate Assurance</i>	✓	<i>There are minor weaknesses in the level of control for managing the material inherent risks within the system. Some control failings have been identified from the systems evaluation and testing which need to be corrected. The control failings do not put at risk achievement of the system's objectives.</i>
<i>Limited Assurance</i>	✗	<i>There are weaknesses in the level of internal control for managing the material inherent risks within the system. Too many control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.</i>
<i>Little Assurance</i>	✗✗	<i>There are major, fundamental weaknesses in the level of control for managing the material inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meeting its objectives.</i>

Internal Audit Performance

Customer Satisfaction

Target: 85% or more of auditees rating service quality as good or better.

Achieved: 12 months to December 2013 - 100% (from 19 responses)

At the conclusion of all audits, managers are requested to complete an end of audit survey form and give an opinion on the value of the audit. The options available are – very good, good, acceptable, requires improvement or unacceptable. Target information is calculated on a rolling twelve month basis rather than by financial year.

Service Delivery Targets

Target: The service delivery targets achieved.

There are four elements to this target which all relate to the progress of individual audits and the reporting process.

Since all the auditors have become part-time it has become clear that they do not have the same degree of flexibility to manage meeting dates as they did when working full-time. There is no intention to change the targets. They are challenging.

	Target	Achieved	
		@ June 2013	@ Dec 2013
a) Complete audit fieldwork by the date stated on the audit brief.	75%	71%	57%
b) Issue draft audit reports within 15 working days of completing fieldwork.	90%	75%	61%
c) Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report.	75%	64%	67%
d) Issue final audit report within 5 working days of receiving full response.	90%	92%	78%

Service Developments

Planned developments include:

- Formally introducing a quality assurance and improvement programme.
- Introducing business rates into the continuous audit process and examining the opportunities from the use of automated software.
- Reviewing the wider role of the Internal Audit Manager across the Council against the Cipfa publication “The role of the head of internal audit in public sector service organisations”.

HUNTINGDONSHIRE DISTRICT COUNCIL

Title: External Auditors: ISA 260 Report - 2012/13:
Implementation of Recommendations

Meeting/Date: Corporate Governance Panel
29 January 2014

Executive Portfolio: Resources: Councillor J A Gray

Report by: Assistant Director (Finance and Resources)

Ward(s) affected: All Wards

Executive Summary:

Following the external audit of the 2012/13 Annual Financial Report, the Council's external auditor, PricewaterhouseCoopers, issued their ISA 260 Report. Within this report, the auditors made 35 recommendations:

- 1 was not accepted by management.
- 1 required no further action
- 27 had an implementation date of prior to the date of this meeting, and
- 6 had an implementation date of after this meeting (although 3 have already been implemented).

Management continues to progress with implementing all the accepted recommendations by the latest date of 30th June 2014.

Recommendation(s):

The Panel is requested to note this report

1. PURPOSE

- 1.1 At the conclusion of the audit of 2012/13 Annual Financial Report, the Council's external auditor, PricewaterhouseCoopers issued their ISA 260 Report. Within this report the auditors made a number of recommendations to the Council that would improve both the accounts closure process and the governance framework.

2. BACKGROUND

- 2.1 The Panel is designated as "those charged with governance". Members will recall that at the meeting of the 26th September 2013 they received a draft ISA 260 report. On the 27th September 2013 the Assistant Director (Finance and Resources) circulated to all members the final ISA 260 report. Within this report the auditors had made 35 recommendations; of these two recommendations were not to be actioned, one:

- in respect of Zero Base Budgeting was not accepted by management.
- proposed an action that was not applicable to the current HR LGSS contract, so no further action is necessary.

- 2.2 Of the remaining 33 recommendations:

- 6 were in respect of the Accounts.
- 27 were in respect of Governance.

3. Implementation of Recommendations

- 3.1 Of the 35 recommendations to be implemented, 27 had an implementation date prior to this meeting and 6 had a date after this meeting. The table below gives a summary of the current implementation position (a detailed analysis is shown in the attached Appendix).

IAS 260 (2012/13) - Recommendations Implemented		Accounts	Governance
Implementation date before January 2014 Corporate Governance Panel	- Not implemented	0	0
	- Implemented	4	23
Implementation date after January 2014 Corporate Governance Panel	- Not Implemented	2	1
	- Implemented	0	3
Total		6	27

- 3.2 Of the three recommendations not currently implemented, the:

- two recommendations in respect of the Accounts cannot be implemented until 2013/14 accounts closure has commenced.
- one recommendation in respect of Governance is in relation to the budgeting and allocation of overheads. This will be reviewed and actioned during the latter stages of the budget consolidation process.

These three recommendations present a low risk to the Council as they are technical adjustments.

- 3.3 It is expected that the external auditors will undertake their independent review of the implementation of these recommendations either at the Interim Audit (February/March 2014) or during the audit of the 2013/14 accounts (summer of 2014). They will then report back to the Panel in September 2014 as part of their 2013/14 ISA 260 report with their conclusions.

4. LEGAL IMPLICATIONS

- 4.1 As the Auditors recommendations are considered and addressed by this report, there are no specific legal implications arising.

5. RESOURCE IMPLICATIONS

- 5.1 No additional resources are required to ensure that these recommendations are implemented.

LIST OF APPENDICES INCLUDED

Appendix – Implementation of ISA 260 (2012/13) Recommendations

BACKGROUND PAPERS

Working papers in Financial Services.

CONTACT OFFICER

Steve Couper, Assistant Director (Finance and Resources).

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Clive Mason, Accountancy Manager

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Implementation of ISA 260 (2012/13) Recommendations

APPENDIX

Issue	Commentary		Management Response	HoS	Activity Manager	Deadline for achievement	Proposed Action
	(extract from ISA 260)						

Recommendation Not Agreed by Management.

Governance	Financial position (continued) (page 15 of ISA 260 Report)	7.8	We believe it is also best practice that zero based budgeting is performed and appropriate challenge is applied during the budget setting process to better identify and understand the Authority's cost base.	This can be extremely resource hungry, but it has its place and could be an appropriate tool in the future as we search for an additional £3.2M of savings.	Assistant Director (Finance & Resources)	N/a	N/a	It is considered that Zero Based Budgeting will not be the most productive means of cost management. However, where applicable services will be reviewed on a ZBB basis on an ongoing but ad-hoc basis.
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Recommendation where No further action required.

Governance	Project management (page 17 of ISA 260 Report)	8.5	No arrangements for the Authority to share in efficiencies through cost reductions except where changes in systems or deliverables proposed.	This contract, at HDC request, was based on a fixed price contract with no inflation provision, thus implicitly requiring LGSS to make efficiency savings equivalent to inflation each year to break-even.	No action required	No action required	No action required	No action required
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Recommendations not yet implemented.

64	Accounting	Cut off treatment for housing and council tax benefit (page 8 of ISA 260 Report)	1	On the basis that there is no clear guidance, a variety of options are being used by Authorities, the amount is below materiality, any impact on the general fund would be trivial and the improvement of the information provided to the users of the accounts would be negligible, it has been deemed reasonable for the authority to continue to account on a paid basis. We have agreed this will be included as a critical accounting judgement in the Annual Financial Report which has already been amended by management. We recommend that management monitor the value year on year and consider whether adjustments should be made in future years.	> For 2013/14 and future years financial reporting, the value of benefit payments paid in the following year that are applicable to the year of account will be determined and a consequential creditor accrual produced. To negate any impact on the General Fund Balance an equal and opposite debtor accrual will be made to reflect the amount that will be reimbursed by government.	Assistant Director (Finance & Resources)	Accountancy Manager	30 June 2014 (not possible to do prior to the financial year-end as this is an Accounts Closure task)	During April, in consultation with Housing Benefits, an amount of HB paid 2013/14 but applicable to 2014/15 and paid 2014/15 but applicable to 2013/14 will be established. If the net amount exceeds the "materiality threshold" (we shall use a figure of £1.0m) then an adjustment will be made in the accounts (Debtors and Creditors). However, if it is not material then no adjustment will be made but the working paper will be kept to prove the decision.
	Accounting	Estimated economic useful lives of property, plant and equipment and intangible assets (page 10 of ISA 260 Report)	5	The Authority does not depreciate additions and enhancements in the year of acquisition. We confirmed that the impact of depreciating in the year of acquisition is not material. We recommend that management ensures that they continue to review the reasonableness of applying this policy on an annual basis.	> Agreed	Assistant Director (Finance & Resources)	Accountancy Manager	30 June 2014 (not possible to do prior to the financial year-end as this is an Accounts Closure task)	An annual assessment during the period of "capital closure" will be made to confirm the reasonableness of this policy.
	Governance	Financial position (continued) (page 15 of ISA 260 Report)	7.5	Some items are held on central codes pending allocation to individual services so that the net budget is achieved but all of the budget may not be allocated to services at that time.	> This relates to certain shared items that are often technical or cross service. For example the provision for inflation before it is allocated at detailed budget level or a restructuring where it is not yet clear what the impact will be on the individual service budgets. It will only used where unavoidable and only for as long as necessary.	Assistant Director (Finance & Resources)	Accountancy Manager	30-Apr-14	See Management Response

Implementation of ISA 260 (2012/13) Recommendations

APPENDIX

Issue	Commentary (extract from ISA 260)	Management Response	HoS	Activity Manager	Deadline for achievement	Proposed Action
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Recommendations implemented.

Accounting	Treatment of trading operations (page 8 of ISA 260 Report)	2	Our view is that, whilst management's new assessment of what constitutes a trading activity is deemed reasonable, the initial treatment within the draft Annual Financial Report did not conform with the Code guidance notes, which stipulate that income and expenditure associated with services provided under the Authority's remit should remain within the net cost of services. This has resulted in the prior year reclassification being removed from the Annual Financial Report on the basis of materiality.	> All accounting adjustments have been made.	Assistant Director (Finance & Resources)	Accountancy Manager	30-Jun-13	Implemented.
Accounting	Bank reconciliations (page 9 of ISA 260 Report)	3	Following discussion with management we have been provided with one reconciliation which reconciles all bank account balances in total with the ledger balance as at 31 March 2013. However, reconciliations should be performed on an account by account basis.	> A review is currently being undertaken to determine the "general ledger" opening balances for each individual back account. Once completed (by end of December) the working papers will be submitted to external audit for consideration in the interim audit for 2013/14.	Assistant Director (Finance & Resources)	Accountancy Manager	31-Dec-13	Implemented.
Accounting	Pensions liability (page 9 of ISA 260 Report)	4	Cambridgeshire County Council Local Government Pension Scheme (CCC LGPS) provided an estimated pension liability position at 31 March 2013 of £58 million. A subsequent report in August showed a higher figure that would have increased the figure by around £3M. This issue affects all admitted bodies to the CCC LGPS.	> External Audit will provide their view on the necessary action as soon as possible. This will either require adjustments to the statements or just a change to the notes. Any adjustment to the statements is non-cash so will not affect the level of the Council's General Reserve.	Assistant Director (Finance & Resources)	Accountancy Manager	30-Jun-13	Implemented.
Accounting	Provision for bad debts (page 12 of ISA 260 Report)	6		> A review of the provision has been performed. This work resulted in management identifying the potential for releasing £0.390m from the bad debts provision back to general reserves but due to the difficult economic climate the decision was taken to be cautious by only releasing half of this sum in 2012/13 and reviewing the position again when the 2023/14 accounts were produced. Following discussion with the auditors the full £0.390m has been released in the 2012/13 accounts which increases the General Fund Reserve by £0.195m.	Assistant Director (Finance & Resources)	Accountancy Manager	30-Jun-13	Implemented.
Governance	Financial position (page 15 of ISA 260 Report)	7.1	Despite this use of reserves, and comparing approved budgets to the final out-turn for the years 2009/10, 2010/11 and 2011/12, it has been demonstrated that there has been a consistent pattern of under spending.	> 1. Accountants will undertake a preliminary review of budgets pre-budget holder meetings; including identifying areas of concerns and ways to address. 2. Accountants will meet with Budget Holders, discuss budget (including previous years trends) and agree forecasts (all forecasts are to be "meaningful" and reflective of service requirements. 3. Where accountants/budget holders disagree, this will be escalated to Accountancy Manager/then AD (Finance and Resources) > Financial training is being prepared for budget holders > Heads of Service and Team Managers have all been informed of the absolute necessity for them to take full ownership of the management of their budgets with the support of accountancy staff. It has been stressed that the accuracy of forecasting must improve and that failure to reasonably identify underspendings will be treated as seriously as overspendings. This point is included in the AGS.	Assistant Director (Finance & Resources) Assistant Director (Finance & Resources) Assistant Director (Finance & Resources)	Accountancy Manager Accountancy Manager ALL Senior Managers and Team Managers Meeting	Ongoing from October 2013 31-Oct-13	Implemented Implemented. > Discussed at Senior Management Group 4th September 2013. > Discussed at Activity Managers Group 17th September 2013.

Implementation of ISA 260 (2012/13) Recommendations

APPENDIX

Issue		Commentary	Management Response	HoS	Activity Manager	Deadline for achievement	Proposed Action
		(extract from ISA 260)					
Governance	Financial position (page 15 of ISA 260 Report)	7.2	<p>Examples of savings plans not being supported by robust working papers that substantiate or support the figures included in the MTP and budget.</p> <p>Relevant information did exist to support the relevant items but it was not adequately recorded in an organised fashion. This will be corrected in this year's MTP process and Project management arrangements will be put in place.</p> <ul style="list-style-type: none"> > - development of good supporting working papers. > - project planning, including the development of project plan. 	See below			
				Assistant Director (Finance & Resources)	Accountancy Manager	22-Nov-13	Implemented
				Assistant Director (Finance & Resources)	Accountancy Manager	04-Oct-13	Implemented
Governance	Financial position (continued) (page 15 of ISA 260 Report)	7.3	<p>We understand from discussion with management that budget holders are sometimes provided with aspirational targets which are refined in subsequent MTP reviews.</p> <ul style="list-style-type: none"> > Modified processes will reduce this practice. Some of the aspirational targets set a few years ago turned out to be unreasonably optimistic and were reduced in subsequent MTPs. They will continue to have a place in the process but will only be used where there is some broad information to support the general scale of the figure and they will be a priority for refining at the earliest opportunity. 	Assistant Director (Finance & Resources)		22-Nov-13	Implemented
							Where aspirational estimates are used, these will be supported by a relevant working papers.
Governance	Financial position (continued) (page 15 of ISA 260 Report)	7.4	<p>The MTP process has been highly dependent on a single individual with minimal secondary review before submission to Members. In addition not all variances to the MTP spreadsheet are substantiated by working papers stating the assumptions made and any conditions attached.</p> <p>The financial and business planning processes are being redefined and integrated to provide greater consistency, transparency and ownership. The process this year has been more inclusive, both to:</p> <ul style="list-style-type: none"> > - ensure that the sources of data are fully recorded, > - but it will also ensure that the spreadsheet model is secure and checked. 	See below			
				Assistant Director (Finance & Resources)	Accountancy Manager	22-Nov-13	Implemented
				Assistant Director (Finance & Resources)	Accountancy Manager	22-Nov-13	Implemented
							Each entry to the MTP model will be supported by relevant working papers
							There will be an ongoing process of reconciliation and appropriate spreadsheet control, including relevant password and version control.
Governance	Financial position (continued) (page 15 of ISA 260 Report)	7.6	<p>A formal savings plan is not separately identified, agreed at the start of each financial period and monitored over the course of the year.</p> <p>Currently, the practice is that savings items are generally allocated direct to the specific budgets that they relate to. It is then the task of the relevant service manager to manage the net budget that results and highlight through the budgetary control process whether they expect to underspend or overspend and why (including whether it was a significant variance on a savings item). Given the Council's financial position, and the intended integration with the business planning process,</p> <ul style="list-style-type: none"> > - the process of monitoring savings will be developed to give a timely consistent method which also highlights any impact on service delivery. 	See below			
				Assistant Director (Finance & Resources)	Accountancy Manager	28-Feb-14	Implemented
							From October 2013, the MTP savings that were identified for the 2013/14 budget are monitored on a monthly basis - including relevant comments from Heads of Service on reasons for non-achievement. This is reported to COMT on a monthly basis.

Implementation of ISA 260 (2012/13) Recommendations

APPENDIX

Issue		Commentary (extract from ISA 260)	Management Response	HoS	Activity Manager	Deadline for achievement	Proposed Action	
Governance	Financial position (continued) (page 15 of ISA 260 Report)	7.7	We consider it would be good practice for the Authority to introduce formal procedures to initially record and subsequently monitor savings plans, with each plan having an assigned 'owner' who monitors the plan regularly and reports variances to Cabinet with budgetary information. > - the position will be reviewed as we move into a phase of more visible links between financial and business planning.	The integrated process described above has served the council's needs. However, > - the position will be reviewed as we move into a phase of more visible links between financial and business planning.	See below Assistant Director (Finance & Resources)	Accountancy Manager	28-Feb-14	Implemented From October 2013, the MTP savings that were identified for the 2013/14 budget are monitored on a monthly basis - including relevant comments from Heads of Service on reasons for non-achievement. From December 2013 onwards, the savings monitoring document will be reported to Cabinet members on a monthly basis.
Governance	Financial position (continued) (page 15 of ISA 260 Report)	7.9	The regularity of the current in year financial reporting should be considered. > A high level dashboard on the financial position is produced monthly for all Members > and a further monthly service highlight report will be produced, based on Head of Service - with Heads of Service commenting on over or under spends.	> Cabinet receives financial monitoring reports quarterly and managers review their budgets monthly. > A high level dashboard on the financial position is produced monthly for all Members > and a further monthly service highlight report will be produced, based on Head of Service - with Heads of Service commenting on over or under spends.	Assistant Director (Finance & Resources) Assistant Director (Finance & Resources) Assistant Director (Finance & Resources)	Accountancy Manager Accountancy Manager Accountancy Manager	The schedule of reporting is: > July - previous year outturn + current year forecast (first 3 months) > September - budget forecast report + including current year forecast (first 5 months) > January - budget forecast report (first 9 months) This is produced by the end of the first week of each month for circulation the following week. Ongoing from October 2013	Implemented Implemented Implemented
Governance	Project management (page 17 of ISA 260 Report)	8.1	The report refers to a legal view from the Authority being awaited as to whether the LGSS contract meets the definition of a shared service/partnership agreement, and if it should have been subject to EU tendering rules. > The Head of Legal and Democratic Services has provided a response setting out the legislation and case law exempting public sector contracts from EU procurement requirements, where there is co-operation between Councils with the aim of providing public services.	> The Head of Legal and Democratic Services has provided a response setting out the legislation and case law exempting public sector contracts from EU procurement requirements, where there is co-operation between Councils with the aim of providing public services.	Head of Legal and Democratic Services	N/a		Implemented
Governance	Project management (page 17 of ISA 260 Report)	8.2	The Head of Legal and Democratic Services was involved in the review of the contract until a late stages in the process. > The Head of Legal and Democratic Services will be fully involved at an early stage in any further such contracts.	> The Head of Legal and Democratic Services will be fully involved at an early stage in any further such contracts.	Head of Legal and Democratic Services	N/a	31-Mar-14	See Management Response
Governance	Project management (page 17 of ISA 260 Report)	8.3	Working Papers to substantiate the reduction to £3,997k have not been found. No challenge was made at the time to request supporting information from the relevant manager. > All managers will be reminded that they must ensure that records for any such adjustments are fully supported and retained.	> All managers will be reminded that they must ensure that records for any such adjustments are fully supported and retained.	Assistant Director (Finance & Resources)	N/a	31-Oct-13	Implemented An email to be sent to all managers to instruct them to justify all savings, budget adjustments and forecasts.
			> 1. Accountants will undertake a preliminary review of budgets pre-budget holder meetings; including identifying areas of concerns and ways to address. 2. Accountants will meet with Budget Holders, discuss budget (including previous years trends) and agree forecasts (all forecasts are to be "meaningful" and reflective of service requirements. 3. Where accountants/budget holders disagree, this will be escalated to Accountancy Manager/then AD (Finance and Resources)	> 1. Accountants will undertake a preliminary review of budgets pre-budget holder meetings; including identifying areas of concerns and ways to address. 2. Accountants will meet with Budget Holders, discuss budget (including previous years trends) and agree forecasts (all forecasts are to be "meaningful" and reflective of service requirements. 3. Where accountants/budget holders disagree, this will be escalated to Accountancy Manager/then AD (Finance and Resources)	Assistant Director (Finance & Resources)	Accountancy Manager	Ongoing from October 2013	Implemented (monthly budget holder meetings are forensically reviewing budgets, including developing forecasts. Such forecasts, based on the Head of Service format are reported to COMIT on a monthly basis, commencing in October 2013)

Implementation of ISA 260 (2012/13) Recommendations

APPENDIX

Issue		Commentary (extract from ISA 260)	Management Response	HoS	Activity Manager	Deadline for achievement	Proposed Action	
Governance	Project management (page 17 of ISA 260 Report)	8.4	No penalty clauses for underperformance other than the fact that remedial action can be undertaken at LGSS' expense.	Noted.	COMT	30-Nov-13	All future contracts with LGSS will include penalty clauses.	
Governance	Project management (page 17 of ISA 260 Report)	8.6	Performance monitoring reports are prepared by LGSS and reviewed at performance review meetings; however these are not subject to independent scrutiny and review for accuracy.	Position will be reviewed to determine any proportionate ways of verifying accuracy.	Head of Corporate Office	Corporate Policy and Performance Manager	30-Nov-13	Implemented (although late, not until January 2014) Review of LGSS Performance Statistics HDC will expect to receive LGSS performance statistics in respect of all performance criteria within the current contract. This will then be reviewed by HDC to determine if the LGSS statistics seem reasonable - and discussed with them whereas necessary. Independent Validation of LGSS Performance Statistics HDC has in place, and recently re-emphasised with managers, the "exception" reporting of issues pertaining to LGSS. The comments received will be reviewed and reported to LGSS with an expectation that the problem will not occur again. There will be ongoing monitoring of issues raised to determine if LGSS is "learning" from past issues.
Governance	Project management (page 17 of ISA 260 Report)	8.7	Contract overview meetings could be more formalised.	> A formal meeting cycle is now in place, with appropriate governance.	Head of Corporate Office	Corporate Policy and Performance Manager	30-Nov-13	Implemented
Governance	Project management (page 17 of ISA 260 Report)	8.8	At the time of writing this report a formal review and report on how the service is performing has not been undertaken. We understand that	> A formal report on service performance was taken to the September Employment Panel.	Head of Corporate Office	Corporate Policy and Performance Manager	30-Nov-13	Implemented
Governance	Project management (page 17 of ISA 260 Report)	8.9	We therefore recommend that additional evidence in respect of the compliance, regularity and value for money of the LGSS contract is sought to ensure lessons are learnt before making any decisions.	> All of the above points together with any further comments from staff and LGSS will be taken full account of during any further agreements with LGSS or other parties for sharing or outsourcing services. Project Management is included in the AGS	Head of Corporate Office	Corporate Policy and Performance Manager	30-Nov-13	Implemented
Governance	Procurement and Contracting (page 18 of ISA 260 Report)	9.1		It is considered that the combination of the July report and the proposals in the report on the Panel's September meeting will cover these issues. This point is included in the AGS	Assistant Director (Finance & Resources)	Audit and Risk Manager	30-Nov-13	Implemented
Governance	Culture of control and compliance (page 19 of ISA 260 Report)	10.1	Concerns over the overall culture of compliance within the Authority,	> The Managing Director is personally addressing this issue and has made it clear at a number of meetings with managers that non-compliance is not an option and will potentially lead to disciplinary action. > Suitable processes are in the course of development.	Managing Director	N/a	31-Dec-13	Implemented At the November Corporate Governance Committee, the Committee received a report, and noted, that a series of Governance Boards were to be established to review key control areas (e.g. Finance, Procurement, Risk etc) to ensure that governance is embedded within Council business. The first Governance Board (Finance) commenced in early December 2012. See above.
Governance	Culture of control and compliance (page 19 of ISA 260 Report)	10.2	The Authority is heavily dependent on key individuals for its financial reporting, without whom the improvements made in the last two years could be lost.	> Future plans will ensure that risk is minimised.	Assistant Director (Finance & Resources)	N/a	31-Dec-13	Implemented Accounts Closure: - Working papers to support accounts production are comprehensive and based on best practice. - Where changes are made through the audit process, these changes are recorded and amendments made in future years. Budget - Through the 2014/15 budget preparation, a process of "hand-over" is being undertaken between the AD (Finance & Resources) and the Accountancy Manager.

Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Work Programme & Training
Meeting/Date: Corporate Governance Panel – 29 January 2014
Executive Portfolio: Resources: Councillor J A Gray
Report by: Internal Audit Manager
Ward(s) affected: All Wards

Executive Summary:

The anticipated work programme for the Panel for the next year is shown at Appendix 1.

Panel are asked to consider the work programme and decide what training they would like in preparation for the next or future agendas. Normally this training would be for 30-45 minutes immediately prior to the formal meeting but there may be occasions when a separate longer session would be more appropriate.

Training can be provided by appropriate officers, external audit or external trainers (subject to budgetary constraints).

Revised guidance was issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) in December, on the function and operation of audit committees in local authorities. It contains a knowledge and skills framework for audit committee members (Appendix 2) which may be used as a guide by Members to evaluate their overall knowledge and training needs.

Panel also endorsed last September, a recommendation arising from the review of the Panel's own effectiveness (conducted by the Chairman and Vice-Chairman), that Members of the Panel complete a skills assessment to identify training needs. It is proposed that the CIPFA skills framework is used as the basis for devising a more formal training programme, including new Member induction.

Financial implications

There are no financial implications.

Recommendations:

It is recommended that the Panel

- a) consider what training is to be provided prior to the March meeting; and
- b) approve the skills framework as the basis for a formal training programme..

Background papers

CIPFA: Audit Committees. Practical Guidance for Local Authorities

Contact Officer

David Harwood. Internal Audit Manager
Tel No. 01480 388115

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Anticipated Work Programme

March 2014

Review of Council constitution incl.
 Code of financial management
 Code of procurement
 Internal Audit Plan
 External Audit: Audit plan and grant claims
 Employee handbook/code of conduct
 Corporate Board and assurance mapping
 Risk register review
 RIPA inspection review: the Interception of Communications Commissioner

May 2014

Review of the internal audit service
 Internal audit annual report & opinion
 Effectiveness review of Licensing and Protection Panels
 Progress on issues raised in the Annual Governance Statement

July 2014

Annual report - Feedback
 Preparing the Annual Governance Statement
 Corporate Board and assurance mapping

September 2014

Approval of the statement of accounts
 Approval of the Annual Governance Statement
 External audit – ISA 260 report
 Effectiveness of the Panel
 Risk register review

November 2014

Whistleblowing : policy review & investigations
 Corporate Board and assurance mapping
 Annual reports – Freedom of Information
 – Business Continuity Planning
 Internal Audit interim progress report

January 2015

Progress on introducing external audit recommendations
 Review of the anti-fraud & corruption strategy
 Corporate Fraud Team investigation activity
 Whistleblowing concerns received
 National Fraud Initiative

In addition to the items listed above, reports may be submitted on an ad-hoc basis on

Awards of compensation	Employee's code of conduct
Ombudsman reviews	Money laundering and bribery
Accounting policies	National Fraud Initiative
External audit recommendations	Effectiveness reviews of Panels/Committees
Constitutional matters	Other governance matters (e.g. equality)

CIPFA Audit Committee Guidance

Audit Committee Member knowledge and skills framework

Area	Details of core knowledge required
Organisational knowledge	An overview of the governance structures of the authority and decision-making processes. Knowledge of the organisational objectives and major functions of the authority.
Audit committee role and functions	An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements. Knowledge of the purpose and role of the audit committee.
Governance	Knowledge of the six principles of the CIPFA/SOLACE Good Governance Framework and the requirements of the Annual Governance Statement. Knowledge of the local code of governance.
Internal audit	An awareness of the key principles of the <i>Public Sector Internal Audit Standards</i> and the <i>Local Government Application Note</i> . Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled.
Financial management and accounting	Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. Understanding of good financial management principles. Knowledge of how the organisation meets the requirements of the role of the chief financial officer, as required by the <i>CIPFA Statement on the Role of the Chief Financial Officer in Local Government</i> .
External audit	Knowledge of the role and functions of the external auditor and who currently undertakes this role. Knowledge of the key reports and assurances that external audit will provide. Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken.
Risk management	Understanding of the principles of risk management, including linkage to good governance and decision making. Knowledge of the risk management policy and strategy of the organisation. Understanding of risk governance arrangements, including the role of members and of the audit committee.
Counter-fraud	An understanding of the main areas of fraud risk the organisation is exposed to. Knowledge of the principles of good fraud risk management practice. Knowledge of the organisation's arrangements for tackling fraud.
Values of good governance	Knowledge of the Seven Principles of Public Life. Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff. Knowledge of the whistleblowing arrangements in the authority.